

November 29, 2011

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

Dear Sirs,

This letter is the response of the User Advisory Council (the Council) of the Canadian Accounting Standards Board (AcSB) to the International Accounting Standards Board's (IASB) Request for Views, "Agenda Consultation 2011" issued in July 2011.

The Council comprises a diverse group of 23 members, including investors and investment professionals, credit granters in financial institutions, equity and credit analysts, and rating agency analysts. Additional information about the Council can be found at www.acsbcanada.org.

The views expressed in this letter are those of the Council members and do not necessarily represent a common view of the Council, the AcSB or staff, nor do the views expressed by the Council members represent the views of their respective organizations.

The Council appreciates the opportunity to provide comments on the Request for Views regarding the strategic direction and overall balance of the IASB's work plan, as well as what should be the priority of individual projects or agenda areas over the next three years.

Question 1—What do you think should be the IASB’s strategic priorities, and how should it balance them over the next three years?

Global application of accounting standards

We think that it is imperative that the IASB work with the US Financial Accounting Standards Board and other standard setters on convergence in order to achieve the application of one global set of accounting standards. For example, many Council members find that the differences in how insurance contracts, income taxes and some financial instruments are accounted for between IFRSs and US GAAP can have a significant effect on the reported financial results of an entity. Comparable financial reporting is important because of the increasing integration of the North American and global capital markets. Achieving convergence between IFRSs, US GAAP and other accounting frameworks that are commonly applied will improve the usefulness of the information provided in the financial statements and will help users make more informed decisions.

Consistent and proper application of IFRSs

Council members think that the IASB’s top priorities should include ensuring that IFRSs are applied consistently and properly. Therefore, the IASB should dedicate its resources to reducing the diverse application of IFRSs that Council members have had to deal with when analyzing financial statements prepared by entities in Canada and other jurisdictions.

In particular, we think that the IASB must address the unacceptable level of divergence that is emerging in how Canadian entities are accounting for rate regulated activities. The lack of appropriate guidance in IFRSs on the subject has led entities with rate-regulated activities to apply several different accounting frameworks. The rate-regulated industries are an important part of the Canadian economy and the world’s economy. Therefore, we think that the IASB must develop guidance that would result in entities with rate-regulated activities reporting on those activities in a comparable manner in accordance with IFRSs.

As well, the IASB should ensure it has sufficient resources to address the implementation concerns that preparers and others raise with existing and recently issued standards. To see IFRSs applied properly, we think the IASB should work with accounting advisors and regulators to encourage the application of the standards as written. Taking these actions will help to enhance the consistent application of IFRSs across jurisdictions, and demonstrate the quality of financial statements prepared in accordance with IFRSs.

As diversity in application is a key concern of some jurisdictions that have not yet adopted IFRSs, addressing implementation issues, including demonstrating the IASB's ability to resolve those issues effectively, will likely encourage more jurisdictions to adopt IFRSs. As a result, these actions will help to achieve the global adoption of IFRSs.

Disclosure framework

We recommend that updating the conceptual framework should be the IASB's next priority and, in particular, developing a disclosure framework. We think that more focus should be placed on improving disclosures in financial statements to meet the needs of users better. Poor quality and excessive disclosures, including the lack of information about judgements made by management and their effect on the financial statements, make it more difficult for users to assess an entity's performance. Therefore, the development of a framework should focus on identifying what information is more relevant for users. Such a framework should then be used to determine the disclosure requirements that should be included in new standards. It should also be used as a basis for changing the requirements in existing standards. Such work would enhance the quality of information included in financial reports.

Lower priorities

Due to the limited resources of the IASB and the critical need to improve the consistency and quality of the application of IFRSs, Council members recommend that lower priority should be given to undertaking post-implementation reviews and research at this time.

Question 2—What do you see as the most pressing financial reporting needs for standard-setting action from the IASB?

As explained in our response to question 1, the Council thinks that the IASB must address areas where there is significant diversity in practice by conducting a project on rate-regulated activities and addressing implementation needs. As well, we recommend that the IASB develop a disclosure framework and evaluate standard level disclosures in order that financial statements can provide users with more relevant information.

The Council has identified the following projects, listed alphabetically, that they think should be conducted by the IASB over the coming years:

- Business combinations between entities under common control
- Discount rate
- Earnings per share
- Extractive activities
- Financial instruments with characteristics of equity
- Income taxes
- Other comprehensive income

We would be pleased to elaborate on these points in more detail if you require. If so, please contact me, Peter Martin, Director, Canadian Accounting Standards Board Staff at +1 416 204-3276 (e-mail peter.martin@cica.ca), or Rebecca Villmann, Principal, Canadian Accounting Standards Board Staff at +1 416 204-3464 (e-mail rebecca.villmann@cica.ca).

Yours truly,



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Chair, User Advisory Council