



Memo

To: International Accounting Standards Board

From: Accounting Standards Board – Canada, Staff

Date: January 10, 2008

Re: Improvements to International Financial Reporting Standards

The following comprises the response of the Accounting Standards Board – Canada staff (AcSB staff) to the IASB's Exposure Draft on Improvements to International Financial Reporting Standards, dated October 2007. AcSB staff discussed the Exposure Draft with the AcSB's International Financial Reporting Standards (IFRS) Advisory Committee. The views expressed in this memo take into account comments and perspectives raised by the IFRS Advisory Committee and staff, though they do not necessarily represent a common view of the Board, its Committees or staff. Views of the Board are developed only through extensive due process.

We **support** the proposals in the Exposure Draft of Improvements to International Financial Reporting Standards.

In particular, we are pleased to see the proposed amendment to IAS 8, which had been previously raised with you by AcSB staff, that clearly describes the purpose of implementation guidance and clarifies that it is non-mandatory.

We are concerned with the proposed amendment to IAS 1 that adds a disclosure requirement for those entities that refer to IFRSs as the basis on which their financial statements are prepared, but

aren't able to make an explicit and unreserved statement of compliance. The AcSB staff think that this seems too open-ended – seemingly allowing anyone to state that they have used an accounting basis similar to IFRSs, regardless of how dissimilar the accounting is, as long as they describe the differences. Although the IAASB Exposure Draft of Proposed International Standard on Auditing 700 (ISA 700) was prepared on the basis of the proposed amendment to IAS 1, it seems to be more stringent by referring to a framework established by an authorized standard setting organization or requirements of laws or regulations, which may be closer to IFRSs. The AcSB staff think that the IASB should include in IAS 1 similar restrictions on the circumstances in which an entity can report in accordance with a basis similar to, but not in full compliance with, IFRSs. By making the amendment to IAS 1 more stringent, this will address the concern that anyone can state compliance with IFRSs as long as they disclose the differences.

We are also concerned that some of the proposed changes go beyond mere improvements. In particular, we note that the proposed change to IAS 17 and the proposed change to IAS 40 regarding property under construction or development for future use as an investment property will result in changes to accounting policies that go beyond the mere correction of technical errors or inconsistencies. We think that, in future, such changes should be exposed separately from the annual improvements project.

Regarding the proposed changes to IAS 41, we note that the proposed change to the definition of *biological transformation* in paragraph 5 seems to be unexplained. Intuitively, it seems to be difficult to think that harvest is part of biological transformation — the detachment of produce from a biological asset is a human process involving more than biological change.

We would be pleased to elaborate on 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), Ian Hague, Principal Accounting Standards at +1 416 204-3270 (e-mail ian.hague@cica.ca) or Grace Lang, Principal Accounting Standards at +1 416 204-3478 (e-mail grace.lang@cica.ca).