Draft Strategic Plan 2022-2027

Responses to Consultation Paper

October 2021

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Tel: 416 865 0111
Fax: 416 367 3912
Toll-free: 888 505 7993
www.bdo.ca

BDO Canada LLP
20 Wellington Street East
Suite 500
Toronto Ontario M5E 1C5

Kelly Khalilieh, CPA, CA
Director, Accounting Standards
Accounting Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

October 13, 2021

Re: AcSB Consultation Paper – Accounting Standards in Canada: Enhancing the Relevance – Draft Strategic Plan for 2022-2027

Dear Ms. Khalilieh,

We have read the above-mentioned Consultation Paper that was issued in May 2021 and are pleased to have the opportunity to provide responses to your specific questions as outlined below.

1. *Do you agree with the proposed vision and mission statements? If not, why not?*

   We agree with the proposed vision and mission statements.

2. *Do you agree with the AcSB's proposed strategy to reconsider the Preface? Why or why not? If you agree,*

   We agree with the AcSB's proposed strategy to reconsider the Preface.

   a. *What factors should the AcSB consider as it looks at the Preface for certain non-listed enterprises required to apply IFRS® Standards?*

      In looking at the Preface for certain non-listed enterprises required to apply IFRS® standards, it is important that financial statement preparers have clear guidance on the definition and scope of a publicly accountable enterprise and how or whether this is different than the definition of a public interest entity.

   b. *What other factors should the AcSB consider as it looks at the Preface for entities that apply ASPE or Accounting Standards for NFPOs?*

      We agree with the proposed strategy to reconsider aspects of the Preface that require certain types of entities to apply a given part of the Handbook.

      In our view, the current scope of entities allowed to apply Accounting Standards for NFPOs, or ASNPO, is appropriate except as noted in this section.

In some instances, an entity such as a co-operative organization may operate with the primary purpose of generating profit. For such organizations, it may not be appropriate to apply ASNPO; rather, reporting under ASPE may be more useful to its primary users. Careful consideration must be given to which entities should be in the scope of the ASNPO framework.

We believe the Board should also consider whether some aspects of ASNPO guidance should be included in ASPE when considering which entities are scoped into the ASNPO standards. If guidance in a specific standard within the ASNPO framework is more appropriate for use by for-profit organizations, then it should be considered whether this guidance may be incorporated in ASPE.

An example in practice is the accounting for amalgamations for co-operative entities. For example, a co-operative organization currently in the scope of ASNPO may find the guidance in Section 4449 *Combinations by not-for-profit organizations* more appropriate to account for such transactions. In this case, rather than the co-operative organization being able to use the full suite of ASNPO standards, this guidance should be incorporated into Section 1582 *Business Combinations*.

In our view, there should be comparability amongst entities in similar sectors to make financial statements more meaningful for users. This comparability would be achieved by such entities applying the same GAAP. In practice, there appears to be diversity with some entities. For example, a golf club that is a for profit entity follows different standards for financial statement presentation from a golf club that is not-for-profit.

In practice, many NFPOs do not understand how ASPE fits into the ASNPO framework. Further clarity would help to direct them to use the guidance in ASPE when the ASNPO standards do not contain relevant guidance on a transaction. Enhanced education on this interaction of frameworks is needed. A suggestion is to add a table at the beginning of Part III of the Handbook similar to the one that exists at the beginning of the PS 4200 series in the Public Sector Accounting section of the Handbook.

3. *Do you agree with the AcSB's proposed strategy to explore scaling the standards to better meet the needs of different categories of reporting entities? Why or why not? In addition,*

   We agree with the AcSB's proposed strategy to explore scaling the standards to better meet the needs of different categories of reporting entities. In our view, the scaling should be done within the existing framework rather than adding new frameworks.

   a. *Is there a need for more flexibility within the standards to allow for an easier transition from ASPE to IFRS® Standards (for example, for private enterprises looking to go public in the future)? What options should the Board consider to better meet the needs of stakeholders?*

      We acknowledge the challenge of adopting the full suite of IFRS Standards for a private enterprise looking to go public in the future. An alternative for such an enterprise may be to apply the recognition and measurement guidance in IFRS but with reduced disclosure requirements. In practice, the disclosure requirements seem to be a challenge for financial statement preparers of private enterprises.

It may also be considered whether a small or medium-sized enterprise may be able to apply a 'lighter' version of the existing IFRS which would require less disclosures and delayed effective dates of new recognition and measurement guidance.

b. *Would additional flexibility within the standards be helpful for other types of entities as well? If so, which ones?*

In our view, the existing frameworks that are in the Handbook provide sufficient flexibility for various types of entities and their financial reporting needs. As such, we do not support the addition of new frameworks since that may lead to financial statement user confusion if users do not understand the differences and applicability of any new framework. Similarly, a new framework may also lead to difficulties for accounting practitioners in keeping up to date with all the changes and differences across a multitude of frameworks.

Introducing a 'lighter' version of IFRS for smaller entities would achieve scalability for entities that are not publicly accountable but may need to go public in the future while not adding a burden to preparers and practitioners because the existing recognition and measurement principles already exist in Part I of the Handbook.

As an alternative to introducing new frameworks, we believe that scalability within standards would meet the needs of stakeholders. This means that providing options within existing standards would be helpful for preparers so that they can tailor their financial statements based on the needs of their users while maintaining comparability.

For example, smaller private enterprises may benefit from options within Part II to amortize goodwill, or have less onerous valuation requirements for transactions such as business combinations and stock-based compensation. There could also be scalability introduced for disclosure requirements whereby smaller enterprises may elect to provide less disclosures.

c. *Do you have any concerns with ASPE continuing to diverge from IFRS® Standards? Does divergence impact the understanding and/or relevance of financial statements? Should the AcSB maintain convergence on certain principles? If so, which ones and why? If not, why not?*

We have no concerns with ASPE continuing to diverge from IFRS Standards. It is appropriate that enterprises with different users have different financial reporting standards. Users are now knowledgeable about the differences between existing frameworks such that divergence does not impact the understanding and/or relevance of financial statements as long as users clearly understand the framework being applied by the enterprise.

We do believe however that there should be convergence between Section 1100 *Financial statement concepts* and the IFRS *Conceptual framework for financial reporting (revised 2018).*

d. *When a private enterprise or NFPO chooses not to apply an accounting framework, what are the reasons for doing so? Is it because the standards and/or disclosure requirements are too complex or onerous?*

When an enterprise chooses not to apply an accounting framework it is not necessarily because the standards and/or disclosure requirements are too complex. In many instances, it is because an enterprise is not required to have an audit or review on its financial statements and so they do not need to follow GAAP. As such, the enterprise will prepare financial statements based on the needs of its users.

e. *What factors do you think the Board should consider in determining whether one size fits all for private enterprises and NFPOs? For example, should the AcSB consider factors such as the revenue, assets, or number of employees of the private enterprise or NFPO, the users of the financial statements, the complexity of the entity's transactions, or the life cycle of the entity?*

In the determination of whether one size fits all for private enterprises and NFPOs, the AcSB should focus on users of the financial statements rather than financial statement line items, such as revenue, which may be affected by accounting policy choices. It should also be noted that the factors may be different between private enterprises and NFPOs.

f. *Do you think there is a need to explore scaling ASPE and Accounting Standards for NFPOs? What options should the Board consider to better meet the needs of stakeholders?*

We do not believe there is a need to scale ASPE and Accounting Standards for NFPOs by introducing new frameworks. The standards are well-understood by financial statement preparers and users alike. Rather, there should be scalability within the standards by providing optionality and accounting policy choices for more complex areas. To ensure that users are aware of such differences between enterprises, any optionality or accounting policy choices should be prominently disclosed.

g. *If you think scaling is not needed for ASPE or Accounting Standards for NFPOs, do you think these frameworks can be simplified while still meeting the needs of users? If so, how do you think the frameworks can be simplified?*

In our view, further simplification of these standards is unnecessary other than the points we noted in other sections of our response.

h. *Are there types of transactions (for example, types of financing arrangements) that are not adequately addressed in ASPE or Accounting Standards for NFPOs? If so, what types of transactions?*

In our view, accounting for related party combinations is an area that may require some further clarification under ASPE since they are largely originated for tax purposes. This may be an area that requires guidance because the scope of Section 1582 *Business Combinations* excludes combinations between entities or businesses under common control and paragraph 44 in Section 3840 provides guidance on the accounting treatment for a transfer of business between enterprises under common control.

4. *Can the AcSB improve its proposed strategy on supporting the application of IFRS® Standards in Canada? If yes, how? In addition,*

    a. *Part I of the Handbook currently does not include certain documents issued by the IASB including some Basis for Conclusion documents, some illustrative examples and IFRIC Agenda Decisions. Are these documents used often and should the AcSB consider incorporating them into the Handbook?*

    We believe these certain documents provide very useful guidance and are used often. As such, they should be incorporated into the Handbook.

5. *Do you agree with the AcSB's proposed strategy to retain a separate set of standards for private enterprises and NFPOs, while working to enhance their relevance to meet user needs? Why or why not? In addition,*

    Yes, we agree with the AcSB's proposed strategy to retain a separate set of standards for private enterprises and NFPOs, while working to enhance their relevance to meet user needs

    a. *What are your views on the current level of resources to support stakeholders in applying ASPE or Accounting Standards for NFPOs? What, if any, areas do you think need additional resources?*

    Additional resources may be required to educate users on which GAAP to use. Resources that support first time adoption of ASPE and navigation of the financial instruments standard would also be helpful.

6. *Do you agree with the AcSB's proposed strategy to identify issues raised by stakeholders of pension plans and determine the need for improvements? Why or why not? In addition,*

    Yes, we agree with the AcSB's proposed strategy to identify issues raised by stakeholders of pension plans and determine the need for improvements

    a. *What, if any, are your concerns with applying Part IV of the Handbook?*

    We believe that there is a need for some clarification on some of the following topics specific to pension and benefit plans within the scope of Part IV:

    - Timing of recognition of splits/mergers
    - Buy-out and buy-in annuities
    - Clarification of accounting for targeted benefit plans
    - Presentation requirements for hybrid defined contribution or defined benefit plans
    - Guidance on:
        - Disclosure requirements for master trusts relating to the details for the underlying master trust investment holdings
        - Disclosure requirements for quantitative sensitivity analysis (ie. based on how the risks are managed and investments assessed by management)
        - Addressing inconsistencies on the application of the differences between Level 2 and Level 3 investments.

7. *Do you agree with the AcSB's proposed strategy to demonstrate leadership in the advancement of standards and guidance that improve the relevance of information reported outside of the financial statements? Why or why not? In addition,*

   Yes, we agree the AcSB's proposed strategy to demonstrate leadership in the advancement of standards and guidance that improve the relevance of information reported outside of the financial statements.

   a. *Do you find the financial and non-financial information found outside traditional financial statements to have greater relevance compared to information found within traditional financial statements? If yes, what financial and non-financial information in particular?*

      We believe that the financial and non-financial information found outside traditional financial statements to have equal relevance as compared to information found within traditional financial statements.

      While non-financial information can often be helpful, it is important to clearly inform readers how this information differs from or relates to GAAP information in the financial statements. To achieve this, a reconciliation between financial and non-financial information may be helpful. There may also be an issue for practitioners providing assurance on any non-financial information or ensuring that users are aware that the non-financial information has not been audited or reviewed.

   b. *Given the increased demand for information outside the financial statements, how would you like to see the AcSB use its role and prioritize its time in this area?*

      In our view, the AcSB should continue to work with global standard setters in the establishment of its priorities for non-financial information found outside of financial statements. This would include working closely with the Sustainability Board once it is established.

8. *Do you agree with the AcSB's proposed strategies to raise the AcSB's international influence? Why or why not?*

   Yes, we agree with the AcSB's proposed strategies to raise the AcSB's international influence.

Thank you for your consideration of the above-noted responses. We would be pleased to elaborate on our comments in more detail if you require. If so, please contact me at 416-369-6047 or via email at sruparelia@bdo.ca.

Yours sincerely,

Sona Ruparelia, CPA, CA, MAcc
Director National Accounting Standards
BDO Canada LLP

Grant Thornton
An instinct for growth™

October 14, 2021

Grant Thornton LLP
12th Floor
50 Bay Street
Toronto, ON
M5J 2Z8

T +1 416 366 4240
F +1 416 360 4944
www.grantthornton.ca

Kelly Khalilieh, CPA, CA
Director
Accounting Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

Dear Ms. Khalilieh:

Re: Consultation Paper – Draft Strategic Plan for 2022-2027 [May 2021]

Grant Thornton LLP (we) would like to thank you for the opportunity to provide comments on the Accounting Standards Board's (the "Board") Consultation Paper *Draft Strategic Plan for 2022-2027* (the "CP"). In general, we agree with the Board's proposed strategies. Our comments on certain specific questions are found in Appendix A.

If you wish to discuss our comments or concerns, please contact Melanie Joseph (Melanie.Joseph@ca.gt.com, 416-607-2736).

Yours sincerely,

Melanie Joseph, CPA, CA
Grant Thornton LLP

Appendix A – Responses to Consultation Paper questions

Question 2: Do you agree with the AcSB's proposed strategy to reconsider the Preface? Why or why not?

Yes, we agree with the proposed strategy to reconsider the Preface, as we agree that there are entities for which determining the appropriate accounting framework can be clarified, such as co-operative enterprises.

a) **What factors should the AcSB consider as it looks at the Preface for certain non-listed enterprises required to apply IFRS Standards?**

For non-listed enterprises considering whether they have to apply IFRS, in particular with respect to those that hold assets in a fiduciary capacity for a broad group of outsiders, we believe factors to consider include how entities should determine:

- what comprises a broad group of outsiders (such as the number of investors, which investors are outsiders, and whether to look through organizational structures to underlying stakeholders or participants);
- what an entity's primary businesses are; and
- whether holding assets is integral or only incidental to the primary businesses.

b) **Would additional flexibility within the standards be helpful for other types of entities as well? If so, which ones?**

We believe additional flexibility in terms of accounting policy choices would be helpful at times. For example, a policy choice to initially measure financial instruments at face value for non- or low-interest bearing loans would be helpful for NPOs where the costs to estimate their fair value do not benefit their users.

We do not believe that there should be additional GAAPs implemented because practitioners and clients already struggle to keep track of all the frameworks and stay apprised of the changes. For example, a new "big GAAP" and "little GAAP" for NPOs would add to confusion in the market and for practitioners.

c) **Do you have any concerns with ASPE continuing to diverge from IFRS Standards? Does divergence impact the understanding and/or relevance of financial statements? Should the AcSB maintain convergence on certain principles? If so, which ones and why? If not, why not?**

No, we do not have concerns with the divergence. The numbers of private enterprises that move to IFRS is very small compared to those that never do. If those enterprises wish to make the move to IFRS, they are generally more sophisticated and should be willing and able to perform the work to make the transition. We believe that the AcSB's current practice of monitoring changes in IFRS and assessing if changes need to be considered for ASPE a good method to monitor the need for divergence or lack thereof.

d) **When a private enterprise or NFPO chooses not to apply an accounting framework, what are the reasons for doing so? Is it because the standards and/or disclosure requirements are too complex or onerous?**

For private enterprises and NPOs, generally the choice is made to apply ASPE/ASNPO because it is required by a creditor or shareholders' agreement or by regulations or legislation. When entities choose not to, it is generally because they have no third parties, investors or regulations / legislation that require audited or reviewed financial statements.

Question 3: Do you agree with the AcSB's proposed strategy to explore scaling the standards to better meet the needs of different categories of reporting entities? Why or why not?

We agree with the strategy of exploring scalability to better meet the needs of different entities and the users of their financial statements. However, we would be concerned if scalability were in some form of differential reporting (such as a "big ASPE" and "little ASPE" or "big ASNPO" and "little ASNPO"). With many private enterprises and NPOs already considering ASPE and ASNPO to be burdensome and complex to apply, and the number of separate accounting frameworks already maintained in Canada, a second set of ASPE or ASNPO standards would be difficult for entities, practitioners and financial statement users to keep abreast of. As such, we believe additional accounting policy choices would be a more beneficial form of scalability, but that the AcSB should develop a process on when accounting policy choices should be required in order to maintain comparability between entities as much as possible.

a) **Is there a need for more flexibility within the standards to allow for an easier transition from ASPE to IFRS Standards (for example, for private enterprises looking to go public in the future)? What options should the Board consider to better meet the needs of stakeholders?**

No, we do not think there is a need for this proposal. Private enterprises that are looking to go public in the future have the choice to adopt IFRS and would then apply the first-time adoption requirements included therein. We believe including additional flexibility within ASPE would introduce unnecessary complexity to the many enterprises that are not looking to go public and reduce comparability in the sector.

b) **Would additional flexibility within the standards be helpful for other types of entities as well? If so, which ones?**

We believe additional accounting policy choices would be a beneficial form of scalability, but that the AcSB should have a prescribed process to assess when an accounting policy choice is in the best interests of stakeholders overall in order to maintain comparability between entities as much as possible.

With the Board considering improvements to the guidance on accounting for contributions by NPOs, including a model for revenue recognition that focuses on the underlying characteristics of a contribution, we believe that foundations are another type of entity that would benefit from additional flexibility. Foundations are a type of NPO for which the focus of the users is on the amount of funds raised in the period more so than the surplus or deficit in the period. Recognition as revenue immediately regardless of the type or the restriction is useful to the users of their financial statements such that there may need to be different requirements for that sector for contributions – revenue recognition.

c) **Do you have any concerns with ASPE continuing to diverge from IFRS Standards? Does divergence impact the understanding and/or relevance of financial statements? Should the AcSB maintain convergence on certain principles? If so, which ones and why? If not, why not?**

No, we do not have concerns with ASPE continuing to diverge from IFRS. We believe that stakeholders of enterprises looking to go public are sufficiently served by adopting IFRS. At the same time, the many enterprises that are not looking to go public would not benefit from additional requirements added for the purpose of flexibility and may find them burdensome to interpret and apply. Also, it would increase the burden on financial statement preparers, practitioners and users to learn numerous requirements (for example, if entities that apply ASPE are given the choice to apply IFRS 15 or Section 3400).

d) When a private enterprise or NFPO chooses not to apply an accounting framework, what are the reasons for doing so? Is it because the standards and/or disclosure requirements are too complex or onerous?

In our experience, the main factor for choosing whether to apply a particular accounting framework is driven by a creditor's requirements with respect to having a review or audit performed on an entity's financial statements, or a legislative or regulatory requirement to provide audited or reviewed financial statements. We observed that while many private enterprises and NPOs already consider ASPE and ASNPO to be burdensome and complex to apply, concerns appear to have lessened since 2011 when enterprises transitioned from Part V GAAP to ASPE, including ASPE's relatively lower disclosure requirements.

We have also observed that NPOs will more readily diverge from certain accounting or disclosure requirements when implementing it becomes too costly for the organization relative to the benefits to their users. For example, NPOs often forgo initially measuring financial instruments at their fair value for low- or non-interest bearing loans.

e) What factors do you think the Board should consider in determining whether one size fits all for private enterprises and NFPOs? For example, should the AcSB consider factors such as the revenue, assets, or number of employees of the private enterprise or NFPO, the users of the financial statements, the complexity of the entity's transactions, or the life cycle of the entity?

We believe that a key factor that the Board should consider is understandability to users. If additional scalability were to be introduced into the standards, it is important for users to understand the differences between the options that would be available and when they could apply, in order to maintain comparability between entities. We feel this is critical because entities, users and preparers of financial statements already struggle to keep abreast of the frameworks and options that are currently in place.

While thresholds based on revenue, assets or number of employees are easier to understand and apply, in many cases these bases may not be very relevant to the nature of the scalability being introduced. The amounts for these thresholds can also vary significantly from period to period. We do not believe the life cycle of an entity should be a factor in the accounting applied by an entity because the life cycle should be reflected in the nature of the entity's transactions. And while the complexity of the entity's transactions is an important consideration, we are concerned with whether it can interpreted and applied consistently.

f) Do you think there is a need to explore scaling ASPE and Accounting Standards for NFPOs? What options should the Board consider to better meet the needs of stakeholders?

Yes, we believe there is a need to explore scaling ASPE and ASNPO through additional accounting policy choices.

We believe the following areas are some that entities often find unnecessarily complex to apply for private enterprises, relative to the needs of their users: the separation of identifiable intangible assets from goodwill in business combinations; the classification of leases between operating leases or capital leases; and the recognition of stock-based compensation rather than only disclosure.

For NPOs, we believe the following would better meet the needs of stakeholders: allowing low- or non-interest bearing loans to be initially measured at the face amount rather than fair value; providing additional certainty and direction out of the contribution revenue recognition project; and allowing the restricted fund method of revenue recognition for foundations.

Question 4: Can the AcSB improve its proposed strategy on supporting the application of IFRS Standards in Canada? If yes, how?

We concur with the AcSB's proposed strategy in this regard.

a) **In addition, Part I of the Handbook currently does not include certain documents issued by the IASB including some Basis for Conclusion documents, some illustrative examples and IFRIC Agenda Decisions. Are these documents used often and should the AcSB consider incorporating them into the Handbook?**

Yes, we believe the documents named above are referred to often and that the AcSB should incorporate them into the Handbook. While these materials are non-authoritative, they often help to clarify the meaning of a part of a standard and support the application of IFRS. The Basis for Conclusion documents also accompany Exposure Drafts and the explanations within are often assumed when individuals and organizations express agreement or disagreement with the proposals in an Exposure Draft. As such, these documents are an important form of guidance. Furthermore, there is a lack of consistency in that the AcSB has included these materials for some standards such as IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers*, IFRS 16 *Leases* and IFRS 17 *Insurance Contracts*, thereby implicitly acknowledging their value.

Question 5: Do you agree with the AcSB's proposed strategy to retain a separate set of standards for private enterprises and NFPOs, while working to enhance their relevance to meet user needs? Why or why not?

Yes, we agree because the underlying purposes for these types of entities, and therefore their users, differs.

a) **What are your views on the current level of resources to support stakeholders in applying ASPE or Accounting Standards for NFPOs? What, if any, areas do you think need additional resources?**

We believe the current level of support has been sufficient, and that the Board has been responsive to pressing issues such as cloud computing arrangements and COVID-19.

We believe one area that will require additional resources is cryptocurrency, as cryptocurrency holdings become more prevalent for entities in Canada.

Question 6: Do you agree with the AcSB's proposed strategy to identify issues raised by stakeholders of pension plans and determine the need for improvements? Why or why not?

Yes, we agree with the proposed strategy.

a) **What, if any, are your concerns with applying Part IV of the Handbook?**

We believe that there is still some uncertainty as to when an entity must apply Part IV, which should be considered along with the proposed reconsideration of the Preface along with issues related to how and when to account for plan mergers, reporting investments in master trusts, and annuity contracts.

Question 7: Do you agree with the AcSB's proposed strategy to demonstrate leadership in the advancement of standards and guidance that improve the relevance of information reported outside of the financial statements? Why or why not?

Yes, we agree with the proposed strategy. We believe that this strategy is important in ensuring the needs of Canadian entities and their stakeholders are met and the AcSB is at the forefront of developing any reporting standards beyond traditional financial statement reporting.

a) Do you find the financial and non-financial information found outside traditional financial statements to have greater relevance compared to information found within traditional financial statements? If yes, what financial and non-financial information in particular?

For private enterprises, we have not observed information found outside of traditional financial statements to have greater relevance than the traditional financial statements.

For NPOs, we have observed that funders often require additional reporting outside of the traditional financial statements on the use of the resources contributed as well as key financial and non-financial metrics related to the cause they are funding. For example, measures of the social value that an NPO has provided. In addition, many NPOs only make their audited or reviewed financial statements available upon request and provide only their annual reports which may only have summarized information publicly available.

The prevalence of and interest in ESG reporting is growing significantly throughout Canada. While reporting issuers are likely to constitute a significant portion of the first wave of such reporting, we expect private enterprises, particularly those in certain industries, to be impacted significantly as well.

b) Given the increased demand for information outside the financial statements, how would you like to see the AcSB use its role and prioritize its time in this area?

We believe the AcSB should focus on monitoring the developments in this area and assessing if separate guidance or advocacy is needed for each type of entity that may be impacted (private enterprises, NPOs, etc.).

Question 8: Do you agree with the AcSB's proposed strategies to raise the AcSB's international influence? Why or why not?

Yes, we agree.

October 14, 2021

Kelly Khalilieh, CPA, CA
Director, Accounting Standards Board
277 Wellington Street West
Toronto, Ontario
M5V 3H2

Re: Accounting Standards Board ("AcSB") Consultation Paper – Draft Strategic Plan 2022-2027

Dear Ms. Khalilieh,

Thank you for the opportunity to comment on the above-noted consultation paper. MNP LLP is one of Canada's largest chartered professional accountancy and business advisory firms. Our clients include small to mid-size owner-managed businesses in agriculture, agribusiness, retail and manufacturing as well as credit unions, co-operatives, First Nations, medical and legal professionals, not-for-profit organizations, municipalities and government entities. In addition, our client base includes a sizable contingent of publicly traded companies. We believe that we are positioned well to provide feedback on this draft strategic plan.

Overall, we support the goals of the proposed strategic plan. In addition, we have provided our response to the questions noted in the consultation paper below.

Question 1: Do you agree with the proposed vision and mission statements? If not, why not?

We agree with the proposed vision and mission statements. Users are concerned with their ability to make economic decisions based on the financial and non-financial information presented to them; therefore, we agree with this being the broad focus of the AcSB's role.

Question 2: Do you agree with the AcSB's proposed strategy to reconsider the Preface? Why or why not?

We agree with the AcSB's proposed strategy to reconsider the Preface because there are instances where some entities have difficulty in determining the applicable financial reporting framework, which can lead to inconsistencies in practice.

We agree that some co-operatives share characteristics with not-for-profits or quasi-government agencies (e.g. rural water or utility co-ops, irrigation boards). However, we note that many other co-operatives operate in a manner similar to their for-profit entity peers.

Certain Trusts, such as those not controlled by a First Nation but which act to provide benefit to the related First Nation community, are another common area where there is diversity in practice as to the framework applied. Applying the current Preface, in many cases it is difficult to determine if these trusts are themselves a public sector entity, a not-for-profit organization, or a for profit entity.

We also agree that many public sector entities have controlled government business entities which do not make financial statements available to the public at large. These entities have financial statements prepared and audited for oversight purposes of the controlling public sector entity and for financing purposes. We agree that, in many of these cases, the financial statement user relationship to the entity is more similar to that of a private enterprise.

If you agree,
(a) what factors should the AcSB consider as it looks at the Preface for certain non-listed enterprises required to apply IFRS Standards?

The key factors to consider in the applicability of IFRS to a non-listed entity are the level of broadly held financial interest that is present with financial statement users, and the ability of financial statement users to seek, and obtain, information beyond that presented in financial statements directly from management.

(b) what other factors should the AcSB consider as it looks at the Preface for entities that apply ASPE or Accounting Standards for NFPOs?

We have not noted any other factors which the AcSB should consider with regard to the Preface.

Question 3: Do you agree with the AcSB's proposed strategy to explore scaling the standards to better meet the needs of different categories of reporting entities? Why or why not?

We have some concerns with the AcSB's proposed strategy to explore further scaling the standards. We feel that the frameworks are already appropriately scaled to the needs of entities and users and further scaling of the standards would lead to more confusion between the frameworks and complexity in determining which framework to apply. We believe comparability is important to enable financial statements users, e.g. lenders or funders, to identify and understand similarities and differences among entities in order to make decisions about those entities. Comparability between entities could be compromised if scaling options are implemented.

In addition,
(a) is there a need for more flexibility within the standards to allow for an easier transition from ASPE to IFRS Standards (for example, for private enterprises looking to go public in the future)? What options should the Board consider to better meet the needs of stakeholders?

We do not believe there is a need for more flexibility to allow for an easier transition from ASPE to IFRS. Entities considering going public in the future already have the option of adopting IFRS. An entity which plans to go public in the future may incur some burden in early adoption of IFRS, or in tracking the necessary historical information to facilitate its future adoption of IFRS in addition to its current ASPE reporting. However, allowing private enterprises to apply ASPE with piecemeal adoption of various IFRS standards will lead to a lack of comparability between these financial statements for users of private enterprise financial statements. Further, we do not believe such piecemeal financial statements would be appropriate for a general purpose use. An entity wishing to apply ASPE plus certain IFRS standards could explore whether such financial statements would meet the needs of specific users and consider reporting under a special purpose framework for a specific group of users.

(b) would additional flexibility within the standards be helpful for other types of entities as well? If so, which ones?

We do not believe that there is a strong need for additional flexibility within the standards. ASPE already contains many accounting policy choices to reduce the burden of financial reporting on private enterprises. However, if areas are identified in the future where additional policy choices would be warranted, we would support exploration of those policy choices. At this time, we have not identified any specific areas where the benefit of increased flexibility for financial statement preparers would out weigh the negative of reduced comparability for financial statement users.

We would be supportive of simplifying disclosure requirements for private enterprises to make the financial statements more understandable, where those simplified disclosures continue to meet the need of external users. In our experience, external users would prefer to fully and clearly understand the entity from the financial statements and disclosures, rather than request additional information from management. We do not think that a size test for potentially removing disclosures would be appropriate because the size of an entity does not necessarily drive the needs of external users for additional information.

(c) do you have any concerns with ASPE continuing to diverge from IFRS Standards? Does divergence impact the understanding and/or relevance of financial statements? Should the AcSB maintain convergence on certain principles? If so, which ones and why? If not, why not?

We do not have concerns with ASPE continuing to diverge from IFRS and believe that this should be the intent of having separate ASPE and IFRS standards. The information needs of private enterprise financial statement users differ substantially from the needs of those of public companies. We believe that the AcSB should consider whether new developments in other accounting frameworks may be relevant for ASPE; however, the focus should be on ensuring the ASPE framework meets the needs of private enterprises, as opposed to a focus on maintaining conformity with other accounting frameworks.

(d) when a private enterprise or NFPO chooses not to apply an accounting framework, what are the reasons for doing so? Is it because the standards and/or disclosure requirements are too complex or onerous?

In our experience, some NFPOs whose revenues exceed the capitalization threshold deviate from Part III by recognizing tangible capital assets on a cash basis. Such entities do so when the substantial majority of their funding comes from one source and that source has directed that tangible capital assets be reported in this manner. These entities prepare separate operating and capital expenditure budgets, with respective funding for each. For these entities, it is onerous to account for and report capital assets under both the requirements of their funder and under Part III requirements. The financial statement users' needs are based on the planning and budgeting process, not on the size of the entity.

(e) what factors do you think the Board should consider in determining whether one size fits all for private enterprises and NFPOs? For example, should the AcSB consider factors such as the revenue, assets, or number of employees of the private enterprise or NFPO, the users of the financial statements, the complexity of the entity's transactions, or the life cycle of the entity?

We do not think that Board should explore scaling the standards for private enterprises or NFPOs and accordingly should not consider the above factors.

(f) do you think there is a need to explore scaling ASPE and Accounting Standards for NFPOs? What options should the Board consider to better meet the needs of stakeholders?

We do not think that there is a need to explore scaling the standards for private enterprises or NFPOs.

(g) if you think scaling is not needed for ASPE or Accounting Standards for NFPOs, do you think these frameworks can be simplified while still meeting the needs of users? If so, how do you think the frameworks can be simplified?

We believe that many NFPOs would benefit from an accounting policy choice regarding capitalization of tangible capital assets even when over the current threshold. Other than this issue, we do not see a major need to simplify these standards further.

(h) are there types of transactions (for example, types of financing arrangements) that are not adequately addressed in ASPE or Accounting Standards for NFPOs? If so, what types of transactions?

We do not note any types of transactions that are not adequately addressed in ASPE or Accounting Standards for NFPOs.

Question 4: Can the AcSB improve its proposed strategy on supporting the application of IFRS Standards in Canada? If yes, how?

We believe the AcSB is adequately supporting the application of IFRS standards in Canada.

In addition,

(a) Part I of the Handbook currently does not include certain documents issued by the IASB including some Basis for Conclusion documents, some illustrative examples and IFRIC Agenda Decisions. Are these documents used often and should the AcSB consider incorporating them into the Handbook?

Yes, the Basis of Conclusion documents, illustrative examples and IFRIC Agenda Decisions are often used to assess issues where guidance in addition to that of the main standard is required. The AcSB should incorporate them into the Handbook.

Question 5: Do you agree with the AcSB's proposed strategy to retain a separate set of standards for private enterprises and NFPOs, while working to enhance their relevance to meet user needs? Why or why not?

We agree with the proposed strategy to retain separate standards for private enterprises and NFPOs, while working to enhance their relevance. The separate standards appropriately meet the needs of users.

In addition,

(a) what are your views on the current level of resources to support stakeholders in applying ASPE or Accounting Standards for NFPOs? What, if any, areas do you think need additional resources?

In our view, the current level of resources to support stakeholders in applying ASPE or Accounting Standards for NFPOs are adequate.

Question 6: Do you agree with the AcSB's proposed strategy to identify issues raised by stakeholders of pension plans and determine the need for improvements? Why or why not?

We agree with this strategy. Issues raised by stakeholders should be considered to determine the need for improvements.

In addition,

(a) what, if any, are your concerns with applying Part IV of the Handbook?

No concerns noted.

Question 7: Do you agree with the AcSB's proposed strategy to demonstrate leadership in the advancement of standards and guidance that improve the relevance of information reported outside of the financial statements? Why or why not?

Overall we agree with the AcSB's proposed strategy to demonstrate leadership in the advancement of standards and guidance that improve the relevance of information reported outside of the financial statements. As users place reliance on this information, guidance to improve its relevance to users would be beneficial.

In addition,

(a) do you find the financial and non-financial information found outside traditional financial statements to have greater relevance compared to information found within traditional financial statements? If yes, what financial and non-financial information in particular?

The relevance of financial and non-financial information found outside traditional financial statements depends on the nature of the information. In our experience, operational information (e.g. number of new stores, number of units sold, etc.) is particularly relevant to users. In addition, environmental, social and governance information is increasingly sought by financial statement users.

(b) given the increased demand for information outside the financial statements, how would you like to see the AcSB use its role and prioritize its time in this area?

Additional guidance on the presentation of such information, in particular when associated with financial statements, would be useful. That said, we understand that attestation of such information may present challenges, so we would encourage appropriate collaboration with assurance standard-setters with regard to this non-financial information.

Question 8: Do you agree with the AcSB's proposed strategies to raise the AcSB's international influence? Why or why not?

We agree with the AcSB's proposed strategies to raise the AcSB's international influence. We believe that it is important that the AcSB be at the international table when issues important to Canadians are discussed, to ensure these issues are heard and that the Canadian perspective is considered.

We would be pleased to offer our assistance to the AcSB for any future proposed changes to accounting frameworks or strategic plans.

Yours truly,

MNP LLP

JMacKenzie

Jody MacKenzie, CPA, CA
Director, Assurance Professional Standards

Ernst & Young LLP
100 Adelaide Street West
Toronto, ON M5H 0B3

Tel: 416 864 1234
Fax: 416 864 1174
ey.com

Kelly Khalilieh, CPA, CA
Director, Accounting Standards
Accounting Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

October 15, 2021

Dear Ms. Khalilieh:

Ernst & Young LLP ("EY" or "we") welcome the opportunity to provide comments to the Accounting Standards Board ("AcSB" or the "Board") on the May 2021 Consultation Paper on Draft Strategic Plan for 2022-2027 (the "Consultation Paper"). Our responses to the specific questions posed in the Consultation Paper are included below.

Comments on Specific Questions Requested by the AcSB

1. Do you agree with the proposed vision and mission statements? If not, why not?

   Yes, we agree with the proposed vision and mission statements.

2. Do you agree with the AcSB's proposed strategy to reconsider the Preface? Why or why not?

   If you agree,
   (a) what factors should the AcSB consider as it looks at the Preface for certain non-listed enterprises required to apply IFRS® Standards?
   (b) what other factors should the AcSB consider as it looks at the Preface for entities that apply ASPE or Accounting Standards for NFPOs?

   Yes, we agree with the AcSB's proposed strategy to reconsider the Preface. The Board has raised in its Consultation Paper three relevant examples where certain types of entities are required to apply a given part of the CPA Canada Handbook – Accounting (the "Handbook") that are worth revisiting.

   a) When looking at the Preface for certain non-listed enterprises required to apply IFRS Standards, the AcSB should consider the reasons why entities such as those holding assets in a fiduciary capacity are required to apply IFRS Standards, and explore whether applying ASPE would still result in relevant and reliable financial information for financial statement users. Considering that some Canadian entities that hold assets in a fiduciary capacity may not operate internationally, there may not be a compelling reason to apply IFRS standards for such an entity.

   b) When looking at the Preface for entities that apply ASPE or Accounting Standards for NFPOs, the AcSB should consider the nature of the entity. For example, as the AcSB pointed out, co-operative enterprises share many of the same characteristics as member benefit organizations and, as such, having the option to apply Accounting Standards for NFPOs is intuitive and may better reflect the economic attributes of such an entity. Further, we recognize that the reporting landscape has evolved since Parts II and III of the Handbook were first established, and, therefore, it is beneficial to reconsider aspects of the Preface with respect to both financial reporting frameworks, to ensure that the standards remain relevant.

We also recognize that there are many different types of organizations with unique circumstances, and, therefore, additional guidance may help financial statement preparers and practitioners assess how the definitions in the Preface may apply to an entity and determine the resulting standards that are available for use by the entity in the Handbook. For example, a museum may apply Part II of the Handbook if it is privately owned, whereas a museum that is government-controlled may apply Public Sector Accounting Standards. Although the use of two different financial reporting frameworks leads to poor comparability between both museums, each museum's use of its respective financial reporting framework may provide more relevant financial information to their users. Another example would be a casino / racetrack, which, typically, due to its required legal structure, is required to follow Accounting Standards for NFPOs, but in substance is operated to generate a profit and, therefore, the use of ASPE may have been a more intuitive financial reporting framework to use. Therefore, to address such circumstances, we suggest that the Preface allows for the use of additional judgment in determining the appropriate financial reporting framework to apply based on the enterprise's characteristics.

3. Do you agree with the AcSB's proposed strategy to explore scaling the standards to better meet the needs of different categories of reporting entities? Why or why not?

   We agree with the AcSB's proposed strategy to explore scaling the standards to better meet the needs of different categories of reporting entities. We support this largely as, among Canadian reporting entities, there is a broad range of user needs, and, specifically, for Canadian small and medium-sized private enterprises and not-for-profit organizations, we believe there is further potential to scale or simplify the standards to address their smaller size and lower overall complexity, while still providing relevant financial information to the enterprises' users. We have identified below some specific areas where scalability would be beneficial to private enterprises and not-for-profit organizations.

   In addition,

   (a) is there a need for more flexibility within the standards to allow for an easier transition from ASPE to IFRS® Standards (for example, for private enterprises looking to go public in the future)? What options should the Board consider to better meet the needs of stakeholders?

   We do not believe there is a need for more flexibility within the standards to allow for an easier transition from ASPE to IFRS. Financial statement preparers understand that applying IFRS is costlier than applying ASPE and, as such, entities desiring to go public would be expected to acquire the necessary incremental resources, including those required to facilitate financial reporting under IFRS. Further, although IFRS for Small and Medium-Sized Entities ("IFRS for SMEs") exist as a simpler alternative to full IFRS given its simplified accounting significantly fewer disclosure requirements, it is still considered a separate financial reporting framework from IFRS and, therefore, an entity that transitions from ASPE to IFRS for SMEs, would still have to once again transition from IFRS for SMEs to IFRS when looking to go public. Further, IFRS 1 includes specific transitional provisions for the adoption of more challenging standards such as IFRS 15 and IFRS 11 to ease the burden of transitioning to IFRS. As a result, we see little to no benefit for Canadian private entities to have the option to adopt IFRS for SMEs, or in providing any other forms of flexibility when transitioning from ASPE to IFRS.

   (b) would additional flexibility within the standards be helpful for other types of entities as well? If so, which ones?

   Yes, we believe that additional flexibility within the standards would be helpful, in particular for small and medium-sized private enterprises applying ASPE.

Firstly, we support giving ASPE reporting entities flexibility similar to that provided to US private entities reporting under US GAAP. For example, we have received feedback from some of our small and medium-sized private enterprise clients that when accounting for a business combination, they do not value the identification of separately identifiable intangible assets, and would rather subsume any excess of the purchase price over the identifiable assets and liabilities in a business combination into goodwill. Further, having the simplified accounting option to amortize goodwill would serve to lower the occurrence of and complexities around considerations of goodwill impairment. Many of these entities are willing to accept a qualified assurance report, as the value of identifiable intangible assets in a business combination is not relevant to the owner-managers or other users of the financial statements such as the enterprises' lenders. Therefore, providing flexibility in ASPE Section 1582, *Business combinations*, to provide relief from recognition of intangibles in a business combination, and to allow for amortization of goodwill, would significantly ease the financial reporting burden on our small and medium-sized enterprises.

Secondly, we have received feedback from many of our small and medium-sized private enterprise clients that compliance with ASPE Section 3870, *Stock-based compensation and other stock-based payments*, is overly costly and burdensome. In particular, both owner-managers and financial statement users are not as concerned with the stock-based compensation expense recognized and typically ignore this information; instead, these users are more concerned with the financial statement disclosures of the details of actual stock options granted, vested, cancelled/forfeited, and exercised. Therefore, we support amendments to Section 3870 to make accounting for stock-based compensation optional, but to only to require accounting for stock-based compensation upon exercise and to maintain the required disclosures around stock options granted, vested, cancelled/forfeited, and exercised.

Thirdly, with respect to financial instruments, we note that there are circumstances under which a private enterprise may not follow the classification and measurement guidance for retractable or mandatorily redeemable shares issued in a tax planning arrangement ("ROMRS"). For example, we have received feedback from some of our private enterprise clients that, in a situation where such ROMRS are required to be classified as a liability and the redemption amount is based on fair value, the exercise of determining the fair value is quite costly and onerous, such that entities will not perform the calculation. We have also received feedback from some of our private enterprise clients that application of fair value measurement and disclosures principles in general are challenging given the cost and complexity in determining fair values, and such amounts and disclosures are often not relevant to financial statement users. Therefore, we encourage the Board to consider providing optional relief for some fair value measurement and disclosure requirements.

(c) do you have any concerns with ASPE continuing to diverge from IFRS® Standards? Does divergence impact the understanding and/or relevance of financial statements? Should the AcSB maintain convergence on certain principles? If so, which ones and why? If not, why not?

No, we do not have any concerns with ASPE continuing to diverge from IFRS standards. Based on the feedback we have received from our private enterprise audit clients, the ASPE standards continue to largely suit their financial reporting needs, with the exception as described in our comments to question 3.(b) above. In our opinion, divergence between the two standards does not impact the understanding or relevance of financial statements prepared under IFRS or ASPE.

We do however encourage the Board to assess whether the principles applied in new or amended IFRS standards would be beneficial to adopt in ASPE. For example, the development of the COVID-19 rent concessions practical expedient for ASPE without a wholesale change to the leases standard demonstrated the effective review and filter of changes in other standards and the application of learnings thereof to ASPE. Further, in areas where ASPE and IFRS were previously harmonized (such as ASPE Section 1582), we encourage the Board to consider whether it is appropriate to amend the ASPE standards when changes in the equivalent IFRS standard occur.

We also believe that, when the Board chooses for ASPE to take a divergent path from IFRS, consideration should be given to the impact on financial statements metrics that may be relevant to typical users of ASPE financial statements (for example, lenders and other debt holders), as divergence between the two frameworks in such areas may lead to additional complexity and/or misunderstandings in how such users interpret ASPE vs IFRS financial statements.

In contrast, areas where ASPE has intentionally diverged from IFRS (for example, Section 3400 *Revenue*, Section 3840 *Related party transactions*, Section 3856, *Financial instruments*, with respect to related party financial instruments), we do not support harmonizing ASPE with the IFRS guidance as the existing ASPE guidance largely meets the needs of most private enterprises, and the cost/benefit of adopting more complex IFRS standards in some of these areas is not warranted.

(d) when a private enterprise or NFPO chooses not to apply an accounting framework, what are the reasons for doing so? Is it because the standards and/or disclosure requirements are too complex or onerous?

Based on feedback from our private enterprise clients, when a private enterprise chooses not to apply IFRS, it makes that decision because ASPE provides relevant and reliable financial information that meets the needs of the enterprise and its financial statement users. IFRS is often considered to contain accounting and disclosure requirements that are complex onerous for a small or medium-sized private enterprise to apply, and generally considered unnecessary to adopt when ASPE meets its financial reporting needs.

Further, when a private enterprise chooses not to apply an accounting framework that is permissible in the Handbook, the private enterprise and the users of its financial statements typically have agreed in advance that an alternative accounting option or alternative presentation provides financial information that is more relevant for their needs (for example, when a private enterprise chooses not to identify intangible assets in a business combination, chooses not to recognize stock-based compensation expense in its financial statements, or classifies all ROMRS as equity at their stated, assigned, or par value regardless of whether or not such ROMRS meet the criteria for equity classification in ASPE Section 3856). However, we have heard from private enterprises that applying a special purpose framework is not an ideal approach because its use would imply that the use and / or distribution of such special purpose financial statements is restricted for specific users (which is typically emphasized in any assurance reports thereon). On the other hand, certain of these private enterprises would choose to prepare financial statements in accordance with a general purpose framework if additional accounting policy choices that would reduce the costs of preparing financial statements are available. Therefore, it would be more beneficial to offer increased scalability in ASPE to incentivize more private enterprises to prepare their financial statements in accordance with ASPE.

In our experience, a NFPO's decision to apply an accounting framework is typically driven by a statutory requirement, such as that under *Canada Not-for-profit Corporations Act*, to have an audit or review engagement performed on the NFPO's financial statements. In most cases, the NFPO would apply Accounting Standards for NFPOs (Part III of the Handbook).

(e) what factors do you think the Board should consider in determining whether one size fits all for private enterprises and NFPOs? For example, should the AcSB consider factors such as the revenue, assets, or number of employees of the private enterprise or NFPO, the users of the financial statements, the complexity of the entity's transactions, or the life cycle of the entity?

We do not believe that the Board should consider whether one size fits all for private enterprises and NFPOs. Factors such as revenue, assets, or number of employees may belie other complexities in the entity's accounting that are not evident in those figures. For example, a pre-revenue start-up private enterprise may have compound financial instruments, significant development expenses, and/or complex stock-based compensation arrangements, despite having a small number of employees. Further, many NFPOs are run by volunteers and, therefore, have a comparatively lower number of employees than a for-profit enterprise, and, in such a case, scaling based on number of employees may not produce intended results.

As such, instead of attempting to determine whether one size fits all for private enterprises and NFPOs, we suggest providing additional accounting options to simplify accounting in certain areas as we have outlined in our comments to question 3.(b) above, as well as allowing an enterprise to use professional judgment in selecting an appropriate accounting policy option.

(f) do you think there is a need to explore scaling ASPE and Accounting Standards for NFPOs? What options should the Board consider to better meet the needs of stakeholders?

Yes, we believe there is a need to explore scaling ASPE and Accounting Standards for NFPOs. Refer to our comments to question 3.(b) above for feedback that we have received from our clients which highlights specific areas in which increased scaling is recommended.

(g) if you think scaling is not needed for ASPE or Accounting Standards for NFPOs, do you think these frameworks can be simplified while still meeting the needs of users? If so, how do you think the frameworks can be simplified?

We support scaling as discussed in our comments to question 3.(b) above and believe that providing simpler accounting policy choices would result in simplification of these frameworks while still meeting the needs of users.

(h) are there types of transactions (for example, types of financing arrangements) that are not adequately addressed in ASPE or Accounting Standards for NFPOs? If so, what types of transactions?

Recently we have seen a growing number of private enterprises entering into transactions using complex financial instruments, such as Simple Agreement for Future Equity ("SAFE") transactions. We note that neither ASPE nor IFRS contain any guidance on this type of transaction and, as a result, private enterprises occasionally look to US GAAP, which have some guidance on this topic. We suggest that the Board should develop some guidance to address this type of transaction.

4. Can the AcSB improve its proposed strategy on supporting the application of IFRS® Standards in Canada? If yes, how?

In addition,

(a) Part I of the Handbook currently does not include certain documents issued by the IASB including some Basis for Conclusion documents, some illustrative examples and IFRIC Agenda Decisions. Are these documents used often and should the AcSB consider incorporating them into the Handbook?

Yes, we believe that the AcSB can improve how it supports the application of IFRS in Canada. In particular, the other documents issued by the IASB which were noted in the consultation paper (i.e., Basis for Conclusion documents, illustrative examples, IFRIC Agenda Decisions), are all highly relevant to the application of IFRS and are frequently accessed by financial statement preparers and practitioners. Therefore, we strongly encourage the AcSB to further support the application of IFRS by incorporating these materials into the Handbook.

5. Do you agree with the AcSB's proposed strategy to retain a separate set of standards for private enterprises and NFPOs, while working to enhance their relevance to meet user needs? Why or why not?

   Yes, we agree with the AcSB's proposed strategy to continue to retain a separate set of standards for private enterprises and NFPOs, while working to enhance their relevance to meet user needs. As we noted above, these financial reporting frameworks provided relevant and reliable financial information for financial statement users, and are effective, yet less complex and less onerous alternatives to applying IFRS.

   With respect to Accounting Standards for NFPOs, we have received feedback from some NFPOs that it is unclear how Part II of the Handbook is to also be applied when applying Part III of the Handbook to the extent that the Part II standards address topics not addressed in Part III, as required by paragraph III.10 in *Introduction to Part III* of Part III. For example, Accounting Standards for NFPOs Section 4433, *Tangible capital assets held by not-for-profit organizations*, a more recently developed standard, includes references to specific ASPE sections. It would be helpful to financial statement preparers if additional ASPE references are provided in other sections in Accounting Standards for NFPOs.

   In addition,
   (a) what are your views on the current level of resources to support stakeholders in applying ASPE or Accounting Standards for NFPOs? What, if any, areas do you think need additional resources?

       We believe there are adequate resources in place to support stakeholders when applying ASPE. Additional resources that may be helpful in applying Accounting Standards for NFPOs include those that help with the use of ASPE in the application of Accounting Standards for NFPOs, and standalone literature that addresses Accounting Standards for NFPOs (similar to the *Guide to Accounting Standards for Private Enterprises*). Guidance for ASPE and Accounting Standards for NFPOs that addresses specific industry scenarios may also be helpful.

6. Do you agree with the AcSB's proposed strategy to identify issues raised by stakeholders of pension plans and determine the need for improvements? Why or why not? In addition,
   (a) what, if any, are your concerns with applying Part IV of the Handbook?

   Yes, we agree with the AcSB's proposed strategy to identify issues raised by stakeholders of pension plans and determine the need for improvements, as we have also heard from a number of our pension plan clients that there are several areas for improvement in Part IV of the Handbook.

   A primary concern with the application of Part IV of the Handbook is that it allows for a wide range of obligation measurement approaches, which can lead to a wide range of possible measurements of the same obligation. For example, it is possible to measure the defined benefit ("DB") obligation using IFRS. However, a pension plan can also choose to follow ASPE, and within that also choose to avail themselves of the "practical expedient" to use the existing going-concern funding reports as the basis for measuring the obligation. In practice, this could result in a large, multi-billion dollar pension plan availing themselves of an approach that was meant to save consulting fees for smaller private entities, and not require them to incur the expense of preparing a separate actuarial valuation for accounting purposes, and simply use the actuarial valuation for funding purposes on hand instead. Such an approach generally results in the pension plan reporting a significantly lower obligation than it would have reported if IFRS were chosen to be applied and can lead to lack of comparability between larger pension plans. The AcSB should consider whether or not this lack of comparability is a desirable consequence of the use of Part IV.

With that said, we continue to support the use of the practical expedient, and support the Board to consider applying the concept of scalability to the Accounting Standards for Pension Plans, so that small and medium-sized private pension plans can benefit from less complex accounting requirements. We note that a significant portion of our small and medium-sized private pension plan clients do not prepare financial statements using Part IV and, instead, prepare special purpose financial statements in accordance with the relevant provincial statutory requirements, which typically do not require pension plans to measure and report DB obligations.

7. Do you agree with the AcSB's proposed strategy to demonstrate leadership in the advancement of standards and guidance that improve the relevance of information reported outside of the financial statements? Why or why not?

   Yes, we agree with the AcSB's proposed strategy to demonstrate leadership in the advancement of standards and governance that improve the relevance of information reported outside of the financial statements. We believe that the need for Environmental, Social and Governance ("ESG") reporting matters will increase over time, and, therefore, we believe the AcSB should demonstrate leadership in the development of future non-financial disclosures.

   We note, however, that we expect these non-financial disclosures to primarily impact certain publicly accountable enterprises and to a lesser extent NFPOs and expect there to be little impact to private enterprises in Canada. Users of financial statements of private enterprises typically have more direct and convenient access to such non-financial information of the reporting entity relative to, say, users of financial statements of public companies.

   With respect to NFPOs, we have heard that many organizations struggle with communicating their ESG impact while their financial statement users increasingly seek such information. As such, advancement of such standards and guidance may help to promote consistency in non-financial reporting and to maintain relevance of reporting by responding to evolving user needs. With that said, some entities are reluctant to agree to a set of mandatory non-financial reporting standards because they fear that the work required to prepare such non-financial information to be substantial and costly.

   In addition,
   (a) do you find the financial and non-financial information found outside traditional financial statements to have greater relevance compared to information found within traditional financial statements? If yes, what financial and non-financial information in particular?
   (b) given the increased demand for information outside the financial statements, how would you like to see the AcSB use its role and prioritize its time in this area?

   We believe questions (a) and (b) above are best answered by financial statement preparers and users.

8. Do you agree with the AcSB's proposed strategies to raise the AcSB's international influence? Why or why not?

Yes, we agree with the AcSB's proposed strategies to raise the AcSB's international influence to ensure that the perspective of Canadian enterprises of all types are heard and considered in the development of accounting standards internationally. Further, we believe that it is important for the AcSB to understand the IASB's and FASB's considerations in its decision-making, so that the AcSB can also consider this information in its own standard setting activities. Although the AcSB's international influence is expected to the most impactful on IASB standards setting affecting enterprises that apply IFRS, we believe it is still important for the AcSB to speak to other private enterprise standard setters, including the IASB and FASB, pertaining to issues affecting private enterprises, and for the AcSB to consider adopting similar private company accounting alternatives as FASB has done (please refer to our comments to question 3.(b) for further details). Similarly, we agree with the AcSB proposing to speak with others involved in not-for-profit and pension plan standard setting.

We would be pleased to discuss our comments with members of the AcSB or its staff. If you wish to do so, please contact Adam Rybinski, Associate Partner, Professional Practice, at 416-943-2711 (Adam.C.Rybinski@ca.ey.com) or Laney Doyle, Professional Practice Director, at 416-943-3583 (Laney.Doyle@ca.ey.com).

Yours sincerely,
ERNST & YOUNG LLP

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants

October 15, 2021

Ms. Kelly Khalilieh, CPA, CA
Director, Accounting Standards Board
277 Wellington Street West
Toronto, ON 5V 3H2

Dear Ms. Khalilieh:

Re: Accounting Standards Board Draft Strategic Plan for 2022-2027

We welcome the opportunity to comment on the Accounting Standards Board's ("AcSB" or the "Board") draft strategic plan, *Accounting Standards in Canada: Enhancing the Relevance Draft Strategic Plan for 2022 -2027*.

Our responses to the specific questions included in the draft strategic plan are included below.

Vision and Mission

1. Do you agree with the proposed vision and mission statements? If not, why not?

The AcSB's current mandate is to develop and maintain Canadian accounting standards to support informed economic decision making by financial statement users. To date, the AcSB's role and authority has focused on the traditional financial statements. We believe this continues to be an important part of the role of the AcSB.

We agree that the use of non-financial information is becoming increasingly important and relevant. An added emphasis on non-financial information is outside the AcSB's existing mandate and represents an incremental scope of roles and responsibilities. If the AcSB proceeds with this mission additional resources will be required including a strong non-financial knowledge base at both the Board and AcSB staff levels. This is a significant undertaking where careful consideration needs to be made on the availability of expertise, time and resources to achieve the proposed vision, taking into account the AcSB remains primarily a volunteer board.

Additionally, the Trustees of the IFRS Foundation continue to work on establishing a separate International Sustainability Standards board to address the urgent demand for global sustainability reporting standards. It is important to clarify the role the AcSB plans to play with respect to sustainability reporting guidance to ensure that there is no duplication of efforts with what is being done on an international level. We believe the AcSB is well positioned to use its credibility and brand to advocate and promote the use of the global sustainability reporting standards in Canada. However, depending on the extent of the role contemplated, the Accounting Standards Oversight Council may wish to consider whether a separate board should be established to focus on this proposed strategy on non-financial information.

Preface

2. Do you agree with the AcSB's proposed strategy to reconsider the Preface? Why or why not?

Yes, we agree. The application of the Preface can be complex and judgmental given the varying nature and size of the reporting entities.

Rather than prescribing which framework should be used by entities, we believe the *CPA Handbook - Accounting* should set out various high quality general purpose frameworks that are acceptable as "Canadian Generally Accepted Accounting Principles (GAAP)", but that it would be more appropriate to leave the decision as to the appropriate framework to regulators and users of financial statements. Under such a model, the AcSB would provide comprehensive frameworks available for use (i.e. IFRS, ASPE, ASNPO), that would be appropriate for publicly accountable enterprises, private enterprises and not-for-profit organizations respectively, but would not mandate which entities would use each framework. (As an exception, we believe that pension plans should continue to use Part IV in order to provide a general purpose framework that meets the needs of these entities.) Entities would consider users' needs and regulatory requirements in determining the appropriate framework to apply. As discussed further in our response to 2(a) below, the framework prescribed by the definitions in the Preface is not always consistent with the one required by regulators, or the one that provides information requested by users.

If the AcSB continues to prescribe specific frameworks for specific types of entities, we believe there are several factors to consider as discussed further below.

If you agree,

a. What factors should the AcSB consider as it looks at the Preface for certain non-listed enterprises required to apply IFRS Standards?

As discussed above, we believe the current definition of public accountability is not necessarily the best way to determine which entities should be required to apply IFRS.

If the AcSB continues to prescribe which entities are required to apply IFRS, we believe the following factors should be considered in updating the requirements within the Preface:

- Specific requirements by a regulating body - certain regulators, such as securities commissions require entities to follow Canadian GAAP applicable to publicly accountable enterprises. However, in certain circumstances, securities regulators may specifically permit the use of ASPE. For example, the securities commissions in Alberta and Saskatchewan have issued a prospectus exemption within Order 45-539 *Small Business Financing* which permits certain non-listed entities to use ASPE financial statements within certain offering documents. Depending on circumstances, these entities may or may not meet the definition of "publicly accountable" within the Preface. If specifically permitted by an entity's regulators, we believe ASPE would be an appropriate framework for these entities.

- Complexity of the IFRS framework is another factor to consider - many captive insurers find IFRS 17 *Insurance Contracts* to be excessively complex and overly expensive to implement and some of them are contemplating a transition away from IFRS to avoid adopting IFRS 17, where permitted under the regulatory regimes. However, certain of these entities, such as those that provide insurance policies to unrelated third parties, may be considered publicly accountable under the current definition. We recommend considering updates to the Preface whereby certain captive insurance entities that would otherwise be considered publicly accountable under the current definition may be permitted to apply ASPE. In addition, as indicated in our response to question 3(h), we also recommend the addition of industry-specific guidance with respect to accounting for insurance contracts.

The Draft Strategic Plan refers to the application of IFRS by government business enterprises (GBEs). We recognize that many small GBEs have challenges with applying IFRS. In practice, we observe that some government business enterprises use ASPE and prepare the financial statements on a disclosed basis of accounting. However, the authority over the determination of financial reporting framework for GBEs rests with the Public Sector Accounting Board, and is therefore not directly under the AcSB purview. However, we encourage continued dialogue between the two Boards on this issue.

b. ***What other factors should the AcSB consider as it looks at the Preface for entities that apply ASPE or Accounting Standards for NFPOs?***

As discussed in our response to Question 2, we believe it would be more appropriate for the AcSB to provide a number of comprehensive frameworks available for use, appropriate for various stakeholders, but stop short of mandating which entities would use which framework.

If the AcSB continues to prescribe the appropriate framework within the Preface, we do not have significant concerns about the categorization of entities between for-profit and not-for-profit based on the current definitions. While there are some differences between ASPE and ASNPO requirements for similar transactions (most significantly accounting for controlled entities), in most circumstances, the differences between the two frameworks result from characteristics unique to NPO's, such as the receipt of contributions or the impairment of tangible capital assets that will be used to provide services rather than to generate cash flows. We further note that if the definition of an NFPO in the preface is amended, this will need to be updated within individual standards as well, as several of the standards within ASNPO include this definition.

Scalability of the standards

3. ***Do you agree with the AcSB's proposed strategy to explore scaling the standards to better meet the needs of different categories of reporting entities? Why or why not?***

No. We believe scaling the standards will only add complexity and confusion for most reporting entities which could make application more challenging and result in multiple interpretations and diversity in practice. Overall, we believe providing too many options within a single framework would undermine the AcSB's overall objective of maintaining high quality accounting standards.

In addition,

a. ***Is there a need for more flexibility within the standards to allow for an easier transition from ASPE to IFRS® Standards (for example, for private enterprises looking to go public in the future)? What options should the Board consider to better meet the needs of stakeholders?***

   We do not believe additional flexibility to provide for a simpler transition between ASPE and IFRS is warranted. This flexibility to assist with IFRS transition would only apply to a small subset of entities reporting under ASPE. Providing such flexibility would be narrow in scope and would risk introducing complexity and less comparability for ASPE users, as a result of the increased number of acceptable accounting alternatives. This defeats the intended purpose of the ASPE framework as being a simplified financial reporting framework for private enterprises and could reduce the overall quality of the accounting framework.

   In our experience, the core challenge with IFRS transition stems less from the magnitude and nature of accounting policy differences and more on the reporting entity's readiness to go public, including having appropriate and sufficient resources to effectively implement the transition.

b. ***Would additional flexibility within the standards be helpful for other types of entities as well? If so, which ones?***

   As discussed in our response to (a) above, we believe additional flexibility will add complexity and make it more challenging to achieve a consistent and cohesive application of the framework, thereby reducing the overall quality of the framework. In addition, introducing additional accounting policy choices can have unintended consequences if they affect the interaction with other standards, such as with impairment testing, consolidation/equity accounting or related party transactions. This in turn can create application issues and increase diversity in practice.

c. ***Do you have any concerns with ASPE continuing to diverge from IFRS® Standards? Does divergence impact the understanding and/or relevance of financial statements? Should the AcSB maintain convergence on certain principles? If so, which ones and why? If not, why not?***

   We generally find that the divergence of ASPE and IFRS is not a significant issue for most reporting entities. ASPE is designed to be a simpler accounting framework for private enterprises. Most preparers and users of financial statements prepared under ASPE do not also apply IFRS, so in many cases the differences between frameworks are not problematic.

We understand there will be benefits of convergence for users, individuals or entities that are involved with more than one framework. However, we believe this represents only a relatively small subset of ASPE stakeholders. As such, we are generally not concerned about the divergence of ASPE from IFRS.

d. When a private enterprise or NFPO chooses not to apply an accounting framework, what are the reasons for doing so? Is it because the standards and/or disclosure requirements are too complex or onerous?

Based on our experience, private enterprises and NFPOs that choose not to apply an accounting framework do so because the outcome from that framework is not relevant to them. We do not believe that scaling the standards to address these circumstances would be an effective solution. As discussed in our response to Question 3(b), such additional flexibility could undermine the objective of developing a high-quality accounting framework.

We are aware of two general circumstances where entities choose not to apply an accounting framework. The first includes instances where a framework is generally applied, but with specific exceptions (ie. the financial statements are prepared in accordance with a disclosed basis of accounting). The second includes instances where entities do not require financial statements prepared in accordance with Canadian GAAP (i.e. entities preparing Notice to Reader statements or financial statements prepared on a tax basis).

In the first circumstance, either the application of the framework leads to undesired accounting outcomes, or the users do not see benefit of the accounting outcomes compared to the cost to apply the framework. Examples of the undesired accounting outcomes include: entities in the real estate industry that would like to apply proportional consolidation rather than the equity method for interests in jointly controlled entities, and entities in real estate that would like to remeasure their properties at fair value at each period end, rather than apply cost accounting. Examples of the cost-benefit consideration include entities choosing not to recognize intangible assets separately from goodwill in a business combination, or entities choosing not to apply impairment requirements to fixed assets and intangible assets.

In the second circumstance, we find that unless required by an external party (for example, lenders or non-controlling shareholders), entities generally do not prepare GAAP financial statements. Certain entities will apply the measurement requirements of ASPE. However, full financial statements with note disclosures are rarely prepared when not required. In these circumstances, the entities do not see the benefit of preparing full financial statements, as the information is often available in other formats if a user requires it.

e. What factors do you think the Board should consider in determining whether one size fits all for private enterprises and NFPOs? For example, should the AcSB consider factors such as the revenue, assets, or number of employees of the private

enterprise or NFPO, the users of the financial statements, the complexity of the entity's transactions, or the life cycle of the entity?

As discussed in our response to (f) below, we do not believe scaling ASPE and ASNPO is warranted. However, if the Board chooses to explore this option, we believe revenue would potentially be the most appropriate factor to consider. Using total assets or number of employees would be challenging as this can vary widely depending on the nature or industry of the entity and may not necessarily reflect the complexity of transactions undertaken by the entity. We believe the other factors listed would be too subjective to be applied consistently.

f. Do you think there is a need to explore scaling ASPE and Accounting Standards for NFPOs? What options should the Board consider to better meet the needs of stakeholders?

We do not believe scaling is needed for ASPE or ASNPO. We believe that for an entity that has a simple, straightforward business, the requirements of ASPE and ASNPO are not complex. The complexity arises when entities undertake transactions that are not simple or straightforward. Also, as discussed in our response to (d) above, many entities do not prepare full GAAP financial statements unless required. We do not believe this will change upon scaling of the standards.

g. If you think scaling is not needed for ASPE or Accounting Standards for NFPOs, do you think these frameworks can be simplified while still meeting the needs of users? If so, how do you think the frameworks can be simplified?

As discussed in (f) above, we do not believe scaling is necessary for ASPE and ASNPO. If there is a desire to simplify the standards further, we believe this can be done through additional accounting policy choices (similar to those outlined in Section 1506.09). However, we are concerned that additional accounting policy choices will result in additional inconsistency and confusion amongst financial statements prepared under ASPE. In addition, we are concerned that significant additional simplifications will erode the integrity of ASPE as a comprehensive GAAP framework that aligns to a conceptual framework.

h. Are there types of transactions (for example, types of financing arrangements) that are not adequately addressed in ASPE or Accounting Standards for NFPOs? If so, what types of transactions?

In our experience we see private enterprises enter into the following types of arrangements or transactions for which the accounting in ASPE is either unclear and/or can result in an important economic driver of the transaction not being given accounting recognition:

- Financial liabilities or financial assets where cash flows are variable, including cash flows that are contingent on future events or financial or non-financial underlyings (other than those instruments within the scope of 3856.14). The guidance on amortized cost in 3856.A3 - .A6 does not address this, as it contemplates only premiums or discounts to face value and prepaid interest/financing fees.

- Certain non-exchange-traded contracts to buy and sell non-financial items where the purpose of the arrangement includes managing the contracts on a fair value basis. This also applies to businesses that mine or invest in crypto-currencies and other non-financial items that are held for speculative purposes or otherwise managed on a fair value basis and are not in scope of Section 3856. ASPE currently does not outline a fair value measurement model for these transactions, even on an optional basis. In addition, we observe there are few requirements for disclosures of transactions (both financial instruments and non-financial instrument contracts) that are managed on a fair value basis. This further limits how a user can understand these transactions in the context of ASPE financial statements.
- Business activities of a stand-alone or parent entity that are predominantly carried out in a currency other than the Canadian dollar. ASPE does not require the stand-alone or parent entity to assess its currency of measurement and does not provide guidance on how to make such an assessment.
- Non-financial liabilities and provisions. While there is recognition guidance in 1000.29 on the timing of liability recognition, other than for specific items (being asset retirement obligations and employee future benefits) there is no guidance on the measurement of these liabilities. This creates diversity in practice.
- Insurance contracts. As discussed in our response to Question 2(b), certain captive insurance entities are eligible to apply ASPE. However, the existing framework does not include guidance on accounting for insurance contracts. In addition, once IFRS 17 is adopted, entities will find it challenging to look to IFRS, as permitted under the GAAP hierarchy. We recommend considering the addition of specific industry guidance to ASPE, similar to what existed in Part V.

IFRS Standards - Guidance

4. ***Can the AcSB improve its proposed strategy on supporting the application of IFRS® Standards in Canada? If yes, how?***

   Subject to our response in (a) below, we agree with the AcSB's proposed strategy on supporting the application of IFRS in Canada.

   In addition,

   a. ***Part I of the Handbook currently does not include certain documents issued by the IASB including some Basis for Conclusion documents, some illustrative examples and IFRIC Agenda Decisions. Are these documents used often and should the AcSB consider incorporating them into the Handbook?***

Yes. Based on our experience, these documents are used regularly in practice. They are important in understanding IFRS guidance and achieving consistent and accurate application of IFRS. Therefore, we believe it is important to translate these documents into French and ensure they are readily accessible to Canadian users. This may be through incorporating them into the *Handbook*, or by ensuring they are available on another platform, such as CPA Canada's *Knotia.ca* database (*Knotia*).

We do note that the *IFRIC Agenda Decisions* are not authoritative and are not incorporated into IFRS as issued by the IASB. For these, we recommend that the documents should be translated, and made available and accessible for Canadian users on a platform such as *Knotia* rather than being incorporated directly into the *Handbook*.

Accounting Standards for Private Enterprises and Accounting Standards for Not-for-Profit Organizations - Guidance

5. Do you agree with the AcSB's proposed strategy to retain a separate set of standards for private enterprises and NFPOs, while working to enhance their relevance to meet user needs? Why or why not?

Yes. Please also see our responses in Question 3.

In addition,

a. What are your views on the current level of resources to support stakeholders in applying ASPE or Accounting Standards for NFPOs? What, if any, areas do you think need additional resources?

We appreciate the AcSB resources and initiatives in responding to questions that have been raised through the Private Enterprise Advisory Committee (PEAC) such as the podcasts on redeemable preferred shares. We encourage the AcSB to continue to provide guidance to help address application issues as they arise, to achieve a consistent and cohesive application of the framework.

We encourage the AcSB to allocate additional resources to address issues and gaps that have been identified within the standards in a timely manner. Specifically, we refer to items that are outside the scope of an annual improvement, but not part of an existing separate priority project. An example of this is the measurement of an investment in a related party transaction, when that investment is accounted for in accordance with Section 1591, *Subsidiaries*, Section 3051, *Investments*, or Section 3056, *Interests in Joint Arrangements*.

Accounting Standards for Pension Plans - Guidance

6. Do you agree with the AcSB's proposed strategy to identify issues raised by stakeholders of pension plans and determine the need for improvements? Why or why not?

Yes, we agree.

In addition,
a. What, if any, are your concerns with applying Part IV of the Handbook?

We believe it would be helpful to include additional guidance on the accounting and presentation and disclosure requirements of certain pension-related transactions, such as plan mergers and demergers, accounting for buy-in or buy-out annuity contracts, and wind-up of pension plans. We also believe that there is insufficient guidance on the determination of the pension obligation of a defined benefit pension plan. In some circumstances there is an apparent conflict between the definition used in Section 4600 which requires best estimate assumptions, and the measurement guidance in Section 3462 that permits use of actuarial valuations not necessarily based on best estimate assumptions (ie. funding valuations). Finally, we note that guidance would be helpful for the disclosures of the financial risks associated with investments held via a master trust. We are supportive of the work the Pension Plan Working Group is doing in understanding and addressing stakeholder concerns in these areas.

Demonstrate leadership in reporting beyond traditional financial statements

7. Do you agree with the AcSB's proposed strategy to demonstrate leadership in the advancement of standards and guidance that improve the relevance of information reported outside of the financial statements? Why or why not?

As discussed in our response to Question 1, we believe it is important for the AcSB to clarify their role and mandate with respect to information outside the traditional financial statements. Part of this will be to consider whether there are sufficient resources and the right level of expertise and experience to take on this proposed strategy.

The AcSB mandate has historically been to develop and maintain Canadian accounting standards for the preparation of financial statements to support informed economic decision making by users. There is still significant value in historical financial information found in the traditional financial statements prepared under a consistent financial reporting framework to enable comparability and insightful analysis. It is important that the AcSB continues to maintain and enhance its mandate and authority over the traditional financial statements, and that this does not suffer as a result of any additional strategies or mandates of the AcSB.

In addition,

a. Do you find the financial and non-financial information found outside traditional financial statements to have greater relevance compared to information found within traditional financial statements? If yes, what financial and non-financial information in particular?

We agree that the financial and non-financial information found outside traditional financial statements are becoming increasingly relevant. We observe that there is a demand for real-time financial and non-financial information for effective decision making, particularly, sustainability-related measures, key performance indicators and measures related to environment, social and governance (ESG). However, we do not believe this diminishes the relevance of information found within traditional financial statements. We believe the information in the traditional financial statements is still relevant.

b. Given the increased demand for information outside the financial statements, how would you like to see the AcSB use its role and prioritize its time in this area?

The AcSB mandate has historically been focused on traditional financial statements. We believe this continues to be an important and relevant area in the near term. As discussed in our response to Question 1, an added emphasis on non-financial information is outside the AcSB's existing mandate and represents an incremental scope of roles and responsibilities which may require significant resources and expertise. Given other competing priorities in the Draft Strategic Plan, we believe the AcSB should consider carefully its planned role with respect to information outside the financial statements, including the extent of any resources required. We do believe the AcSB can use its existing credibility and influence from its active role on the international stage to support international standard setting and consultations in this area. In addition, we believe the Board should promote the use of internationally-developed guidance within Canada, once developed. In the near term, we would like to see the AcSB play a supplementary role in this area while focusing on other strategies which are specific to the traditional financial statements.

Raising the AcSB's international influence

8. Do you agree with the AcSB's proposed strategies to raise the AcSB's international influence? Why or why not?

Yes, we agree. Over the years, the AcSB has earned respect as a strong national standard setter and wielded influence internationally as a result. We believe the AcSB should continue to use their strong credibility to advocate Canadian interests, influence standard setting and promote interaction with other international standard setters.

We would be pleased to respond to any questions you might have. Questions can be addressed to Celeste Murphy (celeste.k.murphy@pwc.com), Lucy Durocher (lucy.durocher@pwc.com), or Michael Walke (michael.walke@pwc.com).

Yours very truly,

PricewaterhouseCoopers LLP

Chartered Professional Accountants

KPMG LLP
Bay Adelaide Centre
Suite 4600
333 Bay Street
Toronto ON M5H 2S5
Tel 416-777-8500
Fax 416-777-8818
www.kpmg.ca

Kelly Khalilieh, CPA, CA
Director, Accounting Standards Board
277 Wellington Street West
Toronto, Ontario
M5V 3H2

15 October 2021

Re: Response to the Invitation to Comment: *Accounting Standards in Canada: Enhancing the Relevance – Draft Strategic Plan for 2022-2027*

Dear Ms. Khalilieh,

We appreciate the opportunity to provide input concerning the future strategy of the Accounting Standards Board (the "AcSB" or the "Board") proposed in the Invitation to Comment, *Accounting Standards in Canada: Enhancing the Relevance – Draft Strategic Plan for 2022-2027 (the "Consultation Paper")*

The AcSB's vision and mission

Question 1: Do you agree with the proposed vision and mission statements? If not, why not?

We agree with the proposed vision and mission statements set out in the Consultation Paper.

The AcSB's Strategy: Preface

Question 2: Do you agree with the AcSB's proposed strategy to reconsider the Preface? Why or why not?

We believe the Preface to the CPA Canada Handbook (the Handbook) has worked well in explaining the applicability of the various accounting standards to entities that prepare financial statements in accordance with Canadian generally accepted accounting principles (GAAP). The various accounting standards consider the needs of users for relevant information to support their decision-making while striking an appropriate balance between cost and benefit to preparers.

There are some limited circumstances, with certain co-operatives and government business enterprises that are required to prepare financial statements in accordance with IFRS Standards, where the operations are not complex and user needs could be adequately met by allowing such financial statements to be prepared in accordance with Part II, ASPE. These are two examples where a reconsideration of the Preface could result in better alternatives for users and preparers. If consideration is to be given to scaling the standards (Question 3), then it may be appropriate to consider aspects of the Preface as it relates to the criteria for entities to apply scaling.

We believe application of IFRS Standards (i.e., Part I of the Handbook) continues to be appropriate for entities holding assets in a fiduciary capacity. We note Investment Funds successfully transitioned to Part I in 2014, and we see no reason for diverging toward a different reporting framework, either on the basis that some of these entities are not publicly listed or have only few unit holders. We believe their use of IFRS Standards provides the primary users of their financial statements (i.e. investors) with information that best enables them to make decisions about providing resources to these entities.

With respect to credit unions, they share many of the same characteristics as Canada's regulated banks, as one of their primary business activities is to hold assets in a fiduciary capacity for a broad group of members. Despite being co-operative member-focused organizations, they function similarly to other banking entities. The financial instrument standards within Part II, ASPE, do not address the types of instruments that these organizations may hold. While applying IFRS Standards inherently involves certain challenges and costs, particularly for smaller-sized credit unions, we believe the ultimate benefits to stakeholders (members, investors, regulatory bodies) of using a single set of globally-recognized financial reporting standards, in step with similar peer entities, outweigh the costs.

If you agree,

(a) what factors should the AcSB consider as it looks at the Preface for certain non-listed enterprises required to apply IFRS® Standards?

We believe the needs of users should be the primary factor. The nature of the reporting entities and their operations are factors also to be considered. For example, as noted in our response to Question 2, we believe IFRS Standards are the appropriate reporting framework for entities, such as credit unions, that hold assets in a fiduciary capacity for their members.

(b) what other factors should the AcSB consider as it looks at the Preface for entities that apply ASPE or Accounting Standards for NFPOs?

We believe the Preface has worked well with respect to entities that apply ASPE or Accounting Standards for NFPOs. If further consideration is given to scaling certain standards (Question 3), then factors to consider beyond the primary factor, the information needs of users, would include the cost versus benefit trade-off for preparers, the size of the organization (as measured in assets and/or revenues), and the characteristics of the organization (industry/fiduciary). The principal qualitative characteristics of understandability, relevance, reliability and comparability, as outlined in Section 1000, must be maintained to ensure the usefulness of the financial information to users.

In the NFPO sector, comparability is an essential consideration for readers of the financial statements. As there are substantial underlying differences between frameworks, be it PSAB, ASPE, IFRS Standards or ASNPO (such as revenue recognition guidance), maintaining a consistent framework based on the legal structure and incorporation status of an organization is considered to be important in the context of this project.

As a large proportion of NFPOs make their financial statements publicly available, consistency in application of the framework meets the basic qualitative characteristics of Section 1001 *Financial statement concepts for not-for-profit organizations*. We encourage the Board to maintain focus on these characteristics in conjunction with this strategy undertaking.

The AcSB's Strategy: Scalability of the standards

Question 3: Do you agree with the AcSB's proposed strategy to explore scaling the standards to better meet the needs of different categories of reporting entities? Why or why not?

Yes, we agree. However, when exploring scaling the standards, we believe the focus should be on the information needs of users for decision-making purposes. We believe the accounting standards in parts II, III, and IV of the Handbook have generally met the needs of users without undue cost to preparers, with some exceptions. There are appropriate choices for entities to satisfy user needs where additional information is available (such as the accounting policy choice to account for subsidiaries at cost or using the equity method, rather than full consolidation) and the current disclosure requirements are not, in our experience, onerous for preparers to apply.

Understandability, relevance, reliability and comparability of financial statements are important considerations in meeting the needs of users. If the AcSB decides to introduce the opportunity for scaling of certain standards, consideration must be given to ensuring that these characteristics are maintained.

In addition,

(a) is there a need for more flexibility within the standards to allow for an easier transition from ASPE to IFRS® Standards (for example, for private enterprises looking to go public in the future)? What options should the Board consider to better meet the needs of stakeholders?

ASPE Standards are designed to meet the needs of private enterprises and the users of their financial statements. IFRS Standards are intended for publicly accountable enterprises: the information needs of the users of these financial statements and their (in)ability to obtain additional information, are quite different.

Entities regularly migrate from ASPE to IFRS in response to changing user needs, e.g. as a result of a public listing or acquisition. While there can be a significant cost to undertake the transition from ASPE to IFRS Standards, entities that are required to undertake such a transition typically have the financial capacity to do so including engaging external resources, as required, to assist in the transition.

If by flexibility the Board is considering allowing ASPE reporting entities to adopt certain IFRS Standards in advance of a full transition thereto, we believe this has implications to the core principles of understandability and comparability. IFRS 1 *First-time Adoption of International Financial Reporting Standards* provides numerous optional exemptions that, if elected, can ease the transition to IFRS Standards from ASPE such that other accommodations are not required.

(b) would additional flexibility within the standards be helpful for other types of entities as well? If so, which ones?

Flexibility may be helpful within the standards for other types of entities. For example, for real estate entities that hold assets mainly for capital appreciation, allowing such entities the choice to adopt a fair value model for the measurement of investment property (as exists in IAS 40 *Investment Property*) might be useful. There are enough publicly accountable enterprises that apply the fair value model in IAS 40 such that comparability and understandability would be maintained.

(c) do you have any concerns with ASPE continuing to diverge from IFRS® Standards? Does divergence impact the understanding and/or relevance of financial statements? Should the AcSB maintain convergence on certain principles? If so, which ones and why? If not, why not?

We believe consistency between IFRS Standards and ASPE is important as it pertains to their respective conceptual frameworks and key definitions within the literature. However, in our view divergence often makes sense where IFRS Standards are more complex than is required for many private entities and the needs of their users (e.g. financial instruments).

In our experience, divergence generally does not impact the understanding and/or relevance of financial statements. We believe that convergence is important on the conceptual framework and key definitions a) to ensure that comparability of financial statements is maintained and b) so as not to create incremental differences that would further complicate future transitions from ASPE to IFRS Standards.

(d) when a private enterprise or NFPO chooses not to apply an accounting framework, what are the reasons for doing so? Is it because the standards and/or disclosure requirements are too complex or onerous?

In our experience, users' needs, and materiality considerations most often drive the decisions not to apply certain standards. For example, a real estate entity may choose not to record depreciation on its real estate assets as users have direct interests in the real estate; instead, it may choose to depreciate the real estate assets in a manner consistent with the related tax filings. Similarly, when professional services firms prepare financial statements, they may choose to harmonize certain accounting policies with their tax policies, which may result in differences from ASPE.

It is rare for an NFPO to choose not to apply the applicable accounting framework. However, such rare cases typically occur because the NFPO's peer organizations are predominately for-profit entities and therefore the relevant stakeholders (management teams, those charged with governance and users of the financial statements) compare the organization to its peers which apply ASPE.

We are not aware of any entities that opt out of the applicable framework due to complexity or because it is an onerous or complex undertaking. In our experience, the disclosure requirements in ASPE and ASNPO are not onerous.

(e) what factors do you think the Board should consider in determining whether one size fits all for private enterprises and NFPOs? For example, should the AcSB consider factors such as the revenue, assets, or number of employees of the private enterprise or NFPO, the users of the financial statements, the complexity of the entity's transactions, or the life cycle of the entity?

For private enterprises, any factors must include consideration of users' needs. Other factors could include the size of the entity (as measured by assets and/or revenue) as well as the nature of the entity and its operations (industry/fiduciary). We do not believe the number of employees is a relevant factor to consider.

The most relevant factor for NFPOs is, first and foremost, the users of the financial statements. The second most relevant factor is the incorporation type.

(f) do you think there is a need to explore scaling ASPE and Accounting Standards for NFPOs? What options should the Board consider to better meet the needs of stakeholders?

With respect to ASPE Standards, the AcSB might consider whether they provide accounting policy choices or scaling opportunities for some standards. For example, IFRS 3 *Business Combinations* was amended in 2018 to provide an optional concentration test in an effort to reduce some of the inconsistencies in accounting for business acquisitions and asset acquisitions. A similar approach could also have the effect of simplifying business combination accounting under ASPE. In addition, providing the option to amortize goodwill, as currently exists for private entities reporting under US

GAAP, could help to achieve a better cost/benefit trade-off when accounting for business combinations.

We have observed, particularly as a result of the COVID-19 pandemic, an increase in the number of entities considering impairments of long-lived assets, indefinite life intangible assets, and goodwill. Currently, when applying the requirements within Section 3063 *Impairment of long-lived assets* and 3064 *Goodwill and intangible assets*, an entity may have to perform multiple impairment analyses. Streamlining the approach to impairment testing may also be an area for consideration.

Scaling of ASNPO already exists in certain respects, for example, for smaller NFPOs, the exemption from capitalizing tangible assets if certain financial criteria are not met. In our experience, the revenue recognition guidance is the most challenging for NFPOs. It is anticipated that the current consultation paper related to revenue recognition, and the resulting future exposure draft, may address certain complexities that currently exist. Depending on the outcome of the consultation paper deliberations, there may be greater harmonization with ASPE, thereby increasing understandability for those readers that are already more financially astute with the guidance for private enterprises, which is common. Therefore, we do not think scaling of NFPO standards is required.

(g) if you think scaling is not needed for ASPE or Accounting Standards for NFPOs, do you think these frameworks can be simplified while still meeting the needs of users? If so, how do you think the frameworks can be simplified?

With respect to ASPE, please refer to our response to Question 3(f) for areas where we believe opportunities may exist for simplification or scaling.

Other than the discussion under 3(f) related to revenue recognition, in our view the only other potential simplification recommendation relates to employee future benefits. This is an area of complexity which leads to frustration even for those readers that understand the framework. We recommend the AcSB consider that guidance for potential simplification.

(h) are there types of transactions (for example, types of financing arrangements) that are not adequately addressed in ASPE or Accounting Standards for NFPOs? If so, what types of transactions?

Under ASPE, we have noticed an increase in the use of Simple Agreements for Equity or “SAFEs” to raise funds, in place of traditional convertible instruments. There are standard terms for such instruments, but we have observed variations on the standard terms in practice. The emergence of these instruments has highlighted the challenges in practice when applying Section 3856 *Financial instruments* to the classification of certain instruments.

The accounting for mergers and combinations used to be the most critical area within ASNPO lacking guidance; however, this has recently been rectified by the issuance of Section 4449 *Combinations by not-for-profit organizations*. As NFPOs continue to focus on educating their readers on the true resources required to meet their mission, increased guidance related to contributions of gifts in kind would be beneficial. There is currently limited guidance resulting in a wide range of interpretation and policy choice.

Finally, NFPOs are increasingly entering into innovative business arrangements, the accounting for which is not necessarily directly addressed by existing guidance in ASNPO or ASPE. Examples include complex partnership agreements to undertake activities with other similar NFPOs, or to derive benefits from long term agreements for intangible or tangible benefits.

The AcSB's Strategy: IFRS Standards

Question 4: Can the AcSB improve its proposed strategy on supporting the application of IFRS® Standards in Canada? If yes, how?

We believe the AcSB's proposed strategy on supporting the application of IFRS Standards in Canada positions it as a valued participant in the global standard setting arena. We continue to support the Board in actively fostering relationships and collaborating with other standard setters and regulators while advocating for the interests of its Canadian constituents.

In addition,

(a) Part I of the Handbook currently does not include certain documents issued by the IASB including some Basis for Conclusion documents, some illustrative examples and IFRIC Agenda Decisions. Are these documents used often and should the AcSB consider incorporating them into the Handbook?

We strongly recommend the AcSB consider incorporating into the Handbook the IASB's non-authoritative material that accompanies the authoritative text in the IFRS Bound Volumes (e.g. Basis for Conclusions, some Illustrative Examples), in addition to agenda decisions published by the IFRS Interpretations Committee ("IFRIC"). We believe such step is fully consistent with the Board's proposed strategy to continue to support the application of IFRS Standards in Canada.

Since the adoption of IFRS Standards by Canadian publicly accountable enterprises in 2011, IFRS Standards have continued to evolve, most notably with the issuance of major new standards for financial instruments, revenue recognition and leases in 2014 and 2016, respectively, each with their own complex challenges in application. In our experience, the use of each new standard's respective non-authoritative material, as well as any related IFRIC Agenda Decisions, is significant. The ever-changing nature of business, including its rapid digitalization, will require IFRS Standards to evolve further so as to remain 'fit for purpose' likely requiring the development of new requirements (e.g. intangible assets, pollutant pricing mechanisms), not without complexity. Consequently, including non-authoritative material is necessary to apply new and complex accounting standards. Release of such material by the AcSB would serve to "level the playing field" in Canada so that all preparers and their professional services providers have the same access to information, thereby contributing to better, consistent application of the literature.

We believe the illustrative examples (IE) and implementation guidance (IG) are the most useful when adopting new standards. Additionally, with the recent revisions to the IFRS Foundation's Due Process Handbook[1] which clarified the authority of agenda decisions published by IFRIC and their role in supporting consistent application of IFRS Standards, the inclusion of IFRIC Agenda Decisions is paramount. We recommend the Board consider the most effective way for making published Agenda Decisions accessible to users of Part 1 of the Handbook, e.g. by including them as an Appendix at the end of Part 1, updated quarterly.

The inclusion of non-authoritative materials will be especially important for new IFRS 17 *Insurance contracts* - a milestone standard for Canadian insurers ("IFRS 17"). Without the numerous illustrative examples accompanying IFRS 17, we believe implementation of this standard in 2023 will be significantly more challenging. We also believe that if the AcSB decides to issue non-authoritative materials, a full retrospective release of material relating to existing, mature standards is not required; rather new / amended standards should be the primary focus, especially IFRS 9 *Financial Instruments* ("IFRS 9") as it will be adopted by insurers together with IFRS 17.

As Canadian private enterprises continue to seek public listings, the consistent implementation of IFRS 1 *First-Time Adoption of International Financial Reporting Standards* ("IFRS 1") remains relevant – and recently issued standards have varied in the approach to including guidance for first-time adopters. For example, transition guidance for IFRS 9 included consequential amendments to the authoritative text of IFRS 1 Appendix D and E; while some transition guidance for IFRS 16 *Leases* was included in that new standard's (non-authoritative) Basis for Conclusions. Hence, incorporating non-authoritative material into Part 1 should be considered as part of supporting the consistent application of IFRS 1 if/when it is amended consequentially by any new standards.

The AcSB's Strategy: Accounting Standards for Private Enterprises and Accounting Standards for Not-for-Profit Organizations

Question 5: Do you agree with the AcSB's proposed strategy to retain a separate set of standards for private enterprises and NFPOs, while working to enhance their relevance to meet user needs? Why or why not?

[1] Published in August 2020

We agree. The mission and objectives of NFPOs are substantially different from those of for-profit organizations. Hence the information required by users for financial and operational decision making should be supported by the underlying accounting guidance to ensure relevancy of the financial statements.

In addition,

(a) what are your views on the current level of resources to support stakeholders in applying ASPE or Accounting Standards for NFPOs? What, if any, areas do you think need additional resources?

In our view, existing resources are strong. Additionally, non-authoritative guidance such as ASPE Briefings that provide additional guidance on the application of new standards and amendments, are helpful to ensure the consistent application of the standards in practice.

We encourage the AcSB to consider updating one resource: the *Not-for-profit Financial Reporting Guide.*[2] Since its publication in 1998, there have been numerous updates to the standards. This guide continues to be a valuable resource to those applying the framework. It is also an often quoted from resource by those working to gain an underlying understanding of the framework. The examples described throughout the guide, as well as the summarization of the standards in easy to understand language, ensure the continued usefulness of the guide to this day.

The AcSB's Strategy: Accounting Standards for Pension Plans

Question 6: Do you agree with the AcSB's proposed strategy to identify issues raised by stakeholders of pension plans and determine the need for improvements? Why or why not?

We fully support the Board's proposed strategy to assess what is needed for improvement in Part IV. The needs of the pension sector and its stakeholders have changed as pensions and other retirement benefits continue to combine and become increasingly complex, and the current standards do not provide sufficient clarity. Changes made in recent years to other financial reporting frameworks (e.g. under Part I, the introduction of IFRS 9) have impacted Part IV and consideration needs to be given to the applicability of these changes on Part IV.

[2] By Kerry Danyluk, CA; published in 1998 by the Canadian Institute of Chartered Accountants

In addition,

(a) what, if any, are your concerns with applying Part IV of the Handbook?

Part IV currently does not provide sufficient guidance in areas such as pension combinations, annuities, and presentation of hybrid plans which leads to divergence in practice. We encourage the AcSB to consider these areas especially as part of its proposed strategy for Part IV.

Demonstrate leadership in reporting beyond traditional financial statements

Question 7: Do you agree with the AcSB's proposed strategy to demonstrate leadership in the advancement of standards and guidance that improve the relevance of information reported outside of the financial statements? Why or why not?

We support the AcSB's commitment to using its voice to ensure the views of Canadian stakeholders are heard in the increasingly relevant area of sustainability reporting, and the wider corporate reporting ecosystem in general. Market demands continue to grow for quality information beyond the traditional (i.e. historical GAAP-compliant) audited financial statements. As the Canadian standard setter, the Board should play a central role in the fast-paced evolution of corporate reporting to ensure that users' needs and concerns are appropriately considered and deliberated by the global standard-setting community, as well as by domestic stakeholders. For Canadian preparers applying Part 1 especially, the imminent establishment of the sister ISSB to the IASB raises understandable questions about how the ISSB intersects with local regulatory developments (and those of the US SEC for such registrants) and what this means practically. We encourage the Board to stay abreast of developments and engage in timely dialogue with Canadian stakeholders to help them navigate the rapidly changing corporate landscape.

In addition,

(a) do you find the financial and non-financial information found outside traditional financial statements to have greater relevance compared to information found within traditional financial statements? If yes, what financial and non-financial information in particular?

In our experience, GAAP information is rarely the only relevant information about a company; and the changing business environment has exacerbated a need for companies to refer to non-GAAP information in order to explain their financial performance and their future prospects (i.e. the information that some accounting frameworks describe as "useful"). Examples include Management Discussion and Analysis (MD&A) and the non-GAAP measures provided therein, and/or other operating metrics which are often publicized more frequently. Existing GAAP information is no longer a complete set of relevant information that is capable of meeting its own objectives in many industries yet, in our experience, there is a persistent lack of awareness among some financial statement users as to the level of assurance provided over this accompanying (and often digitally released) non-GAAP information.

With ever more information about corporate performance and prospects available from sources other than audited GAAP financial statements, the very relevance of financial reporting itself may be at stake. At the same time, any deficiency in the quality and consistency of that relevant non-GAAP corporate information risks serious economic consequences. This is a challenge that our profession must not ignore - particularly with the advent of emerging sustainability reporting requirements.

(b) given the increased demand for information outside the financial statements, how would you like to see the AcSB use its role and prioritize its time in this area?

The nature of business is changing, and markets demand high-quality corporate information more quickly and more efficiently. As sustainability issues, including climate-change risk, drive the global corporate reporting agenda and increasingly enter the realm of investor-required information, these developments should inspire our profession to look at financial and business reporting on a holistic basis (including exploring integrated reporting). We encourage the Board to be a leader among stakeholders in the financial community to progress the increased use and standardization of these types of information to meet user needs.

Once formed, the ISSB is expected to create standards for sustainability disclosures, impacting the “front end” of corporate reporting. It is inevitable that this will impact the “back end”, i.e. the GAAP financial statements. The articulation of management’s story between these two information mediums (one in accordance with the ISSB’s standards, the other in accordance with the IASB’s standards) will need careful scrutiny. It is predicted that the evolution of sustainability disclosures for the “front end” will lead to formidable pressure on financial reporting requirements in the historical financial statements: to expand so as keep pace with management’s commitments and related story. Initially, this expansion may focus on new or improved disclosures for the financial statements (e.g. expanded considerations in establishing critical assumptions and estimates, and sensitivity analysis); mid-term it may proliferate into a more obvious extension of the financial reporting recognition and measurement requirements themselves. The challenge for financial reporting standard setters will be ***to control*** this expected expansion – so that it is aligned with the Conceptual Framework. If pressure mounts on the basis of preparation of the financial statements so as to shift to align with increasing investor expectations regarding a company’s climate commitments (e.g. their pathway to achieving net-zero emissions by 2050), standard setters need to be on high alert: to plan now for this disruption so as to be adequately equipped to monitor leading indicators of such a shift and react accordingly.

While this task falls first on the IASB, we urge the AcSB to be attentive and actively engage in this process. As an advocate of the Canadian corporate reporting community, we believe the AcSB should stand ready to react to any ISSB-induced shifts on financial reporting for Canadian issuers with a strong awareness and communication strategy for all stakeholders, including educational initiatives.

We recognize such endeavors are not without significant effort – but we believe the AcSB is best-placed to engage with investors, preparers, regulators and audit and assurance standard setters to generate improvements in broader corporate reporting.

Raising the AcSB's international influence

Question 8: Do you agree with the AcSB's proposed strategies to raise the AcSB's international influence? Why or why not?

Yes, we support the AcSB's proposed strategies to raise its international influence.

For NFPOs in particular, many organizations have subsidiaries, peers, chapters/branches, partnerships to which they compare themselves, across various jurisdictions. There is continued interest in the ability to achieve comparability. In addition, by assisting those jurisdictions for which there are currently no NFP standards and/or guidelines, it will assist in raising the overall credibility of the sector.

Yours truly,

KPMG LLP

Per:
Brad Owen, CPA, CA
Partner-in-Charge, Department of Professional Practice,
(416) 777-8595

Gabriela Kegalj, FCPA, CA
Partner, Department of Professional Practice,
(416) 777-8331

October 19, 2021

Katharine Christopoulos, CPA, CA
Director, Accounting Standards Board
277 Wellington Street West
Toronto, Ontario
M5V 3H2

Subject: Accounting Standards Board Draft Strategic Plan for 2022 through 2027

The Canadian Securities Administrators Chief Accountants Committee appreciates the opportunity to comment on the Accounting Standards Board's (**AcSB**) Draft Strategic Plan for 2022 through 2027 (the **Plan**). The Canadian Securities Administrators (**CSA**) is an organization of Canada's provincial and territorial securities regulators whose objective is to improve, coordinate and harmonize regulation of the Canadian capital markets. The CSA Chief Accountants Committee (**CAC**) is comprised of the Chief Accountants from the provinces of British Columbia, Alberta, Ontario and Québec.

The CAC appreciates the ongoing opportunity to work collaboratively with the AcSB on many of the topics addressed in this Plan. In Canada, securities legislation specifies the accounting framework to be applied by many entities (including "public" and "private" entities).[1] Therefore, the CSA is keenly interested in how the Plan will continue to support the existing approach in securities legislation of referring to the standards in the CPA Canada Handbook – Accounting, particularly for entities in public markets.

Question 1 – Do you agree with the proposed vision and mission statements?

We agree the AcSB should work collaboratively with other standard setters within Canada and internationally, as well as the CSA, to enhance the relevance of information to meet the evolving needs of stakeholders. In particular, we agree with the proposed strategy to consider the interconnection between financial and non-financial reporting. However, we think the AcSB's primary focus should continue to be accounting standards and related guidance, and the vision and mission statements should reflect that focus.

The reference to "non-financial information" in the proposed vision statement is very broad and encompasses many areas that are outside the AcSB's current scope of expertise.

We suggest modifying the proposed vision statement to appropriately put the focus on financial information, while recognizing the importance of how it relates to other information. We suggest a revised statement along the lines of the following:

> *"To be a global leader in enhancing the relevance of financial information and interconnection of financial information with non-financial information reported to stakeholders".*

[1] For example, National Instrument 52-107 (Revised) *Acceptable Accounting Principles and Auditing Standards*

Question 2 – Do you agree with proposed strategy to reconsider the Preface?

We support the Plan to revisit the Preface to the CPA Canada Handbook – Accounting (Preface) to assess whether the applicability of each accounting framework is meeting stakeholder needs.
We agree that it is appropriate for the AcSB to revisit the Preface that was drafted in connection with the introduction of IFRS Standards as the basis of standards for publicly accountable enterprises (**PAEs**). It is appropriate to consider whether the approach set out in the Preface is working as intended.

We note that this strategy is consistent with our request in 2015, in relation to the preceding AcSB strategic plan, for the AcSB to consider how the term PAE relates to issuers that prepare financial statements in conjunction with a securities offering under a prospectus exemption. At that time, we noted that stakeholders do not share a common understanding of how this term relates to issuers that prepare financial statements in conjunction with a prospectus exemption like an offering memorandum exemption or an equity crowd-funding exemption. We confirm that this continues to be a challenge.

Question 3 – Do you agree with the proposed strategy to explore scaling the standards to better meet the needs of different categories of reporting entities?

The Plan refers to questions about the application of IFRS Standards or Accounting Standards for Private Enterprises (**ASPE**) to crowd funding and offering memorandums. We support the AcSB's intention to examine this topic further and look forward to directly discussing this topic with the AcSB as it develops material for public consultation.

The Plan notes "scaling the standards may include allowing additional accounting policy choices and/or looking at the extent of disclosure requirements for certain frameworks." While we do not oppose this possibility for entities ***not*** subject to securities legislation, we generally do not support additional frameworks or "versions of frameworks" for entities subject to securities legislation because, among other things, it is challenging for users to understand the differences between various frameworks and may lead to unintended consequences.

We acknowledge the growing divergence between ASPE and IFRS Standards. Securities legislation in Canada permits ASPE in limited circumstances (e.g., the filing of acquisition financial statements prepared in accordance with ASPE, with modification). When securities legislation was changed to permit ASPE for limited circumstances, ASPE was more aligned with IFRS Standards than is currently the case. The growing divergence has made it more challenging for users to compare information prepared in accordance with ASPE to information prepared in accordance with IFRS Standards.

The Plan also refers to the possibility of more flexibility to allow for an easier transition from ASPE to IFRS Standards. To ease financial reporting challenges for private enterprises planning to go public in the future, we support research into this area.

Question 4 – Can the AcSB improve its proposed strategy on supporting the application of IFRS Standards in Canada?

With respect to the adoption of new or amended IFRS Standards, we strongly agree with the AcSB's proposal to continue to impress upon the IASB and standard setters in other jurisdictions the benefits of a single date for the global adoption of standards.

We strongly support including in the Handbook, or within the CPA Canada Standards and Guidance Collection, documents issued by the IASB including some Basis for Conclusion documents, some illustrative examples, and IFRIC Agenda Decisions. We think this will promote use of these documents and thereby foster greater consistency of application of IFRS Standards.

Question 7 - Do you agree with the AcSB's proposed strategy to demonstrate leadership in the advancement of standards and guidance that improve the relevance of information reported outside of the financial statements?

As explained in our response to question 1, we agree that the AcSB should consider the interconnection between financial and non-financial reporting in order to help the AcSB ensure the relevance of standards relating to financial information. In particular, we recommend that the AcSB research how financial information presented outside the financial statements differ from that presented in financial statements and consider whether the differences indicate a need to change specific accounting standards. We think that the AcSB's primary focus should continue to be accounting standards and related guidance, with a secondary focus on financial information presented outside of the financial statements.

Question 8 – Do you agree with the AcSB's proposed strategies to raise the AcSB's international influence?

We agree with the proposed international activities relating to standards for PAEs and private enterprises. Given that many Canadian public companies are active in the U.S. securities markets, we strongly agree that the AcSB should do whatever it can to promote convergence between IFRS Standards and U. S. GAAP.

If you have any questions about this letter, please do not hesitate to contact us.

Yours truly,

The CSA Chief Accountants Committee

Nicole Parent
Autorité des marchés financiers
(514) 395-0337 ext. 4455
nicole.parent@lautorite.qc.ca

Carla-Marie Hait
Chief Accountant
British Columbia Securities Commission
(604) 899-6726
chait@bcsc.bc.ca

Cameron McInnis
Chief Accountant
Ontario Securities Commission
(416) 593-3675
cmcinnis@osc.gov.on.ca

Cheryl McGillivray
Chief Accountant
Alberta Securities Commission
(403) 297-3307
cheryl.mcgillivray@asc.ca