



Memo

To: International Accounting Standards Board
From: Canadian Accounting Standards Board Staff
Date: February 4, 2002
Re: **Draft Preface to IFRS**

The following comprises the response of Canadian Accounting Standards Board staff (AcSB staff) to the IASB's Invitation to Comment on a Draft Preface to IFRS, dated November 2001.

Responses to questions

Question 1: We believe that the Board's proposed scope in paragraph 9 of the proposed Preface is clearly defined and appropriate.

Question 2: We agree with the proposal to discontinue the use of different type styles. However, we encourage the Board to continue to draft IFRS in a manner such that the underlying principles on which the Standards are based are clearly identified. This would facilitate the consistent application of more detailed requirements, since such requirements would be considered in the context of the principles from which they are derived.

Question 3: We agree with the Board's proposals for the due process normally expected to be followed in issuing Standards and Interpretations and do not believe that any of the proposed steps are unnecessary or that additional steps should be incorporated.

We suggest that the voting requirements for publishing for public comment a discussion document (paragraph 19(e)) be included in the due process, as they are for exposure drafts, Standards and Interpretations (both draft and final).

We suggest that paragraph 19(g) should indicate that all comments received on discussion documents and Exposure Drafts be considered “within a reasonable period of time”, as is the case with comments on draft Interpretations in paragraph 20(d).

Question 4: We have not identified any other matters that should be addressed in the Preface to IFRS.

Other matters

IFRS: We are not convinced that it is necessary to rename International Accounting Standards as International Financial Reporting Standards. In fact, we believe that International Accounting Standards are well recognized and have significant “brand value”. We suggest that consideration be given to retaining the term International Accounting Standards for the Board’s pronouncements.

Paragraph 2: In light of the proposed changes to the IASB Constitution, which provides for a non-voting Chair as well as other Observers to the IFRIC and broadens the scope of IFRIC activities, we suggest that this paragraph be reworded as follows:

“The International Financial Reporting Interpretations Committee (IFRIC) is a group of twelve people-voting members appointed by the Trustees. The role of the IFRIC is to prepare Interpretations of IFRS for approval by the IASB and to provide timely guidance on financial reporting issues not specifically addressed in IFRS, in the context of the IASB’s Framework.”

Paragraph 4: Assuming that changes to the Constitution are approved, an additional sentence should be added at the end of paragraph 4 stating, “The Constitution was further revised in _____, 2002.

Paragraph 7 (and subsequently): We suggest that, for greater certainty all references to “national standard setters” be to “national accounting standard setters”.

Paragraph 11: we believe that this paragraph is redundant and could easily be deleted from the Preface. Its content merely repeats information that is in the IFRS themselves (mainly IAS 1).

Paragraph 14: We suggest that in the second sentence the word “generally” be inserted between “type” and “explain”, to allow for those instances where some of the older IASs may not meet this structure. We also suggest that, at the end of the third sentence, the words “using different type faces” be added, to clarify that it is that distinction, rather than the one in the second sentence that is not being made in Standards issued by the IASB.

Paragraph 16: We understand that the intent of this paragraph is to extend the IAS 1 requirement for compliance with IASs & SIC Interpretations to include IFRS and IFRIC Interpretations. However, this is not clear. The last sentence of paragraph 16 refers to “the resolution referred to in paragraph 5 above”. However, it is not the resolution referred to in paragraph 5 of the Preface that clarifies the scope extension. Rather, it is the last sentence of paragraph 5 that clarifies this. We suggest that the last sentence of paragraph 16 be re-worded along the following lines:

“As noted in paragraph 5 of this Preface, IFRS include the Standards issued prior to 2001, which are identified as International Accounting Standards (IAS). The IASB intends that the requirement in IAS 1, quoted above, is also applicable to IFRS and Interpretations issued by the IFRIC.”

Note that we have also incorporated Interpretations into this proposed re-draft, since they too should be subject to the same scope extension.

Paragraph 21: We suggest that this paragraph specify, “New or revised Standards and Interpretations may set out transitional provisions ...”. We do not believe that the IASB need restrict itself to always having to do so.

Paragraph 23: This paragraph is equally applicable to Interpretations. Therefore, we believe that the second sentence should state that “Until an IFRS or Interpretation becomes effective, the requirements of any IFRS or Interpretation that would be affected by proposals in an Exposure Draft remain in force.” Note that, we propose that the triggering date should be the effective date of the IFRS or Interpretation, rather than the date of “completion”.

We would be pleased to elaborate on these points in more detail if you so require. If so, please contact Paul Cherry, AcSB Chair at +1 416 204 3456 (e-mail paul.cherry@cica.ca), Ron Salole, Director Accounting Standards at +1 416 204-3277 (e-mail ron.salole@cica.ca), or Ian Hague, Principal Accounting Standards at +1 416 204-3270 (e-mail ian.hague@cica.ca).