



January 14, 2014

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

Via "Open to Comment" page, www.iasb.org

Dear Sirs and Mesdames:

The Committee on Corporate Reporting (CCR) of Financial Executives International Canada (FEI Canada) is responding to your request for comments on the July 2013 Discussion Paper (DP), A Review of the Conceptual Framework for Financial Reporting.

FEI Canada is the all-industry professional membership association for senior financial executives. With eleven chapters across Canada and 1,700 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 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 wants to commend the International Accounting Standards Board (Board or IASB) for restarting its work on the Conceptual Framework (CF). We believe the framework is essential for the development of internally consistent accounting standards and for guidance when existing standards do not address specific circumstances. It is critical to ensure we have a sound foundation on which to build specific standards, and for guidance when necessary. We also believe that certain sections of the DP are close to what could be included in an exposure draft on the CF, while others need more deliberation to ensure they are conceptually sound prior to exposure.

FEI Canada has elected not to answer all of the questions in the DP, but to present a few observations with respect to the content of the document that we believe are most important from a preparer perspective.

Question 1

We disagree that the primary purpose of the revised CF is to assist the IASB in setting new standards. The CF is equally important to preparers, and their auditors, in those situations where existing standards do not address specific circumstances and guidance is needed to develop the appropriate accounting treatment. If the CF is the foundation for all accounting conclusions, all potential users should be considered equal. We therefore urge the Board to consider repositioning the purpose of the CF to one that forms the basis for accounting conclusions for all users.

Related to the above is the notion presented in the CF that certain sections of the CF would be available for use only by the Board. The example given is when an item could be recognized in OCI. We believe that, if the CF is complete and well thought through, all sections should be available to all users. We also believe it unlikely that preparers and their auditors would agree that an item could be recorded through OCI without a specific standard requiring that treatment. If certain parts of the framework are concluded to be exceptions, they likely should be omitted from the framework and dealt with at the standards level.

Question 2

We believe that definitions of revenues, expenses, gains and losses should be included in the CF. Classification of these items is important from a preparer perspective and omitting definitions for them seems to relegate the statement of operations to second place behind the balance sheet.

Question 8

We believe that all assets and liabilities should be recognized in the financial statements if they meet the criteria in the CF. Exceptions should not be permitted within the CF but the Board, in developing a particular standard, has the authority to make an exception. That authority currently is embodied in Section 3.

Question 10(c)

We do not believe that measuring changes in the components of equity provides useful information to users, particularly if they include allocations of total equity that will be arbitrary at best. Preparation and disclosure of these amounts result in an additional cost to companies with no discernable benefits and, to the best of our knowledge, no one has ever asked for this information.

Section 6 – Measurement

In our view, finalization of this section should be deferred until a later date. The observations/assessments included seem to be largely a codification of current practice and a more thorough debate is required to ensure a sound theoretical framework for measurement principles is the outcome of the revised CF.

Section 7 – Disclosure

This Section is another where we believe more debate is needed as the content appears to be more like a list of requirements, rather than a conceptual framework for disclosure. We also believe that the notion of materiality and relevance relative to disclosures should be embedded in the CF, rather than just in IAS1, to emphasize that how one thinks about disclosures should be conceptual, as well as “standard driven”. This should assist with the issues around disclosure overload.

We also believe that the CF does not adequately define a “user” of the financial statements. OB 8 of Appendix A of the DP (text from the existing Conceptual Framework) includes the statement that the Board “will seek to provide the information set that will meet the needs of the maximum number of primary users”. We believe that this approach has been a contributor to “disclosure overload” and that, if users are defined more narrowly, disclosure requirements could be reduced without affecting the quality of the financial statements for the defined group of users.

Question 18

We believe that the CF should require a total or subtotal for profit or loss. It is a key number and one of the most used performance metrics. Its omission from the income statement or statement of total comprehensive income would likely be seen as a financial reporting failure and create confusion in the marketplace.

Questions 20 and 21

For the purposes of the CF as it relates to OCI, we believe that the IASB should merely acknowledge that OCI is a means to an end and has little conceptual merit. Then the Board can choose when, at a standards level, it permits changes in measurement to flow through OCI and whether or not those changes should be recycled. OCI, in our view, is a practical short-term expedient to achieve the longer term goal of having one statement of performance (i.e. part of a change management process). We would, therefore, encourage the Board to do what is practical rather than get lost in a debate on the conceptual merits of OCI.

Prudence

As preparers, we would like to see the notion of prudence or conservatism included in the conceptual framework. While we acknowledge that it is in conflict with the principle of neutrality, we believe a “brighter line” should be required for recognition of assets and revenues than for liabilities and expenses. We also believe that prudence or conservatism are principles that are important to the preparation of management estimates and to making judgements.



CCR appreciates the opportunity to comment on the Discussion Paper and we trust that our comments will be of use to you as you continue in your deliberations. Please do not hesitate to contact us if you would like to discuss our views further.

Sincerely,

A handwritten signature in blue ink, appearing to read 'G. Heard'.

Gordon Heard
Chair
Committee on Corporate Reporting
FEI Canada

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