

November 29, 2010

Submitted electronically via www.ifrs.org

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

Dear Sirs,

Re: Severe Hyperinflation (Proposed amendment to IFRS 1)

This letter is the response of the Canadian Accounting Standards Board to the International Accounting Standards Board's Exposure Draft "Draft Severe Hyperinflation (Proposed amendment to IFRS 1)" dated September 2010.

The views expressed in this letter take into account comments from Canadian Accounting Standards Board members and staff but do not necessarily represent a common view of the Board. Views of the Canadian Accounting Standards Board are developed only through due process.

The Canadian Accounting Standards Board strongly supports the amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards* proposed in the September 2010 Exposure Draft. We note that that the proposed amendment is consistent with other provisions in IFRS 1 that permit the use of fair value as deemed cost due to the impracticality or cost of retrospective restatement.

We have some concerns regarding the clarity of the language in the proposed amendment. The Basis for Conclusions discusses the proposed amendment in terms of "how an entity should resume presenting financial statements in accordance with IFRSs after a period when its functional currency was subject to severe hyperinflation" (see BC6). However, as worded in the Exposure Draft (paragraphs D27-D30) the

proposed exemption will be available to any entity that operates in an economy that was previously subject to severe hyperinflation , whether or not it had previously presented financial statements in accordance with IFRSs. It would also be available to an entity that:


- previously prepared financial statements in accordance with IFRSs but ceased to do so because of severe hyperinflation;
- did not prepare financial statements in accordance with IFRSs immediately following the functional currency normalization date; and
- acquired most of its assets and liabilities after the period of severe hyperinflation.

We think that the proposed exemption should apply only to an entity that resumes reporting under IFRSs following a period in which it could not apply IFRSs because of severe hyperinflation and that, as a result, cannot comply with all of the requirements in IFRS 1 to prepare and present an opening IFRS statement of financial position. Proposed paragraphs D27-D30 should make this explicit, as should paragraphs BC12-BC15.

We also agree that in the case of a parent entity in a country that did not experience severe hyperinflation, but which has a subsidiary in a country that experienced severe hyperinflation, the proposed amendment should apply only to the subsidiary, and not the parent entity.

We would be pleased to provide more detail if you require. If so, please contact Harry Klompas, Principal, Accounting Standards at +1 416 204-3236 (e-mail harry.klompas@cica.ca).

Yours truly,



Gordon C. Fowler, FCA
Chair
Accounting Standards Board