



Paris, 09/24/2007

**EFRAG draft comment letter on IASB exposure draft for SMEs
MEDEF position**

General comments

MEDEF strongly supports EFRAG's general views on the ED IFRS for SMEs and welcomes its proposal for further improvements and simplifications. IFRS for SMEs could be a useful tool for international development of companies, on an optional basis only, but it has to be tailored for their needs. The current project is not simplified enough and would not be suitable for a large part of SMEs.

MEDEF shares the view that the IFRS for SMEs should be a comprehensive stand alone document. All cross references should be deleted and the final standard should be sufficiently independent of full IFRS to enable a satisfactory stability of the accounting standard, which is needed by SMEs.

Regarding the label "SME", the name and content of the standard should obviously correspond and any use of the term SME cannot be disconnected from a size reference. NPAE may not be the better label because it does not refer to a homogenous category of entities. That is the reason why MEDEF considers that this set of rules should be presented as simplified IFRS. In MEDEF's view, the IASB should propose a simplified standard, in order to offer a less sophisticated set of rules than the full IFRS and let jurisdictions decide to which type of entity they are suitable.

In this context, MEDEF encourages EFRAGs' proposals to further adapt this standard to the users' needs of SMEs and further simplify recognition and measurement principles. MEDEF shares EFRAG's views on the differences existing in users' needs and in the appreciation of cost – benefit analyses. It also considers that the standard should be redrafted to be more user-friendly, which is particularly important if it is tailored for small entities. That standard must be particularly pedagogic.

In order to obtain the necessary modifications to this draft from the IASB, it is important to make some proposals. As the European Union might consider that IFRS for SMEs could be useful for European entities, MEDEF considers appropriate for EFRAG to make all counterproposals deemed appropriate and encourage EFRAG to dedicate all the time needed to this project.

Reactions on the answers to the invitation to comments:

Q1 – Stand alone document

Agreement with EFRAG's view.

Q2 – Recognition and measurement simplification adopted by the Board

1 – Financial instruments

Embedded derivatives: MEDEF considers that embedded derivatives should not be recognised because the split accounting is too complex.

Hedge accounting: MEDEF considers that the IASB proposal is too restrictive

2 - Finance lease

MEDEF considers that a simplification for SMEs would be to treat all leases as operating leases. Nevertheless, if the IASB maintains its position, MEDEF shares EFRAG's views in terms of measurement of the finance lease at an amount equal to the present value of the minimum lease payments.

3 / 4 – Impairment and intangible assets

Value in use should absolutely be reinstated. MEDEF supports EFRAGs' proposal on impairment tests.

Regarding goodwill, MEDEF considers that an option should be proposed between amortization and impairment tests. Amortization is adapted to small entities and impairment tests should be possible for the most sophisticated SMEs which have the necessary tools to analyse their forecast cash flows.

5 / 6 – Discontinued operations and non-current assets held for sale

Agreement

7 – Elimination of reference to fair value

Agreement

8 – Cost or current value choice for all assets

MEDEF is not fully convinced that a choice of measurement model asset by asset is adapted to SMEs. Standard for SMEs should not be too sophisticated but tailored to the specific means of SMEs and adapted to users' needs. French SMEs do not use a revaluation model and listed companies applying IFRS did not choose to use it. Any mandatory use of the revaluation model would be an important change.

9 - Other topics that EFRAG should consider

MEDEF considers that some developments are missing regarding business combinations, especially if this standard were to be applied to individual account of SMEs. Two very common questions should be specifically treated: combinations of businesses under common control and reverse acquisitions.

Q3 - Recognition and measurement simplification not adopted by the Board

Agreement

Q4 - Options

Agreement

Q5 – Borrowing costs
Agreement

Q6 – Q9 – Topics not addressed, referral to IFRS, guidance and disclosure
No specific comment

Q10 – Transition guidance
Cf. CNC

Q11 – Maintenance
Strong support to EFRAG's views.

Additional comments on users' needs and simplification

MEDEF totally shares EFRAG's views on SMEs financial statements users' needs.

Detailed comments on existing sections

Section 3 – 8 - Presentation of financial statement

MEDEF does not agree with the possibility of presenting a statement of income and retained earnings, because SMEs are very attached to the current presentation of the income statement which does not include changes to the equities. These limited changes to the equities could be presented at the bottom of the balance sheet rather than in the statement of income and retained earnings.

Section 21 – Equity

MEDEF agrees with EFRAGs' remarks regarding the lack of definition and the necessity to further adapt this section to a SMEs' environnement. Furthermore, MEDEF is not in favor of a split accounting for compound financial instrument because it is too sophisticated for SMEs.

Section 27 – Employee benefits

The proposed immediate recognition of actuarial gain and losses in the income statement is a simplification but it should also be proposed to treat them in equity. Regarding the treatment of any modification of past service costs, it should be possible to stagger the impact on profit and loss, because the impact would be too important the year when the changement intervenes.

Section 33 - Related Party Disclosure

MEDEF has some concerns about the disclosure of individual personnel compensation for SMEs. If the disclosure of key management personnel compensation results in providing the individual compensation of one or two key managers, this information shall not be required because it may be sensitive information for SMEs. MEDEF agrees with the disclosure of general global information not individual information.
