



July 31, 2009

Mr. Peter Martin, CA  
Director, Accounting Standards  
Accounting Standards Board  
277 Wellington Street West  
Toronto, Ontario  
M5V 3H2

**Re: Exposure Draft – Generally Accepted Accounting Principles for Private Enterprises**

Dear Mr. Martin,

The Committee on Corporate Reporting (CCR) of the Financial Executive International Canada (FEI Canada) is writing to provide its response to the Accounting Standards Board (AcSB) Exposure Draft (ED) “Generally Accepted Accounting Principles for Private Enterprises”.

FEI Canada is the all-industry professional membership association for senior financial executives. With eleven chapters across Canada and more than 2,000 members, FEI Canada provides professional development, thought leadership and advocacy services to its members. The association membership, which consists of Chief Financial Officers, Audit Committee Directors and senior executives in the Finance, Controller, Treasury and Taxation functions, represents a significant number of Canada’s leading and most influential corporations.

The Committee on Corporate Reporting (CCR) is one of two national advocacy committees of FEI Canada. CCR comprises more than 25 senior financial executives representing a broad cross-section of the FEI membership and of the Canadian economy who have volunteered their time, experience and knowledge to consider and recommend action on a range of issues related to accounting, corporate reporting and disclosure. In addition to advocacy, CCR is devoted to improving the awareness and educational implications of the issues it addresses, and is focused on continually improving the standards and regulations impacting corporate reporting.

In general, we are very supportive of the proposals in the ED. We have concerns with some of the specific proposals; these are outlined in the response below.

In response to the specific questions in the ED we have the following comments:

**Question 1 - Recognition and Measurement Changes**

Do you agree with the proposed recognition and measurement changes? If not, please indicate, in detail, why not and what changes you would propose.

The Committee is supportive of the recognition and measurement changes, but suggests further changes for the Board to consider:

- Extending the changes to employee future benefits to permit the simplified approach to account for all defined benefit plans, and
- Eliminating the requirement for recognizing an expense for stock-based compensation for private enterprises.

### *Employee Future Benefits*

The Committee believes that regardless of the size of a defined benefit plan, users of the financial statements of private enterprises are most interested in the information included in the actuarial valuation of the plan, including the funding requirements and solvency valuation. The Committee believes the recognition and measurement requirements in existing section 3461 introduce additional complexity to financial statements of a private enterprise, without providing a significant benefit to the financial statement users.

### *Stock-based Compensation*

The Committee believes that the information gained by recognizing an expense for stock-based compensation is only useful for equity owners of an entity, which by definition are limited for a private enterprise. For a private enterprise, we feel the recognition of an expense for stock-based compensation adds complexity to the financial statements without providing a benefit to the financial statement users. The Committee suggests permitting private enterprises a choice whether or not to recognize an expense for stock-based compensation, but is fully supportive of appropriate disclosure of information regarding stock-based compensation granted in the period, or instruments outstanding at the balance sheet date.

### **Question 2 – Approach to Disclosures**

Do you agree with the approach to disclosures? Are the proposed disclosure requirements appropriate (i.e., are all the proposed disclosure requirements necessary and are any necessary disclosure requirements omitted)?

The Committee is supportive of the approach adopted for determining the disclosure requirements, and appreciative of the efforts of the Board to significantly reduce the requirements. We also note that most of the proposed disclosures are consistent with disclosures currently required under current Canadian GAAP, and do not believe that any necessary requirements have been omitted.

However, the Committee strongly disagrees with two new proposed disclosure requirements introduced in the ED:

- (1) Section 1510, Current Assets and Current Liabilities, which requires disclosure of the amount payable at the end of the period in respect of government remittances and whether any such remittances are in arrears; and
- (2) Section 3840, Related Party Transactions, which requires disclosure of the compensation of key management personnel as a group.

### *Section 1510*

The Committee believes that the additional disclosure proposed with respect to government remittances will not yield a significant benefit to the majority of users of the financial statements and is unnecessarily onerous for companies. We believe this information is only of significant benefit to users if the company has a going concern issue. In which case the users would normally be in a position to request information regarding government remittances, along with other information. In addition, there are many circumstances that may give rise to a government remittance being in arrears which are dealt with in the ordinary course of business following the balance sheet date. The Committee does not feel disclosure of this information should be required.

The Committee believes that if users of the financial statements desire disclosure of information related to government remittances, it is more appropriate in the company's compliance reporting to financial institutions or other debtors.

#### *Section 3840*

The Committee is strongly opposed to the proposed disclosure requirements related to management compensation. The Committee feels this is inappropriate information for general-use financial statements, and may discourage management from sharing a private enterprise's financial statements that they may have otherwise shared.

The Committee also believes that this information is not relevant or useful to many users of the financial statements of a private enterprise. Typically, if specific users of the financial statements require this information, those users will request or require management to submit this information separate to the financial statements.

#### **Question 3 - Avoiding significant amounts of detailed guidance and interpretations**

Do you agree with the approach of avoiding significant amounts of detailed guidance and interpretations (i.e., not carrying forward the EIC Abstracts)? If not please indicate, in detail, why not and how you propose to change the approach.

The committee is fully supportive of the approach to avoid significant amounts of detailed guidance and interpretations. We applaud the Board for its efforts in reducing complexity in the preparation and use of financial statements for private enterprises.

#### **Question 4 – Sections and Guidelines Excluded**

Certain Sections and Guidelines in the existing Handbook have not been carried forward into the proposed standards, as they are not considered relevant to private enterprises. Do you agree with excluding those Sections and Guidelines from the proposed standards?

The Committee agrees with the exclusion of the sections and guidance that were determined not to be relevant to private enterprises. The Committee does not believe any sections or guidelines have been excluded inappropriately.

#### **Question 5 – Transitional Provisions**

Do you agree with the proposed transitional provisions in Section 1500, *First-time Adoption*? Are there other transitional issues that have not been addressed? Are the proposals to require comparative information, prepared using the proposed standards, and to require reconciliation to the enterprise's financial statements prepared using its previous accounting policies, appropriate? Please indicate, in detail, any changes you would propose and why.

The Committee agrees with the proposed transition provisions in Section 1500, and believes the comparative information and reconciliations are necessary for users of the financial statements to understand the changes.



**Question 6 – Other Issues**

Are there any other issues in the proposed standards for private enterprises that cause significant concern? If so, please indicate, in detail, which areas cause concern and how the standards might be modified to address these concerns.

The Committee has not identified any other issues in the proposed standards that cause significant concern.

The Committee would like to thank the Board for the opportunity to provide a response to the ED. With the exception of the issues highlighted above, the Committee is very supportive of the proposals and appreciates the efforts of the Board in reducing the complexity in financial statements for private enterprises.

Yours very truly,

Victor Wells  
Chair  
Committee on Corporate Reporting  
FEI Canada