

November 2, 2011

Via website posting: <http://www.iasb.org/>

Re: Request for Views: **Agenda Consultation 2011**

Dear Sir/Madam:

The Certified General Accountants Association of Canada (CGA-Canada) welcomes the opportunity to comment on the Request for Views: **Agenda Consultation 2011**. We have also provided additional comments on certain related matters.

Question 1

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

Answer 1

We believe that IASB should balance its strategic priorities on the basis of feedback received from the preparers, auditors, regulators and the users of the financial statements and that these priorities should complement one another and be designed to interrelate. We appreciate that the IFRS Advisory Council represents an extremely effective forum for receiving such feedback.

We suggest that the processes for development and maintenance of IFRSs should be integrated and new projects should be added when:

- a critical void or fatal flaw is discovered in the current standards;
- the extant requirements become less relevant due to changed circumstances; and,
- post-implementation reviews reveal a disproportionately adverse cost-benefit relationship.

We suggest that the scope of post-implementation reviews should include discovery of deficiencies in the existing requirements, as well as assessing if the extant standards promote effective financial reporting in the context of the current economic and business environment. Also, we suggest that the IASB should monitor the developments in integrated reporting, but remain focused on financial reporting.

Question 1(a)

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

Answer 1(a)

We do not view development and maintenance of standards as two disjoint activities, but view them as an integrated process for improving financial reporting. We believe that the main drivers of the IASB agenda include the decisions made by the IFRS Foundation Trustees in their strategy review. Hence, it might be reasonably expected that, in future, the agenda decisions will be guided more by the considerations of IFRS adoption and issues identified in practice, rather than those of international convergence. We further suggest that any new project proposal should be based on the post-implementation reviews, and should clearly articulate its objectives for facilitating the future assessment of the effectiveness of the new requirements. The process can be further augmented by public consultation with the stakeholders before a project is added to the agenda.

Question 1(b)

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

Answer 1(b)

As regards to strategic areas, we suggest according a very high priority to the project on Conceptual Framework. We are concerned about the present state of affairs in which the specific provisions of the standards can override the requirements of the Conceptual Framework. We believe that the standards should flow from the Conceptual Framework, and not *vice versa*. Arguably, the development of standards ahead of the Conceptual Framework pre-empts the development of the latter.

Question 2:

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

Answer 2

We endorse the views expressed in the letter from IFRS Advisory Council to the IASB, and agree that a 'period of calm' and stable platform are needed in order to ensure proper understanding by users and preparers of changes made to IFRS, consistent application of IFRS across jurisdictions, and greater consistency in financial reporting over time. During this 'period of calm', IASB resources should be allocated to the development of the Conceptual Framework, post implementation reviews, and other research activities that help to prepare evidence-based project proposals, as mentioned hereinabove. Also, projects which are likely to improve financial reporting, considering recent changes in economic and business reality, should be prioritized. We understand that the IASB has limited resources and these resources should not be thinly spread over too many projects.

Without prejudice to what is stated above, we suggest the following guidelines for the selection of projects.

- **Focus on Conceptual Framework projects** because of its pervasive influence on the other standards.
- **Limited number of projects** for efficient use of IASB resources and reducing the burden on stakeholders.

- **Evidence based project selection** should be made when, either a critical void in the existing standards or diversity in practice, has been clearly identified.
- **Logical spacing** of projects so that completion of a new project does not necessitate changes in the other completed projects.
- **Accelerated development** without compromising on the due diligence process for retaining timeliness and relevance of the standards.

Question 2(a)

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

Answer 2(a)

In addition to the four major ongoing projects undertaken by the IASB (Revenue, Leases, Insurance Contracts, and Financial Instruments), we suggest according the highest priority to the following projects on the basis of the rationale provided hereinabove:

- (a) Conceptual Framework;
- (b) Emissions trading schemes;
- (c) Business combinations between entities under common control;
- (d) Rate-regulated activities;
- (e) Extractive activities;
- (f) Foreign currency translation;
- (g) Inflation accounting; and,
- (h) Share-based payment.

We have accorded the highest priority to the project on Conceptual Framework. The projects (b) to (e) can be expected to bridge a gap in the existing standards, while the remaining projects would address the difficulties in implementation and diversity in practice.

We believe that the following projects, though very important, should be added to the agenda only after the relevant principles are clearly articulated in the Conceptual Framework.

- (a) Discount rate
- (b) Government Grants
- (c) Post-employment benefits
- (d) Income taxes

- (e) Financial Instruments with Characteristics of Equity
- (f) Financial Statement presentation and OCI
- (g) Interim reporting
- (h) Presentation and Disclosure Standard

Question 2(b)

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

Answer 2(b)

We believe that IASB resources should be fully deployed to the completion of the critical projects, including the top priority Conceptual Framework project mentioned above. Hence, we do not identify any deferred project that should be removed from the agenda or reactivated in near term or medium term, except for the development of a self-contained presentation and disclosure standard because we expect such a standard to consolidate and streamline the current disclosure requirements in the IFRSs, and greatly improve financial reporting.

We suggest revisiting this issue when substantial progress has been made on the priority projects; perhaps at the time of next agenda consultation.

Additional Comments

We greatly appreciate this new and pro-active initiative by the IASB to engage the stakeholders in the agenda setting process. We expect that such formal consultation will become a normal practice in future, and an enduring element of IASB due diligence process. We would also like to re-emphasize that the IASB should aim at abridging and streamlining its standard development cycle, without compromising its due diligence process. This is necessary to retain the timeliness and relevance of standards in a fast changing business and economic environment.

Should you wish to discuss the contents of this Request for Views, or require further elaboration on any of the items presented herein, please do not hesitate to contact Kamallesh Gosalia at kgosalia@cga-canada.org or, alternatively, the undersigned at rlefevre@cga-canada.org.

Sincerely,

[Original signed by:]

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Vice-President, Research & Standards