

November 25, 2015

Submitted electronically via www.ifrs.org

International Accounting Standards Board
30 Cannon Street, 1st Floor
London EC4M 6XH
United Kingdom

Dear Sirs:

Re: Updating References to the Conceptual Framework (ED/2015/4)

This letter is the response of the Canadian Accounting Standards Board (AcSB) to the International Accounting Standards Board's (IASB) Exposure Draft, "Updating References to the Conceptual Framework (Proposed amendments to IFRS 2, IFRS 3, IFRS 4, IFRS 6, IAS 1, IAS 8, IAS 34, SIC-27 and SIC-32)," issued in May 2015.

The AcSB is Canada's national accounting standard-setting body, holding the legal authority to set accounting standards in Canada. Since 2011, the AcSB has operated under the strategy of endorsing and then importing IFRS into Canada for application by publicly accountable enterprises, other than pension plans. To date, our policy has been to adopt IFRS as issued by the IASB, without modification (with the exception of deferring for a period of time the initial adoption of IFRS by investment and rate-regulated entities). As of January 1, 2015, all such deferrals by the AcSB have ended. The AcSB consists of members from a variety of backgrounds, including financial statement users, preparers, auditors and academics. Additional information about the AcSB can be found at www.frascanada.ca.

The views expressed in this letter take into account comments from members of the AcSB's Conceptual Framework Discussion Group, individual members of the AcSB and its staff. However, the views expressed in this letter do not necessarily represent a common view of the members of the AcSB, its committee or staff. Formal positions of the AcSB are developed only through due process.

We agree with the proposed amendments because they are necessary to provide a transition period when an entity has used the *Conceptual Framework* to:

- develop and apply accounting policies when no Standard specifically applies to a transaction; or
- select or change an accounting policy when a Standard permits a choice of accounting policies.

Responses to the questions posed in the Exposure Draft are provided in the [Appendix](#) to this letter.

We would be pleased to elaborate on our comments in more detail if you require. If so, please contact me or, alternatively, Rebecca Villmann, Director, Accounting Standards (+1 416 204-3464 or email rvillmann@cpacanada.ca) or Kathryn Ingram, Principal, Accounting Standards (+1 416 204-3475 or email kingram@cpacanada.ca).

Yours truly,

A handwritten signature in blue ink, appearing to read "Linda F. Mezon". The signature is stylized with large loops and a cursive style.

Linda F. Mezon, FCPA, FCA
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Chair, Canadian Accounting Standards Board
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APPENDIX

Question 1—Replacing references to the *Conceptual Framework*

The IASB proposes to amend IFRS 2, IFRS 3, IFRS 4, IFRS 6, IAS 1, IAS 8, IAS 34, SIC-27 and SIC-32 so that they will refer to the revised *Conceptual Framework* once it becomes effective.

Do you agree with the proposed amendments? Why or why not?

We agree with the proposed amendments because the IASB's standards should contain references only to the revised version of the *Conceptual Framework*, not to any previous version.

Question 2—Effective date and transition

The IASB proposes that:

- (a) a transition period of approximately 18 months should be set for the proposed amendments. Early application should be permitted.
- (b) the amendments should be applied retrospectively in accordance with IAS 8, except for the amendments to IFRS 3. Entities should apply the amendments to IFRS 3 prospectively, thereby avoiding the need to restate previous business combinations.

Do you agree with the proposed transition provisions and effective date? Why or why not?

We think an 18 month transition period will allow sufficient time for preparers to identify and understand the effects of the amendments on their accounting policies and prepare for the retrospective application. However, we encourage the IASB to consider what other standards will become effective around the same time and avoid an effective date that coincides with the effective dates of other major projects. We think it is important not to under estimate the time needed for entities to consider and identify changes needed. When we introduced similar types of changes to our GAAP hierarchy in Canada, significant effort was required for entities to identify and work through the effects of the change beyond what was anticipated.

We agree that the amendments, except for the ones to IFRS 3, should be applied retrospectively because we support the need for comparability. We agree that the amendments to IFRS 3 should be applied prospectively to avoid the need to restate business combinations.

Question 3—Other comments

Do you have any other comments on the proposals?

We are concerned that references to “reliable” or “reliability” in IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* are not being replaced with faithful representation. We think that it is important to update these references in IAS 1 and IAS 8 so that stakeholders begin to use faithful representation and can adjust to the change in terminology. We acknowledge that paragraph BCE.21 of the Basis for Conclusions on the *Conceptual Framework for Financial Reporting* Exposure Draft indicates that the IASB will consider whether to amend these standards when the revised *Conceptual Framework* is finalized. We urge the IASB to make these changes as soon as possible. Further, without a change, stakeholders are left to apply their own definition of reliable. Until the IASB decides to update these references, the footnote contained in the annotated guide (or the “green” book) could be included as a footnote in IAS 1 and IAS 8. This footnote states “[t]he term ‘faithful representation’ in the *Conceptual Framework* encompasses the main characteristics that the previous *Framework* called ‘reliability’ (refer *Conceptual Framework* paragraphs QC12–QC16 and Basis for Conclusions paragraphs BC3.20–BC3.25).”

In addition, IAS 1 defines general purpose financial statements as “those intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs”. The glossary in the *Conceptual Framework* Exposure Draft includes a different definition of general purpose financial statements. We think the definitions should be the same and therefore a consequential amendment should be made to IAS 1 to replace the current definition with the new revised one.

We think IFRS 1 *First-time Adoption of International Financial Reporting Standards* should be amended to address which version of the *Conceptual Framework* a first-time adopter entity should apply when electing to restate a past business combination in accordance with IFRS 3 *Business Combinations* (i.e. as permitted by paragraph C1 of IFRS 1).

The references to IFRIC 12 *Service Concession Arrangements* and IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* refer to the “*Framework for the Preparation and Presentation of Financial Statements*”. We think these references should be updated to refer to the “*Conceptual Framework for Financial Reporting*” and the clarifying footnote should be removed.