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Submitted electronically via www.ifrs.org

International Accounting Standards Board
IFRS Foundation
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Dear IASB members,

Re: Request for Information – Third Agenda Consultation

This letter is the response of the Canadian Accounting Standards Board (AcSB) to the International Accounting Standards Board's (IASB) Request for Information (RFI), "Third Agenda Consultation" issued in March 2021.

Our process

As part of our due process for this RFI, we consulted with approximately 100 stakeholders across a variety of industries within Canada, including broad groups of users, preparers, and auditors. Our outreach activities included seeking input from our advisory committees and hosting public roundtables. We were pleased to have IASB members join several of our outreach events, including discussions with our User Advisory Committee, IFRS® Discussion Group and Academic Advisory Committee. In addition to consulting with our User Advisory Committee, we also hosted a public forum with investors and other users of financial statements. We were particularly pleased with the number of financial statement users who actively participated in our consultation activities. We took the feedback from these discussions into account when developing this letter.

Our views

We welcome the opportunity to respond to the IASB's RFI regarding its strategic direction and future agenda priorities over the next five years. This consultation, along with other outreach activities conducted by the IASB, demonstrates its commitment to being transparent with and accountable to its stakeholders regarding its future agenda setting decisions.

We commend the IASB for the overall nature and structure of its RFI. In our view, the consultation document clearly articulates the magnitude of the potential financial reporting issues and the potential approaches that the IASB could consider in responding to these issues. We think the initial outreach the IASB conducted with its advisory bodies and standing consultative groups resulted in a comprehensive, high-quality document and encourage the IASB to undertake this approach again on future agenda consultation documents it publishes for comment.

We also commend the IASB for its continued commitment to improving financial reporting globally. Since the 2015 Agenda Consultation, important projects introducing new IFRS Standards on financial instruments, revenue, leases, and insurance contracts were all completed. Additionally, we think that the work carried out by the IASB focused on *Better Communication in Financial Reporting* has been a significant and important step forward to enhancing the relevance, comparability, and consistency of the financial statements for financial statement users. We look forward to future IASB projects that will continue to improve the usefulness and clarity of financial statements.

Improving the usefulness of financial statements and narrowing differences in financial reporting outcomes globally

Overall, we think that continued cooperation between the IASB and other national accounting standard-setters towards globally comparable accounting standards best serves the global economy by reducing the cost of reporting and enabling users to make more informed economic decisions relating to our interconnected capital markets. As capital markets become increasingly globally integrated, we think it is imperative that financial reporting outcomes be comparable across jurisdictions. From that perspective, we strongly support the IASB's mission of developing standards that bring transparency, accountability, and efficiency to financial markets around the world. To achieve this mission, we encourage the IASB to seek high-quality solutions that will result in more consistent and comparable financial reporting outcomes globally.

Remaining nimble in time of change

We think that the IASB must demonstrate balance between completing previously identified priorities and the ability to shift rapidly to new, urgent areas of stakeholder concern. Recent developments such as the COVID-19 pandemic necessitated changes to IFRS standards to address application challenges and improve the consistency of the application of the respective IFRS standards. Other emerging issues or trends including the increasing prevalence of crypto assets will also require timely standard setting. Accordingly, we think that it is imperative that the IASB set aside capacity in its allocation of resources and be willing to reprioritize its activities to respond to more urgent projects as they arise. We also encourage the IASB to consider the interconnectedness of financial reporting with sustainability reporting and look for opportunities to enhance the relevance of this information to meet the evolving needs of financial statement users.

Stakeholder fatigue

We acknowledge that while ensuring the continued relevance of financial statements, a prolonged period of calm for stakeholders from any additional change in IFRS Standards is not feasible. While we think a prolonged period of calm for stakeholders is not feasible, we remain conscious of the significant resources needed to implement major standards, including revising information systems and control processes.

We think that there is a risk of stakeholder fatigue and encourage the IASB to consider possible ways in which it can alleviate the overall reporting burden on stakeholders. For example, we think that longer comment periods, especially in circumstances when multiple significant consultation documents are concurrently out for public comment, will give stakeholders the additional time needed to better comprehend, digest, and respond to areas of proposed accounting change. We also think that longer transition periods may help to alleviate the resource strain entities experience when implementing a major accounting change. Furthermore, we think that longer transition periods may also benefit investors and other users of financial statements by giving them additional time to better understand and assess the impacts that these accounting changes will have on how they evaluate entities.

We also observe that other jurisdictions allow for staggered effective dates of new or amended standards based on specific attributes of the reporting entity. For example, some jurisdictions permit different effective dates for new or amended standards dependent on whether the entity is publicly listed or non-publicly listed. We encourage the IASB to consider whether they would object to local standard setters or regulators doing something similar with new or amended IFRS standards in their jurisdictions.

Our responses to your questions

The Appendix to this letter responds to the questions posed in the Request for Information and expands on the points raised above.

We would be pleased to elaborate on our comments in more detail if you require. If so, please contact me or, alternatively, Andrew White, Associate Director, Accounting Standards (+1 416 204-3487 or email awhite@acsbcanada.ca) or Matthew Bishop, Principal, Accounting Standards (+1 647 264-7070 or email mbishop@acsbcanada.ca).

Yours truly,

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About the Canadian Accounting Standards Board

We are an independent body with the legal authority to establish accounting standards for use by all Canadian publicly accountable enterprises, private enterprises, not-for-profit organizations and pension plans in the private sector. We are comprised of a full-time Chair and volunteer members from a variety of backgrounds, including financial statement users, preparers, auditors and academics; a full-time staff complement supports our work.

Our standards

We have adopted IFRS® Standards as issued by the IASB for publicly accountable enterprises. Canadian securities legislation permits the use of U.S. GAAP in place of IFRS Standards in certain circumstances. We support a shared goal among global standard setters of high-quality accounting standards that result in comparable financial reporting outcomes regardless of the GAAP framework applied.

We developed separate sets of accounting standards for private enterprises, not-for-profit organizations and pension plans. Pension plans are required to use the applicable set of standards. Private enterprises and not-for-profit organizations can elect to apply either the set of standards developed for them, or IFRS Standards as applied by publicly accountable enterprises.

Our role vis-à-vis IFRS Standards

Our responsibility to establish Canadian GAAP necessitates an endorsement process for IFRS Standards. We evaluate and rely on the integrity of the IASB's due process as a whole, and monitor its application in practice. In addition, we perform our own due process activities for each new or amended IFRS Standard to ensure that the standard is appropriate for application in Canada. We reach out to Canadians on the IASB's proposals to understand and consider their views before deciding whether to endorse a final IFRS Standard. A final standard is available for use in Canada only after we have endorsed it as Canadian GAAP.

APPENDIX

Questions Asked in IASB's Request for Information

Question 1—Strategic direction and balance of the Board's activities
The Board's main activities include: • developing new IFRS Standards and major amendments to IFRS Standards; • maintaining IFRS Standards and supporting their consistent application; • developing and maintaining the IFRS for SMEs Standard; • supporting digital financial reporting by developing and maintaining the IFRS Taxonomy; • improving the understandability and accessibility of the Standards; and • engaging with stakeholders. Paragraphs 14–18 and Table 1 provide an overview of the Board's main activities and the current level of focus for each activity. (a) Should the Board increase, leave unchanged or decrease its current level of focus for each main activity? Why or why not? You can also specify the types of work within each main activity that the Board should increase or decrease, including your reasons for such changes. (b) Should the Board undertake any other activities within the current scope of its work?

1. We are supportive of the IASB's overall strategic direction and current level of focus for each of its main activities as outlined in paragraphs 14-18 and Table 1 of the RFI. That said, we think the IASB should ensure that the allocation of its resources over the next five years considers certain factors which we set out in the paragraphs below.

2. Based on our own experience, we think that building in capacity to address unplanned, emerging issues is necessary to ensure these issues are addressed in a timely and efficient manner. We understand that the IASB has limited capacity to take on new projects. However, we think that the ability to be nimble and adapt to changing priorities is critically important in the current environment and imperative to the continued relevance of financial reporting and the consistent application of IFRS Standards. We have found that having the capacity set aside to adequately manage and shift to more urgent priorities provides the flexibility needed to manage and adapt to changing stakeholder needs.

3. We also think that the completion of financial reporting projects on the current work plan needs to be balanced with addressing other new and emerging financial reporting issues as they arise. However, while we understand the IASB's desire to complete previously identified priorities on the current work plan and to avoid inefficient starts and stops due to resource capacity constraints, we encourage the IASB to commit to continually evaluating whether previously identified stakeholder priorities reflect the priorities in the current marketplace. Overall, we think that it is prudent to show stakeholders a willingness to pivot to new priorities as they arise.

4. We think that the IASB must consider the time, effort, and level of resources required to integrate the potential establishment of a new board to set sustainability reporting standards. While the potential impact to the IASB's 2022-2026 work plan is unknown at the date of our response letter, we think that it is important for the IASB to monitor the development of the International Sustainability Standards Board (ISSB) as it could result in further strain on the IASB's limited capacity. For example, the formation and integration of a new board could require a more than insignificant amount of time and effort of the existing IASB. This could result in fewer new projects being started and/or delay the completion of active projects

in its current work plan, including the planned post-implementation reviews of several major standards, such as IFRS 9 *Financial Instruments,* IFRS 15 *Revenue from Contracts with Customers*, and IFRS 16 *Leases.*

Question 2—Criteria for assessing the priority of financial reporting issues that could be added to the Board's work plan
Paragraph 21 discusses the criteria the Board proposes to continue using when assessing the priority of financial reporting issues that could be added to its work plan. (a) Do you think the Board has identified the right criteria to use? Why or why not? (b) Should the Board consider any other criteria? If so, what additional criteria should be considered and why?

5. Overall, subject to certain exceptions as noted below, we generally agree that the criteria for assessing the priority of financial reporting issues that could be added to the Board's work plan are complete and fit for purpose.

6. While we think the criteria are complete and fit for purpose, during our outreach, financial statement users and preparers told us that it is unclear how the IASB applies and weighs the criteria for specific projects in defining its work plan. For example, we think criterion 2 in Table 2 of the RFI is open to a narrow or broad interpretation of the IASB's intended meaning of 'deficiency' when evaluating if this criterion is applicable for assessing the priority of a potential financial reporting project. Therefore, we think that it is helpful to provide an explanation of how the IASB interprets and applies the criteria when assessing the priority of financial reporting issues that could be added to its next work plan. This additional information and further clarity will provide stakeholders with better context and eliminate any confusion relating to why and how the IASB utilizes its resources.

7. Finally, as noted in our response to Question 3 of this RFI, we also think that when determining the priority of a potential financial reporting issue, the IASB should place more emphasis on some criteria and less emphasis on others. We think the criteria that most enhance the relevance of financial statements to those who use them and the criteria that lead to improved global comparability in financial reporting outcomes should be assigned the greatest weight. Capital markets are global, and we think it is critical that financial reporting outcomes for similar transactions are comparable across jurisdictions. We also observe that increased comparability of financial reports is important to users and leads to more efficient capital markets and increased investor confidence. Therefore, while we observe that the work stream of other major standard-setters is stated as a consideration of the IASB when determining the priority of financial reporting projects, we strongly encourage the IASB to make this a more prominent consideration in determining its 2022-2026 work plan. We think that taking a global view in setting its next agenda may reduce unnecessary diversity in financial reporting outcomes and result in high-quality, globally consistent and comparable accounting standards.

Question 3—Financial reporting issues that could be added to the Board's work plan
Paragraphs 24–28 provide an overview of financial reporting issues that could be added to the Board's work plan. (a) What priority would you give each of the potential projects described in Appendix B—high, medium or low—considering the Board's capacity to add financial reporting issues to its work plan for 2022 to 2026 (see paragraphs 27–28)? If you have no opinion, please say so. Please provide information that explains your prioritization and whether your prioritization refers to all or only some aspects of the potential projects. The Board is particularly interested in explanations for potential projects that you rate a high or low priority. (b) Should the Board add any financial reporting issues not described in Appendix B to its work plan for 2022 to 2026? You can suggest as many issues as you consider necessary taking into consideration the Board's capacity to add financial reporting issues to its work plan for 2022 to 2026 (see paragraphs 27–28). To help the Board analyze the feedback, when possible, please explain: (i) the nature of the issue; and (ii) why you think the issue is important.

8. We conducted extensive outreach with a broad range of stakeholders to help us to assign priority to the 22 potential financial reporting projects identified by the IASB in the RFI. We considered the feedback from our outreach in conjunction with the seven proposed criteria included in the RFI when ranking potential projects as high, medium, or low.

9. Our rationale for the assigned rankings is set out in the paragraphs below. We have also provided further explanation when the scope of a project the IASB is considering is different from the scope of the project we include as part of our overall project ranking and recommendation. We have proposed potential changes in the scope of a project where we think a scope change will better meet the information needs of users and more greatly enhance the relevance of financial statements. For example, we think that for the potential projects the IASB is considering on intangible assets, the IASB should consider adding a broader research project to its work plan as a first step with the objective of analyzing various options to enhance the relevance of the information provided on an entity's intangible assets.

<u>Potential financial reporting projects – high priority</u>

Rationale for 'high priority' designation

10. As discussed above in our response to Question 2, we think all of the IASB's seven proposed criteria are relevant and appropriate for determining the priority of a potential financial reporting project. However, we also think that some criteria are more critical to assessing the priority of a financial reporting project than other criteria. Specifically, we think that the highest priority projects will most pervasively enhance the relevance of financial statements and improve the informational usefulness of the financial statements. Therefore, we think whether the financial reporting project addresses a priority of investors and other users of financial statements is the most critical factor in any agenda setting decision and a necessary criterion for any project designated with high priority to exhibit. We also think that the interaction of a potential project with those ongoing or planned by other national standard-setters is another critical factor as global markets are best served by accounting standards that result in consistent and comparable outcomes for transactions with similar facts and circumstances.

Climate related risks including pollutant pricing mechanisms

11. We commend the IASB for the educational material it published in November 2020 to bring awareness to the effects and relevance of climate-related matters to financial reporting. Although disclosing the impact of climate-related risks is gaining traction in response to investors demanding more information, we think that further guidance in this area is needed to ensure it is consistently reported in an entity's financial statements.

12. We also think that as the demand for high-quality information on climate-related financial risks and opportunities continues to grow, the IASB's Third Agenda Consultation provides a timely opportunity for the IASB to devote resources to financial reporting in this area. We think that consistent, comparable and decision useful information across jurisdictions is needed to ensure investors have a clear understanding of the range and magnitude of the potential financial impacts resulting from climate change.

13. We agree that climate-related risks should be added to the IASB's 2022-2026 work plan. However, we think that a broader project is needed to better address the interconnection between IFRS Standards and climate-related risks. Climate related risks are pervasive and can impact the presentation of financial statements not only through changes to existing asset values, but also through changes to the costs of doing business (i.e., expenditures for changing or adapting to comply with environmental regulations) and the key assumptions used in future cash flow projections.

14. We encourage the IASB to coordinate its work with the new ISSB once it is established to avoid inconsistencies and duplication of work effort. However, we think that the IASB should act now. We do not agree with waiting until the ISSB is fully established to start any potential project on climate-related risks that is considered within the IASB's purview. Assessing the financial impacts and providing disclosures are crucial to investors wanting to understand how climate related risks affect a company's economic growth, asset values, and future prospects as a whole.

15. We also encourage the IASB to undertake the proposed project on pollutant pricing mechanisms. These types of programs are becoming more prevalent globally and in Canada and in the absence of more specific guidance, the diversity in the accounting applied by companies will lead to a lack of consistency and comparability with counterparts in other jurisdictions.

Cryptocurrencies

16. Given the rapid growth of institutional participation and the continued maturity of the crypto ecosystem, we think that there is a need to address the IFRS requirements applicable to crypto assets (liabilities), to ensure that users of financial statements are provided with useful information.

17. We share the same concerns expressed in public meetings by several IFRS Interpretation Committee (IFRIC) members and IASB members that under the current IAS 38 model, the most useful information on cryptocurrencies (i.e., fair value) is not provided to users of financial statements. We think that there is urgency to address this issue as the use of cryptocurrencies or similar types of assets is increasing and the current gaps in the accounting requirements may increase. As such, we encourage the IASB to develop guidance to account for these instruments, or similar instruments.

18. We think that there is an eventual need for standard-setting activity to address accounting topics not in scope of the IFRIC agenda decision on cryptocurrencies and to include unaddressed holders' and issuers' accounting topics. Since the crypto ecosystem is still evolving, we encourage the IASB to take a

phased approach to address the IFRS requirements for crypto-asset activities. A phased approach will mitigate the concerns raised by stakeholders, achieve future proofing of the accounting standards, and provide a more comprehensive long-term solution.
These phases may include:

- **First Phase: Develop an interim standard** - the development of an interim standard will clarify how the existing IFRS requirements should apply to crypto assets activities to ensure a timely temporary solution to address the diversity in practice.

- **Second Phase: Enhanced disclosure requirements** – this may include information about an entity's holdings in cryptocurrencies, the original cost of those assets, the fair value of the assets as at the reporting date and the source of information used to determine the fair value of the instrument.

- **Third Phase: Develop a comprehensive new standard on crypto asset activities** - the development of a comprehensive new standard should address all crypto-asset activities. We think that this phase of the project will take a considerably longer time to develop to address the many different types of crypto assets in the market.

19. The IASB should also consider the research findings from work being done around the world on accounting for crypto assets. For example, feedback received on the European Financial Reporting Advisory Group's Discussion Paper on the Accounting for Crypto-Assets (Liabilities) can help the IASB better understand the crypto-asset landscape, accounting issues and potential accounting solutions both nationally and globally.

Intangible assets

20. We think that IAS 38 *Intangible Assets* needs to be modernized to provide information about unrecognized internally generated intangible assets. We think that this topic is important as an entity's value creation activities are increasingly more intangible in nature. Additionally, we continue to observe a shift in the global economy where intangible assets such as big data, customer relationships, brand, efficient business processes, or the dynamic capability of a workforce, are an important part of how businesses create value. Therefore, we think that information about unrecognized internally generated intangible assets and an entity's other value creation activities is important to users as it provides insight into an entity's ability to generate future profits and cash flows.

21. Furthermore, we think that any work the IASB undertakes on intangible assets should reconsider the conditions for capitalization as this will result in greater comparability between companies that grow organically and companies that do so through business acquisitions. We observe that current guidance under IFRS 3 *Business Combinations* allows for the recognition of identifiable intangible assets acquired through an acquisition, whereas IAS 38 prohibits recognition of internally generated intangible assets, even when those assets are similar. Users in our jurisdiction, including members of our User Advisory Committee, echoed this concern and also shared a preference to have more information about those activities that an entity has expensed in a period that would impact future profits and cash flows (e.g., research and development costs, training costs, advertising costs). During our outreach, investors and other financial statement users told us that they consider these costs as investments in future profits and cash flows.

22. We recognize that a potential project on intangible assets could take many forms and focus on different aspects of intangible assets not currently recognized under IAS 38. For example, a project could involve a

comprehensive review of IAS 38 that focuses on the recognition and measurement requirements of some or all internally generated intangible assets, including those that would be recognized if they were acquired separately or through a business combination. The IASB could also consider a smaller scale project to provide users with decision relevant information pertaining to an entity's unrecognized internally generated intangible assets. For example, the IASB could require enhanced disclosure or disaggregation of information about an entity's value creation activities. It could also permit the recognition of some or all internally generated intangible assets, including those that would be recognized if they were acquired separately or through a business combination.

23. As a result, we think that the IASB should first consider adding a research project to its work plan where the objective is determining the options that will most enhance the relevance of the information provided on an entity's intangible assets within the financial statements. We note that there is still a great deal of debate as to which intangible assets should be recognized or disclosed in an entity's financial statements. We think that this debate stems from balancing between the usefulness of information provided about intangible assets and the cost, complexity and reliability concerns related to valuing these assets. Therefore, we think it is prudent for the IASB to first undertake additional research in this area before moving forward with a standard-setting project. We anticipate that a research project in this area will not be small and that the time required to complete will depend on the resources available. Despite this, we think this research project should be carried out in a timely manner using a pragmatic approach to most efficiently produce the information necessary to make an informed decision on potential next steps.

Statement of cash flows and other related matters

24. During our outreach, we heard consistently from financial statement users that the statement of cash flows is non-predictive and does not provide sufficient visibility of the free cash flows of an entity. For example, we heard from numerous financial statement users that they would welcome enhanced disclosure requirements segregating an entity's capital maintenance from its capital growth investing activities. More detailed information about certain line items within the statement of cash flows will help users gain a better understanding of amounts related to maintaining the core operations and current capacity of the entity such as working capital and what amounts reflect growth spend that will increase production capacity and result in higher future cash flows. We think that grouping capital maintenance and capital growth amounts within the investing activities category is not useful when investors and other financial statement users are trying to identify whether investing activities will maintain or enhance an entity's capacity and impact future cash flows. To facilitate the segregation of these amounts we encourage the IASB to clearly define which costs would be included in each category and provide illustrative examples to help stakeholders apply the guidance.

25. We recognize that a potential project addressing this area could take many forms. Therefore, we encourage the IASB to undertake a targeted research project to better understand how the statement of cash flows can be improved to meet the information needs of investors and other users of financial statements. We think that a research project can help inform the IASB on the appropriate scope of a project addressing the shortfalls and improving the relevance of the information provided in the statement of cash flows

Potential financial reporting projects – medium priority

Rationale for 'medium priority' designation

26. The projects we identified as medium priority have many of the same characteristics as the projects we ranked as high priority. From our perspective, we think the critical distinction between medium priority projects and high priority projects is the frequency of which we heard of the financial reporting issue from investors and other users of financial statements and the interaction of a potential project with those ongoing or planned by other national standard-setters for the reasons stated in paragraph 10 of our response letter. Furthermore, we recognize that the IASB has limited capacity and that some of that capacity will be used to complete current projects and undertake the required post-implementation reviews of the new financial instruments, revenue, and leases Standards.

Employee benefits

27. We think hybrid pension plans are becoming more pervasive and that the current accounting for such plans does not fit into the traditional pension accounting model. We also think further guidance on accounting for hybrid pension plans is needed to better reflect their economic characteristics and to reduce diversity in practice.

28. We are supportive of the IASB's ongoing Targeted Standards Level Review of Disclosures project which includes new proposed disclosure requirements for IAS 19 *Employee Benefits* because we think that it may help to improve the usefulness of pension disclosures in an entity's financial statements. However, we also think that IAS 19 should be updated to provide measurement and disclosure guidance for other types of pension plans, including hybrid pension plans. Therefore, we think that the IASB should undertake an additional research project to identify the existence and prevalence of pension plans that are not traditional defined contribution or defined benefit plans. Once the population of different types of pension plans is identified, we then encourage the IASB to consider the characteristics of these plans and determine what additional measurement and disclosure guidance is needed.

Operating segments

29. During our outreach, we heard from financial statement users that a greater degree of disaggregation is needed to better understand the performance of an entity's individual operating segments. The users we consulted indicated that operating segments are aggregated at too high a level, reducing the decision-usefulness of the information presented in the notes to the financial statements. While we note that a post-implementation review of IFRS 8 *Operating Segments* was completed in 2013, we encourage the IASB to actively monitor this issue.

Going concern

30. We commend the IASB for the publication of its educational material on Going Concern assessments. While we think the educational guidance is a useful resource for stakeholders to refer to when carrying out a going concern assessment, we think that the IFRS guidance in this area requires greater clarification in the body of the standard to allow for entities to apply the requirements more consistently. The July 2014 IFRS® Interpretations Committee agenda decision highlights factors for entities to evaluate in the context of whether the financial statements should be prepared on a going concern basis. However, we think that more specific guidance is needed to better articulate and clarify what management should consider when preparing its financial statements on a going concern basis. We think that more specific guidance will improve the quality of disclosures provided to financial statement users, especially in

circumstances when small changes to assumptions could result in the entity no longer being a going concern.

31. We also think that liquidity events, such as the COVID-19 pandemic, have highlighted a gap in IFRS Standards related to this financial reporting area. We note that there is no specific guidance in IFRS regarding the preparation and presentation of financial statements when an entity is no longer a going concern. In our jurisdiction, we observe that many Canadian entities look to other accounting frameworks for guidance, including U.S. GAAP, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.* With that said, we note that there are aspects of U.S. GAAP that are inconsistent with the IASB's Conceptual Framework for Financial Reporting. For example, U.S. GAAP guidance for this topic permits the recognition and derecognition of certain liabilities that would not be recognized or derecognized under the IASB's Conceptual Framework for Financial Reporting.

    Therefore, we think the development of specific IFRS guidance for when an entity is no longer a going concern (i.e., how does an entity that is no longer a going concern measure its assets or liabilities and present its primary financial statements) is needed as the information needs of users differ depending on whether an entity is a going concern. When an entity is no longer a going concern, financial statement users are no longer focused on making resource allocation decisions, instead their information needs shift to determining whether their investment is recoverable. Although we think the development of guidance in this area is especially relevant and timely in the current environment, we note that the need for general purpose financial statements prepared on a liquidation basis can be quite limited. Therefore, given the limited capacity of the IASB over the next five years, we think the issue outlined in paragraph 30 above is of higher priority as it will more broadly enhance the usefulness of the financial statements.

Income taxes

32. During our outreach, we heard from financial statement users that it is increasingly difficult to reconcile jurisdictional tax rates in which income is derived to the effective tax rate disclosed in an entity's financial statements. As a result, the effective tax rate disclosed by an entity is not providing meaningful information to users. We think that enhanced disclosure requirements relating to the build-up of an entity's effective tax rate are needed to provide users with the information necessary to understand the relationship between tax expense (or income) and accounting profit and the factors that could affect an entity's future cash flows.

Potential financial reporting projects – low priority

Rationale for 'low priority' designation

33. We think that the following potential financial reporting projects are of relatively lower priority when compared to the projects ranked and discussed in paragraphs 10-32 above.

34. We have identified the following projects as lower priority because they do not meet the IASB's proposed criteria for deciding whether to add a potential project to its next work plan as set out in Table 2 of paragraph 21 of the RFI. When considering the IASB's proposed criteria, we placed more weight on financial reporting issues that were identified as being of importance to investors, because we think that the relevance of the financial statements is enhanced when they provide the most decision-useful information to financial statement users. The financial reporting projects we designated as having lower priority were not identified as needing urgent change by the investors and other financial statements users we consulted. We also received very little feedback from stakeholders for any of the lower priority projects, signaling to us that they are less pervasive in the Canadian marketplace and therefore not in need of immediate standard setting activity.

- Borrowing costs
- Commodity transactions
- Discontinued operations and disposal groups
- Discount rates
- Expenses (inventory and cost of sales)
- Foreign currencies
- Government grants
- Inflation
- Interim financial reporting
- Negative interest rates
- Other comprehensive income
- Separate financial statements
- Variable consideration

Question 4—Other comments
Do you have any other comments on the Board's activities and work plan? Appendix A provides a summary of the Board's current work plan.

35. We do not have any additional comments on the Board's activities and work plan.