

October 21, 2011

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

Dear Sirs,

**Re: Improvements to IFRSs**

This letter is the response of the Canadian Accounting Standards Board (AcSB) to the IASB's Exposure Draft on "Improvements to IFRSs," issued in June 2011.

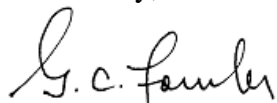
The Canadian Accounting Standards Board (AcSB) is the independent body responsible for setting accounting standards for Canadian private sector entities. The AcSB consists of members from a variety of backgrounds, including preparers, advisors, academics and financial statement users. Additional information about the AcSB can be found at [www.acsb.org](http://www.acsb.org).

The views expressed in this letter take into account comments from individual members of the AcSB but do not necessarily represent a common view of the AcSB, its Committees or staff. Views of the AcSB are developed only through due process.

We agree with the amendments to IFRSs proposed in the Exposure Draft. However, we do think that some revisions are needed to clarify the proposals and address the issues raised in the Exposure Draft. These suggested amendments are included with the responses to the questions in the Exposure Draft, which are included in the Appendix to this letter.

We would be pleased to elaborate on any of our comments in more detail if you require. If so, please contact Peter Martin, Director Accounting Standards at +1 416 204-3276 (e-mail [peter.martin@cica.ca](mailto:peter.martin@cica.ca)), or Katharine Christopoulos, Principal Accounting Standards at +1 416 204-3270 (e-mail [katharine.christopoulos@cica.ca](mailto:katharine.christopoulos@cica.ca)).

Yours truly,



Gordon Fowler, FCA  
Chair, Canadian Accounting Standards Board  
+1 416 204 3490  
[gord.fowler@cica.ca](mailto:gord.fowler@cica.ca)

## APPENDIX

### Our responses to the Exposure Draft questions

#### Question 1: Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

1. We agree with the proposed amendments as described in the Exposure Draft. However, there are a few changes we think should be made to clarify the amendments.

#### **IFRS 1 *First-time Adoption of International Reporting Standards* - Repeated Application**

2. We agree that the repeat application of IFRS 1 would be appropriate in rare circumstances. Our concern is that the repeat application of IFRS 1 in certain circumstances would be inappropriate and mislead users. The proposed amendment requires application of IFRS 1 when “the entity’s most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with IFRSs”. If an entity departs from IFRSs in one year through a failure to comply with one of the standards and then comes back into full compliance in the following year, the proposed amendment as drafted would allow the entity to reapply IFRS 1 in its next reporting period. This could lead to the potential re-using of options available in IFRS 1 the board might not have intended.
3. We recommend that the IASB clarify the wording in paragraph 2A of IFRS 1 and have provided sample text below. As well, we recommend that, if an entity is applying IFRS 1 for a second or subsequent time, disclosure of this fact as well as why the entity stopped and now resumed applying IFRS should be required.
4. We recommend that paragraph 2A be amended to clarify this issue as follows:

“An entity shall apply this IFRS when the entity’s most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with IFRSs, even if the entity applied this IFRS in a reporting period before the period reported in the most recent previous annual financial statements. An entity should have applied a different accounting framework in its most recent annual financial statements rather than some IFRS requirements in order to reapply IFRS 1 in the subsequent period.”

5. We recommend that paragraph 23A be added under the title “Explanation of transition to IFRSs”:

“When an entity has previously applied this IFRS, the entity shall disclose why it stopped applying IFRSs in a previous reporting period and subsequently began applying them again in the current period.”

### **IFRS 1 *First-time Adoption of International Reporting Standards - Borrowing Costs***

6. We agree with the proposed amendments but we are concerned that the amendment in paragraph D23(b) contradicts paragraph 28 of IAS 23. Paragraph 28 states that an entity may designate any date to apply the standard to borrowing costs relating to all qualifying assets for which the commencement date for capitalization is on or after that date, whereas paragraph D23(b) permits capitalization of borrowing costs on qualifying assets already under construction. Therefore, in order to distinguish the transition relief for first-time adopters from the transition provisions in IAS 23 and to prevent the circularity of the guidance, the wording in IFRS 1 should be amended to not refer to the IAS 28 transition provisions.
7. The other issue we have with the proposed wording is that the term ‘under construction’ is not consistent with the terminology in IAS 23 and could be interpreted narrowly to apply to construction type projects only.
8. We recommend that paragraph D23 be revised as follows:

~~A first time adopter may apply the transitional provisions set out in paragraph 27 and 28 of IAS 23. In those paragraphs references to the effective date shall be interpreted as 1 January 2009 or the date of transition to IFRSs, whichever is later.~~ An entity electing to apply this exemption can choose to apply the requirements in IAS 23 from the date of transition or an earlier date as permitted by paragraph 28 of IAS 23. From the date on which an entity applying this exemption begins applying IAS 23, it:

- (a) shall not restate the borrowing cost component that was capitalised under previous GAAP and included in the carrying amount of assets at that date; and
- (b) shall account for borrowing costs incurred on or after that date in accordance with IAS 23, including those incurred ~~on or after that date~~ on qualifying assets ~~already~~

~~under construction, in accordance with IAS 23 that met the criteria for the commencement of capitalisation prior to transition.~~

**IAS 1 *Presentation of Financial Statements*- Clarification of requirements for comparative information**

9. We agree with the proposed amendments.

**IAS 1 *Presentation of Financial Statements* – Consistency with the updated *Conceptual Framework***

10. We agree with the Board’s proposal to update the objective of financial statements to be consistent with the objective of financial reporting in Chapters 1 and 3 of the *Conceptual Framework*, issued in September 2010. However, in addition to this amendment, the Board should ensure that it updates all references to the framework that quote specific paragraphs that have been removed. We propose the following additional amendments:

IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, paragraph 6 “...characteristics of those users. The ~~*Conceptual Framework for the Preparation and Presentation of Financial Statements*~~ states in paragraph 25 QC32 that ‘financial reports are prepared for users are assumed to who have a reasonable knowledge of business and economic activities and accounting and a willingness to study who review and analyse the information diligently with reasonable diligence.’”

IAS 1 *Presentation of Financial Statements* paragraph 7(d) “.....characteristics of those users. The ~~*Conceptual Framework for the Preparation and Presentation of Financial Statements*~~ states in paragraph 25 QC32 that ‘financial reports are prepared for users are assumed to who have a reasonable knowledge of business and economic activities and accounting and a willingness to study who review and analyse the information diligently with reasonable diligence.’”

**IAS 16 *Property, Plant and Equipment* - Servicing Equipment**

11. We agree with the proposed amendments.

**IAS 32 *Financial Instruments: Presentation* Tax Effect of distributions to holders of equity instruments**

12. We agree with the proposed amendments.

**IAS 34 *Interim Financial Reporting*- Segment information for total assets**

13. We agree with the proposed amendments.

**Question #2: Do you agree with the proposed transitional provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?**

14. We agree with the proposed transition provisions and effective date for each of the proposed amendments in the Exposure Draft.