



Certified General
Accountants
Comptables généraux
accrédités

Certified General
Accountants Association
of Canada

Suite 800
1188 W Georgia Street
Vancouver, BC
Canada V6E 4A2

Tel: 604 669-3555
Fax: 604 689-5845
www.cga-canada.org

September 8, 2004

Mr. Ron Salole
Director
Public Sector Accounting
The Canadian Institute of Chartered Accountants
277 Wellington Street West
Toronto, Ontario
M5V 3H2

Re: Exposure Draft: *Measurement Uncertainty*

Dear Mr. Salole,

Thank you for the opportunity to provide a response to this exposure draft. We hope that you find our comments useful in your deliberations.

With respect to the questions posed in the Highlights Section, CGA Canada's comments follow.

1.1 Do you agree that the measurement of uncertainty should apply to both recognized and disclosed amounts?

Yes.

1.2 Do you agree that the nature of measurement uncertainty should be disclosed?

Yes.

1.3 Do you agree that the extent of measurement of uncertainty should be disclosed?

Yes.

1.4 Do you agree that when an amount subject to measurement uncertainty has not been disclosed, the reason(s) for the non-disclosure of the amount should be provided?

We concur that disclosure of the extent of measurement uncertainty or effect of change on underlying assumptions should occur, unless it would have a significant adverse effect on the outcome. Where non-disclosure of the extent or effect of change is warranted, the reason(s) should be provided unless the reason(s) in and of itself would give rise to a significant impact on the outcome.

Similarly, where an amount is not disclosed for an item by virtue of the fact that a reasonable estimate cannot be made due to uncertainty, information as to the existence of the item should be provided as well as the rationale for non-disclosure of an amount.

2.0 Further comments

2.1 The definitions could perhaps be more concise and reordered with the definition of measurement preceding that of measurement uncertainty.

With respect to the definition of measurement, it is suggested that the two middle sentences be dropped and the balance revised yielding:

Measurement: the process of determining the amount recognized or disclosed, noting that many items are measured using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

With respect to the definition of measurement uncertainty, it is suggested that the definition be revised:

Measurement uncertainty: uncertainty in the measurement process that yields plausible alternatives to amounts recognized and disclosed.

2.2 Measurement uncertainty is often a function of time. Requiring disclosure only when a material change is reasonably possible in the "near term" overly circumscribes disclosure requirements. Rather than a near term focus, it is proposed that the near term limitation be dropped and paragraph .06 be amended to read:

".... a change in an amount that is recognized or disclosed is reasonably possible, the notes to the"

The criteria driving disclosure must be one of materiality (paragraph .10), i.e. significance for decision makers, not whether uncertainty is significant in the near term or over a somewhat longer period of time. The elements of reasonable probability and materiality would be principles governing the requirement to disclose.

2.3 With respect to the amounts to be accrued or disclosed in financial statements, paragraph .13 of the draft states that "*when no amount within the range is indicated as a better estimate than any other, the minimum amount in the range would be used*". By using the mid point of the range, all else being equal, the amount would provide a better estimate of the expected outcome (statistically neutral with equal probabilities of falling short or exceeding the amount disclosed, therefore providing the best estimate of the expected outcome).

Regards,

[Original signed by:]

Anthony Ariganello, B.Comm, CGA
President and CEO