la SOCIÉTÉ FRANÇAISE
des ANALYSTES FINANCIERS

19 May 2010

Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sir,

The French Society of Financial Analysts, SFAF (Société Française des Analystes Financiers), is pleased to submit its contribution as part of the consultation undertaken by the International Accounting Standards Board (IASB) on its Exposure Draft – Measurement of Liabilities in IAS 37 (limited re-exposure of proposed amendments to IAS 37).

SFAF represents more than 1,600 members in France and is itself a member of the European Federation of Financial Analysts Societies (EFFAS) which comprises 25 member organisations representing more than 14,000 investments professionals. Its Accounting and Financial Analysis Commission intends to represent analysts and fund managers in the debate on accounting standards. Financial analysts are among the principal users of corporate financial statements and therefore wish to express their opinion on the implementation of new or revised accountings standards.

For this reason, our Society, through its Accounting and Financial Analysis Commission, is keen to respond to your consultation on this subject.

Users of financial statements consider that liabilities are a key element of accounts and that they valuation into companies accounts should be done with sufficient reliability.

We would like therefore to make the two following comments which we consider represent the views of most of the users which expressed their opinion on the IASB proposal during our debates at our Accounting and Financial Analysis Commission.

Firstly, we believe that liabilities, as they are presented in financial statements, should not be the result of an expected value, i.e. “the probability-weighted average of the outflows for the range of possible outcomes”. Contrary to the Board, we consider this measure as being irrelevant. A user will consider as not useful the value of a liability which would be the weighted result of a large expected outflow with a negligible probability and a negligible expected outflow with a significant probability. We believe that the current “more likely than not” principle is more useful and robust and should be completed by consistent and relevant disclosure in the annexes. Both approaches involve significant judgment by the management, but the suggested new approach includes an additional black box that adds subjectivity and is falsely pretending to better represent the reality and the complexity of a situation.

Secondly, we estimate that including a profit margin in the value of the liabilities when there is an obligation to undertake a service (for example to decommission a plant or an equipment) at a future date, is counter intuitive and not very reliable, especially if the company is in a position or expected to fulfill its obligation itself. In this case, making profit on cash outflows doesn't really make sense. In addition the profit margin would be purely theoretical and potentially subjective. We believe this point is also inconsistent with the way self-constructed assets are valued, as we understand they are not bearing any profit margin

Moreover, as stated in the alternative opinions of the exposure draft, we agree that "such a measurement method does not help in predicting the entity's capacity to generate cash flows in the future".

Therefore, we urge IASB to abandon this idea.

We thank you for the opportunity given to us to provide our view on such important aspects and remain available for any further information.

Yours faithfully,

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and Financial Analysis Commission

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