April 7, 2012

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

Re: CICA AcSB's Exposure Draft of January 2012
Employee Future Benefits for Private Enterprises and Not-for-profit Organizations

Dear Mr. Martin:

The Committee on Corporate Reporting of Financial Executives International Canada (FEI Canada) is responding to the Accounting Standards Board's proposed accounting standards for private enterprises and not-for-profit organizations on employee future benefits. We appreciate the opportunity to provide comments.

FEI Canada is the all-industry professional membership association for senior financial executives. With eleven chapters across Canada and more than 1,800 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, the CCR supports the Accounting Standards Board's proposed accounting standards for private enterprises and not-for-profit organizations on employee future benefits. However, we note two areas for further considerations.

We agree with the proposed standard to recognize the full defined benefit liability (asset) in the balance sheet as it provides for more complete and timely information about the financial position of an entity. However, if the concept of other comprehensive income can be considered under the accounting standards for private enterprises, we would prefer the recognition of remeasurement gains or losses in other comprehensive income instead of profit or loss. Consistent with IAS 19, we believe a different accounting treatment for remeasurement gains or losses is justified as its predictive value is different than other components of defined benefit cost.

We support the elimination of the current specific guidance which permits a three-month measurement date window prior to the balance sheet date. However, we would much prefer the more principle-based standard similar to IAS 19 which does not specify a measurement date and instead requires that amounts recognized not be materially different financial executives international

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from what they would be if they had been determined as of the balance sheet date. A more principle-based guidance would allow private enterprises more practical flexibilities and would not disadvantage them against Canadian public entities.

Specific responses to the proposed standard questions are provided in Appendix 1.

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

Yours very truly,

Sean Carleton
Chair
Committee on Corporate Reporting
FEI Canada

Financial Executives International Canada
Committee on Corporate Reporting (CCR) Comments to the
CICA AcSB's Exposure Draft of January 2012
Employee Future Benefits for Private Enterprises and Not-for-profit Organizations

1. *Do you agree that the defined benefit liability (asset) of an entity's defined benefit plan should be recognized in the balance sheet with no amounts (such as actuarial gains and losses) deferred to be amortized in future periods (see paragraph 3462.023)?*

   We support the recognition of the full deficit (surplus) of a benefit plan in the balance sheet with remeasurement gains or losses of the net benefit plan liability (asset) fully recognized in profit and loss under the current ASPE accounting and reporting framework. We believe recognition of the full defined benefit liability (asset) in the balance sheet provides more complete and timely information about the financial position of an entity. However, if the concept of other comprehensive income can be considered under accounting standards for private enterprises, we would prefer the recognition of remeasurement gains or losses in other comprehensive income instead of profit or loss. Consistent with IAS 19, we believe a different accounting treatment for remeasurement gains or

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losses is justified as its predictive value is different than other components of defined benefit cost.

We confirm the Board's observation that preparers will not have much, if any, cost savings as a result of this change.

2. *Do you agree that there should be an accounting policy choice to measure the defined benefit obligation using an appropriate funding valuation or a valuation prepared for accounting purposes, and that this choice should be applied to all defined benefit plans for which an appropriate funding valuation has been prepared (see paragraph 3462.029)?*

   Yes, we agree that an accounting policy choice should be provided to measure the defined benefit obligation based on either a funding valuation or a valuation prepared for accounting purposes and that the same choice should be applied to all benefit plans within the entity. In our view, an accounting valuation is the most appropriate valuation basis for of benefit plan obligations; however, we can support the funding valuation as an option for practical reasons.

3. *Do you agree that the measurement date of plan assets and the defined benefit obligation should be the balance sheet date?*

   We support the elimination of the current specific guidance which permits a three-month measurement date window prior to the balance sheet date. However, we would much prefer the more principle-based standard similar to IAS 19 which does not specify a measurement date and instead requires that amounts recognized not be materially different from what they would be if they had been determined as of the balance sheet date. A more principle-based guidance would allow private enterprises more practical flexibilities and would not disadvantage them against Canadian public entities.

4. *Do you agree that remeasurements and other items should be presented as a separate line item in the income statement or disclosed in the notes to the financial statements?*

Yes, absent the option of recognizing remeasurement gains or losses in other comprehensive income, we agree that a choice should be provided for the disclosure of remeasurements and other items either as a separate line item on the face of the income statement or in the notes of the financial statements. In our view, note disclosure of remeasurements and other items provide adequate information to users. In addition, note disclosure would be a helpful option for those preparers who present their income statement expense components by function and would therefore have benefit cost embedded in multiple lines on the face of the income statement (for example, cost of goods sold and administrative expenses). Prepares who have remeasurements and other items first capitalized (for example, inventory or assets under construction) would also benefit from the note disclosure option.

5. *Do you agree with the disclosure requirements in paragraphs 3462.109(g) and 3462.110-111?*

   Yes, the proposed disclosure requirements are reasonable in the light of accounting policy choices permitted.

6. *If the final standard is issued in the second half of 2013 in substantially the same form as the Exposure Draft proposals, is an effective date no earlier than January 1, 2014 acceptable?*

   While timelines for conversion appear reasonable, we note that, if the exposure draft is finalized in substantially the same content as is, it would be the second time in three years that some private enterprises (those which have chosen the defer and amortize remeasurement gains and losses approach on adoption of Private Enterprises GAAP) will be making an accounting policy change in the employee benefits area. For those other private enterprises which have chosen the immediate recognition of remeasurement gains and losses approach and may not be impacted by this proposed change, it would have to be pure happenstance as they would have had no prior knowledge of this exposure draft under development on the adoption of Private Enterprise GAAP. We are disappointed that the Board had not taken a more comprehensive and careful view in developing standards in this area, not only at the expense of the preparers, but at the risk of confusing the users with yet one more prior period adjustment due to standard changes in employee benefits.

7. *Do you agree with the transitional provisions?*

   We support the simplifications proposed for the transition.

8. *Do you agree with the other changes made to Section 3461 as identified in the Table of Concordance ?*

   We do not take exception to other minor changes proposed.

9. *Do you agree with the consequential amendments to Parts II and III of the Handbook?*

   We do not take exception to consequential amendments proposed.