

November 7, 2008

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

Dear Sir or Madame:

Thank you for the opportunity to comment on the International Accounting Standards Board (IASB) exposure draft *Improvements to IFRSs*. I am responding on behalf of the Office of the Auditor General of Canada. Our views with respect to the IASB questions in the Exposure Draft are listed below.

**Question 1**

We agree with the Board's proposal to amend the IFRS as described in the exposure draft.

**Question 2**

We agree with the proposed transition provisions and effective date for the issues as described in the exposure draft.

**Question 3**

We hold the view that the guidance proposed in IAS 18 Revenue on determining whether an entity is acting as a principal or as an agent should include indicators that are currently included in Canadian guidance (Emerging Issues Committee (EIC) Abstract 123 – Reporting Revenue Gross as a Principal Versus Net as an Agent) and American guidance (EITF Issue No. 99-19).

Specifically, we recommend that the following indicators from EIC 123 be included in the proposed guidance:

1. The enterprise changes the product or performs part of the service — If an enterprise physically changes the product (beyond its packaging) or performs part of the service ordered by a customer, that fact may indicate that the enterprise is primarily responsible for fulfillment, including the ultimate acceptability of the product component or portion of the total services furnished by the supplier, and that it should record revenue gross based on the amount billed to the customer. This indicator is evaluated from the perspective of the product or service itself such that the selling price of that product or service is greater as a result of an enterprise's physical change of the product or performance of the service and is not evaluated based on other enterprise attributes such as marketing skills, market coverage, distribution system, or reputation.
2. The enterprise has discretion in supplier selection — If an enterprise has multiple suppliers for a product or service ordered by a customer and discretion to select the supplier that will provide the product(s) or service(s) ordered by a customer, that fact may indicate that the enterprise is primarily responsible for fulfillment and that it should record revenue gross based on the amount billed to the customer.
3. The enterprise is involved in the determination of product or service specifications — If an enterprise must determine the nature, type, characteristics, or specifications of the product(s) or service(s) ordered by the customer, that fact may indicate that the enterprise is primarily responsible for fulfillment and that it should record revenue gross based on the amount billed to a customer.

While we support the inclusion of the indicators in the guidance proposed, we believe that including these additional indicators in the proposed guidance will help ensure consistent application when dealing with such circumstances.

I hope these comments are of assistance to you as you complete this project. If you should have any questions relating to this response, please contact me at (613) 995-3708.

Yours sincerely,

Stuart Barr

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