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**Canadian Securities Administrators Discussion Paper 52-401  
Financial Reporting in Canada's Capital Markets**

The Canadian Accounting Standards Board (AcSB) appreciates the opportunity to comment on the above-noted CSA Discussion Paper. The Board agrees that the issues raised in this Discussion Paper are of fundamental importance and deserve thorough analysis and evaluation with full opportunity for public input. It is very important in the view of the AcSB that every reasonable effort be made to ensure that interested parties and the general public have a good understanding of the issues, arguments and evidence. The Board believes that the CSA Discussion Paper makes a valuable contribution to this end.

The questions raised in the CSA Discussion Paper have very significant implications for the role of Canadian "generally accepted accounting principles" (GAAP) and the Canadian

accounting standard setting function at a crucial time in the development of international accounting standards. As the Discussion Paper notes, major efforts involving accounting standards setters, securities regulators and stakeholder interests around the world are underway to achieve much needed improvement and international convergence of accounting standards. The AcSB has been, and continues to be, a very active contributor to this process.

Particularly difficult questions arise with respect to the place of Canadian GAAP in relation to US GAAP at this time because of the importance of US financial markets to Canada and the fact that a number of major Canadian companies access these markets.

Issues relating to the relevance of US GAAP and international convergence initiatives to Canadian user and preparer interests have been the subject of extensive consideration and public exposure by the CICA Task Force on Standard Setting (TFOSS). Its main recommendations issued in 1998 have been implemented and the AcSB has been restructured and its mission and program refocused in large part to ensure that Canadian accounting standards retain their relevance during what the Board believes will be a period of transition to a single set of international accounting standards that will ultimately replace national accounting standards.

The AcSB welcomes this opportunity to set out its perspective on the questions raised in the CSA Discussion Paper, reflecting the Board's role, expectations, and experience in working towards harmonization with US GAAP and international convergence. The Board believes that its mission and program, and the progress it has been making and can reasonably be expected to make in the future, need to be understood and taken into account in addressing the questions raised by the CSA. In preparing this submission the AcSB has consulted with the Accounting Standards Oversight Council and has taken into account input and advice received from its members.

The AcSB's comments contained in the attached submission and appendices may be summarized as follows:

- As noted above, the AcSB believes that it is important to consider the questions raised in the CSA Discussion Paper in the context of the mission and program of the Canadian accounting standard setting function that is now in place. The AcSB program has two fundamental focuses:
  - a. Harmonization with US GAAP – that is, the elimination of significant unjustifiable differences with FASB standards.
  - b. Convergence with the highest quality of US and international accounting standards – that is, working with the FASB, IASB and other national standard setting bodies to agree on much needed improvements to existing standards and the development of new standards.
- Substantial progress has been made towards meeting the US GAAP harmonization objective. As a result, significant differences resulting in conflicts with US GAAP will be expected to exist only where US GAAP do not reflect unique Canadian

circumstances, do not meet highest quality international standards, or a superior international standard is in the course of development.

- Canadian GAAP (comprising CICA Handbook standards and a hierarchy of additional sources) have been, and continue to be, designed to be relevant to the preparation of general purpose financial statements for all business enterprises within the Canadian environment. The continuing relevance of Canadian GAAP to Canadian investors results because Canadian standards are determined with due process consideration of Canadian interests, unique Canadian circumstances, and highest quality US and international accounting standards.
- The essential question in the AcSB's view is not whether Canadian GAAP have relevance to Canadian investors, but whether US (or IASB or other foreign GAAP) may be considered to be more relevant for some companies or in some situations, or whether certain cost-benefit considerations may be considered to override the usefulness and relevance of Canadian GAAP.
- The AcSB does not express an opinion on whether the CSA should relax its requirements to allow some or all reporting issuers to provide financial information on US GAAP, IAS, or other foreign standards in place of Canadian GAAP. The AcSB's authority, and therefore the scope of its research and due process, do not put it in a position to have all the information necessary to weigh and assess the conflicting interests and considerations. Rather, the attached submission sets out observations, comments, and considerations that the AcSB believes the CSA should take into account in making its decisions.
- The main areas of concern to the AcSB relate to
  - cost and comparative advantage claims and questions;
  - issues relating to comparability and information value to Canadian investors;
  - certain concerns relating to maintaining high quality Canadian accounting standards if some or all Canadian companies are allowed to adopt US GAAP;
  - questions with respect to education and competence in US GAAP, IAS, or other foreign standards; and
  - certain potential legal difficulties.

Assessment of these issues involves difficult cost-benefit trade-offs and there would seem to be little hard evidence on which to base them.

- Some of these concerns may not be as serious with respect to foreign issuers whose securities are actively traded in recognized international markets that are subject to a rigorous exchange discipline and where their financial statements are subject to review and enforcement by the SEC or comparable regulators in other jurisdictions. The AcSB accepts that a different balance of considerations may be applicable to foreign company issuers than to Canadian companies.

- Based on AcSB staff review, the AcSB is of the view that IASB standards have now been developed to the point that they may be considered to be of acceptable quality for use by foreign companies making public offerings in Canada. There are, however, important questions with respect to the limited knowledge of IASB standards on the part of Canadian users, and with limited experience in applying and regulating IASB standards. Accordingly, it may be important that foreign companies reporting on the basis of IASB standards have securities traded in well regulated international markets, and it may be that the CSA should require some additional disclosures in certain situations.

We will be pleased to clarify or elaborate on any point raised in our submission.

Yours truly,

Handwritten signature of Paul G. Cherry in cursive script.

Paul G. Cherry, FCA  
Chair  
Accounting Standards Board

Handwritten signature of Ron Salole in cursive script, underlined.

Ron Salole  
Director  
Accounting Standards

June 29 2001

## **Canadian Securities Administrators Discussion Paper 52-401 Financial Reporting in Canada's Capital Markets**

### **The basic issues**

1. The CSA Discussion Paper "Financial Reporting in Canada's Capital markets" raises a series of questions relating to  
  
    "...whether it would be appropriate to relax the current [CSA] rules to allow some or all Canadian and foreign reporting issuers to use, for all filings in Canada, IAS, U.S. GAAP or, perhaps, other bases of accounting, with limited or no reconciliation to Canadian GAAP."  
  
2. These questions arise for reasons that are well described in the Discussion Paper – reasons that stem from the globalization of capital markets and the well-recognized need for investors to have comparable, value-relevant information on business enterprises throughout the world. The Discussion Paper observes that differences in accounting standards between countries have been identified as a significant impediment to the efficiency of capital markets, and it describes the efforts of securities regulators and of accounting standard setters around the world to achieve international convergence of accounting standards. Canadian securities regulators and the Canadian Accounting Standards Board (AcSB) have been, and continue to be, active participants in this process. Significant progress is being made, but it is apparent, as the Discussion Paper notes, that international convergence will take some years.  
  
3. Particularly difficult questions arise with respect to the place of Canadian GAAP and Canadian accounting standards during this period of working towards international convergence, because of the importance of US financial markets to Canada and the fact that a number of major Canadian companies access US financial markets. The CSA Discussion Paper notes concerns that a number of these companies believe that they are disadvantaged by being required to provide Canadian GAAP financial statements, and then supplement these with reconciliations to US GAAP or with additional US GAAP financial statements. As well, it notes questions as to whether current rules requiring the use of, or reconciliation to, Canadian GAAP constitute a significant disincentive to foreign companies from offering securities in Canada, resulting in denying direct investment opportunities to Canadian investors.

## **Organization of this submission**

4. This submission is set out in the following sections:
  - I. A frame of reference – the Accounting Standards Board (AcSB) mission and program.
  - II. Canadian companies and US GAAP.
  - III. IASB standards.
  - IV. Foreign issuers.
    - Appendix A – Changes to Canadian standards that have addressed Canadian/US GAAP differences.
    - Appendix B – Responses to questions in CSA Discussion Paper.

### **I. A FRAME OF REFERENCE – THE AcSB MISSION AND PROGRAM**

5. The AcSB believes that it is important to consider the questions raised in the CSA Discussion Paper in the context of the mission and program of the Canadian accounting standard setting function that is now in place - and the progress it has been making and can be expected to make in the future in addressing the issues and concerns that underlie these questions. The AcSB has recently been restructured and its mandate refocused in large part to address these very issues and concerns. This restructuring was the result of implementing recommendations of the CICA Task Force on Standard Setting (TFOSS).<sup>1</sup>

#### **TFOSS study and recommendations**

6. The Task Force on Standard Setting (TFOSS), established in 1996 by the CICA Board of Governors, examined Canadian accounting standard setting in light of issues arising from the globalization of capital markets and increasing demand for harmonization of Canadian accounting standards with US standards.<sup>2</sup> Its Final Report, issued in May 1998, endorsed the long-term goal of one set of internationally accepted accounting standards. It recommended that a restructured AcSB undertake an accelerated program to harmonize Canadian accounting standards with those of the FASB, while maintaining its sole responsibility for setting accounting standards in Canada. It explained that:

“We would emphasize that harmonizing with FASB standards does not mean the automatic adoption of US GAAP. Rather, it means that, in working to eliminate differences with US GAAP, Canadian standard setters would adopt FASB standards unless they can justify reasons for not

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<sup>1</sup> CICA Task Force on Standard Setting, Final Report, May 1998.

<sup>2</sup> TFOSS comprised a representative cross-section of respected and knowledgeable members of the Canadian financial communities. Its deliberations involved an extensive process of open meetings and consultations, and analysis of written responses from the major interests in the accounting standard-setting process both in Canada and abroad to an initial request for comments and its Interim Report.

doing so. While these reasons may differ in individual cases, they would include instances where: (1) the FASB has acknowledged that its standard is in need of change; (2) the FASB's standard is out of step with the rest of the world (as in business combinations); or (3) Canada's national economic, regulatory or legislative peculiarities would not permit such adoption" (page 21).

### **The AcSB – its mission and program**

7. TFOSS's main recommendations have been accepted and implemented. The restructured AcSB began operations in October 1999. Its terms of reference include:

"To work towards the objective of a single set of internationally accepted accounting standards by working with other standard setting bodies to develop common standards, while having regard to whether different Canadian standards are necessary due to unique circumstances in Canada."

8. The AcSB program to implement this objective has two fundamental focuses:
  - a. Harmonization with US GAAP – that is, the elimination of significant unjustifiable differences with FASB standards.
  - b. Convergence with the highest quality of US and international accounting standards – that is, working with the FASB, IASB and other national standard setting bodies to agree on much needed improvements to existing accounting standards and the development of new standards.

### **US – Canada GAAP differences**

9. The AcSB has made substantial progress towards meeting the objective of eliminating existing significant differences with US standards that cannot be justified for reasons of the nature of those set out in the TFOSS Report cited above. Appendix A sets out the major changes to CICA Handbook standards that have been, or are scheduled to be, put in place that address differences with US standards. After this program is completed, significant differences with US GAAP will be limited to those relatively few areas in which the AcSB has concluded that there are justifiable reasons for them.

10. Differences with US GAAP may be of three general types:
  - a. Differences resulting from unique circumstances in Canada.
  - b. Differences resulting from certain Canadian standards being accepted internationally to be superior to the related US GAAP, or where a superior international standard is in the course of development.
  - c. Differences resulting from differences of wording and detail.



Differences resulting from unique circumstances in Canada.

11. This is likely to be a small group of differences. One example relates to the CICA Handbook standard on income taxes. This standard is essentially the same as the US standard except with respect to the date new tax legislation is considered to be effective for accounting purposes. Due to differences in legislative processes in the two countries the FASB rule does not yield sensible results in Canada. In this case the Canadian standard is the same as that of the IASB.

Differences resulting from certain standards being accepted internationally to be superior to the related US GAAP.

12. Existing differences may be continued, and new differences may be created, if there is good reason to believe that different Canadian accounting will have superior decision information value to investors without imposing onerous additional costs on companies that outweigh the information benefits – or that it will significantly simplify accounting without reducing information value. Examples include the following:

- i. Accounting for business combinations. The Canadian standard long in place has required that “pooling of interests” accounting be applied in only rare situations when none of the parties to a business combination can be identified as the acquirer. In contrast the US standard has provided a complex series of rules that enabled much more extensive use of “pooling of interests” accounting. The Canadian approach has been widely regarded, even by accounting authorities in the US, as superior to US GAAP. Recently convergence has been achieved with the US for a new standard to be put in place in both countries that eliminates pooling of interests accounting, thus moving much closer to the pre-existing Canadian standard.
- ii. Presentation of certain gains and losses outside the regular income statement. Several FASB standards provide for the presentation of certain gains and losses outside the earnings statement. The AcSB has resisted this treatment, with one exception, and recently the G4+1 group of standard setter representatives recommended that international convergence be based on all gains and losses being presented within one income statement. It is expected that an international project on performance reporting will pursue this objective.
- iii. Consolidation on a broader concept of control than majority share ownership. The Canadian accounting standard is based on the broader concept, as is the IASB standard. Consolidation standards in the US have been under consideration for some time and one of the areas of change on which there is agreement is a broader concept of control.

- iv. Liability – equity distinction. In 1995 the AcSB and IASB developed similar standards aimed at classification of liability and equity instruments of issuers on the basis of in-substance economic definitions of “liabilities” and “equity” rather than on the basis of their legal descriptions. The FASB is now about to put in place a standard with this objective. The new FASB standard improves upon the Canadian standard in some respects. Accordingly, the CICA Handbook standard is expected to be amended to be the same as that of the FASB.
  - v. Investment tax credit. Many years ago a Canadian accounting standard was put in place that required that the value of investment tax credits granted for acquiring assets be credited against the cost of the asset, rather than being credited directly to bonus reported income in the period granted. For political reasons this accounting could not be required in the US.
  - vi. Life insurance enterprises. Canadian accounting standards on life insurance enterprises differ significantly from US GAAP. Canadian insurers, actuaries and users generally believe that Canadian standards are superior and could be expected to strongly resist replacing them with existing US GAAP. An IASB steering committee has been studying the issues and Canadians are playing a major role in its deliberations. This Committee is contemplating recommending substantive changes to insurance accounting, which accounting would be closer to Canadian standards than to US GAAP, but both standards would need to be substantially changed.
13. In each of these, and several other, situations the AcSB determined that it should not change its standard in order to eliminate a difference with US GAAP. To do so would move Canadian GAAP away from accepted highest quality international standards. Furthermore, in a number of these situations US standards may be expected to move ultimately towards Canadian GAAP, so that if Canadian GAAP adopted the old US standard, it would have to be changed back later to be the same as the new US standard.
14. Canadian companies may be rewarded rather than penalized for such accounting differences, assuming they reflect better accounting that improves accounting information value and/or reduces information uncertainty of investors in capital markets. Improved information value may be expected generally to result in a lower cost of capital for the companies providing it.
15. Some new differences could arise in the future as a result of standard setting activities in the US or internationally. It is well recognized that accounting standards need to be substantially improved in certain areas, and a number of issues are under consideration by standard setters around the world. Whether any additional differences will be created between Canadian and US standards could

depend on how international efforts of the new, and much more powerful, IASB evolve and whether FASB standards move in convergence with them. Some US standards are the subject of compromises reflecting US political considerations and balancing conflicting interests in the US, and some of these standards are very complex and difficult to apply. As an important example, most Canadian interests would very much like to avoid the complexity and difficulties of FASB Statements 133 and 138 on derivatives and hedging. The hope is that a better solution can be developed by the IASB in convergence with other major national standard setters. An international joint working group of representatives of ten standard setting jurisdictions (including the AcSB, FASB and IASB) has made recommendations to this end.

16. Of course, there may be little cause in the future for the AcSB to invoke its right to differ from US GAAP since the FASB is also pledging to work to converge its standards internationally. But it is not known at this time how successful these efforts will be, and whether the IASB may advance beyond the FASB on some issues. US standards are sometimes subject to intense internal political pressures, and it is possible that an international standard on a particular issue could be developed that is a significant improvement on US GAAP.

Differences resulting from differences of wording and detail.

17. Canadian standards have generally been written in less detail and in a different style than FASB standards, and there has historically been somewhat more room for professional judgment in reasoning from the underlying principles. This has had both positive and negative implications. One possibility is that, even where the principles of a Canadian standard may have been harmonized with FASB standards at a point in time, different interpretations may be possible in some circumstances so that different accounting may occur. As well, authoritative accounting bodies in the US may issue interpretations or guidance that effectively narrow or change the application of a principle with the result that new differences may be created. The AcSB and its Emerging Issues Committee (EIC) have the responsibility to monitor such developments and determine whether authoritative AcSB pronouncements should be issued to resolve any resulting differences.
18. The style and degree of detail of IASB standards are similar to that of Canada, and there is much international support for convergence on an approach that emphasizes principles while acknowledging the need for sufficient supporting guidance to achieve accounting consistent with the principles of a standard. There has been a strong reaction internationally against the degree of detail in US GAAP, and concern has been expressed within the FASB. There is a desire to attempt to design international standards to place the onus on preparers and auditors to be accountable for fairly implementing the principles of standards rather than for technically meeting the wording of detailed rules. Clearly, such an

approach will be successful only if there is rigorous regulatory support and enforcement.

### **AcSB responsibility**

19. In the period of transition to international convergence the AcSB will continue to have the very important responsibility to determine, with appropriate due process, the extent to which new US and/or internationally developed standards should be incorporated within Canadian standards – and what the appropriate style and degree of detail of those standards should be.
20. In summary, the AcSB is operating to implement the TFOSS recommendations that Canada continue
  - i. to have a viable independent accounting standard setting function, with appropriate due process, so as to develop and maintain the highest quality standards in the Canadian public interest, and to judge between US and international standards where there are significant differences; and
  - ii. to play a significant role in working with the international standard setting community to obtain convergence on one set of international standards. It is to be noted that one of the fourteen members of the IASB is Tricia O'Malley, former Chair of the AcSB, and she is specifically designated to serve as a liaison between the IASB and the AcSB. Canada is one of seven national standard setting bodies to have such a liaison relationship with the new IASB.
21. The basis for TFOSS's conclusion that Canadian accounting standards should be converged internationally, as opposed to simply adopting US GAAP, has been significantly strengthened by events since its report - in particular, the completion of the IASB's core set of standards and their endorsement (subject to the resolution of some outstanding issues) by the International Organization of Securities Commissions, and the establishment of a new and stronger IASB.

## **II. CANADIAN COMPANIES AND US GAAP**

22. Canadian GAAP, comprising the CICA Handbook standards and a hierarchy of additional sources<sup>3</sup>, have been designed to be relevant to the preparation of general purpose financial statements for all business enterprises within the Canadian environment. A basic question raised in the CSA Discussion Paper is whether US GAAP may be considered to be more relevant and practicable for some or all Canadian companies – more specifically whether some or all Canadian companies should have the option to adopt US GAAP in place of Canadian GAAP with limited or no reconciliation.

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<sup>3</sup> This hierarchy, set out in CICA Handbook Section 1000, is in the process of being redeveloped to more clearly explain what constitutes GAAP in Canada and its sources.

23. On the one hand, it may be reasoned that it would be inconsistent with the basic purposes of Canadian standards (to be responsive to unique Canadian circumstances and to be converged with highest quality international standards) to allow some or all Canadian companies to opt for US GAAP, assuming US GAAP could conflict with Canadian GAAP only on issues on which the AcSB has determined that US GAAP is not appropriate (because the only significant differences would be the result of US GAAP not reflecting unique Canadian circumstances or not meeting standards that are agreed internationally to be superior to US GAAP).
24. There are, however, other important considerations.
25. Cost and competitive disadvantage considerations. The CSA Discussion Paper notes that a number of Canadian companies that are listed on US stock exchanges or otherwise raise capital in the US have expressed concern that they have been disadvantaged in US capital markets by the costs of preparing separate additional US GAAP financial statements or reconciliations to US GAAP that are necessary to meet SEC requirements or the information expectations of US investors. The question is whether the burden of these costs and concerns with respect to competitive disadvantage is likely to be sufficiently onerous to warrant allowing the choice of US GAAP. The AcSB is aware of no definitive evidence on this matter. The AcSB urges the CSA to evaluate this question prospectively in terms of the burden that may reasonably be expected to exist in the future taking into account the AcSB's program to eliminate unjustifiable differences. Further, the AcSB believes that it is important to weigh carefully the objectivity and basis for the assertions that may be made by interested parties. The CSA may determine that it needs to research further the extent of likely costs and competitive disadvantage by, for example, seeking quantitative analysis supporting particular claims. It may be significant that Canadian/US GAAP differences reported by some Canadian companies include voluntary differences, that is, they have chosen to adopt alternatives allowed under Canadian GAAP that differ from US GAAP when they could have adopted alternatives that would meet both Canadian and US GAAP. Thus, not all Canadian companies accessing US capital markets are concerned to eliminate all unnecessary differences with US GAAP.
26. As noted in the preceding section of this submission, the cost of preparing additional US GAAP financial statements or reconciliations to US GAAP are likely to be substantially reduced as a result of the AcSB's program to eliminate unjustifiable differences with US GAAP, although differences in respect of some issues (for example, in respect of accounting for financial instruments) could be significant for some period of time. It is likely that the costs of meeting US GAAP are significantly higher than meeting Canadian GAAP for many companies - as a result of the detail of US GAAP including FASB, AICPA and SEC requirements. However, if a company elects to prepare financial statements on the basis of US GAAP, the additional costs of then reflecting the effects of any differences

- necessary to prepare financial statements on the basis of Canadian GAAP may not be as major a burden. On balance, such costs might be expected to be relatively small in relation to other costs of accessing US capital markets (for example, costs of issuing and listing securities in the US, costs of meeting various legal requirements, and other related costs such as additional insurance premiums for directors and officers).
27. Nevertheless, the AcSB recognizes that it is very difficult, if not impossible, to quantify these costs and rigorously assess the significance of potential competitive disadvantage concerns. Certainly, it would be unfortunate if Canadian GAAP requirements seriously impeded access by Canadian companies to US capital markets, and it may be contended that the companies themselves are in the best position to assess whether this is the case in their particular circumstances.
  28. Comparability and information value. Some have expressed concern that comparisons of Canadian companies' financial information with that of their US competitors in what has become a North American market place have been impeded by differences between US and Canadian GAAP. However, again, it is difficult to obtain definitive evidence. Empirical research of which the AcSB is aware would seem to indicate that generally capital markets and investors' analyses have not been seriously affected as a result of US-Canada GAAP differences when the reconciliations and other available information are provided. In fact it might be expected that investors and analysts should gain information value from Canadian GAAP differences where they reflect more appropriate accounting, and from information on the effects of these differences.
  29. To the extent there are significant differences, allowing Canadian companies to report only in US GAAP with no reconciliation to Canadian GAAP would make it more difficult for Canadian users to make comparisons between reported financial results of Canadian companies where some are reporting in Canadian GAAP and some are reporting in US GAAP.
  30. On the other hand, it must be accepted that FASB standards, and US GAAP generally, are of very high quality and that the US accounting standard setting process is rigorous, thorough and open. Furthermore, the FASB has pledged to work towards international convergence. Thus it is hard to argue that US GAAP do not comprise an acceptable basis of accounting, at least for companies that have substantial US investor interests, even though US GAAP may not reflect unique Canadian circumstances in some respects or may fall short of best international standards in a few areas. Thus it may be argued that there is a strong practical case for accepting that Canadian companies with substantial US ownership and security prices largely determined in US capital markets should (perhaps with a requirement for shareholder approval) have the option to report in US GAAP without the burden of having to prepare Canadian GAAP financial statements or reconciliations with Canadian GAAP. It also may be argued that these companies should be presumed to be in the best position to assess and

respond to the demands of the capital market place, and to decide whether there is sufficient information value and/or other benefits to them and their shareholders to justify the preparation of financial information on the basis of Canadian GAAP. The effective implementation of US GAAP in helping to facilitate the efficiency of US capital markets is reinforced by an extensive US analyst community that is used to working with US GAAP, and by rigorous oversight review by the SEC.

### **AcSB evaluation – additional considerations**

31. The AcSB does not believe that it would be appropriate for it to express an opinion on whether CSA should relax its rules to allow some or all Canadian reporting issuers to use US GAAP in place of Canadian GAAP with little or no reconciliation to Canadian GAAP. The AcSB's authority, and therefore the scope of its research and due process, pertain to the development and maintenance of standards for general purpose financial reporting that are relevant for external user decision making and entity accountability in respect of entities reporting within the Canadian environment. The AcSB is not in a position to have all the information necessary to balance the potentially conflicting interests and related considerations involved in judging whether US GAAP may be more relevant or acceptable for some or all CSA reporting issuers. The AcSB is, however, aware of a number of issues and considerations that it believes the CSA should take into account in arriving at its conclusions. The AcSB offers the following additional observations, comments and considerations based on its perspective and knowledge base.

### Considerations relating to maintaining high quality Canadian accounting standards

32. The achievement of the Canadian standard setting mission and program requires a significant investment of resources and expertise. The present standard setting process is highly dependent on support from the Canadian business, accounting, financial, and user communities. Members of the AcSB, Emerging Issues Committee, and Accounting Standards Oversight Council are unpaid volunteers, with the exception of the Chair of the AcSB. Canadian standard setting has been successful in a large part because of the contributions of, and commitment to, Canadian GAAP by leading members of these communities, not only as members of these three bodies, but also as expert consultants on particular projects and as respondents to AcSB proposals. It may also be noted that Canada's success in influencing the development and convergence of international standards has been in significant part because of the efforts of individuals who have had extensive experience in standard setting in Canada.
33. If there is a significant movement by major Canadian companies to adopt US GAAP, leading members of these communities might be expected to be less committed to supporting Canadian standard setting. It is difficult to assess the risk that allowing some or all Canadian companies to adopt US GAAP in place of Canadian GAAP would seriously affect the volunteer resource support of the

- Canadian standard-setting function. It may be that consideration will be needed of possible approaches to reduce the dependence of present standard setting on volunteers, and/or to obtain assurance of commitment from leading Canadian stakeholders to ensure the continued ability of the Canadian standard setting function to carry out its mission and program.
34. Some have expressed concern that the adoption of US GAAP in place of Canadian GAAP by leading Canadian companies as a result of sanctioning by the CSA could result in reduced credibility for Canadian GAAP, and the AcSB's reputation internationally as an effective and independent standard setting body. This, in turn, might result in Canada having reduced influence on the development of international accounting standards and convergence.
  35. The AcSB emphasizes that it does not have sufficient information to reach an informed opinion whether the probability of any serious negative effects on Canadian standards, or on Canadian participation and influence internationally, is significant or only very remote. The question is whether the potential benefits of allowing some choice of US GAAP in place of Canadian GAAP warrant the risks.
  36. Some are of the view that providing companies with the option to adopt US GAAP would take some pressure off the AcSB to accept US GAAP where there may be better international alternatives, because those companies that may strongly favour US GAAP could simply adopt US GAAP. The AcSB believes that this should not be a significant consideration, and that the AcSB, as an independent body, should be able to make reasonable judgments on issues of whether to create differences from US GAAP on the basis of the evidence and arguments presented.
  37. It may also be noted that Canadian companies allowed to use US GAAP in place of Canadian GAAP would then be outside the standard setting reach of the CSA. The CSA has made a significant contribution to the development of accounting standards in Canada, directly through certain securities regulations and interpretations and staff views, and perhaps more importantly through its ability to provide input to the AcSB and EIC deliberations. The CSA could expect to have much less ability to influence the FASB or SEC in their development of US GAAP.

#### Education, training and competence considerations

38. The CSA Discussion Paper notes a number of concerns with respect to the effort that would be needed for preparers, auditors and regulators to develop sufficient expertise in US GAAP to enable effective implementation and enforcement of US GAAP by Canadian companies. It may be that this would not be a major concern in respect of issuers and their auditors if the option to adopt US GAAP were to be limited to Canadian companies that had substantial US ownership with securities listed in the US. In such cases the issuers could be expected to have to make the



investment to be competent in US GAAP or suffer the consequences of SEC review and enforcement. These companies' auditors may be expected to be larger firms that either have or can develop US GAAP expertise in Canada or can look to their US associates to provide it. Of course, input from these companies and auditors themselves will be important in assessing whether these expectations would be met.

39. Canadian securities administrators must, of course, assess for themselves how they would meet their responsibilities to the Canadian public for providing reasonable assurance that reporting issuers' financial statements purporting to be in accordance with US GAAP do meet US standards. Canadian regulators may not need to attain in depth competence in US GAAP but may be able to rely on the SEC, if only companies that are listed on US exchanges and are subject to SEC regulation are allowed to adopt US GAAP.

#### Potential legal difficulties

40. Discussions with legal counsel indicate that allowing Canadian companies to choose between Canadian, US and IASB standards could create some uncertainty as to what may be the appropriate standard for judging the adequacy of a company's accounting in the courts. For example, might a financial statement prepared on the basis of US standards be considered deficient if a clearly more appropriate Canadian GAAP standard existed? We suggest that there should be careful consideration as to whether there could be difficulties of this nature that should be addressed before any change is put in place.

### **III. IASB STANDARDS**

#### **Quality, completeness and practical applicability of IASB standards**

41. The CSA Discussion Paper sets out a series of questions directed at the assessment of IASB standards – in particular whether they:
- “i. constitute a comprehensive, generally accepted basis of accounting;
  - ii. are of high quality; and
  - iii. can be rigorously interpreted and applied.”
42. Based on AcSB staff review of existing IASB standards, the AcSB is of the view that IASB standards generally meet these qualifications for the purpose of cross border filings. However, the CSA may wish to require some additional disclosures from foreign companies in certain situations, for example, where IASB standards are silent on accounting for certain transactions in particular industries where GAAP in the foreign jurisdiction may differ significantly from Canadian GAAP. The AcSB notes that the IOSCO report on the IASB's core set

of standards identified certain outstanding issues that it believed needed to be resolved. It is the AcSB's understanding that the IASB will give high priority to addressing and resolving these outstanding issues in the near term, so that their resolution may not be a major factor in assessing the quality of IASB standards.

### **Knowledge of IASB standards in Canada**

43. The CSA Discussion Paper observes that few Canadian companies have disclosed any information about the extent to which their financial statements comply with IASB standards. It further notes that the Canadian accounting profession, including both preparers and auditors, would appear to have little systematic training in IASB standards. Finally, it observes that "it seems likely that few Canadian users of financial statements have either a thorough working knowledge of IAS or significant practical experience in analysing financial statements prepared in accordance with those standards" (par. 63).
44. On the basis of this information the CSA may determine that it is premature and unnecessary to relax its rules to allow Canadian companies to use IASB standards in place of Canadian GAAP.
45. It is also true that there has been little experience in interpreting and applying the large body of recent IASB standards, including some that are not yet mandatory. This may make it more important that any foreign company issuers that the CSA determines may be allowed to report on the basis of IASB standards have securities traded in active markets that are subject to regulatory review by the SEC or other recognised international regulators. (See further discussion in following section IV.)

## **IV. FOREIGN ISSUERS**

46. The AcSB appreciates that a different balance of considerations may be applied to foreign company issuers than to Canadian companies. It is recognized that some difficult trade-offs must be made by the CSA in determining how they may meet their responsibilities to Canadian investors while not placing reporting requirements on foreign companies that will unreasonably discourage them from offering securities in Canada that will be of significant benefit to Canadian capital markets and investors.
47. Some may believe that the ideal for Canadian investors would be to require foreign companies issuing securities in Canada to prepare financial statements in accordance with Canadian GAAP, or to provide reconciliations of their financial statements prepared on the basis of accounting standards and practices of their home jurisdictions with Canadian GAAP. However, it seems that this may not be a practical possibility. Canada is a very small part of the international capital market place and the AcSB accepts that a requirement for foreign companies to understand and apply Canadian GAAP could deter many of them from issuing

securities in Canada. It is notable that most other countries' securities regulators now accept financial statements prepared on the basis of, or reconciled to, IASB standards or US GAAP for foreign companies issuing securities in their countries.

48. At the same time current CSA requirements and operating practices as described in the CSA Discussion Paper are somewhat inconsistent as between jurisdictions within Canada. The concern is that inadequate protection is provided to Canadian investors where there are no requirements for foreign companies to provide any reconciliations to Canadian or internationally recognized accounting bases for financial information in continuous disclosure documents, in particular in interim and annual financial statements.
49. On balance, it may be reasonable that Canadian investors and /or their advisors should be expected to be familiar with, and able to rely on, financial information prepared on the basis of US GAAP or IASB standards in respect of foreign issuers with securities whose prices are determined in active and disciplined international markets and where their financial information is subject to rigorous review and enforcement by the SEC or comparable regulators in other countries.
50. The AcSB suggests that, at a minimum, all interim and annual financial statements of foreign companies be presented in, or reconciled to, Canadian, US or IASB standards. We also recommend that prominent disclosure be required in the financial statements of the accounting basis so that it is clear where the statements are not prepared in accordance with Canadian GAAP.
51. Allowing the use of US GAAP or IASB standards in place of Canadian GAAP by foreign issuers may give rise to questions of CSA competence to provide reasonable protection to investors that these financial statements or reconciliations are fairly presented in accordance with these standards. It is suggested that this may not be a serious concern with respect to foreign issuers whose securities are actively traded in recognized international markets that are subject to a rigorous exchange discipline, and where their financial statements are subject to review and enforcement by the SEC or comparable regulators in other countries. However, the CSA may need to take particular steps to ensure that the financial statements of foreign issuers that are not inter listed in other major capital markets are subject to adequate regulatory review before accepting their securities for issuance in Canada.

**CHANGES TO CANADIAN STANDARDS THAT HAVE ADDRESSED  
CANADIAN/US GAAP DIFFERENCES**

**COMPLETED**

Segment Disclosures	Joint AcSB/FASB project that was the first common North American standard. Issued in September 1997.
Income Taxes	Harmonized* with US standards (and subsequently IASB standards were harmonized with US/Canadian practice). Issued in December 1997.
Cash Flow Statements	Harmonized* with both US practice and international standards. Issued in June 1998.
Employee Future Benefits	Harmonized* with several US standards. Issued in March 1999.
Development Stage Enterprises	Harmonized* with US practice. New Guideline issued in March 2000.
Interim Financial Statements	Harmonized* with both US and international standards. Issued in September 2000.
Earnings per Share	Harmonized* with both US practice and international standards. Issued in December 2000.
Transfers of Receivables	Harmonized* with US standards. Issued in March 2001.
Business Combinations	Harmonized* with US standards to be published in July 2001.

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\* Harmonization does not necessarily mean that a Canadian standard is identical to the corresponding FASB or IASB standard. The Canadian standard may allow for more flexibility in application or require different disclosure, but it is consistent with those other standard(s) and generally permits entities to apply them while remaining in compliance with Canadian GAAP. However, in a few instances, the Canadian standard may differ in order to address unique Canadian circumstances.

## **IN PROCESS**

Stock-Based Compensation	AcSB proposed issuing accounting standards that would require accounting for employee stock options and other stock-based payments in the same way as in the US.
Foreign Currency Translation	AcSB issued an exposure draft proposing revisions to Canadian standards to eliminate deferral and amortization of long-term monetary assets and liabilities denominated in a foreign currency. This standard would eliminate a major difference between Canadian GAAP and both US GAAP and international standards.
Hedging Relationships	AcSB issued draft accounting guideline proposing changes to Canadian GAAP to bring it somewhat closer to both US and IASB standards.

## **ON TECHNICAL AGENDA**

Impairment	FASB has a separate standard dealing with impairment of long-lived assets (currently under review) that differs from Canadian standards. Canadian standards are included in several Handbook Sections and adopt a recoverability approach that differs from IASB as well as FASB standards. AcSB plans to harmonize with an amended FASB standard.
Consolidations Policy	FASB is moving closer to the Canadian and international position of using the criterion of “control” to determine whether an entity should be consolidated. The US proposals are being monitored to ensure that we pick up proposals on special-purpose entities and harmonize on details of application.
Liabilities and Equity	FASB has issued proposed accounting standards that would bring US GAAP a lot closer to Canadian and IASB standards. The proposals introduce some new differences that call for consideration of adjustments to Canadian GAAP.

## Financial Instruments

FASB and IASB standards currently require difficult and highly complex accounting for financial instruments, including derivatives and hedges. These standards have been intended to be an interim step and are not based on a coherent set of consistent principles. A joint working group of representatives of standard setting bodies in ten jurisdictions (including the AcSB, FASB, and IASB) has proposed international convergence on the basis of a comprehensive fair value framework of principles. These proposals have been exposed for public comment. The AcSB will be evaluating responses to these proposals with other standard setting bodies in determining how it should proceed to the development of a Canadian standard.

## Intangible Assets (New Economy)

AcSB is monitoring work contemplated by the FASB to deal with internally developed research and development costs and other non-purchased intangibles.

## Appendix B

### RESPONSES TO QUESTIONS IN CSA DISCUSSION PAPER

Question 1: *Should we relax the current requirements for reporting issuers participating in Canada's capital markets to provide financial information prepared in accordance with Canadian generally accepted accounting principles?*

For reasons stated in paragraph 31 of its submission, the AcSB does not express an opinion on whether the CSA should relax its current requirements. Rather the submission sets out observations, comments and considerations that the AcSB believes the CSA should take into account in arriving at its decision (see paragraphs 22-40 of the attached submission). The AcSB believes that this basic question should be considered in the context of the mission and program of the Canadian accounting standard setting function that is now in place – and the progress that it has been making and can be expected to make in the future in addressing many of the issues and concerns that underlie this question. The AcSB has recently been restructured and its mandate refocused in large part to address these issues and concerns (see submission paragraphs 5-21).

*By reference to your own experience, please explain why Canadian GAAP as a consistent benchmark does or does not have continuing relevance to Canadian investors in the current environment.*

Canadian GAAP (comprising CICA Handbook standards and a hierarchy of additional sources) have been, and continue to be, designed to be relevant to the preparation of general purpose financial statements for all business enterprises within the Canadian environment. The continuing relevance of Canadian GAAP to Canadian investors in the current environment results because Canadian standards are determined with due process consideration of Canadian interests and unique Canadian circumstances, and highest quality of US and international accounting standards. Under the AcSB's program to harmonize Canadian GAAP with US GAAP, significant differences resulting in conflicts with US GAAP may be expected to exist only where US GAAP do not reflect unique Canadian circumstances or do not meet highest quality international standards. Thus the question is not whether Canadian GAAP has relevance to Canadian investors, but whether US (or IASB or other foreign GAAP) may be considered to be more relevant for some companies or in some situations, or whether certain cost-benefit considerations may be considered to override the usefulness and relevance of Canadian GAAP. (See in particular submission paragraphs 7-21.)

Question 2. *Should any relaxation in current requirements address (a) foreign issuers; or (b) Canadian issuers; or (c) both foreign and Canadian issuers? Please explain the basis for your views, including addressing the basis for any distinction you believe should be made between the requirements for foreign issuers and those for Canadian issuers.*

The AcSB believes that a different balance of considerations may be applicable to foreign company issuers (see submission paragraphs 46-51).

*If you believe a requirement for foreign issuers to reconcile their financial statements to Canadian GAAP should be retained, please comment on whether that requirement should apply to continuous disclosure as well as offering documents and information circulars.*

The AcSB believes that any requirements for reconciliation information should apply to continuous disclosure as well as offering documents and information circulars. As observed in the CSA Discussion Paper, a very large percentage of investments are made in secondary markets to which continuous disclosure information is relevant. Reconciliation information would seem to be equally relevant to investment decisions in respect of both primary and secondary markets (see submission paragraphs 48 and 50).

*In addressing Question 2, please comment on:*

*(i) your experience with the quality and usefulness of the information included in Canadian GAAP reconciliations provided by foreign issuers;*

*(ii) whether, from your viewpoint as a preparer, user, or auditor of non-Canadian GAAP financial statements, the reconciliation has enhanced the usefulness or reliability of the financial information and how you have used the reconciliation;*

*(iii) any consequences that could result from reducing or eliminating the reconciliation requirement, including your assessment of the magnitude of any decrease or increase in costs or benefits to preparers or users of financial statements.*

With respect to (i) the AcSB does not have any experience with the quality and usefulness of information included in Canadian GAAP reconciliations provided by foreign issuers.

With respect to (ii) the AcSB recommends that preparer, user, and auditor views be supplemented by empirical evidence contained in the growing number of rigorous academic studies of the information relevance of comparative US, Canadian, IASB, and other foreign GAAP financial statements and reconciliation information, as well as consulting with knowledgeable academics. AcSB staff experience with US GAAP reconciliation note disclosures provided in the financial statements of some Canadian companies strongly suggests that their information value could be substantially improved by more complete and clearer explanations of differences and their effects. Improvement of reconciliation information may be in part a matter of developing improved standards (which it is understood is being contemplated by the SEC) and, perhaps, more effective regulatory review and enforcement efforts.

With respect to (iii) the AcSB believes that reconciliation disclosure can have significant information value if reasonably prepared, so that reducing or eliminating reconciliation requirements could be expected to result in some loss of information. The question is how the magnitude of the potential benefits lost could be expected to compare with other



cost and benefit effects. The AcSB is not in a position to weigh and assess their net effects (see discussion at submission paragraphs 22-40).

*Question 3. In your view, how should the CSA implement any relaxation in the requirement for a reconciliation from foreign GAAP to Canadian GAAP? Please consider at least the following possibilities:*

*(i) elimination of all reconciliation requirements, regardless of the basis on which a foreign issuer prepares its financial statements;*

*(ii) elimination of the requirement for a full reconciliation and its replacement with a requirement to reconcile only specified financial statement items. If you believe such an approach is appropriate, please describe how you believe it could be implemented;*

*(iii) elimination of all quantitative reconciliation requirements, regardless of the basis on which a foreign issuer prepares its financial statements, and introduction of a narrative discussion of qualitative differences between the basis of accounting used in preparing the financial statements and Canadian GAAP;*

*(iv) elimination of the reconciliation requirement for only those foreign issuers that prepare financial statements in accordance with specified bases of accounting, e.g., IAS and US GAAP. If you recommend this approach, please set out the criteria you believe should be applied in making this determination and indicate which bases you believe would meet these criteria;*

*(v) identification of specific reconciliation requirements depending on the type of transaction, type of security or proportionate interest of Canadian investors. If you believe such an approach is appropriate, please describe how you believe it could be implemented.*

The AcSB suggests that consideration of elimination of requirements for reconciliation information may be best limited to (iv) in respect of IAS and US GAAP, since only IASB standards and US GAAP have widespread international recognition and may be expected to provide Canadian investors in foreign companies with financial information that will be comparable with that of many other international companies. Further, with respect to (v) it is suggested that additional regulatory and enforcement considerations may arise where foreign company issuers' securities are not actively traded in recognized international markets that are subject to rigorous exchange disciplines and review and enforcement by the SEC or comparable regulators in other countries. (See submission paragraphs 49-51.)

*Question 4. If you believe Canadian companies should no longer be required to prepare financial statements in accordance with Canadian GAAP, what alternatives do you believe should be available and why are they an appropriate basis for a Canadian company to participate in Canadian capital markets? Please comment on the impact of the concessions you propose on the comparability of financial information available about Canadian companies in the Canadian capital markets. Is it important that Canadian investors have access to financial information prepared on a comparable basis? If not, why not?*

See answer to Question 1. The AcSB believes that the strongest case for some exemption from Canadian GAAP in favour of US GAAP may be in respect of those companies with substantial US ownership and security prices determined in US capital markets (see submission paragraph 30).

Question 5. *On the basis of your own knowledge and experience, what is your assessment of the ability of Canadian issuers, auditors and users to prepare, audit and make use of financial statements prepared on bases other than Canadian GAAP?*

The AcSB is not in a position to provide an assessment, but see comments at submission paragraph 38.

Question 6. *If you believe alternatives to Canadian GAAP should be permitted, what specific steps should the CSA, the accounting profession or others take to facilitate implementation in a way that overcomes the issues identified in section 5 of the paper and ensures Canadians are provided with high quality, relevant, reliable and understandable financial information? Please comment on: (i) the steps you believe the CSA should take to ensure their ability to provide appropriate regulatory oversight over the financial statements provided to participants in Canada's capital markets; and (ii) changes to incorporating statutes that would be required to facilitate the financial reporting environment you envisage.*

The AcSB is not in a position to provide an informed opinion on this question. However, the Board believes that concerns with respect to a number of the issues raised in section 5 of the CSA Discussion Paper may be lessened if any alternatives to Canadian GAAP were limited to companies preparing financial statements on the basis of US GAAP that have substantial US ownership and security prices largely determined in US markets, and that are subject to review by the SEC (see submission paragraph 30).

Question 7. *If you believe the accounting standards of certain foreign countries, e.g., US GAAP, should be acceptable for use by Canadian companies while other foreign GAAP should not, what is your basis for this distinction?*

See answer to Question 1. The AcSB understands that the only significant pressure for use of accounting standards other than Canadian GAAP is that some Canadian companies be allowed to adopt US GAAP. AcSB considerations in this regard are set out in submission paragraphs 22-40. The AcSB's evaluation of IASB standards is at submission paragraphs 41-45. The AcSB suggests that other foreign GAAP do not have sufficient use internationally to be acceptable for use by Canadian companies.

Question 8. *If you believe US GAAP should be permitted as an alternative basis for preparation of a Canadian company's financial statements, should that alternative be available to all Canadian companies or to only a limited group such as those that are SEC registrants and are therefore required to provide either US GAAP financial statements or a reconciliation to US GAAP? Similarly, if you believe Canadian*

*companies should be permitted to use other bases of accounting such as IAS or UK GAAP, should those alternatives be available to all or to a limited group only? If you believe the alternatives should be available to a limited group only, what criteria should be applied to determine eligibility?*

See answers to Questions 1, 4 and 6.

*Question 9. Regardless of which bases of accounting you consider acceptable as alternatives to Canadian GAAP, should a Canadian company using one of those alternatives be required to present a reconciliation to Canadian GAAP in some or all cases? If so, in what form should the reconciliation be presented, e.g., a full quantified reconciliation or something less, such as a reconciliation of only specified financial statement items or a qualitative discussion of differences?*

The AcSB believes that the form and extent of reconciliation disclosures should be determined by comparing the benefits of the potential information value of properly prepared disclosures with other costs and benefits relating to other alternatives. This is ultimately a judgment call based on assessing such information that can reasonably be obtained. The AcSB believes that there can be significant information value to Canadian investors in well-prepared reconciliations of US/Canada GAAP differences (see also answers to Question 2 (ii) and (iii)).

*Question 10. If the CSA permits alternatives to Canadian GAAP, what transitional issues would need to be addressed to facilitate implementation of the change? For example, in the first period in which a Canadian company presents financial statements prepared in accordance with a basis of accounting other than Canadian GAAP should comparative information for all prior years presented be required on a consistent basis?*

The AcSB has not addressed this issue.

### **Quality of IASC standards**

*Question 11. Do the core standards provide a sufficiently comprehensive accounting framework to provide a basis to address the fundamental accounting issues encountered in a broad range of industries and a variety of transactions without the need to look to other accounting regimes? Please explain the basis for your view and, if you believe there are additional topics that need to be addressed in order to create a comprehensive set of standards, identify those topics.*

See submission paragraphs 41-42.

*Question 12. For specialized industry issues that are not yet addressed in IAS, should we require companies to follow relevant Canadian standards in the financial statements provided to Canadian investors? Alternatively, should we permit use of home country standards with reconciliation to relevant Canadian standards or should we not impose any special requirements? Which approach would produce the most meaningful financial*

*statements for Canadian investors? Is the approach of having the host country specify treatment for topics not addressed by the core standards a workable approach? Is there a better approach?*

The AcSB suggests that where specialized industry issues are not addressed in IAS, consideration should be given to requiring additional disclosures by a foreign company issuer that follows an accounting basis that is significantly different from Canadian GAAP. Otherwise Canadian investors may not have any basis for assessing the financial results reported by these companies. This may be particularly important where the foreign company's securities are not actively traded in a recognized international market and subject to review by the SEC or other comparable regulator (see also submission paragraphs 49-51).

*Question 13. Are IAS of sufficiently high quality to be used without reconciliation to Canadian GAAP in cross-border filings in Canada? Why or why not? Please provide us with your experience in using, auditing or analysing the application of such standards.*

See submission paragraph 42. AcSB staff have reasonably extensive knowledge of IASB standards and differences with Canadian GAAP. Staff have analyzed areas in which improvements to existing IASB standards could be desirable and would be happy to share this information with the CSA.

*Question 14. What do you view as the important differences between Canadian GAAP and IAS? We are particularly interested in investors' and analysts' experience with IAS. Will any of these differences affect the usefulness of a foreign issuer's financial information reporting package? If so, which ones?*

*Question 15. Based on your experience, are there specific aspects of any IAS that you believe result in better or poorer financial reporting (recognition, measurement or disclosure) than financial reporting prepared using Canadian GAAP? If so, what are the specific aspects and reasons for your conclusion?*

The AcSB believes that there are some significant areas in which IAS may be considered to result in better reporting than present Canadian GAAP (for example, aspects of IAS on asset impairment and contingencies) and several areas in which Canadian standards are more complete or may otherwise be considered to result in better reporting than IAS (for example, on comprehensive revaluation of assets and liabilities and accounting for life insurance enterprises). Again, CICA staff would be happy to share information with the CSA.

*Question 16. How does the level of guidance provided in IAS compare with Canadian standards and is it sufficient to result in consistent application? Do IAS provide sufficient guidance to promote consistent, comparable and transparent reporting of similar transactions by different enterprises? Why or why not?*

The level of guidance provided in IAS in comparison with Canadian standards varies from standard to standard. IASB standards are not, however, supported and supplemented by an extensive hierarchy of additional sources of GAAP as are Canadian standards. Accordingly, it is suggested that the CSA consider requiring some additional disclosures from foreign companies using IASB standards in respect of issues on which IAS are silent (see also answer to Question 12).

*Question 17. Are there mechanisms or structures in place within public accounting firms and the business community that will promote consistent interpretations of IAS where those standards do not provide explicit implementation guidance? Please provide specific examples.*

The AcSB is not in a position to provide an informed answer to this question.