

17 March 2006

Director, Accounting Standards
Canadian Accounting Standards Board
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Dear Sir

Discussion Paper: Measurement Bases for Financial Accounting – Measurement on Initial Recognition

We welcome the opportunity to comment on the *Discussion Paper: Measurement Bases for Financial Accounting - Measurement on Initial Recognition* (referred to as the discussion paper), as prepared by the staff of the Canadian Accounting Standards Board (AcSB).

Please note that any references to specific paragraphs in this letter are to the main discussion paper (not the condensed version).

It is not clear to us how this discussion paper fits into the current agenda of the International Accounting Standards Board (IASB). The IASB should have indicated how it believes this discussion paper is intended to complement its work on the fair value measurement and concepts projects, if at all. It appears that the discussion paper has been overtaken by events elsewhere in the IASB's agenda. In addition, the discussion paper deals with the narrow issue of measurement on initial recognition after making the presumption that assets and liabilities should be measured as of the date they are initially recognised (paragraph 415). The issue of when initial recognition should take place is deferred to a different analysis that is yet to be undertaken. Given the interdependencies between the question of "when" initial recognition should take place and "what" should be recognised with the initial measurement issue discussed in the paper, we are of the view that the issues related to "when" and "what" should have been thoroughly researched first. The issue of "how" to measure assets and liabilities follows from there. This approach may have highlighted issues that could have lead to less uncertainty about the discussions and proposals in the discussion paper. We imagine that when the IASB deals with the "when" and "what" issues, some parts of the discussion paper may become irrelevant.

The leaning of the discussion paper towards fair value is obvious. However, the comparisons between fair value and the other measurement bases can only be viewed as tentative given that the IASB is currently finalising an exposure draft dealing with fair value measurement generally, coupled with the need for further research into the issues identified in the discussion paper.

We are of the view that existing measurement guidance within various International Financial Reporting Standards (IFRS) is inconsistent and that a project to address these issues is overdue in light of the developments in theory and practice. However, as the IASB is in the process of finalising an exposure draft on fair value measurement, we reserve our comments on the specific questions set out in the discussion paper.

Furthermore, we have not responded to the request for comments on the differences between the proposed measurement hierarchy in the discussion paper and the equivalent guidance in the Financial Accounting Standards Board's (FASB) exposure draft as set out in the third paragraph of the Introduction (on page 6 of the discussion paper). The discussion paper fails to identify which version of the FASB exposure draft constituents should base their comments. In addition, no effort has been made to highlight the significant areas of difference between the two documents.

If you have any questions concerning our comments, we would be pleased to discuss them.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Ken Wild', written over a horizontal line.

Ken Wild
Global IFRS Leader

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