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December 7, 2009

RE: Proposed National Instrument 52-107

Dear Mr. Stevenson,

After reviewing section 3.11 (1)(f) of the proposed National Instrument 52-107 and further discussions with Ontario Securities Commission staff, the Small Practices Advisory Committee of the Institute of Chartered Accountants of Ontario is offering the following comments and suggestions.

The Small Practices Advisory Committee is comprised of volunteer members from smaller practices across Ontario. The committee meets periodically to discuss and represent issues of importance to small practitioners. The views expressed in this letter are solely those of our committee members and do not necessarily represent the views of the Institute of Chartered Accountants of Ontario, its Council or its staff.

General

Our committee members feel that Ontario should permit acquisition statements to be prepared in accordance with Private Enterprise General Accepted Accounting Principles (PE GAAP) where the specified conditions are met in accordance with paragraph 3.11(1)(f). Our specific reasons are as follows:

Cost burden

With the advent of PE GAAP, we expect the overwhelming majority of our private enterprise clients to adopt these more streamlined standards. Currently, a significant majority of private enterprise assurance engagements are performed by incumbent auditors who have no public enterprise clients. According to the Canadian Pubic Accountability Board, there were 186 registered firms in Canada that have at least one Canadian Public Reporting Issuer client as of December 31, 2008. Contrast this with the

3,419 public accounting offices in Ontario alone as reported in the Institute of Chartered Accountants of Ontario's 2009 Annual Report. Many of these auditors cannot justify the investment of time and financial resources necessary to be International Financial Reporting Standards (IFRS) subject-matter experts. As such, if IFRS statements are required, these incumbent auditors may either resign from the engagement or be compelled to engage a third-party auditor with IFRS expertise to assist in the audit of the converted financial statements. Moreover, the acquiree would need to engage outside experts to facilitate the conversion. These additional costs will ultimately be borne by the shareholders.

Regarding Ontario's option to permit acquisition statements to be prepared in accordance with PE GAAP as long as they are accompanied by an audited reconciliation quantifying and explaining material differences from PE GAAP to IFRS and providing material IFRS disclosures, our view is that implementation of this option effectively imposes the same professional burden on the auditor as full IFRS conversion. The auditor, in order to ensure that all the reconciliation items and disclosure requirements are met, must still need to obtain extensive knowledge of IFRS.

Time constraints

Further to the expertise burden, the 75-day deadline for the submission of the acquisition statements amplifies the challenges for private enterprises that report under PE GAAP to convert to IFRS. While it is not unreasonable to expect private enterprises to be engaged in acquisition discussions to be proactive in the conversion process, this may not always be possible in all cases due to timing and other resource-related issues, especially if the conversion process requires third-party valuations or analysis of historical data that may not be easily obtainable.

Access to other sources of information

In facilitating a potential acquisition, the acquiring enterprise will generally perform due-diligence on information that will include, but not be limited to, the financial statements of the potential acquiree. Indeed, one would expect the acquirer to have access to proprietary and industry-specific information that is not disclosed in the financial statements of the acquiree, even under the much more extensive IFRS disclosure rules. As such, converting to IFRS will not add tangibly to the information flow available to the decision makers.

PE GAAP statements provide high quality and relevant information

PE GAAP was developed based on current Canadian GAAP and will provide quality financial information relevant to the users of the acquiree's financial statements. PE GAAP has fewer disclosure requirements largely because the additional disclosures were deemed to be of little added utility to these users. We fail to see why adding historical IFRS information would be necessary, especially in light of the fact that much of this information can be obtained by the acquirer independently as noted above.

Consistency with other jurisdictions

We are aware that Ontario is the only province that is contemplating the IFRS conversion option. As the federal government and the provinces are currently striving to move towards a single securities regulator, it would appear that having a consistent set of requirements for matters such as the one under discussion would be a significant objective.

In closing, we would like to thank Ms. Marion Kirsh and Mr. Mark Pinch of the Ontario Securities Commission who provided valuable insights to our group on this issue.

We thank you for the opportunity to comment on this important issue and we stand ready to offer additional input as needed.

Sincerely,

Michel Lavigne CA
Chair, Small Practices Advisory Committee
ICAO

On behalf of committee members:
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