



CANADIAN PUBLIC ACCOUNTABILITY BOARD
CONSEIL CANADIEN SUR LA REDDITION DE COMPTES

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January 31, 2011

Sir David Tweedie
Chairman, International Accounting Standards Board
First Floor
30 Cannon Street
London, EC4M 6XH
United Kingdom

Dear Sir David:

Request for Views on Effective Dates and Transition Methods

The Canadian Public Accountability Board (“CPAB”) is pleased to comment on the IASB’s Request for Views on Effective Dates and Transition Methods (the “Request for Views”). CPAB is Canada’s independent audit regulator responsible for overseeing audit firms that audit Canadian reporting issuers. Our mandate is to promote high quality independent auditing which contributes to public confidence in the integrity of financial reporting. We believe it is important to continue to strive for a single set of high-quality, globally accepted accounting standards and support the IASB’s approach to achieving this goal.

As discussed further in Q.5(a) of the Appendix, while there are merits to both approaches we believe a single date approach to adopting the new standards is the best option, with an effective date no earlier than January 1, 2015. In Canada public companies are required to adopt IFRS for interim and annual financial statements relating to annual periods beginning on or after January 1, 2011. An implementation date on or after January 1, 2015 will provide a stable accounting platform for a reasonable period from the initial adoption of IFRS in Canada. This single date approach should also provide sufficient time to implement the new standards with a high level of quality. We also believe that early adoption should be permitted as long as standards that have a strong linkage are adopted at the same time.

In addition to our comments above, our responses to the questions posed in the Request for Views are included in the Appendix to this letter.

We would be pleased to discuss further any of the above comments.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Brian Hunt', is written over a light blue horizontal line.

Brian Hunt, FCA
Chief Executive Officer

APPENDIX: Response to the request for specific comments:

**Q1. Please describe the entity (or the individual) responding to this Request for Views.
For example:**

(a) Please state whether you are primarily a preparer of financial statements, an auditor, or an investor, creditor or other user of financial statements (including regulators and standard-setters). Please also say whether you primarily prepare, use or audit financial information prepared in accordance with IFRSs, US GAAP or both.

CPAB is Canada's independent audit regulator responsible for overseeing audit firms that audit Canadian reporting issuers. Our mandate is to promote high quality independent auditing which contributes to public confidence in the integrity of financial reporting. We accomplish our mandate by inspecting audit firms, including audit working paper files, which provides us with insights into the audit process and how audit quality can be improved.

For fiscal years beginning on or after January 1, 2011, publicly accountable entities in Canada are required to report their financial statements in accordance with IFRS. Although a minority of registrants will report in accordance with US GAAP, the large majority of audit files in our mandate will be for reporting issuers preparing IFRS financial statements.

(b) If you are a preparer of financial statements, please describe your primary business or businesses, their size (in terms of the number of employees or other relevant measure), and whether you have securities registered on a securities exchange.

Not applicable

(c) If you are an auditor, please indicate the size of your firm and whether your practice focuses primarily on public entities, private entities or both.

Not applicable

(d) If you are an investor, creditor or other user of financial statements, please describe your job function (buy side/sell side/regulator/credit analyst/lending officer/standard-setter), your investment perspective (long, long/short, equity, or fixed income), and the industries or sectors you specialise in, if any.

See our response to Question #1.

(e) Please describe the degree to which each of the proposed new IFRSs is likely to affect you and the factors driving that effect (for example, preparers of financial statements might explain the frequency or materiality of the transactions to their

business and investors and creditors might explain the significance of the transactions to the particular industries or sectors they follow).

The audits of public companies in Canada that we oversee are across a broad range of different industries and will be affected to a differing degree by the new IFRSs. We would expect that revenue from contracts with customers, leases and financial instruments to have the greatest impact due to the pervasive nature of these IFRSs. The standard on insurance contracts is also likely to have a significant effect on Canada's insurance industry.

We note that all of our responses are based on the most recent exposure draft or standard as of the date of this letter. These responses may change in the event of significant modifications upon release of the final standards.

Q2. Focusing only on those projects included in the table in paragraph 18 above:

(a) Which of the proposals are likely to require more time to learn about the proposal, train personnel, plan for, and implement or otherwise adapt?

We expect that revenue from contracts with customers, leases, insurance contracts and financial instruments are likely to require more time to prepare for given the complexity of these standards.

(b) What are the types of costs you expect to incur in planning for and adapting to the new requirements and what are the primary drivers of those costs? What is the relative significance of each cost component?

We expect to incur costs to train our inspection staff on the new standards and to incorporate the impact of these standards into our inspection methodology and systems.

Q3. Do you foresee other effects on the broader financial reporting system arising from these new IFRSs? For example, will the new financial reporting requirements conflict with other regulatory or tax reporting requirements? Will they give rise to a need for changes in auditing standards?

Given the significance of change to these accounting standards additional time will be needed to fully assess the broader impacts arising from these new IFRSs.

Canada has adopted auditing standards issued by the International Auditing and Assurance Standards Board for periods ending on or after December 14, 2010. As the new IFRSs are adopted standard setters will need to assess whether further auditing guidance is required in response.

Q4. Do you agree with the transition method as proposed for each project, when considered in the context of a broad implementation plan covering all the new

requirements? If not, what changes would you recommend, and why? In particular, please explain the primary advantages of your recommended changes and their effect on the cost of adapting to the new reporting requirements.

We agree with the transition method as proposed for each project when considered in the context of a broad implementation plan covering all new requirements.

Q5. In thinking about an overall implementation plan covering all of the standards that are the subject of this Request for Views:

(a) Do you prefer the single date approach or the sequential approach? Why? What are the advantages and disadvantages of your preferred approach? How would your preferred approach minimise the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimising disruption, or other synergistic benefits).

In Canada IFRS is mandatory for interim and annual financial statements relating to annual periods beginning on or after January 1, 2011. We believe a single date approach would be valuable to preparers and users of financial statements in Canada because it would allow for a stable platform of accounting standards for a reasonable period of time before additional changes are implemented. This stable base will allow preparers sufficient time to adapt to the conversion to IFRS and will allow users to be more acclimatized with financial statements prepared in accordance with IFRS. A single date approach is preferable because it allows companies sufficient time to focus on implementation of the new standards with a high level of quality without the distraction of multiple effective dates. This approach also provides for potential synergies for preparers in the area of system changes and training since all of the standards will be adopted at the same time. Finally, a single date approach has the potential of improving the transition and comparability for users of the financial statements by focusing on one transition date as compared to multiple transition dates that would need to be analyzed separately.

In proposing this approach we have considered the disadvantage that a single date would delay implementation of all standards for a significant period after issuance. We believe that the advantage of having a stable accounting platform and the synergies provided by a single date approach outweigh this disadvantage. As indicated in our response to Question 6 we would support voluntary early adoption of these standards.

(b) Under a single date approach and assuming the projects noted in the introduction are completed by June 2011, what should the mandatory effective date be and why?

Under a single date approach, the mandatory date should be no earlier than fiscal periods beginning on or after January 1, 2015 for companies with a calendar year-end to ensure that appropriate time is provided to support high quality financial statements. We believe that an

implementation date of 2015 will allow companies the appropriate time to determine the impact of the standards and time to begin accumulating historical information that will be needed in comparative financial statements and make any system changes.

(c) Under the sequential approach, how should the new IFRSs be sequenced (or grouped) and what should the mandatory effective dates for each group be? Please explain the primary factors that drive your recommended adoption sequence, such as the impact of interdependencies among the new IFRSs.

If a sequential approach is adopted we recommend the earlier adoption of standards where there is less effort to adopt with more complex standards having a later effective date. Standards that could be adopted earlier include:

- Fair value measurement,
- Post-employment benefits – defined pension plans, and
- Presentation of other comprehensive income.

Under this approach we believe the effective date for these standards should be January 1, 2013.

The remaining standards would be effective no earlier than January 1, 2015 to provide sufficient time to prepare the information required for current and comparative years to adopt these standards.

(d) Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.

We do not propose another approach.

Q6. Should the IASB give entities the option of adopting some or all of the new IFRSs before their mandatory effective date? Why or why not? Which ones? What restrictions, if any, should there be on early adoption (for example, are there related requirements that should be adopted at the same time)?

We support providing an option to companies to adopt these standards earlier than the mandatory adoption date because early adoption of the new improved standard(s) would improve the quality of financial reporting. We believe that the IASB should link the effective dates of certain of the future IFRSs that have relationship to one another or where an entity's business model would require standards to be adopted at the same time (examples include insurance contracts and financial instruments, revenue from contracts with customers and leases). In order to provide for greater comparability across companies that do not adopt the standards early, it may be useful to require disclosure of the impact if the company did not adopt the standard(s) early.

Q7. Do you agree that the IASB and FASB should require the same effective dates and transition methods for their comparable standards? Why or why not?

We believe that it is preferable that the IASB and FASB provide the same effective date and transition methods as this will improve global comparability of financial statements and contribute to convergence to one set of high quality global accounting standards.

Q8. Should the IASB permit different adoption dates and early adoption requirements for first-time adopters of IFRSs? Why, or why not? If yes, what should those different adoption requirements be, and why?

As noted in our response to Q6, we believe that companies should be able to adopt the requirements of the new standards early. The approach should not be different for first time adopters of IFRS.