



September 15, 2006

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

BY E MAIL: ed.accounting@cica.ca

Re: AcSB Exposure Draft – Inventories, Section 3031

Dear Mr. Martin:

The Committee on Corporate Reporting of Financial Executives International Canada (“FEI Canada”) is writing to provide its views on the Exposure Draft “Inventories” issued in June 2006.

FEI Canada is an all-industry professional association of senior financial executives, with eleven chapters across Canada and more than 1800 members. Membership is generally restricted to senior financial officers of medium to large corporations, as well as senior financial officers in public sector organizations.

The Committee on Corporate Reporting (“CCR”) is one of two national advocacy committees of FEI Canada. CCR comprises more than 20 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.

The remarks contained in this submission are made by members of CCR and do not necessarily represent the views of all FEI Canada members or its Board.

We note that the background material to this Exposure Draft indicates that “...the opportunities for respondents to the Exposure Draft to influence final standards are very limited, since the fundamental principles and requirements have already been deliberated and decided upon by the IASB.” While we appreciate that the AcSB has commenced the process of converging Canadian GAAP with IFRS, we again express our concerns that there has not been sufficient identification and analysis of the differences between Canadian GAAP and IFRS and the implications for both preparers and users.

In general, CCR agrees with the principles outlined in the Exposure Draft. At this time, we are not aware of circumstances in the Canadian environment that would suggest different principles (or their application) that would support a different standard. We are aware of the limited use of LIFO as an inventory costing method by some integrated oil and gas companies but do not believe this is sufficient to warrant a specific Canadian exception.

We will respond to the questions raised in the Exposure Draft in the order raised.

1. Do you anticipate any difficulties applying the principles in the proposals to your entity's particular circumstances?

The members of FEI that come from a manufacturing background, currently are required to value inventories at the lower of cost and market, and many preparers use net realizable value as their definition of market. Hence the requirement to require measurement measure at the lower of cost and net realizable value should not present significant changes for many preparers of financial statements.

2. Do the proposals deal appropriately with current differences between Canadian GAAP and IFRSs and achieve consistency with the rest of the Handbook?

To the best of our knowledge, and remembering that many of us are still learning about IFRS, we have concluded that the appropriate differences have been dealt with satisfactorily.

3. Do you anticipate any difficulties in complying with the disclosure requirement in paragraph 3031.36(d)?

Given that many reporting issuers already use net realizable value as the basis for comparing to cost, we expect that the majority of companies will be able to transition to the new standard satisfactorily.

4. Are the proposals appropriate for application to non-publicly accountable enterprises? If you believe that differential reporting options are necessary, please specify what options are necessary and why.

The recommendations appear to be appropriate for non-publicly accountable enterprises.

5. Are the proposals appropriate for application to not-for-profit organizations?

The proposals in the Exposure Draft are appropriate for not-for-profit organizations.

6. Do you agree with the effective date for the proposed Section 3031?

Yes the proposed date is reasonable.

7. Do you agree that proposed Section 3031 should be applied retrospectively in accordance with Accounting Changes – Section 1506?

Yes. However, we would prefer that preparers have the option of applying the standard retroactively or prospectively.



We hope these comments are useful, and would be pleased to answer any questions you may have.

Yours truly,

A handwritten signature in black ink, appearing to read 'Alister Cowan'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Alister Cowan
Chair, Committee on Corporate Reporting