

September 15, 2021

International Accounting Standards Board
Columbus Building
7 Westferry Circus
London, E14 4HD United Kingdom

Subject: Request for Information – *Third Agenda Consultation*

The Canadian Securities Administrators Chief Accountants Committee appreciates the opportunity to comment on the IASB’s Request for Information on the Third Agenda Consultation (the **RIF**). 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.

We support the IASB’s request for feedback to help shape the IASB’s thinking when determining how to prioritize its activities and new projects in its work plan for 2022 to 2026. We have provided the following comments on certain questions included in the RIF.

Question 2—Criteria for assessing the priority of financial reporting issues that could be added to the Board’s work plan

Table 2 in the RIF outlines the IASB’s proposed criteria in deciding whether to add a potential project to its work plan. Overall, we believe the Board has identified the right criteria when assessing the priority of financial reporting issues that could be added to its work plan. However, we highlight two areas for the Board’s attention:

Cost vs. Benefit

While we note that the “*costs of implementing proposed new requirements and the likely ongoing associated costs and benefits of each new IFRS Standard*” is discussed in the IASB and IFRS Interpretations Committee *Due Process Handbook*, we are of the view that the IASB should clarify that, consistent with paragraphs 5.4 and 5.7 of the *Due Process Handbook*, cost vs. benefit considerations factor into assessing the priority of financial reporting issues that could be added to the Board’s work plan.

Scope

We did not see a reference to project scope (i.e., whether a potential project has an identifiable scope) in the IASB’s proposed criteria. We are of the view the IASB should clarify how the assessment of scope relates to “6. *The complexity and feasibility of the potential project and its solutions*” or any of the other seven criteria listed in the RIF.

Question 3—Financial reporting issues that could be added to the Board’s work plan

Many of the projects listed in Appendix B of the RIF have merit. In order to assist the IASB in identifying the priority projects, we considered those listed and other potential projects based on our experience in regulating capital markets in Canada and growing trends, and we concluded that the top two projects are: going concern and cryptocurrencies & related transactions. Below we have described why we urge the IASB to prioritize these projects.

Going concern

When preparing financial statements, management must assess an entity’s ability to continue as a going concern. We have observed inconsistencies in how the term “ability to continue as a going concern” is interpreted and applied by management, resulting in inconsistencies in the disclosures that are made when a material uncertainty exists and in some cases, lack of understanding by the users of the financial statements of this matter.

In addition, we see very few instances of disclosures of significant judgements made by management (paragraph 122 of IAS 1 *Presentation of Financial Statements (IAS 1)*) in going concern situations where there are mitigating factors which led to management’s conclusion that there was no material uncertainty relating to going concern. Although we acknowledge the useful literature published by IFRIC and IFRS Foundation on the topic of going concern, we strongly believe such literature, particularly relating to these “close-calls”, should be within the body of an IFRS Standard, such as IAS 1¹. This would facilitate consistent understanding and enforcement.

We also note that the auditor’s requirements for “close call” going concern situations in ISA 570 *Going Concern (ISA 570)* do not adequately align with the accounting and disclosure requirements in IFRS². In February 2021, the [CAC commented](#) on the IAASB Discussion Paper on *Fraud and Going Concern in an Audit of Financial Statements*. In our comments we recommended that any changes to the auditing standards should be considered together with the accounting and disclosure requirements in IFRS.

As a next step, we think that the IASB should work collaboratively with the IAASB and revise the main body of IAS 1 to explicitly address disclosures for material uncertainties relating to going concern, including the requirement to disclose ‘close call’ significant judgements³.

Cryptocurrencies and related transactions

As noted in the IASB Staff Paper - *Transactions involving commodities and cryptocurrencies* published in July 2018, research highlighted that, for particular jurisdictions (and notably Canada), the number of cryptocurrency transactions were increasing. In November 2019, the IASB published a Staff Paper - *Cryptoassets* providing updated information on holdings of cryptocurrencies or initial coin offerings and while activities had increased significantly, the IASB

¹ Members acknowledge that IFRIC published agenda decisions relating to going concern disclosure requirements in July 2010, July 2014 and in January 2021, and the IFRS Foundation published educational material on disclosures relating to going concern.

² The International Auditing and Assurance Standards Board’s (IAASB) revised ISA 570 to include the requirement that auditors evaluate the adequacy of disclosures in the ‘close call’ situations in view of the requirements of the applicable financial reporting framework; however, the requirement for issuers to disclose the close calls is only explicitly expressed in an IFRIC agenda decision.

³ U.S. GAAP contains explicit requirements for close call significant judgements disclosure and the New Zealand Accounting Standards Board has proposed clarifications along these lines.

decided to continue to monitor developments in this area. In Canada, the number of public companies transacting (including holding or lending) with cryptocurrency continues to grow. Other jurisdictions in Europe have expressed a similar view⁴.

The IFRIC Agenda Decision - *Holdings of Cryptocurrencies* published in June 2019 outlines that IAS 2 *Inventories* (**IAS 2**) applies to cryptocurrencies when they are held for sale in the ordinary course of business, otherwise an entity should apply IAS 38 *Intangible Assets* (**IAS 38**) to holdings of cryptocurrencies⁵. However, as outlined in the RIF, many stakeholders have asserted that cryptoassets are a unique type of asset and that the current measurement requirements under IAS 38 and IAS 2 were not developed with cryptoassets in mind. For instance, unlike most commonly known intangible assets (e.g., software, intellectual property, brands), cryptoassets have some cash-like properties, some are traded in active markets and may have trading or investment asset attributes.

We strongly recommend the IASB to research whether existing IFRS Standards provide a suitable basis to account for Initial Coins Offerings (**ICOs**), Initial Exchange Offerings (**IEOs**) and of Security Token Offerings (**STOs**).

Pollutant pricing mechanisms

Separate from our top two priority topics, we would like to highlight the growing prevalence of pollutant pricing mechanisms. Carbon pollution pricing systems and carbon cap-and-trade exist in Canada and therefore having consistent accounting for such systems is important. As such, the CAC supports standard-setting on the topic.

Question 4—Other comments

As described in paragraph 19 of the RIF, the IASB intends to continue prioritizing the completion of projects on its work plan. While the CAC is of the view that the IASB should progress those projects in its current work plan, particularly those that have been on the agenda for several years, we understand the need to carefully balance the completion of projects with the start of any new work in a manner to avoid delaying the start of any critical projects.

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

Yours truly,

The CSA Chief Accountants Committee

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⁴ Source: [European Financial Reporting Advisory Group Discussion Paper - Accounting for Crypto-Assets \(Liabilities\) Holder and Issuer Perspective \(July 2020\)](#).

⁵ Within its June 2019 agenda decisions, IFRIC referred to a “cryptocurrency” as being part of a subset of cryptoassets and having all the following characteristics: (i) a digital or virtual currency recorded on a distributed ledger that uses cryptography for security, (ii) not issued by a jurisdiction authority or other party, and (iii) does not give rise to a contract between the holder and another party.

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