
Invitation to Comment

Accounting Standards Board

Draft Strategic Plan 2016–2021

Accounting Standards in Canada: At the Leading Edge of Financial Reporting

May 2015

**COMMENTS TO THE AcSB MUST BE RECEIVED BY
SEPTEMBER 17, 2015**

A PDF [response form](#) has been posted with this document to assist you in submitting your comments to the AcSB. Alternatively, you may send comments via email (in Word format), to: ed.accounting@cpacanada.ca addressed to:

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This Invitation to Comment is issued by the Accounting Standards Board (AcSB). The AcSB is composed of persons knowledgeable in the preparation and use of financial statements with backgrounds in business, public practice and academe. All members serve as individuals and not as representatives of their employers or organizations.

Individuals and organizations are invited to send written comments on the Invitation to comment.

Comments are most helpful if they clearly explain the issues they raise and suggest a specific course of action supported by specific reasoning. All comments received by the AcSB will be available on the website shortly after the comment deadline, unless confidentiality is requested. The request for confidentiality must be stated explicitly within the response.

Overview

The Accounting Standards Board (AcSB) proposes, subject to comments received following exposure, to adopt a five-year strategic plan for the period 2016-2021. This Draft Strategic Plan outlines the AcSB's vision, how it intends to operate, and the broad policy objectives that will guide it in carrying out its standard-setting mandate.

Process and timing for the AcSB's planning process

On the basis of this Invitation to Comment, the AcSB intends to obtain input on its proposed vision and strategies through comment letters and consultations with interested parties. After analyzing the input received, the AcSB will develop any necessary modifications to the plan and discuss a revised draft with the Accounting Standards Oversight Council (AcSOC) in February 2016. The AcSB expects to finalize its plan in March 2016, and begin implementing it on April 1, 2016, the beginning of its next operating year.

Comments requested

The AcSB welcomes comments on all aspects of its Draft Strategic Plan. Comments are most helpful when they indicate the specific issue to which they relate, clearly explain the problem or concern, and provide a suggested alternative approach with supporting reasoning.

Questions are posed in areas of the draft plan for which the AcSB seeks additional stakeholder input to guide the development of its strategy. A summary listing of these questions is provided in Appendix A.

Written comments on this Draft Strategic Plan are requested by September 17, 2015. Comments may also be conveyed to the AcSB orally through meetings to be arranged during the comment period and announced online at www.frascanada.ca.

Accounting Standards in Canada: At the Leading Edge of Financial Reporting

Draft Strategic Plan

May 2015

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**AcSB Draft Strategic Plan for 2016-2021
Summary of Strategies**

AcSB's vision and operations

- Continue to serve the public interest by:
 - maintaining high-quality accounting standards for the major categories of Canadian reporting entities;
 - contributing to global standard setting; and
 - being accountable to stakeholders.
- Display the attributes and follow the best practices of a world-class standard setter
- Improve effectiveness and efficiency by:
 - streamlining processes; and
 - developing a formal research program.
- Fine-tune operations to:
 - increase stakeholder awareness of the AcSB's standard-setting activities and how to become involved; and
 - liaise more effectively with others to benefit Canadians and influence best practices.

Strategies for the major categories of reporting entities (core strategies unchanged from 2011-2016 Strategic Plan)

Category	Core strategy	Plans to improve implementation
Publicly accountable enterprises	Support the application in Canada of IFRSs.	<ul style="list-style-type: none"> • Monitor the effective date decisions of jurisdictions applying IFRSs and work with others to encourage a common date for global adoption of new standards, while retaining the right to select an effective date that is right for Canadians. • Support the IASB's role as issuer of authoritative guidance on IFRSs, while retaining the right to also issue guidance if warranted for specific topics.
Private enterprises	Maintain the new set of standards established in 2011 for this sector (i.e., do not converge with IFRSs).	<ul style="list-style-type: none"> • Continue to assess possible changes to Part II against established criteria. • Continue having major changes take effect no more frequently than every two years. • Maintain the annual improvements process. • Continue to issue principles-based standards and take steps to further support the exercise of professional judgment.
Not-for-profit organizations (NFPOs)	Maintain the separate set of standards that address the specific needs of NFPOs. For non-specific needs, direct NFPOs to Part II.	<ul style="list-style-type: none"> • Continue with the Part III improvements project in collaboration with the Public Sector Accounting Board. • Develop a process to manage future changes to Part III.
Pension plans	Maintain the separate set of standards in Part IV.	<ul style="list-style-type: none"> • Monitor developments to determine when a project on improving the accounting standards for pension plans should start.

Introduction

This Draft Strategic Plan proposes, subject to comments received following exposure:

- the defining attributes the Accounting Standards Board (AcSB) will display and the methods by which it will operate; and
- the broad policy objectives the AcSB will adopt to guide it in carrying out its standard-setting mission for the period 2016-2021.

The AcSB is committed to meeting the financial reporting needs of Canadians, resulting in improved information that facilitates the efficient functioning of capital markets. The AcSB's 2006-2011 Strategic Plan represented a fundamental shift in direction ("one size does not fit all") and was a strong demonstration of that commitment. As a result of that plan, separate standards were established for the different categories of reporting entities (i.e., publicly accountable enterprises, private enterprises, not-for-profit organizations and pension plans). Each set of standards was developed to meet the needs of the users of financial statements of entities in the relevant category, having due regard to the benefits and costs of the standards. The AcSB's 2011-2016 Strategic Plan allowed time for the new strategies forged in the previous plan to settle.

Moving forward from those plans, the AcSB must ensure that it continues to meet its commitment. Doing so necessarily involves reflecting upon the manner in which the AcSB operates, and the nature and scope of its activities. This is especially important given Canada's recent transition to International Financial Reporting Standards (IFRSs) for publicly accountable enterprises, and the general implications for Canada of global standard-setting developments in all categories of reporting entities. In order to provide the greatest benefit and remain relevant to Canadians, the AcSB must continually look for ways to build on and leverage the position it holds in the international community. That means looking out for the interests of Canadians when they are affected by the decisions of other standard setters, and incorporating and contributing to the development of global best practices.

This Draft Strategic Plan sets out the AcSB's overall vision of how it intends to operate in the future (see Section I – "The AcSB now and in five years' time"), and how that vision translates to its strategies for the different categories of reporting entities over the plan period (see Section II – "Strategies for the major categories of reporting entities").

When developing this Draft Strategic Plan, the AcSB was mindful of the constraints under which it operates. These constraints include:

- limits to its ability to obtain the desired input from stakeholders given other demands on their time, including the effort to implement substantive new or amended standards;

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- the fact that, with the exception of the Chair, the AcSB is a volunteer Board responsible for determining Canadian GAAP for four categories of reporting entities with diverse needs; and
 - the ongoing need for technical staff and financial resources that can appropriately support the AcSB.

Some of these constraints are more easily managed than others. For example, except for publicly accountable enterprises, the AcSB decides on the pace and timing of changes to standards applicable to the different categories of reporting entities, which affects the ability of stakeholders to absorb change. Opportunities also exist to achieve a higher level of stakeholder engagement in the AcSB's standard-setting activities, whether by making the AcSB more accessible to individuals and groups across Canada or impressing upon stakeholders the benefits to them of being involved. In contrast, the human and financial resources available to the AcSB are assessed by its oversight body, the Accounting Standards Oversight Council (AcSOC), and funded by CPA Canada under a longstanding arrangement that may be subject to reexamination during the plan period. This Draft Strategic Plan assumes that the resources required over the plan period to achieve the strategies set out below will be available. In addition to the right level of resources, a focused and disciplined approach to the prioritization and execution of its projects will be key to the AcSB's success.

I. The AcSB now and in five years' time

Vision

The Canadian financial reporting system has several components. The AcSB establishes the standards that drive financial reporting. Others prepare, audit or regulate the financial statements that result from the application of those standards, or use them to make financing and investing decisions and assess management stewardship. Together, the various elements of our financial reporting system, and the ability and efforts of all involved have resulted in Canada continuing to be viewed internationally as “punching above its weight”.

Canadian stakeholders we have consulted continue to support the existence of a strong national standard-setting capability to maintain the sets of domestic standards for private enterprises, not-for-profit organizations and pension plans, and facilitate Canada's participation in global standard setting while retaining the right to determine the suitability of IFRSs for incorporation into Canadian GAAP. The fact that the AcSB was appointed an initial member of the International Accounting Standards Board's (IASB) Accounting Standards Advisory Forum (ASAF) indicates that Canada's participation in global standard setting is valued internationally as well.

The AcSB remains committed to continuing to serve the public interest by:

- maintaining high-quality accounting standards for the major categories of Canadian reporting entities;
- contributing to global standard setting; and
- being accountable to its stakeholders.

By high-quality standards, we mean standards that promote stakeholder confidence in the quality of information reported by Canadian entities, with due consideration for the costs and benefits to preparers and users of financial statements and changes in the economic environment. Contributing to global standard setting involves participating with other standard setters in the development of a single set of high-quality internationally accepted financial reporting standards and acting as thought leaders on financial reporting issues. We will be accountable to our stakeholders by being responsive to their needs and respectful of their time, and by facilitating their participation and input to the development of the standards that affect them.

Question 1: Do you agree with the AcSB's vision as described in this Draft Strategic Plan? If so, are there aspects that you think should be emphasized? If you do not agree, why not?

How the AcSB operates

The AcSB recognizes that in order to achieve its desired outcomes, it must not only “do the right things”, but also “do things right”. The AcSB has gathered information from around the globe on the characteristics and processes that define an effective and efficient standard setter, and measured itself against this benchmark. The results indicate that in many areas the AcSB already follows best practices. Nonetheless, the AcSB has identified opportunities for improvement in each of the following three key aspects of the standard-setting function:

- qualitative characteristics of the standard setter;
- due process; and
- relationships with others.

These opportunities are described below.

As a result of the planned enhancements described in this Draft Strategic Plan, the AcSB sees itself in five years' time as a highly engaged and high-functioning standard setter that displays best practices in every aspect of its operations and continues to be a respected member of the global standard-setting community — in short, a standard setter at the leading edge of financial reporting.

Qualitative characteristics

The qualitative characteristics of an effective and efficient standard setter include neutrality, objectivity, independence, competence, effectiveness and efficiency. The AcSB thinks that in operating within its stated [terms of reference](#), it displays each of these characteristics. Nonetheless, it has identified opportunities for improvements in two areas – competence, and effectiveness and efficiency – as described below.

Competence

AcSB voting members are selected, and their terms of office set, by AcSOC to ensure an appropriate balance of competencies and experiences. The competencies and experiences of AcSB members themselves are complemented by those of individuals who serve on its advisory committees and are members of its professional staff. The AcSB has every reason to believe that the required number and mix (in terms of experience and skill sets) of volunteers to serve on its support groups and committees will continue to be available throughout the strategic plan period. However, the heavy workload the AcSB has experienced in recent years has stretched its members, staff and financial resources, and is expected to continue over the plan period. The AcSB has commenced a process to assess the resources and skill sets required to carry out its proposed strategies. CPA Canada, which continues to make human and financial resources available to the AcSB, is assisting with this process. (See “Introduction” for a discussion of resource and other constraints faced by the AcSB.)

Effectiveness and efficiency

Overall, the AcSB thinks that it operates efficiently. For example, new or amended IFRSs are incorporated into Canadian GAAP within three to eight months of their release by the IASB.¹ The AcSB's recent heavy workload has caused it to prioritize projects and assess the extent of work required. In addition, a process mapping exercise has been undertaken to examine the processes by which it carries out its activities. The AcSB will look for opportunities to streamline its processes and improve them in other ways in order to free up resources and achieve further efficiencies.

Effectiveness and efficiency in standard setting is also facilitated by conducting research on a timely basis. Research aids in the identification of key issues to be addressed during the development of a standard on a particular topic, thus allowing for more focused deliberations. Research also supports evidence-based decision making, including on the importance of one project relative to others to aid prioritization. The AcSB has identified research as an area for improvement.

The AcSB conducts research relating to each category of reporting entity that includes a review of current developments and best practices in standard setting internationally. In addition, as relates to IFRSs, the AcSB performs quantitative analyses regarding Canadian foreign private issuers reporting under IFRSs and U.S. GAAP. However, the AcSB does not currently have a formal research initiative of the type some other national standard setters have established in order to assist the IASB by providing a starting point for discussions, or thought leadership, on a particular topic. Formal research undertaken by the AcSB for each category of reporting entity could be shared internationally, and is one way for a jurisdiction with a relatively small capital market to demonstrate its value-added capabilities. The AcSB proposes to develop a formal research program in order to remain a contributing member of the global standard-setting community and ensure the continued quality of its accounting standards. An example of a potential research topic relevant primarily to publicly accountable enterprises at this point is the new types of pension plans emerging in various jurisdictions including Canada. Current standards may not provide adequate guidance on how to account for the employer and pension fund liability relating to such plans (see paragraphs 73-74 in the accompanying Background Information and Basis for Conclusions).

Question 2: Do you agree that the AcSB should develop a formal research program? If so, what topics would you suggest as potential candidates for research? If you do not agree, why not?

¹ In comparison, the European Union generally endorses an IFRS within seven to 19 months, and the Australian Accounting Standards Board within one to nine months, of its release by the IASB.

Due process

The AcSB's due process, as documented in the [AcSB Due Process Handbook](#), is based on the principles of accountability, transparency and consultation, and is comparable to that of other global standard setters, including the IASB. The AcSB is directly accountable to AcSOC for its performance in fulfilling its mandate. The Due Process Handbook sets out the process that the AcSB follows in setting financial reporting standards, and provides AcSOC with a basis for holding the AcSB accountable for the procedures it follows in practice. AcSOC reviews the performance of the AcSB annually relative to its strategies and plans, including its adherence to due process in the conduct of its activities. The results of the assessment of the AcSB's performance are made public in the AcSB's annual report.

When looking for operational improvements relating to due process, the AcSB focused on transparency and consultation, as explained below.

Transparency

Unlike some national standard setters, the AcSB does not meet in public.² AcSB meeting agendas are available online in advance of the meeting, and summaries of the decisions made in the meeting are posted afterwards. The AcSB has previously considered whether it should meet in public in order to increase the transparency of its technical deliberations. However, it continues to think that meeting in private enables its members, who, except for the Chair, are volunteers, to freely share their opinions without the risk of reprisal, and carry out their responsibilities in a neutral and objective manner. As a result, meeting in private likely contributes to the number and types of individuals who are willing to serve as AcSB members. Accordingly, the AcSB proposes no change to this aspect of its operations at the present time, but will continue to monitor this issue in the future.

Another aspect of transparency in standard setting is open communications with constituents about recent and impending developments. The AcSB communicates extensively with its constituents through its outreach activities and online (at www.frascanada.org). However, during the strategic initiative consultations conducted during 2014 (see "Strategic initiative consultations" in [Appendix B](#)), the AcSB learned that, overall, its communications efforts have been less effective than hoped for in terms of stakeholder engagement and awareness. For example, many stakeholders were surprised to learn that a sizable portion of AcSB meeting and staff support time is spent on IFRS-related activities. These activities relate primarily to influencing the development of IFRSs and often occur at the front end of an IASB project. The AcSB raises awareness in Canada about all projects to develop an IFRS and connects

² This is consistent with both the Public Sector Accounting Board and the Auditing and Assurance Standards Board.

Canadians interested in a particular project with members and staff of the IASB by hosting roundtables, arranging one-on-one meetings, etc.

The AcSB proposes the following communications improvement initiatives for particular categories of reporting entities so that stakeholders are better informed about standard-setting activities and have ample opportunity to provide input. As a general statement, when executing these initiatives, the AcSB will continue to look for ways to increase its overall accessibility to stakeholders, particularly in terms of the geographic breadth of its outreach activities. For example, holding webinars is an effective mechanism for reaching a wide audience of stakeholders.

For publicly accountable enterprises, the AcSB will examine ways to:

- increase awareness of the AcSB's activities, and how the AcSB works with the IASB (including its interpretative body, the IFRS Interpretations Committee) and other international standard setters (including the FASB) to influence the development of IFRSs for the benefit of Canadian financial reporting; and
- solicit input in respect of the development of IFRSs.

For private enterprises, the AcSB will examine ways to:

- increase stakeholders' awareness of the process for setting standards for this sector, including how they can become involved, and obtain their input on the standards affecting them;
- consider how the annual improvements process can be promoted more effectively; and
- explain more fully, throughout the life of a project, the reasons for a new or amended standard.

For NFPOs, the AcSB will examine ways to increase its outreach and undertake a more formal approach to engaging with entities in the sector in order to:

- continue to better understand user needs and preparer concerns; and
- increase awareness of the AcSB's project activities so that stakeholders can follow and participate in ongoing work on topics that affect them.

Consultation

As part of its due process, an effective and efficient standard setter consults with its constituents about its project priorities. In the case of IFRSs, the AcSB regularly meets with its advisory committees and exposes the IASB's agenda consultations for Canadian input. In the past, the AcSB has sought public views on its work plan for Part II of the Handbook, as part of its strategic plan consultations, and in discussions with its advisory committees and other stakeholders.

As a result of what it heard from stakeholders during the development of this Draft Strategic Plan, the AcSB is now considering conducting a formal agenda consultation on its future Part II work plan. To gauge stakeholder interest in participating, this Draft Strategic Plan asks respondents whether such an agenda consultation is needed (see Question 7). Similarly, this Draft Strategic Plan asks for stakeholders' views on the appropriate timing for a project to make improvements to Part IV of the Handbook (see Question 9).

Relationships with others

Standard setters often liaise with other authorities (including securities regulators, governments, auditing regulators, prudential regulators and professional accounting bodies) in working towards a shared goal of high-quality financial reporting. The AcSB has traditionally placed a heavy emphasis on liaison activities. This emphasis will only increase over the strategic plan period, in support of the AcSB's plans to improve the implementation of its core strategies for the major categories of reporting entities.

For publicly accountable enterprises, the AcSB will do the following:

- Continue to have a high level of interaction with other international standard setters, working with them to minimize differences in the various sets of standards applied internationally. Given the frequency of cross-border activities and comparisons made between Canadian and U.S. entities operating in the same industries, the AcSB will also continue its efforts to encourage the IASB and the FASB to narrow the differences between their respective sets of standards, assist in the identification of qualified Canadians to serve on the advisory groups of those two Boards, and liaise with the FASB on matters of mutual interest.
- Continue to participate in and influence the development of IFRSs to ensure that the views of Canadians are given due consideration, so that reliance may continue to be placed on the IASB's due process in deciding to adopt new and amended IFRSs as an element of Canadian GAAP.
- Work with the IASB, securities regulators and standard setters in other jurisdictions to minimize the challenges faced by Canadians in being among the first to adopt and interpret significant and complex new or amended standards (see Section II – Strategies for the major categories of reporting entities – For publicly accountable enterprises – Adoption of new or amended IFRSs).

For private enterprises, the AcSB will work with other organizations and groups, including provincial practice inspectors, in order to identify issues that could affect major projects relating to standards for this sector, or should be considered during the annual improvements process already established as a mechanism for managing changes to those standards. The AcSB will also work to create awareness of the final amendments issued as a result of the annual improvements process.

For NFPOs, the AcSB will continue the dialogue it has commenced with others involved in standard setting for this sector (i.e., PSAB, as well as standard setters in other jurisdictions) in order to be aware of best practices in this area when making decisions relating to standards for this sector, and to contribute to the development and maintenance of such practices.

For pension plans, the AcSB will liaise with Canadian actuaries, in order to ensure that their specialized knowledge of pension plans is considered when developing standards for this sector. It will also liaise with PSAB and the IASB as appropriate to support the project each has undertaken in this topic area. For the IASB's project, this support will include responding to any requests for input received during the strategic plan period.

II. Strategies for the major categories of reporting entities

This Draft Strategic Plan is based on the premise that the core strategies for the major categories of reporting entities reflected in previous AcSB strategic plans remain appropriate in the current financial reporting environment.³ Therefore, this Draft Strategic Plan continues those core strategies and focuses on improvements to their implementation, based on extensive stakeholder consultations conducted by the AcSB in 2014.

For each category of reporting entity, the following describes the core strategy applicable to that category and the AcSB's plans for improvement. The Background Information and Basis for Conclusions starting on page 16 sets out the rationale for those plans.

For publicly accountable enterprises

The AcSB will continue its core strategy of supporting the application in Canada of International Financial Reporting Standards (IFRSs), as issued by the IASB. The AcSB will seek to improve the implementation of that strategy, particularly in the following areas:

Adoption of new or amended IFRSs

The AcSB has adopted a policy of incorporating into Canadian GAAP new or amended IFRSs, as issued by the IASB, after completing its own due process. When jurisdictions other than Canada that report in accordance with IFRSs defer the effective date set by the IASB for a particular standard, Canadians can find themselves among the first to adopt, and interpret, a significant and complex new or amended IFRS. There are associated challenges, risks and costs, as described in the accompanying Background Information and Basis for Conclusions (see paragraph 12).

As the Canadian standard setter, the AcSB retains the right to decide whether the mandatory effective date set by the IASB is appropriate for application in Canada. Accordingly, the AcSB will monitor the effective dates set by other jurisdictions and stand ready to act on a case-by-case basis if necessary so that Canadians are not disadvantaged by the adoption of major new IFRSs. The AcSB will also:

- impress upon the IASB, securities regulators and standard setters in other jurisdictions the benefits of a single date for the global adoption of new IFRSs in order to influence their decisions in this area; and

³ The rationale for this premise is explained in Appendix B.

-
- explore ways to better support the implementation of new IFRSs through the identification and discussion of issues in Canada and other jurisdictions.

Question 3: Have you experienced difficulties as a result of other jurisdictions that apply IFRSs deferring the mandatory effective date set by the IASB for a new or amended standard? If so, when, what kind of difficulties, and how do you think the AcSB could assist?

Guidance

In order to support a single set of high-quality global accounting standards and consistent with its core strategy, the AcSB will generally not issue authoritative guidance on IFRSs. However, the AcSB will continue to monitor the need for it to exercise its ability to issue such guidance if that is warranted for a specific topic. The AcSB will also continue its efforts to identify IFRS application issues and encourage the IASB to address such issues.

Question 4: In addition to authoritative guidance, the IASB issues non-authoritative material that is not currently available in Part I of the Handbook (for example, basis for conclusions documents, implementation guidance, illustrative examples and introductory paragraphs in individual standards) (see paragraph 20 of the Background Information and Basis for Conclusions). Do you consider the non-authoritative material that accompanies but does not form an integral part of IFRSs to be necessary for the application of those standards? If you do:

- (a) how soon after the issuance of the standard to which the non-authoritative material relates do you require it? and
- (b) for which standard(s) do you currently have the greatest need for the related accompanying non-authoritative material to be made available in Canada?

For private enterprises

The AcSB will continue its core strategy of maintaining the new set of standards established in 2011 for this sector. The AcSB will seek to improve the implementation of that strategy, particularly in the following areas:

Financial statement users

The standards in Part II of the Handbook were developed primarily to meet the needs of creditors, who the AcSB thinks are able to obtain additional information from private enterprises upon request. The following two questions are intended to test that assumption and determine whether others make frequent use of the financial statements of private enterprises. If there are other frequent users with or without an ability to obtain additional information upon request, the AcSB should gain a better understanding of their information needs in order to ensure they are also met.

Question 5: Besides creditors, do others (such as private equity investors) make frequent use of private enterprise financial statements (see paragraphs 40-41 of the Background Information and Basis for Conclusions)? If so:

- (a) to what extent do the information needs of those users differ from those of creditors? and
- (b) are those users able to identify and obtain additional financial information from private enterprises upon request?

Question 6: If you are a creditor, are you able to identify from the financial statements, and obtain from private enterprises upon request, the additional financial information you need to make informed lending decisions (see paragraph 40 of the Background Information and Basis for Conclusions)?

Changes to the standards

The AcSB has in place tools and mechanisms for identifying and considering potential changes to accounting standards for private enterprises (i.e., potential new standards or amendments to existing standards) and executing the changes made. With respect to these tools and mechanisms, the AcSB will:

- continue to assess potential major changes against its established criteria of whether the change represents a significant improvement to the standards and meets the cost/benefit test;
- continue to set the effective dates for major changes to Part II so that such changes occur no more frequently than every two years; and
- maintain its [annual improvement process](#) for corrections of errors and clarifications of existing guidance.

As further assistance in identifying and prioritizing potential changes to accounting standards for private enterprises, the AcSB is considering whether to conduct a formal agenda consultation.

Question 7: Do you think the AcSB should conduct a formal agenda consultation before deciding on its future work plan for Part II of the Handbook (see paragraphs 47-49 of the Background Information and Basis for Conclusions)?

Guidance

The AcSB will continue to issue principles-based standards for private enterprises and take steps to further support the exercise of professional judgment when applying the standards. When conducting post-implementation reviews of new standards, the AcSB

will also assess the extent to which the level of guidance included in the standard has permitted an appropriate exercise of professional judgment.

For not-for-profit organizations

The AcSB will continue its core strategy of maintaining a separate set of standards for the not-for-profit sector that address the transactions and circumstances unique to this sector. For transactions and circumstances that are not unique to not-for-profit organizations (NFPOs), the standards will continue to direct organizations to apply the standards for private enterprises.

The AcSB will also continue with the improvements process commenced in 2011 to review the standards in Part III of the Handbook and update them as necessary. In carrying out this process, the AcSB will:

- focus on understanding and meeting the differing needs of users of the financial statements of the public benefit and member benefit organizations that make up the private not-for-profit sector; and
- continue to work in collaboration with the Public Sector Accounting Board (PSAB), with the objective of achieving consistency between the private and public sector standards when appropriate. When such consistency is inappropriate for a particular standard, the AcSB proposes to make clear the reasons why.

Question 8: Do you agree that there are some areas of not-for-profit accounting for which it is appropriate that consistency between the private and public sector standards be an objective (see paragraph 64 of the Background Information and Basis for Conclusions)? If so, why, and what criteria should the AcSB apply to determine those areas? If you do not agree, why not?

The AcSB will seek to improve the implementation of its core strategy, particularly in the following area:

Changes to the standards

After the completion of the improvements process referred to above, the AcSB will develop a process to manage future changes to accounting standards for not-for-profit organizations. When developing this process, the AcSB will consider the need for a mechanism focusing on clarifications of the standards and the correction of errors, similar to its annual improvements process for Part II of the Handbook.

For pension plans

The AcSB will continue its core strategy for this group of publicly accountable enterprises of maintaining the separate set of standards in Part IV of the Handbook.⁴ The AcSB has previously indicated its intention to undertake an improvements project for Part IV of the Handbook. Based on stakeholder input regarding the timing for such a project, and the need to prioritize its work, the AcSB proposes to monitor developments to determine when an improvements project should start.

Question 9: On a preliminary basis, the AcSB has concluded that the previously planned improvements project for pension plans (see paragraph 76 of the Background Information and Basis for Conclusions) is not needed immediately. Do you agree? If not, why not?

These strategies require the development of more detailed implementation plans, including operating plans. Such plans are not included in this document but are prepared annually following the adoption of the strategies.

The AcSB faces a number of risks in fulfilling its mandate. These risks may be categorized as follows:

- strategic – the risk that the AcSB selects strategies that do not allow it to achieve its objectives;
- operational – the risk that the AcSB's strategies are poorly executed for a variety of reasons including inadequate resources;
- acceptance – the risk that, even though the standards the AcSB issues are of overall high quality and meet its objectives, stakeholders do not agree with this assessment and do not apply some or all of the standards; and
- reputational – the risk of loss resulting from damages to the AcSB's reputation.

The strategies proposed in this Draft Strategic Plan have been developed keeping in mind the key risks in each category, and the controls in place to mitigate those risks.

The AcSB will need to obtain feedback from its stakeholders over the term of its next strategic plan to assess whether, in fact, its activities are producing the intended outcomes and whether those outcomes are bringing the AcSB and its stakeholders closer to its vision. Feedback will be sought continually through communication activities generally and through periodic survey questionnaires. Each annual operating plan will contain specific performance measures to assess progress in achieving annual targets

⁴ The standards in Part IV also apply to benefit plans that have characteristics similar to pension plans and provide benefits other than pensions.

for each of the strategies (as has been the AcSB's practice in past years). Publication of this Draft Strategic Plan provides stakeholders with an opportunity to comment on whether the proposed strategies will contribute to achieving the AcSB's vision.

Background Information and Basis for Conclusions

Introduction

1. This Background Information and Basis for Conclusions explains the rationale for the Accounting Standards Board's (AcSB) proposed strategies for the major categories of reporting entities (see Section II). It sets out the details of the strategies the AcSB proposes to adopt and the reasons for adopting those strategies and not others. The AcSB's rationale for its proposals relating to its vision and operations are included in Section I of this Draft Strategic Plan.
2. This Draft Strategic Plan does not include a work program specifying projects for developing or adopting individual accounting standards, nor detailed steps for carrying out each of the strategies described. The AcSB prepares and publishes annual operating plans to progress towards the achievement of the broad policy objectives set out in its strategies. These operating plans are available online at www.frascanada.ca.
3. This plan has been developed in accordance with the mission, objectives and responsibilities of the AcSB that are set out in its [terms of reference](#) provided by its oversight body, the Accounting Standards Oversight Council (AcSOC). The AcSB's mandate is to serve the public interest by establishing standards and guidance for financial reporting by all Canadian entities outside the public sector and by contributing to the development of internationally accepted financial reporting standards. Its mission is to support informed economic decision making by maintaining a framework that provides a basis for high-quality information about financial performance reported by Canadian private sector entities.

Development of the plan

4. In mid-2013, the AcSB began the formal project to develop its next strategic plan, to be in place by the start of its 2016-2017 operating year. The 2011-2016 Strategic Plan is focused on allowing the new directions forged in its previous strategic plan (i.e., of setting separate standards for different categories of reporting entities) to settle. To determine the degree of success achieved relative to its long-term objectives over the term of the 2011-2016 Strategic Plan, the AcSB committed to undertaking a comprehensive review of the financial reporting environment and the effects of applying the new sets of standards recently adopted or about to be adopted for publicly accountable enterprises, private enterprises and not-for-profit organizations (NFPOs). That commitment was affirmed in the AcSB's 2013-2014 Annual Plan.

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5. The AcSB's comprehensive review comprised two separate components. The first component assessed the effects of transitioning to the new accounting frameworks for each major category of reporting entity. The AcSB had already undertaken significant monitoring of the adoption and application of those frameworks, and considered it prudent to examine the results of that monitoring as a whole, as well as the current financial reporting environment. The AcSB wished to confirm that the core strategies it had previously adopted for each major category of reporting entity remained appropriate, and that no fundamental shift was necessary. In all other respects than the one explained in the following sentence, this component was completed by March 2014. For publicly accountable enterprises, the AcSB continues to monitor the adoption and application of International Financial Reporting Standards (IFRSs) by entities in the two sectors still completing their changeover to those standards (i.e., investment companies and segregated accounts of life insurance enterprises, and entities with rate-regulated activities). Details of this component of the AcSB's review are provided in [Appendix B](#).
 6. This first component of the AcSB's comprehensive review provided evidence that the AcSB's current core strategies were proven to be appropriate and should continue into the next strategic plan. With that knowledge, the AcSB began the next component of its comprehensive review. This component was intended to identify how the AcSB could better implement those strategies and took the form of a strategic initiative involving an extensive program of stakeholder consultations. Over 40 roundtable discussions were held across Canada, involving approximately 360 stakeholders who participate in the process for setting standards for one or more of publicly accountable enterprises, private enterprises, NFPOs and pension plans. The information obtained through that outreach was critical to the development of the proposed strategies set out in this document.
 7. Strategic plans for many types of organizations typically cover a period of three to five years. The AcSB has tentatively decided that a five-year period for the Draft Strategic Plan reflects the current financial reporting environment and the nature of the plan. Entities in all categories of reporting entities have made significant progress in adjusting to their new accounting frameworks and no major changes are anticipated in any of the categories that would warrant a change in strategic direction. A five-year period will also provide time to execute and assess the effectiveness of the initiatives proposed by the AcSB to improve the implementation of its core strategies.
 8. The AcSB is inviting public input on its current strategic planning activities through this Invitation to Comment and will then proceed to finalize its new strategic plan after considering the responses received and additional input from AcSOC. Comments on both the content of the plan and its development process are welcome.

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9. To assist the AcSB in finalizing its new strategic plan, this Invitation to Comment includes a number of questions in areas for which the AcSB seeks additional stakeholder input to that obtained from its strategic initiative consultations. A summary listing of these questions is provided as [Appendix A](#).

Focusing on implementation

10. [Appendix B](#) describes the reasons why the AcSB concluded as it did on the continued appropriateness of its core strategy for each category of reporting entity. This Background Information and Basis for Conclusions explains how the AcSB arrived at its proposals to improve the implementation of those core strategies, or decided to seek additional stakeholder input in particular areas.
11. The AcSB's proposals were developed after considering stakeholder views on key issues identified during its strategic initiative consultations. For each category of reporting entity and by key issue, the following describes what the AcSB heard from stakeholders, the alternatives it considered to address the issue, and the proposals put forth in this draft strategic plan or the additional information the AcSB seeks before developing a strategy for improvement.

Publicly accountable enterprises

Issue 1: Adoption of new or amended IFRSs

What the AcSB heard

12. The AcSB has adopted a policy of incorporating into Canadian GAAP new and amended IFRSs, as issued by the IASB, after completing its own due process. Particular jurisdictions other than Canada that have moved to IFRSs have, on occasion, permitted the adoption of a new or amended IFRS after the effective date set by the International Accounting Standards Board (IASB).⁵ This leads to Canada being among the first to adopt, and interpret, a significant and complex new or amended standard. Stakeholders have communicated to the AcSB the associated challenges, risks and costs, including the possibility of Canadians:
- (a) being placed at a competitive disadvantage due to the financial statement effects of implementing the standard;
 - (b) running the risk of making what they consider to be a reasonable interpretation of the new or amended standard, only to discover afterwards that others around the world adopting the standard at a later date have interpreted it differently, possibly as a result of interpretative guidance that became available after the standard was first applied by Canadians; and

⁵ Entities applying standards after the effective date set by the IASB cannot do so for purposes of filings made with the U.S. Securities and Exchange Commission using financial statements prepared in accordance with IFRSs.

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- (c) finding it necessary to assist users in comparing their financial results with entities in other jurisdictions that have not yet adopted the standard by doing one or both of the following:
 - (i) disclosing additional non-GAAP measures; and
 - (ii) providing investors more detailed information than what is found in the financial statements in order that they can differentiate between the effects of the new requirements and other factors affecting the entity's financial information.

Stakeholder concerns about this issue have been heightened given the impending need to adopt recently issued or expected major standards on financial instruments, revenue, leases and insurance.

Alternatives considered and the AcSB's proposals

13. The AcSB recognizes the importance of this issue to Canadians and discussed alternatives for how to respond to stakeholder concerns while providing users of financial statements with the most useful information. Those alternatives include taking the following actions, either individually or in combination:
 - (a) encouraging a single date for the global application of new IFRSs by working with the IASB, other standard setters and securities regulators;
 - (b) facilitating a dialogue between preparers, auditors and securities regulators from jurisdictions that apply new standards at the date required by the IASB to discuss interpretation concerns (for example, foreign private issuers with the U.S. Securities and Exchange Commission that are domiciled in the European Union, Japanese companies that voluntarily adopted IFRSs and others); and
 - (c) setting effective date requirements that result in Canadian entities:
 - (i) adopting a standard for the same annual period as other major jurisdictions (i.e., the European Union); or
 - (ii) applying the standard in the same time frame (i.e., prohibit early adoption or require entities with non-calendar year ends to early adopt by one year).

The AcSB notes that changes to securities regulations could also be required to achieve either of these desired effects.

14. There are significant advantages and disadvantages with the possible actions identified, given that public companies need to make an unreserved statement of compliance with "IFRSs as issued by the IASB" to comply with Canadian and U.S. security law requirements. Another complicating factor is that a key part of the Canadian financial reporting process is the issuance of quarterly financial statements. In contrast, interim reporting is required on a semi-annual basis in Europe, the U.K. and Australia. Regardless of any actions the AcSB might take,

Canada will continue to be one of a few jurisdictions to be the first to publish interim financial statements in accordance with a new IFRS. The overall concern for the AcSB is the effect on Canadian stakeholders when other jurisdictions adopt new standards for fiscal years later than the date set by the IASB.

15. The AcSB retains the right to decide whether the mandatory effective date set by the IASB is appropriate for application in Canada. Accordingly, the AcSB proposes to monitor the effective dates set by other jurisdictions and stand ready to act on a case-by-case basis if necessary to meet the needs of Canadians.
16. The AcSB also proposes to undertake the following actions to address this issue:
 - (a) encourage a single date for the global application of new IFRSs by working with the IASB, other standard setters and securities regulators;
 - (b) reduce the effect on entities that apply new IFRSs when required by the IASB by facilitating a dialogue between Canadian stakeholders and those in other jurisdictions that apply standards at the same time in order to discuss interpretation concerns;
 - (c) work with Canadian securities regulators and other regulators to support the adoption and interpretation of new standards;
 - (d) encourage the early identification and discussion of implementation issues among Canadian stakeholders, and assess such issues in order to determine whether they should be raised with the IASB or its interpretations committee (as well as with the U.S. Financial Accounting Standards Board (FASB) or its interpretations committee, in the case of converged standards); and
 - (e) work with the IASB (and the FASB, as appropriate) to better support the implementation of the new and amended standards by encouraging and supporting timely responses to related implementation issues.
17. Paragraph 12 mentions recently issued or anticipated standards that are complex and have, or are expected to have, mandatory effective dates within the strategic plan period. The AcSB expects to devote substantial resources to incorporate these standards into Part I of the Handbook and support their adoption by Canadians. The AcSB also assists with the identification of implementation issues relating to new IFRSs through its IFRS Discussion Group, and by providing support to Canadians that have been appointed to implementation support groups established by the IASB for particular new standards. Examples are the IASB/FASB [Joint Transition Resource Group for Revenue Recognition](#), and the [IFRS Transition Resource Group for Impairment of Financial Instruments](#).

Issue 2: Guidance

What the AcSB heard

18. During the AcSB's strategic initiative consultations, some stakeholders expressed the view that the AcSB should issue authoritative guidance relating to IFRSs.
19. Some stakeholders also thought that non-authoritative material issued by the IASB to accompany a standard is helpful and, in fact, necessary, to apply the standard and should be made available in Canada. Currently, Part I of the Handbook includes only IFRSs (including accompanying material issued by the IASB and labelled as an integral part of the standard).

Alternatives considered and the AcSB's proposals

20. When considering the issue of guidance, the AcSB observed the delineation between authoritative guidance and non-authoritative material. Non-authoritative material relates to but is not an integral part of a standard and is not required to be applied. Examples of non-authoritative material issued by the IASB are basis for conclusions documents, implementation guidance, illustrative examples, introductory paragraphs in individual standards, and educational material on a particular standard. Authoritative guidance, on the other hand, is an integral part of a standard and must be applied. Examples of authoritative guidance are application guidance issued by the IASB to accompany a particular standard and interpretations issued by the IFRS Interpretations Committee.
21. The AcSB noted that those stakeholders requesting it to issue authoritative guidance on IFRSs appeared to understand the dilemma posed for the AcSB should it do so. Issuing interpretations and guidance would run counter to the AcSB's strategy of supporting the achievement of a single high-quality global set of accounting standards. It could also result in the proliferation of jurisdiction-specific guidance if other national standard setters were to do the same. The AcSB continues to think that, as the sole issuer of IFRSs, the IASB should be the one to issue any such material.
22. The AcSB is mindful of its responsibilities as part of the international standard-setting community, and the constraints that participation imposes on its ability to issue authoritative guidance. The AcSB is a member of the International Forum of Accounting Standard Setters (IFASS). The IFASS Charter notes that a national standard setter would refrain from producing its own interpretation of IFRSs except when:
 - (a) the standard setter concludes, after having undertaken supporting research and following the process described above, that an issue is jurisdiction specific by virtue of the circumstances prevailing in that particular jurisdiction; or

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- (b) an interim solution is needed in a particular jurisdiction because the process described above does not result in a timely outcome.
23. The IFASS Charter also requires a standard setter that proceeds to develop an interpretation to seek a reasonable level of confidence that it is not misrepresenting IFRSs or causing problems for others.
24. Canada is currently a member of the IASB's [Accounting Standards Advisory Forum](#) (ASAF). The Memorandum of Understanding between the IFRS Foundation and ASAF members notes that, among other things, the Forum is intended to contribute to the development of a single set of standards. The AcSB sees this as another reason why it should not issue authoritative guidance on IFRSs.
25. The AcSB observed that the IASB has mechanisms in place to issue both authoritative and non-authoritative material of the type Canadian stakeholders seek. Those mechanisms include the IFRS Interpretations Committee, the annual improvement process, and the issuance of educational material in specific topic areas. The AcSB monitors the activities of the IASB relating to each of these mechanisms and participates as appropriate to encourage their efficient and effective utilization. This participation includes bringing to the IASB's attention any concerns the AcSB may have about the mechanisms themselves, or the way in which they are applied from time to time.
26. The AcSB, itself, also has processes by which it identifies issues with IFRSs and brings them to the attention of the IASB for consideration and the possible issuance of guidance. The AcSB's [IFRS Discussion Group](#) discusses issues faced by Canadians when implementing IFRSs to both increase awareness of those issues and identify which should be recommended to the AcSB to bring forward to the IASB. The AcSB also becomes aware of issues of concern to stakeholders through its ongoing outreach activities.
27. Lastly, without endorsing other sources of non-authoritative material available to stakeholders besides the material issued by the IASB noted in paragraph 20, the AcSB notes that such sources include IFRS books and other materials published by the large accounting firms, CPA Canada and others.
28. Notwithstanding all of the above, as the Canadian standard setter, the AcSB recognizes its ability to issue guidance if it considers that necessary at any time. As part of its due process relating to IFRSs, the AcSB issues an exposure draft corresponding to each IASB exposure draft of a new or amended IFRS, and consults with individual stakeholders or groups as necessary in order to determine if Canadians are aware of any reason why the requirements proposed by the IASB are not appropriate for application in Canada. Those activities are one means by which the AcSB could become aware of the need to issue guidance in accordance with the IFASS Charter, if a reason identified by stakeholders is that the proposals do not provide sufficient guidance for the proper application of the requirements.

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29. In order to balance all of the considerations above, the AcSB proposes to continue its practice of not issuing authoritative guidance relating to IFRSs but commits to monitor the need for it to deviate from that practice should the need arise.
 30. With respect to making non-authoritative material issued by the IASB available in Canada, the AcSB observed that the most significant challenge in including such material in Part I of the Handbook on a timely basis is the need to have it translated into French. Currently, only the “bare” standards are translated. If the “complete version” of IFRSs (i.e., the authoritative and non-authoritative material issued by the IASB) is provided in English it must also be provided in French in accordance with the AcSB’s and CPA Canada’s bilingualism policy.
 31. A constraint to translating the non-authoritative material is the significant effort that would entail. CPA Canada’s Language Services Department is the official translator of IFRSs into French for the IFRS Foundation. However, the Language Services Department is currently operating at capacity and is expected to remain so in the short term.
 32. However, the AcSB also observed that it is possible to prioritize the translation of non-authoritative material accompanying IFRSs according to its current usefulness to Canadians. For example, because most publicly accountable enterprises have already adopted IFRSs for the first time, the non-authoritative material accompanying IFRS 1 *First-time Adoption of International Financial Reporting Standards* is less important to translate at this point in time than non-authoritative material accompanying standards soon becoming effective or available for early adoption.
 33. The AcSB identified the following as feasible alternatives to address this issue:
 - (a) leave things as they are, since a minority of stakeholders identified this issue;
 - (b) defer any efforts to make available in Canada non-authoritative material accompanying IFRSs until CPA Canada’s Language Services Department has the capacity to translate all such material; or
 - (c) based on stakeholder input on the non-authoritative material they need the most, take steps to make such material available gradually as the capacity of CPA Canada’s Language Services Department permits.
 34. The AcSB thinks it prudent to seek further input from stakeholders before deciding on a strategy to address this issue. Therefore, Question 4 in this Invitation to Comment asks stakeholders whether and, if so, when, they need non-authoritative material accompanying IFRSs and for which standards that need is greatest.

Issue 3: Communications

What the AcSB heard

35. The AcSB's strategic initiative consultations revealed a low awareness, among stakeholders across the broader financial community, of how the AcSB and other Canadians can work together to maximize their contributions to the development of IFRSs and their effective application in Canada. For example, only a small proportion of stakeholders consulted visit that part of the www.frascanada.ca website pertaining to Part I of the Handbook, even though the AcSB considers the website to be its primary communications vehicle for its many activities relating to IFRSs, including discussions at meetings and other activities such as roundtables, webinars and AcSB exposure drafts corresponding to IASB exposure drafts. In terms of the AcSB's IFRS Discussion Group, the view was that not many beyond the major accounting firms are aware of the Group and what it does.

Alternatives considered and the AcSB's proposals

36. The AcSB is concerned about this low level of awareness because it suggests that a majority of stakeholders do not know about activities that the AcSB undertakes primarily for their benefit and that would be more effective with their input. At the same time, the AcSB is encouraged by the fact that recent outreach activities aimed specifically at raising awareness suggests that stakeholders, once they become aware, may be interested in participating in the AcSB's activities relating to IFRSs.
37. The AcSB considered two alternatives to address this issue. The first is to leave things as they are. Some stakeholders were of the view that the general lack of awareness described above was not something the AcSB can realistically change. These stakeholders noted that the pool of individuals that are interested in the standard-setting process is relatively small, and even those who are interested do not have the time to participate in the process. In respect of the IFRS Discussion Group, the general view is that as long as the major accounting firms are aware of the Group and its activities, there is limited need for others to pay close attention.
38. The second alternative is for the AcSB to take steps to improve and expand its communications activities, perhaps through such means as seeking new channels of communication and examining how it might make more efficient use of technology.
39. The AcSB decided this issue was too important to be content with the status quo. It selected the second alternative in order to increase transparency and ensure that it receives the stakeholder input it needs to influence the development of IFRSs. Accordingly, this Draft Strategic Plan includes a commitment consistent with the AcSB's overall strategy, applicable to all categories of reporting entities, to improve communications so that a broad cross section of stakeholders are well informed

about standard-setting activities and have ample opportunity to provide input to the AcSB.

Private enterprises

Issue 1: Financial statement users

What the AcSB heard

40. When developing the private enterprise standards, the AcSB was aware that there were various users of private enterprise financial statements. However, the research conducted by the AcSB at the time indicated that creditors are the most frequent users. Accordingly, while the needs of all users were considered, the most weight was given to the needs of creditors. The AcSB also assumed that creditors are able to obtain additional information from private enterprises upon request.
41. During the AcSB's strategic initiative consultations, stakeholders agreed that creditors continue to be the predominant user of private enterprise financial statements. However, stakeholders noted that new and sophisticated players are entering this sector, and there are other sources of financing besides financial institutions. Private equity investors are an example. The information needs of such users may differ from those of creditors. Further, some stakeholders were unsure whether equity investors are able to obtain additional information from private enterprises as readily as creditors.

Alternatives considered and the AcSB's proposals

42. A key objective of the AcSB for the set of standards established for each of the different categories of reporting entities is to meet the needs of financial statement users. Based on what it heard during its consultations with stakeholders, the AcSB considers there to be only one feasible approach to ensuring that this objective is met for the private enterprise sector. That approach is to obtain further input from stakeholders to assist the AcSB in determining whether it must consider additional information needs to those of creditors when developing new or amended standards for private enterprises. Question 5 in this Invitation to Comment seeks the information that will guide the AcSB in finalizing this aspect of its strategic plan.

Issue 2: Changes to the standards

What the AcSB heard

43. Accounting standards for private enterprises were developed based on the pre-changeover standards in Part V of the Handbook, and only those standards that the AcSB's research indicated were of significant concern to private enterprises were considered for modification at that time. Since the establishment of Part II of the Handbook, the AcSB's focus has been to maintain and improve the standards, with the assistance of its Private Enterprise Advisory Committee.

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44. Mechanisms and tools exist to assist the AcSB in managing the changes it makes to the private enterprise standards in Part II of the Handbook. One such tool is an established set of change criteria. In order to move forward, a potential change must represent a significant improvement to the standards and meet a cost/benefit test. These criteria apply to all potential changes to the standards, regardless of their source. Sources of possible improvements include assessments of the quality of a standard for a particular reason, and the ongoing review of new guidance issued in other jurisdictions to determine its possible relevance for Part II.
45. An existing mechanism for changes to Part II is the AcSB's [annual improvement process](#). Members of the public are encouraged to submit issues for possible consideration by the Private Enterprise Advisory Committee as part of that process. To be addressed as an annual improvement, an issue must be a correction of an error or clarification of existing guidance.
46. The AcSB heard the following during its strategic initiative consultations:
- (a) Many stakeholders expressed satisfaction with accounting standards for private enterprises as a whole and thought unnecessary changes should be avoided. However, some stakeholders noted a number of areas in which they thought there were gaps in the standards, or the standards could be updated or the accompanying guidance improved.
 - (b) Stakeholders aware of the AcSB's criteria for changes to Part II and the annual improvements process found them to be appropriate and useful, and thought they should be maintained. However, in general, many stakeholders appeared unaware of the AcSB's process for setting standards, including the existence and role of the Private Enterprise Advisory Committee and the annual improvements process. In part because of this low level of awareness, stakeholders sometimes did not understand the AcSB's rationale for its decisions.
 - (c) A key stakeholder concern was the perception of a trend towards increased complexity in new standards issued in Part II. Stakeholders generally agreed that the AcSB should not change a private enterprise standard to simply be consistent with a corresponding IFRS or the *IFRS for SMEs*. However, many were concerned that the AcSB was doing just that and producing complex standards as a result. Some stakeholders noted that complex accounting standards affect the cost of an audit, which sometimes results in preparers deciding not to have their financial statements audited.
 - (d) Some stakeholders with knowledge of the Private Enterprise Advisory Committee view its deliberations as a "black box", and often do not understand the Committee's rationale for recommending to the AcSB that an issue should not be considered for an annual improvement. These stakeholders have suggested that the meetings of the Private Enterprise Advisory Committee be

open to the public and/or an audio tape of meetings be made available, providing a transparency similar to that of the AcSB's IFRS Discussion Group.

- (e) Stakeholders supported the AcSB's current practice of setting the effective date for major changes to Part II so that such changes occur no more frequently than every two years.

Alternatives considered and the AcSB's proposals

47. The development of this strategic plan requires the AcSB to determine how it will proceed to manage Part II of the Handbook after the projects currently on its work plan are completed. Rather than decide this on its own, and considering the divergence of stakeholder views on the general need for changes to accounting standards for private enterprises, the AcSB discussed the possibility of conducting a formal agenda consultation. An agenda consultation would provide an opportunity for the AcSB to obtain views from different groups of stakeholders, and for stakeholders to become more directly involved in the selection of future projects.
48. More specifically, an agenda consultation would assist the AcSB in determining:
- (a) any significant gaps in the Part II standards, as some stakeholders think exist;
 - (b) changes needed to the existing standards to improve the ability of stakeholders to apply them, especially when that requires the exercise of professional judgment;
 - (c) whether it should undertake a post-implementation review of the AcSB's overall approach to disclosures in order to assess its appropriateness and to identify disclosures that should be added, clarified or removed;
 - (d) whether additional guidance should be developed on applying materiality to disclosure requirements; and
 - (e) whether differences from IFRSs cause difficulties for stakeholders.
49. The AcSB decided to test the desire and willingness of stakeholders to participate in a formal agenda consultation of the nature described above by posing Question 7 in this Invitation to Comment. After considering the responses received, the AcSB will decide whether to include plans for an agenda consultation in its final strategic plan.
50. The AcSB was concerned with the perception of stakeholders that the private enterprise standards are becoming more complex and that this is in part because they are being changed to incorporate the requirements of recent new and amended IFRSs. A primary objective in developing the standards was to eliminate the complexity embedded in standards for publicly accountable enterprises when that complexity did not make sense for private enterprises. The AcSB agreed that it has the same objective when developing a new or amended accounting standard

for private enterprises. Both the cost-benefit criterion for change and comment letters submitted by stakeholders assist the AcSB in this regard.

51. Regarding the influence of IFRSs on the Part II standards, the AcSB noted that:
- (a) its core strategy for this sector remains to maintain the new “made-in-Canada” standards established in 2011 (i.e., not to converge the standards with IFRSs); and
 - (b) IFRSs are just one example of standard-setting developments in other jurisdictions the AcSB considers when identifying potential changes to accounting standards for private enterprises. The criteria for change described in paragraph 44 apply equally to all sources of potential changes.
52. When considering stakeholders’ comments on transparency and the activities of the Private Enterprise Advisory Committee, the AcSB noted a key difference in the role of that committee compared with the IFRS Discussion Group. The latter acts in part to educate or raise stakeholder awareness on a particular issue. Permitting stakeholders to observe the Group’s discussions is an effective way to achieve that objective. In contrast, the Private Enterprise Advisory Committee, like the AcSB’s other advisory committees, was established to share the broader experience of the members and provide expert advice to the AcSB to assist its decision making. None of the AcSB’s advisory committees meet in public. The AcSB questioned the need for the Private Enterprise Advisory Committee to do so. The AcSB observed that early in 2014, a decision was made to publish more extensive Private Enterprise Advisory Committee meeting notes online in order to address concerns about transparency.
53. Notwithstanding its conclusions, the AcSB recognizes transparency and complexity as real issues for its stakeholders. It also thinks that these issues may have arisen due to a low overall awareness of the standard-setting process, including the rationale for the AcSB’s decisions. That rationale is summarized in the decision summary posted online after each AcSB meeting, and described in detail in the background information and basis for conclusions document issued for a particular standard. However, the AcSB acknowledged that stakeholders may not read the background information and basis for conclusions documents. The AcSB decided it should improve its communications efforts in order to make stakeholders more aware of its approach to, and process for, making changes to Part II. Further details are provided below under “Issue 4: Communications.”
54. Based on stakeholders’ overall satisfaction with the criteria for changes to the Part II standards, the AcSB proposes that the annual improvements process and the current practice for setting effective dates be maintained.

Issue 3: Guidance

What the AcSB heard

55. A common view expressed during the AcSB's strategic initiative consultations was that more guidance should be provided on how to apply accounting standards for private enterprises. Stakeholders mentioned the Emerging Issues Committee Abstracts of Issues Discussed, included in Part V of the Handbook, as providing useful guidance that they still referred to at times. Others thought that individual standards should provide guidance on exercising professional judgment when applying a standard, as well as illustrative examples of financial statements.

Alternatives considered and the AcSB's proposals

56. When developing the standards in Part II, the AcSB concluded that the accounting standards then in existence contained more detailed guidance and interpretations (i.e., were more complex) than was necessary to meet the needs of this sector going forward. It was decided that the new set of standards should be principles-based and encourage the use of professional judgment. Stakeholder input obtained at the time indicated strong support for such an approach.
57. The AcSB continues to think that the Part II standards should require or permit the exercise of a certain level of professional judgment, and identified the following possible reasons why stakeholders are asking for more guidance:
- (a) Stakeholders may still be adjusting to the Part II standards and the changes from the Part V standards they followed previously.
 - (b) Resources and skills may be lacking, particularly in smaller entities that often do not have in-house expertise and training found in larger entities.
 - (c) Some stakeholders perceive a trend towards increased complexity in the Part II standards as noted under Issue 2 above.
 - (d) Perhaps most importantly, applying the Part II standards requires the exercise of professional judgment, which can be subjective and subject to challenge by practice inspectors.
58. The AcSB considered possible options to respond to stakeholders' concerns about the need for more guidance. These options ranged from continuing with the current approach, to issuing differing types of guidance. One option is to continue issuing principles-based standards but:
- (a) conduct a review of existing standards to determine whether improvements are needed in specific areas in order to facilitate the application of the standard; and
 - (b) consider how new standards could be written to assist the exercise of professional judgment.

The AcSB noted that the agenda consultation discussed under Issue 2 would assist with both of these initiatives. It also noted that working with other organizations and groups (such as provincial practice inspectors) could assist with the identification and resolution of interpretative issues arising from the application of the standards to specific facts and circumstances.

59. The AcSB decided that it should continue to encourage and support the exercise of professional judgment when applying the accounting principles for private enterprises. When developing new standards, it could do so by:
- (a) ensuring that the objective (including the disclosure objective) is clearly stated;
 - (b) including questions in its exposure drafts of proposed new standards on whether the proposals include sufficient guidance to permit the exercise of professional judgment; and
 - (c) including a similar question in post-implementation reviews of new standards.

Issue 4: Communications

What the AcSB heard

60. Similar to publicly accountable enterprises, and as inferred in the preceding discussions of the other issues pertaining to this category of reporting entity, it appears that the current level of stakeholder awareness of AcSB activities relating to private enterprises could be improved. To this end, the AcSB decided to:
- (a) expand its overall communications efforts in order to increase stakeholders' awareness of the standard-setting process and how they can become involved, and to obtain their input on the standards affecting them;
 - (b) look for new ways to promote the annual improvements process beyond its current promotion online and through speaking engagements; and
 - (c) address possible misconceptions about why the AcSB undertakes to develop a new Part II standard or amend an existing standard, including the extent to which that decision is influenced by IFRSs.

Not-for-profit organizations

Issue 1: Changes to the standards

What the AcSB heard

61. For this category of reporting entity, the AcSB's 2014 stakeholder initiative consultations were preceded by consultations on a [Statement of Principles](#) issued jointly by the AcSB and the Public Sector Accounting Board (PSAB) in April of 2013. The Statement of Principles was part of a process commenced by the two Boards in 2011 to review the existing standards for not-for-profit organizations ("the 4400 series", which had been in place since 1996) and make improvements as

necessary. The revisions would apply to private and public sector NFPOs that use the not-for-profit standards as their primary source of GAAP.

62. The Statement of Principles contains 15 proposed principles that were developed considering the financial statement user needs in both the private and public sectors. As a result, some principles differ between the private and public sector while others are the same when user needs are considered to be consistent between the sectors.⁶ Many of the proposed principles may result in significant changes in financial reporting by private and public sector NFPOs.
63. Both the strategic initiative consultations and those relating to the Statement of Principles provided the AcSB with a more complete understanding of who uses the financial statements of NFPOs. The not-for-profit sector is comprised of public benefit organizations (such as charities) and member benefit organizations (such as social clubs). Users most often mentioned were granting agencies (i.e., governments and foundations), current and potential board and staff members, and organization members. The general view expressed by stakeholders was that very few, if any, individuals that donate to NFPOs use their financial statements. However, although the majority of NFPOs do not have borrowings, a number have lines of credit, debt secured by fixed assets or credit card facilities. The AcSB heard that some charity analysts also are users but are more likely to use the searchable database of forms filed with the Canada Revenue Agency, which contain information different from that in the financial statements.
64. Several stakeholders expressed the view that the AcSB and PSAB should work to harmonize their respective standards for not-for-profit organizations when the needs of users in both the private and public sectors are consistent. These stakeholders thought that when organizations of a particular type are found in both sectors (private and public universities were cited as an example), it is confusing to users for them to have different accounting practices. However, despite the support for fewer differing standards, some stakeholders expressed concern that public sector needs would drive the private sector standards, resulting in standards that are not appropriate for NFPOs in the private sector.
65. Different from Part II, the AcSB does not currently have an annual improvements process for accounting standards for not-for-profit organizations in Part III of the Handbook. Although the strategic initiative consultations provided the opportunity for stakeholders to say whether or not a similar process should be developed for Part III, judging this need is difficult until the results of the comprehensive improvements project unfold.

⁶ See the “Highlights” section of the [Statement of Principles](#) for a description of the main features of the principles, separated between those affecting NFPOs in both the private and public sector and those affecting either private or public sector NFPOs.

Alternatives considered and the AcSB's proposals

66. The AcSB's strategic initiative consultations were designed to address issues other than those directly related to the Statement of Principles. However, because the subject of the Statement of Principles came up during a number of those consultations, the AcSB took the opportunity to tell stakeholders that it is continuing with its plans to develop any necessary improvements to the Part III standards. The Draft Strategic Plan reflects this fact, and the AcSB's intention to collaborate as appropriate with PSAB as that Board similarly plans to improve its corresponding public sector standards. Updates on the project are available online.
67. The AcSB has an objective of achieving consistency between private and public sector standards when appropriate. When such consistency is inappropriate for a particular standard, the AcSB proposes to make clear the reasons why. This Invitation to Comment includes a question (see Question 8) asking stakeholders if they agree that there are some areas of not-for-profit accounting for which it is appropriate that consistency between the private and public sector standards be an objective and, if so, what criteria the AcSB should apply to determine those areas.
68. Based on what it heard about who are the primary users in this sector, when conducting its improvements project, the AcSB proposes to focus on understanding and meeting the differing needs of users of the financial statements of the public benefit and member benefit organizations that make up the private not-for-profit sector.
69. Paragraphs 44-45 describe the process in place to assist the AcSB in managing the changes it makes to accounting standards for private enterprises. This Draft Strategic Plan proposes that a similar process be developed for Part III of the Handbook, after the major improvements initiative described in paragraph 61 are completed. When developing this process, the AcSB would consider the need for a process that focuses on clarifications of the standards and the correction of errors, similar to its annual improvements process for Part II.

Issue 2: Communications

What the AcSB heard

70. Traditionally, the AcSB has relied on its website as its primary communications vehicle for the not-for-profit sector. From its strategic initiative consultations, the AcSB learned that most stakeholders in this sector do not consult the information it makes available online, including the AcSB's newsletter, *The Standard*. They find it easier and more effective to rely on their auditors and CPA Canada volunteers with whom they have a connection to keep them abreast of developments that could affect them. That said, stakeholders that do look at the information the AcSB makes available online said they find it very useful.

Alternatives considered and the AcSB's proposals

71. Consistent with its communications proposals for other categories of reporting entities, the AcSB proposes to increase its outreach efforts and undertake a more formal approach to engaging with NFPOs to better understand user needs and preparer concerns. Particular emphasis would be placed on resource providers that use the financial statements of NFPOs, including establishing communications links with entities or groups that represent a number of NFPOs. One communications area of focus would be determining how best to provide information on the AcSB's project activities in order to enable the sector to follow and participate in ongoing work on topics that affect it.
72. As with other areas of standard setting, it can be very beneficial to exchange views and experiences with standard setters in other jurisdictions. The AcSB has commenced a dialogue with other organizations involved in not-for-profit standard setting with the objective of facilitating the employment of global best practices on a worldwide basis. The AcSB proposes to continue with this initiative.

Pension plans

Issue 1: Emerging new types of plans

What the AcSB heard

73. The AcSB is aware of the recent emergence of new types of pension plans (often referred to as hybrid plans, target benefit plans or shared-risk plans) that incorporate features of both defined benefit and defined contribution plans. These plans are found in both the public and private sectors and are expected to reach a significant number in the next few years. During its strategic initiative consultations, the AcSB heard that stakeholders think current standards do not adequately address such plans.
74. The AcSB notes that the issue relating to these new types of plans concerns the accounting for the related employer and pension fund liability. To date, the reporting entities predominantly affected by this issue are publicly accountable enterprises. The AcSB also notes that:
 - (a) The IASB is undertaking a research project on post-employment benefits that will examine an entity's reporting for pension plans ranging from pure defined contribution to pure defined benefit, including the hybrid plans mentioned above; and
 - (b) In December 2014, PSAB approved a project on employment benefits to review its standards on this subject. The key issues to be addressed include the emergence of shared-risk plans.

75. Similar to the IASB, the AcSB could undertake a research project on emerging new types of pension plans. That possibility is discussed further in Section I of this Draft Strategic Plan (see “The AcSB now and in five years’ time – How the AcSB operates – Effectiveness and efficiency”).

Issue 2: Changes to the standards

76. The AcSB has previously indicated its intention to undertake an improvements project for Part IV of the Handbook that would address such key issues as:

- (a) the extent to which the guidance in Section 4600, *Pension Plans*, in Part IV of the Handbook is appropriate for application to defined contribution plans (which are presently within the Section’s scope);
- (b) whether the guidance on accounting for pension plan assets should be removed from Part IV; and
- (c) whether the current disclosure requirements are appropriate.

However, to date, the AcSB has not considered the issues to be addressed as part of such a project sufficiently pressing as to warrant commencing the project.

77. Feedback from the strategic initiative consultations was generally supportive of such an improvements project but did not indicate an immediate need.

Alternatives considered and the AcSB’s proposals

78. Based on stakeholder input regarding the timing for an improvements project and the need to prioritize its work, the AcSB concluded that it should not start this project at this point. The AcSB proposes to revisit this decision part way through the strategic plan period to determine whether the factors affecting the timing for the project have changed. Question 9 asks stakeholders if they agree with the AcSB’s conclusions on the major factors affecting its proposal.

Appendix A

Summary of questions

The AcSB's vision and operations

Question 1: Do you agree with the AcSB's vision as described in this Draft Strategic Plan? If so, are there aspects that you think should be emphasized? If you do not agree, why not?

Question 2: Do you agree that the AcSB should develop a formal research program? If so, what topics would you suggest as potential candidates for research? If you do not agree, why not?

Publicly accountable enterprises

Question 3: Have you experienced difficulties as a result of other jurisdictions that apply IFRSs deferring the mandatory effective date set by the IASB for a new or amended standard? If so, when, what kind of difficulties, and how do you think the AcSB could assist?

Question 4: In addition to authoritative guidance, the IASB issues non-authoritative material that is not currently available in Part I of the Handbook (for example, basis for conclusions documents, implementation guidance, illustrative examples and introductory paragraphs in individual standards) (see paragraph 20 of the Background Information and Basis for Conclusions). Do you consider the non-authoritative material that accompanies but does not form an integral part of IFRSs to be necessary for the application of those standards? If you do:

- (a) how soon after the issuance of the standard to which the non-authoritative material relates do you require it? and
- (b) for which standard(s) do you currently have the greatest need for the related accompanying non-authoritative material to be made available in Canada?

Private enterprises

Question 5: Besides creditors, do others (such as private equity investors) make frequent use of private enterprise financial statements (see paragraphs 40-41 of the Background Information and Basis for Conclusions)? If so:

- (a) to what extent do the information needs of those users differ from those of creditors? and
- (b) are those users able to identify and obtain additional financial information from private enterprises upon request?

Question 6: If you are a creditor, are you able to identify from the financial statements, and obtain from private enterprises upon request, the additional financial information you need to make informed lending decisions (see paragraph 40 of the Background Information and Basis for Conclusions)?

Question 7: Do you think the AcSB should conduct a formal agenda consultation before deciding on its future work plan for Part II of the Handbook (see paragraphs 47-49 of the Background Information and Basis for Conclusions)?

Not-for-profit organizations

Question 8: Do you agree that there are some areas of not-for-profit accounting for which it is appropriate that consistency between the private and public sector standards be an objective (see paragraph 64 of the Background Information and Basis for Conclusions)? If so, why, and what criteria should the AcSB apply to determine those areas? If you do not agree, why not?

Pension plans

Question 9: On a preliminary basis, the AcSB has concluded that the previously planned improvements project for pension plans (see paragraph 76 of the Background Information and Basis for Conclusions) is not needed immediately. Do you agree? If not, why not?

General

Question 10: Do you have comments on aspects of this Draft Strategic Plan not addressed in Questions 1-9?

Appendix B

Comprehensive review of the effects of applying the new standards and the financial reporting environment

Overview

In its 2011-2016 Strategic Plan and 2013-2014 Annual Plan, the Accounting Standards Board (AcSB) committed to undertake a comprehensive review of the effects of applying the new standards adopted in 2011, and of the financial reporting environment. The AcSB's overall strategy has been to adopt different sets of standards for different categories of reporting entities, specifically:

Part I – International Financial Reporting Standards (for publicly accountable enterprises);

Part II – Accounting Standards for Private Enterprises;

Part III – Accounting Standards for Not-for-Profit Organizations; and

Part IV – Accounting Standards for Pension Plans.

In addition to meeting the AcSB's commitment, the comprehensive review would serve as an important component of the process to develop its next strategic plan. The review would allow the AcSB to assess whether fundamental changes were needed to the core strategies it had adopted for the different categories of reporting entities.

The AcSB carried out this comprehensive review by undertaking the following steps:

- (a) consideration of feedback received since the new standards were introduced:
 - (i) discussions with advisory committees of the AcSB;
 - (ii) discussions with the Accounting Standards Oversight Council (AcSOC);
 - (iii) regular liaison meetings with stakeholder groups;
 - (iv) outreach on specific subjects;
 - (v) interactions with stakeholders at conferences and other presentations; and
 - (vi) monitoring reports from securities regulators, and financial news and other media reports,
- (b) consultations with stakeholders during the development of its next strategic plan; and
- (c) a review of the results of third-party research.

As a result of this comprehensive review, the AcSB concluded that there is strong overall support for the continuation of its core strategies. The following provides details on the various components of the review:

Advisory committees

The AcSB relies greatly on volunteers to support its standard-setting activities. Eight volunteers serve on the AcSB itself, and 108 more are members of one or more of the AcSB's standing committees, which meet on a regular basis to provide input and recommendations to the AcSB.⁷ Many of these individuals also belong to organizations that represent, or consist of, a significant number of stakeholders. Each advisory committee has discussed, to varying degrees, the effects of adoption of the AcSB's core strategies. Input from these discussions has been considered as part of a regular agenda item at AcSB and AcSOC meetings.

Oversight Council

The AcSB is accountable to AcSOC, which is comprised of 25 volunteers.⁸ AcSOC was consulted during the development of the AcSB's strategy to adopt different sets of standards for different categories of reporting entities. The AcSB also provided updates and reports on the comprehensive review that is the subject of this appendix.

Liaison meetings

The AcSB holds regular liaison meetings with a number of domestic and international organizations, as part of its ongoing interaction with stakeholders and also to solicit input to the standard-setting process. These organizations represent a wide range of stakeholders — including preparers, auditors, financial statement users, securities and prudential regulators, and academe. Between April 2010 and January 2015, approximately 363 liaison meetings were held.⁹ Discussions at the meetings leading up to and during the adoption and execution of the core strategies now in place often focused on readiness for transition and the effects of the new strategies. Once the strategies had been adopted, the discussions provided an open forum for stakeholders to raise issues concerning the strategies and the standards that had been established for the different categories of reporting entities.

Outreach on specific subjects

A significant due process component in the maintenance and evolution of accounting standards is seeking input on specific project proposals or issues arising from the application of standards. The AcSB solicits input in a variety of ways, including holding public roundtables and other group discussions, as well as asking specific questions in

⁷ Table 1 provides a breakdown, by geographic region, of the 116 (8 + 108) volunteers serving on the AcSB and its advisory committees.

⁸ Table 2 provides a breakdown, by geographic region, of the 25 volunteers serving on AcSOC.

⁹ Tables 3 and 4 provide breakdowns of this figure by geographic region and stakeholder type, respectively.

exposure drafts. Between April 2010 and January 2015, the AcSB conducted approximately 70 public roundtables.¹⁰ Although the AcSB's outreach activities are generally focused on specific subjects, they also provide an opportunity for stakeholders to provide input on other standards-related issues.

Presentations

Members and staff of the AcSB frequently make presentations relating to accounting standards, including at conferences. Between April 2010 and January 2015, approximately 111 presentations were made to a variety of audiences, including at events organized by third parties.¹¹ These presentations generally include an open “question and answer” period and provide contact information for the presenter as well as the AcSB. As a result, attendees are given the opportunity to raise issues, either during the presentation or afterwards by telephone or email.

Monitoring reports

The AcSB monitored reports from securities regulators, as well as financial news and other media reports, up to and during the adoption of IFRSs for the first time by Canadian entities. Securities regulators found relatively few transition deficiencies. The initial review of first quarter filings by public companies after the adoption of IFRSs in 2011 revealed the following:

- (a) a small number of entities found issues late in their transition process that required more time to resolve than planned and resulted in their taking advantage of the additional 30 days permitted for first quarter filings;
- (b) about 13 per cent of filings contained some deficiencies — generally omitted disclosures; and
- (c) a few venture issuers filed financial statements prepared on the basis of pre-changeover GAAP.

A review of the first IFRS interim filings of investment funds¹² in 2014 noted that approximately half of new investment funds failed to include an opening IFRS statement of financial position at the date of transition to IFRSs on the face of the financial statements. The review also noted that some investment funds did not include all of the reconciliation disclosures required by IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

Strategic initiative consultations

During the development of its next strategic plan, the AcSB consulted approximately 360 stakeholders from across Canada who participate in the process for setting

¹⁰ Table 5 provides a breakdown of this figure by geographic region.

¹¹ Table 6 provides a breakdown of this figure by geographic region.

¹² [Ontario Securities Commission, Investment Funds and Structured Products Branch – IFRS Release No. 3](#)

standards for one or more of publicly accountable enterprises, private enterprises, not-for-profit organizations and pension plans.¹³ The consultations focused on obtaining input from stakeholders on how the core strategies adopted by the AcSB could be better implemented but also provided an opportunity for stakeholders to comment more broadly, including on whether there are fundamental issues with the strategies themselves.

Third-party research

The following describes third-party research (i.e., research undertaken by parties other than the AcSB) relating to its core strategies that the AcSB considered as part of its comprehensive review:

- (a) The AcSB noted two academic studies relating to the adoption of IFRSs. The first study¹⁴ notes that IFRS adoption was beneficial to the functioning of Canadian capital markets for several reasons. Compared with the pre-changeover standards in Part V of the Handbook, IFRSs enhanced the value relevance of reported earnings (i.e., the degree to which the financial statements assist investors' assessments of a firm's stock market value). The study also notes that, under IFRSs, current earnings are more in tune with economic performance as reflected by stock market returns and an improvement in the ability of markets to anticipate future earnings. Finally, the study notes a slight decrease in earnings management under IFRSs — consistent with an enhancement of the quality of financial reporting. The second study¹⁵ examined whether the mandatory adoption of IFRSs in Canada affected the earnings quality of Canadian public companies. The findings note an increase in the quality of reported earnings during the post-IFRS adoption period, as measured by the following:
- (i) a significant decline in income-increasing discretionary accruals, such accruals sometimes being an indication of earnings management;
 - (ii) a lower incidence of small positive earnings, which is a measure reflecting the extent to which managers may manipulate reported earnings to avoid annual losses; and
 - (iii) more persistent earnings (i.e., earnings that continue from year to year and, thus, are more predictable).

The findings of both studies suggest that users of accounting information benefited from the mandatory adoption of IFRSs in Canada.

¹³ Tables 7 and 8 provide breakdowns of this figure by geographic region and stakeholder type, respectively.

¹⁴ Cormier, D. and Magnan, M. (2013) [The Advent of IFRS in Canada: A Harbinger of the Future for North American Financial Markets](#). Working Paper, Chair in Financial Reporting and Organization Reporting, ESG-UQAM. M. Magnan is a member of the AcSB.

¹⁵ Liu, G. and Sun, J. (2014) [Did the Mandatory Adoption of IFRS Affect the Earnings Quality of Canadian Firms?](#) Working Paper, SSRN.

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- (b) A study by Financial Executives International Canada (FEI Canada)/Canadian Financial Executives Research Foundation ("[The Cost of IFRS Transition in Canada](#)")¹⁶ reported that:
- (i) the overall costs of implementing IFRSs in Canada were broadly in line with those anticipated and planned (i.e., costs were significant but manageable);
 - (ii) a majority of firms noted that the costs of applying IFRSs were either the same or lower as compared with the pre-changeover standards; and
 - (iii) the impact of transition, in terms of cost and difficulty, varied depending on various factors including the size and nature of the entity's operations. Smaller entities often found the transition to be straightforward, while many larger entities managed the complexities of the challenge well by planning early and devoting considerable resources to the task.
- (c) The Canadian Performance Reporting Board issued a report in 2012 entitled, "[The Changeover to IFRS: Preparer's and Auditor's First Impressions of the Canadian Experience](#)." The overall view of the report was that the conversion was a challenging exercise but one that was met successfully, reflecting sound planning, controls and individual commitment. The report also put forth a positive view in respect of the overall benefit of IFRSs.

Conclusions from consultations and other feedback from stakeholders

While the focus of the strategic plan consultations was on how the AcSB could improve the implementation of its core strategies, stakeholders expressed strong support for the strategies themselves. Participants were of the view that the "one size does not fit all" approach taken by the AcSB was appropriate, and that each of the sets of standards met, overall, the needs of the sector to which it relates. At the same time, participants expressed the view that none of the sets of standards was perfect and provided a number of suggestions for improvement, as noted in this Invitation to Comment. In addition, some stakeholders had concerns about specific standards. Nonetheless, there was strong overall support for the use of IFRSs and for maintaining the separate sets of standards developed for private enterprises, not-for-profit organizations and pension plans. Stakeholders also expressed a view that the current standards are an improvement over the ones previously in place.

The AcSB recognizes that the adoption of the new standards demanded a significant effort from many entities and their auditors. However, on a positive note, relatively few significant issues arose in the first sets of financial statements issued applying the new standards.

¹⁶ The IFRS Foundation and the Accounting Standards Oversight Council co-sponsored this study.

Financial reporting environment

The AcSB also examined the current financial reporting environment to assess whether the rationale for adopting its core strategies remained valid.

For publicly accountable enterprises, the decision to discontinue domestic standard setting and adopt IFRSs was based on:

- (a) issues arising as a result of pursuing a harmonization approach;
- (b) the importance of globally understood financial statements;
- (c) the trend toward global adoption of IFRSs; and
- (d) the similarity of IFRSs to the pre-changeover standards in terms of their overall level of detail (compared with U.S. GAAP). This point was particularly important because the majority of Canadian public companies are relatively small in size compared with publicly accountable enterprises in the U.S.

The AcSB noted that all of the factors above continue to exist.

For private enterprises, there was agreement that, indeed, “one size does not fit all” (i.e., that a separate set of standards is necessary for private enterprises). The AcSB decided on a domestic approach involving the creation of accounting standards for private enterprises because other approaches (for example, modification of the IASB’s *IFRS for SMEs*):

- (a) would require a significant transition effort, and
- (b) would not reflect the needs of domestic stakeholders in this sector.

The AcSB noted that, based on the views of stakeholders, these considerations remain pertinent. The AcSB also noted two recent academic studies that support point (b) above.¹⁷

Accounting standards for not-for-profit organizations are intended to provide guidance that addresses the transactions and circumstances unique to this sector and, for other transactions and circumstances, directs organizations to the private enterprise standards. This approach was based on the view that:

- (a) the pre-changeover standards similarly providing guidance that addressed the transactions and circumstances unique to this sector had generally served the

¹⁷ The two academic studies are:

Ball, R., X. Li and L. Shivakumar (2014) [Mandatory IFRS Adoption, Fair Value Accounting and Accounting Information in Debt Contracts](#). Working Paper, University of Chicago; and

Thornton, D. (2015) [Different Conceptual Accounting Frameworks for Public and Private Enterprises: An Analysis of Canada’s IFRS Transition and Suggestions for International Empirical Work](#). Forthcoming, Accounting Perspectives 2015.

needs of NFPOs well in the past, and should be retained and improved as necessary; and

- (b) given the need for specific guidance in only a few areas, a completely different standalone set of standards is not warranted.

Again, feedback received by the AcSB indicates that these views remain valid.

Separate accounting standards for pension plans were developed based on the standard for pension plans in pre-changeover Canadian GAAP. The AcSB noted that few countries had adopted the relevant IFRS (IAS 26 *Accounting and Reporting by Retirement Benefit Plans*) and decided that adopting the international standard would not represent an improvement over the pre-changeover Canadian standard.

Subsequent to this assessment, the international standard has not changed and the IASB has no plans to take such a project on in the foreseeable future. Accordingly, the rationale for the establishment of Part IV of the Handbook continues to exist.

In summary, the AcSB thinks that its rationale for adopting the core strategies selected for the different categories of reporting entities remains appropriate.

Conclusion

The comprehensive review undertaken by the AcSB included significant outreach to stakeholders, a thorough analysis of the results of the AcSB's ongoing monitoring of the adoption and application of the new standards, a review of academic literature, and consideration of whether the factors and rationale leading to the adoption of the core strategies are still applicable. As a result of this review, the AcSB thinks that there is broad agreement among stakeholders, and experience demonstrates, that the current strategies of adopting IFRSs for publicly accountable enterprises and maintaining separate Canadian standards for private enterprises, not-for-profit organizations and pension plans remain appropriate and should be continued.

Table 1: AcSB and advisory committee volunteers by geographic region

The following table displays, by geographic region, where the volunteers serving on the AcSB or one or more of its advisory committees are domiciled.

	Geographic Region ¹⁸				
	West	Central	East	Inter-national	Total
Accounting Standards Board	3	2	3	–	8
Academic Advisory Council	2	7	3	–	12
AcSB/PSAB Joint Not-for-Profit Task Force	3	4	3	–	10
Conceptual Framework Discussion Group	2	7	2	–	11
IFRS Discussion Group	2	13	1	1	17
Insurance Accounting Task Force	–	14	2	–	16
Private Enterprise Advisory Committee	3	7	4	–	14
User Advisory Committee	1	23	4	–	28
Total	16	77	22	1	116
Percentage	14%	66%	19%	1%	100%

¹² In each of Tables 1-8, “West” includes Manitoba and provinces further west, “Central” includes Ontario, and “East” includes Quebec and provinces further east. “National” denotes outreach occurring in one region (often Central) but with groups comprised of stakeholders from across Canada, and “International” is outside Canada.

Table 2: Oversight Council volunteers by geographic region

The following table displays, by geographic region, where the volunteers serving on the Accounting Standards Oversight Council are domiciled.

	Geographic Region				
	West	Central	East	Inter-national	Total
Accounting Standards Oversight Council	3	13	8	1	25

Table 3: Liaison meetings by geographic region

The following table displays, by geographic region and AcSB fiscal period (April 1 to March 31), liaison meetings held by the AcSB from 2010 to date.

	Geographic Region					
	West	Central	East	National	Inter-national	Total
Fiscal period						
2014-2015 (to January 31)	4	40	2	28	10	84
2013-2014	2	33	2	18	11	66
2012-2013	0	25	2	17	7	51
2011-2012	1	32	1	30	5	69
2010-2011	6	43	1	39	4	93
Total	13	173	8	132	37	363
Percentage	4%	48%	2%	36%	10%	100%

Table 4: Liaison meetings by stakeholder type

The following table displays, by stakeholder type and AcSB fiscal period (April 1 to March 31), liaison meetings held by the AcSB from 2010 to date.

	Stakeholder Type								
	Preparers	Auditors	Users	Regulators	Academe	Standard setters	Other	Cross- representation ¹⁹	Total
Fiscal period									
2014-2015 (to January 31)	11	9	4	9	3	31	1	16	84
2013-2014	4	3	4	6	3	32	3	11	66
2012-2013	5	1	4	9	2	20	2	8	51
2011-2012	11	0	9	12	2	20	2	13	69
2010-2011	23	6	12	25	2	15	4	6	93
Total	54	19	33	61	12	118	12	54	363
Percentage	15%	5%	9%	17%	3%	33%	3%	15%	100%

¹⁹ "Cross-representation" denotes groups comprised of more than one stakeholder type.

Table 5: Public roundtables by geographic region

The following table displays, by geographic region and AcSB fiscal period (April 1 to March 31), public roundtables held by the AcSB from 2010 to date.

	Geographic Region					
	West	Central	East	National	Inter-national	Total
Fiscal period						
2014-2015 (to January 31)	2	2	–	1	–	5
2013-2014	5	9	4	–	–	18
2012-2013	–	3	–	1	1	5
2011-2012	8	13	4	1	2	28
2010-2011	3	11	–	–	–	14
Total	18	38	8	3	3	70
Percentage	26%	54%	12%	4%	4%	100%

Table 6: Presentations by geographic region

The following table displays, by geographic region and AcSB fiscal period (April 1 to March 31), presentations made by the AcSB and its staff from 2010 to date.

	Geographic Region					
	West	Central	East	National	Inter-national	Total
Fiscal period						
2014-2015 (to January 31)	4	4	–	–	–	8
2013-2014	–	7	–	1	–	8
2012-2013	4	13	–	2	–	19
2011-2012	8	18	–	4	3	33
2010-2011	10	19	2	7	5	43
Total	26	61	2	14	8	111
Percentage	23%	55%	2%	13%	7%	100%

Table 7: Strategic initiative consultations by geographic region

The following table displays, by geographic region and Handbook “Part”, the strategic initiative consultations held by the AcSB during the development of its next strategic plan.

	Geographic Region				
	West	Central	East	National	Total
Part I	9	17	15	102	143
Part II	57	22	19	49	147
Part III	–	18	25	–	43
Part IV	–	16	11	–	27
Total	66	73	70	151	360
Percentage	18%	20%	20%	42%	100%

Table 8: Strategic initiative consultations by stakeholder type

The following table displays, by stakeholder type and Handbook “Part”, the strategic initiative consultations held by the AcSB during the development of its next strategic plan.

	Stakeholder Type					
	Preparers	Auditors	Users	Regu- lators	Academe	Total
Part I	65	32	26	12	8	143
Part II	23	113	8	–	3	147
Part III	35	5	3	–	–	43
Part IV	11	13	–	3	–	27
Total	134	163	37	15	11	360
Percentage	37%	45%	10%	5%	3%	100%

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