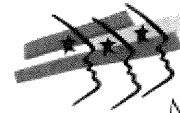




Association pour la participation des  
entreprises françaises à l'harmonisation  
comptable internationale



Mouvement  
des Entreprises de France  
**MEDEF**

**IAS 24 Amendments**

IASB  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Paris, May 24, 2007

Ref : Exposure draft of amendments to IAS 24

ACTEO & MEDEF welcome the opportunity to comment on the proposed amendments to IAS 24 Related party transactions.

We welcome proposals which tend to avoid unnecessary burden and disclosures. We welcome the exception for state-controlled entities that we view as pragmatic.

However we disagree with increased disclosures on related-party transactions, namely the additional requirement of disclosing commitments.

We provide more detailed comments in the appendix to this letter.

We remain at your disposal should you need further clarification or background information.

Yours sincerely,

*ACTEO*

**Patrice MARTEAU**  
Chairman

*MEDEF*

**Agnès LEPINAY**  
Director of economic, financial  
and fiscal affairs

## Appendix to ACTEO & MEDEF comment letter on proposed amendments to IAS 24 Related Party Transactions

### ***Question 1 – State-controlled entities***

- (a) *Do you agree with the proposal to provide, in the circumstances described in this exposure draft, an exemption for entities controlled or significantly influenced by the state? If not, why? What would you propose instead and why?*

Yes, we believe that information provided as disclosures should be limited to what is really useful to the user of financial statements. We understand that in the context of state-controlled entities, the information required by IAS 24 would not be useful to the user of financial statements. We therefore agree with the Board's proposal. However we would like to stress that the exemption scope in paragraph 17(a) should be extended to entities in which the State shares joint control.

- (b) *Do you agree :*

- (i) *that an indicator approach is an appropriate method for identifying when the exemption should be provided for entities controlled or significantly influenced by the state; and*  
(ii) *that the proposed indicators are appropriate?*

*If not, why? What would you propose instead and why?*

Indicators are useful to identify areas where heavier control and careful attention is required. Indicators are useful to support a principle based approach especially when, as is proposed, it is clearly stated that the list is not exhaustive. We therefore support an indicator approach to be used in identifying related parties which may have an influence on the financial position and profit or loss of the reporting entity.

Nevertheless, we support the view that the indicators remain only indicators which need to be analysed with judgement in order to identify related parties. We suggest that paragraphs 17A and 17B be reworded, as the proposed wording suggests that indicators are evidence that influence was exercised. Our understanding is that these indicators are due to draw attention and require scrutiny, as is explained in BC16 and BC 17, but not trigger automatic requirement to disclose related party transactions. Judgement remains necessary to assess whether the indicator verifies, i.e. that influence is indeed being exercised.

### ***Question 2 : Definition of a related party***

- (a) *The definition of a related party in IAS 24 does not include, for a subsidiary's individual or separate financial statements, an associate of the subsidiary's controlling investor. The Board has decided that it should be included, and thus proposes to amend the definition of a related party. The Board similarly proposes that when the investor is a person, entities that are either significantly influenced or controlled by that person are to be treated as related to each other. Do you agree with this proposed amendment? If not, why? What would you propose instead and why?*

We agree with the change proposed.

*(b) IAS 24 does not define associates of an entity as related parties. However, when a person has significant influence over an entity and a close member of the family of that person has significant influence over another entity, IAS 24 defines those two entities as related parties. The Board proposes to align the definition for both types of ownership by excluding from the definition of a related party an entity that is significantly influenced by a person and an entity that is significantly influenced by a close member of the family of that person. Do you agree with the proposed amendment? If not, why? What would you propose instead and why?*

We agree with the change proposed.

*(c) IAS 24 defines any entity over which a member of the key management personnel of the reporting entity has control, joint control or significant influence, or in which the member holds significant voting power, as related to the reporting entity. However, the converse is not true. Thus, when the entity that a person controls, jointly controls or significantly influences, or in which the person has significant voting power, is the reporting entity and that person is a member of the key management personnel of another entity, that other entity is not defined as related to the reporting entity. The Board proposes to remove this inconsistency by expanding the definition to encompass both situations. Do you agree with the proposed amendment? If not, why? What would you propose instead and why?*

Yes, we do.

*(d) Do you agree with the proposal to clarify the definition of a related party? Does the wording proposed capture the same set of related parties as IAS 24 at present (except for the amendments described in (a)–(c) above)? Do you agree that the proposed wording improves the definition of a related party? If not, why? What would you propose instead and why?*

The related party definition described in paragraph 9(b)(vii) “a member of the key management personnel of the entity, or a parent of the entity, has control, joint control or significant influence over, or significant voting power in, the reporting entity” puts forward a problem that might, or might not, have existed with the previous definition.

If our understanding is correct, in the situation illustrated above (illustration from situation described in IE9), entity A and entity B are related parties because a close member of the family of one of the key managers of entity B has significant influence in A. We therefore understand that it would be necessary to ask for private information to all the minority partners in all the entities of a group (for instance Group G in our illustration) in order to comply.

This goes far beyond the information that a group can reasonably be expected to collect (such information cannot be requested and is not obtainable without specific request).

### ***Question 3 : Definition of related party transactions :***

*Do you agree with the proposal to clarify the definition of a related party transaction? If not, why? What changes would you propose and why?*

We agree.