



May 10, 2004

Mr. Ron Salole, CA  
Director, Accounting Standards  
Canadian Institute of Chartered Accountants  
277 Wellington Street West  
Toronto, Ontario  
M5V 3H2

Dear Mr. Salole:

**Re: Exposure Draft on Subsequent Events**

The Committee on Corporate Reporting (“CCR”) of Financial Executives International (Canada) (“FEI Canada”) is pleased to provide comments to the Accounting Standards Board (AcSB) on the Exposure Draft on Subsequent Events. The following remarks are made on behalf of the CCR and do not necessarily represent the views of FEI Canada or its members.

FEI (Canada) is an all-industry professional association for senior financial executives, with eleven chapters across Canada and approximately 1,500 members. Membership is generally restricted to senior financial officers of primarily medium and large corporations. CCR is a technical committee of FEI Canada, which reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations.

We are supportive of the AcSB’s Accounting Standards Improvements Project and harmonization with United States accounting standards. We view this exposure draft as another step in the project and generally are supportive of its conclusions. Our main area of concern relates to the impact of the exposure draft on the use of short form prospectuses in the capital markets where financial statements are incorporated by reference. Responses to the AcSB’s specific requests for comment and other general CCR comments are noted below.

**Do you agree with proposed definition of the “date of authorization for issue”? If not, what changes would you suggest, and why?**

Yes. We agree that it is appropriate that those charged with the governance of an entity be responsible for the approval for the financial statements and that the date of this approval is the relevant date for authorization of issue.

**Do you agree that an entity should adjust the amounts recognized in its financial statements to reflect the effects of adjusting subsequent events that occur between the balance sheet date and the date of authorization for issue of the financial statements? If not, what changes would you suggest, and why?**

Yes. This provision simply extends the current requirement to make adjustments up to the date of completion to the date of authorization.

**Do you agree that an entity should disclose the date of authorization for issue of the financial statements and who gave that authorization? If not, what changes would you suggest, and why?**

Yes. We agree that an entity should disclose the date of authorization for issue of the financial statements and who gave that authorization.

**Do you agree that, when an entity receives information between the balance sheet date and the date of authorization for issue of financial statements about conditions that existed at the balance sheet date for adjusting subsequent events, it should update its disclosures that relate to those conditions in the light of the new information? If not, what changes would you suggest, and why?**

Yes. It is appropriate that users have information that is as up-to-date and as complete as possible to allow them to make appropriate financial decisions.

**Do you agree that an entity should disclose non-adjusting subsequent events when it is probable that information about the event would influence the economic decisions of users made on the basis of financial statements? If not, what changes would you suggest, and why?**

Yes. We agree with the proposal on the basis that it is appropriate that users have information that is as up-to-date and as complete as possible to allow them to make appropriate financial decisions even though the events may not relate to conditions which existed at the balance sheet date. The disclosure information provided should enable a user to assess the financial implications of the event.

**Do you agree with that an entity that reissues financial statements will need to establish a new date of authorization for issue of the financial statements? If not, what changes would you suggest, and why?**

We believe that this proposal creates significant issues in practice area and needs further consideration.

We agree that where the reissue of financial statements is due to the existence of a material error that it would be appropriate to establish a new date of authorization as the financial statements are being revised to include information which has been identified subsequent to the balance sheet date and the previous date of issue.

We do not agree that that when financial statements are reissued without changes, a new date of authorization for issue is established. Our view is that where such financial statements are incorporated in an offering or other documents without change it does not represent a new issue date, rather a republishing of previously issued and authorized information.

The implications of the proposed standard are significant in that the exposure draft, as currently worded, would require the financial statements to be updated as the date of authorization for issue is required by Section 3820.17 to be included in either the basis of presentation or the summary of accounting policies notes. In addition, disclosures on material non-adjusting subsequent events also would be required to be updated.

This has significant implications for the continued use of short-form prospectuses in the capital markets whereby financial statements are generally incorporated by reference and material events are either incorporated by reference to other disclosures or included within the short-form prospectus itself. By requiring the date of authorization for issue and disclosures to be updated within the body of the financial statements, it no longer will be possible to include these by reference thereby reducing the benefit to capital market issuers and users of utilizing a short-form prospectus.

Potential solutions may be to specifically exclude from the requirements of the standard any circumstances where financial statements are reissued without change or by more clearly defining what is meant by the "issue" of financial statements to exclude circumstances where they are merely republished without changes. Absent such clarification, further guidance on how to apply this to the specific circumstances of an offering document should be published prior to the exposure draft becoming effective.

In the case where financial statements are re-issued, it is not clear whether the entity is required to disclose both dates of authorization, as well as a note describing the nature and impact of the re-issuance. We recommend the ASB provide guidance on these issues

**Do you agree that an entity should continue to assess whether it remains a going concern up to the date of authorization for issue of the financial statements and, when the going concern assumption is no longer appropriate, that a fundamental change in the basis of accounting is necessary? If not, what changes would you suggest, and why?**

Yes. We agree that this would be appropriate.

**Do you agree that the new Section should be effective for fiscal periods beginning on or after January 1, 2005? If not, what changes would you suggest, and why?**

While we have identified some additional guidance which is required in respect of offering documents and some practical implementation issues, we do not believe that this is a particularly complex standard to implement. As such, we see no reason why the effective date could not be advanced to be effective for fiscal periods beginning on or after October 1, 2004.

**Do you agree that the proposals are not in conflict with US accounting practices or International Financial Reporting Standards? If you believe they are in conflict, please explain the conflict and suggest how it might be resolved.**

Yes. We believe that the proposed standard meets the harmonization goal with US accounting practices and International Financial Reporting Standards?

**Do you have any other comments on the proposals? If so, please specify.**

While CCR generally is supportive of the exposure draft, there may well be practical implementation issues for smaller or private entities where there is generally a longer time lag between year end, completion of the financial statements, and the issue date.

In addition, additional burdens and risks would be placed on auditors as the period of time between completion of the audit and signoff is likely going to be extended under the proposals. Previously, auditors only updated procedures to the date of field work completion. The current proposal will require their work to be updated to the date of authorization for issue. By creating a longer period of time before audit completion, we are increasing the risk to the auditors and likely increasing the burden on companies through increased audit fees and time required to complete the audit.

CCR hopes its comments will be useful to the AcSB. If you require further clarification with respect to any of our comments, please do not hesitate to contact us.

Yours very truly,



Karyn A. Brooks, CA  
Chair  
Committee on Corporate Reporting  
Financial Executives International (Canada)