January 15, 2018

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH

Dear Board Members,

RE: Accounting Policies and Accounting Estimates - Proposed Amendments to IAS 8 Exposure Draft

The Committee on Corporate Reporting (CCR) of Financial Executives International Canada (FEI) is pleased to respond to the International Accounting Standards Board's ("IASB's") request for comment on the Accounting Policies and Accounting Estimates - Proposed Amendments to IAS 8 Exposure Draft.

FEI Canada is the all-industry professional membership association for senior financial executives. With eleven chapters across Canada and more than 1,500 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.

CCR is one of seven thought leadership committees of FEI Canada. CCR is devoted to improving effectiveness, the awareness of issues and educating FEI Canada members on the implications of the issues it addresses, and is focused on continually improving the standards and regulations impacting corporate reporting.

FEI generally supports the IASB's efforts to provide clarity around changes in accounting policies and accounting estimates. In addition, we strongly encourage that IASB aligns the effective dates of any changes of this Exposure Draft with the Exposure Draft: Definition of Materiality and the proposed amendments to IAS 1 and IAS 8.

Thank you for the opportunity to respond to this Exposure Draft.

Sincerely,

Susan Campbell, CPA, CA

Appendix

Question 1

The Board proposes clarifying the definition of accounting policies by removing the terms 'conventions' and 'rules' and replacing the term 'bases' with the term 'measurement bases' (see paragraph 5 and paragraphs BC5–BC8 of the Basis for Conclusions).

Do you agree with this proposed amendment? Why or why not? If not, what do you propose and why?

We agree with the Board's proposal to clarify the definition of accounting policies by removing the terms 'conventions' and 'rules', given that IFRS accounting policies are principles based. However, we feel that retaining the use of the word practice in the definition of an accounting policy could lead to confusion as many accounting estimates are based on specific practices. We are concerned that retaining the word "practice" in the definition of an accounting policy could lead some to view an accounting estimate based on specific practices as an accounting policy. If "practice" is retained in the definition of accounting policy, this term should be explained so as to avoid confusion. We agree with the Board's proposal to replace the term 'bases' with 'measurement bases'.

Question 2

The Board proposes:

- *(a) clarifying how accounting policies and accounting estimates relate to each other, by explaining that accounting estimates are used in applying accounting policies; and*
- *(b) adding a definition of accounting estimates and removing the definition of a change in accounting estimate (see paragraph 5 and paragraphs BC9–BC16 of the Basis for Conclusions).*

Do you agree with these proposed amendments? Why or why not? If not, what do you propose and why?

We agree with the Board's proposal to clarify how accounting policies and accounting estimates relate to each other, by explaining that accounting estimates are used in applying accounting policies. However as noted in the question 1, retaining the term practices in accounting policies could blur the lines between an accounting policy and accounting estimate.

We support the addition a definition of accounting estimates in paragraph 5 and removing the definition of a change in accounting estimate. Including a definition of an accounting estimate should assist the financial statement preparers and auditors with the application of accounting estimates in practice.

300-116 Simcoe Street Toronto, ON M5H 3B3 416.366.3007 feicanada@feicanada.org www.feicanada.org

Question 3

The Board proposes clarifying that when an item in the financial statements cannot be measured with precision, selecting an estimation technique or valuation technique constitutes making an accounting estimate to use in applying an accounting policy for that item (see paragraph 32A and paragraph BC18 of the Basis for Conclusions).

Do you agree with this proposed amendment? Why or why not? If not, what do you propose and why?

We agree with the Board's proposal to provide clarity that when that when an item in the financial statements cannot be measured with precision, selecting an estimation technique or valuation technique constitutes making an accounting estimate to use in applying an accounting policy for that item. We feel that providing specific examples could be useful to preparers and auditors.

Question 4

The Board proposes clarifying that, in applying IAS 2 Inventories, selecting the first-in, first-out (FIFO) cost formula or the weighted average cost formula for interchangeable, inventories constitutes selecting an accounting policy (see paragraph 32B and paragraphs BC19–BC20 of the Basis for Conclusions).

Do you agree with this proposed amendment? Why or why not? If not, what do you propose and why?

We support clarifying whether the selection of FIFO or weighted average cost is an accounting policy or an estimate.

We disagree with the logic in BC 19. As noted there, IAS 24 states that specific identification of costs for ordinarily interchangeable items would permit manipulation of profit or loss. However, the selection of FIFO or weighted average cost is quite different from specifically identifying which item was sold in that there is no ability to affect profit or loss by arbitrarily deciding which item was sold every time a sale occurs. In principle, the selection of FIFO or weighted average cost can be viewed as the selection of a method to estimate cost.

Further, proposed paragraph 32B says that the selection of FIFO or weighted average cost does not "involve the use of judgements or assumptions to determine the sequence in which those inventories are sold". This seems inconsistent with IAS 2, paragraph 27 which begins "The FIFO formula assumes that the items of inventory that were purchased or produced first are sold first."

However, we think that the results of accounting for inventory cost formulas as an accounting policy are preferable to accounting for it as an estimate because:

a) disclosure in accounting policies (if material) is required; and
b) when there is a change between FIFO and weighted average cost, the difference should not be included in current year earnings as it would be for a change in estimate.

Consequently, we think that this issue should be addressed in IAS 2 rather than IAS 8. This might be done by specifying in paragraph 25 of IAS 2 that the selection of a cost formula is an accounting policy choice. Addressing this issue in IAS 2 rather than in IAS 8 would also reduce the likelihood of other measurement choices being viewed as accounting policies by analogy to inventory cost formulas.

We feel that any changes to inventory measurement should be addressed in IAS 2 Inventories to avoid preparers and auditors applying this example to other areas of IFRS.

Question 5
Do you have any other comments on the proposals?

We strongly encourage that the IASB aligns the effective dates of any changes of this Exposure Draft with the Exposure Draft: Definition of Materiality and the proposed amendments to IAS 1 and IAS 8.

300-116 Simcoe Street Toronto, ON M5H 3B3 416.366.3007 feicanada@feicanada.org www.feicanada.org