leadership beyond finance

April 17, 2015

International Accounting Standards Board
30 Cannon Street
London, United Kingdom EC4M 6XH

**Via "Open to Comment" page, www.iasb.org**
**RE: ED 2014-6, Disclosure Initiatives: Proposed amendments to IAS 7**

Dear Sirs and Mesdames:

The Committee on Corporate Reporting (CCR) of Financial Executives International Canada (FEI Canada) is pleased to respond to your request for comments on the December 2014 Exposure Draft: Disclosure Initiative Proposed amendments to IAS 7.

CCR is one of seven thought leadership committees of FEI Canada. CCR is devoted to improving 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.

CCR acknowledges the International Accounting Standards Board for its efforts on the Disclosure Initiative. As noted in a response to a previous request for comment, we believe that financial statement note disclosures today are often excessive and include information that is not beneficial. This, in turn, makes it difficult to identify key information. Therefore, CCR strongly supports any efforts that lead to increased relevancy of financial statement notes, while balancing the costs, ultimately borne by the shareholders, with the perceived benefits.

CCR believes that it is important to consider disclosures in a comprehensive and integrated manner, considering not only individual disclosures but also the combined effects of the various disclosure requirements in meeting the needs of a broad spectrum of financial statement users as well as on the costs and work effort of preparers. We hope that the forthcoming Principles of Disclosure will help in this regard in laying the foundation for comprehensive financial statement disclosure and, until such time as those principles are published, we recommend that the IASB refrain from implementing ad hoc disclosure changes, such as those in the current exposure draft.



1201 – 170 University Ave., Toronto, ON M5H 3B3_416.366.3007 _416.366.3008 _feicanada@feicanada.org
www.feicanada.org

leadership beyond finance

Specifically related to this exposure draft, we are concerned that the proposed disclosure requirements in this exposure draft about liquidity are effectively already contained in several different IFRSs (IFRS 7, IFRS 12 and IAS 7) as well as being related to the capital management disclosures in IAS 1. It is our opinion that a clear disclosure principles framework would provide the necessary guidance to achieve the proposed outcomes. Furthermore, from a North American perspective, many of these disclosures would be more appropriately included in Management's Discussion and Analysis due to their subjective nature.

While the proposed disclosures may provide some additional benefit to a limited group of users, we are concerned that this ad hoc addition to disclosures provides limited additional information that would not exceed the cost of providing the information and would also contribute further to disclosure overload and changes to the taxonomy.

We have provided responses to the detailed questions in the ED in the attached Appendix A.

Thank you for allowing us the opportunity to respond to this proposal.

Committee on Corporate Reporting
FEI Canada



1201 – 170 University Ave., Toronto, ON M5H 3B3_416.366.3007 _416.366.3008 _feicanada@feicanada.org
www.feicanada.org

leadership beyond finance

**Appendix A**

__**Question 1—Disclosure Initiative amendments**__

**This Exposure Draft of proposed amendments to IAS 7 forms part of the Disclosure Initiative. Its objectives are to improve:**

a) **Information provided to users of financial statements about an entity's financing activities, excluding equity items; and**
b) **Disclosures that help users of financial statements to understand the liquidity of an entity.**

**Do you agree with the proposed amendments (see paragraphs 44A and 50A)? Do you have any concerns about, or alternative suggestions for, any of the proposed amendments?**

While we understand the IASB's intention to provide improved disclosures about an entity's debt and movements in debt during the reporting period, we maintain that the information contained in the proposed disclosures required by paragraph 44A is generally available elsewhere in the financial statements, and as such the proposed disclosure does not result in any new material information being provided.

We also do not believe that additional disclosures around matters such as restrictions that affect the decisions of an entity to use cash and cash equivalent balances, as proposed by paragraph 50A, are necessary. We believe that the current disclosure requirements contained in IAS 7.48, IFRS 7.33 and IFRS 12.14 provide sufficient information regarding an entity's liquidity. We are concerned that preparation and disclosure of these matters would result in an additional cost to companies with no discernable benefits.

If the IASB retains the proposed disclosure requirements, the current wording of Paragraph 50A requires disclosure of additional information that "may be relevant to an understanding of the liquidity of an entity". This requirement is not limited to economic and legal restrictions, as discussed in the Basis for Conclusions. The second sentence in the paragraph refers to "matters such as restrictions……….", but this wording implies that restrictions are only one example of information that may be relevant to an understanding of the liquidity of an entity. If Paragraph 50A is added to IFRS 7, we think it is critical that its scope be clearly limited to that discussed in the Basis for Conclusions.



1201 – 170 University Ave., Toronto, ON M5H 3B3_416.366.3007 _416.366.3008 _feicanada@feicanada.org
www.feicanada.org

**<u>Question 2—Transition provisions</u>**
**Do you agree with the proposed transition provisions for the amendments to IAS 7 as described in this Exposure Draft (see paragraph 59)?**

**If not, why and what alternative do you propose?**

If implemented, we agree with the proposed disclosure initiative to apply a change to IAS 7 prospectively.

**<u>Question 3—IFRS Taxonomy</u>**
**Do the proposed IFRS Taxonomy changes appropriately reflect the disclosures that are set out in the proposed amendments to IAS 7 and the accompanying illustrative example? In particular:**

**a) Are the amendments reflected at a sufficient level of detail?**
**b) Should any line items or members be added or removed?**
**c) Do the proposed labels of elements faithfully represent their meaning?**
**d) Do you agree that the proposed list of elements to be added to the IFRS Taxonomy should be limited to information required by the proposed amendments to IAS 7 or presented in the illustrative examples in IAS 7?**

If implemented, we agree with the additional taxonomy requirements created by the proposed amendments.

**<u>Question 4—IFRS Taxonomy due process</u>**
**As referenced in paragraph BC20, the IASB is holding a trial of a proposal to change the IFRS Taxonomy due process. Although not constituting a formal public consultation of the IFRS Taxonomy due process, views are sought on the following:**

**a) Do you agree with the publication of the proposed IFRS Taxonomy Update at the same time that an Exposure Draft is issued?**
**b) Do you find the form and content of the proposed IFRS Taxonomy Update useful? If not, why and what alternative or changes do you propose?**

We understand the IASB's objective to be more efficient in their due process, and have no specific concerns with this proposal. However, it is our understanding that many preparers outsource their taxonomy requirements, and as such you may not receive adequate response within an Exposure Draft request for comment.



1201 – 170 University Ave., Toronto, ON M5H 3B3_416.366.3007 _416.366.3008 _feicanada@feicanada.org
www.feicanada.org