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Françoise Florès
Chairman
EFRAG
Square de Meeûs 35
1000 B-Brussels
Belgium

Dear Françoise

Consultation on Pro-active Activities

I write on behalf of the Financial Reporting Standards Committee of the European Accounting Association to comment formally on EFRAG's Consultation.

We would like to comment generally to say that we do support the concept of EFRAG undertaking exploratory work outside the scope of what is immediately on the IASB's agenda. We do believe that European inputs to the international process would have more weight if Europe were able to establish itself as a fruitful and serious source of ideas on financial reporting, and in particular ideas that were different from the conventional US approaches.

In response to the specific questions set out in your consultation document, I append a series of specific answers, and will be happy to clarify any of these, should that be necessary.

With kind regards

Peter Walton
Chairman, Financial Reporting Standards Committee
European Accounting Association

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Appendix

Consultation on Proactive Work

RESPONSES TO QUESTIONS

1. Prior to this consultation were you aware of EFRAG's Proactive Accounting in Europe (PAAinE) publications? Did you find them useful and why or why not? In what ways do you think they could have been improved? Do you think they had a sufficient focus on European issues?

Yes we were aware of the Proactive publications. Yes they were generally useful, but occasionally highlighted problems without proposing solutions. They could go further down the line of proposing practical solutions. No, we thought there was room for expanding the purely European character of the documents.

2. Based on the description above (under 'How we influence the IASB'), at what point in the standard-setting process should EFRAG focus its proactive work? Also are there specific aspects of financial reporting where we should concentrate our activities?

We agree that in principle EFRAG should be aiming to develop papers, much as the G4+1 did, that address accounting issues, both cutting edge and improvements to the existing standards. We think, however, that EFRAG could also address infrastructure differences by explaining to the rest of the world how European business works, how management strategies might be distinct, the way in which audits are conducted in Europe, and the general approach of preparers to regulation.

3. Table 2 'Proposed Proactive Projects' below identifies projects where EFRAG considers it may be useful to undertake proactive work. Can you rank the projects from most to least important based on EFRAG's strategic aims:

Our ranking is as follows (FRSC additions to the list are underlined):

1. Understanding the Decision Environments of Users of the financial report
2. Application of IFRS to individual financial statements
3. Understanding the preparer/auditor environment of European companies (We believe that members of the IASB – not limited to US members - have very little understanding of the European business environment nor of how it differs in particular from the US business environment. This means that they do not understand the potential impact of standards.)
4. The application of materiality in European financial reporting (It is we believe a major issue for both regulators and auditors in determining whether IFRS have been applied in all material aspects).
5. European perspective on development of post implementation reviews (Post-implementation review policy)
6. Government grants
7. Post-implementation review of IFRIC 12 ‘Service Concession Arrangements
8. Performance Reporting – Phase 3
9. Develop European input to IASB’s post-implementation review of IFRS 3 Business Combinations
10. Develop European Input to the IASB’s post-implementation review of IFRS 8 Operating Segments
11. Share-based payments