



Association pour la participation des  
entreprises françaises à l'harmonisation  
comptable internationale



IFRS Foundation  
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July 29, 2019

Dear Chair,

**Re: Exposure Draft - Proposed amendments to the IFRS Foundation Due Process Handbook**

We welcome the opportunity to comment on the proposed amendments to the Due Process Handbook since we believe that due process is the cornerstone of a high quality and useful standard-setting activity.

Please find our comments below and do not hesitate to contact us for further explanation.

ACTEO

Patrice MARTEAU  
Chairman

AFEP

François SOULMAGNON  
Director General

MEDEF

Agnès LEPINAY  
Director of economic  
and financial affairs

**Question 1—Effect analysis The DPOC proposes to amend the section ‘Effect analysis’ to:**

- embed explicitly the process of analysing the effects throughout the standard-setting process;
- explain the scope of the analysis;
- explain how the Board reports the effects throughout the process; and
- differentiate the effect analysis process from the final effect analysis report.

Do you agree with these proposed amendments?

We remain in favour of the principle of carrying out analyses of the costs and benefits of proposed standards. We would emphasise that such analyses should be commenced as early as practical in the standard-setting process in order to ensure that significant difficulties are detected in good time for remedies to be developed. We have the following additional comments:

- Notwithstanding our view that it is important to commence the effects studies early in the process, we recognise that it is often difficult for preparers to identify reliably the extent of the effort required to implement a standard before the final wording has been published. The IASB should therefore, in our view, take a cautious view of the results of early estimates of the time and effort required. As an example, numerous preparers are of the opinion that the IASB under-estimated the costs of the implementation of IFRS 16 on the grounds that most of the information required for the accounting was already necessary for the disclosures that were already in place. In fact, for companies outside the financial sector, this was one of the most resource-consuming implementations that we have experienced, requiring tailor-made IT systems (that were not compliant at all with IFRS 16 when IFRS 16 was issued and are still a major issue), consultants, dedicated internal project and external audit teams, and extensive involvement of operational personnel. It might also be useful and instructive to carry out an effect analysis as part of the Post-Implementation Review in order to test the accuracy of the analyses performed upstream of the implementation and to calibrate the confidence levels and margin for error for future effect analyses.
- We think that the process of drawing up the effects study should be more transparent. It would be helpful if there were information provided about the persons or organisations consulted, if not by name, then at least by indication of, for example, the number and type of stakeholder, the sector they operate in and their size. ACTEO -AFEP -MEDEF as organisations represent a very wide range of entities in France but we are never contacted for this sort of exercise. We think this may equally be the case for other European organisations.  
We therefore think that preparers should be involved more in the elaboration of the effects study in order to ensure that the questions asked of participants are realistic and will allow the analysis to address effectively the issues that are anticipated to be critical.
- In our view, effects studies would also be useful in the context of the work carried out by the IFRS Interpretations Committee, at least on the main topics debated, since this body is becoming more and more involved in the standard-setting and -maintenance process. During these studies it might well be useful to evaluate the relevance of the information resulting from the matter under review even when there is no doubt about the technical reading of the text.

- We would also repeat a request that we have made in the past, which is that representatives of the preparers be included in the population to whom the “fatal flaw” drafts of future standards are circulated. Provided that the “rules of engagement” are clearly set, this would be a very effective means of ensuring that there are no unintended consequences in respect of implementation effort.

**Question 2—Agenda decisions The DPOC has proposed the following amendments relating to agenda decisions:**

- to provide the Board with the ability to publish agenda decisions;
- to better explain the objective and nature of explanatory material in an agenda decision; and
- to reflect in the Handbook that an entity should be entitled to sufficient time both to determine whether to make an accounting policy change as a result of an agenda decision, and to implement any such change.

Do you agree with these proposed amendments?

**IASB Agenda decision**

We disagree with the introduction of an additional layer of “de facto” standard setting as long as the issue of IFRIC Agenda Decisions and other educational material is still pending (see our comments below). Furthermore, we fear that such new “material” can offer the possibility of avoiding standard-setting activity in circumstances where we could consider that it would be more appropriate. If we take as an example the recent debate about the way to account for the impact of a modification in a financial liability, we suspect that the Board could have used an agenda decision instead of modifying the basis of conclusion when amending IFRS 9 on a very different issue. We did not agree with this approach, but we would not have found the publication of a mere agenda decision any more appropriate. Indeed, because of the strong divergences in interpretation and implementation, this issue would have deserved a true due process of standard-setting activity.

We understand that Board agenda decisions are intended to be used only when questions about application arise relating to standards which have not yet become effective or widely implemented. In other words, the question has not yet come within the remit of the IFRS Interpretations Committee (IFRIC). If this new formal category of agenda decision were to be recognised in the Due Process Handbook, we think that this scope restriction (limited only to new standards) should also be specified.

**IFRIC agenda decision**

We agree with the proposal to include within the Handbook the principle that the entity should be entitled to sufficient time to determine whether an accounting policy change is required and to implement any consequential change as a result of an agenda decision. We think that this is reasonable and pragmatic.

Although the DPH provides some clarification, the nature and status of agenda decisions (AD) appears still too vague and ambiguous.

In our view, agenda decisions should be used only when a simple reference to specific paragraphs of IFRS standards (or conceptual framework) is needed to resolve the issue brought to the Committee. When a more sophisticated analysis supported by explanatory material is needed to solve the issue, we believe that an agenda decision is no longer appropriate. A standard-setting activity should therefore be undertaken (interpretation or targeted amendment) with a systematic report to the Board. This need for standard-setting activity will be even more apparent if outreaches have been conducted and have illustrated strong divergences in practice and/or understanding of the standard. Moreover, the ambiguous "status" of agenda decisions makes their extended use particularly critical. It is illusory to think that they are not as binding as an amendment or an interpretation, since they become "best practice" in the eyes of regulators or auditors, and yet they are not subject to the same due process nor do they benefit from transitional provisions. As with amendments or interpretations, they can also lead to significant changes in financial reporting.

In addition to the clarification of their status, we keenly advocate a reduction in their use which would put less pressure on their due process.

Finally, if their use were to remain unchanged, in view of the increasing number of agenda decisions and their potentially fundamental impact for entities, we think that the due process should be revised at the very least in the following areas:

- The deadlines for responding to the outreach of the staff upstream of the drafting of the agenda papers are much too short;
- The time allowed to respond to the tentative agenda decisions is often too short in view of the number of issues dealt with, which is frequently large.
  - We think that the time allowed for comments should be extended (to between 90 or 120 days) or the number of issues rejected per session should be limited.
  - We understand why the Committee is keen to provide a rapid response to those that have submitted questions, but we think one must find a better balance between giving a rapid response and maintaining a due process which will allow as many stakeholders as possible an opportunity to contribute to the process.
- We also take the opportunity to encourage the good practice mentioned in paragraph 3.8 on the availability of staff papers 10-14 days before they are scheduled for discussion. On major projects, it can happen that some agenda papers are available only a few days before the meeting is held, leaving no time for preparers to discuss them ahead of the meeting (as an example, the agenda papers on RRA for the May 2019 Board meeting). It was also not clear that this would be an educational session.  
We appreciate the efforts made by the staff to develop topics extensively in the agenda papers, however it would be quite useful to have more concise resumes not exceeding, say 10 pages, for example (appendices excluded).

Finally, we agree with the following statement (paragraph 7.6) "[in]developing IFRIC Interpretations, the Interpretations Committee is not seeking to create an extensive rule-oriented environment, nor does it act as an urgent issues group." We have long supported the concept of principle-based accounting standards. Consequently, we are very concerned by the rapid expansion of a parallel system of standard setting developed by auditors and regulators. Indeed, we have seen more and more frequent cases of audit networks publishing what appear to be in-house interpretations of the texts,

thereby putting the preparers before a “fait accompli” and leaving them little possibility of comeback or comment. We wonder what the role of the Trustees should be in order to limit and contain this unacceptable drift.

**Question 3—other matters The DPOC has proposed to amend the Handbook on other matters including:**

- the type of review required for different types of educational material;
- consultation in connection with adding projects to the Board’s work plan;
- clarifications of the IFRS Taxonomy due process and Taxonomy updates and the role of the DPOC in overseeing Taxonomy due process.

Do you agree with these proposed amendments?

In respect of the educational material published by the Board, we note that the amendments provide for a more structured framework. Nonetheless, we think that in view of the major impact that this material can have on the application of the standards and the constraining nature of the conclusions drawn (particularly when imposed by auditors and regulators), that the publication of this kind of material should be subject to the same process and discipline as for agenda decisions, since, in the end, it has the same role and the same impact as the latter. Moreover, it is not very clear to us what distinction is made between the publication of an agenda decision and the publication of a webinar. We are of the opinion that the third category [material explaining or illustrating how the requirements in a Standard might be applied] should be abandoned and the content treated in the same way as interpretation or targeted amendments. Our remarks about agenda decisions above would also apply to the remaining educational material.

As far as the processes for XBRL are concerned, we are not opposed to their inclusion in the due process framework. However, we are concerned by the amount of space they take up in the standard-setting process. We note that there is a wish to involve the Taxonomy team more and more early in the standard-setting process. We are opposed to this. In our opinion, taxonomy should merely be the tool for translating standards into a communication medium and should not in any circumstances have any influence over the development of a standard.

**Question 4—Consequential amendments to the IFRS Foundation Constitution The Trustees of the IFRS Foundation have proposed to amend the IFRS Foundation Constitution as a result of the proposed amendments to the Handbook relating to the role of the IFRS Advisory Council.**

Do you agree with these proposed consequential amendments?

Yes