BUSINESSEUROPE

IASB
International Accounting Standards Board
30 Cannon Street
London, EC4M 6XH
United Kinddom

23 November 2009

BUSINESSEUROPE's response to the Exposure Draft *Improvements to IFRSs*

Dear Sir/Madam,

BUSINESSEUROPE welcomes the opportunity to comment on the IASB Exposure Draft 'improvements to IFRSs'. We are broadly in agreement with the proposals in the Exposure Draft (ED) and therefore restrict our comments set out in the appendix to this letter to issues where we either disagree or would like to suggest changes.

As a general point on the ED, we would like to point out though that in several instances proposals are justified, at least in part, by references to "many users". As preparers we frequently discern appreciable inconsistencies between the positions advocated by some user organisations and those of the real, active users with whom we are in daily contact as we communicate financial information. To legitimise such claims in proposals, it is very important for the Board to demonstrate to preparers their evidence of broad support among active users for the changes being suggested, without which the claims must be regarded as unsubstantiated.

We remain at your disposal, should you wish to discuss these comments in more detail.

Yours sincerely,

J. Chauvin

Jérôme P. Chauvin
Director
Legal Affairs Department
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APPENDIX

IFRS 3 – Business combinations – Measurement of NCI

We agree that there is some need for clarification, but we suggest that potentially misleading references purely to identifiable assets and liabilities should be refined even further to clarify explicitly what equity instruments also need to considered.

IFRS 7, Financial instruments: Disclosures

While we understand the current, justifiable interest of users in information on financial instruments and the associated risks, we are somewhat concerned that the elimination of references to materiality will give preparers of non-financial entities even more difficulties in future.

The orientation of IFRS 7 is implicitly very much towards information necessary for users of financial institutions' financial statements. This has led in practice in many instances to non-financial entities disclosing information far in excess of the needs of users of their statements, often just to avoid the hassle of long discussions over audit firms' disclosure checklists. This hinders rather than helps users who have more difficulty in navigating through large amounts of information not really relevant for their understanding of the particular business under review. We appreciate that the remedy is partly in preparers' own hands, but we would have hoped for some support from the standard stressing the importance of differentiating requirements for more relevant information according to circumstances.
For example, it would be helpful to leave some overall reference to materiality in the IG section along these lines, with explicit recognition of the fact that some IFRS 7 requirements are less relevant for the financial statements of non-financial institutions.

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors – Change in terminology

The proposal to align terminology with a document which has not yet been published – especially where its publication independently of interconnected documents has been the subject of much criticism – seems to us inappropriate on account of the message it relays about the Board's attitude to its own due process.

IAS 27, Consolidated and separate financial statements – Impairment of investments

BUSINESSEUROPE has no problem with the main proposal to clarify the relevant standard for impairment (IAS 39.) We do, however, object most strongly to the back-door change proposed to paragraph 38. Without explanation, it is proposed to restrict the alternative to cost from "according to IAS 39" (i.e. fair value either through OCI or through P&L) to fair value through P&L only.

We are surprised that the Board is unaware of the sensitivity (and opposition) to the income-effective presentation of unrealised changes in value of financial assets. We see no urgent need to change present wording and many reasons for not doing so. A key show-stopper is the link in various jurisdictions between separate financial statements (increasingly mandated) and tax reporting as well as the potential impact on availability of profit for distribution. This change alone could form a substantial disincentive to entities adopting, or continuing to use, IFRS for their separate statements, especially where they have been reporting at fair value through OCI and would have difficulty in reverting to a cost basis. It is in any case absolutely essential to retain the option to measure these positions at cost.

BUSINESSEUROPE strongly recommends the Board not to change paragraph 38 but to leave it as shown in the consequential amendments from IFRS 9, as recently published, which explicitly confirm the options.

IAS 34, Interim financial reporting – Significant events and transactions

Please refer here to our comments under Issue 7 above. Non-financial entities would again be likely to have to disclose substantially more information under the proposed paragraph 15B than would serve any useful purpose for the users of their statements. We would ask the Board to seek a means to mitigate this.

We note that the word "material" has been deleted from line 3 of the new paragraph 16A (previously 16.) This seems a retrograde step as, on financial instruments in particular, the disclosures really do need to be tailored to the individual entity's circumstances to avoid irrelevant clutter of the reporting.

The proposed removal of the existing paragraph 18 from IAS 34 would also appear to us to be a retrograde step. The paragraph is quite important, and we believe the content should remain explicit. No reason is given in the Basis for Conclusions for the proposed change.

IAS 40, Investment property

BUSINESSEUROPE is not in favour of the proposed amendment. We believe that this issue is too broad to be addressed in the Annual Improvements to IFRS. Our view is that reclassification of assets should not be restricted in particular standards as this is not a principle-based approach.