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Mr

Antoine Bracchi

Conseil National de la Comptabilité

3, Boulevard Diderot

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Berlin, 1 February 2007

France

Dear Antoine,

Re: User Questionnaire

The GASB welcomes conducting research into the needs of users of financial information as initiated by the PAAinE working group on the Conceptual Framework. We share the view that additional research into this topic is important for improving financial reporting standards. Especially in the context of the project on the Conceptual Framework, such research seems to be beneficial. The establishment of a general basis of financial reporting principles requires a well-founded understanding of user needs to put the further development of financial reporting on a firm footing. Therefore, we *support the questionnaire-based survey of user needs and are quite willing to contribute.*

We understand that contribution is requested regarding contacting national users on the one hand and validating the questionnaire on the other hand. In this regard, we would like to make the following remarks:

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Establishing contact to potential addresses

We realize that the users targeted in this survey are investors as well as creditors. However, we are missing *information on the extent of the survey*, i.e. how many users should be addressed and how many completed questionnaires are expected to be sent back respectively.

Furthermore, the question of how many different users per user group should be addressed is of relevance. Cherry-picking only the apparent user organisations (like the national CFA Institute sub-organisations) will probably lead to an overrepresentation of certain user groups. An overrepresentation of certain user groups might be even further increased by the fact that some user groups are generally not represented by organisations. Addressing user organisations only might not be sufficient to gather widespread user input. Consequently, we have *concerns that the focus on national user organisations* is not sufficient to achieve the overall objective of the survey and encourage the PAAinE working group on the Conceptual Framework to discuss establishing contact to different user groups more comprehensively.

In addition, a *similar procedure by each national standard setter* would be preferable. Therefore, we recommend more specific instructions as to how the participants in this survey are to be selected. In our view, this would increase the value of the survey since it enhances comparability between the national research findings and therefore the representativeness of the final conclusions.

Comments on survey design

We acknowledge that the timeframe which is required to complete the questionnaire is essential for a satisfactory level of response. Therefore, we appreciate that the questionnaire focuses on selected issues and has a reasonable length.

However, we have *concerns related to the open-ended question design*. In our view, either *all* main possible answers of a question should be explicitly specified *or none*. This view is based on the fact that the response to the specific part of a question will not be comparable with the response to the non-specific part of a question. On the one hand, the response to the specific part of a question is not as time consuming as the response to the non-specific

part of a question. Therefore the specific part of a question will systematically receive more feedback and will consequently be overrated. On the other hand, the response to the non-specific part of a question does not allow any conclusion as to how other participants of the survey evaluate this aspect. The absence of an equivalent response can not be interpreted as being of less or no relevance.

Furthermore, we recognize that the questionnaire might not be entirely clear. Sometimes, the wording implies different alternative actions (e.g. Q4: “hold/buy/sell”), sometimes the wording seems to imply a key ratio (e.g. Q6: “Debt/Equity”). We take the wording in Q6 as referring to the key ratio, but that might not be self-evident. Furthermore, there is the perceivable risk that accounting specific terms are not well understood by the participants. For that reason, *we recommend discussing the questionnaire not only with national standard setters, but also with representatives of the targeted user groups* as a kind of pre-test.

In addition, the introduction has a high impact on the number of responses. The objective of the *introduction* is to motivate and encourage participants to complete the questionnaire. Therefore, the introduction *should focus on the objective and the importance of the survey*. Standard setting specific information and undue details (e.g. the reference to Phase A of the IASB/FASB project on the Conceptual Framework) might be disadvantageous.

Comments on survey content

As mentioned above, we share the view of the PAAinE working group on the Conceptual Framework that further research into the needs of users of financial information is necessary. The questionnaire addresses important issues regarding this topic. Moreover, we support the demand for research as identified by the PAAinE working group on the Conceptual Framework in the discussion paper “The Conceptual Framework: Starting from the Right Place?” It may be favourable to focus the questions on some of these *specific research topics to make the conclusions of the survey more relevant* for specific decisions in the IASB/FASB project on the Conceptual Framework.

In light of the IASB/FASB project on the Conceptual Framework, the qualitative characteristics are an important issue. Particularly, the reliability of measurement bases and information provided in the financial statements is currently discussed controversially, but seems not to



be sufficiently covered by the questionnaire. Apart from the other qualitative characteristics, the complexity of the accounting standards, and thus, the information provided in accordance with those accounting standards, could be an area where research evidence might be of interest.

Regarding the specific parts of questions, we think it disadvantageous that they *overlap*. E.g. question 7 refers to prospective financial information on the one hand and non financial information on the other hand. This question also illustrates that the specified parts of questions investigate issues from different areas. This makes it difficult to draw comparative conclusions.

In addition, we have some difficulties to understand why certain issues are in the specified parts and others are not. Especially in question 2, 6 and 7 we are not able to identify selection criteria. The specification of the question has an important impact on the results of the survey. For example, question 6 does not explicitly refer to information about cash flows. From this might follow that not the majority of participants will declare information about cash flows as very or most useful financial information.

Some detailed comments on specific questions

Questions 2 and 7 overlap each other. Furthermore, the possible answers to the first part of question 2 (yes or no) seem, in our view to be too absolute. We would therefore prefer a rating as used in other questions. As already mentioned, the specified parts of questions contain issues from different areas. In question 7 space is missing for specifications which are requested.

The list of possible indicators contained in question 6 comprises accounting figures (e.g. operating income, net income), but also phenomena which can be measured in various different ways, but which nevertheless might be deemed as information useful, such as e.g. "liquidity". Other figures, such as "Debt/Equity" might not be useful by itself, but might be used as a basis for own calculations (e.g. adjusted "debt/equity"). In addition, the list lacks important financial items, e.g. cash flows (as mentioned above) and total recognised income.

Generally, we would suggest describing the indicators in question 6 more broadly, because a number of different key performance indicators are likely to be used across industry sectors (e.g. balance sheet item based figures and ratios, income statement based figures and ratios, cash flow statement based figures and ratios, additional information provided in the Notes or the annual statement, such as customer satisfaction, sustainability reporting).

Regarding the evaluation of the responses it might be helpful to insert questions regarding the participant's background, e.g. concerning country, education and experience.

Additional comments

From the description of the collection process we get the impression that the questionnaire is laid out as an *online survey*. The GASB encourages the PAAinE working group on the Conceptual Framework to organise the survey in this way.

Apart from information on user needs, insights into preparers' opinions are of interest as well. An additional survey which involves the preparers of financial statements might be beneficial. Therefore, the PAAinE working group should consider addressing a *modified questionnaire to preparers*.

We hope that you find our comments helpful. If you wish to discuss them further, please do not hesitate to contact me.

Yours sincerely,

Prof. Dr. Harald Wiedmann
President