Accounting Standards Board
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October 12, 2012

Wayne Upton
Chair
IFRS Interpretations Committee
30 Cannon Street, 1st Floor
London, EC4M 6XH
United Kingdom

Dear Wayne,

Re: IAS 10: Reissuing previously issued financial statements

We are enclosing our submission to the IFRS Interpretations Committee regarding the accounting implications of applying IAS 10 *Events After the Reporting Period* when previously issued financial statements are reissued in connection with an offering document or as comparative figures.

The issue arises because of the view held by some that IAS 10 permits only one date of authorisation for issue (i.e., 'dual dating' is not permitted). This view is expressed in extracts from three of the large firms' IFRS books in Appendix A.

IFRSs do not explicitly provide guidance regarding reissuing previously issued financial statements. IAS 10 is silent on reissuance matters and does not explicitly prohibit dual dating. Working from similar principles to those in IFRSs, Canadian and U.S. standard setters and

regulators have concluded that dual dating is appropriate. It is not clear to us why dual dating should not be appropriate under IFRSs.

If dual dating is not permitted under IFRSs, most think that IAS 10 requires the previously issued financial statements to be revised to reflect *all* events occurring between the date they were originally authorized for issue and the date the revised financial statements are authorized for reissuance. This requirement is problematic because it would be akin to preparing financial statements for that reporting period for the first time and effectively denying the existence of the annual audited financial statements that have already been filed with the securities regulators and relied on by investors and others. Management would effectively be "re-writing history".

As a result, the effects of events that should be accounted for prospectively, such as changes in estimates, would effectively be pushed back to the prior period annual financial statements, which appears to conflict with the principle in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. This result seems inappropriate when considering that the annual audited financial statements would not need to be reissued absent a regulatory or contractual requirement that reissued financial statements be included in an offering document.

When this logic is extended further to comparative figures included in comparative financial statements the resulting inconsistencies are also problematic as illustrated by the example in Appendix B to this letter.

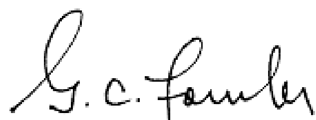
We acknowledge that this issue seems to arise mainly in North America, in part, because of the interplay between securities laws and regulatory practices, auditing standards and IFRSs. However, it is important for IFRSs to be capable of appropriate application in various jurisdictions and under different regulatory regimes. A global standard setter needs to take into account the environments in which those standards are applied. IFRSs can and should accommodate different regulatory environments.

The view that IAS 10 prohibits dual dating is problematic in our regulatory environment. As noted above, we do not believe that there is anything currently in IFRSs that would preclude such dual dating. In addition, many years of practice do not indicate that investors are in any

way confused by this approach. In fact, they will be confused if financial statements are frequently revised because of an inability to dual date. We thank you for considering this issue and hope you can help us resolve this practical problem in applying IFRSs.

We would be pleased to provide more detail if you require. If so, please contact the undersigned, Peter Martin, Director, Accounting Standards (+1 416 204-3276 or email peter.martin@cica.ca) or Kathryn Ingram, Principal, Accounting Standards (+1 416 204-3475 or email kathryn.ingram@cica.ca).

On behalf of the Board



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Cc: Michael Stewart, Director of Implementation Activities, IASB

IFRIC Submission

The Issue

1. IAS 10 *Events after the Reporting Period* requires financial statements to reflect all adjusting and non-adjusting events occurring between the reporting date and the date the financial statements are authorized to be issued. This requirement is clear in the context of issuing annual financial statements for the first time. However, IAS 10 does not explicitly provide guidance regarding reissuing previously issued financial statements. The issue is whether IAS 10 permits only one date of authorisation for issue (i.e., 'dual dating' is not permitted) when considered in the context of reissuing previously issued financial statements in connection with an offering document. This issue also raises an inconsistency in application because comparative figures are not updated for events occurring to a new date of authorisation when included in comparative financial statements (i.e., financial statements covering one or more comparative periods in addition to the current period, when all periods presented are represented as complying with IFRSs and each separate period presented is covered by the auditor's opinion).

Background

2. Securities laws and regulatory practices in North America require a company to revise its previously issued audited annual financial statements in connection with an offering document when the most recently filed interim financial statements reflect matters that are accounted for retrospectively under the applicable accounting standards. For example, a company filing an offering document under securities laws and regulatory practices in North America will revise its previously issued annual financial statements to reflect a change in reportable segments, a discontinued operation, a restatement of a business combination during the measurement period or a retrospective change in accounting policy on a basis that is comparable to its most recently filed interim financial statements. These reissued financial statements represent an early restatement of the prior year's financial statements for adjustments that accounting standards will require be made to the comparative figures in the next annual financial statements.

3. Auditors typically "double date" their audit report, if it has to be reissued in the context of an offering document, to communicate that the previously issued annual financial statements have only been amended for these specific matters and that the audit work was extended only to audit the effects of them. This practice of dual dating is well established in an auditing context (including International Standards on Auditing 560 *Subsequent Events* paragraphs 12 and A12). In Canada, some entities will likely apply a corresponding accounting practice under IFRSs and some auditors will continue to dual date their audit reports.

Current Practice

4. Some think that, when financial statements are reissued, a new date of authorization arises because of their view that financial statements for a given period can only have one date of authorization for issue. Under this view, the reissued financial statements should reflect all adjusting and non-adjusting events in accordance with IAS 10 including those that occurred in the period between the original and new dates of authorization for issue (e.g., almost up to the date of the offering document). Dual dating is then not considered permissible under IAS 10. This view is expressed in the extracts from three of the large firms' IFRS publications in Appendix A.

5. This approach is problematic because it would be akin to preparing financial statements for the first time and effectively denying the existence of the annual audited financial statements that have already been filed with the securities regulators and relied on by investors and others. Management would effectively be "re-writing history". As a result, the effects of events that should be accounted for prospectively, such as a change in estimates, would effectively be pushed back to the prior period annual financial statements, which appears to conflict with the principle in IAS 8 (paragraphs 36-37). This result seems inappropriate when considering that the annual audited financial statements would not need to be reissued absent a securities offering.

6. When this logic is extended further to comparative figures included in comparative financial statements the resulting inconsistencies are also problematic as illustrated by the example in Appendix B.

7. It is not clear to us why dual dating should not be appropriate under IFRSs. Working from similar principles as IFRSs, Canadian and U.S. standard setters and regulators have concluded that dual dating is appropriate under their national GAAPs. IFRSs do not explicitly provide guidance regarding reissuing previously issued financial statements. IAS 10 is silent on reissuance matters and does not explicitly prohibit dual dating.

Possible Solutions

8. We think guidance should be added to IAS 10 to address reissuance of previously issued financial statements by, for example, adding a paragraph in IAS 10 similar to what is in FASB's Accounting Standards Codification Topic 855 *Reissuance of Financial Statements* paragraph 25-4 (see Appendix C).

9. IFRSs can and should accommodate different regulatory environments. For example, paragraph BC28 of IAS 1 *Presentation of Financial Statements* explains how paragraphs 19 to 23 of IAS 1 were written to accommodate two different regulatory regimes. A similar approach could be taken when drafting more explicit guidance in IAS 10 to address both types of regulatory regime (i.e., one that requires reissuance and the other where reissuances rarely, if ever, occur).

IFRIC Assessment

10. The issue is widespread when considering that the issue:

    (a) affects any listed company that files IFRS financial statements and issues an offering document in North American markets, including entities domiciled outside North America;

    (b) could be relevant for all offerings in Canada not just those with the above noted events that trigger a restatement (such as a change in reportable segments, discontinued operation, a restatement of a business combination during the measurement period, or retrospective change in accounting policy) because financial statements are reissued but not restated in some other circumstances in connection with offering documents;

    (c) applies to any jurisdiction that has securities legislation and regulatory practices that are similar to Canada's; and

(d) affects all listed companies preparing comparative financial statements under IFRSs in accordance with securities laws and regulatory practices, such as those in Canada and the United States, that consider comparative prior year information to be reissued financial statements that are covered by the new audit opinion.

11. Although this issue continues to evolve, diversity is expected to emerge in Canada because we expect that some entities and their auditors will apply a dual dating approach on the belief that IAS 10 does not prohibit it. In addition, we are aware of instances of a dual dating approach being used in filings in the United States by non-Canadian entities applying IFRSs. However, the alternate view that IAS 10 prohibits dual dating is held by some as demonstrated by Appendix A. Although, we have not seen any examples of the full application of this alternate approach advocated by the Big firms (i.e., scenario 2 in Appendix B).

12. The two approaches to applying IAS 10 result in significantly different financial reporting outcomes. We think the application of IAS 10 as described in paragraphs 4 and 5 above results in an extremely poor financial reporting outcome that has significant consequences to North American capital markets including:

(a) harm to the credibility of IFRSs and investor confusion resulting from frequent revisions of previously issued financial statements;

(b) delays in accessing capital markets because of the need for increased amounts of audit work when issuing offering documents;

(c) increased costs to raising capital;

(d) moving the effects of negative developments in the current period to the prior period; and

(e) adverse legal consequences to preparers and auditors as a result of revising previously issued financial statements.

Appendix A

Extract from Large Firms IFRS Publications

KPMG's "Insights to IFRS" paragraph 2.9.15.25:

In our view, two different dates of authorization for issue of the financial statements (dual dating of financial statements) should not be disclosed, because we believe that only a single date of authorization for issue of the financial statements is in compliance with IAS 10.

PricewaterhouseCoopers IFRS manual of accounting 2012 (Paragraph 22.58.1)

22.58.1 Some local regulators require previously issued financial statements to be reissued for inclusion in public offering and similar documents. These regulators may require the financial statements to be updated for events that occur between the date of original authorisation and the issue date of the offering document, such as for discontinued operations or changes in segments. IAS 10 requires that a set of financial statements can have only one date of authorisation. In our view, therefore, the requirement to reissue financial statements for inclusion in a public offering document should be approached as follows:

- The date of authorisation can be moved to a later date. The financial statements are then updated to this later date to reflect any adjusting events to this later date, while non-adjusting events are disclosed in the notes, in accordance with IAS 10.
- If there are no significant adjusting or non-adjusting events, the original date of authorisation can be retained as no adjustment or additional disclosure will be necessary.

E&Y's "International GAAP 2011" Section 2.1.1 of chapter 43:

If an entity re-issues financial statements (whether to correct an error or to include events that occurred after the financial statements were originally authorized for issue), there is a new date of authorization for issue. The financial statements should then appropriately reflect all adjusting and non-adjusting events (including those that occurred in the interim period between the original and new date of authorization for issue). This means an entity cannot 'dual date' its financial statements. That is, an entity cannot retain the original date of authorization of the financial statements when a second authorization date for specific events occurring between the two dates. The re-issued financial statements must reflect all adjusting and non-adjusting events occurring up to the new date of authorization.

Appendix B – Example

A Canadian listed company with a 31 December year-end authorizes for issue, issues and files with securities regulators its annual audited financial statements each year on 15 March (e.g., 2011 financial statements are filed on 15 March 2012 and 2012 financial statements are filed on 15 March 2013).

The company's financial statements for the year ended 31 December 2011 reflect management's best estimates for two items:

1. A lawsuit filed against the company for patent infringement in 2011 - no accrual was recorded because a legal opinion indicates it is not probable that the company has an obligation as at December 31, 2011, and the company concludes that is it not probable that there will be an outflow of resources to settle this lawsuit.
2. A large account receivable balance with one long-standing customer - no allowance was recorded because it was believed that the full balance will be collected.

Jumping forward in time, the following events occur after 15 March 2012 (the date the 2011 financial statements were authorized for issue and issued and filed) but on or before 15 September 2012:

3. The patent lawsuit is settled for a material amount.
4. The long-standing customer goes bankrupt (and the 31 December 2011 receivable is not collected).
5. Management changes an accounting policy and applies this change retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Assume that the estimates relating to 1 and 2 above in the 2011 financial statements are not errors. Consider the accounting implications in two different 2012 scenarios if the view that IAS 10 permits only one date of authorisation for issue (or prohibits dual dating) is applied to reissuing the 2011 financial statements (i.e., applying the view expressed in Appendix A).

Scenario 1 – An offering document is issued on 15 September 2012 (i.e., after the 30 June 2012 interim financial statements were filed)

The company applies the new accounting policy in its interim financial statements for the three months ended 30 June 2012. These interim financial statements also reflect (i) the loss on settlement of the lawsuit; and (ii) the write-off of the uncollectible account receivable. In accordance with securities regulatory requirements, the 30 June 2012 interim financial statements and the 2011 annual financial statements are included in the offering document. The 2011 annual financial statements are appropriately restated to reflect the change in accounting policy retrospectively. The restated 2011 annual financial statements are therefore reissued on 15 September 2012.

If dual dating is prohibited (i.e., apply the view expressed in Appendix A), a new date of authorization (i.e., 15 September 2012) must be used for the restated and reissued financial statements. The restated financial statements must now reflect all adjusting events up to the

new date of authorization of 15 September 2012. In accordance with IAS 10 paragraph 9, this would seem to require recording the lawsuit settlement and the write-off of the uncollectible account receivable in the 2011 reissued financial statements.

Scenario 2 – No offering document is issued in 2012

As in scenario 1, the 2011 comparative figures are appropriately restated to reflect the change in accounting policy retrospectively. The restated 2011 annual financial statements are not reissued in September 2012 but instead are reissued in March 2013 in comparative form with the 2012 comparative financial statements. The auditor's report on these comparative financial statements expresses an opinion that both the 2011 restated financial statements and the 2012 financial statements are fairly presented in accordance with IFRSs.

Following the same logic applied in scenario 1, the 2011 financial statements need to be updated to reflect the adjusting events up to 15 March 2013 (i.e., in addition to the retrospective change in accounting policy, adjust the comparative figures to record the lawsuit settlement and the write-off of the uncollectible account receivable). We do not believe that this is done in practice when applied to comparative financial statements. That is, we believe that current practice is to restate the 2011 financial statements for the retrospective change in accounting policy but those 2011 financial statements would not be adjusted to record the lawsuit settlement and the write-off of the uncollectible account receivable; rather, under current practice, these two changes in estimates would be reflected in the 2012 financial statements.

Analysis

Assuming that management did not make an error, the view that IAS 10 prohibits dual dating seems to require pushing back the lawsuit and bad debt expenses in the revised 2011 annual financial statements included in the offering document. Paragraphs 9(a) and 9(b)(i) of IAS 10 are clear that these two events are considered adjusting events (see Appendix D on page 12).

This result seems incorrect because these changes to the previously issued annual financial statements arose after the date the audited financial statements were authorized for issue, filed with securities regulators and relied on by investors. Management would be effectively "re-writing history" if this approach is taken. This result is an extremely poor financial reporting outcome and one that seems to conflict with the principle in IAS 8 to account for changes in estimates in the period in which the event leading to the estimate change occurred. As a result, we think the appropriate accounting treatment for both scenarios is to reflect the change in the estimates (settlement of the lawsuit and the write-off of the uncollectible account receivable) in the 2012 financial statements prospectively in accordance with IAS 8.

Absent a securities offering, these events would be appropriately reflected prospectively in the next interim and annual financial statements. In Canada and other jurisdictions with a similar regulatory and legal environment, there is no real difference between the two scenarios other than the passage of time. If the accounting outcome in scenario 2 is inappropriate, this outcome is equally inappropriate in scenario 1.

Appendix C

Extracts from United States Literature

SEC IFRS GAAP Differences

Work Plan for the Consideration of Incorporating IFRS into the Financial Reporting System for U.S. Issuers - A Comparison of U.S. GAAP and IFRS - A SEC Staff Paper

November 16, 2011 (page 50)

ASC Topic 855 also includes specific guidance with respect to subsequent events and the reissuance of financial statements for which no corresponding guidance exists under IFRS. Under U.S. GAAP, an entity is not permitted to recognize events or transactions that occurred between the time the financial statements were issued and the time they are reissued, unless required by U.S. GAAP or regulatory requirements. Similarly, an entity is not permitted to recognize events or transactions that occurred between the time of original financial statement issuance and reissuance for comparative purposes unless required by U.S. GAAP or regulation. Examples of retrospective adjustments that may be required by U.S. GAAP or other regulation include reporting stock splits, presentation of discontinued operations, and application of a newly adopted accounting standard.

FASB Codification on Reissuance

ASC Topic 855

> > Reissuance of Financial Statements

25-4 [An entity may need to reissue financial statements, for example, in reports filed with the SEC or other regulatory agencies. After the original issuance of the financial statements, events or transactions may have occurred that require disclosure in the reissued financial statements to keep them from being misleading. An entity shall not recognize events occurring between the time the financial statements were issued or were available to be issued and the time the financial statements were reissued unless the adjustment is required by GAAP or regulatory requirements. Similarly, an entity shall not recognize events or transactions occurring after the financial statements were issued or were available to be issued in financial statements that are later reissued in comparative form along with financial statements of subsequent periods unless the adjustment meets the criteria stated in this paragraph. [FAS 165, paragraph 15]

Appendix D – Relevant Extracts from IFRSs

Extracts from IAS 10 *Events after the Reporting Period*

Adjusting events after the reporting period

8 An entity shall adjust the amounts recognised in its financial statements to reflect adjusting events after the reporting period.

9 The following are examples of adjusting events after the reporting period that require an entity to adjust the amounts recognised in its financial statements, or to recognise items that were not previously recognised:

(a) the settlement after the reporting period of a court case that confirms that the entity had a present obligation at the end of the reporting period. The entity adjusts any previously recognised provision related to this court case in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets or recognises a new provision. The entity does not merely disclose a contingent liability because the settlement provides additional evidence that would be considered in accordance with paragraph 16 of IAS 37.

(b) the receipt of information after the reporting period indicating that an asset was impaired at the end of the reporting period, or that the amount of a previously recognised impairment loss for that asset needs to be adjusted. For example:

(i) the bankruptcy of a customer that occurs after the reporting period usually confirms that a loss existed at the end of the reporting period on a trade receivable and that the entity needs to adjust the carrying amount of the trade receivable; and

(ii) the sale of inventories after the reporting period may give evidence about their net realisable value at the end of the reporting period.

(c) the determination after the reporting period of the cost of assets purchased, or the proceeds from assets sold, before the end of the reporting period.

(d) the determination after the reporting period of the amount of profit-sharing or bonus payments, if the entity had a present legal or constructive obligation at the end of the reporting period to make such payments as a result of events before that date (see IAS 19 Employee Benefits).

(e) the discovery of fraud or errors that show that the financial statements are incorrect.

17 An entity shall disclose the date when the financial statements were authorised for issue and who gave that authorisation. If the entity's owners or others have the power to amend the financial statements after issue, the entity shall disclose that fact.

18 It is important for users to know when the financial statements were authorised for issue, because the financial statements do not reflect events after this date.

Updating disclosure about conditions at the end of the reporting period

19 If an entity receives information after the reporting period about conditions that existed at the end of the reporting period, it shall update disclosures that relate to those conditions, in the light of the new information.

20 In some cases, an entity needs to update the disclosures in its financial statements to reflect information received after the reporting period, even when the information does not affect the amounts that it recognises in its financial statements. One example of the need to update disclosures is when evidence becomes available after the reporting period about a contingent liability that existed at the end of the reporting period. In addition to considering whether it should recognise or change a provision under IAS 37, an entity updates its disclosures about the contingent liability in the light of that evidence.

Non-adjusting events after the reporting period

21 If non-adjusting events after the reporting period are material, non-disclosure could influence the economic decisions that users make on the basis of the financial statements. Accordingly, an entity shall disclose the following for each material category of non-adjusting event after the reporting period:

(a) the nature of the event; and

(b) an estimate of its financial effect, or a statement that such an estimate cannot be made.

22 The following are examples of non-adjusting events after the reporting period that would generally result in disclosure:

(a) a major business combination after the reporting period (IFRS 3 *Business Combinations* requires specific disclosures in such cases) or disposing of a major subsidiary;

(b) announcing a plan to discontinue an operation;

(c) major purchases of assets, classification of assets as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, other disposals of assets, or expropriation of major assets by government;

(d) the destruction of a major production plant by a fire after the reporting period;

(e) announcing, or commencing the implementation of, a major restructuring (see IAS 37);

(f) major ordinary share transactions and potential ordinary share transactions after the reporting period (IAS 33 *Earnings per Share* requires an entity to disclose a description of such transactions, other than when such transactions involve capitalisation or bonus issues, share splits or reverse share splits all of which are required to be adjusted under IAS 33);

(g) abnormally large changes after the reporting period in asset prices or foreign exchange rates;

(h) changes in tax rates or tax laws enacted or announced after the reporting period that have a significant effect on current and deferred tax assets and liabilities (see IAS 12 *Income Taxes*);

(i) entering into significant commitments or contingent liabilities, for example, by issuing significant guarantees; and

(j) commencing major litigation arising solely out of events that occurred after the reporting period.

Extracts from IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

36 The effect of a change in an accounting estimate, other than a change to which paragraph 37 applies, shall be recognised prospectively by including it in profit or loss in:

(a) the period of the change, if the change affects that period only; or

(b) the period of the change and future periods, if the change affects both.

37 To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it shall be recognised by adjusting the carrying amount of the related asset, liability or equity item in the period of the change.

38 Prospective recognition of the effect of a change in an accounting estimate means that the change is applied to transactions, other events and conditions from the date of the change in estimate. A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. For example, a change in the estimate of the amount of bad debts affects only the current period's profit or loss and therefore is recognised in the current period. However, a change in the estimated useful life of, or the expected pattern of consumption of the future economic benefits embodied in, a depreciable asset affects depreciation expense for the current period and for each future period during the asset's remaining useful life. In both cases, the effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.