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Chairman

PDC N° 08

Paris, the 8h February 2016

Mr Roger MARSHALL

Acting Chairman

EFRAG Board

35 Square de Meeûs

B-1 000 Bruxelles

Re: Exposure Draft ED/2015/8 – IFRS Practice Statement “Application of Materiality to Financial Statements”

Dear Mr Marshall,

I am writing on behalf of the Autorité des Normes Comptables (ANC) to express our views on the above-mentioned draft comment letter on the Exposure Draft ED/2015/8 IFRS Practice Statements “Application of Materiality to Financial Statements”. This view results from ANC’s due process, involving all interested stakeholders.

ANC supports EFRAG’s comment letter to the IASB on the aforementioned Exposure Draft and welcomes the publication of the Materiality Practice Statement as it believes such document may provide useful educational support when assessing materiality over financial statements. ANC also expects such Practice Statement to reinforce and foster common principles used to prepare financial statements and disclosures. Accordingly, ANC views this document as a stopgap measure until final publication of the IASB’s Principles of Disclosure project.

ANC also underlines that it supports the fact that such guidance is issued in a non-mandatory form.

Despite this support, ANC wishes to highlight that it does not fully share the way “Omissions and misstatements” (§67-79) are presented in the draft Practice Statement when assessing materiality. As stated in §4, “*materiality is a general concept that is widely used both in financial reporting and for other purposes*”. Amongst other purposes, materiality is also referred to when dealing with internal control and legal issues. ANC believes that paragraphs 67 to 79 are more focused on governance guidance - when referring to “*internal controls*” effectiveness (§69) and intentional misstatements (§77 to 79) – rather than on financial reporting materiality assessment. Therefore, ANC believes that the Materiality Practice Statement should exclusively concentrate on the Materiality definition and on the process to be followed when assessing if omissions and misstatements may, due to their nature or quantitative impact, influence users’ economic decisions (as stated in IAS 1.7 and IAS 8.5-6).

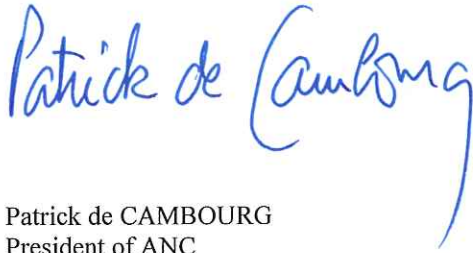
In ANC's view, the key question to be addressed in this Practice Statement is whether or not impacts are material; and not if errors, omissions or misstatements are intentional or unintentional.

Hence, ANC considers that references to fraud (§68), internal control systems (§69), or concepts aiming to differentiate whether errors and misstatements are intentional (§ 77-79) should be removed from the Draft Practice Statement. ANC believes that even though being of importance, governance issues are a different and independent matter that should not be addressed in the Materiality Practice Statement.

In addition and as a general comment, ANC considers that several examples provided in the Materiality Practice Statement are neither relevant nor explanatory enough to clarify the guidance.

If you want to further discuss, please do not hesitate to contact us.

Yours sincerely,



Patrick de CAMBOURG
President of ANC