

October 24, 2011

VIA EMAIL
commentletters@ifrs.org

Attention: Hans Hoogervorst
Chairman, International Accounting Standards Board
30 Cannon Street
London EC4M6XH
United Kingdom

Dear Mr. Hoogervorst:

Re: Request for Views on Agenda Consultation 2011

Financial Executives International Canada (“**FEI Canada**”) is the all-industry professional membership association for senior financial executives in Canada. With eleven chapters and more than 2,000 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 Canada 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 CCR appreciates the opportunity to provide comments on the Request for Views on Agenda Consultation 2011 (“**Request for Views**”) regarding the strategic direction and overall balance of the International Accounting Standards Board’s (“**IASB**”) work plan, as well as on the priority of individual projects or agenda areas over the next three years, and trusts that you find our comments constructive. Specific responses to the Consultation Paper questions are provided in Appendix 1.

FEI Canada is generally in agreement with the two categories and the five strategic areas within them as identified by the IASB. Of the two categories, described, FEI Canada is of the view that

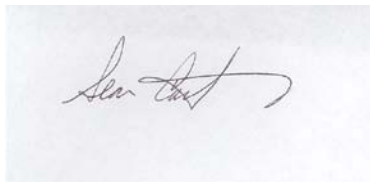
the IASB should finish the significant projects that are currently underway, and focus more resources on maintaining existing IFRSs as opposed to developing financial reporting over the agenda period.

FEI Canada also recognizes the importance of U.S. businesses and capital markets to the world economy and thus to Canadian companies and those in other countries that have adopted IFRSs and as such, we believe it is critical that the IASB continue their work efforts to converge or align U.S. GAAP with IFRSs. To that end, FEI Canada would support continued cooperation on significant accounting projects with FASB which would naturally impact the IASB agenda on a priority basis. FEI Canada continues to support the objective of one set of quality global accounting standards and that objective cannot be achieved without including the U.S.

FEI Canada feels that given the conflicting objectives of addressing gaps in existing IFRSs, continuing cooperation with FASB, and a desire of preparers to maintain a period of calm, the IASB should take on a very limited number of standards level projects in the next few years. Two projects that FEI Canada feels the IASB must take on are projects on rate-regulated activities (“**RRA**”) and extractive activities which generally impact only companies with qualifying activities, and are needed to address clear divergence in practice. Beyond these two projects, FEI Canada feels that the next most pressing issues relate to liabilities and income taxes.

Please do not hesitate to contact us should you have any questions,

Best Regards,



Sean Carleton
Chair, Committee on Corporate Reporting

SRC/jjs

CC Peter Martin, Director, Accounting Standards, Accounting Standards Board

Appendix 1

Responses to matters on which specific comments are requested

Question 1:

What do you think should be the IASB’s strategic priorities, and how should it balance them over the next three years?

Question 1(a):

Do you agree with the two categories we identified and the five strategic areas within them? If you disagree, how do you think the IASB should develop its agenda, and why?

FEI Canada agrees with the two categories identified and the five strategic areas within them as listed below:

- I) Developing financial reporting
 - 1) Conceptual framework, including a presentation and disclosure framework
 - 2) Researching strategic issues for financial reporting
 - 3) Standards-level projects
- II) Maintaining existing IFRSs
 - 4) Post-implementation reviews
 - 5) Responding to implementation needs

Question 1(b):

How would you balance the two categories and five strategic areas? If you have identified other areas for the IASB’s agenda, please include these in your answer.

We believe that each of the above strategic areas should be included in the IASB’s workplan. However, the amount of effort devoted to each of these should not be the same. We believe the following should represent the ordering of strategic areas in terms of their importance and the proportion of the IASB’s effort that should be spent on each:

- (Highest) Responding to implementation needs
- ↓ Post-implementation reviews
- ↓ Standards-level projects
- ↓ Conceptual framework, including a presentation and disclosure framework
- (Lowest) Researching strategic issues for financial reporting

The last few years have seen a high level of significant changes to IFRSs, with more changes to become effective over the next few years. We are of the view that the IASB first needs to finish the significant projects that are currently underway, as we expect that a number of implementation issues are likely to arise as these new or revised standards are adopted, requiring either interpretations or clarifications/changes to the standards. Indeed the International Financial Reporting Interpretations Committee (“IFRIC”) has already received requests for interpretations of IFRS 11. We believe the IASB’s primary focus should be on ensuring that new and revised standards are implemented appropriately, consistently, effectively and efficiently. To this end both the IASB and IFRIC to be more proactive in addressing divergence in practice as it occurs.

The post-implementation reviews should be the next highest priority item, with a view to ensure any unexpected issues are identified and addressed before they are allowed to persist for an extended period of time. This is a new activity for the IASB and is likely to take significant resources for the necessary outreach and consultation.

The IASB should continue to expend efforts to bring U.S. GAAP within the global framework. To do so requires continued investment in joint projects. While we recognize those efforts take time, we believe major projects undertaken in isolation by both IASB and FASB will result in divergence between ‘International Standards’ and the U.S. Without the U.S., FEI Canada believes the IASB will have failed to achieve its objective of one set of quality global standards.

Specific standards-level projects and conceptual framework items (including a materiality-based presentation and disclosure framework) would be prioritized next, with a relatively equal weighting. We recognize the importance of a framework that is applicable to all users and ensuring consistency amongst the standards.

We believe researching strategic issues for financial reporting should be an agenda item, but with a lower proportion of the IASB’s work effort devoted to this than to the other areas. We recognize the value in “watching” broader stakeholder and research issues with a view to determine whether the IASB could or should play a role in such matters in the future. We also recognize the very different team of individuals that would be involved in such strategic issues compared to those involved in the detailed standards projects. That being said, the IASB must provide a solid foundation for financial reporting now. With the number of countries adopting IFRSs and the magnitude of change to financial reporting standards in the recent past, present and upcoming future, we believe the IASB should put priority on ensuring financial reporting standards are of the highest quality, first. The reality is that there is significant work still required to achieve this goal. In the future, when the financial reporting standards have been reviewed and solidified, and the IASB is comfortable with the consistency and appropriateness

of all major standards, we believe the IASB should play a significant role in emerging strategic issues. At the current time and in the near-term, keeping a finger on the pulse is the appropriate level of involvement.

Question 2:

What do you see as the most pressing financial reporting needs for standard-setting action from the IASB?

Question 2(a):

Considering the various constraints, to which projects should the IASB give priority, and why? Where possible, please explain whether you think that a comprehensive project is needed or whether a narrow, targeted improvement would suffice?

Considering the various constraints, we believe that the IASB should give priority to the following four projects:

- 1) Rate-regulated activities
- 2) Extractive activities
- 3) Income taxes
- 4) Liabilities – amendments to IAS 37

Rate-regulated activities

The IASB has previously indicated that it is concerned with divergence in practice resulting from the implementation of IFRS. The lack of clear guidance under IFRSs with respect to RRA has resulted in divergence in practice in various jurisdictions, specifically related to implementation and adoption of IFRSs within Canada. We are also aware that this is an issue in a number of other countries.

The uncertainty around RRA during Canada's transition to IFRSs directly resulted in the vast majority of Canadian entities with qualifying RRA deferring their adoption of IFRS. Subsequently, a significant portion of Canadian entities with RRA decided to adopt U.S. GAAP as opposed to IFRS. They have suggested that existing IFRSs fail to consistently provide a faithful presentation of the financial position and performance of the Canadian utility industry.

Of the utilities that adopted IFRSs in 2011, some had similar facts and circumstances, but reached very different conclusions with respect to the continued recognition of assets and liabilities arising from the effects of rate regulation.

As a result, the ability of key stakeholders such as investors and regulators, to evaluate and compare financial results of companies that are subject to rate regulation is impaired. These

stakeholders will likely incur additional effort and costs as a result of this diversity in practice and differences in accounting standards. As many more countries are about to join the IFRSs community this year and next, it is imperative that the IASB addresses this divergence in practice if it wants to produce globally accepted financial reporting standards. The 2009 exposure draft provides a significant basis on which to proceed to address the issues faced with respect to RRA.

Extractive activities

International Financial Reporting Standard 6, *Exploration for and Evaluation of Mineral Resources* (“**IFRS 6**”), was issued in 2004. The introductory paragraphs to IFRS 6 state that the IASB’s objective was “to make limited improvements to accounting practices for exploration and evaluation expenditures, without requiring major changes that might be reversed when the Board undertakes a comprehensive review of accounting practices used by entities engaged in the exploration for and evaluation of mineral resources”. We believe that seven years later it is time for that “comprehensive review”.

IFRS 6 is a permissive standard. The key requirement is that an entity “shall determine an accounting policy specifying which expenditures are recognised as exploration and evaluation assets and apply the policy consistently”. This not only permits, but endorses, significant diversity in the recognition and measurement of assets such as mineral reserves and resources, which are the primary assets for companies in the extractive industries. IFRS 6 also has minimal disclosure requirements about such assets.

The extractive industries are important in many capital markets as well as to several national economies. Companies in these industries range from the very largest of public companies to among the smallest and most speculative. They often operate in multiple jurisdictions, ranging from advanced to developing economies. Common to all companies in the extractive industries is a high degree of exploration risk as well as uncertainty about the quantity and quality of reserves and resources. Consistent and transparent reporting is therefore of the greatest importance. IFRS 6 does not provide this nor was it ever intended to do so. As a result, financial statements for companies in the extractive industries do not meet investor needs, as evidenced by the extensive regulatory and voluntary disclosures made.

A project on extractive activities would address this long-acknowledged significant gap in existing IFRSs. We note that significant work has already been done in the research leading to the Discussion Paper issued in 2010.

Income taxes

Accounting for income taxes is an area where significant diversity in practice exists, particularly in areas that are not explicitly addressed within the current standard but which are addressed

within U.S. GAAP, such as uncertainty in income taxes. The amounts involved may be significant and the diversity in practice affects comparability of financial statements. The lack of clear guidance causes undue burden to preparers who struggle to apply principles that are either inconsistent with the framework or with other standards. We recognize the significant work that was done leading up to the 2009 Exposure Draft and the public comments received on such. We believe convergence with U.S. GAAP is important. We also strongly believe that a high quality set of internally consistent IFRSs standards, based on an established and thorough framework, is important. As a result, we believe the IASB should undertake the review of accounting for income taxes with a view to produce the highest quality standard, and that the FASB should be engaged in the process.

Liabilities – amendments to IAS 37

The IASB issued an exposure draft of proposed amendments to IAS 37 in June 2005. We believe the issues identified with IAS 37 at that time are important and need to be addressed. The exposure draft, together with the additional exposure draft on measurement in 2010 provide a significant basis on which to proceed to address the issues faced in applying this important standard. A significant issue that should be included in the scope of a liabilities project is whether own credit risk should be included in the measurement of a non-financial liability. A staff paper identifying the arguments for and against doing so was issued for comment but the IASB has not taken any further action on this topic.

The principles within the topic of accounting for income taxes, and in particular uncertainty in income taxes, must be consistent with those in IAS 37. Therefore, review of and amendments to IAS 37 and IAS 12 should be made in consideration of each other.

We believe amendments to IAS 37 are urgently required to resolve existing issues and to ensure its guidance is consistent with the Framework, as well as to provide an appropriate basis for consideration in developing new guidance on income taxes, and that this project should be addressed in the near-term. We believe further work on this project will be required, including a further exposure of the proposals.

Question 2(b):

Adding new projects to the IASB's agenda will require the balancing of agenda priorities with the resources available.

Which of the projects previously added to the IASB's agenda but deferred (see table page 14) would you remove from the agenda in order to make room for new projects, and why? Which of the projects previously added to the IASB's agenda but deferred do you think should be reactivated, and why? Please link your answer to your answer to question 2(a).

We recognize the merits of each of the projects previously added to the IASB's agenda but deferred. Accordingly, each of these projects will ultimately need to be addressed. Other than the four projects discussed in our response to question 2(a) none of these projects are of sufficient urgency that they need to be added to the agenda for the next three years. Accordingly, the remaining projects should continue to be deferred at this time.