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Office of the Administrator, New Brunswick  
Registrar of Securities, Prince Edward Island  
Nova Scotia Securities Commission  
Securities Commission of Newfoundland  
Registrar of Securities, Northwest Territories  
Registrar of Securities, Yukon Territory  
Registrar of Securities, Nunavut

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Suite 800, Box 55  
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Claude St-Pierre, Secretary  
Commission des valeurs mobilières du Québec  
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Stock Exchange Tower  
P.O. Box 246, 17th Floor  
Montréal, Québec H4Z 1G3

July 13, 2001

**Subject: CSA Discussion Paper 52-401 – Financial Reporting in Canada’s Capital Market**

Dear Sirs:

PricewaterhouseCoopers appreciates the opportunity to comment on the Canadian Securities Administrators Discussion Paper, *Financial Reporting in Canada’s Capital Markets*. This letter offers our views on the CSA’s acceptance of financial statements that have been

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Various Canadian Securities Commissions

CSA Discussion Paper 52-401 – Financial Reporting in Canada’s Capital Market

July 13, 2001

prepared under International Accounting Standards (IAS) and accounting standards generally accepted in the United States of America (U.S. GAAP). We appreciate your agreement to accept our response slightly later than the formal due date.

We are strong proponents for harmonization of accounting standards. We believe that the international harmonization of accounting standards is a crucial element to ensuring efficient capital markets. Our view is that the market demands that accounting standards continue to converge. Today’s economic environment is increasingly global. Companies compete for capital investors in international capital markets.

It is inevitable that there will be a convergence of accounting standards. The only question is how fast that will occur, and how complete the convergence will be. We think that it will be sooner rather than later.

“Harmonization” or “convergence” of accounting standards is generally understood to mean that domestic standards and standard setting would continue with respect to the accounting by public companies, while differences in standards will be eliminated. However, it is quite possible that Canadian GAAP will become increasingly less relevant, in and of itself, for public companies doing business or raising capital in Canada and other countries.

In the Canadian environment and with the pressures for differential reporting for non-public companies it is possible that ultimately a form of global standards may be more effective for public companies than a distinct set of Canadian standards.

While we regret what that may mean with respect to the Canadian standard setting process, we sincerely believe that Canada, including the CICA and the CSA, will play increasingly important roles in the continuing development and support of global accounting standards and their application and interpretation. In fact, the support of a truly global set of high quality standards would be a more effective use of Canadian resources than the continuing development and maintenance of distinct Canadian standards while at the same time trying to commit resources to support International efforts.

We believe that the International Accounting Standards Board (IASB), with its new structure, is the best forum in which to create a single comprehensive set of global accounting standards

Various Canadian Securities Commissions

CSA Discussion Paper 52-401 – Financial Reporting in Canada’s Capital Market

July 13, 2001

quickly. We are encouraging the CSA to take a leadership role in acknowledging the validity of International Accounting Standards.

We would strongly encourage the CSA to accept a process-oriented approach for the acceptance of International Accounting Standards in Canadian securities markets. On this basis the use of IAS should be endorsed at this time. We see no significant reasons to delay its use. Recently, the International Accounting Standards Committee has achieved two significant milestones. First, the “core standards” of international accounting standards have been completed. We believe that the core standards provide an appropriate framework for addressing fundamental accounting issues. Secondly, the IASB Board has been reconstituted and restructured to be an independent and non-political process.

A "partial-acceptance approach" would not be a satisfactory solution and we would strongly object to such an approach. Partial acceptance would (1) limit comparability, (2) require investors to track "acceptance" status, (3) make partially reconciled financial statements more difficult to interpret, and (4) be highly subjective. We believe the most sensible approach is to accept the validity of a standard-setting process, actively participate in the process, and be committed to accepting the result. We are very concerned that partial acceptance runs the risk that acceptance will be subject to personal preference of the regulator or staff of the day and possible political or commercial pressures and preferences. These are the exact things that the world was trying to avoid in establishing the newly-constituted IASB.

We acknowledge that some believe that IAS are not currently sufficiently comprehensive and transparent, and there is some merit to that. As a result, the CSA may feel that it is premature to permit IAS in Canada. If the CSA concludes that now is not the time for adoption of IAS, consideration must be given to the requirements or “triggers” needed to be met before IAS is acceptable, and to make it clearly known what those triggers will be. Specifying triggers today would provide useful guidance to the IASB and the preparer/user community and remove the subjectivity from the future acceptance.

We would not expect many, if any, domestic registrants to adopt IAS at this time. We see this accommodation generally being used by large established foreign companies already preparing financial statements comprehensively in accordance with IAS and filing in the US. This accommodation would remove a barrier to entry to Canadian capital markets by some companies outside of North America. At present, the small size of the potential capital market

**Various Canadian Securities Commissions**

**CSA Discussion Paper 52-401 – Financial Reporting in Canada’s Capital Market**

**July 13, 2001**

may not justify the time and cost required to deal with Canadian GAAP. It would also clearly signal the support of the CSA for the IAS process.

Canadian acceptance of IAS would provide credibility to the IASB process and standards and demonstrate the CSA’s leadership in this area.

We recognize that there are legitimate concerns about the lack of knowledge and understanding of IAS in Canada. However, we believe that accountants, auditors and regulators have the skills to obtain the knowledge necessary to rise to the task. The formal accounting education in Canada is focused on skills and principles not memorizing rules.

The relatively small number of registrants adopting IAS at this time would allow regulators to focus their efforts and resources on compliance issues. Use of IAS by some of these entities would assist the education and learning process for Canadian regulators, issuers and entities as the IAS based information begins to be used in Canada. It is unreasonable to expect full knowledge and understanding before the standards are available for use in Canada.

It may also be appropriate to establish a pre-qualification system for companies and their experts. Such a system could include things such as a requirement of the involvement of a designated person within an auditing firm. Another possibility would be to require companies to provide the Securities Commissions with a statement of their internal/external qualifications and resources.

We also believe the time is right to also accept US GAAP, in its entirety, for the same reasons as IAS should be accepted. US GAAP is the most comprehensive, complete and rigorous set of accounting standards in the world today. US GAAP standards are developed through a lengthy, public due diligence process. US GAAP standards are subject to interpretation and analysis by many different parties (including the major public accounting firms, the SEC, the FASB Staff, industry groups and academics). US GAAP is not perfect. At times, considerable political and commercial pressure can lead to compromise (as was evident in the accounting for stock-based compensation). We accept this as an infrequent and unfortunate consequence that does not significantly diminish the overall process.

We recognize that there are legitimate concerns over the lack of knowledge of US GAAP in Canada on the part of some issuers and their auditors/advisors. A pre-qualification system

Various Canadian Securities Commissions

CSA Discussion Paper 52-401 – Financial Reporting in Canada’s Capital Market

July 13, 2001

may address some of these concerns. However, we do not believe that this is a significant limitation to the acceptance of US GAAP. Any company adopting US GAAP would need to invest in the resources (either internally or externally) to prepare financial information of a sufficiently high quality. We would expect companies would only undertake such exercise when it is appropriate for them to make such an investment. Auditors and regulators would play an important part of safeguarding the financial reporting system. This challenge is no different than we face currently with the MJDS.

In the event that primary financial statements were to be filed based on either IAS or US GAAP, it would be critical that the Canadian regulators have sufficient knowledge and experience in order to enforce the use of either. We cannot comment on what additional resources, if any, would be required. However, in our review, any lack of resources should not be the cause to preclude registrants from using IAS or US GAAP. The needs of the capital market should drive the resources of the regulator as opposed to any limitations in constraining the market.

For a transition period we believe a limited reconciliation to Canadian GAAP may be required. This will ensure comparability in the transition period and is likely a necessary accommodation to those who would criticize this approach. We would suggest modelling the reconciliation requirements on Item 17 of SEC Form 20-F.

In our view domestic and foreign registrants should be treated equally under any new or amended rules.

It is important to allow for flexibility in the market place. Many Canadian constituents are extremely interested in other GAAP basis as a matter of competition for capital or comparison to other entities. Many other Canadian constituents could care less about standards other than Canadian GAAP. For those who are extremely interested in IAS / US GAAP the cost of compliance with what is viewed as a more onerous set of standards can easily be justified on a cost/benefit basis. For those who have investors and analysts requesting the information the cost is also justifiable. Allowing choice provides each registrant the opportunity to do what makes the most sense for its users and allows the market to influence each company's decision.

Various Canadian Securities Commissions

CSA Discussion Paper 52-401 – Financial Reporting in Canada’s Capital Market

July 13, 2001

Some might argue that permitting alternative systems of reporting would introduce confusion into the market. We don’t agree for the reasons set out in our response to question 4.

Moreover, we note that companies are currently permitted to prepare financial statements in accordance with “other” GAAPs for continuous reporting, without reconciliation. This does not appear to have resulted in confusion.

In paragraph .58, you ask whether the required involvement of auditors in the preparation of non-Canadian based measures or information would cause concerns with respect to auditor independence. In our view, independence would not be a concern. We believe that the nature and level of auditor assistance would not impair independence. Also, we note that the level of auditor involvement would be no different than that at present for many Canadian-GAAP preparers who are limited in the level of Canadian-GAAP knowledge and experience resident on the issuer's staff.

We have elaborated on our views in responding to specific questions raised by the CSA in Appendix I.

If you wish to discuss our comments, please contact Michael A. Tambosso ([michael.a.tambosso@ca.pwcglobal.com](mailto:michael.a.tambosso@ca.pwcglobal.com) or 416-941-8388) or Sean Cable ([sean.c.cable@ca.pwcglobal.com](mailto:sean.c.cable@ca.pwcglobal.com) or 416-814-5734).

Yours very truly,

***“PricewaterhouseCoopers LLP”***

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Various Canadian Securities Commissions

CSA Discussion Paper 52-401 – Financial Reporting in Canada’s Capital Market

July 13, 2001

## APPENDIX I

### Specific questions raised by the CSA

#### Q.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? 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.*

*If you believe the CSA should relax the current requirements to provide Canadian GAAP financial information, please address Question 2.*

As outlined in our introduction we believe that companies should be allowed the option of filing financial statements prepared under IAS or US GAAP.

Allowing companies the option of filing financial statements prepared under IAS or US GAAP does not mean that Canadian GAAP does not have continuing relevance. It simply means that IAS or US GAAP is of equal relevance. Capital markets thrive on the availability of high quality disclosures. Providing users with quality information to make decisions, in whichever GAAP users prefer, should be the goal.

This does not mean, however, that Canada cannot have an important role on the global stage. Canada’s influence on the global stage comes not from our size, or protecting our standing setting bodies but from leadership in thought.

#### Q.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. If you believe a*

Various Canadian Securities Commissions

CSA Discussion Paper 52-401 – Financial Reporting in Canada’s Capital Market

July 13, 2001

*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.*

We believe that Canadian and foreign registrants should be subject to the same rules. We see no justification for making a distinction between Canadian and foreign registrants. Canadian investors deserve the same level of financial disclosures from companies regardless of where the head office is located and regardless of the type of disclosure document.

### **Foreign issuers**

**Question 3 addresses possible approaches to relaxing requirements to reconcile to Canadian GAAP when a foreign issuer prepares its financial statements in accordance with foreign GAAP.**

### **Q.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;*



Various Canadian Securities Commissions

CSA Discussion Paper 52-401 – Financial Reporting in Canada’s Capital Market

July 13, 2001

*(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.*

As explained in Question 2 we believe the Canadian investors deserves the same level of protection regardless of where the registrant is headquartered. Therefore a foreign registrant that prepares financial statements in IAS or US GAAP would be subject to the same limited reconciliation requirements as a Canadian based registrant. Alternatively, foreign registrants could provide Canadian GAAP financial statements if they choose to.

#### **Canadian issuers**

**Questions 4 to 10 address issues relating to the possible approaches to relaxing the requirement for Canadian issuers to prepare Canadian GAAP financial statements.**

#### **Q.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?*

We believe that IAS and US GAAP should be the only accepted alternative to Canadian GAAP for the reasons outlined in our introductory comments.

Comparability of financial information between Companies is critical for the free flow of capital. However, we do not believe that the use of Canadian GAAP as the basis for comparison is ultimately necessary. The ability to draw comparisons across companies from around the world using the financial information provided is the critical part. Any GAAP, including Canadian GAAP, requires the reader to be reasonably sophisticated and to spend the requisite time to study and assess the information. We think that appropriate decision-making

Various Canadian Securities Commissions

CSA Discussion Paper 52-401 – Financial Reporting in Canada’s Capital Market

July 13, 2001

and comparison can be made on the basis of any of IAS, US GAAP or Canadian GAAP. Admittedly, some users may try to use financial statements based solely on reported numbers and superficial ratio or numerical analysis. We do not believe that such use is what is presumed by any GAAP, and reject any arguments that hinge on lack of comparability for analysis that is superficial or not rigorous. Each user will conduct their individual analysis. In many cases, non-GAAP measures such as “EBITDA” are the drivers for analysis. We believe that transparent accounting disclosures within financial statements of a particular GAAP are critical to providing investors, users, and analysts with the information necessary for comparisons rather than providing them with financial information that is already on a comparable basis.

**Q.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 CSA discussion paper raises several concerns that the knowledge and experience of issuers, auditors and users is insufficient to make use of financial statements other than Canadian GAAP. Our experience is that a number of Canadian companies are currently preparing and using financial statements in accordance with US GAAP and to a much lesser degree IAS. And doing it successfully.

Many Canadian companies reconcile their results to US GAAP or IAS currently either for the purpose of filing with the SEC or reporting to a foreign parent who reports in US GAAP or IAS. Auditors are involved in auditing Canadian companies registered with the SEC and the Canadian subsidiaries of companies that follow US GAAP or IAS. Accountants and auditors also have a certain familiarity with US GAAP and IAS since US GAAP and IAS are common benchmarks when Canadian GAAP is lacking, unclear or not specific. Even the regulators have made references that US GAAP provides more detailed commentary and guidance in certain areas where the base principles are the same. In the Spring 2000 edition of Perspectives, published by the Ontario Securities Commission, the Commission pointed out the certain similarities between SEC Staff Accounting Bulletins #100 and #101 and EIC – 60 and CICA 3400 respectively.

Various Canadian Securities Commissions

CSA Discussion Paper 52-401 – Financial Reporting in Canada’s Capital Market

July 13, 2001

That being said, understanding US GAAP is particularly difficult. In most cases, one needs to practice or consult regularly in matters related to US GAAP to adequately understand what it really is, including the nuances and practical implications. There are individuals in major corporations and the major CA firms who spend all or a significantly large part of their time working in this area to develop and maintain an understanding. Even US practitioners cannot be presumed to be experts at all aspects of their GAAP, and have to consult with topic experts. It would not be an easy task but we believe it is one that can be done and done well when taken seriously.

We note that this problem is not new. Canadian regulators face this issue under the MJDS. As discussed in the our opening comments our view is that Canadian regulators do not have sufficient knowledge and experience with US GAAP to complete or adequately enforce its use. We urge the CSA to immediately move to increase the level of such knowledge and experience available, through means such as training and possible partnering/secondments with other regulators and preparers/auditors.

#### Q.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.*

We have the following specific comments on the matters to consider in evaluating the alternatives raised in part 5 of the discussion paper.

#### **Relationship between Alternatives**

We do not necessarily agree that a decision to eliminate the reconciliation requirement for foreign issuers may not lead inexorably to a conclusion that Canadian issuers should have the

Various Canadian Securities Commissions

CSA Discussion Paper 52-401 – Financial Reporting in Canada’s Capital Market

July 13, 2001

same options. Our view is that investors deserve high quality financial information from all registrants and do not see why foreign entities should be treated differently. If US GAAP is acceptable for Foreign issuers without reconciliation to Canadian GAAP we question why it would also not be acceptable from a Canadian Registrant.

### **Comparability**

As discussed in our response to question 4 we see the ability to compare through transparent disclosure as being the critical aspect not comparability under Canadian GAAP.

### **Requirements for Canadian GAAP financial statements**

We agree that other comparable changes will be required to other provisions for the full cost savings to result from the concessions the CSA might be making. We do not see the involvement of other parties as a limiting factor to the CSA proposals. Industry group and individual companies will incur the costs to lobby for or make the other changes necessary to benefit from these proposals if it makes economic sense to them.

### **Q.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?***

As discussed in our letter, we believe that a “process-oriented approach” should be adopted and that IAS and US GAAP are acceptable processes. As standard setters in other countries align with IAS and/or US GAAP this will become less of an issue. Other countries may have standard setting processes of equally sufficient quality. We have not considered which other foreign processes are equally acceptable. From a practical perspective, Canadian issuers will not be interested in the GAAP of any other country. Also, those interested in Canadian markets, or those that the Canadian markets wish to attract, will generally be contending with IAS or Canadian GAAP for domestic purposes or for filings with the SEC.

Various Canadian Securities Commissions

CSA Discussion Paper 52-401 – Financial Reporting in Canada’s Capital Market

July 13, 2001

**Q.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?*

As stated previously, our view is that all Registrants should be treated on a consistent basis. Therefore, this alternative should be available to all Canadian companies.

**Q.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?*

In our view a limited reconciliation to Canadian GAAP would be required for a transitional period. We would recommend the CSA model the reconciliation requirement on the SEC rules in Form 20-F Item 17. This would limit the reconciliation to a quantification of measurement and presentation differences in the balance sheet and statements of income, equity and cash flows. The SEC format of reconciliation is well understood and provides users with sufficient information to “construct” a US GAAP set of financial statements from a foreign GAAP based set of financial statements.

**Q.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*

Various Canadian Securities Commissions

CSA Discussion Paper 52-401 – Financial Reporting in Canada’s Capital Market

July 13, 2001

*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?*

From the perspective of transition we believe that the financial statements for all prior years prepared should be restated and presented on a comparative basis. This approach is consistent with CICA Handbook Section 1506 - Accounting Changes. We would view this as a change between alternative accounting policies. Disclosure would be required of the change and the impact on prior years. We would encourage the CSA to also require that comparative information disclosure required in the Annual Information Form be restated for all periods required by the AIF.

#### **Comprehensiveness of the IASB standards**

##### **Q.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.*

As discussed in our cover letter, we believe that IAS provides a sufficiently comprehensive accounting framework and believe that the reconstituted Board provides a process that can be supported. However, we urge the IASB to continue its effort to provide guidance on a broad range of industry issues and certain transactions that are currently not addressed by IAS (for example stock compensation, barter transactions and common-control business combinations).

##### **Q.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*

Various Canadian Securities Commissions

CSA Discussion Paper 52-401 – Financial Reporting in Canada’s Capital Market

July 13, 2001

*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?*

As discussed in our cover letter, we believe that IAS should be accepted or rejected as a package. The “layering on” of additional requirements creates the same issues as the “partial-acceptance approach”. This approach would (1) limit comparability, (2) require investors to track "acceptance" status, (3) make partially reconciled financial statements more difficult to interpret, and (4) be highly subjective and possibly political.

**Q.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.*

As addressed in our covering letter we believe the IAS process is of a sufficiently high quality to be supported for filings in Canada. Limited reconciliation to Canadian GAAP may be desirable as a transitional measure.

**Q.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?*

We would suggest that investors’ and analysts’ responses would provide the best responses to this query.

**Q.15 & Q.16**

*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*

Various Canadian Securities Commissions

CSA Discussion Paper 52-401 – Financial Reporting in Canada’s Capital Market

July 13, 2001

*reporting prepared using Canadian GAAP? If so, what are the specific aspects and reasons for your conclusion?*

*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?*

While there has been significant improvement in IAS over the past several years, we do not believe that IAS (in its current form) provides sufficient guidance that will result in a rigorous and consistent application and ensure consistent, comparable, and transparent reporting in all cases.

We believe that one of the reasons for this is the lack of detailed guidance related to certain provisions of IAS. Additionally, given the alternatives available in various IAS standards, similar transactions may be reported differently (as described in our response to question 11).

Further, while guidance is important to rigorous and consistent application, appropriate enforcement is also crucial. In the absence of a global regulatory mechanism, the application of standards suffers from different interpretations and practices among the diverse users of IAS.

In our opinion, there is a need for further guidance on difficult and emerging issues. We believe that the alternatives currently allowed in the standards should be eliminated by the restructured IASB.

With respect to our support for the adoption of US GAAP we believe that US GAAP is more robust in some aspects, such as stock compensation. Further, there is much more interpretative guidance for US GAAP than Canadian GAAP.

**Q.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*



Various Canadian Securities Commissions

CSA Discussion Paper 52-401 – Financial Reporting in Canada’s Capital Market

July 13, 2001

*standards do not provide explicit implementation guidance? Please provide specific examples.*

Our response covers four elements that we consider crucial to a consistent interpretation of IASC standards. Those elements are (1) the Standing Interpretations Committee, (2) a global corporate governance framework, (3) the efforts of the international auditing firms, and (4) the need for a global enforcement mechanism.

We believe each of these structures will become most effective when there is a regulatory regime that permits use and provides for enforcement of the standards.

### **The Standing Interpretations Committee**

In 1997, the IASC board approved the formation of the Standing Interpretations Committee (SIC). The SIC’s purpose has been to consider, on a timely basis, accounting issues that are likely to receive divergent or unacceptable treatment in the absence of authoritative guidance. Its focus has been within the context of existing IAS and the IASC framework. The SIC deals with issues of reasonably widespread importance and has made a positive contribution since its inception. Its interpretations cover both

- mature issues (unsatisfactory practice within the scope of existing IAS), and
- emerging issues (new topics relating to an existing IAS standard that were not considered when the standard was developed).

### **Global Corporate Governance Framework**

The primary responsibility for preparing and issuing complete and accurate financial statements lies with management. There must be a global corporate governance framework in place to provide independent oversight and monitoring of an entities external reporting.

Various Canadian Securities Commissions

CSA Discussion Paper 52-401 – Financial Reporting in Canada’s Capital Market

July 13, 2001

### **The International Auditing Firms**

We believe that professional-services firms have a responsibility to ensure that there is consistent interpretation and application of IAS on a worldwide basis. Firms should carry out this responsibility by

- creating a network of IAS experts, plus a well-resourced, central technical function with defined procedures for consultation;
- providing IAS training to professionals;
- monitoring developments at the IASC and SIC, and publishing guidance to promote the consistent application of IASC standards; and
- discussing with the other international accounting firms practical application issues that arise with respect to IAS, and referring potential agenda items to the SIC.

Although we have made significant progress at PwC with respect to such initiatives, our efforts continue.

### **Global Enforcement and Regulation**

The IASB and international firms have made significant efforts to improve the consistency of the interpretation of IAS, although more work is needed. We believe that the major market regulators should make similar efforts to establish a global standard, as well as efforts to devise a consistent process for reviewing offering documents (and financial statements included in offering documents) that are prepared in accordance with IAS. This global process would reduce the risk of there being a number of regulators that interpret IAS differently.