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July 29, 2005

Mr. Peter Martin, CA
Director, Accounting Standards
Accounting Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

Dear Mr. Martin:

Re: Accounting Standards in Canada: Future Directions Draft Strategic Plan

The Certified General Accountants Association of Canada (CGA-Canada) appreciates the opportunity to comment on the Accounting Standards Board's (Board) draft strategic plan. As a leading accounting organization, representing the interests of 62,000 members and students nationally and internationally, CGA-Canada continues to actively participate in the discussions surrounding the future of accounting standards in Canada – it is our responsibility as a professional accounting organization. The following is a summary of CGA-Canada's views regarding the key issues presented by the Board in its draft strategic plan.

One Size Does Not Fit All

CGA-Canada agrees with the Board that it is not possible to address the needs of different categories of reporting entities with a single set of standards. As a result, CGA-Canada believes it is appropriate to maintain separate standards for publicly accountability enterprises and non-publicly accountable enterprises (NPAEs), with the possibility of exempting smaller private businesses from GAAP altogether. Not only is this approach necessary to provide relief for smaller entities whose users do not require comprehensive GAAP statements, the delineation between publicly accountable enterprises and NPAEs is consistent with the approach taken by the International Accounting Standards Board (IASB). In aligning Canada's accounting standards framework with that used to develop international accounting standards, CGA-Canada feels the Board will be well positioned to eventually migrate all Canadian standards (including standards for NPAEs), to those developed by the IASB.

Publicly Accountable Enterprises

CGA-Canada applauds the Board's move to adopt IFRSs for publicly accountable enterprises, eliminating Canadian GAAP as a separate, distinct basis of financial reporting for these entities. With the growing credibility and acceptance of IASB-based standards worldwide, and the increasing convergence of IASB and FASB standards, this strategy is both reasonable and indispensable.

Adoption of IFRSs is essential for Canadian publicly accountable enterprises to compete more effectively in the global marketplace. CGA-Canada also believes that in recognizing the validity of the IASB's standards, the Canada's accounting standards-setter will be better positioned to have influence over the development of future accounting standards for these entities.

Adopting International Financial Reporting Standards

In adopting IFRSs as Canadian standards for publicly accountable enterprises, CGA-Canada supports the Board's overall strategy to cease making final decisions on the technical content and timing of implementation of these standards. There is no reason to believe that the Canadian environment requires a modified Canadian version of the international standards for these entities.

When migrating to international standards for publicly accountable enterprises, the Board should replace all existing Canadian standards with IFRSs using a single-step approach effective on the changeover date.

The single-step approach is favoured as it is consistent with the approach taken by other jurisdictions that have already adopted IFRSs (ie. EU and Australia). Assuming that users, preparers and practitioners are provided with an appropriate timeframe to become familiar with the new standards and that we learn from the experiences of other jurisdictions that have already adopted IFRSs, the single-step approach should provide for a more efficient transition than the proposed alternatives. A single-step approach should be less burdensome than a phased-in model as users, preparers and practitioners do not have to accommodate a series of changes during the transition period. It should also be less confusing than a free choice approach, as this latter approach would essentially result in two sets of Canadian GAAP for publicly accountable enterprises.

Transition to International Financial Reporting Standards

Regardless of which transitional approach is used to migrate to IFRSs, a critical aspect of the transition will be to ensure that preparers, users and practitioners have sufficient time and support to adjust to IFRSs. The importance of this transition is highlighted by the experiences of Canadian companies that are already reporting based on IFRSs.

It has been indicated by these organizations that inconsistent interpretation and inadequate training were the most significant issues experienced in migrating to IFRSs from current Canadian accounting standards. With respect to interpretation, it was found that the IASB interpretation for a particular standard may differ from the interpretation of its current Canadian equivalent, even though both are considered to be similar standards. A concern is that these differences will delay or disrupt transition and may pose unnecessary costs to Canadian entities migrating to IASB-based standards.

To address these concerns, CGA-Canada believes that the Board should take steps to ensure convergence of interpretation in areas where interpretation differs between an IASB standard and its current Canadian equivalent. In considering this role, however, CGA-Canada does not see the Board's role as one to provide education or training, but rather to work with the IASB to ensure convergence of interpretation. The responsibility of educating and training practitioners,

preparers and users with the application of IFRSs, is a shared responsibility between the standard setter and the professional accounting bodies.

Non-Publicly Accountable Enterprises

CGA-Canada supports the development of distinct accounting standards for non-publicly accountable enterprises (NPAEs). To address the needs of this group, CGA-Canada agrees that the Board should maintain current existing differential reporting alternatives with the view of potentially revising these standards and/or exempting some private entities from GAAP following a review of user needs in this sector. However, the Board should not pursue this strategy independently of the IASB, but rather should modify existing standards for differential reporting with the view of harmonizing with and influencing international standards for NPAEs.

There is no reason to believe that the Canadian environment is unique enough to warrant a Canadian-only set of standards for these entities. Further, given the growing acceptance and endorsement of the IASB as a standards-setter, there is no evidence to indicate that the standards for NPAEs will not mature effectively over time. Once IASB standards for NPAEs mature, CGA-Canada recommends that the Board move towards adoption of these standards as Canadian standards in a similar fashion to that used to adopt IFRSs for publicly accountable enterprises. Moreso, it is our contention that Canada is well poised to provide invaluable input to the IASB initiative aimed at developing NPAEs and tailoring its corresponding standards.

Until IASB standards for NPAEs are ready for adoption, the Board should continue to evaluate and strengthen standards for these entities, working with the IASB to help shape international standards for this sector. As the Board pursues this strategy, it should draw on the experience and expertise of organizations, such as CGA-Canada, that are most familiar with the needs of this sector. In pursuing a strategy for NPAEs, CGA-Canada also recommends that NPAEs be granted the option of preparing financial statements in conformance with IFRS; especially for larger private companies competing internationally and/or having subsidiaries in foreign jurisdictions.

Maintaining Canada's Standard-Setting Capability

CGA-Canada believes it is important that Canada retain its own standards implementation capacity to ensure appropriate implementation of the strategy supported above. However, to ensure that accounting standards are developed in a manner that best serves the public's interest, CGA-Canada continues to maintain that an independent body be established (similar to those in the U.K. and Australia) to oversee the alignment, implementation and interpretation of international standards in Canada. The Canadian standard-setter should:

1. Be independent of all parties who have an active interest in the content of accounting standards;
2. Be mandated by legislation;
3. Be accountable to the public by reporting to Parliament;
4. Be funded from multiple sources including government, industry and the accounting profession; and
5. Have transparent process in which all meetings are open to the public and documents prepared by or submitted to the standard-setter are publicly available.

As the strategy proposed by the Board represents a fundamental change in the direction of the Board and standards-setting in Canada, an opportunity exists during this transition period to create a more transparent, representative standards sponsor in Canada. Although the responsibility for necessitating such a change ultimately lies with Canadian legislators, CGA-Canada believes, as a first step, the Board, within its own terms of reference and through communication with its Accounting Standards Oversight Council, can take appropriate action to ensure its operations are transparent and are conducted in the best interests of the public. This could include holding public meetings, publishing agenda and background materials.

In particular, and consistent with the view that accounting standards belong in the public domain, the Board must ensure that access to accounting standards is not impeded. CGA-Canada anticipates that with the move to adopt the IFRSs developed by the IASB, the Board's proposed strategy should have a positive impact on the cost and accessibility of Canadian standards to Canadian users.

In the spirit of transparency, CGA-Canada also recommends that the Board expose for public comment any modifications to its plan resulting from the 24-30 month checkpoint review.

Closing Remarks

We would like to thank the Board for the opportunity to continue to participate in the discussions surrounding the future directions of accounting standards in Canada. We believe that after consideration of the recommendations herein presented, the Accounting Standards Board will have an effective strategy for maintaining the quality accounting standards in Canada. We look forward to reviewing the Board's final plan and to providing comment on any revised strategies arising from its checkpoint review.

Sincerely yours,

[Original signed by:]

Rock Lefebvre
Vice President, Research and Standards

On behalf of
Anthony Ariganello, FCGA, CPA (Delaware)
President and Chief Executive Officer