Conseil des normes comptables

Document de consultation du CNC – Examen approfondi des Normes comptables pour les entreprises à capital fermé

Réponses au document de consultation

Janvier 2026

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Feedback on the Standards for Private Enterprises

September 2025

Disclosure: The viewpoints expressed in this document are those of Driss camara, and do not represent Desjardins'

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INTRODUCTION

Throughout my professional journey at MNP, KPMG, and Deloitte, I have worked closely with numerous private enterprises in a range of contexts, including assurance engagements, complex accounting issues, auditing, and advisory services. On many occasions, I have observed firsthand how standard setting impacts the practical application of accounting standards by practitioners and private entities. While most standards are clear and straightforward to implement, certain accounting matters can result in differing interpretations—even among members of the same team. These differences in approach can sometimes mislead users of financial statements, particularly when those users are not the owners (such as banks or investors). An incorrect application of the standards may compromise the reliability and usefulness of financial statements, potentially leading decision makers—like prospective buyers of a private entity who rely on these statements—to draw flawed conclusions.

It is therefore a privilege to contribute to this detailed review of accounting standards for private enterprises. In the following pages, you will find my feedback highlighted in green in the last column. To further clarify my analysis, I have included a rating scale for my feedback (High; Medium; Low), with an explanation of each rating provided on the final page. I remain available for any further activities related to the review of accounting standards or this document.

NVENTORIES, Section 3031: issue 1a / See my Feedback in Green Color

High		

Issue	**Proposed Solution**	**Feedback**
Issue 1a: Allocating overhead costs to the cost of inventories is challenging.	Explore an accounting policy choice that would allow entities to exclude overhead costs from the cost of manufactured inventories.	a) Do you have any Feedback on the AcSB's analysis of feedback on challenges with allocating overhead costs to the costs of inventories? **Feedback #a**: - In the issue description and analysis, it is mentioned that the ''The AcSB heard that, in most cases, financial statement users would find the financial statements equally useful if an entity expensed overhead costs instead of allocating them to inventories.'' - However, I think the opposite may also be true in many instances. For example, in manufacturing, if the overhead costs were expensed instead of allocating them to inventories, this accounting treatment would distort the analysis of the financial statements by an investor: The gross margin in this case would not be a true representation of the company economic fundamentals (i.e., the gross margin would be overvalued), leading to an investment decision based on incorrect data. b) Do you have any Feedback on the AcSB's proposal to explore an accounting policy choice that would allow entities to exclude overhead costs from the cost of manufactured inventories? (i) If you disagree with this proposal, what solution(s) would you recommend, and why? **Feedback #b (i): NA** (ii) If you agree with the AcSB's proposal, do you think this accounting policy choice should be available to all entities, or should there be qualifying criteria to ensure users' information needs are met? If you think there should be restrictions on this accounting policy choice, what should they be, and why? **Feedback #b (ii):** - While the idea of an accounting policy choice that would allow entities to exclude overhead costs from the cost of inventories could help reduce the burdensome nature of the application of the current standard, I think it should be extremely limited to certain instances. For example, the followings items should be considered to avoid the manipulation of the financial statements by companies in financial difficulties: ✓ Run some tests to see the impacts of the new accounting policy choice on the financial statements of companies by industries, and assess whether the gross margin and other key metrics maybe heavily impacted ✓ Develop this new accounting policy choice by keeping in mind the future impacts of AI on various industries. For example, it may be possible that over the next 5 years, allocation of these costs may no longer be burdensome by leveraging emerging technologies, which is likely unavoidable. - The accounting policy choice should not be available to all entities. There should be strong and clearcut criteria to avoid misinterpretations and protect the interest of users.

NVENTORIES, Section 3031: issue 1b / See my Feedback in Green Color

	Medium	

Issue	Proposed Solution	Feedback
Issue 1b: Disclosing the amount of inventories expensed during the period	Consider replacing this disclosure requirement with something that better meets users' needs as part of a separate standard-setting project.	a) Do you have any Feedback on the AcSB's analysis of the feedback on challenges with disclosing the amount of inventories expensed during the period? **Feedback #a**: - Based on the analysis, and from the perspective of the entities, the issue is more about tracking accurately the amount of inventories to be expensed. - However, the users still find the disclosure requirement useful and wouldn't want the board to remove it. My concern is this: What weight would the board grant to the users' needs as opposed to those of the entities? I believe the users' needs should be more prevalent, and the issue raised by the entities is not significantly relevant in the context of rapid technological advancement. - It would be a mistake to change the requirements based mostly on the difficulties of the entities to track these kinds of inventory costs to be expensed if it is likely that technology would have greater chances of removing these difficulties in a few years. - If the Board would like to move ahead with the proposed solution, I would suggest deepening the analysis across multiple scenarios and industries, and extend the consultation period in order to make informed and sustainable changes to the current standard. b) Do you have any Feedback on the AcSB's proposal to retain this disclosure requirement and to consider replacing it in the future with a new disclosure requirement that better meets users' needs, such as a detailed breakdown of costs of sales? If you disagree with this proposal, what solution(s) would you recommend, and why? **Feedback #b:** - Replacing the disclosure with something that provides even more useful information to users is a great idea. A solution that aligns with users' needs is a much better and a sustainable solution. Other issues with inventories **Feedback #c**: - NA

IMPAIRMENT OF LONG-LIVED ASSETS, Section 3063, Issue 2a / See my Feedback in Green Color

	Medium	

Issue	Proposed Solution	Feedback
Issue 2a – Determining when an impairment test is required	**39**. The AcSB proposes making no changes to this requirement as the Board thinks it is necessary to ensure long-lived assets are appropriately tested for impairment. **40**. Instead, the AcSB proposes developing guidance on identifying whether events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable as sufficient, appropriate and accessible resources to assist with the application of the requirement are not available.	a) Do you have any Feedback on the AcSB's analysis of feedback on challenges with identifying indicators of impairment of long-lived assets? **Feedback #a**: - I believe the analysis of the feedback is appropriate, especially regarding the paragraph 39. Professional judgment should be maintained as it is impractical for the board to list clear cut solutions to all the possible scenarios in all industries and circumstances. b) Do you have any Feedback on the AcSB's proposal to develop guidance to assist with the application of this requirement? (i)If you disagree with this proposal, what solution(s) would you recommend, and why? **Feedback #b (i): NA** (ii) If you agree with the AcSB's proposal, where do you think the additional guidance should be included – as an illustrative example that accompanies the standard, or as an external resource outside the Handbook? Please explain your preference, including how your suggested approach would best support consistent application. **Feedback #b (ii):** - It is a welcoming idea that the board would like to develop guidance on identifying whether events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. If the guidance can cover as many situations as possible, this would eliminate or reduce diversity of conclusions and applications. - I also believe that the guidance should not be too exhaustive, because it is always important to put a strong emphasis on the exercise of professional judgment. This can be accomplished by issuing a broader framework for certain categories of long-lived assets in specific industries, instead of setting inflexible step by step guidance on when to test for impairment in all instances. - Another way of accomplishing this would be to create a platform on the AcSB website where practitioners could consult each other on certain issues associated with a high degree of diversity of conclusions. This kind of initiative is for example leveraged by the AICPA through its website in the US. - I also think the best approach would be to gather from practitioners a significant number of instances where they experienced difficulties in testing for impairment, and the types of conclusions they arrived at. Next, the instances with overwhelming occurrence across industries could be developed into appendixes with practical proposed solutions accompanying the standards.

IMPAIRMENT OF LONG-LIVED ASSETS, Section 3063, Issue 2b / See my Feedback in Green Color

High		

Issue	Proposed Solution	Feedback
Issue 2b – Performing the impairment test	**45**. The AcSB proposes making no changes to these requirements as the Board thinks they are not challenging to understand, and they provide a suitable basis for entities to appropriately measure the value of their long-lived assets on their balance sheets. **46**. Instead, the AcSB proposes developing guidance on performing the recoverability assessment and the fair-value test as sufficient, appropriate and accessible resources to assist with the application of these requirements are not available.	a) Do you have any Feedback on the AcSB's analysis of feedback on challenges with performing the impairment test for long-lived assets? **Feedback #a**: - The analysis performed by the AcSB is adequate and appropriate. I don't have any Feedback on the analysis. b) Do you have any Feedback on the AcSB's proposal to develop guidance to assist with the application of these requirements? (i) If you disagree with this proposal, what solutions(s) would you recommend, and why? **Feedback #b (i):NA** (ii) If you agree with the AcSB's proposal, where do you think the additional guidance should be included – as an illustrative example that accompanies the standard, or as an external resource outside Part II of the Handbook? Please explain your preference, including how your suggested approach would best support consistent application. **Feedback #b (ii):** - Developing a guidance to assist with the application of the impairment requirements is a great initiative. This will prevent diverging conclusions and ensure consistency in application and comparability among entities. - I will also suggest including practical use cases in the appendix. These practical uses cases could be based on the most common instances that practitioners have faced across industries. Other issues with impairment of long-lived assets Feedback #c: - NA

LEASES, Section 3065, Issue 3 / See my Feedback in Green Color

	Medium	

Issue	Proposed Solution	Feedback
Issue 3 – Straight-line recognition of rent expense for operating leases	**NA**	a) Do you have any Feedback on the AcSB's analysis of feedback on the straight-line recognition of rent expense for operating leases? **Feedback #a**: - The decision of the board to maintain the current standard regarding the recognition of the lease on a straight-line basis is adequate. I think the entities that have raised this issue maybe lacking expertise internally to track separate lease amortization schedules, which is relatively easy to do with average excel skills. Based on my own experience auditing small entities, I believe in the event where they lack internal expertise to develop template for tracking purposes of such leases, they could leverage consulting services at reasonable costs. There is no need to modify the current standard. Great decision by the board. b) Do you have any Feedback on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why? **Feedback #b:** - Please see my Feedback above. Other issues with leases **Feedback #c:** - **NA**

ASSET RETIREMENT OBLIGATIONS, Section 3110, Issue 4a / See my Feedback in Green Color

	Medium	

Issue	Proposed Solution	Feedback
Issue 4a – Measuring AROs	**NA**	a) Do you have any Feedback on the AcSB's analysis of feedback on estimation uncertainty associated with measuring AROs? **Feedback #a**: - NA. The decision of the board is appropriate and adequate. In the case of both a lender and a business buyer, it is critical to get useful information regardless of the complexity involves in disclosing that information. Such is the case of the ARO. Furthermore, it is not common for entities to face the ARO during the conduct of their operations. Therefore, amending the standard would not bring a significant value added to private companies in general. b) Do you have any Feedback on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why? **Feedback #b:** - Please see my Feedback above.

REVENUE, Section 3400, Issue 5a / See my Feedback in Green Color

High		

Issue	Proposed Solution	Feedback
Issue 5a – Applying the percentage of completion method	63. The AcSB proposes exploring an accounting policy choice that would expand the applicability of the completed contract method to contracts meeting certain criteria, including having a total duration below a certain threshold. In developing this proposal, the Board's focus would be on developing qualifying criteria that ensure entities continue to apply the percentage of completion method if it results in more useful information.	a) Do you have any Feedback on the AcSB's analysis of feedback on challenges with applying the percentage of completion method? **Feedback #a**: - Long-term contracts: The percentage of completion method for long term contracts as mentioned by the board, is useful for the users of the financial statements, and to the entities as it allows them to identify unprofitable contracts. In my view, most entities that use the percentage of completion method are operating in heavy business such as constructions. These businesses have overtime honed their method of revenue recognition, and there must only a handful of organizations that probably raised the complexity associated with applying this method. Therefore, the analysis of the Board is appropriate. - Short term service: NA. See my Feedback below. b) Do you have any Feedback on the AcSB's proposal to explore an accounting policy choice that would expand the applicability of the completed contract method to contracts meeting certain criteria? (i) If you disagree with this proposal, what solution(s) would you recommend, and why? **Feedback #b(i):** - See my Feedback below (ii) If you agree with the AcSB's proposal, what criteria do you think contracts should meet to qualify for the completed contract method? **Feedback #b(ii):** - While the issue raised by entities doesn't seem convincing and pervasive in my view, the proposed solution is worthwhile if the Board could undertake a careful approach and adjust as new feedback come in. I am mentioning this because I am surprised that current ERP systems, even in smaller organizations, can't solve the issue related to applying the percentage of completion method with ease. The question that remains is this: Will the new criteria that will expand the applicability lead to useful information for the users? If so, then the proposed solution makes sense.

REVENUE, Section 3400, Issue 5b / See my Feedback in Green Color

	Medium	

Issue	Proposed Solution	Feedback
Issue 5b – Accounting for multiple element arrangements	67. The AcSB proposes scoping multiple element arrangements into the accounting policy choice that it proposes exploring to address Issue 5a above. That is, the Board is considering if multiple element arrangements that meet certain criteria, including having a total duration below a certain threshold, should qualify to apply the completed contract method to the whole contract. In developing this proposal, the Board would seek feedback from interested and affected parties on the qualifying criteria so that entities continue to apply the revenue recognition criteria to the separately identifiable components if it results in more useful information.	a) Do you have any Feedback on the AcSB's analysis of feedback on challenges with accounting for multiple element arrangements? **Feedback #a**: - Please refer to my Feedback to the 5a b) Do you have any Feedback on the AcSB's proposal to explore an accounting policy choice that would expand the applicability of the completed contract method to multiple element arrangements meeting certain criteria? (i) If you disagree with this proposal, what solution(s) would you recommend, and why? **Feedback #b(i):** - Please refer to my Feedback to the 5a (ii) If you agree with the AcSB's proposal, what criteria do you think multiple element arrangements should meet to qualify for the completed contract method? **Feedback #b(ii):** - Please refer to my Feedback to the 5a Other issues with revenue: NA

EMPLOYEE FUTURE BENEFITS, Section 3462, Issue 6a / See my Feedback in Green Color

		Low

Issue	Proposed Solution	Feedback
Issue 6a – Accounting for individual pension plans as defined benefit plans	NA	a) Do you have any Feedback on the AcSB's analysis of feedback on accounting for individual pension plans? Feedback #a: - The board's reasoning and analysis are excellent. The conclusion that the issue is not pervasive is true in practise. Because many organizations now manage their individual pensions through investment firms that are often well established with a proven track record of success in pension funds' management and have highly skilled actuarial professionals. b) In your experience, are individual pension plans pervasive among private enterprises applying ASPE? Feedback #b: - See my Feedback above c) Do you have any Feedback on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why? Feedback #c: - The board decision not to take any further actions is adequate and justified. Further, acting would encourage more entities to manage these pensions internally, which is risky for both employees and the private entity.

EMPLOYEE FUTURE BENEFITS, Section 3462, Issue 6b / See my Feedback in Green Color

		Low

Issue	Proposed Solution	Feedback
Issue 6b – Preparing the disclosure requirements for defined benefit plans	NA	a) Do you have any Feedback on the AcSB's analysis of feedback on the cost to meet the disclosure requirements for defined benefit plans? Feedback #a: - Individual pension plans (defined benefit plans), as you have recognized in your analysis is rare. But the fact that Universities still provide detailed disclosure requirements means that the issue is pervasive. However, since Universities apply the NFPOs standard, the AcSB analysis of the issue is adequate and appropriate. b) Do you have any Feedback on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why? Feedback #b: - The decision not to take any further action based on the analysis of the issue is adequate. There is no need to make adjustment to the current disclosure requirements for the reasons mentioned in the analysis.

EMPLOYEE FUTURE BENEFITS, Section 3462, Issue 6c / See my Feedback in Green Color

	Medium	

Issue	Proposed Solution	Feedback
Issue 6c – Accounting for termination benefits	81. The AcSB proposes making no changes to this requirement as the Board thinks it is necessary to provide useful information to users about an entity's future funding needs. 82. Instead, the AcSB proposes reviewing the drafting of the requirements for termination benefits for readability and understandability. The Board also proposes developing guidance on the requirement to accrue termination benefits to encourage application of the requirement when relevant.	(a) Do you have any Feedback on the AcSB's analysis of feedback on challenges with the accounting for termination benefits? Feedback #a: - NA. The analysis provided by the board is sound, and the issue is clearly pervasive. (b) Do you have any Feedback on the AcSB's proposal to review the drafting of the guidance on accounting for termination benefits? (i) If you disagree with this proposal, what solution(s) would you recommend, and why? Feedback #b(i): - NA. See below. (ii) If you agree with the AcSB's proposal, how do you think the Board could improve the drafting of the requirement to encourage application when relevant? Feedback #b(ii): - Reviewing the drafting of the requirements for termination benefits for readability and inheritability is a great initiative. I believe the best way to approve misinterpretation and cover as many instances as possible to broaden the list of requirements with precise use cases. (c) Do you have any Feedback on the AcSB's additional proposal to develop guidance to assist with the application of this requirement? (i) If you disagree with this additional proposal, what solution(s) would you recommend, and why? Feedback #c(i): - NA (ii) If you agree with the AcSB's proposal, where do you think the additional guidance should be included – as an illustrative example that accompanies the standard, or as an external resource outside the Handbook? Please explain your preference, including how your suggested approach would best support consistent application. Feedback #c(ii): - In order to be useful to practitioners, I believe it would make more sense to provide a detailed guidance as an illustrative example that accompanies the standard. By providing multiple use cases, this would prevent any misinterpretations of the standard and ensure comparability. (d) Do you think the AcSB should implement both proposals or only one? If you think the AcSB should only implement one proposal, which one do you think would more effectively address the feedback received, and why? Feedback #d: - I believe the AcSB should implement both proposals at the same time. Expanding the requirements and developing guidance on the requirements would make more sense if issued together. Other issue with employee future benefits: Feedback #e: - NA.

INCOME TAXES, Section 3465, Issue 7a / See my Feedback in Green Color

High		

Issue	Proposed Solution	Feedback
Issue 7a – Preparing the disclosure requirements when applying the taxes payable method	87. The Board proposes developing additional guidance to illustrate the required level of detail in this reconciliation as preliminary feedback suggests that current resources are insufficient, resulting in application challenges for some entities.	a) Do you have any Feedback on the AcSB's analysis of feedback on the cost to meet the disclosure requirements under the taxes payable method? Feedback #a: - Could the analysis indicate how pervasive is this issue? The analysis mentioned that the views are mixed, but we don't know to which extent those who find it challenging are significant in number compared to those who don't' find it challenging. b) Do you have any Feedback on the AcSB's proposal to develop additional guidance to assist with the application of this requirement? (i) If you disagree with this proposal, what solution(s) would you recommend, and why? Feedback #b (i): - NA. (ii) If you agree with the AcSB's proposal, where do you think the additional guidance should be included – as an additional illustrative example that accompanies the standard, or as an external resource outside the Handbook? Please explain your preference, including how your suggested approach would best support consistent application. Feedback #b (ii): - I agree with the initiative to develop additional guidance as an illustrative example that accompanies the standard. For example, by providing multiple illustrations stemming from the most common instances practitioners find challenging, this will help entities get a strong understanding of the level of detail in the reconciliation as expected by the AsCB.

INCOME TAXES, Section 3465, Issue 7b / See my Feedback in Green Color

High		

Issue	Proposed Solution	Feedback
Issue 7b – Applying the future income taxes method	NA	a) Do you have any Feedback on the AcSB's analysis of feedback on applying the future income taxes method? Feedback #a: - I believe this issue should have been in scope for various reasons: Although I don't know the pervasive nature of the issue based on the feedback the AsCB has received, while employed at Deloitte, KPMG, and MNP, I've seen firsthand despite the option between either method, the deliberate decision to choose the future income taxes method is done by entities for various reasons; comparability being one of them. - I think it would be great to assess the pervasive nature of the issue; and reassess the issue from the perspective of the financial statement user. b) Do you have any Feedback on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why? Feedback #b: - I do. I think the decision not to take any action is inadequate. Please refer to my Feedback above.

INCOME TAXES, Section 3465, Issue 7c / See my Feedback in Green Color

	Medium	

Issue	Proposed Solution	Feedback
Issue 7c – Accounting for uncertain tax treatments	NA	a) Do you have any Feedback on the AcSB's analysis of feedback on the accounting and disclosure of uncertain tax treatments? Feedback #a: - The analysis of the board is adequate. b) Do you have any Feedback on the AcSB's proposal to continue to monitor this issue and consider addressing it as part of a separate standard-setting project? If you disagree with this proposal, what solution(s) would you recommend, and why? Feedback #b: - I believe it is a great initiative that Board will continue to monitor this issue and will consider addressing it as part of a separate standard-setting project. The problem with professional judgment when there is no specific guidance in the standard is that it leads to various conclusions, which could distort the true representation of the financial statements. For that reason, I highly recommend making this issue a top priority in your overall future project priorities and workplan. Other issues with income taxes: Feedback #c: - NA. Please see my Feedback above.

DISPOSAL OF LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS, Section 3475, Issue 8a / See my Feedback in Green Color

	Medium	

Issue	Proposed Solution	Feedback
Issue 8a – Accounting for the disposal of long-lived assets	98. The AcSB proposes reviewing the drafting of the requirements for the disposal of long-lived assets and exploring separating them into their own standard for greater clarity.	a) Do you have any comments on the AcSB's analysis of feedback on challenges with accounting for the disposal of long-lived assets? Feedback #a: - The analysis of the feedback by the AcSB is adequate and clearly explains the challenges faced by entities. b) Do you have any comments on the AcSB's proposal to review the drafting of the requirements for the disposal of long-lived assets and to explore separating them into their own standard for greater clarity? If you disagree with this proposal, what solution(s) would you recommend, and why? Feedback #b: - Reviewing the drafting the requirements for the disposal of long-lived assets and exploring separating them into their own standard for greater clarity is a sound initiative. - However, to ensure entities don't mix the requirements for the disposal of long-lived assets with those of the discontinued operations, I believe it would be great to review the drafting of the requirements for discontinued operation as well. - The idea is to make sure that entities and practitioners have a clear understanding of the treatment of each case.

FINANCIAL INSTRUMENTS, Section 3856, Issue 9a / See my Feedback in Green Color

High		

Issue	Proposed Solution	Feedback
Issue 9a – Measuring the fair value of loans with non-market interest rates	98. The AcSB proposes reviewing the drafting of the requirements for the disposal of long-lived assets and exploring separating them into their own standard for greater clarity.	a) Do you have any comments on the AcSB's analysis of feedback on challenges with measuring interest-free and low-interest loans in arm's length transactions at fair value? Feedback #a: - My concern is this: Private entities refer to a wide variety of companies. For example, consider a private company generating 50 million dollars in revenue. If that entity contacts a loan outside of the banking system, say from a private investor (this excludes private equity companies or an incorporated investor, etc.), then the fair value of the loan based on an interest rate comparable to that of a loan contracted from a bank would be a useful information for an outside financial statement user, especially if the company is growing fast. - On the other hand, this proposal may open a door for entities to mislead potential buyers, to whom this kind of information is useful in assessing the liability. b) Do you have any comments on the AcSB's proposal to explore an accounting policy choice that would allow entities to measure financial liabilities with non-market interest rates at face value (i.e., the present value of future cash flows, discounted using the contractual interest rate), rather than at fair value? (i) If you disagree with this proposal, what solution(s) would you recommend, and why? Feedback #b(i): - I disagree with the proposal, because it is more tailored to relatively small entities whose primary and only financial statements' users are the owners themselves. Unless robust criteria are set depending on the size of the entity, this proposal maybe an opportunity for many entities to mislead financial statements users who are not owners of the company, or the potential buyers of the company. (ii) If you agree with the AcSB's proposal, do you think this accounting policy choice should be available to all entities, or should there be qualifying criteria to ensure users' information needs are met? If you think there should be restrictions on this accounting policy choice, what should they be, and why? Feedback #b(ii): - Please see my comments above.

FINANCIAL INSTRUMENTS, Section 3856, Issue 9b / See my Feedback in Green Color

		Low

Issue	Proposed Solution	Feedback
Issue 9b – Determining the fair value of derivatives	NA	a) Do you have any comments on the AcSB's analysis of feedback on challenges with determining the fair value of derivatives? Feedback #a: - NA. The analysis is adequate and appropriate. b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why? Feedback #b: - NA. The decision of the board not to take any further action is justified. Because it is extremely rare for any private entities to enter into derivative contract without obtaining a quote from the transacting party, which in most instances is the dealer. An instance where the dealer can't provide a quote maybe suspicious. The board decision is adequate.

FINANCIAL INSTRUMENTS, Section 3856, Issue 9c / See my Feedback in Green Color

High		

Issue	Proposed Solution	Feedback
Issue 9c – Application guidance on liabilities and equity classification	114. The AcSB proposes reviewing the drafting of the application guidance related to classification of financial instruments as liabilities or equity for readability and understandability.	(a) Do you have any comments on the AcSB's analysis of feedback on challenges with applying the application guidance in the standard on liabilities and equity classification? Feedback #a: - The analysis of the Board is in part adequate and appropriate. - Consider this: For a given financial instrument, if the entity **mistakenly records it as a liability instead of equity**, this will lead to incorrect financial statements to users. Therefore, I believe the issue related to complexity is warranted. (b) Do you have any comments on the AcSB's proposal to review the drafting of the guidance related to classification of financial instruments as liabilities or equity? (i) If you disagree with this proposal, what solution(s) would you recommend, and why? Feedback #b(i): - The proposed idea to review the drafting for the purpose of readability and understandability is adequate and appropriate. Doing so will prevent diverging conclusions by entities for the same type of financial instruments and provide useful information to the financial statements' users. - I would also recommend adding practical use cases as part of the standard. By providing many examples, at least regarding the most common financial instruments, this will make the standard easier to apply across industries and avoid any misinterpretations by various entities or practitioners. (ii) If you agree with the AcSB's proposal, what aspects of the classification requirements do you find challenging to understand, and how do you think they could be improved through redrafting? Feedback b(ii): - NA. Please see my comments above.

FINANCIAL INSTRUMENTS, Section 3856, Issue 9d / See my Feedback in Green Color

		Low

Issue	**Proposed Solution**	**Feedback**
Issue 9d – Assessing whether an arrangement meets the criteria to qualify for hedge accounting	NA	(a) Do you have any comments on the AcSB's analysis of feedback on challenges with assessing and documenting whether an arrangement meets the criteria in the standard to qualify for hedge accounting? Feedback #a: - NA. The analysis of the Board is adequate and appropriate. (b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why? Feedback #b: - The board took an excellent decision not to act on this issue. As you mentioned, hedge accounting is rare in most private companies, and those that find it challenging can still opt not to apply the hedge accounting.

FINANCIAL INSTRUMENTS, Section 3856, Issue 9e / See my Feedback in Green Color

		Low

Issue	Proposed Solution	Feedback
Issue 9e – Disclosure of financial risks	NA	(a) Do you have any comments on the AcSB's analysis of feedback on challenges entities face when preparing the disclosure of financial risks? Feedback #a: - NA. The analysis of the Board is adequate and appropriate. (b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why? Feedback #b: - The board took an excellent decision not to act on this issue. Other issues with financial instruments Feedback #c: - NA

Note: Please note that I have unfortunately not encountered issue #10 on STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS, Section 3870 during my career, so I did not provide any feedback.

RATING OF THE CRITICAL NATURE OF MY FEEDBACK

As a CPA registered with the CPA order of Quebec, I've worked at three different accounting firms (MNP; KPMG; and Deloitte) at various levels (Senior consultant; and Manager). During my tenure at these firms, I've noticed at multiple times the incorrect accounting treatment of some transactions as basic as the inventory. I believe sometimes the problem is not actually due to the complex nature of the standards, but the unwillingness of many accounting departments at these entities to take continuous learning seriously. The most common type of transactions is usually well known and requires no deeper understanding of the standards; however, complex transactions require deep knowledge of the standards that can only be acquired through continuous learning. Therefore, to help you get a sense of my feedback, I provide below the meaning of each rating.

Each rating (of my feedback) below is based on the combination of the followings:

- Would addressing the issue provide more useful information to the financial statements' users or mislead them?
- Is the issue pervasive enough to warrant an action? Please note that some issues may not be pervasive, but additional guidance could help provide more information to the users. Exercising professional judgment to address the issue or not is key.
- Would the benefit of addressing the issue be superior to the cost of applying the proposed solution.

Rating Scale	Description
High	Feedback rated as ''High'' means that acting on it will provide useful information to the financial statements' users, and addressing the issue will likely tackle a critical accounting matter for many private enterprises without requiring a significant cost compared to the benefit it would provide to the users.
Medium	A ''Medium'' rating means that acting on the feedback may provide useful information to the financial statement's user, even though the matter may not be pervasive, and the benefit of applying the feedback outweighs the cost of implementing it by a private entity.
Low	A ''Low'' rating means that acting on the feedback may not necessarily bring significant useful information to the users, however it would make the standards clearer and avoid any misinterpretations by various practitioners or private enterprises. On the other hand, the benefit maybe useful, but the cost of implementing them may outweigh the benefit. Therefore, exercising professional judgment before acting on the feedback is important.

FRANK SPADAFINA
PROFESSIONAL CORPORATION

October 1, 2025

RE: Comment on the AcSB's Review of ASPE Standards

I would like to commend the Accounting Standards Board (AcSB) for initiating a review of the Accounting Standards for Private Enterprises (ASPE) with the goal of identifying complex requirements and proposing practical improvements.

As a sole practitioner working directly with private enterprises, I strongly agree with the concerns raised regarding the complexity of certain standards and the limited decision-usefulness of some resulting information.

In my experience, many small and medium-sized entities find it challenging to apply certain ASPE requirements—particularly in areas such as financial instruments, impairment assessments, and income taxes. These standards can be resource-intensive to implement, and, in many cases, the resulting disclosures are not meaningful to the users of the financial statements, who are often owner-managers or lenders with a focus on cash flow and solvency.

I support the Board's efforts to streamline ASPE to make it more accessible and relevant for private enterprises. A balanced approach that reduces complexity while maintaining the reliability and comparability of financial reporting would benefit both preparers and users.

I also encourage the AcSB to continue consulting practitioners like me throughout this process to ensure that any proposed changes are realistic and practical for those working with limited support and resources.

Thank you for the opportunity to provide feedback. I look forward to the results of this.

Yours very truly,

Frank Spadafina CPA, CA, LPA, CPA(Illinois)

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Smith SCHOOL OF BUSINESS | Queen's University

January 22, 2026

Members of the Board
Accounting Standards Board of Canada

Re: Detailed Review of ASPE

Dear Board Members:

Thank you for the opportunity to submit a comment on your proposed review of ASPE.

In my view, the chief issue in a "detailed review" of ASPE is to ensure that any modifications are consistent with Section 1000, *Financial Statement Concepts*. Even more importantly, you need to revisit whether Section 1000 needs to be revised to be consistent with your vision of the objectives and uses of private enterprise financial statements and the true costs and benefits of applying what some financial statement preparers see as unduly onerous standards.

My attached article, "Different Conceptual Accounting Frameworks for Public and Private Enterprises…." [*Accounting Perspectives* Vol. 14, No 3, Fall 2015, pp. 168-189] shows that "…the proportion of large companies in Canada is just a rounding error compared with that of SMEs" (p. 174) and private enterprises' contribution to Canada's GDP rivals that of large, listed firms. Thus, this is a vitally important sector. Arguably, your work on ASPE carries much greater significance for Canadian business than your attention to the continual changes in IFRS.

The article argues that we have two conceptual frameworks for financial accounting in Canada and that this is a sound arrangement:

- The IFRS framework focuses primarily on the information needs of present and potential investors and creditors in competitive and efficient capital markets, where sophisticated readers and financial analysts demand fair values of financial instruments, goodwill, and other financial statement items. Competitive markets and the specter of class action lawsuits apply discipline the firms' accounting.

- The framework for private enterprises is based on a classic conceptual framework featuring reliability, conservatism and verifiability. This is rational because "…debt-financiers—providers of loans, lease financing and trade credit—are…by far the most important external users of private enterprise financial statements" (p. 175) and they have asymmetric loss functions: i.e., they suffer more when a debtor experiences bad times than they benefit when the debtor experiences good times. Hence, a conceptual framework emphasizing conservative financial reporting is expected to be compatible with users' needs and "…conservatism can coexist with unbiased fair values of private enterprise equity securities and their derivatives" (p. 182).

Each of the issues in the *In Brief* paper should be analyzed with these distinctions in mind. My impression is that the paper focuses mainly on preparers of financial statements who think they are unduly burdened applying complex accounting standards.

- For example, Issue 1(a) observes that allocating overhead costs to the cost of inventories is "challenging" and intends to explore an accounting policy choice that would allow entities to exclude overhead costs from the cost of manufactured inventories. In my view, the focus here should not be on preparers who complain about complexity in the accounting; it should be on whether, under GAAP, including overhead from inventories is consistent with the needs of creditors with asymmetric loss functions. I think it is. For instance, a banker making a loan secured by inventory is interested in whether the carrying value of inventory, plus the expected markup when it is sold, is sufficient to cover the face value of the loan. Writing off overhead as it is incurred is inconsistent with the user's needs. If it's really that difficult to allocate overhead, why not let the firm charge it off, have the auditor or reviewer point out that this is inconsistent with GAAP, and let the firm bear the "cost," if there is any, in the form of a higher interest rate?

- Similarly, Issue 5(a) observes that some users find applying the percentage of completion (POC) method is challenging. I agree. It can be very challenging. Yet, it is consistent with the objective of financial reporting: to give present and potential investors and creditors information that is useful in predicting the amounts, timing and uncertainties relating to a company's net future cash flows. As an illustration of this, suppose a company secures a contract whose fulfilment is expected to entail three fiscal years of work. Under the completed contract (CC) method, the company does not report any revenue or gross margin (the difference between revenues and expenses) in the first two fiscal years, giving the impression that the company is unprofitable and incapable of generating positive net cash flows to pay investors and creditors dividends, interest and returns of capital in the future. Under POC, in contrast, in each fiscal period management estimates the total revenues, expenses and gross margin relating to the contract, and the degree to which the contract is complete. If the contract is 20% complete at the end of the first fiscal period, management reports 20% of the contract's anticipated revenues, expenses, and gross margin. Financial statement readers are interested in knowing not only that work on the contract is progressing and revenue has been earned; they are also interested in knowing whether the contract is expected to be profitable and to generate positive amounts of gross margin. Positive amounts of expected gross margin imply that the company is likely to have money left over, after paying its expenses, to pay dividends, interest, and returns of capital in the future. Under POC, if the three-year contract is expected to be unprofitable at the end of the first fiscal period, the entire estimated loss is reported right away. In this way, POC gives financial statement readers a much more useful indication of the company's cash flow generating ability than CC. Indeed, in this setting, financial statements based on CC are comparatively useless.

> Again, don't let firms get away with scrapping POC just because it's challenging to apply properly. If they revert to CC, again let them note that it is inconsistent with GAAP and let them bear the "cost," if there is any.

I suspect that some of the arguments you are getting are of the form, "I shouldn't have to pay to have someone value my executive stock options because no one ever looks at those numbers." If you decide to accede to the wishes of preparers who argue that the cost of applying ASPE exceeds the benefits, you should insist that they identify the costs and benefits of applying the standards. You should also ask whether you need to revisit Section 1000 and (a) specifically outline how a cost/benefit calculation should be done; and (b) specify what disclosures should be made in the financial statements to back up the departure from the default treatment under ASPE.

In short, ASPE are vitally important in Canada. Especially at a time when public companies are beset with geo-political ruptures and many face existential threats, we need rigorous accounting standards for our precious private enterprises.

Your faithfully,

Daniel B. Thornton

Different Conceptual Accounting Frameworks for Public and Private Enterprises: Commentary on Canada's IFRS Transition and Suggestions for International Empirical Work*

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ABSTRACT

Prior research, coupled with demographic data relating to the needs of financial statement users, suggests that Canada's strategy of adopting International Financial Reporting Standards (IFRS) for public firms, while simultaneously basing Accounting Standards for Private Enterprises (ASPE) on a classic conceptual framework featuring reliability, conservatism and verifiability, is a rational strategy that confers a comparative advantage on Canada's private enterprises relative to their peers in other countries. I propose research projects that could examine this inference as a testable hypothesis, thereby providing empirical evidence that standard setters could weigh when determining whether the strategy is successful and worth preserving. I also explain why conservatism can coexist with unbiased fair values of private enterprises' equity securities and their derivatives.

Keywords Financial accounting; Conceptual framework of financial reporting; Financial reporting quality; Empirical research

DISPARITÉ DES CADRES CONCEPTUELS DE LA COMPTABILITÉ POUR LES SOCIÉTÉS OUVERTES ET FERMÉES : COMMENTAIRE SUR LE PASSAGE DU CANADA AUX IFRS ET SUGGESTIONS RELATIVES AUX TRAVAUX EMPIRIQUES INTERNATIONAUX

RESUME

Les études précédentes, conjuguées aux données démographiques relatives aux besoins des utilisateurs des états financiers, donnent à penser que la stratégie du Canada quant à l'adoption parallèle des Normes internationales d'information

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financière (IFRS) pour les sociétés ouvertes et de Normes comptables pour les entreprises à capital fermé (NCECF) fondées sur un cadre conceptuel classique qui met l'accent sur la fiabilité, la prudence et la vérifiabilité, est une stratégie rationnelle qui confère un avantage comparatif aux sociétés à capital fermé du Canada par rapport à leurs homologues des autres pays. L'auteur suggère des projets de recherche qui porteraient sur l'étude de cette inférence à titre d'hypothèse à vérifier, ce qui fournirait des données empiriques susceptibles d'éclairer les normalisateurs dans l'évaluation du succès de la stratégie et du bien-fondé de son maintien. L'auteur explique également pourquoi la prudence peut coexister avec des justes valeurs objectives des titres de capitaux propres des sociétés à capital fermé et de leurs dérivés.

Mots clés : cadre conceptuel de l'information financière, comptabilité générale, qualité de l'information financière, recherche empirique

INTRODUCTION

When Canada adopted International Financial Reporting Standards (IFRS) for publicly accountable enterprises in 2011, many Canadian private companies began using Accounting Standards for Private Enterprises (ASPE), which are tailored to meet their needs. While evidence abounds on the pros and cons of IFRS adoption by public companies in Canada and elsewhere (Ball, 2006; Godsell and Welker, 2012; Daske, Hail, Leuz, and Verdi, 2013), virtually nothing is known about the equally important impact of the new regime on Canadian private enterprises.

The Canadian setting is of more than parochial interest to accounting researchers and standard setters because most other jurisdictions that adopted IFRS either did nothing explicitly with respect to private enterprise accounting or mandated that private enterprises adopt IFRS for Small- and Medium-Sized Enterprises (IFRS/SME; IASB, 2009), which are simpler than full-blown IFRS but are not tailored to the needs of private companies in their particular countries.[1] Thus, the Canadian experience affords a baseline for evaluating private versus public enterprise accounting in an international setting.

An essential difference between ASPE and IFRS is that ASPE are based on a classic, transaction-based conceptual framework emphasizing reliability, conservatism, and verifiability (Storey and Storey, 1998), which Canada adopted in 1988. In contrast, IFRS are based on a valuation-based conceptual framework emphasizing faithful and unbiased representation (Ball, Li, and Shivakumar, 2014). Consistent with the latter focus, the IASB has issued at least 13 individual standards that replace traditional historical cost accounting methods with rules that recognize

1. An IFRS Foundation Fact Sheet states "Over 80 countries have adopted [IFRS/SME] or announced plans to do so." This includes countries in South America, the Caribbean, Central America, Africa, Asia, the Middle East, Eurasia, and Europe. In North America, IFRS/SME are said to be "available for use in United States, Canada, and Mexico (limited use so far)" (http://www.ifrs.org/IFRS-for-SMEs/Documents/Fact-Sheet/SME-Fact-Sheet-July-2013.pdf).

assets and liabilities at fair value (Ernst & Young, 2005; Ball, 2006).[2] Thus, we have been using two conceptual frameworks in Canada since 2011: a relatively conservative, transaction-based framework for private enterprises and a relatively valuation-based framework for public enterprises. In contrast, most other IFRS-adopting countries have been using similar conceptual frameworks for public and private enterprises.[3]

I will argue that prior research suggests conservative, reliable accounting has a comparative advantage for private enterprises because it serves as a governance mechanism and generates information that is particularly relevant to creditors with asymmetric loss functions, who supply almost all the financing in this sector (Chen, Hope, Li, and Wang, 2011). Unbiased, valuation-based accounting has a comparative advantage for public enterprises for at least three reasons. First, independent directors, large audit firms, analysts, and the market for corporate control are more effective governance mechanisms for public companies than private companies, so there is less need for conservatism as a governance tool. Second, unlike private enterprises, large public companies typically access efficient markets for both debt and equity capital, so the informational needs of creditors are relatively less salient. Third, compared with private enterprises, large public companies and their auditors are much more prone to class action lawsuits and costly regulations when profits are overstated, so they have intrinsic incentives to account conservatively (Watts, 2003); any reinforcement of conservatism from a conceptual framework is likely to have less impact for public than for private enterprises.

I will close by proposing some research projects that could exploit the unique way in which Canada transitioned to IFRS and ASPE in 2011 and suggest that standard setters perform or support the suggested research projects to assess the appropriateness of the dual-framework regime. I will also explain why conservatism can coexist with unbiased fair values of private enterprise equity securities and their derivatives.

INSTITUTIONAL BACKGROUND

ASPE were derived from the Canadian Generally Accepted Accounting Principles (CGAAP) that applied to both public and private enterprises prior to 2011. Under CGAAP, private enterprise shareholders could unanimously elect to exempt their company (under section 1300 of the CICA Handbook) from applying some of the

2. Fair value measurements are incorporated in IAS 16 (Property, Plant and Equipment), IAS 22 or IFRS 3 (Business Combinations), IAS 36 (Impairment of Assets), IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), IAS 38 (Intangible Assets), IAS 39 and IFRS 9 (Financial Instruments: Recognition and Measurement), IAS 40 (Investment Property), IAS 41 (Agriculture), IFRS 2 (Share-based Payment), IFRS 4 (Insurance Contracts), and IFRS 5 (Noncurrent Assets Held for Sale and Discontinued Operations).

3. Australia implemented special standards for private enterprises when it adopted IFRS but Australia's conceptual framework, unlike that of ASPE, "rejects conservatism" (Scott, 2002: 179).

more complex CGAAP standards involving financial instruments, asset retirement obligations, employee future benefits, goodwill, income taxes, stock-based compensation, subsidiaries, investments and joint ventures (Rennie and Senkow, 2009).[4] While this exemption approach was practicable under the old regime, it would not be feasible after IFRS adoption because CGAAP would be withdrawn and hence be unavailable to public enterprises. It would not have made sense to keep updating a defunct set of public enterprise standards and then exempt private enterprises from applying some of them. Therefore, the Canadian Accounting Standards Board (AcSB), in cooperation with the Private Enterprise Accounting Committee (PEAC) comprising accounting practitioners and preparers, developed simplified ASPE tailored to the needs of Canada's private enterprises.

In its 2011 strategic plan, AcSB stated:

> The Board is conscious of the considerable concern amongst its stakeholders about having several sets of standards in general use in Canada. It responded to that concern in developing the standards for private enterprises **by basing the standards on essentially the same conceptual framework as that underpinning International Financial Reporting Standards.** The Board expects that some new standards issued by the IASB will satisfy the test of better meeting the financial reporting needs of the sector and be adopted into the ASPEs, either in whole or modified form. Such changes would, over time, reduce some of the current differences between the accounting standards for publicly accountable enterprises and those for private enterprises. (emphasis added)

As the paragraph above indicates, when the AcSB disseminated this strategic plan, the conceptual frameworks of CGAAP and IFRS were "essentially the same;" they were both based on FASB Concepts Statements developed in the United States in the early 1980s (Storey and Storey, 1998; Schipper, 2000).[5] However, the IFRS framework was undergoing change, so at some point a decision would be required on whether to update the ASPE framework or leave it as is.

In the Background Information and Basis for Conclusions relating to the final release of ASPE, the AcSB seemed to imply that the conceptual framework for

4. In a similar vein, in the United States, the Financial Accounting Foundation announced the establishment of the Private Company Council on May 23, 2012. The Council's objective is to improve the process of setting accounting standards for private companies. At present, U.S. private firms that do not file financial reports with the Securities and Exchange Commission can use any accounting standards they like, even cash accounting. If they elect to use U.S. GAAP, they must adopt all of the FASB standards, including the complex ones mentioned above in the text. The Council will determine whether exceptions or modifications to accounting standards of public firms should be made for private firms. Anecdotal evidence indicates that the Council is monitoring the Canadian experiment carefully.

5. Scott (2002: 163) analyzed the concepts statements of Australia, Canada, New Zealand, the United Kingdom, the United States, and the IASB. He concluded that although these statements seemed similar at a superficial level, a closer look revealed "substantial differences." At that time, as was mentioned above, only Australia's concepts statement rejected conservatism.

ASPE would eventually be updated to be consistent with revised frameworks being developed for IFRS and U.S. GAAP:

> the Exposure Draft retained the existing conceptual framework in FINANCIAL STATEMENT CONCEPTS, Section 1000, which is consistent with the International Accounting Standards Board's *Framework for the Preparation and Presentation of Financial Statements*. The International Accounting Standards Board has a joint project with the U.S. Financial Accounting Standards Board to develop an improved common conceptual framework. **Over time, the AcSB intends that Section 1000 will be updated to remain consistent with the International Accounting Standards Board's conceptual framework**. (Background Information and Basis for Conclusions, paragraph 29; emphasis added)

To date, however, Section 1000 has not been updated; it is nearly the same as it was when it was adopted in 1988.[6]

A key element of Section 1000 is the concept of conservatism:

> Use of conservatism in making judgments under conditions of uncertainty affects the neutrality of financial statements in an acceptable manner. When uncertainty exists, estimates of a conservative nature attempt to ensure that assets, revenues and gains are not overstated and, conversely, that liabilities, expenses and losses are not understated. However, conservatism does not encompass the deliberate understatement of assets, revenues and gains or the deliberate overstatement of liabilities, expenses and losses. (paragraph 21(d))

The concept of conservatism does not have any explicit role in the current IFRS or U.S. GAAP framework.[7]

Another key difference between the frameworks is that the old framework in Section 1000 puts considerably more emphasis on reliability and verifiability of financial information than the newer IFRS/U.S. GAAP framework does:

> Information is reliable when it is in agreement with the actual underlying transactions and events, the agreement is capable of independent verification and the information is reasonably free from error and bias. Reliability is achieved through representational faithfulness, verifiability and neutrality…
>
> The financial statement representation of a transaction or event is verifiable if knowledgeable and independent observers would concur that it is in agreement

6. The year of adoption was not given in the CICA Handbook but is found in Skinner and Milburn (2001: 45). An important change occurred in the early 2000s when certain deferred losses and deferred gains, which stemmed from matching costs with revenues but did not satisfy the definitions of assets and liabilities, were purged from Section 1000.

7. On May 21, 2014 the IASB tentatively decided to reintroduce a reference to "prudence" in the Conceptual Framework, defined as the exercise of caution when making judgments under conditions of uncertainty: "The exercise of prudence is consistent with neutrality and should not allow the overstatement or understatement of assets, liabilities, income or expenses" (IASB 2014: 19).

> with the actual underlying transaction or event with a reasonable degree of precision. Verifiability focuses on the correct application of a basis of measurement rather than its appropriateness. (Section 1000, paragraph 21)

Maines and Wahlen's (2006: 399) synthesis of archival and experimental accounting research concludes that reliability is "a complex and elusive construct;" however, the authors conclude that reliability is an essential characteristic for accounting information to be useful for decision making.[8]

O'Brien (2009), among others, bemoans the demotion of such concepts in the IFRS/U.S. GAAP frameworks for public enterprises. In contrast, I am neutral with respect to the change for public enterprises. In any event, that ship sailed a long time ago. Rather, I am interested in exploring the likely impact of retaining the old concepts for private enterprises while simultaneously demoting them for public enterprises.

CANADIAN PRIVATE ENTERPRISES

For the purposes of this article, a Canadian private enterprise that is eligible to use ASPE can be defined as an organization whose debt or equity instruments are not traded in public markets such as stock exchanges or over-the-counter markets.[9]

Descriptive Statistics

According to Industry Canada, as of December 2012, there were 1,107,540 employer businesses in Canada, of which 1,087,803 (98.2 percent) were small enterprises with fewer than 100 workers. Medium-sized enterprises with 100 to 499 workers made up 1.6 percent of employer businesses. Thus, SMEs comprised 99.8

8. In a more analytical vein, Penno (2008) argues that conceptual frameworks exhibit vagueness, especially in dynamic environments.
9. According to the introduction to the CPA Canada Handbook: "(a) A publicly accountable enterprise is an entity, other than a not-for-profit organization, that: (i) has issued, or is in the process of issuing, debt or equity instruments that are, or will be, outstanding and traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or (ii) holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. Banks, credit unions, insurance companies, securities brokers / dealers, mutual funds and investment banks typically meet the second criterion above. Other entities may also hold assets in a fiduciary capacity for a broad group of outsiders because they hold and manage financial resources entrusted to them by clients, customers or members not involved in the management of the entity. However, if they do so for reasons incidental to a primary business (as, e.g., may be the case for travel or real estate agents, co-operative enterprises requiring a nominal membership deposit, or sellers that receive payment in advance of delivery of the goods or services, such as utility companies), that does not make them publicly accountable. (b) A private enterprise is a profit-oriented entity that is not a publicly accountable enterprise."

percent of employer businesses. Large businesses with more than 500 employees made up the remainder (Statistics Canada, Business Register, December 2012). Industry Canada states that this remainder is 0.1 percent, which means that the percentages do not quite add to 100. This underscores the irony that the proportion of large companies in Canada is just a rounding error compared with that of SMEs.

Statistics Canada (2008) reports that small businesses with fewer than 99 employees account for about 41 percent of Canada's private sector gross domestic product (GDP) and medium-sized businesses with 100 to 499 workers account for 11 percent; thus, SMEs together account for 52 percent. Large businesses contribute the remaining 48 percent.[10] These descriptive statistics are consistent with those for private enterprises in the United States, where there are about eight million private firms with paid employees, representing half of the nation's private sector GDP. Generally, in the United States and other countries, unlisted firms have about four times more employees than listed firms, three times more revenues and twice the amount of assets; over 99 percent of limited liability companies are unlisted (Hope, Thomas, and Vyas, 2014; Pacter, 2004; Nagar, Petroni, and Wolfenzon, 2011). By any measure, then, private enterprises are extremely important contributors to the world's economy.

Neither CPA Canada nor Industry Canada has published any data concerning how many Canadian enterprises are private versus publicly accountable. I believe that nearly all SMEs can be classified as private enterprises for accounting purposes; however, there are no publicly available databases that can be used to verify this.[11]

According to the Canada Business Corporations Act (CBCA), incorporated companies must prepare financial statements for their shareholders but the Act does not require private companies to use any particular set of accounting principles. A small proportion of SMEs use IFRS voluntarily, in preparation for listing their securities or for other reasons, but it seems safe to infer that a large majority of SMEs that prepare financial statements for external users employ ASPE. It is unknown how many SMEs elect to have their financial statements audited or

10. Of the total economy, SMEs account for 39 percent of GDP while large business account for 36 percent. The public (government) sector accounts for the remaining 25 percent.

11. As of February 2015, Capital IQ contains financial data for 163 Canadian private companies, a negligible number compared with the over one million employer businesses reported by Industry Canada. Of the 163 companies, 123 use IFRS and 19 use U.S. GAAP. Several are publicly accountable private companies because their debt or equity securities are traded over the counter; others (e.g., large insurance companies) because they hold securities in a fiduciary capacity. Another data provider, PrivCo (http://www.privco.com) contains information on 3,000 Canadian private companies. In most instances, however, the data are limited to "number of employees" and "total revenues." Moreover, private correspondence with PrivCo officials indicates that the 3,000 companies do not constitute a random sample of Canada's one million employer businesses.

reviewed by public accountants. After a 1994 amendment to the CBCA, large private enterprises no longer need to produce audited financial statements; however, a prior study reported that about three-quarters of companies surveyed voluntarily elected to continue being audited after the amendment (Senkow, Rennie, Rennie, and Wong, 2001).[12]

Users of Private Enterprise Financial Statements

Industry Canada's Summary of the Survey on Financing and Growth of Small and Medium Enterprises, 2011 surveyed private sector, for-profit SMEs employing between one and 499 employees and generating between $30,000 and $50 million in annual revenues. The sample was stratified by region, industry, size (as measured by the number of employees), age of business, and participation in the Canadian Small Business Financing Program. The sample size was 25,007 businesses and the survey completion rate was 39.8 percent (or 9,977 respondents). According to the survey, 36 percent of SMEs requested some type of external financing, with 26 percent requesting debt, 7 percent requesting leasing, 8 percent requesting trade credit, and 4 percent requesting government financing. Only 2 percent requested equity financing. According to the survey, in 2011, 90 percent of debt-financing requests were approved. Both request and approval rates for debt financing increase with business size, suggesting that larger private enterprises are more likely to require debt financing and more likely to get it if they ask for it.

Chartered banks were the main suppliers of financing to SMEs in 2011, serving 55 percent of financing requests, followed by credit unions or Caisses populaires (16 percent), government institutions (7 percent), leasing companies (4 percent), family and friends (2 percent), venture capital funds or angel investors (1 percent) and foreign banks (0.4 percent). Thus, debt-financiers—providers of loans, lease financing and trade credit—are likely to be by far the most important external users of private enterprise financial statements.

In the next section of this article, I will argue that the current conceptual framework for ASPE is consistent with the informational needs of these financiers. Although banks and other lenders often obtain information directly from borrowers—a practice known as "relationship lending" (Berger and Udell, 1995)—such information is unlikely to be audited or reviewed to ensure that it complies with the formal recognition and measurement criteria inherent in ASPE. Thus, the informational role of general-purpose financial statements for lenders is likely to be extremely important.

12. The study reported that the mean number of employees in the 201 companies surveyed was 165; the mean for the 148 companies that retained their audit was 205; the mean for the 53 companies that discontinued the audit was 138.

CONSERVATISM AND PRIVATE ENTERPRISES

In this section, I argue that private enterprises benefit from having a conceptual framework that specifically includes conservatism. The literature posits two kinds of conservatism—conditional and unconditional (Pae, Thornton, and Welker, 2005). I propose a third kind, which I call "framework conservatism." Until now, there was no need for this idea because conceptual frameworks for *both* private and public enterprises either referred to conservatism as a formal concept or they did not. Now that we have two distinct frameworks in Canada, one that refers to conservatism and one that does not, I believe framework conservatism has an important role to play in future research and standard setting.

Three Types of Conservatism

The first kind of conservatism conceived in the literature to date—called unconditional conservatism, ex ante conservatism or news-independent conservatism—stems from the application of specific accounting principles that tend to reduce earnings relative to cash flow expectations independent of current economic news. Examples include immediately expensing rather than capitalizing advertising and research expenditures, whether or not they are believed to be associated with expected future cash inflows. The second kind of conservatism is called conditional conservatism, ex post conservatism, news-dependent conservatism or asymmetric timeliness (Basu, 1997). Conditional conservatism implies more timely recognition of bad news than good news in earnings. Examples include recording inventory at the lower of cost and market, write-downs (but not write-ups) of goodwill following impairment testing and timelier recognition of contingent losses than contingent gains.

I believe the third type of conservatism I propose, framework conservatism, is a different concept but is related to the other two in two ways. First, if a conceptual framework contains conservatism as a formal concept, standard setters are likely to promulgate individual accounting standards that are more unconditionally conservative than they would be if the concept did not exist. Second, when accountants apply the existing standards, they are likely to be more conditionally conservative than they would be if the concept were absent in the framework. In other words, framework conservatism reinforces both unconditional and conditional conservatism.

Desirability of Conservatism for Private Enterprise Accounting

In the literature to date, conditional conservatism is taken to mean that accountants require more verification to sanction the recognition of favorable information as gains than to sanction the recognition of unfavorable information as losses (Watts, 2003). Allusions to this notion of conservatism appeared at least 90 years ago (Bliss, 1924: 110), long before any specific conceptual framework of accounting existed. Conservatism became particularly salient owing to the provisions of nineteenth century companies legislation requiring that dividend distributions could neither make a company insolvent nor impair its capital (Murphy, 1992). Accountants and auditors dreaded the prospect of enabling excessive dividend payments by overstating a firm's earnings. They reasoned that, since dividend payments require a debit to retained earnings as well as a credit to cash, dividends could be constrained by conservative accounting simply because there would be less retained earnings to debit if accounting were more conservative. Moreover, the costs of understating earnings were less than the costs of overstating earnings: If a firm's dividends were too small today because earnings were understated, higher dividends could be paid in the future to compensate the shareholders. In contrast, if the firm's dividends were excessive today because earnings were overstated, the excessive payments could not be recovered in the future if they had caused the company to become insolvent. Indeed, even if some of the overpayments could be recovered from the people who received them, many of the dividend recipients would have sold their shares to other people who could not logically be expected to repay the firm. Thus, being conservative with respect to earnings and retained earnings played a governance role that helped to ensure that companies remained solvent.

Conservatism as a solvency-enhancing mechanism is archaic and is likely to be redundant for modern public companies because their governance mechanisms are highly developed, including independent directors, high-quality audits, scrutiny by financial analysts, the threat of class action lawsuits and the discipline of takeovers in the market for corporate control. Private companies, however, are generally much less subject to such modern governance mechanisms; hence, the role of conservatism as a monitoring device is likely to remain comparatively salient not only in constraining excessive dividend payouts, but also in constraining any excessive compensation payments that require charges to earnings.

As a governance mechanism, conservative accounting can also mitigate agency problems associated with delayed recognition of managers' poor decisions. Managers who know that poor decisions will result in timely loss recognition are less likely to engage in such activities. For example, if the company sells products or services into stuffed distribution channels, conservative accountants are likely to recognize revenue only when they feel assured that the product or service will ultimately be delivered to the end consumers. If the age of a company's accounts receivable increases unexpectedly, conservative accountants are likely to insist on timely and substantial allowances for doubtful accounts. If a company invests in negative net present value projects, conservative accountants are likely to insist on timely asset impairment charges.

Such incentives are compatible with the informational needs of creditors who, as was shown above, provide nearly all of private enterprise financing in Canada. Creditors have asymmetric loss functions: they suffer more when a debtor experiences bad times than they benefit when the debtor experiences good times. Prior research implies that creditors can more effectively protect themselves from company default by demanding financial reports that exhibit timelier loss recognition (Hope, Thomas, and Vyas, 2013). When a borrower's losses are recognized quickly, creditors can impose timely additional restrictions on managerial behavior, reducing the risk of further losses and increasing the probability of repayment. Thus, all else being equal, lenders are likely to grant more loans and agree to lower interest rates for debtors who supply financial reports based on more conservative accounting procedures.

In summary, because financiers and most other external financial statement users who have interests in private enterprises have asymmetric loss functions, a conceptual framework emphasizing conservative financial reporting is expected to be compatible with users' needs. In contrast, public company lenders constitute only one segment of financial statement users. Consistent with this, the IFRS conceptual framework for financial reporting gives equal prominence to the needs of equity and debt holders and does not contain any formal allusions to the concept of conservatism.[13]

The Canary in the Coal Mine: Evidence on Reduced Use of Accounting Information in Public Companies' Debt Contracts after IFRS Adoption

The exercise of caution is appropriate in analogizing from one research context to another; however, I believe that the results of one study are particularly germane to my thesis that the current conceptual framework is appropriate for Canada's ASPE. Ball et al. (2014) investigate the effect of mandatory IFRS adoption on debt contracting in a sample of new debt issues from 2001 to 2010 in 22 IFRS-adopting countries and 21 non-IFRS-adopting countries. (Canada was among the nonadopting countries during this period.) They report a significant reduction in the use of accounting-based debt covenants and increase in nonaccounting-based covenants following mandatory IFRS adoption. They do not observe such effects in nonadopting countries. Importantly for the arguments I advance in this paper, the shift away from accounting-based debt covenants is much more pronounced for syndicated bank loans than for corporate bonds. Loans constitute virtually all the debt financing for Canada's private enterprises.

The authors entertained "extra transparency" following IFRS adoption as an alternative explanation for the decrease in the use of accounting-based debt covenants. They ruled this out because, if lenders saw extra transparency as an acceptable substitute for accounting-based debt covenants, they would not have bothered implementing nonaccounting-based covenants to replace them.

13. The IFRS conceptual framework states, "OB2 The objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity. Those decisions involve buying, selling or holding equity and debt instruments, and providing or settling loans and other forms of credit."

The authors attribute the shift away from accounting-based covenants to several aspects of IFRS that are unfavorable to debt contracting. Most relevant here is that fair values often incorporate valuation shocks in earnings that are transitory or even reverse before debt maturity, making earnings a poor predictor of debt service capacity (Li, 2010). Moreover, the IFRS option to fair value the firm's own liabilities and the IFRS treatment of convertible debt inhibit leverage covenants, where debt's historical face value is relevant: the borrower contracts to repay the face value of a loan, not its fair value. The authors conclude that, "overall, IFRS rules appear to sacrifice debt contracting usefulness for objectives such as complying with an abstract accounting measurement model and incorporating more contemporary information in the financial statements" Ball et al. (2014: 1). The authors admit, however, that there may be offsetting benefits for IFRS users besides lenders, such as equity investors.

My intuition is that similar results would be obtained in Canada's private enterprise sector if ASPE moved toward a more valuation-based conceptual framework and began to adopt more fair value-based standards. Such a move is likely to exact a tremendous toll on private enterprise debtors and creditors, accompanied by little or no offsetting benefit in the private enterprise equity market. In short, such a move is likely to deprive the most important users of private enterprise financial statements of the accounting information they value the most.

It may be argued that private enterprise borrowers and lenders can contract around the problems inherent in IFRS and contract on the basis of pro forma financial statements prepared under preferred accounting principles. However, this procedure incurs the cost of keeping parallel books and having them audited or reviewed. Consistent with this, Ball et al. (2014) observe the use of tailored accounting principles in lending agreements in only one percent of cases. They also find that sufficient information to contract around many fair value measurements is generally not reported in companies' financial statements.

How Would We Know If Conservatism Were "Working" for Private Enterprises?

A clarifying comment is appropriate before proceeding. One expects large public firms and their auditors to be conservative to protect themselves from class action lawsuits and costly regulations (Watts and Zimmerman, 1979; Watts, 2003). Indeed, those that are especially vulnerable to lawsuits and regulatory oversight may be more conservative in their accounting than private enterprises are. However, that does not mean that framework conservatism is not constraining accounting by private enterprises.

The chief research question I propose is whether, all else being equal, private enterprises that are subject to a conservative framework are more conservative, *relative to public enterprises*, than private enterprises that are not subject to a conservative framework. That is why, in a later section of the paper, I advocate examining the question using difference-in-differences research designs. A difference-in-differences design is effective in situations like this because many potential confounding factors wash out in one or the other of the two differences. For example, contemporaneous but unrelated regulatory changes that affect both the treatment group and the control group wash out in the first difference; time-invariant measurement problems for one group wash out in the second difference (Conley and Taber, 2005).

As far as I know, Canada is the only jurisdiction that retained a classic conceptual framework for private enterprises while shifting to the IFRS framework for public companies. Thus, if the classic framework induces conservatism in private enterprise accounting, then there should be a greater *difference* between the degree of conservatism exhibited by Canadian private and public enterprises after IFRS adoption than before adoption. Moreover, on IFRS adoption, there should be a greater *change* in the difference between the degree of conservatism exhibited by Canadian private and public companies than the *change* in the difference between the degree of conservatism exhibited by other countries' private and public companies.[14]

The Question for Standard Setters

If these expectations are supported by the data, then the conclusion for standard setters is "framework conservatism is effective in enhancing the conservatism of accounting information provided to the primary users of private enterprise financial statements." They then must decide whether, given the evidence, conservatism is worth preserving.

As I will show, conservatism is only one aspect of financial reporting quality but it has been found to be associated with other measures of financial reporting quality. Thus, similar research can be carried out using those other measures, and composite measures comprising all indices of financial reporting quality. If similar results are obtained, then the case for standard setters retaining Canada's dual conceptual frameworks is even stronger and the implications of the research for other countries are obvious.

CONSERVATISM AND FAIR VALUES FOR PRIVATE ENTERPRISES

Conservative accounting is distinct from risk aversion despite Section 1000's statement that:

> When uncertainty exists, estimates of a conservative nature attempt to ensure that assets…are not overstated. …However, conservatism does not encompass the deliberate understatement of assets…(paragraph 21(d))

I have always interpreted this paragraph as meaning that when an accountant is not certain about the value of an asset because no reliable quoted market price exists, and information asymmetry exists between the accountant and

14. Measurement of conservatism is addressed later in this paper.

management, management's estimates are likely to be biased upward. Conservatism is thus a rational accounting antidote to moral hazard and managerial incentives to introduce bias in measurement; it is not a mechanism for reflecting risk aversion or deliberately understating assets. The next paragraph illustrates the distinction.

Fair Value of a Publicly Traded Stock and its Derivatives

Consider the stock of a public company that trades in an efficient market. Suppose that one week from now it will be worth \$100 with 50 percent probability and \$40 with 50 percent probability. Without loss of generality, assume that the interest rate is zero.[15] The stock's expected payoff is \$70 but suppose that, because investors are risk averse, its quoted price is \$58 in an efficient market. The \$58 equilibrium price is not a "conservative" value for the stock just because it is less than the \$70 expected value of the payoff. It is an unbiased, equilibrium price.

The true probabilities are of limited use in valuing the stock, although its value would be greater if the probability of the \$100 payoff were higher. However, Martingale probabilities (or risk-neutral probabilities) can be used to value the stock. These are 0.3 for the \$100 payoff and 0.7 for the \$40 payoff, because the value computed using these probabilities is \$58 (i.e., $0.3 \times 100 + 0.7 \times 40 = \$58$). Since \$58 is the equilibrium price of the stock, the same Martingale probabilities can be used to value any derivative based on the stock. For instance, a call option with a strike price of \$50 has a \$50 payoff if the stock is worth \$100 and a zero payoff if the stock is worth \$40. The value of the call option is then \$15 (i.e., $0.3 \times 50 + 0.7 \times 0 = \$15$). The Martingale probabilities "work" because they always give the same value as the value of a hedge portfolio that replicates the option's payoffs. In this case, one can replicate the payoffs by borrowing \$33.33 and buying 5/6 of a share of the stock.[16] If fractions of shares are unavailable, one can replicate the payoffs relating to five call options by buying six shares and borrowing \$200.

15. Discounting the payoffs at the riskless rate complicates the exposition without adding any insights.

16. The replicating portfolio can be derived by letting x be the number of shares and B the amount borrowed; then solving the simultaneous equations: $100x + B = 50$ and $40x + B = 0$, giving $x = 5/6$ and $B = -33.33$. If the stock is worth \$100 next week, the 5/6 of a share will be worth \$83.33 and after repaying the \$33.33 loan the net payoff will be \$50, the same as the call option's payoff. If the stock is worth \$40 next week, the 5/6 of a share will be worth \$33.33 and after repaying the \$33.33 loan, the net payoff will be zero, the same as the call option's payoff. The price of the replicating portfolio is therefore −\$33.33, the value of the loan, plus \$48.33 (i.e., 5/6 of a share × \$58 per share), giving a sum of \$15. Therefore, the call option must be worth \$15, the same amount derived much more efficiently above using Martingale probabilities, or else there would be an arbitrage opportunity.

Fair Value of a Private Enterprise's Stock and its Derivatives

Suppose now that the above stock with the two possible payoffs is issued by a private enterprise and therefore does not trade in an efficient and competitive market. An accountant needs to derive a fair value of the stock because management holds call options that must be valued to arrive at compensation expense. Since the stock is subject to limited liquidity, its value is likely to be less than the $58 value of the publicly traded stock. More importantly, its value must now be *estimated* using a fair value technique, such as discounting estimated, risk-adjusted cash flows (or adding them here, since the interest rate is assumed to be zero). Besides being uncertain, the estimates of the cash flows are now subject to moral hazard and estimation error that were not factors in valuing the publicly traded stock. Thus, it is rational for the accountant to be conditionally conservative in arriving at the fair value.

For the sake of argument, suppose the accountant arrives at a conservative fair value of $52, $6 less than the $58 value of the publicly traded stock. The lower fair value could result from lower *estimated* contingent payoffs or greater risk. The fair value of the call option with the $50 strike price can still be calculated using the new Martingale probabilities because, even though there is moral hazard with respect to deriving the stock's fair value, there is nothing stopping management from holding a replicating portfolio of stocks and loans. The conclusion, then, is that conservatism can coexist with unbiased fair values of private enterprise equity securities and their derivatives.

SUGGESTED RESEARCH QUESTIONS

I have argued that conservative, reliable accounting, consistent with the conceptual framework in Section 1000 of ASPE, is likely to confer a comparative advantage on Canada's private enterprises relative to their peers in other countries who lack such a framework. I will close the article by suggesting research projects that could be implemented to test this argument, in various ways, as a hypothesis.

Do Conceptual Frameworks Influence Behavior and Perception?

I know of no research that indicates whether, or to what extent, accountants are actually influenced by conceptual frameworks like Section 1000 of ASPE. I have recently encountered anecdotal evidence indicating that at least some senior practitioners think conceptual frameworks are irrelevant in their day-to-day work. In a similar vein, I have heard individuals proclaim that they do not maximize their expected utility in daily activities. Such anecdotal evidence does not prevent accountants or economists from constructing valid empirical theories predicated on the assumptions that accountants behave as if they refer to their conceptual frameworks and that people behave as if they maximize their expected utility.

There is no question that Canadian accountants *should be* influenced by conceptual frameworks. At first glance, it may seem that they are free to ignore Section 1000 because Section 1100, Generally Accepted Accounting Principles, states, "Primary sources of generally accepted accounting principles (primary sources of GAAP) are, in descending order of authority: (i) Sections 1400–3870, including Appendices; and (ii) Accounting Guidelines, including Appendices." No mention is made of Section 1000. However, Section 1400, General Standards of Financial Statement Presentation, which *is* among the primary sources of GAAP, states:

> Financial statements shall present fairly in accordance with generally accepted accounting principles the financial position, results of operations and cash flows of an entity (i.e., represent faithfully the substance of transactions and other events in accordance with the elements of financial statements, and the recognition and measurement criteria set out in FINANCIAL STATEMENT CONCEPTS, Section 1000). (paragraph .03)

IFRS also require accountants to refer to their conceptual framework. In the absence of a standard or an interpretation that specifically applies to a transaction, IAS 8.11 requires management to consider "the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the Conceptual Framework for Financial Reporting" However, the concept of conservatism is absent that conceptual framework. In the United States, there is no requirement for accountants to refer FASB's Concepts Statements at all.

My first recommendation is that behavioral research be undertaken to test the hypothesis that conceptual frameworks influence accountants' behavior. Field research and experiments could be carried out to test the hypothesis. Standard setters could be interviewed. When they revise ASPE, do they ensure that any changes are consistent with Section 1000? Or do they only seek consistency with IFRS, which are based on a different conceptual framework? Do they see a conflict in this?

Canadian auditors who have both public and private clients could be interviewed to see if they are consciously more conservative with respect to private clients than publicly accountable clients, all else being equal. Do auditors who have recently become steeped in the valuation focus of the IFRS framework shift gears and follow Section 1000's conservative framework when they audit private clients? If so, is the emphasis on conservatism due to the conceptual framework, perceived risk, or other factors?

Field research could also be designed to focus on practitioners who audit nothing but public companies and those who supply accounting services only to private enterprises. Do they have different perceptions of the applicability of conservatism? Case studies and laboratory experiments could be designed to see if the private enterprise accountants tend to account for the same transactions and events more conservatively than IFRS accountants do (Kachelmeier and King, 2002).

Similar research could be carried out in other countries that have adopted IFRS but use the same conceptual framework for private and public enterprises, and in the United States where there is no requirement for accountants to refer to concepts statements. In each case, I would expect to observe either no difference or a much smaller difference in accountants' behavior than in Canada.

Research could also be performed to verify that the relative proportion of debt to equity is higher for Canadian private than public firms. I do not think this question has been systematically addressed to date. The AcSB could ask the Private Enterprise Advisory Council to estimate how many Canadian private enterprises actually use ASPE. Finally, survey research could examine the perceptions of financial statement users. Do users see private enterprise accounting as being more or less conservative than IFRS? Do bankers say they prefer conservative accounting for private enterprises?

Is Private Sector Accounting More Conservative Because of the Dual Frameworks?

Assuming conceptual frameworks *do* influence accountants, the logical hypothesis to test is that private enterprise accounting *is* more conservative, relative to public company accounting, than it would be in the absence of the dual frameworks. Since the market for equity securities is thin or nonexistent for private enterprises, conservatism would need to be measured without reference to equity markets. One measure is accrual persistence, which should be lower under more conservative accounting, as outlined in Ball and Shivakumar (2005) and used by Hope et al. (2013). The latter authors find that U.S. public firms are generally more conservative than U.S. private firms. However, the difference is mitigated or eliminated in settings where public firms are more likely to manage earnings or face reduced demand for their financial information. Assuming data for Canadian private enterprises were available, this study could be replicated in Canada. However, a much richer research design is possible, given the dual conceptual frameworks that emerged in Canada, but not in the United States, after 2011.

Since many factors can influence conservatism, I suggest a differences-in-differences design to help control for unobserved influences that exist both before and after the regime change. In the first experiment, one could measure the difference between conservatism measures for private and public Canadian firms, before and after IFRS adoption. To be more precise, let C_{public}(before) and $C_{private}$(before) be the levels of conservatism for public and private companies, respectively, before the regime change; and C_{public}(after) and $C_{private}$(after) be the levels of conservatism for public and private companies, respectively, after the regime change. The difference before the regime change is D(before) = $C_{private}$(before) − C_{public}(before). The difference after the regime change is D(after) = $C_{private}$(after) − C_{public}(after).The null hypothesis is that the move from CGAAP to ASPE and IFRS is associated with no difference in the difference, that is, D(after) − D(before) = 0. The alternate hypothesis is that the difference is greater in the new regime because the private enterprise conceptual framework is more conservative than the public company framework after the regime change but not before: that is, D(after) − D(before) > 0.

Other Measures of Financial Reporting Quality

Conservatism is only one measure that could be examined using this difference-in-differences methodology. Hope et al. (2013) examine five measures of financial reporting quality for public and private firms: (1) performance-adjusted discretionary accruals (Kothari, Leone, and Wasley, 2005); (2) the Dechow and Dichev measure of accrual quality as modified by McNichols (2002) and Francis, LaFond, Olsson, and Schipper (2005); (3) discretionary revenues based on McNichols and Stubben (2008) and Stubben (2010); (4) the ratio of the absolute value of accruals to cash flows (Burgstahler, Hail, and Leuz, 2006); (5) the conservatism measure described in the previous paragraph. When adjusted for sign so that higher values of these measures represent higher financial reporting quality, the five measures are highly correlated with one another.

The authors report that public firms generally have higher accrual quality besides being more conservative. However, the difference is diminished in settings where public firms are more likely to manage earnings or face reduced demand for their financial information. An earlier study reports that, even in emerging markets, the financial reporting quality of private enterprises is positively associated with investment efficiency (Chen et al., 2011). In my view, this finding is extremely important and bears examination in Canada. Again, in principle these seminal and excellent studies could be replicated in Canada, but much richer research designs are now conceivable.

The null hypothesis in this set of projects is that there is no difference in the differences between financial reporting quality for private and public enterprises before and after 2011; the alternate hypothesis is that the difference in the differences is greater after 2011. The notation used in the previous section could be used for more precision.

Multinational Comparisons

It would be even more interesting to examine differences in differences across countries, before and after Canada's 2011 regime change. Let Q be a measure of financial reporting quality. One could measure the difference in Q between private and public firms before the regime change in Canada, D(before, Canada) and in country X, which did not implement a dual conceptual framework following the regime change, D(before, X). One would then construct a variable Δ(before) = D(before, Canada) − D(before, X). A similar measure would be used after 2011, giving Δ (after). The null hypothesis would be Δ(before) − Δ(after) = 0; the alternate would be that Δ(after) exceeds Δ(before). That result is to be expected if Canada's dual frameworks really do influence conservatism and other measures of financial reporting quality. Country X could be expanded to include multiple jurisdictions.

To the extent that the differences were greater in subsamples for which one predicted the influence of having dual frameworks to be stronger, one could attribute causality to the conceptual framework affecting financial reporting quality (Rajan and Zingales, 1998).

DATA AVAILABILITY

Data availability poses significant challenges in countries like Canada and the United States, where private enterprises do not file financial statements publicly. The seminal work of Ole-Kristian Hope and his various colleagues examining U.S. private firms was made possible by Sageworks, a private company that compiles data for private U.S. enterprises in cooperation with audit firms and other sources. To the best of my knowledge, no similar source of data exists for private enterprises in Canada. Moreover, 2009 was the last year Sageworks made firm-level data available. Since then, Sageworks has continued to make only industry-level data commercially available. Another source of data the authors used was the World Bank Enterprise Survey (WBES), a major cross-sectional firm survey conducted by the World Bank for many countries. That database could be exploited for the studies I propose.

It seems likely, however, that much of the data for the projects I recommend would need to be either hand-collected or made available by public accounting firms or banks under the auspices of CPA Canada. Possibly, some relevant data could be purchased from Sageworks for U.S. firms under conditions of confidentiality. Since the enterprises are private, their names would not be revealed. However, anonymity of the enterprises, per se, need not compromise the integrity of the experiments.

Granted, the procurement of data would be costly. However, the benefits would be considerable if my hypotheses were supported because the studies would provide evidence that AcSB's dual-framework strategy is effective in promoting financial reporting quality for Canadian private enterprises.

CONCLUSION

In this paper, I have argued that prior research suggests Canada's strategy of adopting IFRS for public firms and retaining a classic conceptual framework based on reliability, conservatism and verifiability for Canadian private enterprises is a rational strategy that is likely to enhance conservatism and other measures of financial reporting quality for Canada's private enterprises relative to their peers in other countries, because such reporting is consistent with the needs of creditors who supply most of the financing for private enterprises and plays an important governance role. I have also proposed some research projects that could problematize and examine that inference as a testable hypothesis.

I hope that Canada's Accounting Standards Board weighs the arguments I have advanced and that CPA Canada considers supporting some of the empirical work I suggest. Such support would require the acquisition of confidential, random samples of private enterprises' financial statement data from public accounting firms and lenders under the auspices of CPA Canada. There would surely be logistical and legal obstacles to such access. However, to the extent that they can be overcome, a rare research opportunity confronts us: one that could attract some of the world's foremost financial accounting scholars to focus on the financial reporting quality of Canada's private enterprises. This would have the potential to provide considerable economic benefits to Canada and would be of immense interest to our colleagues in the rest of the world.

To the extent the hypotheses are supported, there are obvious teaching implications. "Private Enterprise GAAP" is not simply an addendum after teaching IFRS; it is a different accounting topic with a different, theoretically justified conceptual framework.

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Madame,

Vous trouverez ci-joint les commentaires du Groupe de travail technique NCECF – Comptabilité financière – Partie II, mis en place par l'Ordre des comptables professionnels agréés du Québec, concernant le document de consultation intitulé « Examen approfondi des Normes comptables pour les entreprises à capital fermé ».

N'hésitez à nous contacter si vous avez des questions quant à ces commentaires ou si vous aimeriez en discuter avec des membres du groupe de travail.

Nous vous serions reconnaissants de nous faire parvenir une copie de la traduction anglaise de nos commentaires.

Veuillez prendre note que l'Ordre des comptables professionnels agréés du Québec agit seulement à titre de facilitateur et ce document ne constitue pas une réponse de ce dernier, mais le point de vue des membres participants au groupe de travail. De plus, ni l'Ordre des comptables professionnels agréés du Québec, ni quelque personne que ce soit ayant participé à la préparation des commentaires ne peuvent être tenus responsables relativement à leur utilisation et ils ne sont tenus à aucune garantie de quelque nature que ce soit découlant de ces commentaires, tel que décrit dans le déni de responsabilité joint à la présente.

Veuillez agréer, Madame Christopoulos, nos salutations distinguées.

Sophie Bureau

Sophie Bureau, CPA auditrice

Représentante du Groupe de travail technique NCECF – Comptabilité financière – Partie II de l'Ordre des comptables professionnels agréés du Québec

p. j. Déni de responsabilité et commentaires

DÉNI DE RESPONSABILITÉ

Les documents préparés par les Groupes de travail techniques et sectoriels de l'Ordre des comptables professionnels agréés du Québec (Ordre) ci-après appelés les « commentaires », sont fournis selon les conditions décrites dans la présente, pour faire connaître l'opinion des groupes de travail sur des énoncés de principes, des documents de consultation, des exposés-sondages préliminaires ainsi que des exposés-sondages publiés par le Conseil des normes comptables, le Conseil des normes d'audit et de certification, le Conseil sur la comptabilité dans le secteur public, le Conseil canadien des normes d'information sur la durabilité et d'autres organismes.

Les commentaires fournis par ces comités ne doivent pas être utilisés comme substitut à des missions confiées à des professionnels spécialisés. Il est important de noter que les lois, les normes et les règles sur lesquelles sont émis les commentaires peuvent changer en tout temps et que, dans certains cas, les commentaires écrits peuvent être sujets à controverse.

Ni l'Ordre, ni quelque personne que ce soit ayant participé à la préparation des commentaires ne peuvent être tenus responsables relativement à l'utilisation de ces commentaires et ils ne sont tenus à aucune garantie de quelque nature que ce soit découlant de ces commentaires. Les commentaires donnés ne lient pas, par ailleurs, les membres des Groupes de travail, l'Ordre, ou de façon plus particulière, le Bureau du syndic de l'Ordre.

La personne qui se réfère ou utilise ces commentaires assume l'entière responsabilité de sa démarche ainsi que tous les risques liés à l'utilisation de ceux-ci. Elle consent à exonérer l'Ordre à l'égard de toute demande en dommages-intérêts qui pourrait être intentée par suite de toute décision qu'elle aurait pu prendre en fonction de ces commentaires. Elle reconnaît également avoir accepté de ne pas faire état de ces commentaires reçus via les Groupes de travail dans les avis exprimés ou les positions prises.

MANDAT DES GROUPES DE TRAVAIL DE L'ORDRE

Les Groupes de travail de l'Ordre des comptables professionnels agréés du Québec ont comme mandat notamment de recueillir et de canaliser le point de vue des praticiens exerçant en cabinet et de membres œuvrant dans les affaires, dans les services gouvernementaux et dans l'industrie ainsi que le point de vue d'autres personnes concernées œuvrant dans des domaines d'expertise connexes.

Pour chaque exposé-sondage ou autre document étudié, les membres des Groupes de travail mettent leurs analyses en commun. Les commentaires ci-dessous reflètent les points de vue exprimés et sauf indication contraire, ces commentaires font l'objet d'un consensus parmi les membres des Groupes de travail ayant participé à cette analyse.

Les commentaires formulés par les Groupes de travail ne font l'objet d'aucune sanction de l'Ordre. Ils n'engagent pas la responsabilité de celui-ci.

COMMENTAIRES GÉNÉRAUX

Les membres du Groupe de travail technique NCECF – Comptabilité financière – Partie II (subséquemment nommés « membres ») encouragent le CNC à simplifier certaines des exigences des NCECF et le félicitent d'avoir publié ce document de consultation. Plusieurs membres sont toutefois déçus du peu de propositions concrètes de simplification formulées dans le document et que le CNC ait jugé plusieurs difficultés comme étant hors de la portée du projet.

Les membres souhaitent que les enjeux jugés prioritaires (voir leur réponse à la question 12) fassent rapidement l'objet de propositions. Les NCECF s'appliquant déjà depuis environ 15 ans, il est important que certaines de leurs exigences soient assouplies sans tarder, notamment afin de contribuer à diminuer le nombre de réserves aux rapports d'audit ou d'examen, de missions de compilation et de demandes diverses et de rapports spéciaux effectuées par les prêteurs aux entreprises.

Bien que le CNC ait jugé que les difficultés liées aux opérations entre apparentés devraient faire l'objet d'un projet distinct (selon le paragraphe 20 du document de consultation), les membres lui demandent de ne pas mettre ce sujet de côté, particulièrement en ce qui a trait aux regroupements d'entreprises ou autres types de réorganisations entre parties apparentées. Le document d'information sur les fusions d'entreprises entièrement détenues publié par CPA Canada en 2017 n'ayant pas été mis à jour, en particulier à la suite des modifications apportées depuis au paragraphe 3840.44, les entreprises à capital fermé ne disposent d'aucune ressource pour les aider à comptabiliser et à présenter ce genre d'opérations.

QUESTIONS SPÉCIFIQUES DU CNC

CHAPITRE 3031, STOCKS

Question 1 – Affectation des frais généraux au coût des stocks

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les difficultés quant à l'affectation des frais généraux au coût des stocks?*

Selon les membres, l'évaluation des frais généraux qui doivent être inclus dans le coût des stocks de produits fabriqués est, effectivement, souvent fastidieuse et coûteuse. Cette évaluation est généralement complexe et requiert un temps considérable de la part des préparateurs des états financiers. De plus, cette complexité fait en sorte qu'il y a une disparité dans les méthodologies utilisées d'une entité à l'autre. Ainsi, les informations financières peuvent ne pas être complètement comparables d'une entité à l'autre malgré l'application de cette disposition.

Toutefois, plusieurs membres sont d'avis que dans de multiples cas, si l'entité comptabilisait les frais généraux en charges au lieu de les affecter au coût des stocks, les états financiers perdraient de leur utilité aux yeux de leurs utilisateurs pour lesquels le bénéfice brut est une mesure importante.

b) *Souhaitez-vous vous prononcer sur la **proposition du CNC**, à savoir envisager un **choix de méthode comptable qui permettrait aux entités d'exclure les frais généraux du coût des stocks fabriqués**?*

La majorité des membres sont en accord avec l'ajout d'un choix de méthode comptable qui permettrait aux entités d'exclure les frais généraux du coût des stocks de produits fabriqués. Toutefois, comme mentionné à l'alinéa i) qui suit, plusieurs membres n'adhèrent pas à cette proposition.

Si cette proposition est retenue, les membres croient que pour conserver une certaine comparabilité, la norme doit clairement définir ce qui constitue un coût directement lié aux unités produites et des frais généraux de production auxquels le choix de méthode comptable est applicable. Les membres ont notamment discuté de l'affectation des coûts de main-d'œuvre, en mentionnant que des indications explicites à ce sujet devraient être fournies dans la description de l'allégement.

Certains membres ont soulevé des préoccupations à l'effet que les avantages liés à un tel allégement pourraient être entièrement annulés si une telle méthode n'est pas acceptable par les administrations fiscales canadiennes.

i) *Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

Plusieurs membres n'adhèrent pas à cette proposition. Ils sont d'avis que l'inclusion des frais généraux dans le coût des stocks fabriqués, et par le fait même dans le calcul du bénéfice brut, est trop liée aux opérations d'une entreprise de fabrication, et donc importante, pour permettre un tel choix de méthode. Autrement, selon eux, le coût des stocks au bilan et le coût des produits vendus et le bénéfice brut à l'état des résultats sont trop incomplets.

De plus, selon eux, le bénéfice brut des entreprises à capital fermé est une des rares données tirées des états financiers que leurs utilisateurs peuvent vouloir comparer d'une entreprise à l'autre. En conséquence, selon eux, il n'est pas souhaitable d'introduire un choix de méthode comptable susceptible d'avoir une incidence importante sur le coût des produits vendus présenté à l'état des résultats.

ii) Si vous y adhérez, selon vous, faudrait-il offrir ce choix de méthode comptable à toutes les entités, ou bien instaurer des critères d'applicabilité pour que les besoins d'information des utilisateurs soient comblés? Le cas échéant, quels devraient être ces critères, et pourquoi?

Selon les membres, si ce choix de méthode comptable est ajouté, il devrait être offert à toutes les entités, principalement puisque des critères d'applicabilité ne feraient qu'ajouter un élément de jugement et de complexité à l'application de la norme. Une entité aura toujours le choix de ne pas se prévaloir de cette option si l'imputation des frais généraux est jugée un élément important pour ses utilisateurs d'états financiers.

Question 1.1 – Indication du montant des stocks comptabilisé en charges dans la période

a) Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les difficultés quant à l'indication du montant des stocks comptabilisé en charges dans la période?

Les membres n'adhèrent pas à la conclusion du CNC à l'effet que cette difficulté ne relève pas de la portée du projet. Selon l'analyse des membres des critères de la figure A du document de consultation, il y a une disparité dans l'application de la disposition, cette disparité n'est pas justifiable, cette disposition est contraignante et difficile à comprendre, l'enjeu se pose souvent dans la pratique et les avantages découlant de l'application de cette disposition n'en excèdent pas les coûts. Selon les membres, les avantages découlant de la communication de cette information sont très minimes, d'autant plus que le montant divulgué n'est pas toujours établi de la même façon d'une entité à l'autre.

Des membres se questionnent sur l'utilité perçue de cette information par les utilisateurs des états financiers et se demandent en quoi ce montant unique peut les aider à comprendre les charges liées aux stocks, comme cela est mentionné dans l'analyse dans le document de consultation.

De plus, l'ajout du choix de méthode comptable discuté à la question 1 entrainerait encore moins de comparabilité de cette information d'une entité à l'autre, ce qui la rendrait d'autant moins pertinente.

b) Souhaitez-vous vous prononcer sur la ***proposition du CNC****, à savoir conserver cette obligation d'information et* ***envisager de la remplacer, dans l'avenir, par une nouvelle*** *obligation d'information qui répond mieux aux besoins des utilisateurs,* ***par exemple une ventilation détaillée du coût de ventes****? Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

Les membres demandent la suppression de cette exigence, sans qu'elle ne soit remplacée par une autre. Ils croient qu'il serait dommage d'attendre avant de proposer sa suppression, encore plus si le choix de méthode proposé à la question 1 est ajouté. Selon les membres, cette exigence fait perdre un temps précieux aux préparateurs d'états financiers et, selon leur expérience, le montant divulgué est très peu utilisé par les utilisateurs des états financiers.

Selon les membres, les coûts liés à toute nouvelle obligation d'information, par exemple une ventilation détaillée du coût des ventes, en dépasseraient les avantages. De plus, trop d'indications supplémentaires seraient requises pour s'assurer que les informations fournies soient bien établies et comparables.

Question 1.2 – Autres difficultés concernant les stocks : *Y a-t-il, dans le chapitre 3031, d'autres questions d'information financière que le CNC devrait traiter dans le cadre de ce projet? Si oui, veuillez décrire chaque question, expliquer en quoi elle satisfait aux critères de délimitation du projet et proposer une façon pour le CNC d'y répondre.*

Selon les membres, il n'y a aucune autre question importante liée au chapitre 3031 qui devrait être traitée dans le cadre de ce projet.

CHAPITRE 3063, DÉPRÉCIATION D'ACTIFS À LONG TERME

Question 2 – Repérage des indices de dépréciation

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les difficultés quant au repérage des **indices de dépréciation** des actifs à long terme?*

Les membres adhèrent à l'analyse effectuée par le CNC.

b) *Souhaitez-vous vous prononcer sur la **proposition du CNC**, à savoir **élaborer des indications** pour faciliter l'application de cette disposition?*

i) *Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

Les membres ne sont pas en désaccord avec la proposition du CNC d'élaborer des indications pour faciliter l'application de la disposition liée au repérage des indices de dépréciation, mais ils jugent qu'il n'est pas important d'ajouter des indications. Selon les membres, les indications existantes, y compris les exemples, sont assez complètes et claires et les difficultés sont généralement liées à la nature même du sujet.

ii) *Si vous y adhérez, quelle forme devrait prendre ces indications selon vous : celle d'un **exemple illustratif** accompagnant la norme, **ou** celle d'une **ressource externe** au Manuel? Veuillez justifier votre choix et préciser en quoi l'approche que vous préconisez serait la meilleure façon de favoriser une uniformité d'application.*

Les membres privilégient l'ajout d'indications à même le Manuel, intégrées aux exigences de la norme ou en accompagnement de la norme dépendamment du contenu des indications. Les membres croient que cette approche est préférable à une ressource externe puisqu'elle facilite l'accès aux indications nécessaires pour bien appliquer la norme et ses particularités, les utilisateurs ayant alors accès à l'ensemble des indications et exigences pertinentes au même endroit. Selon les membres, il s'agit de la meilleure approche pour favoriser une uniformité d'application principalement parce que les indications publiées à l'extérieur du Manuel (par exemple, dans un document d'information, un guide ou un compte-rendu de réunion du CNC ou du Comité consultatif sur les entreprises à capital fermé) sont souvent oubliées par les préparateurs d'états financiers. De plus, cette approche assure que les indications sont accessibles sans frais supplémentaires par les utilisateurs du Manuel et qu'elles sont publiées en même temps en français et en anglais.

Selon les membres, une ressource externe est à privilégier seulement si les indications sont beaucoup trop volumineuses pour être intégrées au Manuel. Rappelons que les exemples illustratifs à la fin du chapitre 3400 comptent une dizaine de pages et incluent plusieurs écritures comptables.

Advenant que le CNC décide d'utiliser une ressource externe, les membres sont d'avis que cette ressource doit être accessible gratuitement et publiée en même temps en français et en anglais. De plus, les membres suggèrent d'ajouter une référence à cette ressource externe au tout début de la norme ou aux endroits appropriés de la norme. Actuellement, le Manuel n'inclut aucune référence à des ressources externes. Les membres encouragent le CNC à adopter cette façon de faire à l'égard de ressources externes jugées importantes, fiables et utiles afin de favoriser leur utilisation par les préparateurs d'états financiers.

Question 2.1 – Réalisation du test de dépréciation

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les difficultés quant au **test de dépréciation** des actifs à long terme?*

Les membres sont d'accord avec l'analyse effectuée par le CNC.

b) *Souhaitez-vous vous prononcer sur la* ***proposition du CNC****, à savoir* ***élaborer des indications*** *pour faciliter l'application de ces dispositions? i) Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi? ii) Si vous y adhérez, quelle forme devrait prendre ces indications selon vous : celle d'un* ***exemple illustratif*** *accompagnant la norme,* ***ou*** *celle d'une* ***ressource externe*** *au Manuel? Veuillez justifier votre choix et préciser en quoi l'approche que vous préconisez serait la meilleure façon de favoriser une uniformité d'application.*

Les membres adhèrent à la proposition du CNC d'élaborer des indications pour faciliter l'application des dispositions relatives à la réalisation du test de dépréciation. Ils préconisent des exemples pratiques, qui pourraient être développés en collaboration avec des experts en évaluation d'entreprise.

En ce qui a trait à la forme de ces indications, voir la réponse à la question 2 b) ii).

Question 2.2 – Autres difficultés concernant la dépréciation d'actifs à long terme : *Y a-t-il, dans le chapitre 3063, d'autres questions d'information financière que le CNC devrait traiter dans le cadre de ce projet? Si oui, veuillez décrire chaque question, expliquer en quoi elle satisfait aux critères de délimitation du projet et proposer une façon pour le CNC d'y répondre.*

Moment de l'évaluation – Présence d'événements ou de changements – Test de recouvrabilité

Les membres mentionnent qu'il y a une incertitude quant au moment où une entreprise à capital fermé doit évaluer la présence d'événements ou de changements de situation susceptibles de donner lieu à un test de recouvrabilité (3063.09), surtout lorsqu'il n'y a pas un élément précis facilement identifiable (par exemple, la perte d'un client ou une inondation) ou qu'un événement ou changement de situation réfère à une période (par exemple, le trimestre ou l'année) plutôt qu'à une date précise. Les membres sont d'avis que le chapitre devrait être modifié pour permettre, sans l'obliger, que l'évaluation de la présence d'événements ou de changements de situation indiquant que la valeur comptable d'un actif à long terme pourrait ne pas être recouvrable puisse être réalisée uniquement en fin d'exercice.

Période à utiliser pour les flux monétaires non actualisés – Test de recouvrabilité

Également, les membres aimeraient que la norme donne plus d'indications sur la période à utiliser pour les flux monétaires non actualisés dans le cadre du test de recouvrabilité puisque l'utilisation d'une période plus ou moins longue peut avoir un impact significatif sur la conclusion du test considérant l'absence d'actualisation.

Satisfaction des critères de délimitation du projet

Selon les membres, ces questions satisfont aux critères de délimitation du projet indiqués à la figure A du document de consultation, puisqu'il y a une disparité dans l'application des dispositions, que cette disparité n'est pas justifiable, que ces dispositions sont complexes et difficiles à comprendre, que l'enjeu se pose souvent dans la pratique et que la complexité (due à l'ambiguïté) n'est pas justifiée, d'autant plus que les entités à capital fermé n'ont pas à leur disposition des ressources basées sur les NCECF pouvant faciliter l'application de ces dispositions.

CHAPITRE 3065, CONTRATS DE LOCATION

Question 3 – Comptabilisation d'une charge locative selon une formule linéaire

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur la comptabilisation des **loyers des contrats de location-exploitation selon une formule linéaire**?*

La quasi-totalité des membres adhère à l'analyse générale effectuée par le CNC au paragraphe 48 du document de consultation. Ils sont toutefois d'avis que, comme mentionné à l'alinéa b) qui suit, le chapitre 3065 devrait être modifié en ce qui a trait aux ajustements de loyer se rapprochant de l'inflation (destinés à refléter la valeur-temps de l'argent).

b) *Souhaitez-vous vous prononcer sur la **proposition du CNC**, à savoir **ne pas prendre d'autres mesures, car** cette difficulté **ne relève pas de la portée du projet**? Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

La quasi-totalité des membres est en accord avec la proposition du CNC de ne pas prendre d'autres mesures quant à la comptabilisation des loyers des contrats de location-exploitation selon une formule linéaire, à l'exception de ce qui suit.

Selon les membres, des modifications devraient être apportées au chapitre 3065 afin que les ajustements de loyer se rapprochant de l'inflation (destinés à refléter la valeur-temps de l'argent) ne soient pas comptabilisés linéairement. Bien que le paragraphe .24 du chapitre 3065 mentionne que « la plupart des contrats de location-exploitation sont des contrats à court terme », les membres constatent que les contrats de location-exploitation les plus importants contractés par des entreprises à capital fermé sont généralement pour la location d'immeubles ou de locaux et ont souvent une durée qui dépasse douze mois. Il est fréquent que ces contrats prévoient des clauses d'ajustements de loyer se rapprochant de l'inflation et que les montants liés à ces ajustements soient importants. Les membres jugent que les ajustements de loyer basés sur l'inflation (ou s'en approchant) ne devraient pas être linéarisés puisque la linéarité ne permet pas de bien refléter le coût « réel » de la location pour une année donnée car elle omet la perte de valeur de l'argent dans le temps. Les membres jugent inapproprié que les autres montants de l'état des résultats reflètent l'inflation, et que les charges locatives l'excluent.

Les membres proposent également l'ajout d'un exemple illustratif à la fin du chapitre 3065 avec, par exemple, un bail de cinq ans prévoyant une augmentation de 3 % (ou d'un montant équivalent à 3 %) pour les deux premières années et une augmentation de 2 % (ou d'un montant équivalent à 2 %) pour les trois dernières années, jugés représenter uniquement la valeur-temps de l'argent au moment de la signature du bail.

Selon les membres, les difficultés vécues en lien avec la comptabilisation linéaire des ajustements de loyer se rapprochant de l'inflation (ou destinés à refléter la valeur-temps de l'argent) relèvent de la portée du projet selon les critères de la figure A du document de consultation : il y a une disparité dans la comptabilisation de ces ajustements, cette disparité n'est pas justifiable, linéariser ces ajustements est inutilement complexe, contraignant, et coûteux en plus d'être difficile à comprendre puisque jugé inapproprié, l'enjeu se pose souvent dans la pratique et les avantages en découlant n'en excèdent pas les coûts (les membres n'y voient aucun avantage).

Selon les membres, la comptabilisation linéaire devrait être maintenue pour les gratuités (avantages locatifs), dépôts et frais initiaux importants versés au bailleur et pour les baux présentant des ajustements de loyers annuels importants et ne présentant pas de corrélation évidente avec l'inflation (exemple : année 1 : loyer de 1 000 $ par mois; année 2 : loyer de 2 000 $ par mois et année 3 : loyer de 3 000 $ par mois). Selon les membres, cette comptabilisation linéaire est nécessaire, notamment pour éviter certaines manipulations des charges.

Les membres soulèvent également qu'il est fréquent qu'une entité ne soit pas en mesure de réaliser ses activités régulières dans les premiers mois d'un bail pendant que des travaux d'aménagement sont effectués dans les locaux loués. Ces travaux peuvent s'échelonner sur plusieurs mois. Les membres se questionnent à savoir s'il est approprié d'inclure cette période dans la « durée du bail » et de comptabiliser une charge locative pendant cette période. Ils proposent de préciser les exigences à ce sujet dans le chapitre 3065 et d'ajouter un exemple illustrant une telle situation.

Question 3.1 – Autres difficultés concernant les contrats de location : *Y a-t-il, dans le chapitre 3065, d'autres questions d'information financière que le CNC devrait traiter dans le cadre de ce projet? Si oui, veuillez décrire chaque question, expliquer en quoi elle satisfait aux critères de délimitation du projet et proposer une façon pour le CNC d'y répondre.*

Comptabilisation autre que linéaire – Formule acceptable

Le paragraphe 3065.28 fait référence à « une autre formule à la fois logique et systématique [qui] permet de mieux respecter la courbe suivant laquelle l'utilisateur du bien en tire avantage ». Il est fréquent que des préparateurs d'états financiers allèguent qu'une comptabilisation autre que linéaire du loyer, par exemple selon les montants déboursés, constitue une autre formule acceptable. Le fait que le chapitre ne contient aucun exemple d'une autre formule acceptable n'aide pas à comprendre et appliquer cette exigence. Les membres souhaitent donc l'ajout d'exemples d'autres formules acceptables.

À ce sujet, le paragraphe 26-55 du Guide sur les NCECF publié par CPA Canada, présente l'exemple d'un contrat de location d'un avion pour lequel les paiements exigibles sont de 75 000 $ pour chacun des cinq premiers exercices et de 125 000 $ pour chacun des cinq derniers exercices. La société prévoit utiliser l'avion (en tirer avantage) pendant 10 000 heures. Selon l'exemple, si la société juge que la meilleure représentation de l'utilisation est fondée sur le temps, la charge est comptabilisée selon une formule linéaire, donc 100 000 $ par année. Si la société juge que les heures d'utilisation constituent une méthode plus appropriée, les charges locatives sont de 100 $ par heure d'utilisation.

Baux modifiés ou renégociés

Les membres sont aussi d'avis que la comptabilisation des baux modifiés ou renégociés doit être revue. Ils jugent que les exigences du paragraphe 3065.25 (illustrées dans l'exemple 5 à la fin du chapitre), qui imposent de continuer à appliquer les modalités du bail initial même après sa renégociation, ne reflètent souvent pas la réalité économique de l'opération. Selon les membres, la comptabilisation des baux modifiés ou renégociés devrait tenir compte des nouvelles modalités dès la modification ou la renégociation.

Satisfaction des critères de délimitation du projet

Selon les membres, ces questions satisfont aux critères de délimitation du projet indiqués à la figure A du document de consultation puisqu'il y a une disparité dans l'application des dispositions, que cette disparité n'est pas justifiable, que ces dispositions sont complexes, parfois contraignantes et coûteuses à appliquer et difficiles à comprendre, que l'enjeu se pose souvent dans la pratique et que la complexité n'est pas justifiée, d'autant plus que les entités à capital fermé n'ont pas à leur disposition des ressources basées sur les NCECF pouvant faciliter l'application de ces dispositions.

CHAPITRE 3110, OBLIGATIONS LIÉES À LA MISE HORS SERVICE D'IMMOBILISATIONS

Question 4 – Incertitude d'estimation associée à l'évaluation des obligations liées à la mise hors service d'immobilisations

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur l'**incertitude d'estimation associée à l'évaluation des obligations** liées à la mise hors service d'immobilisations?*

Les membres adhèrent à l'analyse effectuée par le CNC.

b) *Souhaitez-vous vous prononcer sur la **proposition du CNC**, à savoir **ne pas prendre d'autres mesures, car** cette difficulté **ne relève pas de la portée du projet**? Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

Les membres adhèrent à la proposition du CNC de ne pas prendre d'autres mesures, car la complexité de l'évaluation des obligations est justifiée dans la mesure où celle-ci permet de donner des informations utiles aux utilisateurs d'états financiers.

Question 4.1 – Disparité dans les taux d'actualisation utilisés

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur la **disparité des taux d'actualisation utilisés** pour évaluer une obligation liée à la mise hors service d'une immobilisation?*

Les membres adhèrent à l'analyse effectuée par le CNC.

b) *Souhaitez-vous vous prononcer sur la **proposition du CNC**, à savoir **ne pas prendre d'autres mesures, car** cette difficulté **ne relève pas de la portée du projet**? Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

Les membres adhèrent à la proposition du CNC de ne pas prendre d'autres mesures, car la disparité des taux d'actualisation utilisés est justifiable lorsque les dispositions sont appliquées comme il se doit, et toute tentative de normalisation des taux risque de restreindre la possibilité de choisir le taux le plus approprié.

Question 4.2 – Autres difficultés concernant les obligations liées à la mise hors service d'immobilisations : *Y a-t-il, dans le chapitre 3110, d'autres questions d'information financière que le CNC devrait traiter dans le cadre de ce projet? Si oui, veuillez décrire chaque question, expliquer en quoi elle satisfait aux critères de délimitation du projet et proposer une façon pour le CNC d'y répondre.*

Selon les membres, il n'y a aucune question importante liée au chapitre 3110 qui devrait être traitée dans le cadre de ce projet.

CHAPITRE 3400, PRODUITS

Question 5 – Application de la méthode de l’avancement des travaux

a) Souhaitez-vous vous prononcer sur l’analyse effectuée par le CNC des commentaires sur les difficultés quant à l’application de la méthode de l’avancement des travaux?

Les membres adhèrent à l’analyse effectuée par le CNC.

b) Souhaitez-vous vous prononcer sur la ***proposition du CNC****, à savoir envisager un* ***choix de méthode comptable qui permettrait d’étendre l’applicabilité de la méthode de l’achèvement des travaux aux contrats répondant à certains critères****?*

i) Si vous n’adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?

ii) Si vous y adhérez, selon vous, ***quels devraient être les critères*** *d’applicabilité de la méthode de l’achèvement des travaux?*

La majorité des membres est en accord avec la proposition du CNC d’envisager un choix de méthode comptable qui permettrait d’étendre l’applicabilité de la méthode de l’achèvement des travaux aux contrats répondant à certains critères.

Ces membres suggèrent que ce choix de méthode s’applique aux contrats d’une durée totale de douze mois ou moins (incluant les contrats de services). Une durée de douze mois est privilégiée puisqu’une durée plus courte ne résulterait pas en des bénéfices importants. Ils jugent qu’une durée plus longue que douze mois ne serait pas appropriée puisque les résultats découlant de l’application de la méthode de l’achèvement des travaux ne représenteraient pas la réalité économique des contrats et que l’application de cette méthode pourrait avoir des conséquences imprévues.

Par ailleurs, les membres recommandent que ce choix soit applicable de façon indépendante pour chaque grande catégorie de produits.

Les membres soulèvent toutefois des enjeux d’application qui découleraient d’un tel choix de méthode comptable. Certains de ces enjeux sont liés au critère d’applicabilité à des contrats de douze mois ou moins, ce qui explique que des membres préféreraient que le choix de méthode soit offert sans aucun critère. Selon les membres, les éléments suivants devraient notamment être pris en considération par le CNC et des indications claires devraient être fournies :

- Dans certaines situations, une entité peut, pour une grande catégorie de produits, à la fois avoir des contrats à court terme assujettis au choix comptable et des contrats à long terme où le choix comptable ne serait pas applicable, si le critère des douze mois est retenu. Si les contrats à court terme sont comptabilisés selon la méthode de l'achèvement des travaux et ceux à long terme selon la méthode de l'avancement des travaux, est-il nécessaire de présenter séparément les produits, dépenses, actifs et passifs liés aux deux types de contrat à la face même du bilan et de l'état des résultats?

- Parfois, les contrats s'étirent sur une période plus longue qu'initialement prévue. Si la durée d'un contrat comptabilisé selon la méthode de l'achèvement des travaux est prolongée et dépasse le critère (ici, de douze mois), que doit-on faire? Est-ce qu'il faut retraiter le contrat pour appliquer rétrospectivement la méthode de l'avancement des travaux, changer prospectivement de méthode ou continuer d'utiliser la méthode de l'achèvement?

- Il peut exister des contrats déficitaires dont une ou plusieurs des composantes sont comptabilisées selon la méthode de l'achèvement des travaux. Les contrats déficitaires peuvent donner lieu à de nombreuses complexités comptables.

- Concernant le traitement des coûts associés aux contrats comptabilisés selon la méthode de l'achèvement des travaux, est-ce que les coûts encourus avant que les produits soient constatés devraient être présentés au bilan, avec ou sans profit, ou comptabilisés en charges? Qu'un choix de méthode comptable soit ajouté ou non, les membres sont d'avis que les indications actuelles du chapitre 3400 sur cette question ne sont pas claires et qu'elles devraient être précisées.

- Présentement, la méthode de l'achèvement des travaux n'est applicable que lorsque l'exécution de la prestation réside dans la réalisation d'un seul acte ou lorsque l'entreprise ne peut raisonnablement estimer le degré d'avancement des travaux. Suite à l'introduction du nouveau choix comptable, il serait important de mieux définir ce que constitue un seul acte (ou alternativement, d'enlever ce concept de la norme).

- L'impact fiscal d'une telle mesure devrait être analysé puisqu'il existe des règles fiscales très pointues concernant les contrats à long terme.

- Les modifications potentielles relatives à l'affectation des frais généraux au coût des stocks comptabilisés selon le chapitre 3031, faisant l'objet de la question 1, et au choix de méthode comptable lié à la méthode de l'achèvement des travaux pourraient avoir des effets les unes sur les autres. Il sera nécessaire d'analyser ces choix de méthodes comptables de façon séparée, et aussi ensemble, lors de la rédaction des modifications proposées aux chapitres 3031 et 3400.

Question 5.1 – Accords à composantes multiples

a) Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les difficultés quant à la comptabilisation des accords à composantes multiples?

Les membres adhèrent à l'analyse effectuée par le CNC.

*b) Souhaitez-vous vous prononcer sur la **proposition du CNC**, à savoir envisager un **choix de méthode comptable qui permettrait d'étendre l'applicabilité de la méthode de l'achèvement des travaux aux accords à composantes multiples répondant à certains critères**?*

i) Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?

*ii) Si vous y adhérez, selon vous, **quels devraient être**, dans le cas des accords à composantes multiples, **les critères** d'applicabilité de la méthode de l'achèvement des travaux?*

La majorité des membres est en accord avec la proposition du CNC d'envisager un choix de méthode comptable qui permettrait d'étendre l'applicabilité de la méthode de l'achèvement des travaux aux accords à composantes multiples répondant à certains critères.

Les membres soulèvent toutefois des enjeux d'application qui découleraient d'un tel choix de méthode comptable. Selon eux, les éléments suivants devraient notamment être considérés par le CNC et des indications claires devraient être fournies :

- La proposition fait référence à la méthode de l'achèvement des travaux qui, selon les exigences actuelles du chapitre 3400, s'applique seulement aux contrats à long terme et aux contrats de services. Il serait important de clarifier si le choix de méthode comptable s'applique à l'entièreté d'un accord à composantes multiples répondant à certains critères, incluant aux ventes de biens et aux produits résultant de l'utilisation de ressources par des tiers moyennant intérêts, redevances ou dividendes, ou seulement aux composantes à long terme et aux prestations de services d'un accord à composantes multiples répondant à certains critères.
- Lorsque l'entité ne vend pas distinctement une ou des composantes par ailleurs, la répartition de la contrepartie entre les différentes composantes est souvent ardue. Le choix de méthode serait très utile dans ce genre de situation.

- Il serait important de fournir des indications spécifiques pour l'évaluation des contrats déficitaires dont une ou plusieurs des composantes sont comptabilisées selon la méthode de l'achèvement des travaux. Les contrats déficitaires peuvent donner lieu à de nombreuses complexités comptables.
- Il est essentiel de considérer les impacts du choix de méthode comptable concernant l'application de la méthode de l'avancement des travaux (question 5) et ceux du choix de méthode comptable concernant les accords à composantes multiples de façon séparée, et aussi ensemble, lors de la rédaction des modifications proposées. Autrement, il pourrait y avoir des conséquences imprévues lors de l'adoption et de la mise en œuvre de ces choix de méthodes comptables.

Question 5.2 – Autres difficultés concernant les produits : *Y a-t-il, dans le chapitre 3400, d'autres questions d'information financière que le CNC devrait traiter dans le cadre de ce projet? Si oui, veuillez décrire chaque question, expliquer en quoi elle satisfait aux critères de délimitation du projet et proposer une façon pour le CNC d'y répondre.*

Informations à fournir – Avancement des travaux – Paragraphe 3400.32A

Les membres sont d'avis que les exigences du paragraphe 3400.32A, particulièrement celles des alinéas b), c) et d), devraient être supprimées. Ces exigences, conçues pour les contrats de construction, s'appliquent à toutes les entités et sont souvent difficiles à appliquer dans d'autres industries ainsi qu'aux contrats de services. Selon les membres, les informations fournies ne sont généralement pas utiles et les exigences sont souvent mal comprises et très onéreuses à appliquer. Ils notent aussi beaucoup de divergences en pratique quant à leur application.

Méthode des extrants – Paragraphes 3400.A15, A23 et B2

Les membres suggèrent d'ajouter des indications et exemples pour mettre plus en évidence la méthode des extrants et en faciliter l'application. La norme contient peu d'explications sur cette méthode. Il est difficile pour les préparateurs d'états financiers de l'appliquer adéquatement. Également, un seul exemple d'application de cette méthode est fourni dans le chapitre (3400.B2). Pour ces raisons, plusieurs préparateurs et auditeurs d'états financiers oublient l'existence de cette méthode, qui pourrait être la plus pertinente pour une entreprise. Des préparateurs vont jusqu'à conclure qu'ils doivent appliquer la méthode de l'achèvement des travaux lorsque l'entreprise ne peut raisonnablement estimer le degré d'avancement des travaux à l'aide d'une méthode basée sur les intrants, par exemple les coûts engagés, alors qu'une méthode basée sur les extrants aurait pu être appliquée.

Satisfaction des critères de délimitation du projet

Selon les membres, ces questions satisfont aux critères de délimitation du projet indiqués à la figure A du document de consultation, puisqu'il y a une disparité dans l'application des dispositions, que cette disparité n'est pas justifiable, que les dispositions de 3400.32A sont contraignantes et coûteuses à appliquer alors que celles liées à la méthode des intrants sont complexes et difficiles à comprendre, que ces enjeux se posent souvent dans la pratique et que les avantages découlant de l'application des dispositions de 3400.32A n'en excèdent pas les coûts alors que la complexité liée aux dispositions sur la méthode des intrants n'est pas justifiée.

CHAPITRE 3462, AVANTAGES SOCIAUX FUTURS

Question 6 – Comptabilisation des régimes de retraite individuels

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur la comptabilisation des régimes de retraite individuels?*

Les membres adhèrent à l'analyse effectuée par le CNC aux paragraphes 70 et 71 du document de consultation à l'effet qu'il peut être coûteux de comptabiliser les régimes de retraite individuels (RRI) en raison du coût d'obtention de l'évaluation actuarielle nécessaire et que les rapports avec réserve ne suscitent généralement pas de préoccupations chez les utilisateurs.

Des rapports avec réserve sont aussi émis à la suite du refus de l'entreprise de comptabiliser un RRI comme un régime à prestations déterminées.

b) *D'après votre expérience, **les régimes de retraite individuels sont-ils généralisés** chez les entreprises à capital fermé qui appliquent les NCECF?*

Selon les membres, les RRI sont encore assez fréquents dans la pratique.

c) *Souhaitez-vous vous prononcer sur la **proposition du CNC**, à savoir **ne pas prendre d'autres mesures, car** cette difficulté **ne relève pas de la portée du projet**? Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

La majorité des membres croit que la difficulté liée à la comptabilisation des RRI relève de la portée du projet, car selon l'application des critères de la figure A du document de consultation il y a une disparité dans l'application de la disposition (qui engendre notamment des rapports avec réserves) qui n'est pas justifiable, cette disposition est coûteuse à appliquer (puisqu'elle requiert une évaluation actuarielle, souvent non exigée par l'organisme qui encadre légalement les régimes de retraite comme c'est le cas pour d'autres types de régimes), l'enjeu se pose souvent dans la pratique et les avantages découlant de l'application de cette disposition n'en excèdent pas les coûts (puisque des réserves sont acceptées par les utilisateurs des états financiers).

Selon les membres, l'acceptation de rapports avec réserve par les utilisateurs des états financiers ne devrait pas encourager le CNC à ne pas prendre d'autres mesures. Ces réserves sont plutôt le signe d'un enjeu important dans la pratique.

Dans cette optique, la majorité des membres souhaitent l'ajout d'un choix de méthode comptable qui permettrait pour les RRI l'utilisation de la méthode de la comptabilisation comme un régime à cotisations déterminées, comme cela a été permis pour les régimes interentreprises et régimes à entreprises multiples.

Question 6.1 – Obligations d'information pour les régimes à prestations définies

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les **coûts à engager afin de se conformer aux obligations d'information pour les régimes à prestations définies**?*

Les membres adhèrent à l'analyse effectuée par le CNC quant aux coûts à engager afin de se conformer aux obligations d'information pour les régimes à prestations définies. Les informations demandées sont celles que l'entreprise doit obtenir pour comptabiliser adéquatement l'actif net ou l'obligation nette relative aux régimes de retraite à prestations déterminées. Cette information est facilement accessible dans le rapport actuariel à obtenir pour faire la comptabilisation du régime de retraite.

b) *Souhaitez-vous vous prononcer sur **la proposition du CNC**, à savoir **ne pas prendre d'autres mesures, car** cette difficulté **ne relève pas de la portée du projet**? Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

Les membres adhèrent à la proposition du CNC de ne pas prendre d'autres mesures.

Question 6.2 – Comptabilisation des prestations de cessation d'emploi

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les difficultés quant à la comptabilisation des prestations de cessation d'emploi?*

Les membres sont en accord avec l'analyse effectuée par le CNC. L'application du paragraphe 3462.103, selon lequel « *Une entreprise qui est tenue en vertu des dispositions actuelles du régime de verser des prestations contractuelles de cessation d'emploi à ses salariés doit constater un passif et une charge lorsqu'il est probable que les salariés auront droit à des prestations et que le montant en cause peut faire l'objet d'une estimation raisonnable.* », est souvent erronée ou encore cette disposition est méconnue. Les entités appliquent le concept de prestation de cessation d'emploi plutôt dans le contexte des paragraphes .101 et .102, c'est-à-dire lors d'un départ volontaire ou forcé. L'application des exigences basée sur les données d'un contrat d'embauche (ou un contrat de travail) est souvent manquée autant pour les entreprises à capital fermé que pour les OSBL.

b) *Souhaitez-vous vous prononcer sur la **proposition du CNC**, à savoir **réexaminer le libellé des indications sur la comptabilisation des prestations de cessation d'emploi**?*

i) *Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

Les membres adhèrent à la proposition du CNC de réexaminer le libellé des indications sur la comptabilisation des prestations de cessation d'emploi.

ii) *Si vous y adhérez, **comment** le CNC pourrait-il **améliorer le libellé** de la disposition pour favoriser l'application de celle-ci lorsque cela est pertinent?*

Selon les membres, les principaux éléments qui causent des problèmes en pratique sont de deux natures.

- La notion « lorsqu'il est probable » (3462.103) est mal comprise. Par exemple, est-ce que la probabilité doit être évaluée (uniquement) au moment de la signature du contrat d'embauche ou bien de façon continue ou encore seulement lorsque la décision sur la cessation d'emploi est prise? La confusion peut venir de la comparaison qui est faite avec le paragraphe 3462.102 où l'on doit comptabiliser le passif et la charge lorsque le plan est établi.
- Le seul exemple fourni dans la section « Prestations de cessation d'emploi » de la norme (3462.107) porte sur les situations décrites aux paragraphes 3462.101 (départ volontaire) et .102 (départ forcé). En plus de ne pas contenir d'exemple portant spécifiquement sur un contrat d'embauche (ou contrat de travail), cet exemple peut laisser croire que la notion « lorsqu'il est probable » du paragraphe .103 va s'appliquer de la même manière c'est-à-dire lorsque la décision sera prise.

Selon les membres, il faut trouver un moyen de distinguer les paragraphes 3462.101, .102 et .103. Il n'apparait pas clairement à leur lecture qu'il s'agit de 3 situations différentes. Par exemple, ces sous-titres pourraient être ajoutés : Prestations de cessation d'emploi pour départ volontaire; Prestations de cessation d'emploi pour départ forcé; Prestations contractuelles de cessation d'emploi.

De plus, le libellé du paragraphe 3462.103 réfère aux « dispositions actuelles du régime », alors qu'en pratique l'enjeu semble plutôt lié à des « dispositions contractuelles ». Pour plus de clarté, nous proposons donc de changer le libellé pour :

« Une entreprise qui est tenue en vertu de~~s~~ dispositions ~~actuelles~~ contractuelles de verser des prestations ~~contractuelles~~ de cessation d'emploi à ses salariés doit constater un passif et une charge lorsqu'il est probable que les salariés auront droit à des prestations et que le montant en cause peut faire l'objet d'une estimation raisonnable. »

Également, puisque l'ambiguïté provient entre autres de l'absence de critères (ou d'indicateurs) pour évaluer la probabilité que les salariés auront droit à des prestations, le CNC devrait élaborer des indicateurs. Par exemple :

- Existence d'un engagement de la part de l'entreprise :

  Le versement de l'indemnité est probable si l'entreprise a formalisé une offre d'indemnité de cessation d'emploi (par écrit ou verbalement) et qu'elle ne peut plus la retirer, soit en raison de l'acceptation par l'employé, soit en raison de restrictions légales, réglementaires, contractuelles ou d'un engagement moral ferme.

- Absence de conditions suspensives ou de services futurs requis :

  Si le versement de l'indemnité n'est pas conditionnel à la réalisation de services futurs ou à l'accomplissement de conditions spécifiques (par exemple, rester en poste jusqu'à une certaine date), le versement est plus probable. À l'inverse, si des conditions restent à remplir, la probabilité est moindre.

- Historique de versement d'indemnités similaires dans des circonstances comparables :

  La probabilité est accrue si l'entreprise a déjà versé des indemnités de cessation d'emploi dans des situations similaires, que ce soit en vertu de la loi, d'un contrat de travail, d'une convention collective ou d'une pratique établie. L'existence d'un précédent ou d'une habitude crée une attente légitime chez les employés.

- Indicateurs externes ou internes rendant la cessation d'emploi imminente :

  Des indices tels qu'une restructuration annoncée, une décision officielle de fermeture d'un site, ou des procédures judiciaires ou réglementaires en cours, peuvent rendre le versement d'indemnités probable. À l'inverse, en l'absence d'indicateurs concrets, le versement demeure improbable.

c) *Souhaitez-vous vous prononcer sur la **deuxième proposition du CNC**, à savoir **élaborer des indications** pour faciliter l'application de cette disposition?*

i) *Si vous n'adhérez pas à cette deuxième proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

Les membres adhèrent à la proposition du CNC d'élaborer des indications pour faciliter l'application de cette disposition. Toutefois, si le libellé de la norme est amélioré et que quelques critères ou indicateurs y sont ajoutés, le besoin d'indications supplémentaires se limiterait à l'ajout d'un ou deux exemples, comme mentionné ci-dessous.

ii) *Si vous y adhérez, quelle forme devraient prendre ces indications selon vous : celle d'un **exemple illustratif** accompagnant la norme, **ou** celle d'une **ressource externe** au Manuel? Veuillez justifier votre choix et préciser en quoi l'approche que vous préconisez serait la meilleure façon de favoriser une uniformité d'application.*

Tel que mentionné à la question 6.2 b) ii), selon les membres, une partie de l'enjeu réside dans l'interprétation du terme probable. Les membres croient qu'il serait facile d'élaborer un ou deux exemples supplémentaires dans la section « Prestations de cessation d'emploi » de la norme adressant des situations usuelles de prestations contractuelles de cessation d'emploi.

Selon les membres, l'ajout d'exemples à même la norme (comme l'est l'exemple au paragraphe 3462.107) serait la meilleure approche. Il s'agit d'un sujet comptable moins connu et dont l'application est ponctuelle, les membres sont donc d'avis que l'inclusion d'exemples illustratifs à la fin de la norme ou dans une ressource externe pourrait restreindre leur utilisation.

D'autres raisons supportant l'ajout d'exemples à même le Manuel plutôt que dans une ressource externe sont fournies dans la réponse à la question 2 b) ii).

d) *Selon vous, le CNC devrait-il mettre en œuvre les deux propositions ou une seule? Si vous jugez que le CNC ne devrait en mettre en œuvre qu'une seule, laquelle serait la plus efficace pour donner suite aux commentaires reçus, et pourquoi?*

Selon les membres, les deux propositions devraient être mises en œuvre, pour les raisons indiquées ci-dessus.

Question 6.3 – Autres difficultés concernant les avantages sociaux futurs : *Y a-t-il, dans le chapitre 3462, d'autres questions d'information financière que le CNC devrait traiter dans le cadre de ce projet? Si oui, veuillez décrire chaque question, expliquer en quoi elle satisfait aux critères de délimitation du projet et proposer une façon pour le CNC d'y répondre.*

Avantages à court terme

Le chapitre 3462 ne traite pas des éléments suivants et ils ne sont pas adressés ailleurs dans les NCECF (3462.005) :

- les salaires, traitements, primes, avantages sociaux et autres éléments semblables qui sont fournis par l'entreprise dans la période considérée, ou dans les douze mois suivants, en contrepartie des services rendus par les salariés au cours de la période considérée;
- les congés de maladie occasionnels et les jours de vacances qui ne s'accumulent pas ou ne s'acquièrent pas au-delà de douze mois suivant la date de clôture de la période considérée.

Selon les membres, des indications pour ces sujets seraient parfois utiles. Il serait facile pour le CNC de s'inspirer des paragraphes IAS 19.9 à 18.

Bien que ces sujets ne satisfassent probablement pas aux critères de délimitation du projet indiqués à la figure A du document de consultation, l'ajout d'indications est jugé souhaitable puisque ces sujets sont de nature usuelle et récurrente et que les montants en cause sont généralement importants.

CHAPITRE 3465, IMPÔTS SUR LES BÉNÉFICES

Question 7 – Obligations d'information liées à la méthode des impôts exigibles

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les **coûts à engager afin de se conformer aux obligations d'information liées à la méthode des impôts exigibles**?*

   La majorité des membres adhèrent à l'analyse du CNC. Ces membres sont d'avis que les informations requises selon l'alinéa .88 b) du chapitre 3465 sont généralement faciles à obtenir. Pour les situations plus complexes, il est souvent possible de regrouper les éléments de rapprochement plus difficiles à identifier sous une rubrique « divers » dans la note, lorsque le seuil de signification le permet.

b) *Souhaitez-vous vous prononcer sur la **proposition du CNC**, à savoir **élaborer des indications** supplémentaires pour faciliter l'application de cette disposition?*

i) *Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

ii) *Si vous y adhérez, quelle forme devrait prendre ces indications selon vous : celle d'un **exemple illustratif** supplémentaire accompagnant la norme, **ou** celle d'une **ressource externe** au Manuel? Veuillez justifier votre choix et préciser en quoi l'approche que vous préconisez serait la meilleure façon de favoriser une uniformité d'application.*

Oui, les membres sont en accord pour que le CNC élabore des indications supplémentaires pour illustrer le niveau de détail requis dans ce rapprochement. Selon les membres, un exemple illustratif plus détaillé, figurant dans le chapitre 3465, serait la meilleure façon de favoriser l'uniformité de son application pour les raisons déjà évoquées dans la réponse à la question 2 b) ii).

Question 7.1 – Application de la méthode des impôts futurs

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur l'**application de la méthode des impôts futurs**?*

Les membres sont en accord que les entités ont la possibilité d'éviter la complexité de la méthode des impôts futurs en appliquant la méthode des impôts exigibles.

b) *Souhaitez-vous vous prononcer sur la **proposition du CNC**, à savoir **ne pas prendre d'autres mesures, car** cette difficulté **ne relève pas de la portée du projet**? Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

Les membres sont en accord qu'il n'est pas nécessaire de prendre d'autres mesures, sous réserve des commentaires formulés à la question 7.3.

Question 7.2 – Traitements fiscaux incertains

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur la comptabilisation des traitements fiscaux incertains et les informations à fournir à cet égard?*

Les membres sont en accord avec l'analyse du CNC.

b) *Souhaitez-vous vous prononcer sur la **proposition du CNC**, à savoir **continuer à suivre cette question et envisager** de la traiter dans le cadre d'un **projet** de normalisation*

***distinct**? Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

Les membres sont en accord avec la proposition du CNC de poursuivre sa réflexion sur cette question et de la traiter dans un projet de normalisation distinct.

***Question 7.3 – Autres difficultés concernant les impôts sur les bénéfices :** Y a-t-il, dans le chapitre 3465, d'autres questions d'information financière que le CNC devrait traiter dans le cadre de ce projet? Si oui, veuillez décrire chaque question, expliquer en quoi elle satisfait aux critères de délimitation du projet et proposer une façon pour le CNC d'y répondre.*

Actions rachetables comptabilisées à titre de passif au bilan – Méthode des impôts futurs

Lorsque des actions rachetables sont comptabilisées à titre de passif au bilan, le rachat de ces actions peut engendrer, dans certains cas, un dividende réputé sur le plan fiscal. C'est habituellement le cas lorsque ces actions ont été émises dans le cadre d'un gel d'actions ou d'un roulement d'actifs.

Au moment de la comptabilisation des actions rachetables à titre de passif, il est possible que la société ait déjà un solde d'impôt en main remboursable ce qui peut engendrer la comptabilisation d'un actif d'impôts futurs. Il se peut aussi que la société n'ait pas de solde d'impôt en main remboursable au moment de la comptabilisation initiale des actions rachetables à titre de passif, mais qu'elle paie ultérieurement un impôt remboursable, ce qui peut également engendrer la comptabilisation d'un actif d'impôts futurs.

Bien que le chapitre 3465 traite des impôts remboursables, ses indications sont limitées et il contient peu d'exemples. Les exigences du chapitre à ce sujet sont donc parfois difficiles à appliquer, notamment en présence d'actions rachetables. Ces ambiguïtés peuvent conduire à un manque d'uniformité dans la pratique.

Les membres suggèrent que des exemples soient ajoutés dans le Manuel à ce sujet.

Interaction entre l'alinéa 3465.12 d) et le paragraphe 3465.56 – Mesure des impôts futurs

L'alinéa .12 d) du chapitre 3465 mentionne ceci (surlignement ajouté) :

« Lorsque le montant rattaché à un actif qui pourra être déduit dans la détermination du bénéfice imposable des exercices ultérieurs varie selon que l'actif est utilisé ou vendu, la valeur fiscale de l'actif correspond au plus élevé des montants en cause. »

Le paragraphe .56 du chapitre 3465 mentionne ceci (surlignement ajouté) :

« Lorsque le taux d'imposition effectif qui s'applique aux gains et pertes en capital diffère de celui qui s'applique aux autres bénéfices imposables, le taux utilisé pour mesurer les actifs et les passifs d'impôts futurs reflète le mode de recouvrement prévu de l'actif. »

Voici une mise en situation :

La société détient un équipement de production qu'elle utilise pour fabriquer un produit X. La société n'a aucunement l'intention de vendre son équipement dans un avenir prévisible. Autrement dit, il est prévu que l'écart temporaire imposable sera recouvré via l'amortissement comptable.

Valeur comptable de l'équipement : 1 000
Coût d'origine (prix de base rajusté) : 700
Fraction non amortie du coût en capital (FNACC) : 200
Taux d'impôt : 30 % (peu importe la nature du revenu)
Taux d'inclusion du gain en capital : 50 %
Cet équipement est le seul bien de sa catégorie fiscale.

Dans cet exemple, si l'actif est utilisé, la valeur fiscale est de 200. Toutefois, s'il est vendu, la valeur fiscale est de 350 (200 + (1 000 - 700)*1/2)), car seulement 50 % du gain en capital est inclus dans le revenu imposable.

Par conséquent, selon l'alinéa 3465.12 d), le passif d'impôts futurs serait calculé de la façon suivante : (1 000 - 350)*30% = **195,** car on prend la valeur fiscale la plus élevée.

Ceci étant dit, on pourrait aborder la question sur un angle différent et affirmer que la valeur fiscale (200) est la même, peu importe si l'actif est vendu ou utilisé, mais que c'est plutôt le taux d'impôt qui varie en cas de vente, c'est-à-dire : 30% pour la récupération de l'amortissement du coût en capital (ACC) et 15% (30%*1/2) pour le gain en capital. Par conséquent, si on applique le principe du paragraphe 3465.56 qui exige de tenir compte du mode de recouvrement prévu de l'actif, le passif d'impôts futurs est de **240** ((1 000 - 200) * 30 %).

En résumé, dans cet exemple, on constate que l'alinéa 3465.12 d) ne semble pas tenir compte du mode de recouvrement prévu et que le paragraphe .56 semble se limiter à un contexte précis (gain en capital). De plus, à l'alinéa .12 d) on parle de « valeur fiscale », alors qu'au paragraphe .56 on parle de « taux », mais les membres croient que les notions de « valeur fiscale » et de « taux d'imposition » sont étroitement liées et qu'il faut faire attention pour ne pas se méprendre avec la forme des dispositions fiscales.

Par ailleurs, IAS 12, qui est très similaire au chapitre 3465 au niveau du principe fondamental des impôts sur les bénéfices, n'a aucun équivalent à l'alinéa 3465.12 d). Au contraire, les paragraphes IAS19.51 et 51A sont très clairs (surlignement ajouté) :

« 51 L'évaluation des actifs et passifs d'impôt différé doit refléter les conséquences fiscales qui résulteraient de la façon dont l'entité s'attend, à la fin de la période de présentation de l'information financière, à recouvrer ou régler la valeur comptable de ses actifs et passifs.

51A Dans certains pays, la façon dont une entité recouvre (règle) la valeur comptable de ses actifs (passifs) peut avoir une incidence sur l'un ou l'autre des éléments suivants ou les deux :

(a) le taux d'impôt applicable lors du recouvrement (règlement) de la valeur comptable de l'actif (passif) ;

(b) la base fiscale de l'actif (passif).

Dans de tels cas, une entité évalue ses actifs et passifs d'impôt différé en utilisant le taux d'impôt et la base fiscale qui sont cohérents avec le mode attendu de recouvrement ou de règlement. »

Les membres suggèrent que le CNC se penche sur cette question afin d'évaluer l'interaction entre l'alinéa 3465.12 d) et le paragraphe 3465.56. S'ils sont incohérents, ils devraient être modifiés. S'ils ne le sont pas, des indications supplémentaires devraient être ajoutées au chapitre 3465 afin d'expliquer davantage la portée de chacune de ces exigences et de les illustrer.

Satisfaction des critères de délimitation du projet

Selon les membres, ces questions satisfont aux critères de délimitation du projet indiqués à la figure A du document de consultation puisqu'il y a une disparité dans l'application des dispositions, que cette disparité n'est pas justifiable, que ces dispositions sont complexes et difficiles à comprendre, que ces enjeux se posent souvent dans la pratique et que la complexité est possiblement justifiée, mais que les entités à capital fermé n'ont pas à leur disposition des ressources basées sur les NCECF pouvant faciliter l'application de ces dispositions.

CHAPITRE 3475, SORTIE D'ACTIFS À LONG TERME ET ABANDON D'ACTIVITÉS

Question 8 – Sortie d'actifs à long terme

a) Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les difficultés quant à la comptabilisation de la sortie d'actifs à long terme?

Les membres adhèrent à l'analyse effectuée par le CNC, notamment avec le fait que les entités à capital fermé appliquent rarement les dispositions relatives à la sortie d'actifs à long terme lorsqu'elles ne présentent pas aussi une ou des activités abandonnées. Selon les membres, ceci s'explique par le fait que les deux concepts, soit la sortie d'actifs à long terme et l'abandon d'activités, sont inclus dans le même chapitre, mais aussi par la manière dont certaines exigences sont formulées. Or, il arrive fréquemment que des actifs d'entités à capital fermé soient sortis ou destinés à être sortis. Comme il s'agit d'un enjeu généralisé qui découle entre autres de la difficulté des entités à comprendre la distinction entre les deux concepts mentionnés ci-haut, la difficulté relève de la portée du projet.

b) Souhaitez-vous vous prononcer sur la ***proposition du CNC****, à savoir* ***réexaminer le libellé des dispositions relatives à la sortie*** *d'actifs à long terme et* ***envisager de les présenter dans une norme distincte*** *par souci de clarté? Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

Les membres sont en accord avec le fait qu'il faut réexaminer la formulation et le libellé des dispositions relatives à la sortie d'actifs à long terme.

Les membres sont d'avis que le fait de présenter les dispositions relatives à la sortie d'actifs à long terme dans une norme distincte ferait en sorte de rendre plus compréhensible l'application des dispositions relatives à ce concept. Une autre possibilité serait de les inclure dans les normes applicables à chaque type d'actif, par exemple inclure les dispositions relatives à la sortie des immobilisations corporelles dans le chapitre 3061 et celles relatives aux actifs incorporels dans le chapitre 3064, tout comme les dispositions relatives à la décomptabilisation des instruments financiers sont incluses dans le chapitre 3856.

Advenant que les deux concepts soient conservés dans le même chapitre, les membres encouragent le CNC à les distinguer clairement et à en faire deux sections complètement distinctes, incluant au niveau des définitions, de la présentation aux états financiers et des informations à fournir. Par exemple, les informations à fournir relatives à la sortie d'actifs à long terme (3465.36 a) et b) et .37 a) et b)) devraient être incluses dans la section sur la sortie d'actifs, alors que celles relatives aux abandons d'activités (3475.36 c) et 3475.37 c)) devraient être incluses dans la section sur l'abandon d'activités. Cela faciliterait la compréhension de la distinction entre les deux concepts.

Un exemple de libellé à revoir est celui de la définition d'activité abandonnée à l'alinéa 3475.03 e), qui fait référence à « classée comme destinée à la vente ». Le fait de faire référence dans cette définition à une notion liée à la sortie d'actifs (3475.08) amène beaucoup de confusion et d'incompréhension pour les préparateurs des états financiers.

La norme sur l'abandon d'activités devrait indiquer clairement qu'un abandon d'activités n'occasionne pas nécessairement, et ne requiert pas, la présentation d'actifs à long terme comme étant destinés à la vente. La norme sur la sortie d'actifs à long terme devrait indiquer clairement que des actifs à long terme sont régulièrement sortis autrement que par vente, que des actifs à long terme doivent régulièrement être classés comme destinés à la vente et que des actifs à long terme sont régulièrement vendus, sans qu'il y ait un abandon d'activités.

Question 8.1 – Abandon d'activités

*a) Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les **difficultés quant à la comptabilisation des activités abandonnées**?*

Les membres sont en accord avec le fait que plusieurs entités à capital fermé ont du mal à appliquer les dispositions relatives aux activités abandonnées et qu'il s'avère souvent difficile pour les préparateurs d'états financiers de distinguer clairement les flux de trésorerie.

Selon les membres, la difficulté d'application des dispositions relatives aux activités abandonnées provient aussi du fait que la norme n'est pas claire et porte à confusion en ce qui a trait aux deux concepts traités dans le chapitre.

*b) Souhaitez-vous vous prononcer sur la **proposition du CNC**, à savoir **ne pas prendre d'autres mesures, car** cette difficulté **ne relève pas de la portée du projet**? Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

Les membres sont en désaccord avec la proposition du CNC de ne pas prendre d'autres mesures en lien avec l'abandon d'activités. Même si les abandons d'activités par une entité à capital fermé ne sont pas courants, de par la nature même du sujet, l'impact sur les états financiers et l'utilité des informations fournies sont majeurs pour les utilisateurs des états financiers.

Les membres demandent que les dispositions relatives aux activités abandonnées soient au moins revues en ce qui a trait aux éléments mentionnés dans les réponses aux questions 8 b) et 8.2 dans le cadre du présent projet, c'est-à-dire que ce sujet soit clairement distingué de celui de la sortie d'actifs à long terme et que certains libellés et certaines formulations soient revus. Les membres ne souhaitent pas de modifications de la substance des exigences liées aux abandons d'activités dans le cadre du présent projet.

Selon les membres, ces éléments satisfont aux critères de délimitation du projet indiqués à la figure A du document de consultation puisqu'il y a une disparité dans l'application des dispositions relatives à l'abandon d'activités, que cette disparité n'est pas justifiable, que ces dispositions telles qu'actuellement libellées et formulées sont difficiles à comprendre, que ces enjeux se posent dans la pratique chaque fois qu'un abandon d'activité survient et que les complexités liées à ces éléments n'est pas justifiée.

Question 8.2 – Autres difficultés concernant la sortie d'actifs à long terme et l'abandon d'activités : *Y a-t-il, dans le chapitre 3475, d'autres questions d'information financière que le CNC devrait traiter dans le cadre de ce projet? Si oui, veuillez décrire chaque question,* *expliquer en quoi elle satisfait aux critères de délimitation du projet et proposer une façon pour le CNC d'y répondre.*

Sortie d'actifs à long terme – Écarts d'acquisition

L'alinéa 3475.02 a) stipule, entre autres, que le chapitre 3475 ne s'applique pas à la sortie des écarts d'acquisition. Il y a une disparité dans l'application de cette disposition. En effet, lorsqu'une entité met en vente la totalité de ses actifs à long terme qui font partie d'une composante distincte, certains préparateurs ne présentent pas séparément dans le bilan les écarts d'acquisition relatifs à cette composante alors que d'autres préparateurs le font. Les dispositions du chapitre 3475 devraient stipuler clairement si ces écarts d'acquisition doivent être présentés séparément. Autrement dit, le chapitre 3475 devrait indiquer clairement si un écart d'acquisition faisant partie d'un groupe d'actifs (constituant une composante de l'entité) destinés à être sortis collectivement par vente est visé par l'alinéa 3475.02 a).

Définition d'activité abandonnée – Composante classée comme destinée à la vente

Comme expliqué dans la réponse à la question 8 b), la définition d'activité abandonnée à l'alinéa 3475.03 e) devrait être revue.

Définition d'activité abandonnée – Composante non classée comme destinée à la vente

Selon les membres, il y a également lieu de clarifier la définition d'activité abandonnée quant à savoir si les dispositions relatives aux activités abandonnées s'appliquent lorsque l'entité ne s'est pas encore séparée de sa composante du fait que la vente n'a pas encore eu lieu et que les critères du paragraphe 3475.08 ne sont pas tous rencontrés à la date du bilan. Les membres se questionnent donc à savoir si les critères énumérés au paragraphe 3475.08 devraient être repris dans les dispositions relatives aux activités abandonnées.

Encore une fois, l'utilisation de libellés liés à la sortie d'actifs à même la définition d'activités abandonnées cause de la confusion. La division des exigences du chapitre en deux chapitres distincts (ou en deux sections complètement distinctes), en prenant soin d'utiliser des libellés et formulations précis devrait aider. Selon les membres, on ne peut pas simplement diviser le chapitre en deux, il faut améliorer plusieurs libellés, tant en ce qui a trait à la sortie d'actifs qu'en ce qui a trait à l'abandon d'activités.

Satisfaction des critères de délimitation du projet

Selon les membres, ces questions satisfont aux critères de délimitation du projet indiqués à la figure A du document de consultation puisqu'il y a une disparité dans l'application des dispositions, que cette disparité n'est pas justifiable, que ces dispositions telles qu'actuellement libellées et formulées sont difficiles à comprendre, que les enjeux liés à la sortie d'actifs se posent souvent dans la pratique et que ceux liés à l'abandon d'activités se posent chaque fois qu'un abandon d'activité survient, et que les complexités liées à ces éléments n'est pas justifiée.

CHAPITRE 3856, INSTRUMENTS FINANCIERS

Question 9 – Évaluation à leur juste valeur des emprunts sans intérêt ou à faible taux d'intérêt contractés dans le cadre d'opérations conclues dans des conditions de pleine concurrence

a) Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les difficultés quant à l'évaluation à leur juste valeur des emprunts sans intérêt ou à faible taux d'intérêt contractés dans le cadre d'opérations conclues dans des conditions de pleine concurrence?

Les membres sont en accord avec les conclusions de l'analyse effectuée par le CNC et partagent les préoccupations liées aux difficultés relatives à l'évaluation initiale à la juste valeur des emprunts (passifs financiers) sans intérêt ou à faible taux d'intérêt contractés dans le cadre d'opérations conclues dans des conditions de pleine concurrence. Selon les membres, les exigences relatives à l'évaluation des actifs et des passifs financiers sont fréquemment mal comprises ou mal interprétées, notamment en raison des interactions complexes entre les chapitres 3840, « Opérations entre apparentés » et 3856 du Manuel et également en raison de la façon dont le chapitre 3856 a été modifié lors de l'adoption de règles d'évaluation distinctes applicables aux opérations conclues dans des conditions de pleine concurrence et aux opérations conclues entre apparentés (exception faite des opérations conclues avec des parties qui n'ont pas d'autre relation avec l'entité qu'en leur qualité de membres de la direction). Les membres soulignent que ces exigences donnent fréquemment lieu à des enjeux d'application et de compréhension du chapitre 3856.

Selon les membres, les préoccupations relevées par le CNC à l'égard de l'évaluation initiale des emprunts sans intérêt ou à faible taux d'intérêt contractés dans le cadre d'opérations conclues dans des conditions de pleine concurrence s'appliquent aussi à d'autres instruments financiers, tels que des prêts consentis (actifs financiers) sans intérêt ou à faible taux d'intérêt dans le cadre d'opérations conclues dans des conditions de pleine concurrence. Citons comme exemple fréquent rencontré en pratique des prêts consentis à des employés n'ayant aucun lien d'apparentement avec l'entité ou des prêts consentis à des parties qui n'ont pas d'autre relation avec l'entité qu'en leur qualité de membres de la direction (par exemple à des administrateurs). Certains membres se sont donc montrés favorables à une proposition visant à élargir l'assouplissement proposé pour qu'il puisse s'appliquer tant aux actifs qu'aux passifs financiers sans intérêt ou à faible taux d'intérêt.

Pour les raisons décrites précédemment quant aux enjeux d'interprétation ou d'application du chapitre 3856 et puisque la modification proposée ajouterait une lourdeur supplémentaire à la compréhension des exigences du chapitre 3856, certains membres soulèvent que le CNC devrait envisager une réécriture du chapitre 3856, dans le but de faciliter sa compréhensibilité, si possible simplifier le vocabulaire utilisé et distinguer davantage les exigences applicables aux opérations conclues dans des conditions de pleine concurrence de celles applicables aux opérations entre apparentés. Ils proposent notamment qu'un arbre de décision soit ajouté permettant d'illustrer la totalité des exigences liées à l'évaluation (initiale et ultérieure) des instruments financiers.

b) *Souhaitez-vous vous prononcer sur la **proposition du CNC**, à savoir envisager un **choix de méthode comptable qui permettrait aux entités d'évaluer les passifs financiers dont le taux d'intérêt ne correspond pas aux taux pratiqués sur le marché à la valeur nominale** (soit la valeur actualisée des flux de trésorerie futurs, calculée à l'aide du taux d'intérêt contractuel) et non à la juste valeur?*

   i) *Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

   Les membres sont favorables à cette proposition.

   ii) *Si vous y adhérez, selon vous**, faudrait-il offrir ce choix** de méthode comptable **à toutes les entités, ou** bien instaurer des **critères** d'applicabilité pour que les besoins d'information des utilisateurs soient comblés? Le cas échéant, **quels devraient être ces critères**, et pourquoi?*

   Selon les membres, ce choix devrait être disponible à toutes les entités, sans que des critères d'applicabilité soient élaborés.

Question 9.1 – Détermination de la juste valeur des dérivés

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les **difficultés quant à la détermination de la juste valeur des dérivés**?*

   Les membres sont en accord avec les conclusions de l'analyse effectuée par le CNC.

b) *Souhaitez-vous vous prononcer sur la proposition du CNC, à savoir **ne pas prendre d'autres mesures, car** cette difficulté **ne relève pas de la portée du projet**? Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

   Les membres sont en accord avec la proposition du CNC. Ils sont notamment en accord avec l'affirmation du CNC à l'effet que « dans la pratique, les courtiers fournissent généralement aux entités des cours pour la plupart des contrats dérivés courants, ce qui en rend la comptabilisation relativement simple » et qu'en conséquence cet enjeu n'a pas une incidence généralisée.

Question 9.2 – Classement dans les passifs et dans les capitaux propres

a) Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les difficultés quant à l'application des précisions d'application de la norme sur le classement dans les passifs et les capitaux propres?

Les membres sont majoritairement en accord avec les conclusions de l'analyse effectuée par le CNC.

Certains membres réitèrent que les exigences actuelles ayant trait au classement comme passifs financiers ou comme instrument de capitaux propres dans le cas d'actions rachetables au gré du porteur sont parfois incompatibles avec les besoins en matière d'information financière des principaux utilisateurs d'états financiers d'entreprises à capital fermé, plus particulièrement lorsque ces actions font l'objet d'une entente de subrogation en faveur d'un créancier et que le créancier a donc signifié son engagement à ne pas exiger leur rachat à court ou à moyen terme.

b) Souhaitez-vous vous prononcer sur la ***solution proposée par le CNC****, à savoir* ***réexaminer le libellé des indications liées au classement des instruments financiers comme passifs ou capitaux propres****?*

i) Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?

Les membres sont majoritairement favorables à cette proposition.

Certains membres réitèrent que le projet ne devrait pas se limiter à un réexamen du libellé des indications actuelles, mais que celles-ci devraient être modifiées afin de permettre le classement comme capitaux propres d'actions rachetables faisant l'objet d'une entente de subrogation en faveur d'un créancier, tel que décrit ci-dessus.

ii) Si vous y adhérez, ***quels aspects*** *des dispositions en matière de classement* ***trouvez-vous difficiles à comprendre****? Selon vous,* ***comment*** *faudrait-il les* ***reformuler****?*

Les propositions des membres sont les suivantes quant au réexamen du libellé ou à l'ajout d'indications liées au classement des instruments financiers comme passifs ou capitaux propres :

- Les indications à l'égard du classement (entre le passif et les capitaux propres) devraient être déplacées au tout début du chapitre, puisque cette analyse doit être effectuée préalablement à l'application des exigences appropriées en matière d'évaluation;

- Ces indications devraient inclure, dans le corps même du chapitre, une description claire des deux exceptions liées au classement d'actions rachetables au gré du porteur ou obligatoirement rachetables par l'émetteur, soit celles qui sont actuellement décrites aux paragraphes 3856.23 et A28;
- Les informations pertinentes à l'interprétation de ces exigences devraient être énoncées dans le corps même du chapitre plutôt que dans des documents ou sources d'information externes. Par exemple, les précisions et interprétations liées au classement d'actions rachetables émises dans une opération de planification fiscale qui sont dans les balados du CNC et dans le compte-rendu du Comité consultatif sur les entreprises à capital fermé (novembre 2022) quant à l'interprétation du critère de contrôle de l'alinéa .23 a);
- Les indications du paragraphe A26 devraient être revues ou des indications supplémentaires devraient être fournies afin d'illustrer des situations où la « réalisation d'un événement futur très probable » donne lieu au classement au passif d'actions n'étant pas assorties explicitement d'une obligation contractuelle conférant à l'émetteur l'obligation de racheter les actions ou au détenteur le droit d'en exiger le remboursement. Selon les membres, des exemples illustratifs ou des indications supplémentaires seraient notamment nécessaires à l'égard des circonstances suivantes :
    - Actions rachetables au décès de leur détenteur, surtout dans un scénario où ces actions (ou certaines de ces actions) sont détenues par une société par actions;
    - Actions rachetables lors de la survenance d'un événement tel qu'un premier appel public à l'épargne (IPO) ou en cas de changement de contrôle;
    - Actions rachetables lors de l'atteinte d'un indicateur de la performance de l'entité, par exemple un certain niveau de bénéfice.

  Les membres soulignent que ces exemples devraient servir à illustrer comment l'entité devrait juger de la probabilité de survenance d'un tel événement et de la question de savoir s'il échappe ou non à son contrôle.

Question 9.3 – Comptabilité de couverture

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les **difficultés quant à la détermination de la question de savoir si un accord répond aux critères de comptabilité de couverture et quant à la consignation de cette question**?*

Les membres ont confirmé être en accord avec cette conclusion du CNC.

b) *Souhaitez-vous vous prononcer sur la **proposition du CNC**, à savoir **ne pas prendre d'autres mesures, car** cette difficulté **ne relève pas de la portée du projet**? Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

Selon les membres, des mesures doivent être prises.

Bien que les membres acceptent que la détermination de la question de savoir si un accord répond aux critères actuels de comptabilité de couverture énoncés au chapitre 3856 ne relève probablement pas de la portée du projet, certains membres soulignent que les exigences actuelles des NCECF à l'égard de la comptabilité de couverture sont trop restrictives et souvent incompatibles avec les besoins en matière d'information financière des principaux utilisateurs d'états financiers d'entreprises à capital fermé, notamment dans le cas d'une relation de couverture qui ne correspond pas aux situations énoncées aux paragraphes 3856.A62 à A65 mais dont l'efficacité pourrait néanmoins être facilement démontrée. Ils citent comme exemples des situations où des contrats à terme standardisés (*futures*) sont contractés comme éléments de couverture du risque de change ou du risque de fluctuation du prix des marchandises liées à des achats ou des ventes futures. Ces membres suggèrent que des indications plus souples soient ajoutées au chapitre 3856 permettant à une entité de recourir à la comptabilité de couverture (de manière facultative) dans des situations autres que celles énoncées aux paragraphes 3856.A62 à A65 lorsque l'entreprise est en mesure de démontrer l'efficacité de la relation de couverture.

Les membres soulèvent que des exemples illustratifs additionnels seraient utiles pour illustrer la différence entre l'application de la comptabilité de couverture ou non dans des situations simples et courantes de relations de couverture, tel que la couverture du risque de taux d'intérêt d'un emprunt à taux variable au moyen de swap de taux d'intérêt ou la couverture du risque de change d'une opération libellée en devises au moyen d'un contrat de change à terme.

Des membres notent qu'il arrive régulièrement que des préparateurs d'états financiers appliquent la comptabilité de couverture sans même le réaliser ni en respecter les exigences. Par exemple, une entreprise contracte un emprunt à taux d'intérêt variable en même temps qu'un swap de taux d'intérêt, pensant avoir contracté un emprunt à taux d'intérêt fixe. Elle comptabilise des charges d'intérêt à taux fixe (au net) et ne comptabilise pas le swap à sa juste valeur à chaque date de bilan, et ce sans respecter les conditions d'application de la comptabilité de couverture notamment sans préparer la documentation formelle requise lors de la mise en place de la relation de couverture. De plus, ses états financiers ne fournissent pas de méthode comptable relative à la comptabilité de couverture ni d'informations relatives au dérivé et à la comptabilité de couverture.

Question 9.4 – Informations à fournir sur les risques financiers

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les* ***difficultés quant à la préparation des informations à fournir sur les risques financiers****?*

Les membres n'adhèrent pas aux conclusions tirées par le CNC quant aux informations à fournir sur les risques financiers. Effectivement, les informations fournies reprennent souvent du texte standard qui peut les rendre moins utiles. Toutefois, contrairement au CNC qui trouve que dans l'ensemble les avantages découlant des dispositions actuelles en excèdent les coûts, selon les membres, les avantages sont généralement nuls. De plus, selon eux, la note intégrant ces informations est très rarement lue par les utilisateurs des états financiers. Après plusieurs années d'application de ces exigences, les critiques sont toujours les mêmes. Il faut se rendre à l'évidence que ces exigences sont problématiques.

b) *Souhaitez-vous vous prononcer sur la* ***proposition du CNC****, à savoir* ***ne pas prendre d'autres mesures, car*** *cette difficulté* ***ne relève pas de la portée du projet****? Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

Selon les membres, le CNC devrait au moins prendre des mesures à l'égard des éléments suivants dans le cadre du projet actuel. Selon l'application des membres des critères de la figure A du document de consultation, même s'il n'y a pas de disparité dans l'application des exigences, elles sont contraignantes, l'enjeu se pose souvent dans la pratique et les avantages découlant de leur application n'en excèdent pas les coûts.

- Concentrations de risques financiers :
  - Les principaux utilisateurs d'états financiers d'entreprises à capital fermé disposent typiquement d'information suffisante sur la nature des activités de l'entreprise et sur l'industrie ou le marché dans lequel elle exerce ses activités (ou ont facilement accès à de telles informations). Selon les membres, les exigences d'informations à fournir à l'égard des concentrations de risque énoncées aux alinéas 3856.A67 a) et c) (ayant trait aux secteurs d'activité et à la répartition géographique) – qui par ailleurs sont difficiles et coûteuses à appliquer – ne donnent pas lieu à la fourniture d'informations pertinentes et utiles. De plus, selon les membres, la note intégrant ces informations est très rarement lue par les utilisateurs des états financiers. Les membres sont donc d'avis que ces exigences devraient être retirées;
  - Les effets liés à l'exigence de l'alinéa A67 b) à l'égard des concentrations de risque de crédit découlant de la notation de crédit ou de toute autre évaluation de la qualité de

crédit sont déjà pris en compte dans l'évaluation de la valeur recouvrable des actifs financiers, par exemple au moyen d'une provision appropriée pour créances douteuses ou pour dépréciation d'autres actifs financiers, ou dans l'évaluation de la juste valeur de ces instruments si ceux-ci sont évalués à la juste valeur. De plus, selon les membres, la note intégrant ces informations est très rarement lue par les utilisateurs des états financiers. Les membres sont donc d'avis que cette exigence devrait être supprimée;

  - Les membres sont majoritairement d'avis que les seules informations pertinentes à l'égard des concentrations de risques financiers découlent généralement de situations où il existe un nombre limité de contreparties individuelles ou de groupes de contreparties étroitement liées, tel qu'énoncé à l'alinéa A67 d), et que seule cette exigence devrait être conservée.

- Endroit où sont fournies les informations :
  - Selon les membres, une mention explicite devrait être ajoutée dans la norme à l'effet que les informations sur les risques financiers n'ont pas à être fournies dans une note distincte aux états financiers et que les informations fournies ailleurs dans les états financiers, y compris dans les autres notes et tableaux complémentaires auxquels ils renvoient, pourraient être suffisantes. Par exemple, fournir à même la note sur la dette à long terme des informations comparatives quant à la monnaie dans laquelle les dettes sont remboursables et aux taux d'intérêt pourrait être considéré comme étant suffisant pour fournir des informations utiles et pertinentes à l'égard de l'exposition de l'entité aux risques de change et de taux d'intérêt, à leurs causes et à la modification des expositions à ces risques par rapport à la période précédente, sans qu'il ne soit requis de fournir des informations additionnelles sous forme narrative ou dans une note distincte. Une telle précision serait utile et conduirait à réduire la lourdeur et les coûts associés à l'application de ces exigences.

Question 9.5 – Autres difficultés concernant les instruments financiers : *Y a-t-il, dans le chapitre 3856, d'autres questions d'information financière que le CNC devrait traiter dans le cadre de ce projet? Si oui, veuillez décrire chaque question, expliquer en quoi elle satisfait aux critères de délimitation du projet et proposer une façon pour le CNC d'y répondre.*

Placements en parts de fonds communs de placement

Les membres font état de difficultés liées à la détermination quant à savoir si des placements en parts de fonds communs de placement représentent ou non des instruments de capitaux propres cotés sur un marché actif qui doivent conséquemment faire l'objet d'une évaluation ultérieure à la juste valeur. Ils font également état d'enjeux liés à l'audit des estimations en juste valeur de tels instruments.

Ils notent que les seules indications à ce sujet se retrouvent au paragraphe 73 de la Base des conclusions des NCECF (publiée en juin 2010) :

> « Le CNC a constaté que la question de savoir si un titre particulier constitue un instrument de capitaux propres coté sur un marché actif est parfois affaire de jugement. Ainsi, les placements dans des entités agissant comme conduits pour des titres cotés, par exemple dans des parts d'un fonds de placement, pourraient satisfaire aux critères pour l'évaluation à la juste valeur s'ils sont liquides et si le prix des parts reflète la juste valeur de l'actif net du fonds. La possibilité de choisir d'évaluer à la juste valeur tout instrument financier lors de sa comptabilisation initiale facilite l'évaluation, selon la même méthode, des placements possédant des caractéristiques semblables, qu'ils soient cotés sur un marché actif ou non. Il est par ailleurs possible de continuer d'évaluer à la juste valeur les instruments de capitaux propres qui cessent d'être cotés sur un marché actif. » (Surlignement ajouté)

Selon les membres, ces indications devraient au moins être ajoutées dans le corps même du chapitre 3856.

Passifs financiers indexés

Selon les membres, il est souvent difficile de comprendre à quel type d'instruments financiers les paragraphes 3856.14 et .14A s'appliquent. Les membres sont d'avis que l'ajout de courts exemples, à même la norme, permettrait de mieux déterminer quels instruments financiers répondent à la définition d'un « passif financier indexé sur un indicateur de [la] performance financière ou sur la variation de ses capitaux propres » d'une entité et de mieux comprendre l'application de ces exigences d'évaluation.

Instruments financiers ayant une partie variable ou conditionnelle

Les membres soulignent la nécessité d'ajouter des exemples illustratifs à l'égard des actifs ou passifs financiers comportant une partie variable ou conditionnelle. Sans exemples, il est difficile de comprendre à quels types d'actifs ou de passifs financiers ces exigences s'appliquent et comment les appliquer.

Le paragraphe 3856.08D prévoit des exigences applicables exclusivement à de tels instruments financiers lorsqu'ils sont contractés auprès d'une partie apparentée. Des exemples illustrant la comptabilisation (initiale et ultérieure) de tels instruments, selon qu'ils sont contractés dans le cadre d'opérations conclues dans des conditions de pleine concurrence ou entre apparentés faciliteraient l'application des exigences.

Actions rachetables au gré du porteur ou obligatoirement rachetables émises dans une opération de planification fiscale – Informations à fournir

L'alinéa 3856.47 e) exige que, lorsque l'effet du classement des actions au passif est comptabilisé dans les bénéfices non répartis, l'entreprise indique dans le corps même du bilan le montant porté au débit des bénéfices non répartis pour l'ensemble des catégories d'actions de ce type. Selon les membres, l'information fournie alourdit indûment la présentation du bilan. De plus, elle est souvent inutile et elle est contraignante et coûteuse à préparer, car elle nécessite un suivi. Les membres sont donc d'avis que cette exigence devrait être retirée. Les entreprises qui le souhaitent pourraient fournir volontairement cette information.

Les alinéas 3856.47 c) iii) et .47 d) requièrent qu'une entreprise fournisse une description de l'opération ayant donné lieu à l'émission des actions, tant qu'elles sont en circulation. Selon les membres, cette exigence peut devenir difficile à appliquer dans les années qui suivent l'émission des actions, notamment lorsque des actions d'une même catégorie sont émises dans de multiples opérations. Cette exigence est donc souvent contraignante et les informations coûteuses à préparer. De plus, les membres sont d'avis qu'une telle information est surtout utile et pertinente dans l'exercice de l'émission des actions. Ils sont donc d'avis que cette exigence devrait être retirée. Les entreprises qui le souhaitent pourraient fournir volontairement cette information.

Satisfaction des critères de délimitation du projet

Selon les membres, ces questions satisfont aux critères de délimitation du projet indiqués à la figure A du document de consultation puisqu'il y a une disparité dans l'application des dispositions (sauf celles à l'égard des informations à fournir sur les actions rachetables) qui n'est pas justifiable, que ces dispositions sont complexes, contraignantes ou coûteuses à appliquer ou qu'elles sont difficiles à comprendre, que ces enjeux se posent souvent dans la pratique et que les avantages qui découlent de l'application des exigences (d'informations à fournir sur les actions rachetables) n'en excèdent pas les coûts ou que les entités à capital fermé n'ont pas à leur disposition des ressources basées sur les NCECF pouvant en faciliter l'application.

CHAPITRE 3870, RÉMUNÉRATIONS ET AUTRES PAIEMENTS À BASE D'ACTIONS

Question 10 – Évaluation des options sur actions consenties à des salariés et autres instruments de capitaux propres des plans de rémunération à base d'actions

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les* ***difficultés quant à l'évaluation des options sur actions consenties à des salariés et autres instruments de capitaux propres des plans de rémunération à base d'actions****?*

Les membres adhèrent à l'analyse effectuée par le CNC, à l'effet qu'il est souvent ardu de déterminer la juste valeur des options sur actions et autres instruments de capitaux propres consentis à des salariés et qu'il y a des avis partagés sur l'utilité de ces informations pour les utilisateurs des états financiers.

Les membres réitèrent qu'il est généralement très ardu pour les petites et moyennes entreprises (PME) de déterminer la juste valeur des options sur actions consenties à des salariés et autres instruments de capitaux propres des plans de rémunération à base d'actions.

La juste valeur des actions doit être déterminée en fonction du cours de l'action (ou de son prix de marché estimatif pour les sociétés non cotées). Le prix de marché estimatif doit être basé sur l'historique d'émissions d'actions ou sur un marché interne actif. Ces deux sources sont rarement disponibles pour les PME, qui procèdent généralement à des émissions ponctuelles, plutôt rares et souvent espacées dans le temps et ne disposent pas d'un marché interne de transactions. En l'absence de données historiques, les PME doivent recourir à une évaluation d'entreprise par un expert, processus long et coûteux devant être répété périodiquement.

La juste valeur d'une option sur actions est estimée au moyen d'un modèle d'évaluation des options qui prend en compte plusieurs facteurs. Certaines données d'entrée du modèle d'évaluation sont difficiles, voire impossibles, à déterminer pour une PME. La volatilité prévue en est un exemple. Sans historique de prix d'actions ni marché interne, et face à l'impossibilité de trouver des sociétés ouvertes véritablement comparables, les PME se trouvent dans une impasse pratique.

b) *Souhaitez-vous vous prononcer sur la* ***proposition du CNC****, à savoir* ***ne pas prendre d'autres mesures, car*** *cette difficulté* ***ne relève pas de la portée du projet****? Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

Le CNC estime que cette difficulté ne relève pas de la portée du projet, car la complexité de ces dispositions serait justifiée dans la mesure où elles permettent de fournir des informations utiles aux utilisateurs des états financiers. Les membres sont en désaccord avec cette proposition, notamment parce que l'utilité des informations pour les utilisateurs n'a pas été clairement établie. Dans ce contexte, étant donné l'importance des difficultés liées à la détermination de la juste valeur des instruments consentis, les membres sont d'avis que d'autres mesures doivent être prises.

Selon les membres, cette difficulté satisfait aux critères de délimitation du projet indiqués à la figure A du document de consultation puisque même s'il n'y a pas de disparité dans l'application des dispositions, elles sont contraignantes et coûteuses à appliquer, l'enjeu se pose souvent dans la pratique et il n'a pas été clairement établi que les avantages qui en découlent en excèdent les coûts.

Les membres sont d'avis que la complexité et les coûts importants à encourir ne sont pas toujours justifiés. Selon plusieurs membres, la comptabilisation d'une telle charge n'influe généralement pas sur les décisions des utilisateurs des états financiers. Ces utilisateurs, qui sont souvent des actionnaires restreints, des institutions financières ou des partenaires d'affaires de l'entité, ont généralement un accès direct à l'information de gestion et comprennent généralement la structure de rémunération, sans qu'une évaluation complexe et coûteuse soit nécessaire.

Pour ces raisons, les membres encouragent le CNC à ajouter un choix de méthode comptable pour les instruments de capitaux propres. Ce choix permettrait aux entités de ne pas évaluer ni comptabiliser le coût de rémunération afférent à l'émission d'instruments de capitaux propres, tout en maintenant des obligations d'information appropriées. Ces obligations d'information ne devraient toutefois pas inclure la divulgation du coût de rémunération, puisque ce montant n'aura pas été comptabilisé ni évalué.

Si ce choix de méthode comptable n'est pas ajouté, les membres demandent au CNC d'entreprendre des démarches supplémentaires afin d'évaluer l'utilité de ces informations pour les utilisateurs des états financiers en vue d'un prochain projet.

Question 10.1 – Autres difficultés concernant les rémunérations et autres paiements à base d'actions : *Y a-t-il, dans le chapitre 3870, d'autres questions d'information financière que le CNC devrait traiter dans le cadre de ce projet? Si oui, veuillez décrire chaque question, expliquer en quoi elle satisfait aux critères de délimitation du projet et proposer une façon pour le CNC d'y répondre.*

Selon les membres, il n'y a aucune autre question importante liée au chapitre 3870 qui devrait être traitée dans le cadre de ce projet.

AUTRES DIFFICULTÉS D'APPLICATION IMPORTANTES DES NCECF

Question 11 - Autres difficultés d'application importantes des NCECF : *Y a-t-il, dans les normes pour lesquelles aucune difficulté d'application importante n'a été soulevée, d'autres questions d'information financière que le CNC devrait traiter dans le cadre de ce projet? Si oui, veuillez décrire chaque question, expliquer en quoi elle satisfait aux critères de délimitation du projet et proposer une façon pour le CNC d'y répondre.*

Chapitre 1500 – Exemption relative aux regroupements d'entreprises

Le contexte actuel de l'utilisation de l'exemption relative aux regroupements d'entreprises du chapitre 1500 est différent de celui du basculement de la Partie V aux NCECF en 2011 alors que le chapitre 1581 de la Partie V était semblable au chapitre 1582. Maintenant, l'adoption des NCECF a souvent lieu lors du passage d'une mission de compilation à une mission d'examen alors que les regroupements d'entreprises passés n'ont pas été comptabilisés selon la méthode de l'acquisition prévue au chapitre 1582.

Selon les membres, il y a de la diversité dans la pratique dans l'interprétation des exigences des paragraphes 1510.10 à .11A.

Par exemple, dans le contexte d'une liste de clients acquise lors d'un regroupement d'entreprises survenu avant l'application des NCECF par l'acquéreur et non comptabilisée par l'acquéreur avant son application des NCECF, il n'est pas clair si la liste de clients doit obligatoirement être comptabilisée lors de la transition aux NCECF ou si l'allégement du paragraphe 1500.10 permet de ne pas la comptabiliser puisqu'elle n'était pas comptabilisée dans le bilan de l'entité acquise selon les NCECF (liste de clients développée en interne). De plus, il n'est pas clair si la réponse est la même s'il s'agit d'états financiers consolidés, d'un regroupement par le biais de l'acquisition d'actifs ou par le biais de l'acquisition d'actions suivie d'une fusion.

Les exigences d'IFRS 1 sont libellées de façon semblable à celles du chapitre 1500, mais il y a des différences. L'alinéa IFRS 1.C4(g)(i) fait notamment le lien avec l'alinéa IFRS 1.C4(f).

Selon les membres, à tout le moins, l'alinéa 1500.11 d) doit être clarifié et illustré à l'aide d'un exemple semblable à celui-ci-dessus. Cet alinéa exige

> « Un actif qui a été acquis ou un passif qui a été pris en charge à l'occasion d'un regroupement d'entreprises passé et qui n'a pas été comptabilisé n'a pas pour autant un coût réputé nul dans le bilan d'ouverture. L'acquéreur comptabilise et évalue l'élément dans son bilan consolidé de la façon dont les normes imposeraient qu'il le soit dans le bilan de l'entité acquise. »

Chapitres 1510 et 3856 – Classement dans le passif à court terme et versements des cinq prochaines années

Selon les paragraphes 1510.13 et .14, le classement d'un passif à court terme ou à long terme dépend du droit du créancier d'exiger le remboursement du passif à court terme. À moins que les conditions énoncées dans ces paragraphes ne soient remplies, lorsqu'un créancier est en droit d'exiger le remboursement à court terme ou que l'emprunt vient à échéance à court terme, la dette doit être présentée au passif à court terme, et ce même si elle ne fait l'objet d'aucune violation, a toujours été refinancée ou renouvelée pour une durée supérieure à un an dans le passé et que l'entité ne s'attend pas à la rembourser dans la prochaine année.

Selon la majorité des membres, la présentation à court terme de la totalité d'une dette ne répond généralement pas aux besoins des principaux utilisateurs des états financiers. Il est donc fréquent que les exigences des paragraphes 1510.13 et .14 ne soient pas appliquées et que des rapports d'audit ou d'examen avec réserve soient émis. Conséquemment, ces exigences devraient être modifiées. Par exemple, le classement de la dette pourrait être basé sur les versements et remboursements que l'entreprise prévoit faire au cours du prochain exercice, et ce même si une clause restrictive fait l'objet d'une violation. Ou bien, le classement de la dette pourrait être basé sur les versements et remboursements que l'entreprise prévoit faire au cours du prochain exercice, à moins qu'une clause restrictive fasse l'objet d'une violation auquel cas la totalité de la dette devrait être classée à court terme.

Les membres ont également discuté de la possibilité d'explicitement permettre de présenter les emprunts à demande ou échéant à court terme d'une façon similaire à celle de l'exemple d'une dette remboursable à demande présenté à la fin du chapitre 1510 (communément appelée « présentation mezzanine »), et ce même si la dette n'a pas de modalités définies de remboursement à long terme comme c'est le cas dans cet exemple. Les membres notent qu'il y a actuellement de la disparité dans les circonstances d'application de la « présentation mezzanine ».

Au niveau des versements à effectuer au cours des cinq prochains exercices, des membres sont d'avis que le paragraphe 3656.45 devrait être modifié afin d'explicitement exiger de fournir ces montants en se basant sur les estimations de la direction des versements et remboursements qui seront effectués, y compris lorsque la dette est à demande, doit être renouvelée au cours des cinq prochains exercices ou que des clauses restrictives ne sont pas respectées. Les membres notent qu'il y a actuellement de la disparité dans l'application de cette disposition.

Chapitre 1582 – Comptabilisation inachevée – Mention des montants provisoires

Lorsque la comptabilisation d'un regroupement d'entreprises ayant eu lieu pendant l'exercice est inachevée, le paragraphe 1582.47 exige ceci :

> *« Si la comptabilisation initiale d'un regroupement d'entreprises est inachevée à la fin de la période financière au cours de laquelle le regroupement d'entreprises survient, l'acquéreur doit mentionner dans ses états financiers les montants provisoires relatifs aux éléments pour lesquels la comptabilisation est inachevée. Pendant la période d'évaluation, l'acquéreur doit ajuster, de manière rétrospective, les montants provisoires comptabilisés à la date d'acquisition afin de refléter les informations nouvelles obtenues à propos des faits et des circonstances qui prévalaient à la date d'acquisition et qui, si elles avaient été connues, auraient affecté l'évaluation des montants comptabilisés à cette date. Pendant la période d'évaluation, l'acquéreur doit également comptabiliser des actifs ou des passifs additionnels si des informations nouvelles sont obtenues à propos des faits et des circonstances qui prévalaient à la date d'acquisition et qui, si elles avaient été connues, auraient abouti à la comptabilisation de ces actifs et passifs à cette date. La période d'évaluation prend fin dès que l'acquéreur reçoit l'information qu'il recherchait à propos des faits et des circonstances qui prévalaient à la date d'acquisition ou dès qu'il apprend qu'il est impossible d'obtenir des informations supplémentaires. Cependant, la période d'évaluation ne doit pas excéder un an à compter de la date d'acquisition. »* (Soulignement ajouté)

Le paragraphe 1582.47 ne fait pas partie de la section « Informations à fournir » du chapitre 1582. Il n'est donc pas clair s'il exige de fournir en notes les montants provisoires ou s'il exige seulement d'utiliser/de comptabiliser ces montants provisoires dans les états financiers.

Le paragraphe 1582.67 correspond au paragraphe IFRS 3.45. Toutefois, la section sur les informations à fournir d'IFRS 3 exige en plus :

> « IFRS 3.B67 (…), l'acquéreur doit fournir les informations suivantes pour chaque regroupement d'entreprises significatif ou bien, de manière cumulée, pour les regroupements d'entreprises qui, pris individuellement, ne sont pas significatifs et qui, pris collectivement, sont significatifs :
>
> (a) Si la comptabilisation initiale d'un regroupement d'entreprises est inachevée (voir paragraphe 45) pour certains actifs, certains passifs, certaines participations ne donnant pas le contrôle ou pour certains éléments de contrepartie, et que les montants comptabilisés dans les états financiers pour le regroupement d'entreprises n'ont donc été déterminés qu'à titre provisoire :

i) les raisons pour lesquelles la comptabilisation initiale du regroupement d'entreprises est inachevée ;
ii) les actifs, passifs, titres de capitaux propres ou éléments de contrepartie pour lesquels la comptabilisation initiale est inachevée ; et
iii) la nature et le montant des éventuels ajustements de la période d'évaluation comptabilisés pendant la période de présentation de l'information financière selon le paragraphe 49. (…) »

L'exigence spécifique du paragraphe IFRS 3.B67 n'a pas été reprise dans le chapitre 1582. Le chapitre 1582 indique toutefois :

> « 1582.61 L'acquéreur doit fournir les informations qui permettent aux utilisateurs de ses états financiers d'évaluer la nature et l'effet financier d'un regroupement d'entreprises […] »
>
> « 1582.65 Si les informations spécifiques qu'imposent de fournir le présent chapitre ainsi que d'autres chapitres ne satisfont pas aux objectifs énoncés au paragraphe 1582.61, l'acquéreur doit fournir les informations complémentaires qui sont nécessaires pour y satisfaire. »

Les membres exigent généralement que les notes aux états financiers préparés selon les NCECF mentionnent les montants provisoires comptabilisés qui pourraient faire l'objet d'ajustements importants, au moins lorsqu'il s'agit d'une acquisition d'actifs ou d'états financiers consolidés (pour lesquels le paragraphe 1582.62A exige aussi de fournir un bilan condensé). Ils jugent ces informations importantes pour les utilisateurs des états financiers. Selon les membres, il est souhaitable d'ajouter au paragraphe 1582.62A des exigences claires d'informations à fournir semblables à celles des alinéas IFRS 3.B67 (a) (i), (ii) et (iii, montant seulement, pas la nature), applicables lorsqu'il s'agit d'une acquisition d'actifs ou d'états financiers consolidés.

Chapitre 3051 – Frais connexes à l'acquisition – Valeur de consolidation

Le chapitre 3051 ne fournit pas d'indications quant à la comptabilisation des frais connexes à l'acquisition lorsque l'entité détentrice choisit de comptabiliser ses participations dans des entités sous influence notable ou ses intérêts dans des entreprises sous contrôle conjoint selon la méthode de la comptabilisation à la valeur de consolidation. Les membres notent qu'il y a actuellement de la disparité dans la pratique et souhaitent l'ajout d'une exigence quant à la comptabilisation de ces frais.

L'alinéa 3051.07A b) exige la comptabilisation de ces frais en charges lorsque ces placements sont comptabilisés à la valeur d'acquisition. Le chapitre 3051 ne définit pas le « coût d'acquisition ». Selon le paragraphe 3051.13, la présentation des différentes étapes du calcul du revenu de placement tiré des participations comptabilisées à la valeur de consolidation reprendrait en grande partie le texte du chapitre 1601. L'alinéa 1591.27 b) exige la comptabilisation en charges lorsque les filiales sont comptabilisées à la valeur de consolidation. Le document « Historique et fondement des conclusions, Filiales et placements, chapitres 1591 et 3051 (décembre 2016) » indique ceci :

> « Frais connexes à l'acquisition
>
> 52 Le CNC a noté que le chapitre 3051 ne précisait pas si les frais connexes à l'acquisition devaient être inclus dans le coût d'un placement traité selon la méthode de la comptabilisation à la valeur d'acquisition. Le CNC est d'avis que les frais connexes à l'acquisition ne font pas partie du coût de ce type de placement. Il a donc décidé que les frais connexes à l'acquisition d'une participation dans une entité sous influence notable traitée selon la méthode de la comptabilisation à la valeur d'acquisition conformément au chapitre 3051 doivent être comptabilisés en charges. Cela a pour effet d'uniformiser le traitement appliqué aux participations dans des entités sous influence notable et aux participations dans des filiales qui sont traitées selon la méthode de la comptabilisation à la valeur d'acquisition.
>
> 53 La plupart des répondants ont convenu que les frais connexes à l'acquisition d'une participation dans une entité sous influence notable traitée selon la méthode de la comptabilisation à la valeur d'acquisition devraient être comptabilisés en charges. Certains répondants ont toutefois émis des réserves quant au fait que, selon les propositions, les frais connexes à l'acquisition ne seraient pas traités de la même manière que si la participation dans une entité sous influence notable était comptabilisée selon la méthode de la comptabilisation à la valeur de consolidation. Le Comité consultatif a donc suggéré d'exiger, dans le chapitre 3051, que les frais connexes à l'acquisition d'une participation dans une entité sous influence notable soient passés en charges lorsque la méthode de la comptabilisation à la valeur de consolidation est appliquée. Ils seraient ainsi traités de la même manière que lorsque la méthode de la comptabilisation à la valeur d'acquisition est appliquée.
>
> 54 Le CNC était conscient que le traitement comptable des frais connexes à l'acquisition d'une participation différerait selon la nature de la participation, plus précisément :
>
> a) dans le cas d'une participation dans une entité sous influence notable, selon qu'elle est comptabilisée à la valeur de consolidation ou à la valeur d'acquisition;
> b) selon qu'il s'agit d'une participation dans une filiale ou dans une entité sous influence notable, dans le cas d'une participation comptabilisée à la valeur de consolidation.
>
> 55 Le CNC a aussi tenu compte des problèmes suivants, relevés par le Comité consultatif :

a) la note sur les conventions comptables de l'entreprise n'aura aucun sens s'il y a absence d'uniformité;
b) les entreprises pourraient avoir tendance à comptabiliser leur participation dans une entité sous influence notable à la valeur de consolidation plutôt qu'à la valeur d'acquisition afin de pouvoir comptabiliser à l'actif les frais connexes à l'acquisition.

56 Le CNC a néanmoins décidé de ne pas ajouter au chapitre 3051 de dispositions exigeant la comptabilisation en charges des frais connexes à l'acquisition de participations dans des entités sous influence notable lorsque la méthode de la comptabilisation à la valeur de consolidation est appliquée, car cette modification dépassait le cadre du projet. Il a également décidé de ne pas élaborer, dans l'immédiat, d'indications concernant l'utilisation de la méthode de la comptabilisation à la valeur de consolidation (voir les paragraphes 74 et 75). Il prévoit déterminer ultérieurement s'il convient de proposer une telle modification. »

Chapitre 3061 – Immobilisations corporelles – Composantes

Certains membres soulèvent des préoccupations liées aux exigences du paragraphe 3061.18 qui requièrent que « Le coût d'une immobilisation corporelle constituée d'importantes composantes distinctes est ventilé entre celles-ci lorsqu'il est raisonnablement possible de le faire et que la durée de vie de chacune des composantes peut faire l'objet d'une estimation (…) ». Ils sont d'avis que ces exigences sont trop contraignantes et que leur application n'influe pas sur les décisions des principaux utilisateurs d'états financiers d'entreprises à capital fermé.

Ces membres proposent l'ajout de la possibilité de choisir une méthode comptable simplifiée permettant à l'acquéreur de ne pas répartir le coût d'une immobilisation corporelle entre ses composantes distinctes et de déterminer la méthode et la durée d'amortissement en fonction de la durée de vie ou de la durée de vie utile moyenne de l'ensemble des composantes de l'immobilisation corporelle en cause.

Ces membres sont aussi d'avis que des indications additionnelles aux paragraphes 3061.14 et .15 ou des exemples permettant d'illustrer ces paragraphes sont nécessaires pour aider les préparateurs d'états financiers et leur auditeur (ou professionnel en exercice) à juger de la mesure dans laquelle des coûts engagés ont pour effet d'accroître le potentiel de service d'une immobilisation corporelle selon que celle-ci a été ou non séparée entre ses principales composantes au moment de sa comptabilisation initiale.

NOC-20 : Présentation à l'état des flux de trésorerie

Selon le paragraphe NOC-20.34, « L'entreprise doit classer les sorties de fonds liées à un logiciel-service, y compris les dépenses liées aux activités d'implantation, en tant que flux de trésorerie liés aux activités d'exploitation, conformément à l'alinéa .16 c) du chapitre 1540, ÉTAT DES FLUX DE TRÉSORERIE. »

Les NCECF n'indiquent pas comment devraient être présentés à l'état des flux de trésorerie les frais d'implantation directement attribuables à un logiciel-service dans l'année où ces frais sont payés, ainsi que leur amortissement par la suite.

Exemple :

- Des frais d'implantation directement attribuables à un logiciel-service sont payés dans l'année, disons 1M$ (aucun à payer en fin d'année).
- 1M$ sont inscrits à titre d'actif selon l'alinéa NOC-20.24 b).
- Cet actif n'est pas encore amorti.
- Parce que ces frais sont inscrits comme actif, il y a un ajustement à faire dans l'état des flux de trésorerie dans la section des activités d'exploitation, conformément au paragraphe NOC-20.34.

Selon les membres, ces frais ne sont pas un « Élément n'affectant pas la trésorerie » alors ils ne devraient pas être présentés dans les « Éléments n'affectant pas la trésorerie » à l'état des flux de trésorerie.

Les membres souhaitent que les NCECF indiquent comment l'ajustement (de 1M$ dans l'exemple) devrait être présenté dans la section des activités d'exploitation de l'état des flux de trésorerie, par exemple inclus dans la variation nette d'éléments hors trésorerie, sur une nouvelle ligne distincte ou ajouté à celui d'une autre ligne de la section des activités d'exploitation en modifiant le libellé de la ligne en conséquence.

De plus, plusieurs membres ont mentionné que l'exigence du paragraphe NOC-20.34 est souvent oubliée dans la pratique, notamment parce que l'actif lié aux frais d'implantation est instinctivement associé à un investissement. Des membres ont mentionné ne pas être complètement en accord avec cette exigence, malgré l'avis du CNC au paragraphe 76 de l'Historique et fondement des conclusions (ci-dessous). Ils se questionnement aussi quant à savoir si cette exigence répond vraiment aux besoins des utilisateurs des états financiers, surtout dans un contexte où ces frais pourraient devenir de plus en plus importants notamment vu l'intelligence artificielle.

« 76 En ce qui concerne le tableau des flux de trésorerie, le CNC s'est dit d'avis que puisque les dépenses liées aux activités d'implantation inscrites à titre d'actif sont payées à un fournisseur pour des biens et des services reçus dans le cadre d'un accord d'infonuagique de type logiciel-service, les flux de trésorerie devraient être classés en tant que flux de trésorerie liés aux activités d'exploitation. Ce classement est cohérent avec le classement dans le tableau des flux de trésorerie des frais d'abonnement au logiciel-service. »

Satisfaction des critères de délimitation du projet

Selon les membres, le fait que les questions liées aux informations à fournir à l'égard d'un regroupement d'entreprises inachevé (1582) et à la comptabilisation des frais d'acquisition d'un placement comptabilisé à la valeur de consolidation (3051) ne surviennent pas souvent dans la pratique ne justifie pas l'absence d'indications claires à ces sujets.

Les membres sont d'avis que les autres questions (1500, 1510, 3061 et NOC-20) satisfont aux critères de délimitation du projet indiqués à la figure A du document de consultation puisqu'il y a une disparité non justifiable dans l'application de ces dispositions, que ces dispositions sont complexes, contraignantes, coûteuses à appliquer ou difficiles à comprendre, que ces enjeux se posent souvent dans la pratique et que les avantages qui découlent de l'application des exigences n'en excèdent pas les coûts ou que les entités à capital fermé n'ont pas à leur disposition des ressources basées sur les NCECF pouvant faciliter l'application de ces dispositions.

ORDRE DE PRIORITÉ DES PROJETS POTENTIELS

Question 12 – Classement par ordre de priorité des questions d'information financière qui relèvent de la portée de l'examen approfondi des NCECF : *En tenant compte de la façon dont le CNC classe ses projets par ordre de priorité, veuillez indiquer quelles questions d'information financière devraient, selon vous, être en tête de liste (nommez, par exemple, les* ***trois à cinq enjeux que vous jugez prioritaires****). Veuillez expliquer votre raisonnement.*

Selon les membres, tous les enjeux mentionnés dans les réponses aux questions précédentes sont importants et devraient être considérés par le CNC. La priorisation ci-dessous ne vise qu'à répondre à la présente question.

Les cinq propositions ci-dessous sont celles les plus souvent mentionnées parmi les cinq enjeux jugés prioritaires par les membres, pour les raisons énoncées dans leurs réponses aux questions précédentes. Évidemment, le nombre de projets que pourra mener le CNC dépendra du temps requis pour mener chacun des projets. C'est ce que les membres ont voulu illustrer dans la colonne portant sur la complexité du projet. Les membres encouragent le CNC à faire une analyse approfondie de tous les paragraphes des chapitres qui pourraient être touchés par les propositions afin que les exposés-sondages publiés soient exhaustifs et d'éviter de devoir proposer d'autres modifications dans les années subséquentes.

Chapitre	**Question**	**Proposition**	**Complexité**
3065	3 b)	Modification du chapitre afin que les ajustements de loyer se rapprochant de l'inflation ne soient pas comptabilisés linéairement.	Facile
3856	9 b)	Choix de méthode comptable qui permettrait aux entités d'évaluer les passifs financiers dont le taux d'intérêt ne correspond pas aux taux pratiqués sur le marché à la valeur nominale.	Moyenne
3400	5 b)	Choix de méthode comptable qui permettrait d'étendre l'applicabilité de la méthode de l'achèvement des travaux aux contrats répondant à certains critères*.	Moyenne
3031	1 b)	Choix de méthode comptable qui permettrait aux entités d'exclure les frais généraux du coût des stocks fabriqués.	Moyenne
3400	5.2	Suppression des informations à fournir pour les contrats comptabilisés selon la méthode de l'avancement des travaux et qui sont en cours à la fin de la période (3400.32A b), c) et d)).	Facile

Les propositions ci-dessous sont les suivantes les plus souvent mentionnées parmi les cinq enjeux jugés prioritaires par les membres.

Chapitre	**Question**	**Proposition**	**Complexité**
3465	7.3	Clarifier l'interaction entre l'alinéa 3465.12 d) et le paragraphe 3465.56 aux fins de la mesure des impôts futurs.	Facile
1510	11	Classement dans le passif à court terme (1510.13 et .14)	Moyenne
3031	1.1	Suppression de l'exigence de fournir le montant des stocks comptabilisé en charges.	Facile
3400	5.1	Choix de méthode comptable qui permettrait d'étendre l'applicabilité de la méthode de l'achèvement des travaux aux accords à composantes multiples répondant à certains critères*.	Moyenne

*Selon les membres, si le CNC décidait d'aller de l'avant avec ces deux propositions, elles devraient faire l'objet d'un projet commun puisqu'elles sont très interreliées.

January 31, 2026

Ms. Katharine Christopoulos, CPA, CA
Director, Accounting Standards
Accounting Standards Board
145 King Street West, Suite 500
Toronto, ON M5H 1J8

Dear Ms. Christopoulos:

Re: Consultation Paper – Detailed Review of Accounting Standards for Private Enterprises (*the "Consultation Paper"*)

We welcome the opportunity to comment on the Accounting Standards Board's ("AcSB" or the "Board") Consultation Paper, Detailed Review of Accounting Standards for Private Enterprises.

We acknowledge that the Board has previously consulted on scalability in Canada, specifically considering whether IFRS for SME's would be appropriate for Canadian entities. Since 2023, the global landscape has evolved considerably. In light of these changes, the Board may wish to revisit the broader, long-term plan for Accounting Standards for Private Enterprises (ASPE) and whether the ongoing maintenance of ASPE remains suitable. The Board may wish to consider this prior to investing significant resources in the projects outlined within the Consultation Paper. Over the long term, maintaining ASPE as a standalone framework may prove increasingly challenging. Should the Board choose to continue with this approach, we offer some observations and recommendations for consideration in connection with this Consultation Paper.

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Overall, we agree with most of the conclusions made by the Board in the Consultation Paper. We have included our observations and recommendations on specific items within the Consultation Paper below.

Section 3063 Impairment of long-lived assets

Question 2 – Identifying indicators of impairment

(a) *Do you have any comments on the AcSB's analysis of feedback on challenges with identifying indicators of impairment of long-lived assets?*

From our experience, we do not observe specific challenges with identifying indicators of impairment for long-lived assets. Rather, we observe that the more significant difficulty may lie in conducting the impairment test itself, rather than in identifying the initial indicators.

(b) *Do you have any comments on the AcSB's proposal to develop guidance to assist with the application of this requirement?*

(i) *If you disagree with this proposal, what solution(s) would you recommend, and why?*

Based on the observation above, we question the overall benefit of additional guidance on identifying indicators of impairment for long-lived assets.

Question 2.1 – Performing the impairment test

(a) *Do you have any comments on the AcSB's analysis of feedback on challenges with performing the impairment test for long-lived assets?*

The main challenge that we observe in practice lies in estimating the future cash flows used in the recoverability test and determining the fair value of the assets. Preparers may lack sufficient information or robust budgets to support these estimates. We also observe challenges in appropriately identifying reporting units [3064.08(k)] for purposes of testing impairment of goodwill.

(a) *Do you have any comments on the AcSB's proposal to develop guidance to assist with the application of these requirements?*

(i) *If you disagree with this proposal, what solutions(s) would you recommend, and why?*

Section 3063, including the associated Appendix, already provides relatively detailed guidance, particularly with respect to which cash flows should be included or excluded in the analysis.

As a result, it is uncertain whether additional guidance would provide meaningful assistance to preparers. The main challenges are in the process of generating reliable cash flow and fair value estimates—tasks that inherently involve significant estimation and judgement—rather than on the mechanics of identifying impairment indicators or applying the impairment test. This raises the question of whether the proposed guidance is addressing the actual concern, which we believe is the complexity and judgement involved in the estimation process itself.

Section 3400 Revenue

Question 5 – Applying the percentage of completion method

(a) *Do you have any comments on the AcSB's analysis of feedback on challenges with applying the percentage of completion method?*

While the AcSB's analysis suggests that, in many cases, the recognition of revenue for short term service contracts under either the percentage of completion or the completed contract method may not be materially different, this will not always be the case. Material differences could arise, particularly in scenarios where the dollar value or number of contracts fluctuates significantly between periods. It is not clear whether the proposal to simplify the method is solely based on materiality considerations. If this is the case, the concept of materiality is already applicable to financial statements. Therefore, the proposal to expand the applicability of the completed contract method to address anticipated immaterial impacts may not be necessary (i.e., an entity could choose to apply the completed contract method if the result is not materially different than applying the percentage of completion method). Furthermore, selecting any specific threshold for contract length (such as three, six, or twelve months) may be seen as arbitrary and may not adequately address all situations, resulting in circumstances where the difference between the two methods would be material to the users of the financial statements.

(a) *Do you have any comments on the AcSB's proposal to explore an accounting policy choice that would expand the applicability of the completed contract method to contracts meeting certain criteria?*

(i) *If you disagree with this proposal, what solution(s) would you recommend, and why?*

Revenue is a key financial metric within the financial statements. If the reported revenue does not accurately reflect performance to date, the financial statements may not provide useful information to users. We do not agree with expanding the applicability of the completed contract method.

If the Board chooses to proceed with the proposal, we recommend that any simplification of the revenue recognition method should be limited to contracts of very short duration, where the risk of misrepresentation is minimal.

<u>Question 5.1 – Multiple element arrangements</u>

(a) *Do you have any comments on the AcSB's proposal to explore an accounting policy choice that would expand the applicability of the completed contract method to multiple element arrangements meeting certain criteria?*

(i) If you disagree with this proposal, what solution(s) would you recommend, and why?

We have the same concerns as outlined in our response to Question 5 above.

Section 3462 Employee Future Benefits

<u>Question 6.2 – Accounting for termination benefits</u>

(a) *Do you have any comments on the AcSB's analysis of feedback on challenges with the accounting for termination benefits?*

In practice, we observe that some find the guidance on termination benefits hard to navigate so we agree with the Board's proposal. However, even though the standard can be challenging to navigate, we believe it would be more effective for the Board to focus on developing guidance to assist with the application of the requirement, rather than revisiting the drafting of the standard.

(b) *Do you have any comments on the AcSB's additional proposal to develop guidance to assist with the application of this requirement?*

We believe application guidance showing how to navigate the requirements of the standard would be helpful. The guidance that had previously been included in EIC-134 Accounting for Severance and Termination Benefits might be a useful starting point. In addition, we recommend including Canadian examples of termination benefits such those mandated by regulation using familiar terms to help with identification of termination benefits that need to be considered.

Section 3465 Income taxes

Question 7 – Disclosure requirements under the taxes payable method

(a) *Do you have any comments on the AcSB's proposal to develop additional guidance to assist with the application of this requirement?*

We do not believe that the development of additional guidance is a good use of the Board's finite resources. Preparers can look to guidance in other accounting frameworks to assist.

(b) Question 7.2 – Uncertain tax treatments

Do you have any comments on the AcSB's proposal to continue to monitor this issue and consider addressing it as part of a separate standard-setting project? If you disagree with this proposal, what solution(s) w*ould you recommend, and why?*

We do agree that the Board should consider addressing this as part of a separate standard-setting project, to reduce diversity in practice with respect to this area.

Section 3475 Disposal of long-lived assets and discontinued operations

Question 8 – Disposal of long-lived assets

(a) Do you have any comments on the AcSB's analysis of feedback on challenges with accounting for the disposal of long-lived assets?

Based on our experience, we have not encountered the specific challenges highlighted in the analysis.

(b) Do you have any comments on the AcSB's proposal to review the drafting of the requirements for the disposal of long-lived assets and to explore separating them into their own standard for greater clarity? If you disagree with this proposal, what solution(s) would you recommend, and why?

We do not believe this proposal would be a good use of the finite resources of the Board.

Section 3856 Financial instruments

Question 9 – Measuring interest-free and low-interest loans in arm's length transactions at fair value

(a) *Do you have any comments on the AcSB's analysis of feedback on challenges with measuring interest-free and low-interest loans in arm's length transactions at fair value?*

While effort may be required, we note that most entities are able to obtain a reasonable approximation of market rates to measure such interest-free and low-interest loans.

(b) *Do you have any comments on the AcSB's proposal to explore an accounting policy choice that would allow entities to measure financial liabilities with non-market interest rates at face value (i.e., the present value of future cash flows, discounted using the contractual interest rate), rather than at fair value?*

If the Board proceeds with the proposed accounting policy choice, we have identified the following areas for consideration:

(a) This introduces an additional model for measurement of financial liabilities under Section 3856. To reduce complexity, we recommend using a measurement model consistent with that already used for financial instruments with related parties – being the undiscounted cash flows, excluding interest and dividend payments (3856.08(a)).

(b) The proposed accounting policy choice only applies to financial liabilities. Financial assets in arm's length transactions with non-market interest rates will continue to be measured in accordance with the existing guidance in Section 3856, resulting in asymmetrical accounting outcomes that may reduce the usefulness and comparability of financial information. The Board should weigh the merits of consistency between financial asset and financial liability accounting or clearly explain the rationale for asymmetrical models.

(c) The main issue identified in the Consultation Paper is determining a prevailing market interest rate for similar loans. However, without this information, it is difficult to assess whether or not an interest rate is below market. To address this, the proposal should also include a relief that entities choosing this accounting policy choice do not need to evaluate whether the interest rate is below market or not (for either measurement or disclosure).

We also recommend that the proposal includes a requirement to disclose application of the accounting policy choice, as well as robust disclosure about the terms and conditions of all financial instruments for entities choosing this accounting policy choice. This ensures transparency for users of financial statements regarding how liabilities are measured. Alternatively, should the Board proceed with the proposal without incorporating our recommended relief, we believe it would be crucial to provide explicit guidance on assessing whether an interest rate is considered low or not. Determining if an interest rate is low – particularly when it is close to prevailing markets – can be complex and subjective.

(d) Paragraph 3856.07 explains how to account for transaction costs at initial recognition. The Board should clarify the treatment of these under the proposed policy choice since the financial liabilities will not be initially and subsequently measured at fair value.

(e) The proposed accounting policy choice could also have impacts on other sections:

Section 3800 Government Assistance
Governments may provide interest-free or low-interest loans, where the interest benefit represents government assistance under Section 3800 (3856.A8). We recommend that the Board also considers whether any amendments or clarifications are required in Section 3800 as a result of this proposal.

Sections requiring initial measurement at fair value (such as Section 1582 Business Combinations, Section 3051 Investments)
Consideration payable to acquire a business (paragraph 1582.39) or investments accounted for using the cost method (paragraphs 1591.26A(b) and 3051.07A(a)) is required to be initially measured at fair value. Consequential amendments would be needed in these sections to avoid conflicting guidance with the proposed amendments to the guidance in Section 3856.

In addition, by applying the proposed policy, this approach may lead to an inflated goodwill balance. Paragraph 3064.74 indicates that a goodwill impairment loss shall be recognized when the carrying amount of a reporting unit exceeds its fair value. This suggests that there may be an immediate impairment upon acquisition. However, paragraph 3064.72 clarifies that goodwill impairment is a trigger-based test, and that goodwill should be tested for impairment when changes in circumstances indicate that the carrying amount of a reporting unit exceeds its fair value.

Given that the carrying amount of the reporting unit exceeds fair value on day one, this puts tension on the significance of a change required to be considered an indicator for impairment, as any negative change might be seen as a trigger in the context of paragraph .72. Similarly, when acquiring an investment with an interest-free or low-interest loan being part of consideration, this proposed policy can result in a carrying amount of the asset at initial recognition that exceeds its fair value, resulting in a similar concern. The Board should consider how the proposed accounting policy choice interacts with the impairment requirements of these other sections.

Determination of "cost" in Section 3061 Property, Plant and Equipment and Section 3064 Goodwill and Intangible Assets
Property, plant and equipment and intangible assets are required to be measured at cost (paragraphs 3061.04 and 3064.23). Under Section 3061, cost is the amount of consideration given up. Under Section 3064, cost is the amount of cash or cash equivalents paid or the fair value of other consideration given. With the proposed accounting policy, the Board should consider whether further clarification is needed to interpret how the cost of property, plant and equipment and intangibles should be determined when the consideration payable is interest-free or has low interest rates.

Given the number of possible implications as described above and potentially required consequential amendments to other sections of the Handbook the Board may want to consider whether benefits from introducing such optionality in the financial instruments accounting would outweigh the expected costs and efforts.

<u>Question 9.2 – Liabilities and equity classification</u>

(a) *Do you have any comments on the AcSB's proposal to review the drafting of the guidance related to classification of financial instruments as liabilities or equity?*

In our view, the proposal will require significant effort. We do not believe this would be an effective use of the Board's and the staff's time. In addition, due to the potential complexity of this area, changes to the guidance could lead to unintended consequences. We generally do not observe significant application challenges in this area. Challenges arise with respect to instruments with unusual terms. However, in these cases, complexity is warranted.

One area where we do see application challenges is in the contradiction in guidance between paragraph A26 and A26A in Section 3856. Paragraph A26 indicates that even if a preferred share does not have an explicit contractual obligation for redemption, it might still establish it indirectly through its terms and conditions (i.e., if the holder has the option to require redemption upon the occurrence of a future event that is highly likely to occur). In such circumstances, the instrument would be classified as a financial liability. It emphasizes substance over form—if redemption is highly likely, liability classification applies. The paragraph does not indicate whether the future event which is highly likely must be outside the control of the issuer.

Paragraph A26A, however, states that economic compulsion alone (e.g., strong business or market pressure to redeem, but without a contractual requirement) does not cause the instrument to be classified as a financial liability. In other words, classification depends strictly on contractual obligations, not on practical or economic expectations which is contradictory to paragraph A26.

Question 9.3 – Hedge accounting

(a) *Do you have any comments on the AcSB's analysis of feedback on challenges with assessing and documenting whether an arrangement meets the criteria in the standard to qualify for hedge accounting?*

We suggest that the Board considers providing certain relief with respect to documentation requirements for hedging arrangements (3856.31(a)(ii)). We believe it would be more practical for entities to formalize the hedge documentation, without the use of hindsight, by the time the financial statements are completed, rather than requiring the documentation at the inception of the hedging arrangement.

Question 9.4 – Disclosure of financial risks

(a) *Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?*

This is an area that is not done well in practice. We believe guidance in this area would be helpful. Rather than developing detailed illustrative examples, we believe it would be beneficial to include guidelines outlining things entities should consider when developing these disclosures.

Question 9.5 – Other issues with financial instruments

Are there any other financial reporting issues in Section 3856 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

Another area to consider is the accounting for financial liabilities or financial assets where cash flows are variable, including cash flows that are contingent on future events or financial or non-financial underlyings (other than those instruments within the scope of paragraph 3856.14). Examples include instruments where the timing or amount of cash flows changes based on indicators such as environmental metrics or targets, fair value of specified assets, or profit from specific product lines. The guidance on amortized cost in paragraphs 3856.A3 - .A6 does not address this as it contemplates only premiums or discounts to face value and prepaid interest/financing fees.

Question 11 – Other significant ASPE application issues

Are there any financial reporting issues in the standards with no significant application issues raised that you think the AcSB should address as part of this project? If so, please describe each issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

- Non-financial liabilities and provisions – there is recognition guidance in paragraph 1000.29 on the timing of liability recognition. However, other than for specific items (being asset retirement obligations and employee future benefits), there is no guidance on the measurement of these liabilities. This creates diversity in practice.

We would be pleased to respond to any questions you might have. Questions can be addressed to Celeste Murphy (celeste.k.murphy@pwc.com) or Sean Cable (sean.c.cable@pwc.com).

Yours very truly,

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January 30, 2026

Re: AcSB Consultation Paper – Detailed Review of Accounting Standards for Private Enterprises (the "Consultation Paper")

Dear Ms. Christopoulos,

We appreciate the opportunity to comment on the Accounting Standards Board's Consultation Paper. In response to this Consultation Paper, we conducted outreach with members of our technical assurance and accounting team, and practitioners who work with clients across a broad number of industries of various sizes and complexity.

We are supportive of the Board's objective of simplifying the application of ASPE while maintaining the decision-usefulness of the financial statements for entities of all sizes and complexities. In several cases, we agreed with the Board's identification of key issues, analysis and proposed solutions. Where views were mixed, we have outlined the underlying reasons, including concerns about consistency in application, cost-benefit considerations, and the ability to define and apply qualifying criteria in practice.

Section 3856, Financial instruments, and Section 3870, Stock-based compensation and other stock-based payments, were identified as disproportionately challenging to apply due to drafting complexity or requirements that are costly to apply relative to the benefits provided to users. These sections were also noted as having a pervasive impact on private entities. Therefore, these areas, along with Section 3840, Related party transactions, have been identified as priorities in our view.

We would be pleased to elaborate on our comments in more detail if you require. If so, please contact Melissa Salomons at 403-309-1619 or via email at msalomons@bdo.ca or myself at 647-798-1331 or via email at ccross@bdo.ca.

Yours sincerely,

Craig Cross, CPA, CA
Partner, National Accounting Standards
(through a Professional Corporation)
BDO Canada LLP

1. Section 3031, Inventories

a. *Allocating overhead costs to the costs of inventories*

We note the Board's analysis that allocating overhead costs to inventories can be challenging for some entities, particularly smaller or owner-managed businesses.

Many practitioners noted that overhead allocation is fundamental to understanding the cost of inventory and operational performance. Concerns were raised that introducing a policy choice could reduce comparability and decision-usefulness of the financial statements. These practitioners considered whether a policy choice would be feasible in limited circumstances, such as where the manufacturing process is relatively simple and/or consistent from period to period, or based on the size of the entity. There were concerns about how qualifying criteria could be defined and applied consistently in practice without introducing additional complexity.

Other practitioners expressed support for exploring a policy choice without restrictive qualifying criteria, provided it is accompanied by appropriate disclosure. It was noted that in certain circumstances, the inclusion of overheads can result in increased risk of impairment of inventory.

While feedback reflected mixed views on whether a policy choice should be pursued, practitioners supported the development of separate guidance, including practical examples. At the same time, further exploration of a policy choice, supported by appropriate disclosure, could be considered by the Board.

b. *Disclosing the amount of inventories expensed during the period*

We agree with the Board's analysis that the requirement to disclose the amount of inventories expensed during the period is applied inconsistently. We also agree with the Board's proposal to consider replacing the disclosure requirement in Section 3031 with a requirement that better meets users' needs. Additional guidance on the breakdown of costs of sales may be helpful provided it is principles-based to address the diverse needs of entities applying ASPE. While the differing disclosure requirements between Section 3041, Agriculture and Section 3031 are not a significant concern currently, greater consistency over time would be preferable.

c. *Other issues with inventories*

No additional issues with Section 3031 within the project scope were noted.

2. Section 3063, Impairment of long-lived assets

a. *Identifying indicators of impairment*

We agree with the Board's analysis that identifying indicators of impairment or assessing such indicators is challenging for some entities. We are supportive of the development of guidance to assist with the application of this requirement. In considering how such guidance is provided, we note that creating an external resource outside of the Handbook may be more effective as it would allow the Board to update examples on a timely basis to reflect current economic conditions and emerging patterns without necessitating amendments to the standard.

b. Performing the impairment test

We agree with the Board's analysis that some entities experience challenges when performing impairment testing, particularly when developing estimates and projected cash flows. While we are supportive of developing additional guidance to assist with the application of the standard, given the judgemental nature of these estimates, it is unclear whether additional guidance would meaningfully address this challenge. To be broadly applicable, such guidance would likely need to remain high-level, which creates a risk that it would be too general to provide practical assistance. As a result, any guidance developed should be targeted and focus on clarifying key concepts rather than prescribing approaches that may not be appropriate across diverse circumstances.

c. Other issues with impairment of long-lived assets

No additional issues with Section 3063 within the project scope were noted.

3. Section 3065, Leases

a. Straight-line recognition of rent expense for operating leases

While we acknowledge that straight-line recognition of rent expense is consistent with accrual accounting and Section 3065 allows exceptions where another pattern of recognition better reflects the benefit derived, we encourage the Board to consider exploring whether a policy choice to recognize rent based on contractual payments may be appropriate for both lessors and lessees. Feedback from practitioners indicates that some entities struggle with the application of straight-line recognition and that, in some cases, it does not result in information that is more useful as users are more focused on contractual cash flows. This is particularly relevant for real estate leases where operating leases may be longer in duration and contractual rent increases are designed to address anticipated inflationary increases (without reference to an index). Further, disclosure requirements already provide transparent information about future cash outflows.

Therefore, permitting recognition based on contractual payments for leases with predetermined, systematic rent increases that reflect anticipated inflationary or market adjustments rather than the recovery of a rent-free or low-rent period, may reduce the cost to prepare financial information without significantly impacting the decision-usefulness of the information.

Other issues with leases

We note that Section 3065 does not specifically address the impact of a fixturing period on the terms of a lease. As a result, some diversity in practice may occur where fixturing periods are long.

4. **Section 3110, Asset retirement obligations**

   a. *Estimation uncertainty associated with measuring AROs*

   We agree with the Board's analysis on estimation uncertainty associated with measuring AROs and its proposal to take no further action.

   b. *Diversity in discount rates used*

   We agree with the Board's analysis and given that we have not received feedback that this is a pervasive issue, we agree with the proposal to take no further action. We do note that the guidance around the determination of interest rates at paragraph 3063.A6(b) could be added as a reference for additional explanatory information in Section 3110.

   c. *Other issues with AROs*

   No additional issues with Section 3110 within the project scope were noted.

5. **Section 3400, Revenue**

   a. *Applying the percentage of completion method*

   Several practitioners agree with the Board's analysis that applying the percentage of completion method can be challenging in practice, however acknowledge that for long-term contracts, such as construction contracts, that complexity is warranted. Practitioners noted that for entities with a high-volume of short-term service contracts, applying the completed contract method rather than percentage of completion would not typically produce materially different results. This is often already considered by entities and practitioners in practice. As a result, some questioned whether a formal policy choice would provide significant incremental benefit.

   Further, feedback indicates that entities may have different views related to what is considered a long-term contract. Further guidance on the definition of a long-term contract may improve consistency in application.

   Practitioners did note that the disclosure requirements at paragraph 3400.32A were challenging to apply and resulted in limited decision-useful information for short-term service contracts and other service contracts recognized on a straight-line basis, such as software as a service arrangements. Therefore, we encourage the Board to consider the scope of these disclosure requirements.

   b. *Multiple element arrangements*

   We agree with the challenges identified by the Board and acknowledge that progress has been made with the December 2019 amendments to introduce additional guidance. However, practitioners indicated that challenges remain, primarily related to the application of the guidance at 3400.A5 – 3400.A7 to identify the unit(s) of account. Some practitioners questioned whether the challenges result from the requirements themselves or from the drafting of the guidance. It was noted that the principles are conceptually sound and provide decision-useful information, but the guidance can be difficult to follow and apply in practice. Therefore, we ask that the Board consider reviewing the drafting of the requirements, and supplementing with additional guidance and illustrative examples.

c. *Other issues with revenue*

While we have not identified additional issues with Section 3400 that we believe clearly fall within the project scope, feedback indicates that this section remains challenging for many entities to apply in practice. We acknowledge that the December 2019 amendments represented a meaningful improvement and have helped clarify certain areas of the guidance. However, despite these improvements, Section 3400 continues to be viewed as difficult to apply consistently. Therefore, we encourage the Board to remain mindful of the ongoing complexity of this section in considering future standard-setting priorities or opportunities for further clarification or educational support.

6. Section 3462, Employee future benefits

a. *Accounting for individual pension plans*

We agree with the Board's analysis on accounting for individual pension plans and its proposal to take no further action. Material individual pension plans are not pervasive amongst entities applying ASPE and we agree with the Board's findings that users are generally not concerned with audit qualifications related to such plans.

b. *Disclosure requirements for defined benefit plans*

We agree with the Board's analysis and its proposal to take no further action.

c. *Accounting for termination benefits*

We agree with the Board's findings that many entities are not familiar with the requirements to accrue termination benefits. As a result, agreements containing termination benefits are not considered by some entities when preparing financial information. Therefore, we are supportive of the proposal to review the drafting of the guidance on termination benefits and to develop additional guidance to assist in the application of the requirements.

When reviewing the drafting of the guidance, the Board may consider:

- Including examples in the discussion of scope at paragraph 3462.002(d). We note that the other benefits highlighted in paragraph 3462.002 offer practical examples that allow preparers to identify future benefits. This could also direct entities to the appropriate guidance within the standard. We note that Appendix A of Public Sector Accounting Standard 3255, Post-employment benefits, compensated absences and termination benefits, is helpful in the application of that standard.
- Differentiating more clearly between "special termination benefits" and "contractual termination benefits" within the guidance at paragraphs 3462.101 to 3462.107. As the guidance begins with special termination benefits, some preparers may interpret the requirements as being limited to those circumstances, which may contribute to contractual termination benefits being overlooked.

When considering the development of guidance to assist with the application of this requirement, we believe that this guidance would be most effective if provided as an external resource outside of the Handbook. External guidance would offer access to a wider group of stakeholders who may be involved in employment and other contracts, therefore enabling better identification of reporting requirements.

d. Other issues with employee future benefits

No additional issues with Section 3462 within the project scope were noted.

7. Section 3465, Income taxes

a. Disclosure requirements under the taxes payable method

Practitioners indicated that this disclosure is typically well understood and generally not onerous to prepare. However, challenges do arise for entities operating in multiple tax jurisdictions, where preparing the disclosure can be more complex due to differing tax rates, rules and allocations across jurisdictions. Therefore, we support the Board's proposal to develop additional guidance to assist with the application of this requirement.

We believe that additional guidance would be most effective if provided as an external resource outside of the Handbook. External guidance would offer greater flexibility to expand and update examples over time. This approach would support consistent application by providing all stakeholders with accessible guidance while preserving the principles of the standard.

b. Applying the future income taxes method

We agree with the Board's analysis of the feedback on applying the future income taxes method and its proposal to take no further action.

c. Uncertain tax treatments

Practitioners indicated that uncertain tax treatments are not a pervasive issue for most entities applying ASPE. As a result, we do not view this as an area warranting immediate standard-setting and we agree with the Board's proposal to monitor this issue.

d. Other issues with income taxes

No additional issues with Section 3465 within the project scope were noted.

8. Section 3475, Disposal of long-lived assets and discontinued operations

a. Disposal of long-lived assets

While the disposal of long-lived assets is common among private enterprises, in our experience it is relatively infrequent for material long-lived assets that meet the criteria to be classified as held for sale to exist. As a result, we believe financial statement preparers experience challenges identifying these requirements because they are not commonly encountered in practice.

There is concern that separating the requirements for disposal from long-lived assets from the requirements for discontinued operations may have unintended consequences. Rather, we encourage the Board to consider if reference should be made to Section 3475 within Section 3061, Property, plant and equipment, and Section 3064 , Goodwill and intangible assets, to provide guidance on the derecognition of assets. We believe that this may improve awareness of the requirements.

b. *Discontinued operations*

We agree with the Board's analysis of the feedback on challenges accounting for discontinued operations and its proposal to take no further action.

c. *Other issues with disposal of long-lived assets and discontinued operations*

No additional issues with Section 3475 within the project scope were noted.

9. Section 3856, Financial instruments

a. *Measuring interest-free and low-interest loans in arm's length transactions at fair value*

We agree with the Board's analysis of the feedback on the challenges with measuring such loans at fair value. Feedback consistently indicated that discounting such liabilities introduces complexity that can be difficult to explain to users and in many cases, users focus on the contractual cash outflows. We are therefore, supportive of the proposal to explore an accounting policy choice that would allow entities to measure such arm's length liabilities at face value, accompanied by appropriate disclosure.

With respect to qualifying criteria, feedback suggests that this policy choice should be available to all entities without qualifying criteria. Concerns were raised that introducing criteria may be difficult to define and apply consistently. However, we acknowledge that the Board will need to consider how this policy choice may interact with other sections of the Handbook such as Section 1582, Business combinations.

b. *Determining the fair value of derivatives*

We agree with the Board's analysis of feedback on challenges with determining the fair value of derivatives without a dealer-provided quote and its proposal to take no further action.

c. *Liabilities and equity classification*

Feedback consistently indicates that preparers and practitioners struggle to interpret and apply the application guidance on classification resulting in significant cost. We therefore support the Board's proposal to review the drafting of the guidance. In particular, the guidance in paragraphs 3856.A24, A26 and A26A are among the most challenging to understand and apply in practice.

Paragraph A24 is difficult to apply because it combines the concepts of variability in settlement amounts based on a change in a variable other than the price of the entity's own equity instruments, and residual interest into one paragraph. This complexity is particularly evident for SAFE-type arrangements that are settled solely through the issuance of a variable number of equity instruments. Due to the lack of clear guidance, entities often view the arrangement as equity in substance. The disconnect between the financial reporting outcome and the perceived substance of the transaction contributes to the inconsistent application.

Paragraph A26 adds complexity by introducing the concept of contractual obligations and future events that are “highly likely to occur” without defining how this assessment should be made or how it interacts with other guidance in Section 3856 including the definition of a liability and paragraph A26A.

In general, the drafting of the guidance could be improved by:

- Breaking the guidance into shorter, more focused paragraphs
- Explicitly distinguishing between key concepts
- Providing a decision tree or step-by-step framework for assessing classification (for example, we note that the decision tree at paragraph A29 is helpful in illustrating the guidance at paragraph A28).

While we note that the Board is not intending to amend the underlying guidance, feedback suggests there are specific areas where targeted modifications may be warranted. In particular, shares that are mandatorily redeemable on the death of a shareholder continue to present significant practical challenges. Many unanimous shareholder agreements require an entity to redeem certain classes of common shares at fair value upon the death of a shareholder. In situations where an entity has multiple classes of common shares, the criteria in paragraph A28 are often not met and because death can occur at any time, such shares are required to be classified as a current liability at fair value. This results in a requirement to obtain a valuation of the entity each year to measure the liability, which is costly and onerous for many private entities. In addition, preparers consistently note that presenting these shares as a liability at fair value can distort the financial statements and does not align with how users typically view these instruments. As a result, this issue is pervasive across a wide range of entities. Providing an accounting policy choice to classify these shares as equity, accompanied by clear and robust note disclosure to alert financial statement users to the existence and terms of such shares would significantly reduce complexity while continuing to provide decision-useful information.

d. Hedge accounting

We agree with the Board’s analysis of feedback on challenges with assessing and documenting whether an arrangement meets the criteria to qualify for hedge accounting and its proposal to take no further action.

e. Disclosure of financial risks

We agree with the Board’s analysis on the feedback on challenges related to preparing financial risk disclosure.

We do note that paragraph 3856.03(b) scopes out leases except for Appendix B. Lease payments influence liquidity risk and entities with sales-type or direct financing leases receivable could have significant credit risk. The exclusion of leases from financial risk disclosure requirements may limit the decision-usefulness of disclosures. The Board may wish to consider whether guidance could clarify when lease related risks should be incorporated into financial risk disclosures to improve consistency in application.

f. Other issues with financial instruments

We note that Section 3856 is particularly challenging to apply due to its drafting. Amendments and clarifications have resulted in numerous exceptions and cross-references that make the guidance difficult to navigate and apply efficiently in practice. In addition, the interaction between Section 3856 and other guidance, such as the guidance at paragraph 3870.40 or when dealing with forgiveable debt from non-government entities, can further complicate analysis, and in some cases, result in different accounting outcomes for similar instruments. We encourage the Board to consider whether the guidance could be presented more clearly and structured in a way that better distinguishes between specific elements of guidance, such as measurement guidance for related party financial instruments.

10. Section 3870, Stock-based compensation and other stock-based payments

a. Measuring employee stock options and other equity instruments in stock-based compensation plans

Practitioner feedback consistently indicated that applying Section 3870 is often costly and complex, and the requirement to measure stock-based compensation often outweighs the perceived benefit to users. Practitioners noted that users are primarily concerned with the existence, terms, and potential dilutive effects of stock-based compensation arrangements rather than in judgemental fair value estimates. Further, some users accept report qualifications related to the measurement and recognition of stock-based compensation.

Therefore, we do not agree with the proposal to take no further action. Feedback suggests that the requirements are not aligned with the needs of many private enterprises and their users. We encourage the Board to explore alternative approaches such as:

- A policy choice to allow private enterprises to apply a disclosure-only model for employee stock-based compensation.
- Consider simplified measurement and recognition approaches or practical expedients that reduce reliance on subjective valuation inputs

We acknowledge that developing appropriate qualifying criteria for certain policy choices, if needed, may be challenging. However, the Board may consider the qualifying criteria at paragraph 3870.40. Given the consistent feedback on cost, complexity, and limited decision-usefulness, we believe this issue warrants further exploration.

b. Other issues with stock-based compensation and other stock-based payments

We note that Section 3870 can be challenging for entities to apply even in basic scenarios, particularly when a new compensation plan is introduced. For example, it can be challenging to determine when graded vesting or straight-line recognition is permitted based on the current drafting of the standard, or how to handle certain terms that impact the valuation of instruments such as options with no expiry date.

Further, the standard has become increasingly challenging to apply as the complexity of compensation arrangements increases. In practice, entities have difficulty applying the standard when features such as performance conditions, settlement alternatives or modifications are present. These challenges are compounded by the interaction between Section 3870 and Section 3856, Financial instruments, which can significantly affect classification and measurement outcomes. This can result in inconsistent application and increased cost to achieve compliance.

We acknowledge the standard cannot address every scenario. However, we encourage the Board to review the drafting of Section 3870 to improve its clarity, and to ensure that the guidance remains fit for purpose for private entities as compensation arrangements continue to evolve.

11. Other significant ASPE application issues

We have noted challenges with the application of Section 1651 Foreign currency translation. However, generally these challenges are specific to large multi-national groups, therefore we did not consider them to be pervasive and within scope of the project.

12. Prioritizing financial reporting topics within scope of the Detailed Review of ASPE

Based on our outreach, we recommend the Board assign the highest priority to the following topics:

1. Section 3856, Financial instruments

   Issues related to Section 3856 were identified as pervasive and are expected to affect a significant number of private entities. The challenges identified above increase the cost and effort required to apply ASPE and may result in diverse accounting outcomes for similar instruments.

2. Section 3840, Related party transactions

   We note that related party transactions are pervasive to private entities and frequently intersect with other complex areas of ASPE. We note ongoing challenges in applying the guidance consistently, particularly when related party transactions involve financial instruments.

3. Section 3870, Stock-based compensation and other stock-based payments

   Feedback consistently indicated that Section 3870 is challenging and costly to apply. Some practitioners drew parallels between these challenges and those identified with respect to the recognition and measurement of acquired intangibles in Section 1582. Similar issues around complexity and cost-benefit considerations were noted.

Taken together, these topics were viewed as having the most pervasive impact on private entities and as contributing significantly to application complexity, cost and challenges in achieving consistent outcomes. We believe prioritizing these areas would best support the Board's objectives.

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January 30, 2026

Ms. Christopoulos:

Ernst & Young LLP ("EY" or "we") welcomes the opportunity to provide comments to the Accounting Standards Board ("AcSB" or the "Board") on the September 2025 Consultation Paper – Detailed Review of Accounting Standards for Private Enterprises (the "Consultation Paper"). Our responses to the specific questions posed in the Consultation Paper are included below.

Comments on Specific Questions Requested by the AcSB

Question 1 – Allocating overhead costs to the costs of inventories

(a) Do you have any comments on the AcSB's analysis of feedback on challenges with allocating overhead costs to the costs of inventories?

We do not have any comments and agree with the AcSB's analysis of feedback on challenges with allocating overhead costs to the costs of inventories.

(b) Do you have any comments on the AcSB's proposal to explore an accounting policy choice that would allow entities to exclude overhead costs from the cost of manufactured inventories?

(i) If you disagree with this proposal, what solution(s) would you recommend, and why?

(ii) If you agree with the AcSB's proposal, do you think this accounting policy choice should be available to all entities, or should there be qualifying criteria to ensure users' information needs are met? If you think there should be restrictions on this accounting policy choice, what should they be, and why?

We support the AcSB's proposal to explore an accounting policy choice that would allow entities to exclude overhead costs from the cost of manufactured inventories. We note, however, that this will likely affect the timing of expense recognition, which can result in distorted gross margins leading to a lack of comparability from one reporting period to another if, for example, inventory production ramps up towards the end of the reporting period, but such inventories are sold after the end of the reporting period. In addition, the introduction of an accounting policy choice in this area will be another source of diversity amongst entities that may otherwise have similar operations, reducing comparability. However, as long as entities clearly state their accounting policy and users have indicated that allocating overhead is not useful information, we support the additional accounting policy being proposed.

Question 1.1 – Disclosing the amount of inventories expensed during the period

(a) Do you have any comments on the AcSB's analysis of the feedback on challenges with disclosing the amount of inventories expensed during the period?

In our experience, we have not observed that entities face many difficulties in disclosing the amount of inventories expensed during the period.

We do agree with the AcSB's analysis that this information is generally useful to users and we agree that this issue is outside of the project's scope because the benefits of providing the disclosure exceed the cost of preparing it.

However, we note that paragraph 3031.37 states that "the circumstances of the entity may also warrant the inclusion of other amounts, such as distribution costs". In our view, this reference may present interpretive challenges for preparers and practitioners, as distribution costs are commonly understood in practice to represent selling costs, which are explicitly excluded from the cost of inventories in paragraph 3031.17(d). As a result, the inclusion of distribution costs as an example in paragraph 3031.37 may create uncertainty regarding the types of costs to be included in cost of sales and could contribute to diversity in practice. We recommend that the AcSB consider refining the drafting and related guidance in paragraph 3031.37, including reconsidering the explicit reference to distribution costs, to more clearly articulate the nature of other costs that may appropriately be included in cost of sales. It is our view that the amount of expensed inventories should only include the costs referenced in the first part of paragraph 3031.37. If an entity includes other costs in its cost of sales in line with the second part of paragraph 3031.37, then we believe that the disclosure requirement in paragraph 3031.35(c) is not met by simply presenting "cost of sales" and so additional disclosure of the amount of expensed inventories would still be required in order to disclose an amount that does not include these other non-inventory costs.

(b) Do you have any comments on the AcSB's proposal to retain this disclosure requirement and to consider replacing it in the future with a new disclosure requirement that better meets users' needs, such as a detailed breakdown of costs of sales? If you disagree with this proposal, what solution(s) would you recommend, and why?

We agree with the AcSB's proposal to retain this disclosure and to consider replacing it with a new disclosure requirement, such as a detailed breakdown of costs of sales; however, if some entities believe that they face difficulties in disclosing the amount of inventories recognized as an expense during the period, they could possibly find that a more detailed breakdown would be more onerous, even if potentially more useful to users.

While we do not believe that the current disclosure of expensed inventories is difficult to apply, if a proposed detailed breakdown of cost of sales would require disclosing the amount of expensed raw materials, expensed labour and expensed components of overhead, we believe that entities may similarly find this onerous, since it would require entities to have the breakdown into those components of their opening and closing inventories. On the other hand, a more detailed breakdown taking the form of presenting the opening balance of inventories plus the various components of inventories incurred during the year less the closing balance of inventories would continue to provide valuable information to users.

Question 1.2 – Other issues with inventories

Are there any other financial reporting issues in Section 3031 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope, and suggest how the Board could address the issue.

We have not identified any other financial reporting issues in Section 3031.

Question 2 – Identifying indicators of impairment

(a) Do you have any comments on the AcSB's analysis of feedback on challenges with identifying indicators of impairment of long-lived assets?

> *We do not have any comments and we agree with the AcSB's analysis of feedback with identifying indicators of impairment of long-lived assets.*

(b) Do you have any comments on the AcSB's proposal to develop guidance to assist with the application of this requirement?

(i) If you disagree with this proposal, what solution(s) would you recommend, and why?

(ii) If you agree with the AcSB's proposal, where do you think the additional guidance should be included – as an illustrative example that accompanies the standard, or as an external resource outside the Handbook? Please explain your preference, including how your suggested approach would best support consistent application.

> *Yes, we agree with the proposal to include additional guidance to assist with meeting the application of this requirement. We believe that this additional guidance should be included as an illustrative example that accompanies the standard within the Handbook as preparers and practitioners may otherwise not be aware of external resources outside the Handbook, especially in the years following its publication, and having all necessary information in one location in the standard within the Handbook increases its accessibility. We believe that any additional guidance should be considered authoritative guidance.*

Question 2.1 – Performing the impairment test

(a) Do you have any comments on the AcSB's analysis of feedback on challenges with performing the impairment test for long-lived assets?

> *We do not have any comments and we agree with the AcSB's analysis of feedback on challenges with performing the impairment test for long-lived assets.*

(b) Do you have any comments on the AcSB's proposal to develop guidance to assist with the application of these requirements?

(i) If you disagree with this proposal, what solutions(s) would you recommend, and why?

(ii) If you agree with the AcSB's proposal, where do you think the additional guidance should be included – as an illustrative example that accompanies the standard, or as an external resource outside Part II of the Handbook? Please explain your preference, including how your suggested approach would best support consistent application.

Yes, we agree with the proposal to include guidance to assist with the application of these requirements. We believe that this additional guidance should be included as an illustrative example that accompanies the standard within the Handbook as preparers and practitioners may otherwise not be aware of external resources outside the Handbook, especially in the years following its publication, and having all necessary information in one location in the standard within the Handbook increases its accessibility. We believe that any additional guidance should be considered authoritative guidance.

We have noted that our clients sometimes face difficulties in determining when to perform an impairment test on an individual asset, and when to group assets when performing the impairment test. We recommend that the additional guidance provide examples of the grouping of assets. Additionally, it would be beneficial for the AcSB to provide illustrative examples outlining which items should be included when determining the carrying amount of asset groups. For instance, since liabilities are sometimes considered in the calculation, an example illustrating which liabilities should be included or deducted—and under what circumstances—would improve clarity and consistency. Additionally, further illustration regarding the treatment of debt within asset groupings and the requirement to then consider the related cash outflows would be valuable for preparers seeking to apply the standard consistently. Many preparers and practitioners often refer to guidance in IFRS to assist in applying ASPE when the principles of ASPE are aligned with those in IFRS, since there is much more guidance in IFRS. However, there are differences between the two standards as they relate to performing the impairment test (for example, allocation of corporate assets), such that providing more illustrative examples in ASPE is of a greater importance.

Question 2.2 – Other issues with impairment of long-lived assets

Are there any other financial reporting issues in Section 3063 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

We have not identified any other financial reporting issues in Section 3063.

Question 3 – Straight-line recognition of rent expense

(a) Do you have any comments on the AcSB's analysis of feedback on the straight-line recognition of rent expense for operating leases?

We concur with the AcSB's assessment regarding the straight-line recognition of rent expense for long-term operating leases. Additionally, we have noted that it appears that some preparers are misinterpreting when the straight-line method should be applied, primarily due to the reference to most leases being "short term" in paragraph 24 of Section 3065, which can be confusing when read alongside paragraph 28. Paragraph 28 clarifies that straight-line basis shall be used unless another rational basis is more representative of the time pattern of the user's benefit. Removing the reference to short term leases may *help reduce misinterpretation and improve consistent application of the standard. We have also noted that questions may arise about what constitutes the "lease term" as this is not well defined in Section 3065, especially as it relates to the commencement date of the lease term (for example, the presence of a fixturing period).*

(b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

We do not have any further comments beyond those provided in part (a) immediately above.

Question 3.1 – Other issues with leases

Are there any other financial reporting issues in Section 3065 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

We have not identified any other financial reporting issues in Section 3065.

Question 4 – Estimation uncertainty associated with measuring AROs

(a) Do you have any comments on the AcSB's analysis of feedback on estimation uncertainty associated with measuring AROs?

We do not have any comments and we agree with the AcSB's analysis of feedback on estimation uncertainty associated with measuring AROs.

(b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

We do not have any comments and agree with the AcSB's proposal to take no further action.

Question 4.1 – Diversity in discount rates used

(a) Do you have any comments on the AcSB's analysis of feedback on diversity in discount rates used to measure an ARO?

We agree with the AcSB's observation that there is diversity in discount rates used by entities to measure the present value of future cash flows associated with AROs. In the AcSB's analysis, as detailed in paragraph 57 of the Consultation Paper, it noted it believed that the information related to the discount rate used and the approach to determine this rate is provided to users through existing discount rate disclosures. We note that the disclosure requirements in paragraph 3110.23 do not specifically require any information about the discount rate and paragraph 3110.24 only provides a reference to Section 1508. Section 1508 is a standard on measurement uncertainty in general and also does not specifically require disclosure about the discount rate used in an ARO. While we believe that preparers should conclude that the discount rate information is important under Sections 3110 and 1508, we have observed that not all *entities disclose this information since it is not specifically required. Adding this information to the required disclosures in paragraph 3110.23 would ensure that the requisite transparency about this judgmental item is in fact provided and would encourage consistent application.*

(b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

We have no additional comments beyond those provided in part (a) immediately above.

Question 4.2 – Other issues with AROs

Are there any other financial reporting issues in Section 3110 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

We have not identified any other financial reporting issues in Section 3110.

Question 5 – Applying the percentage of completion method

(a) Do you have any comments on the AcSB's analysis of feedback on challenges with applying the percentage of completion method?

We agree with the AcSB's analysis of feedback on challenges with applying the percentage of completion method. However, with regards to short-term service contracts, (which we would consider to be approximately three to six months in length), in practice, we observe that, by the time that entities with such contracts close their books and finalize their financial statements, their short-term contracts that were in progress at the balance sheet date are either completed or are very near completion. As a result, it is generally straight forward for the entities to determine revenue at the balance sheet date applying the percentage of completion method to these contracts. As a result, entities generally do not experience much complexity in applying this method to their short-term service contracts.

(b) Do you have any comments on the AcSB's proposal to explore an accounting policy choice that would expand the applicability of the completed contract method to contracts meeting certain criteria?

(i) If you disagree with this proposal, what solution(s) would you recommend, and why?

(ii) If you agree with the AcSB's proposal, what criteria do you think contracts should meet to qualify for the completed contract method?

We agree with the AcSB's proposal to explore an accounting policy choice that would expand the applicability of the completed contract method to contracts meeting certain criteria, subject to our comments provided in part (a) immediately above. As the AcSB explores this policy choice, we recommend that it consider practical challenges commonly encountered, such as how to account for contract delays and the implications thereof (if, for example, a "short term" contract is defined as being *completed within three months but there are unexpected delays and the project ultimately ends up taking six months and so would no longer qualify as "short term").*

Question 5.1 – Multiple element arrangements

(a) Do you have any comments on the AcSB's analysis of feedback on challenges with accounting for multiple element arrangements?

We do not have any comments and we agree with the AcSB's analysis of feedback on challenges with accounting for multiple element arrangements.

(b) Do you have any comments on the AcSB's proposal to explore an accounting policy choice that would expand the applicability of the completed contract method to multiple element arrangements meeting certain criteria?

(i) If you disagree with this proposal, what solution(s) would you recommend, and why?

(ii) If you agree with the AcSB's proposal, what criteria do you think multiple element arrangements should meet to qualify for the completed contract method?

We agree with the AcSB's proposal to explore an accounting policy choice related to multiple element arrangements. In considering this potential policy choice, we recommend that the AcSB provide guidance on the costs associated with the multiple elements to ensure consistency of application, i.e. if revenue will be recorded only at the completion of the contract, all related costs associated with the various elements of the contract should be deferred and only recognized at the same time as the revenue. In addition, we suggest that the AcSB consider that such contracts may then be unable to be separated into major categories of revenue for purposes of the disclosure required by paragraph 3400.33, if indeed the multiple elements represent different categories of revenue.

Question 5.2 – Other issues with revenue

Are there any other financial reporting issues in Section 3400 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

We did not identify any other financial reporting issues in Section 3400.

Question 6 – Accounting for individual pension plans

(a) Do you have any comments on the AcSB's analysis of feedback on accounting for individual pension plans?

We do not have any comments and we agree with the AcSB's analysis of feedback on accounting for individual pension plans.

(b) In your experience, are individual pension plans pervasive among private enterprises applying ASPE?

In our experience, individual pension plans are not pervasive among private enterprises applying ASPE.

(c) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

We do not have any comments and we agree with the AcSB's proposal to take no further action.

Question 6.1 – Disclosure requirements for defined benefit plans

(a) Do you have any comments on the AcSB's analysis of feedback on the cost to meet the disclosure requirements for defined benefit plans?

We do not have any comments and we agree with the AcSB's analysis of feedback on the cost to meet the disclosure requirements for defined benefit plans.

(b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

We agree with the AcSB's proposal to take no further action because this issue is outside the project's scope.

Question 6.2 – Accounting for termination benefits

(a) Do you have any comments on the AcSB's analysis of feedback on challenges with the accounting for termination benefits?

We agree with the AcSB's analysis of feedback on challenges with the accounting for termination benefits. The terminology and guidance are complicated, especially with understanding the differences between contractual termination benefits and special termination benefits as well as the difference in special termination benefits depending on voluntary or involuntary terminations. In addition, we have observed confusion between termination benefits and payments commonly referred to as "severance", which paragraph 3462.002(b) classifies not as a termination benefit but rather a post-employment benefit.

(b) Do you have any comments on the AcSB's proposal to review the drafting of the guidance on accounting for termination benefits?

(i) If you disagree with this proposal, what solution(s) would you recommend, and why?

(ii) If you agree with the AcSB's proposal, how do you think the Board could improve the drafting of the requirement to encourage application when relevant?

We agree with the AcSB's proposal to review the drafting of the guidance on accounting for termination benefits. We recommend that the AcSB consider presenting the guidance in a tabular format as an additional appendix to the Section 3462 of the Handbook, that clearly indicates the type of termination benefit, relevant criteria, and other pertinent details. Organizing the information in an intuitive table would help users apply the requirements more effectively and consistently during implementation and more easily distinguish between the various types of benefits.

(c) Do you have any comments on the AcSB's additional proposal to develop guidance to assist with the application of this requirement?

(i) If you disagree with this additional proposal, what solution(s) would you recommend, and why?

(ii) If you agree with the AcSB's proposal, where do you think the additional guidance should be included – as an illustrative example that accompanies the standard, or as an external resource outside the Handbook? Please explain your preference, including how your suggested approach would best support consistent application.

We agree with the AcSB's proposal to develop guidance to assist with the application of this requirement and we recommend that it do this by including illustrative examples within the Handbook. Providing such examples directly in the Handbook would enhance clarity and facilitate more consistent implementation by users. We believe that any additional guidance should be considered authoritative guidance.

(d) Do you think the AcSB should implement both proposals or only one? If you think the AcSB should only implement one proposal, which one do you think would more effectively address the feedback received, and why?

We believe that implementing both proposals would be beneficial. Enhancing the clarity of the requirements as well as providing additional support materials will help users apply the standards more effectively and consistently.

Question 6.3 – Other issues with employee future benefits

Are there any other financial reporting issues in Section 3462 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

We have not identified any other financial reporting issues in Section 3462.

Question 7 – Disclosure requirements under the taxes payable method

(a) Do you have any comments on the AcSB's analysis of feedback on the cost to meet the disclosure requirements under the taxes payable method?

We have no comments on the AcSB's analysis of feedback on the cost to meet the disclosure requirements under the taxes payable method.

(b) Do you have any comments on the AcSB's proposal to develop additional guidance to assist with the application of this requirement?

(i) If you disagree with this proposal, what solution(s) would you recommend, and why?

(ii) If you agree with the AcSB's proposal, where do you think the additional guidance should be included – as an additional illustrative example that accompanies the standard, or as an external resource outside the

Handbook? Please explain your preference, including how your suggested approach would best support consistent application.

We find that Illustrative Example 4 is sufficient for the entities operating in a single jurisdiction. However, we believe that additional guidance would be particularly beneficial in situations involving different tax jurisdictions since some entities have indicated that they experience challenges in that situation. We agree with the AcSB's proposal to develop additional guidance by adding extra illustrative examples that accompany the standard within the Handbook as preparers and practitioners may otherwise not be aware of external resources outside the Handbook, especially in the years following its publication, and having all necessary information in one location in the standard within the Handbook increases its accessibility. We believe that any additional guidance should be considered authoritative guidance.

Question 7.1 – Applying the future income taxes method

(a) Do you have any comments on the AcSB's analysis of feedback on applying the future income taxes method?

We do not have any comments and we agree with the AcSB's analysis of feedback on applying the future income taxes method.

(b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

We do no have any comments and we agree with the AcSB's proposal to take no further action.

Question 7.2 – Uncertain tax treatments

(a) Do you have any comments on the AcSB's analysis of feedback on the accounting and disclosure of uncertain tax treatments?

We agree with the AcSB's analysis of feedback on the accounting and disclosure of uncertain tax treatments. We have also observed diversity in practice in this matter and some entities do consider the more complex guidance in IFRS, given the lack of guidance in ASPE. In addition, the previously available Guide to ASPE ("GASPE") was often consulted as it contained some helpful non-authoritative guidance on this topic. While some interested and affected parties may still have a copy of GASPE, many do not since it is no longer available on Knotia.

(b) Do you have any comments on the AcSB's proposal to continue to monitor this issue and consider addressing it as part of a separate standard-setting project? If you disagree with this proposal, what solution(s) would you recommend, and why?

We agree with the AcSB's proposal to consider addressing it as part of a separate standard-setting project. Given the diversity in practice that is currently observed, there is a need for guidance on this topic. In the interim, we recommend that the AcSB consider making publicly available the section that discusses uncertain tax positions in GASPE Chapter 32 dealing with Section 3290, Contingencies (similarly to how GASPE Chapter 45 on Section 3856, Financial Instruments, remains available to members and subscribers on CPA Canada's website).

Question 7.3 – Other issues with income taxes

Are there any other financial reporting issues in Section 3465 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

> *We have not identified any other issues with income taxes. However, over the past few years, we have noticed an increase in issues with non-income taxes. A common example we have encountered relates to Canadian entities that operate in the United States and start to incur, often unknowingly at first, sales tax obligations in various states. This can result in a situation not dissimilar to the uncertain income tax positions discussed in Question 7.2. We recommend that the AcSB consider including, perhaps in parallel with the issue of uncertain tax positions relating to income taxes, guidance on non-income taxes. Specific guidance on this topic would help clarify recognition and measurement practices, regardless of the likelihood of detection by the tax authorities, and enhance consistency among entities.*

Question 8 – Disposal of long-lived assets

(a) Do you have any comments on the AcSB's analysis of feedback on challenges with accounting for the disposal of long-lived assets?

> *We do not have any comments and we agree with the AcSB's analysis of feedback on challenges with accounting for the disposal of long-lived assets.*

(b) Do you have any comments on the AcSB's proposal to review the drafting of the requirements for the disposal of long-lived assets and to explore separating them into their own standard for greater clarity? If you disagree with this proposal, what solution(s) would you recommend, and why?

> *We do not have any further comments and we agree with AcSB's proposal to review the drafting of the requirements for the disposal of long-lived assets and to explore separating them into their own standard for greater clarity.*

Question 8.1 – Discontinued operations

(a) Do you have any comments on the AcSB's analysis of feedback on challenges entities face when accounting for discontinued operations?

> *We agree with the AcSB's analysis of feedback on challenges entities face when accounting for discontinued operations, with the following exception. In paragraph 101 of the Consultation Paper, it is stated that "most operations at private entities rarely meet the criteria to be classified as discontinued operations as their operations and cash flows cannot be clearly distinguished, operationally and for financial reporting purposes, from the rest of the enterprise" because of a lack of segmented financial records. The criterion that a component comprises operations and cash flows that can be "clearly distinguished…for financial reporting purposes" comes from paragraph 3475.03(e). There appears to be an underlying interpretation in the analysis in paragraph 101 that simply because an entity does not maintain financial records that distinguish an operation that would otherwise be considered a component from the rest of the reporting enterprise leads to the conclusion that it cannot be clearly distinguished for financial reporting purposes. However, our interpretation of this criterion is not whether the entity is actually maintaining*

adequate financial records, but whether the operations and cash flows are capable of being distinguished for financial reporting purposes. The "can" in "can be distinguished" seems to be open to interpretation, where some entities are apparently interpreting it as whether it has already been done in the existing financial records, whereas we believe that it should be interpreted as whether the financial information is capable of being distinguished.

(b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

While we agree with the AcSB's assessment that discontinued operations are not common, they are not rare and, based on the analysis in paragraph 101 of the Consultation Paper, as we discussed in part (a) above, perhaps they should be more common than are currently being presented. As a result, we suggest that the AcSB reconsider the wording of the phrase "can be distinguished" when evaluating whether a component constitutes a component for purposes of presentation as a discontinued operation. This would clarify the AcSB's intent in providing this guidance and would reduce the potential for different interpretations and diversity in practice.

Question 8.2 – Other issues with disposal of long-lived assets and discontinued operations

Are there any other financial reporting issues in Section 3475 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

We have not identified other financial reporting issues in Section 3475.

Question 9 – Measuring interest-free and low-interest loans in arm's length transactions at fair value

(a) Do you have any comments on the AcSB's analysis of feedback on challenges with measuring interest-free and low-interest loans in arm's length transactions at fair value?

We agree with the AcSB's analysis of feedback on challenges with measuring interest-free and low-interest loans in arm's length transactions at fair value. Regarding paragraph 105 of the Consultation Paper, which notes that "users have indicated that measuring these types of loans at fair value <u>often</u> does not provide useful information" (emphasis added), while we agree that this is often the case, measuring interest-free or low-interest government loans at face value may simplify accounting but could obscure the economic benefit of such loans, particularly when they effectively represent a government grant. This approach may result in the loss of transparency for some users, as the grant component embedded in the loan would not be separately disclosed and can sometimes be very significant. In addition, some less sophisticated users may find that the information provided by the face value of the loan, the fact that it is interest-free or low-interest, its term and other terms and conditions are insufficient to allow them to grasp the quantitative significance of any difference between the face value and the fair value. Entities that receive significant government assistance through below-market loans may not adequately reflect the benefit in their financial statements, leading to a lack of comparability between different entities.

(b) Do you have any comments on the AcSB's proposal to explore an accounting policy choice that would allow entities to measure financial liabilities with non-market interest rates at face value (i.e., the present value of future cash flows, discounted using the contractual interest rate), rather than at fair value?

(i) If you disagree with this proposal, what solution(s) would you recommend, and why?

(ii) If you agree with the AcSB's proposal, do you think this accounting policy choice should be available to all entities, or should there be qualifying criteria to ensure users' information needs are met? If you think there should be restrictions on this accounting policy choice, what should they be, and why?

We have no objection with the AcSB's proposal to explore an accounting policy choice that would allow entities to measure financial liabilities with non-market interest rates at face value, rather than at fair value; however, we recommend the AcSB to consider the potential loss of transparency to users of the financial statements regarding the economic benefits that entities may receive from the government grant when such financial liabilities are presented at face value, as described in part (a) immediately above.

Furthermore, in considering this accounting policy choice, we remind the AcSB that, in the context of business combinations, Section 1582 requires acquired and assumed financial instruments to be measured at fair value. If any such financial instruments have a non-market interest rate, consideration is needed as to whether the same policy choice would apply, or if the fair value requirement would still stand.

As for the question of whether this accounting policy choice should be available to all entities, we believe that whether entities should measure financial liabilities with non-market interest rates at face value or fair value ought to be determined by the needs of financial statement users. For example, users such as banks may prefer to see the face value of the loan, while others may have different requirements. The choice of accounting policy should prioritize providing relevant information to users. Assigning any kind of quantitative threshold without considering different circumstances could undermine the usefulness of financial statements.

Question 9.1 – Determining the fair value of derivatives

(a) Do you have any comments on the AcSB's analysis of feedback on challenges with determining the fair value of derivatives?

We do not have any comments and we agree with the AcSB's analysis of feedback on challenges with determining the fair value of derivatives.

(b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

We have no comments and we agree with the AcSB's proposal to take no further action.

Question 9.2 – Liabilities and equity classification

(a) Do you have any comments on the AcSB's analysis of feedback on challenges with applying the application guidance in the standard on liabilities and equity classification?

We have no comments and we agree with the AcSB's analysis of feedback on challenges with applying the application guidance in the standard on liabilities and equity classification. As a result of the way the guidance is written, some preparers and practitioners refer to IFRS, but there are some differences between the two and IFRS generally has more complicated guidance.

(b) Do you have any comments on the AcSB's proposal to review the drafting of the guidance related to classification of financial instruments as liabilities or equity?

(i) If you disagree with this proposal, what solution(s) would you recommend, and why?

(ii) If you agree with the AcSB's proposal, what aspects of the classification requirements do you find challenging to understand, and how do you think they could be improved through redrafting?

We support the AcSB's proposal to review the drafting of the guidance related to classification of financial instruments as equity or liabilities. There are various relatively common scenarios that cause confusion for preparers and practitioners, such as the interpretation of "highly likely" as referenced in paragraph 3856.A26 (for example, in the case of shares that are retractable upon the death of an employee, or the death of an employee while still an employee of the entity, as well as retractable upon an event that is under the control of neither the company nor the shareholder) as well as the guidance in paragraph 3856.A24, which bears some similarity to the "fixed for fixed" criterion under IFRS, which is clearly defined in contrast to paragraph 3856.A26for which there is much diversity in practice.

Question 9.3 – Hedge accounting

(a) Do you have any comments on the AcSB's analysis of feedback on challenges with assessing and documenting whether an arrangement meets the criteria in the standard to qualify for hedge accounting?

We do not have any comments and we agree with the AcSB's analysis of feedback on challenges with assessing and documenting whether an arrangement meets the criteria in the standard to qualify for hedge accounting.

(b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

We do not have any comments and we agree with the AcSB's proposal to take no further action.

Question 9.4 – Disclosure of financial risks

(a) Do you have any comments on the AcSB's analysis of feedback on challenges entities face when preparing the disclosure of financial risks?

We do not have any comments and we agree with the AcSB's analysis of feedback on challenges entities face when preparing the disclosure of financial risks.

(b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

We do not have any comments and we agree with the AcSB's proposal to take no further action.

Question 9.5 – Other issues with financial instruments

Are there any other financial reporting issues in Section 3856 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

We have not identified any other financial reporting issues in Section 3856.

Question 10 – Measuring employee stock options and other equity instruments in stock-based compensation plans

(a) Do you have any comments on the AcSB's analysis of feedback on challenges with measuring employee stock options and other equity instruments in stock-based compensation plans?

> *We do not have any comments and we agree with the AcSB's analysis of feedback on challenges with measuring employee stock options and other equity instruments in stock-based compensation plans.*

(b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

> *We do not have any comments and we agree with the AcSB's proposal to take no further action.*

Question 10.1 – Other issues with stock-based compensation and other stock-based payments

Are there any other financial reporting issues in Section 3870 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

We have not identified any other financial reporting issues in Section 3870.

Question 11 – Other significant ASPE application issues

Are there any financial reporting issues in the standards with no significant application issues raised that you think the AcSB should address as part of this project? If so, please describe each issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

We have not identified any other financial reporting issues in the standards with no significant application issues raised that the AcSB should address as part of this project.

Question 12 – Prioritizing financial reporting topics within the scope of the Detailed Review of ASPE

Considering how the AcSB prioritizes its projects, please indicate which financial reporting issues you think the Board should assign the highest priority (e.g., list your top three to five issues). Please explain your reasoning.

We recommend the AcSB assign the highest priority to the following issues:

1. *Financial instruments (non-market interest rates and application guidance on liabilities and equity classification) as these are very common and have some complexity*
2. *Revenue (percentage of completion and multiple element arrangements) as these are common and have some complexity*
3. *Disposal of long-lived assets and discontinued operations (disposal of long-lived assets being separated from discontinued operations) as these are not uncommon*
4. *Impairment of long-lived assets (when test is required and performing the test) as there is a greater degree of complexity here, even though not as common as the above issues*

We would be pleased to discuss our comments with members of the AcSB or its staff. If you wish to do so, please contact Adam Rybinski, Partner, Professional Practice, at 416-943-2711 (Adam.C.Rybinski@ca.ey.com) or Eric Spiekman, Professional Practice Director, at 416-943-3779 (Eric.Spiekman@ca.ey.com).

Yours sincerely,

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January 30, 2026

Katharine Christopoulos, CPA, CA
Director, Accounting Standards
Accounting Standards Board
145 King Street West, Suite 500
Toronto, Ontario M5H 1J8

Subject: Invitation to Comment – Consultation Paper: Detailed Review of Accounting Standards for Private Enterprises

Dear Ms. Christopoulos:

We thank you for the opportunity to provide comments on the above noted Consultation Paper regarding the detailed review of Accounting Standards for Private Enterprises ("ASPE").

Please find attached our comments to the specific questions raised in the Consultation Paper in the Appendix. If you have any questions, please contact Martin Roy (mroy@deloitte.ca) at 416-601-5679 or Patrick Ho (patho@deloitte.ca) at 604-640-4907.

Yours truly,

Deloitte LLP

Chartered Professional Accountants

Appendix
Detailed Review of Accounting Standards for Private Enterprises

Inventories, Section 3031

Question 1 – Allocating overhead costs to the costs of inventories

(a) **Do you have any comments on the AcSB's analysis of feedback on challenges with allocating overhead costs to the costs of inventories?**

In the challenge presented, it is unclear if the time and salaries associated with owners and related parties who are participating in production activities would be considered direct labor or indirect labor (i.e. overhead versus an individual who is directly involved in the manufacturing process). The determination may ultimately depend on facts and circumstances. If the time associated with direct labor as an input into production isn't tracked for paid individuals at a detailed level, the challenge may not be the requirement to allocate overhead costs. Rather, the challenge relates to estimating the cost of direct labor in instances where direct labor hours and cost are not tracked at a detailed level. In that case, providing a policy choice would not relieve the burden associated with estimating the direct labor costs that are not tracked at a detailed level.

(b) **Do you have any comments on the AcSB's proposal to explore an accounting policy choice that would allow entities to exclude overhead costs from the cost of manufactured inventories?**

i. **If you disagree with this proposal, what solution(s) would you recommend, and why?**

See response to Question 1(b)(ii).

ii. **If you agree with the AcSB's proposal, do you think this accounting policy choice should be available to all entities, or should there be qualifying criteria to ensure users' information needs are met? If you think there should be restrictions on this accounting policy choice, what should they be, and why?**

We agree that the allocation of overhead costs to inventory adds an extra layer of complexity and effort that may exceed its benefits, including the continuing assessment of allocation methodology and capacity as business changes.

In considering if restrictions should be added, we believe that adding restrictions or only limiting the policy choice to a subset of costs would create a hybrid balance that falls in between full allocation of costs and no allocation of costs which may not be meaningful to users. In considering the requirement to meet users' needs, if users require additional information regarding the fully allocated cost of inventory when an entity does not allocate overhead costs, we believe that they would have the ability to request the detailed information from management.

Consequently, we believe that for the purpose for reducing the costs associated with financial reporting, the accounting policy choice should be made available to all entities without restriction. However, it should be clear that direct costs to production should continue to be allocated if the policy choice is elected, even if the direct cost is not tracked at a detailed level and allocated based on an appropriate methodology.

Question 1.1 – Disclosing the amount of inventories expensed during the period

(a) **Do you have any comments on the AcSB's analysis of the feedback on challenges with disclosing the amount of inventories expensed during the period?**

(b) **Do you have any comments on the AcSB's proposal to retain this disclosure requirement and to consider replacing it in the future with a new disclosure requirement that better meets users' needs, such as a detailed breakdown of costs of sales? If you disagree with this proposal, what solution(s) would you recommend, and why?**

We do not have any comments to Questions 1.1(a) and (b).

Question 1.2 – Other issues with inventories

Are there any other financial reporting issues in Section 3031 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope, and suggest how the Board could address the issue.

We do not have other issues to raise considering the scope of this project.

Impairment of Long-lived Assets, Section 3063

Question 2 – Identifying indicators of impairment

(a) **Do you have any comments on the AcSB's analysis of feedback on challenges with identifying indicators of impairment of long-lived assets?**

We do not have any comments.

(b) **Do you have any comments on the AcSB's proposal to develop guidance to assist with the application of this requirement?**

i. **If you disagree with this proposal, what solution(s) would you recommend, and why?**

See response to Question 2(b)(ii).

ii. **If you agree with the AcSB's proposal, where do you think the additional guidance should be included – as an illustrative example that accompanies the standard, or as an external resource outside the Handbook? Please explain your preference, including how your suggested approach would best support consistent application.**

We recommend that the additional guidance be included as an external resource outside of the Handbook. Illustrative Examples typically demonstrate the application of guidance under a specific set of facts and circumstances, which are often limited and narrow. Given the challenges and complexity, we believe that an external document would allow for a more robust resource that explores the facts and circumstances and questions that should be considered when applying the standard, the judgements applied under varying scenarios and the potential outcome in applying those judgements to support consistent application.

Question 2.1 – Performing the impairment test

(a) **Do you have any comments on the AcSB's analysis of feedback on challenges with performing the impairment test for long-lived assets?**

We agree with the observations noted. Furthermore, we have observed in practice that entities are often challenged in determining the appropriate steps and order of impairment testing, particularly in situations where an entity has finite life intangible assets, indefinite life intangible assets, fixed assets as well as goodwill. There is also challenge in appropriately determining the "asset group" and "reporting unit" and understanding the differences between the two. We recommend that these topics be addressed in the additional guidance that will be issued as proposed in Question 2(b)(ii).

(b) **Do you have any comments on the AcSB's proposal to develop guidance to assist with the application of these requirements?**

i. **If you disagree with this proposal, what solutions(s) would you recommend, and why?**

ii. **If you agree with the AcSB's proposal, where do you think the additional guidance should be included – as an illustrative example that accompanies the standard, or as an external resource outside Part II of the Handbook? Please explain your preference, including how your suggested approach would best support consistent application.**

We recommend that the additional guidance be included as an external resource outside of the Handbook for the reasons described in our response to Question 2(b)(ii).

Question 2.2 – Other issues with impairment of long-lived assets

Are there any other financial reporting issues in Section 3063 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

As described above, we note that in practice entities are often challenged in determining the appropriate steps and order of impairment testing, particularly in situations where an entity has finite life intangible assets, indefinite life intangible assets, fixed assets as well as goodwill. There is also challenge in determining the "asset group" and "reporting unit" and would the cash flows be different. We recommend that these topics be addressed in the additional guidance that will be issued.

Leases, Section 3065

Question 3 – Straight-line recognition of rent expense

(a) **Do you have any comments on the AcSB's analysis of feedback on the straight-line recognition of rent expense for operating leases?**

(b) **Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?**

We do not have any comments to Questions 3(a) and (b).

Question 3.1 – Other issues with leases

Are there any other financial reporting issues in Section 3065 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

We do not have other issues to raise considering the scope of this project.

Asset Retirement Obligations, Section 3110

Question 4 – Estimation uncertainty associated with measuring AROs

(a) **Do you have any comments on the AcSB's analysis of feedback on estimation uncertainty associated with measuring AROs?**

(b) **Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?**

We do not have any comments to Questions 4(a) and (b). However, we recommend the AcSB to consider if the resource being developed to support the challenges associated with estimating cash flows for an impairment test can also be utilized to address challenges associated with estimating AROs and other cash flow estimates (e.g. going concern assessment).

Question 4.1 – Diversity in discount rates used

(a) **Do you have any comments on the AcSB's analysis of feedback on diversity in discount rates used to measure an ARO?**

(b) **Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?**

We do not have any comments to Questions 4.1(a) and (b).

Question 4.2 – Other issues with AROs

Are there any other financial reporting issues in Section 3110 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

We do not have other issues to raise considering the scope of this project.

Revenue, Section 3400

Question 5 – Applying the percentage of completion method

(a) **Do you have any comments on the AcSB's analysis of feedback on challenges with applying the percentage of completion method?**

We do not have any comments.

(b) **Do you have any comments on the AcSB's proposal to explore an accounting policy choice that would expand the applicability of the completed contract method to contracts meeting certain criteria?**

i. **If you disagree with this proposal, what solution(s) would you recommend, and why?**

Although we agree that the cost associated with applying the percentage of completion method may outweigh the benefits in certain situations, we have concerns that establishing bright line thresholds based on a monetary value. Please see response to Question 5(b)(ii) below.

ii. **If you agree with the AcSB's proposal, what criteria do you think contracts should meet to qualify for the completed contract method?**

As noted in the Consultation Paper paragraph 62, it is implied that the cost of reporting typically outweighs the benefit when the overall reported revenue figure is not materiality different under the completed contract method. As the concept of materiality is entity specific and is subject to professional judgement, it would be challenging to apply a monetary threshold without posing a challenge to the materiality concept in Section 1000

Financial statement concepts. Consequently, we do not recommend that a monetary threshold be used as a criterion to qualify for the completed contract method. In our opinion, using a time duration threshold as the criteria for qualification would be more appropriate. In considering the length of the duration threshold, we recommend that the duration of the contract at inception be no longer than 90 days. We also recommend that entities should be required to disclose the total monetary value of revenue associated with open contracts at the reporting date, where revenue will be recognized in the subsequent period. We believe that this would provide relevant and useful information to users where the cut-off difference in revenue between the completed contract method and percentage completion method may be materially different.

Lastly, we note that the guidance for expected losses is currently located in paragraphs A33-A34 of Section 3400¸*Revenue* under the "percentage of completion method". We believe that the expected loss guidance should equally apply to contracts that would be accounted for under the proposed completed contract policy choice. Consequently, if an accounting policy choice is provided to expand the applicability of the completed contract method, we recommend that the Board clarify if the expected loss guidance in paragraph A33-A34 applies to those contracts.

Question 5.1 – Multiple element arrangements

(a) **Do you have any comments on the AcSB's analysis of feedback on challenges with accounting for multiple element arrangements?**

We do not have any comments.

(b) **Do you have any comments on the AcSB's proposal to explore an accounting policy choice that would expand the applicability of the completed contract method to multiple element arrangements meeting certain criteria?**

i. **If you disagree with this proposal, what solution(s) would you recommend, and why?**

We have similar concerns as noted in our response to questions 5(b)(i) and (ii).

ii. **If you agree with the AcSB's proposal, what criteria do you think multiple element arrangements should meet to qualify for the completed contract method?**

Please refer to our response to question 5(b)(ii).

Question 5.2 – Other issues with revenue

Are there any other financial reporting issues in Section 3400 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

We do not have other issues to raise considering the scope of this project.

Employee Future Benefits, Section 3462

Question 6 – Accounting for individual pension plans

(a) **Do you have any comments on the AcSB's analysis of feedback on accounting for individual pension plans?**

(b) **If your experience, are individual pension plans pervasive among private enterprises applying ASPE?**

(c) **Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?**

We do not have any comments to Questions 6(a) and (c). In regards to Question 6(b), in our experience, individual pension plans are not pervasive.

Question 6.1 – Disclosure requirements for defined benefit plans

(a) **Do you have any comments on the AcSB's analysis of feedback on the cost to meet the disclosure requirements for defined benefit plans?**

(b) **Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?**

We do not have any comments for questions 6.1(a) and (b).

Question 6.2 – Accounting for termination benefits

(a) **Do you have any comments on the AcSB's analysis of feedback on challenges with the accounting for termination benefits?**

We do not have any comments.

(b) **Do you have any comments on the AcSB's proposal to review the drafting of the guidance on accounting for termination benefits?**

i. **If you disagree with this proposal, what solution(s) would you recommend, and why?**

See response to question 6.2(b)(ii).

ii. **If you agree with the AcSB's proposal, how do you think the Board could improve the drafting of the requirement to encourage application when relevant?**

Paragraphs 101 to 107 of Section 3462 are largely focused on the requirements for special termination benefits that are voluntary or involuntary. Paragraph 103 of Section 3462, although clear and concise, is tucked away amongst the guidance. For a user who is unfamiliar with the standard, it may be easy for a reader to miss the requirements in the paragraph. It may also be challenging to understand what "contractual termination benefits" in paragraph 103 is referring to. The confusion may come from paragraph 104, which describes examples of contractual termination benefits, which includes termination benefits arising from "*when a specified event, such as a plant closing, occurs or special termination benefits offered for a short period of time*". These examples address termination benefits that arise from unusual events such as downsizing and restructuring and does not lead a user to consider contractual termination benefits arising from normal course resignations.

Consequently, we recommend the Board consider separating the requirements for special termination benefits and contractual termination benefits into separate sub-headings under "Termination Benefits". We also suggest adding additional examples of contractual termination benefits, such as contractual benefits upon voluntary or involuntary resignation included in an employment contract, into the body or the standard or via illustrative examples.

(c) **Do you have any comments on the AcSB's additional proposal to develop guidance to assist with the application of this requirement?**

i. **If you disagree with this additional proposal, what solution(s) would you recommend, and**

why?

See response to Question 6.2(c)(ii).

ii. **If you agree with the AcSB's proposal, where do you think the additional guidance should be included – as an illustrative example that accompanies the standard, or as an external resource outside the Handbook? Please explain your preference, including how your suggested approach would best support consistent application.**

We agree with the proposal and suggest adding an illustrative example to the Handbook. The concepts are not overly complex and, in our opinion, can be concisely communicated through an illustrative example. We believe this would drive consistency in application and would complement the proposed drafting changes.

(d) **Do you think the AcSB should implement both proposals or only one? If you think the AcSB should only implement one proposal, which one do you think would more effectively address the feedback received, and why?**

We believe that implementing both proposals would drive consistency in application. The illustrative example would complement the proposed drafting changes. If only one proposal were to be implemented, we recommend improving drafting of the requirement.

Question 6.3 – Other issues with employee future benefits

Are there any other financial reporting issues in Section 3462 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

We do not have other issues to raise considering the scope of this project.

Income Taxes, Section 3465

Question 7 – Disclosure requirements under the taxes payable method

(a) **Do you have any comments on the AcSB's analysis of feedback on the cost to meet the disclosure requirements under the taxes payable method?**

We agree that the time and effort required to prepare the reconciliation varies depending on the size, nature and complexity of an entity's operations. More importantly, we believe that the reconciliation is a useful disclosure as it is the only place in the financial statements that supports users in understanding the relationship between accounting income and taxes payable.

(b) **Do you have any comments on the AcSB's proposal to develop additional guidance to assist with the application of this requirement?**

i. **If you disagree with this proposal, what solution(s) would you recommend, and why?**

See response to question 7(b)(ii).

ii. **If you agree with the AcSB's proposal, where do you think the additional guidance should be included – as an additional illustrative example that accompanies the standard, or as an external resource outside the Handbook? Please explain your preference, including how your suggested approach would best support consistent application.**

We recommend that the additional guidance can be included as an additional illustrative example in the Handbook that builds upon Illustrative Example 4.

Question 7.1 – Applying the future income taxes method

(a) Do you have any comments on the AcSB's analysis of feedback on applying the future income taxes method?

(b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

We do not have any comments to Questions 7.1(a) and (b).

Question 7.2 – Uncertain tax treatments

(a) Do you have any comments on the AcSB's analysis of feedback on the accounting and disclosure of uncertain tax treatments?

(b) Do you have any comments on the AcSB's proposal to continue to monitor this issue and consider addressing it as part of a separate standard-setting project? If you disagree with this proposal, what solution(s) would you recommend, and why?

We do not have any comments to Questions 7.2(a) and (b).

Question 7.3 – Other issues with income taxes

Are there any other financial reporting issues in Section 3465 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

We do not have other issues to raise considering the scope of this project.

<u>Disposal of Long-Lived Assets and Discontinued Operations, Section 3475</u>

Question 8 – Disposal of long-lived assets

(a) Do you have any comments on the AcSB's analysis of feedback on challenges with accounting for the disposal of long-lived assets?

We acknowledge that there is complexity and professional judgement required in application of the standard, however in our view, the concepts and requirements regarding the disposal of long-lived assets and discontinued operations are clear and distinct within the body of standard. Further we note that the language is substantially aligned with IFRS Accounting Standards and we are not aware of pervasive application challenges as described. Therefore, we are surprised by the comment that entities are not considering the held-for-sale requirements if there are no discontinued operations, and that the application issue is pervasive. The issue may stem from familiarity with the standard, due to lower frequency of application, versus a drafting issue.

(b) Do you have any comments on the AcSB's proposal to review the drafting of the requirements for the disposal of long-lived assets and to explore separating them into their own standard for greater clarity? If you disagree with this proposal, what solution(s) would you recommend, and why?

We do not recommend separating the requirements regarding the disposal of long-lived assets and the presentation of discontinued operations into two separate standards as the two concepts are distinct but inter-related. Separating a requirement into a separate standard does not adequately address the fact that a requirement is being ignored, rather we believe that the issue can be addressed through clarification in the existing standard and through education. Consequently, we recommend that drafting can be improved by including an appendix to describe the application of the concepts and the requirement to assess both the held for sale and discontinued operations requirements independently. Furthermore, inclusion of a decision tree in an appendix outlining the considerations in applying each of the held for sale and discontinued operations criteria would drive greater consistency in application.

Question 8.1 – Discontinued operations

(a) Do you have any comments on the AcSB's analysis of feedback on challenges entities face when accounting for discontinued operations?

(b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

We do not have any comments to Questions 8.1(a) and (b).

Question 8.2 – Other issues with disposal of long-lived assets and discontinued operations

Are there any other financial reporting issues in Section 3475 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

We do not have other issues to raise considering the scope of this project.

Financial Instruments, Section 3856

Question 9 – Measuring interest-free and low-interest loans in arm's length transactions at fair value

(a) Do you have any comments on the AcSB's analysis of feedback on challenges with measuring interest-free and low-interest loans in arm's length transactions at fair value?

    We do not have any comments.

(b) Do you have any comments on the AcSB's proposal to explore an accounting policy choice that would allow entities to measure financial liabilities with non-market interest rates at face value (i.e., the present value of future cash flows, discounted using the contractual interest rate), rather than at fair value?

    i. If you disagree with this proposal, what solution(s) would you recommend, and why?

       Please see response to question 9(b)(ii).

    ii. If you agree with the AcSB's proposal, do you think this accounting policy choice should be available to all entities, or should there be qualifying criteria to ensure users' information needs are met? If you think there should be restrictions on this accounting policy choice, what should they be, and why?

       We agree with the AcSB's proposal and that the accounting policy choice should be made available to all entities without restriction. We agree with the comment in paragraph 105 of the Consultation Paper that the majority of users are interested in the cash flows and the face value of the amount owing and interest expense versus the accounting and economic value of the loan and related interest at each reporting date as well as through each reporting period. Therefore we believe for the purposes of reducing the cost of reporting while providing useful information to users, the policy choice should be made available to all entities without restriction with appropriate disclosure. In addition to disclosing the terms and conditions of the loan, we recommend that the disclosure should also include an estimate of the comparable market rate for a similar loan at inception.

Question 9.1 – Determining the fair value of derivatives

(a) Do you have any comments on the AcSB's analysis of feedback on challenges with determining the fair value of derivatives?

(b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

We do not have any comments to Questions 9.1(a) and (b).

Question 9.2 – Liabilities and equity classification

(a) Do you have any comments on the AcSB's analysis of feedback on challenges with applying the application guidance in the standard on liabilities and equity classification?

We note that determining the classification of financial instruments that have multiple features is inherently complex. We believe the complexity likely arises due to a user's unfamiliarity with the standard as well as the complexity of an instrument's features. Beyond classification, measurement can also become challenging for entities. However, we note that the challenges are typically warranted and arise due to the complexity of the features.

(b) Do you have any comments on the AcSB's proposal to review the drafting of the guidance related to classification of financial instruments as liabilities or equity?

i. If you disagree with this proposal, what solution(s) would you recommend, and why?

See response to question 9.2(b)(ii).

ii. If you agree with the AcSB's proposal, what aspects of the classification requirements do you find challenging to understand, and how do you think they could be improved through redrafting?

As noted above, assessing the classification of a financial instrument that has multiple features is inherently complex. In particular, where an instrument has variable equity settlement features, paragraph A24 of Section 3856 can be challenging for entities to understand and apply. We believe that inclusion of additional illustrative examples would help entities understand and apply the concepts in the paragraph. Adding an example where an instrument with a settlement feature where the number of shares to be delivered at settlement varies in accordance to the market price of the entity's own equity instruments and another example where the number of shares to be delivered at settlement varies in accordance to the changing amount of the contractual obligation would be helpful.

Question 9.3 – Hedge accounting

(a) Do you have any comments on the AcSB's analysis of feedback on challenges with assessing and documenting whether an arrangement meets the criteria in the standard to qualify for hedge accounting?

(b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

We do not have any comments to Questions 9.3(a) and (b).

Question 9.4 – Disclosure of financial risks

(a) Do you have any comments on the AcSB's analysis of feedback on challenges entities face when preparing the disclosure of financial risks?

(b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

We do not have any comments to Questions 9.4(a) and (b).

Question 9.5 – Other issues with financial instruments

Are there any other financial reporting issues in Section 3856 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

We do not have other issues to raise considering the scope of this project.

Stock-based Compensation and Other Stock-based Payments, Section 3870

Question 10 – Measuring employee stock options and other equity instruments in stock-based compensation plans

(a) Do you have any comments on the AcSB's analysis of feedback on challenges with measuring employee stock options and other equity instruments in stock-based compensation plans?

(b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

We do not have any comments to Questions 10(a) and (b).

Question 10.1 – Other issues with stock-based compensation and other stock-based payments

Are there any other financial reporting issues in Section 3870 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

We do not have other issues to raise considering the scope of this project.

Other Questions

Question 11 – Other significant ASPE application issues

Are there any financial reporting issues in the standards with no significant application issues raised that you think the AcSB should address as part of this project? If so, please describe each issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

We do not have other issues to raise considering the scope of this project. However, please see our responses to Question 12 in regard to the accounting for statutory and legal amalgamations.

Question 12 – Prioritizing financial reporting topics within the scope of the Detailed Review of ASPE

Considering how the AcSB prioritizes its projects, please indicate which financial reporting issues you think the Board should assign the highest priority (e.g., list your top three to five issues). Please explain your reasoning.

We have prioritized the following issues based on the pervasiveness and expected impact that the proposed changes will have in reducing the cost of reporting, while maintaining high quality and useful financial statements:

1. Exploration of an accounting policy choice that expands the applicability of the completed contract method for contracts that meet certain criteria;
2. Development of guidance on performing the tests for recoverability and fair value; and
3. Review the drafting of the application guidance related to classification of financial instruments as liabilities and equity.

Lastly, we are aware that the Board has received comments regarding application challenges in accounting for related party transactions. We acknowledge that these will be addressed through a separate projects and are not within the scope of the Detailed Review of ASPE. However, we would like to highlight that we continue to see challenges in the application of ASPE to amalgamations of legal entities resulting from restructuring or recapitalization transactions. Amalgamations are pervasive and the existing accounting standards do not adequately address the requirements, rather, interpretations and "common practice" have been developed from legacy external resources. Based on our experience, we recommend to the Board to consider this as a high priority item to address.

Au Conseil des normes comptables

Réponse de Groupe Servicas inc. au document de consultation – Examen approfondi des Normes comptables pour les entreprises à capital fermé

Brossard, le 30 janvier 2026

Katharine Christopoulos, CPA, CA
Directrice, Normes comptables
Conseil des normes comptables
145, rue King Ouest, bureau 500
Toronto (Ontario) M5H 1J8

Madame,

Vous trouverez ci-joint les commentaires du Comité des normes de Groupe Servicas inc. inc., mis en place par le conseil d'administration de Groupe Servicas inc., concernant le document de consultation intitulé « Examen approfondi des Normes comptables pour les entreprises à capital fermé ».

Nous vous serions reconnaissants de nous faire parvenir une copie de la traduction anglaise de nos commentaires.

Veuillez prendre note que le Comité des normes de Groupe Servicas inc. agit seulement à titre de facilitateur et ce document ne constitue pas une réponse de ce dernier, mais le point de vue des membres de ce comité. De plus, ni le Groupe Servicas inc., ni quelque personne que ce soit ayant participé à la préparation des commentaires ne peuvent être tenus responsables relativement à leur utilisation et ils ne sont tenus à aucune garantie de quelque nature que ce soit découlant de ces commentaires, tel que décrit dans le déni de responsabilité joint à la présente.

Veuillez agréer, Madame Christopoulos, nos salutations distinguées.

Julie Choquette, CPA auditrice
Représentante du Comité des normes de Groupe Servicas inc. inc.

p. j. Déni de responsabilité et commentaires

DÉNI DE RESPONSABILITÉ

Les documents préparés par le Comité des normes de Groupe Servicas inc. (Comité des normes) ci-après appelés les « commentaires », sont fournis selon les conditions décrites dans la présente, pour faire connaître l'opinion des membres de Groupe Servicas inc. sur des documents de consultation, des exposés-sondages préliminaires ainsi que des exposés-sondages publiés par le Conseil des normes comptables et le Conseil des normes d'audit et de certification.

Les commentaires fournis par le Comité des normes ne doivent pas être utilisés comme substitut à des missions confiées à des professionnels spécialisés. Il est important de noter que les lois, les normes et les règles sur lesquelles sont émis les commentaires peuvent changer en tout temps et que, dans certains cas, les commentaires écrits peuvent être sujets à controverse.

Ni Groupe Servicas inc., ni quelque personne que ce soit ayant participé à la préparation des commentaires ne peuvent être tenus responsables relativement à l'utilisation de ces commentaires et ils ne sont tenus à aucune garantie de quelque nature que ce soit découlant de ces commentaires. Les commentaires donnés ne lient pas, par ailleurs, les membres du Comité des normes ou Groupe Servicas inc..

La personne qui se réfère ou utilise ces commentaires assume l'entière responsabilité de sa démarche ainsi que tous les risques liés à l'utilisation de ceux-ci. Elle consent à exonérer le Groupe Servicas inc. et le Comité des normes à l'égard de toute demande en dommages-intérêts qui pourrait être intentée par suite de toute décision qu'elle aurait pu prendre en fonction de ces commentaires.

MANDAT DU COMITÉ DES NORMES DE GROUPE SERVICAS INC.

Groupe Servicas inc. est un regroupement de plus de 50 cabinets indépendants de CPA qui compte plus de 170 associés impliqués auprès de clients de petites et moyennes entreprises.

Le comité des normes a comme mandat de suivre l'évolution des normes comptables et de certification, d'outiller les cabinets membres pour assurer leur conformité, et de soutenir le contrôle qualité à travers des recommandations, des modèles et des formations. Il agit comme centre d'expertise et de veille normative, tout en facilitant le partage des meilleures pratiques entre les cabinets membres. Il recueille et canalise le point de vue des praticiens exerçant en cabinet et de membres œuvrant dans les affaires, dans les services gouvernementaux et dans l'industrie ainsi que le point de vue d'autres personnes concernées œuvrant dans des domaines d'expertise connexes.

Pour chaque exposé-sondage ou autre document étudié, les membres du Comité des normes mettent leurs analyses en commun. Les commentaires ci-dessous reflètent les points de vue exprimés et sauf indication contraire, ces commentaires font l'objet d'un consensus parmi les membres du Comité des normes ayant participé à cette analyse.

Les commentaires formulés par le Comité des normes ne font l'objet d'aucune sanction du Groupe Servicas inc.. Ils n'engagent pas la responsabilité de celui-ci.

QUESTIONS SPÉCIFIQUES DU DOCUMENT DE CONSULTATION

Chapitre 3031, Stocks

Question 1 – Affectation des frais généraux au coût des stocks

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les difficultés quant à l'affectation des frais généraux au coût des stocks?*

Non.

b) *Souhaitez-vous vous prononcer sur la proposition du CNC, à savoir envisager un choix de méthode comptable qui permettrait aux entités d'exclure les frais généraux du coût des stocks fabriqués?*

i) *Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

Nous n'adhérons pas à cette proposition. Comme la marge brute est un élément d'intérêt pour plusieurs utilisateurs des états financiers, nous pensons que de ne pas capitaliser les frais généraux de fabrication (FGF) amènera une disparité entre les sociétés et rendra très difficile la comparabilité des états financiers. Nous suggérons le statu quo. Nous pensons que c'est aux sociétés de modifier leur système comptable et leurs procédures internes afin de pouvoir déterminer un taux de FGF à imputer au coût des stocks.

ii) *Si vous y adhérez, selon vous, faudrait-il offrir ce choix de méthode comptable à toutes les entités, ou bien instaurer des critères d'applicabilité pour que les besoins d'information des utilisateurs soient comblés? Le cas échéant, quels devraient être ces critères, et pourquoi?*

Nous n'adhérons pas à la proposition.

Question 1.1 – Indication du montant des stocks comptabilisé en charges dans la période

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les difficultés quant à l'indication du montant des stocks comptabilisé en charges dans la période?*

Non.

b) *Souhaitez-vous vous prononcer sur la proposition du CNC, à savoir conserver cette obligation d'information et envisager de la remplacer, dans l'avenir, par une nouvelle obligation d'information qui répond mieux aux besoins des utilisateurs, par exemple une ventilation détaillée du coût de ventes? Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

Nous ne souhaitons pas nous prononcer sur cette proposition.

Question 1.2 – Autres difficultés concernant les stocks

Y a-t-il, dans le chapitre 3031, d'autres questions d'information financière que le CNC devrait traiter dans le cadre de ce projet? Si oui, veuillez décrire chaque question, expliquer en quoi elle satisfait aux critères de délimitation du projet et proposer une façon pour le CNC d'y répondre.

Nous ne souhaitons apporter aucune autre question.

Chapitre 3063, Dépréciation d'actifs à long terme

Question 2 – Repérage des indices de dépréciation

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les difficultés quant au repérage des indices de dépréciation des actifs à long terme?*

Non.

b) *Souhaitez-vous vous prononcer sur la proposition du CNC, à savoir élaborer des indications pour faciliter l'application de cette disposition?*

i) *Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

Nous adhérons à cette proposition

ii) *Si vous y adhérez, quelle forme devrait prendre ces indications selon vous : celle d'un exemple illustratif accompagnant la norme, ou celle d'une ressource externe au Manuel? Veuillez justifier votre choix et préciser en quoi l'approche que vous préconisez serait la meilleure façon de favoriser une uniformité d'application.*

Un seul exemple illustratif n'est pas suffisant pour bien comprendre les différents événements ou situations pouvant indiquer une dépréciation. Dans chaque cas de figure, il y aura toujours une part de jugement mais un seul exemple pour aider le préparateur à déterminer si un test de dépréciation est nécessaire ou non est insuffisant. Une ressource externe avec des exemples illustratifs avec le détail des jugements ayant amené à la conclusion de la nécessité ou non d'un test de dépréciation répondrait davantage au besoin des préparateurs d'états financiers. Une section additionnelle dans la partie II du Manuel doit être intégrée à Knotia afin que tous puissent y avoir accès.

Question 2.1 – Réalisation du test de dépréciation

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les difficultés quant au test de dépréciation des actifs à long terme?*

Non.

b) *Souhaitez-vous vous prononcer sur la proposition du CNC, à savoir élaborer des indications pour faciliter l'application de ces dispositions?*

i) Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?

Nous adhérons à cette proposition

ii) Si vous y adhérez, quelle forme devrait prendre ces indications selon vous : celle d'un exemple illustratif accompagnant la norme, ou celle d'une ressource externe au Manuel? Veuillez justifier votre choix et préciser en quoi l'approche que vous préconisez serait la meilleure façon de favoriser une uniformité d'application.

Un seul exemple illustratif n'est pas suffisant pour bien comprendre les différentes approches et possibilité d'un test de dépréciation. Dans chaque cas de figure, il y aura toujours une part de jugement mais un seul exemple pour aider le préparateur à faire le test de dépréciation est insuffisant. Une ressource externe avec des exemples illustratifs avec le détail des jugements et des hypothèses utilisés pour les fins du test de dépréciation répondrait davantage au besoin des préparateurs d'états financiers. Une section additionnelle dans la partie II du Manuel doit être intégrée à Knotia afin que tous puissent y avoir accès.

Question 2.2 – Autres difficultés concernant la dépréciation d'actifs à long terme

Y a-t-il, dans le chapitre 3063, d'autres questions d'information financière que le CNC devrait traiter dans le cadre de ce projet? Si oui, veuillez décrire chaque question, expliquer en quoi elle satisfait aux critères de délimitation du projet et proposer une façon pour le CNC d'y répondre.

Une autre problématique est le moment d'effectuer le test de dépréciation. Selon la norme, le test doit être fait lorsque des événements ou des changements de situation sont décelés. En pratique, les PME ne sont pas structurées pour faire ces tests ou relever les indices en cours d'année. L'exigence devrait être de faire l'analyse en fin d'exercice seulement.

Chapitre 3065, Contrats de location

Question 3 – Comptabilisation d'une charge locative selon une formule linéaire

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur la comptabilisation des loyers des contrats de location-exploitation selon une formule linéaire?*

Non.

b) *Souhaitez-vous vous prononcer sur la proposition du CNC, à savoir ne pas prendre d'autres mesures, car cette difficulté ne relève pas de la portée du projet? Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

Non

Question 3.1 – Autres difficultés concernant les contrats de location

Y a-t-il, dans le chapitre 3065, d'autres questions d'information financière que le CNC devrait traiter dans le cadre de ce projet? Si oui, veuillez décrire chaque question, expliquer en quoi elle satisfait aux critères de délimitation du projet et proposer une façon pour le CNC d'y répondre.

L'exigence de reporter les nouvelles conditions de renégociation d'un bail sur la période de prolongation plutôt que sur la durée restante du bail devrait être revue afin de permettre d'amortir sur la durée restante du bail ces nouvelles conditions. Cette façon de faire permettrait une linéarisation des baux des sociétés ayant plusieurs baux dont les conditions sont régulièrement renégociées et une meilleure comparabilité de leurs résultats.

Chapitre 3110, Obligations liées à la mise hors service d'immobilisations

Question 4 – Incertitude d'estimation associée à l'évaluation des obligations liées à la mise hors service d'immobilisations

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur l'incertitude d'estimation associée à l'évaluation des obligations liées à la mise hors service d'immobilisations?*

En pratique, peu de sociétés procèdent à l'évaluation du montant de l'obligation liée à la mise hors service des immobilisations, car le coût d'une telle évaluation est trop élevé en regard du moment où l'immobilisation sera mise hors service. La direction ne voit aucun avantage à faire cette évaluation en l'absence d'un élément déclencheur Il peut se passer plusieurs années avant qu'un élément déclencheur survienne. Il faut conserver la divulgation de ces obligations afin d'aviser le lecteur.

b) *Souhaitez-vous vous prononcer sur la proposition du CNC, à savoir ne pas prendre d'autres mesures, car cette difficulté ne relève pas de la portée du projet? Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

L'obligation juridique peut exister pour une société mais la matérialisation de cette dernière peut-être à une date indéterminée voire jamais. Cette norme demande donc un investissement important pour des obligations de la société qui ne se matérialiseront qu'à un moment précis soit lorsqu'un élément déclencheur tel que mentionné au point a) survient. À notre avis, les notes doivent divulguer les informations relatives aux obligations liées à la mise hors service des immobilisations mais la comptabilisation devrait avoir lieu lorsque les probabilités de matérialisation de l'obligation sont élevées.

Question 4.1 – Disparité dans les taux d'actualisation utilisés

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur la disparité des taux d'actualisation utilisés pour évaluer une obligation liée à la mise hors service d'une immobilisation?*

Non.

c) *Souhaitez-vous vous prononcer sur la proposition du CNC, à savoir ne pas prendre d'autres mesures, car cette difficulté ne relève pas de la portée du projet? Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

Non.

Question 4.2 – Autres difficultés concernant les obligations liées à la mise hors service d'immobilisations

Y a-t-il, dans le chapitre 3110, d'autres questions d'information financière que le CNC devrait traiter dans le cadre de ce projet? Si oui, veuillez décrire chaque question, expliquer en quoi elle satisfait aux critères de délimitation du projet et proposer une façon pour le CNC d'y répondre.

Non.

Chapitre 3400, Produits

Question 5 – Application de la méthode de l'avancement des travaux

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les difficultés quant à l'application de la méthode de l'avancement des travaux?*

Non.

b) *Souhaitez-vous vous prononcer sur la proposition du CNC, à savoir envisager un choix de méthode comptable qui permettrait d'étendre l'applicabilité de la méthode de l'achèvement des travaux aux contrats répondant à certains critères?*

   i) *Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

   Nous adhérons à cette proposition.

   ii) *Si vous y adhérez, selon vous, quels devraient être les critères d'applicabilité de la méthode de l'achèvement des travaux?*

   Nature des activités de l'entreprise et la durée des contrats. Nous pensons que ce choix pourrait être applicable pour les contrats à très court terme (inférieur à 1 mois). Nous avons comme exemple les entrepreneurs en construction qui effectuent des travaux de rénovation qui s'échelonnent sur une courte période.

Question 5.1 – Accords à composantes multiples

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les difficultés quant à la comptabilisation des accords à composantes multiples?*

Non.

b) *Souhaitez-vous vous prononcer sur la proposition du CNC, à savoir envisager un choix de méthode comptable qui permettrait d'étendre l'applicabilité de la méthode de l'achèvement des travaux aux accords à composantes multiples répondant à certains critères?*

   i) *Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

   Nous adhérons à cette proposition.

   ii) *Si vous y adhérez, selon vous, quels devraient être, dans le cas des accords à composantes multiples, les critères d'applicabilité de la méthode de l'achèvement des travaux?*

   Nature des activités de l'entreprise, la durée de la prestation des diverses composantes et les interdépendances entre les diverses composantes (ex : conception des plans et réalisation des travaux par la suite).

Question 5.2 – Autres difficultés concernant les produits

Y a-t-il, dans le chapitre 3400, d'autres questions d'information financière que le CNC devrait traiter dans le cadre de ce projet? Si oui, veuillez décrire chaque question, expliquer en quoi elle satisfait aux critères de délimitation du projet et proposer une façon pour le CNC d'y répondre.

Pour les informations à fournir, la divulgation du montant global des coûts engagés et des profits constatés (déduction faite des pertes constatées) à ce jour pour les contrats en cours. Nous ne comprenons pas la pertinence de cette information pour le lecteur des états financiers. Nous suggérons de retirer cette exigence.

Chapitre 3462, Avantages sociaux futurs

Question 6 – Comptabilisation des régimes de retraite individuels

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur la comptabilisation des régimes de retraite individuels?*

   Non.

b) *D'après votre expérience, les régimes de retraite individuels sont-ils généralisés chez les entreprises à capital fermé qui appliquent les NCECF?*

   Ils ne sont pas généralisés mais il y a un certain nombre de sociétés qui possèdent ce type de régime pour les actionnaires dirigeants. Nous n'avons toutefois pas remarqué que ces derniers se sont rarifiés.

c) *Souhaitez-vous vous prononcer sur la proposition du CNC, à savoir ne pas prendre d'autres mesures, car cette difficulté ne relève pas de la portée du projet? Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

   Nous n'adhérons pas au fait que cela ne relève pas de la portée du projet. Les régimes de retraite individuels, bien qu'ils soient des régimes à prestation définies, n'ont pas les mêmes caractéristiques que les autres régimes à prestations définies, du fait qu'ils sont mis en place pour les actionnaires d'une société. Dans la presque totalité des cas, à la fermeture du régime, le passif actuariel n'est pas renfloué par la société puisque les actionnaires y renoncent. Les provisions sont donc renversées dans l'année de fermeture de ces régimes. Les ajustements annuels à comptabiliser amènent une variabilité dans les résultats des sociétés pour des passifs qui ultimement, ne se matérialiseront pas dans la presque totalité des cas. Nous pensons qu'une divulgation aux états financiers de l'existence d'un régime de retraite individuel ainsi que de la charge de retraite est suffisante pour le lecteur des états financiers.

Question 6.1 – Obligations d'information pour les régimes à prestations définies

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les coûts à engager afin de se conformer aux obligations d'information pour les régimes à prestations définies?*

   Non.

b) *Souhaitez-vous vous prononcer sur la proposition du CNC, à savoir ne pas prendre d'autres mesures, car cette difficulté ne relève pas de la portée du projet? Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

   Non.

Question 6.2 – Comptabilisation des prestations de cessation d'emploi

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les difficultés quant à la comptabilisation des prestations de cessation d'emploi?*

   Non.

b) *Souhaitez-vous vous prononcer sur la proposition du CNC, à savoir réexaminer le libellé des indications sur la comptabilisation des prestations de cessation d'emploi?*

   Nous n'avons pas de problème avec le libellé.

   i) Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?

   ii) Si vous y adhérez, comment le CNC pourrait-il améliorer le libellé de la disposition pour favoriser l'application de celle-ci lorsque cela est pertinent?

c) *Souhaitez-vous vous prononcer sur la deuxième proposition du CNC, à savoir élaborer des indications pour faciliter l'application de cette disposition?*

   i) Si vous n'adhérez pas à cette deuxième proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?

   Nous adhérons à proposition.

   ii) Si vous y adhérez, quelle forme devraient prendre ces indications selon vous : celle d'un exemple illustratif accompagnant la norme, ou celle d'une ressource externe au Manuel? Veuillez justifier votre choix et préciser en quoi l'approche que vous préconisez serait la meilleure façon de favoriser une uniformité d'application.

   Un exemple illustratif serait suffisant pour démontrer la différence dans la comptabilisation et les informations à fournir entre les prestations de cessation d'emploi contractuelles et les prestations spéciales de cessation d'emploi.

d) *Selon vous, le CNC devrait-il mettre en œuvre les deux propositions ou une seule? Si vous jugez que le CNC ne devrait en mettre en œuvre qu'une seule, laquelle serait la plus efficace pour donner suite aux commentaires reçus, et pourquoi?*

   Revoir la deuxième proposition puisqu'elle clarifie la comptabilisation de ces prestations.

Question 6.3 – Autres difficultés concernant les avantages sociaux futurs

Y a-t-il, dans le chapitre 3462, d'autres questions d'information financière que le CNC devrait traiter dans le cadre de ce projet? Si oui, veuillez décrire chaque question, expliquer en quoi elle satisfait aux critères de délimitation du projet et proposer une façon pour le CNC d'y répondre.

Non.

Chapitre 3465, Impôts sur les bénéfices

Question 7 – Obligations d'information liées à la méthode des impôts exigibles

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les coûts à engager afin de se conformer aux obligations d'information liées à la méthode des impôts exigibles?*

   Non.

b) *Souhaitez-vous vous prononcer sur la proposition du CNC, à savoir élaborer des indications supplémentaires pour faciliter l'application de cette disposition?*

   i) *Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

   Nous adhérons à cette proposition.

   ii) *Si vous y adhérez, quelle forme devrait prendre ces indications selon vous : celle d'un exemple illustratif supplémentaire accompagnant la norme, ou celle d'une ressource externe au Manuel? Veuillez justifier votre choix et préciser en quoi l'approche que vous préconisez serait la meilleure façon de favoriser une uniformité d'application.*

   Oui, un exemple illustratif d'une situation plus complexe pourrait être ajouté.

Question 7.1 – Application de la méthode des impôts futurs

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur l'application de la méthode des impôts futurs?*

   Non.

b) *Souhaitez-vous vous prononcer sur la proposition du CNC, à savoir ne pas prendre d'autres mesures, car cette difficulté ne relève pas de la portée du projet? Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

   Nous adhérons à cette proposition.

Question 7.2 – Traitements fiscaux incertains

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur la comptabilisation des traitements fiscaux incertains et les informations à fournir à cet égard?*

   Non.

b) *Souhaitez-vous vous prononcer sur la proposition du CNC, à savoir continuer à suivre cette question et envisager de la traiter dans le cadre d'un projet de normalisation distinct? Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

   Nous adhérons à cette proposition de la traiter dans un projet de normalisation distinct.

Question 7.3 – Autres difficultés concernant les impôts sur les bénéfices

Y a-t-il, dans le chapitre 3465, d'autres questions d'information financière que le CNC devrait traiter dans le cadre de ce projet? Si oui, veuillez décrire chaque question, expliquer en quoi elle satisfait aux critères de délimitation du projet et proposer une façon pour le CNC d'y répondre.

Chapitre 3475, Sortie d'actifs à long terme et abandon d'activités

Question 8 – Sortie d'actifs à long terme

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les difficultés quant à la comptabilisation de la sortie d'actifs à long terme?*

   Non.

b) *Souhaitez-vous vous prononcer sur la proposition du CNC, à savoir réexaminer le libellé des dispositions relatives à la sortie d'actifs à long terme et envisager de les présenter dans une norme distincte par souci de clarté? Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

   Nous pensons que c'est suffisamment clair mais nous ne sommes pas à l'encontre de cette proposition.

Question 8.1 – Abandon d'activités

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les difficultés quant à la comptabilisation des activités abandonnées?*

   Non.

b) *Souhaitez-vous vous prononcer sur la proposition du CNC, à savoir ne pas prendre d'autres mesures, car cette difficulté ne relève pas de la portée du projet? Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

   Nous pensons que la présentation des activités abandonnées est complexe et peu comprise des lecteurs. Elle devrait faire l'objet d'une révision par le CNC.

Question 8.2 – Autres difficultés concernant la sortie d'actifs à long terme et l'abandon d'activités

Y a-t-il, dans le chapitre 3475, d'autres questions d'information financière que le CNC devrait traiter dans le cadre de ce projet? Si oui, veuillez décrire chaque question, expliquer en quoi elle satisfait aux critères de délimitation du projet et proposer une façon pour le CNC d'y répondre.

Non.

Chapitre 3856, Instruments financiers

Question 9 – Évaluation à leur juste valeur des emprunts sans intérêt ou à faible taux d'intérêt contractés dans le cadre d'opérations conclues dans des conditions de pleine concurrence

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les difficultés quant à l'évaluation à leur juste valeur des emprunts sans intérêt ou à faible taux d'intérêt contractés dans le cadre d'opérations conclues dans des conditions de pleine concurrence?*

   Non.

b) *Souhaitez-vous vous prononcer sur la proposition du CNC, à savoir envisager un choix de méthode comptable qui permettrait aux entités d'évaluer les passifs financiers dont le taux d'intérêt ne correspond pas aux taux pratiqués sur le marché à la valeur nominale (soit la valeur actualisée des flux de trésorerie futurs, calculée à l'aide du taux d'intérêt contractuel) et non à la juste valeur?*

   a) *Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

      Nous adhérons à cette proposition.

   b) *Si vous y adhérez, selon vous, faudrait-il offrir ce choix de méthode comptable à toutes les entités, ou bien instaurer des critères d'applicabilité pour que les besoins d'information des utilisateurs soient comblés? Le cas échéant, quels devraient être ces critères, et pourquoi?*

      Le choix devrait être offert à l'ensemble des entités. Dès qu'il y a ajout de critères, il y a toujours place à des interprétations qui viennent complexifier l'application pour certaines entités.

Question 9.1 – Détermination de la juste valeur des dérivés

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les difficultés quant à la détermination de la juste valeur des dérivés?*

Pour les instruments financiers dérivés, la comptabilisation des dérivés à la juste valeur crée d'énormes fluctuations dans les états financiers pour lesquelles la direction est en désaccord, car le gain ou la perte n'est pas réalisé tant que le dérivé n'est pas échu. Ces derniers ne comprennent pas comment ni pourquoi le fait de gérer le risque commercial lié aux opérations en devises peut autant affecter les résultats et causer une volatilité qui ne fait pas de sens à leurs yeux tant que le dérivé n'est pas arrivé à échéance. Il en résulte que certains dirigeants de PME planifient afin de mettre fin à leurs dérivés tout juste avant la fin d'exercice et à reprendre des dérivés tout de suite après la fin d'exercice afin d'éviter cette volatilité, ce qui ne fait aucun sens d'un point de vue commercial ou de gestion du risque. L'utilisation de la comptabilité de couverture est excessivement complexe pour les sociétés, car la documentation de la couverture est habituellement non effectuée au moment de la mise en place de la relation de couverture. Toutefois, sans que ces dérivés ne soient comptabilisés à la juste valeur, nous croyons qu'une divulgation des dérivés devrait être incluse dans les notes complémentaires aux états financiers afin que le lecteur soit informé des outils utilisés par la société et du risque qu'ils peuvent comporter.

b) *Souhaitez-vous vous prononcer sur la proposition du CNC, à savoir ne pas prendre d'autres mesures, car cette difficulté ne relève pas de la portée du projet? Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

Nous pensons que la norme doit être revue afin d'offrir le choix de présenter uniquement les informations à fournir afin d'aviser le lecteur de l'existence des instruments financiers dérivés ainsi que des conditions de ces derniers ou comptabiliser des instruments financiers dérivés à la juste valeur en plus de fournir les informations relatives aux instruments financiers dérivés.

Question 9.2 – Classement dans les passifs et dans les capitaux propres

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les difficultés quant à l'application des précisions d'application de la norme sur le classement dans les passifs et les capitaux propres?*

Non.

b) *Souhaitez-vous vous prononcer sur la solution proposée par le CNC, à savoir réexaminer le libellé des indications liées au classement des instruments financiers comme passifs ou capitaux propres?*

Nous pensons que les difficultés d'application relèvent davantage de la complexité grandissante des instruments financiers offerts sur le marché. L'ajout d'exemples de classement d'instruments financiers complexes que nous retrouvons actuellement sur le marché répondraient aux problèmes soulevés dans la description et l'analyse de la difficulté.

i) Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?

ii) Si vous y adhérez, quels aspects des dispositions en matière de classement trouvez-vous difficiles à comprendre? Selon vous, comment faudrait-il les reformuler?

Question 9.3 – Comptabilité de couverture

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les difficultés quant à la détermination de la question de savoir si un accord répond aux critères de comptabilité de couverture et quant à la consignation de cette question?*

Non.

b) *Souhaitez-vous vous prononcer sur la proposition du CNC, à savoir ne pas prendre d'autres mesures, car cette difficulté ne relève pas de la portée du projet? Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

Non.

Question 9.4 – Informations à fournir sur les risques financiers

a) Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les difficultés quant à la préparation des informations à fournir sur les risques financiers?

Non.

b) Souhaitez-vous vous prononcer sur la proposition du CNC, à savoir ne pas prendre d'autres mesures, car cette difficulté ne relève pas de la portée du projet? Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?

Non.

Question 9.5 – Autres difficultés concernant les instruments financiers

Y a-t-il, dans le chapitre 3856, d'autres questions d'information financière que le CNC devrait traiter dans le cadre de ce projet? Si oui, veuillez décrire chaque question, expliquer en quoi elle satisfait aux critères de délimitation du projet et proposer une façon pour le CNC d'y répondre.

Non.

Chapitre 3870, Rémunérations et autres paiements à base d'actions

Question 10 – Évaluation des options sur actions consenties à des salariés et autres instruments de capitaux propres des plans de rémunération à base d'actions

a) *Souhaitez-vous vous prononcer sur l'analyse effectuée par le CNC des commentaires sur les difficultés quant à l'évaluation des options sur actions consenties à des salariés et autres instruments de capitaux propres des plans de rémunération à base d'actions?*

Non.

b) *Souhaitez-vous vous prononcer sur la proposition du CNC, à savoir ne pas prendre d'autres mesures, car cette difficulté ne relève pas de la portée du projet? Si vous n'adhérez pas à cette proposition, quelle(s) solution(s) suggérez-vous, et pourquoi?*

Nous n'adhérons pas à cette proposition car au cours des dernières années, ce type de régime a gagné en popularité auprès des PME. Cependant, ce chapitre est excessivement difficile à appliquer pour les PME. Les évaluations de juste valeur sont difficiles à cause du manque de comparatif (pas de marché observable) et du taux de volatilité à déterminer. Les discussions avec la direction sont nombreuses et difficiles et résultent dans certains cas en réserve au rapport puisque la direction refuse la comptabilisation de ces régimes. Les dirigeants de PME ne comprennent absolument rien à cette comptabilisation et trouvent que cela fausse les chiffres. Les écarts dans les évaluations peuvent être importants ce qui nuit à notre avis à la comparabilité des états financiers des PME. Toutefois, nous croyons qu'il est important que le lecteur soit informé de l'existence d'options d'achat d'actions et autres types de rémunérations à base d'actions. Nous suggérons d'éliminer les obligations de comptabilisation et de conserver uniquement les obligations de divulgation sur le type de rémunération, le nombre d'options octroyées, les conditions des options et autres types de rémunération ainsi que la charge comptabilisée aux résultats en lien avec ce type de rémunération.

Question 10.1 – Autres difficultés concernant les rémunérations et autres paiements à base d'actions

Y a-t-il, dans le chapitre 3870, d'autres questions d'information financière que le CNC devrait traiter dans le cadre de ce projet? Si oui, veuillez décrire chaque question, expliquer en quoi elle satisfait aux critères de délimitation du projet et proposer une façon pour le CNC d'y répondre.

Le chapitre dans son intégralité est très complexe et peu compris des utilisateurs. L'ensemble des recommandations seraient à revoir afin de mieux répondre au besoin et à la réalité des PME.

Question 11 - Autres difficultés d'application importantes des NCECF

Y a-t-il, dans les normes pour lesquelles aucune difficulté d'application importante n'a été soulevée, d'autres questions d'information financière que le CNC devrait traiter dans le cadre de ce projet? Si oui, veuillez décrire chaque question, expliquer en quoi elle satisfait aux critères de délimitation du projet et proposer une façon pour le CNC d'y répondre.

Non.

Question 12 – Classement par ordre de priorité des questions d'information financière qui relèvent de la portée de l'examen approfondi des NCECF

En tenant compte de la façon dont le CNC classe ses projets par ordre de priorité, veuillez indiquer quelles questions d'information financière devraient, selon vous, être en tête de liste (nommez, par exemple, les trois à cinq enjeux que vous jugez prioritaires). Veuillez expliquer votre raisonnement.

Instruments financiers à la juste valeur

Tests de dépréciation

Rémunération à base d'actions

Avantages sociaux futurs (RRI)

January 31, 2026

Katharine Christopoulos, CPA, CA
Director, Accounting Standards
Accounting Standards Board
145 King Street West, Suite 500
Toronto, ON
M5H 1J8

Re: Detailed Review of Accounting Standards for Private Enterprises (ASPE) – Consultation Paper

Dear Ms. Christopoulos:

RSM Canada appreciates the opportunity to comment on the Accounting Standards Board's ("AcSB" or the "Board") Consultation Paper, "Detailed Review of Accounting Standards for Private Enterprises (ASPE)" issued in September 2025. We support the AcSB's project objective to simplify the application of ASPE in Part II of the CPA Canada Handbook – Accounting (the "Handbook") while maintaining the usefulness of financial statements for users across entities of varying sizes and complexities.

Our responses below address the specific questions posed in the Consultation Paper and provide recommendations for practical improvements with an emphasis on scalability for smaller and less complex entities.

Responses to Specific Questions in the Consultation Paper

Question 1 — Allocating overhead costs to inventories (Issue 1a)

(a) Comments on the AcSB's analysis of feedback

We think the AcSB has correctly identified that cost allocation under Section 3031 poses significant practical challenges for many private enterprises, particularly those with less robust costing systems or owner-managed production environments. Many entities struggle to track labour allocations, production overhead absorption, and related inputs with the precision required by the standard.

(b) Comments on the AcSB's proposal to explore an accounting policy choice

We support the AcSB's proposal to provide an accounting policy choice permitting entities to exclude overhead costs from the cost of manufactured inventories. This aligns with the approach already available for agricultural producers under Section 3041 and would better reflect the operational realities of many ASPE preparers.

(b)(i) If you disagree

N/A

(b)(ii) If you agree — Should this choice apply broadly or have criteria?

We recommend allowing the option for all entities. We think larger private enterprises with sophisticated ERP costing systems will likely continue to recognize the full cost of inventories since the information is readily available. Furthermore, financial statement users may require certain types of entities to also use a full cost approach for inventories (e.g. entities with highly material or complex manufacturing operations).

For those entities that do choose to exclude overhead costs, we think the Board should require disclosure of the nature of costs expensed rather than capitalized (as well as clearly describing the accounting policy, as is required by Section 1505, *Disclosure of accounting policies*). This approach balances relief with protection of users' information needs.

Question 1.1 — Disclosing the amount of inventories expensed (Issue 1b)

(a) Comments on the AcSB's analysis of feedback

We agree with the AcSB's assessment that this disclosure is difficult to apply for less sophisticated entities due to the lack of clear guidance in the standard, resulting in diversity in practice over what constitutes "inventories recognized as an expense." In practice, we note that preparers often include costs not directly tied to inventory.

(b) Comments on proposal to retain, and consider replacement in future

We agree that retaining the disclosure for now is appropriate, but think the AcSB should undertake a future project to develop a replacement disclosure requirement focused on the following:

- A breakdown of cost of sales, not merely an aggregate "inventory expensed" amount. This requirement should include detailed guidance on what entities should include in cost of sales, such as disclosures abnormal production costs (especially when production levels significantly fluctuate year-over-year) and classification of distribution and selling costs (which entities often commingled with cost of sales); and
- increased transparency around unallocated overhead, abnormal production variances, and distribution costs.

This would provide users with higher quality information while addressing preparer confusion.

Question 1.2 — Other Issues in Section 3031

We have not identified any other issues with Section 3031 that fall within the scope of this project.

Question 2 — Identifying indicators of impairment (Issue 2a)

(a) Comments on the AcSB's analysis of feedback

We agree with the AcSB's observation that entities often struggle with identifying impairment indicators. In our experience, this is because:

- the examples provided in Section 3063 are not exhaustive, leading entities to overlook less obvious triggers; and
- smaller entities often lack formal forecasting processes or monitoring frameworks that would highlight operational, cash flow, or market-based indicators.

Overall, entities often need to apply significant judgment in assessing impairment indicators, which results in diversity in practice, even across similar-sized entities.

We agree with the AcSB's conclusion that the requirement should remain unchanged, as eliminating indicator-based testing could reduce the relevance of financial statements. However, we think the Board should take action to improve application consistency.

(b) Comments on the proposal to develop guidance

We strongly support the AcSB developing additional guidance, including:

- expanded illustrative examples of impairment indicator assessments for different industries; and
- a decision tree to help entities determine when a formal recoverability assessment is required.

(b)(i) If you disagree

N/A

(b)(ii) If you agree — Preference for implementation: illustrative example vs external resource

We recommend that the Board provide guidance within the standard as illustrative examples, supplemented by a practice aid or Frequently Asked Questions (FAQ) document published externally by the AcSB.

We think embedding examples within the standard ensures more consistent reference by stakeholders, and external aids allow for more flexibility and timely updates. However, in our view, the Board should prioritize adding illustrative examples within the standard.

Question 2.1 — Performing the impairment test (Issue 2b)

(a) Comments on the AcSB's analysis

We agree with the AcSB's assessment that the underlying requirements are conceptually appropriate but operationally challenging because:

- many entities lack experience preparing cash flow forecasts;
- determining fair value in the absence of active markets can lead to inconsistent approaches; and
- insufficient guidance contributes to diversity in practice.

(b) Comments on developing guidance

We support adding guidance on:

- forecast preparation, including supportable assumptions and external data sources;

- evaluating significant assumptions such as growth rates, discount rates, and terminal values;
- distinguishing between recoverability and measurement steps;
- grouping long-lived assets together for impairment testing purposes (e.g., corporate level assets, etc); and
- clarifying treatment of assets used in multiple segments or functions.

(b)(i) If you disagree

N/A

(b)(ii) If you agree — Where should guidance reside?

We think this guidance should exist as an external resource outside of the Handbook. We think such a resource would allow the Board to provide more robust guidance and examples than would typically be included in the Handbook. We also recommend the Board consider partnering with relevant parties/organizations, such as valuation experts, in the development of this resource to ensure it is practical and comprehensive regarding performing an impairment test.

Question 2.2 — Other issues in Section 3063

We have not identified any other issues with Section 3063 that fall within the scope of this project.

Question 3 — Straight-line recognition of rent expense

(a) Comments on the AcSB's analysis

We agree that straight-lining lease payments promotes comparability, reflects the accrual basis of accounting and is not overly complex to apply in practice.

(b) Comments on the AcSB's proposal to not address this issue

We agree with the Board's proposal.

Question 3.1 — Other issues in Section 3065

We have not identified any other issues with Section 3065 that fall within the scope of this project.

Question 4 — Estimation uncertainty associated with measuring AROs

(a) Comments on the AcSB's analysis

We agree with the AcSB that information about an entity's asset retirement obligations (AROs) is important for financial statement users, as it is important for users to have complete information about an organization's liabilities. However, we note that often users may not find the amount entities recognize on the balance sheet meaningful, given the significant measurement uncertainty involved for many AROs, and long periods until entities must settle many AROs. We think that it may be possible to provide relevant information to users about ARO-related liabilities without requiring entities to perform the complex measurement exercise in all cases.

(b) Comments on the AcSB's proposal to not address this issue

We think the Board could consider alternatives to the current measurement requirements for AROs in certain cases. For example, a robust disclosure-only option for AROs that are due to be settled in the distant future (and therefore have an immaterial present value) may provide users with more useful information. This could be similar to existing commitment disclosures, and include the expected cash flow amount or range, and timing. Section 3110 already contains a requirement that an ARO is only recognized when it can be reasonably estimated, and therefore this disclosure-only approach for certain AROs would not be inconsistent with the existing requirements.

However, given AROs are typically limited to certain sectors and not pervasive across private enterprises, we think this project would not be a priority.

Question 4.1 — Diversity in discount rates used (Issue 4b)

(a) Comments on AcSB's analysis

We agree that diversity in discount rates stems from the judgment intentionally embedded in the standard, and eliminating this intended diversity may have adverse consequences.

(b) Comments on taking no further action

We agree with the Board's decision to take no further action on the diversity in discount rates. However, see our response to Question 4 regarding the general measurement uncertainty associated with AROs and requirement to present value obligations that will be due many years in the future.

Question 4.2 — Other ARO issues (Section 3110)

We have not identified any other issues with Section 3110 that fall within the scope of this project.

Question 5 — Applying the percentage of completion method (Issue 5a)

(a) Comments on AcSB's analysis

We agree that complexity in applying percentage of completion is generally warranted for long-term contracts but often not warranted for short-term service arrangements and other similar types of contracts.

(b) Comments on policy choice proposal

We strongly support introducing a policy choice enabling use of the completed contract method for short-duration contracts that meet specific criteria.

In addition, the Board could consider introducing an accounting policy choice permitting entities to recognize revenue on a straight-line basis for performance obligations satisfied over time when doing so would faithfully depict performance. For example, this may be appropriate in circumstances where:

- the contract contains a limited number of clearly-defined performance obligations requiring minimal subjective measurement; and
- the economic pattern of performance does not materially differ from straight-line recognition, such that a more detailed percentage-of-completion analysis would not be expected to yield substantively different results.

<u>(b)(i) If you disagree</u>

N/A

<u>(b)(ii) If you agree — provide criteria recommendations</u>

We think the Board could consider the following criteria:

- Expected duration of the contract is less than 12 months.
- Contract value is not material relative to total revenue.
- The entity has a high volume of low value, similar contracts.

Question 5.1 — Multiple element arrangements (Issue 5b)

<u>(a) Comments on AcSB's analysis</u>

We agree that multiple-element arrangements involve material judgment in identifying components and allocating consideration, and that complexity may be unwarranted when elements are delivered in a short timeframe.

<u>(b) Comments on proposed solution</u>

We think aligning Issue 5b with the policy choice under Issue 5a is logical.

<u>(ii) If you disagree</u>

N/A

<u>(ii) If you agree — provide criteria recommendations</u>

In addition to the proposed criterion of having the total contract duration below a certain threshold, we think the Board could consider the following criteria:

- All significant components of the arrangement are performed within a reporting period so that separating the elements for recognition purposes provides little incremental decision-useful information relative to recognizing the contract upon completion.
- The elements are homogenous and interdependent.
- Estimating progress toward completion is impracticable or highly subjective.

Question 5.2 — Other issues with Section 3400

We have not identified any other issues with Section 3400 that fall within the scope of this project.

Question 6 — Accounting for individual pension plans (Issue 6a)

<u>(a) Comments on analysis</u>

We agree with the AcSB that although actuarial valuations may be costly, the accounting for individual pension plans (IPPs) is generally straightforward once such valuations are obtained.

<u>(b) Pervasiveness</u>

Based on our experience, we agree with the Board that IPPs are not currently pervasive among private enterprises. In practice, most IPPs that we do see are legacy plans, and not newly issued, and therefore we think they are diminishing in prevalence.

(c) Comments on taking no action

We agree with the Board's proposal to take no action.

Question 6.1 — Defined Benefit Plan Disclosures (Issue 6b)

(a) Comments on analysis

We agree with the Board that preparers typically have access to necessary information via actuarial reports and that the disclosures provide important information to users. Overall, we think the complexity is warranted and the benefits outweigh the costs of these disclosures, especially given the risks associated with defined benefit plans.

(b) Comments on taking no action

We agree with the Board's proposal to take no further action.

Question 6.2 — Termination Benefits (Issue 6c)

(a) Comments on analysis

We support the AcSB's conclusion that recognition requirements should remain unchanged as this requirement provides useful information to financial statement users regarding the entity's financial obligations.

(b) Comments on drafting improvements

We agree that drafting improvements could enhance clarity of the requirements. Specifically, the Board could consider:
- summarizing/consolidating the requirements related to termination benefits, so preparers can more easily see in the standard all the situations when liability recognition is required;
- clarifying the distinction between contractual termination benefits (arising from existing agreements) and non-contractual benefits (arising from management decisions); and
- clarifying the timing of recognition, including examples of when a constructive obligation arises.

(b)(i) If you disagree

N/A

(b)(ii) If you agree — provide drafting improvement suggestions

See above.

(c) Proposal to develop guidance

(c)(i) If you disagree

N/A

(c)(ii) If you agree — where should guidance be located?

We recommend including clarifications as more robust illustrative examples within the standard. Embedding core clarity within the Handbook ensures consistent application.

(d) Implementation of proposals

We recommend that the AcSB implements both proposals, but focuses on clarifying the existing guidance through improved drafting and illustrative examples, rather than introducing additional external guidance.

In our view, the stakeholder feedback arises from uncertainty in applying the current principles (particularly around the distinction between contractual and non-contractual termination benefits and the timing of recognition). Enhancing clarity within the existing framework would more effectively address these concerns while avoiding unnecessary complexity or unintended changes in practice.

Question 6.3 — Other issues with Section 3462

We have not identified any other issues with Section 3462 that fall within the scope of this project.

Question 7 — Taxes Payable Method Disclosure (Issue 7a)

(a) Comments on the AcSB's analysis

We agree with the AcSB that the taxes payable reconciliation disclosure can be challenging for entities operating in multiple jurisdictions or with complex tax profiles. However, the disclosure provides meaningful information to users regarding the relationship between accounting income and taxable income.

(b) Comments on developing guidance

(b)(i) If you disagree

N/A

(b)(ii) If you agree — where should guidance be located?

We support developing additional guidance, preferably through illustrative examples within the Handbook. Illustrative examples could address:

- reconciling permanent vs. temporary differences;
- multi-jurisdictional rate effects; and
- common pitfalls when preparing the reconciliation.

Question 7.1 — Future income taxes method (Issue 7b)

(a) Comments on analysis of feedback

We agree with the AcSB that no change is necessary. Entities can elect the simpler taxes payable method if appropriate.

(b) Comments on no further action

We agree with the AcSB's proposal to take no further action.

Question 7.2 — Uncertain tax treatments (Issue 7c)

(a) Comments on analysis of feedback

We agree with the Board's decision to monitor the issue as it is outside the scope of this Detailed Review of ASPE project. However, we think preparers need guidance on this topic within ASPE, instead of relying on GAAP hierarchy.

(b) Comments on addressing it as part of separate standard-setting project

We agree that to support consistency without introducing undue complexity, the Board, as part of a separate project, could consider issuing guidance similar to IFRIC 23, *Uncertainty over Income Tax Treatments* in IFRS Accounting Standards but tailored for ASPE.

Question 7.3 — Other issues in Section 3465

We have not identified any other issues with Section 3465 that fall within the scope of this project.

Question 8 — Disposal Of long-lived assets (Issue 8a)

(a) Comments on the AcSB's analysis

We strongly support the Board's proposal to review the drafting of Section 3475. In our experience, entities commonly misapply the requirements because preparers conflate held for sale classification with discontinued operations. We think clearly separating and distinguishing the guidance would reduce application errors in practice.

(b) Comments on the proposal

We agree with the proposed action to review the drafting. We think structuring the Section, so that the classification, measurement, presentation and disclosure requirements for each held for sale classification and discontinued operations are in their own sub-sections of Section 3475 will improve consistency without altering the underlying principles. Given the interrelations of the requirements (e.g. the discontinued operations definition links to held for sale classification) we think the two requirements need not be in entirely different sections of the handbook so long as the requirements within Section 3475 are laid out in a way that is sufficiently distinct.

Question 8.1 — Discontinued Operations (Issue 8b)

(a) Comments on the AcSB's analysis

We agree no action is required as the issue is outside the project's scope.

(b) Comments on the proposal

We agree that no action is required, as this issue falls outside the project's scope. However, we note that questions related to discontinued operations have arisen more frequently in practice recently, potentially reflecting current economic conditions.

Question 8.2 — Other issues in Section 3475

We have not identified any other issues with Section 3475 that fall within the scope of this project.

Question 9 — Non-Market Loans (Issue 9a)

(a) Comments on the AcSB's analysis

We agree with the Board's analysis that non-market loans can be challenging to measure under current ASPE requirements and that this fair value information is not particularly useful for users.

(b) Comments on the proposal

We support the Board's proposal to explore an accounting policy choice to measure such loans at face value supplemented by enhanced disclosures. We think this proposal appropriately balances cost-benefit considerations.

(b)(i) If you disagree

N/A

(b)(ii) If you disagree — Suggested implementation considerations

We think this policy choice should be available to all entities. Furthermore, we recommend ensuring:
- disclosures clearly explain the nature of the non-market terms; and
- entities disclose any embedded concessions or related-party influence.

Question 9.1 — Fair value of derivatives (Issue 9b)

(a) Comments on the AcSB's analysis

We generally agree with the Board's analysis of this issue.

(b) Comments on the proposal

We agree with the Board's proposal to take no action on this issue. In practice, most entities obtain dealer quotes or broker valuations, and the existing requirements are workable.

Question 9.2 — Liability/Equity Classification (Issue 9c)

(a) Comments on the AcSB's analysis

We agree with the Board's analysis of this issue. We find private enterprises commonly enter into financing arrangements with various complex elements and preparers and practitioners find it challenging to navigate the guidance to analysis the contracts in question.

(b) Comments on the proposal

We strongly support redrafting the guidance for clarity. We also propose adding examples of different scenarios to clarify the guidance to complement the redrafted guidance. The focus areas that we commonly see in practice include but are not limited to preferred shares, puttable instruments and other compound instruments.

(b)(i) If you disagree

N/A

(b)(ii) If you agree — Suggested drafting improvements

See above

Question 9.3 — Hedge accounting (Issue 9d)

(a) Comments on the AcSB's analysis

We generally agree with the Board's analysis of this issue. In practice, we do not see hedging as a pervasive issue amongst our private enterprise clients.

(b) Comments on the proposal

We agree with the Board's proposal to take no action as hedge accounting is not widely applied.

Question 9.4 — Financial risk disclosures (Issue 9e)

(a) Comments on the AcSB's analysis

We generally agree with the Board's analysis of this issue.

(b) Comments on the proposal

We agree the Board's proposal to take no further action on this issue. We think boilerplate disclosures arise from preparer's behaviour rather than deficiencies in the standards themselves, and therefore standard-setting cost and efforts are unlikely to have significant benefits.

Question 9.5 — Other financial instrument issues

We think that the accounting for modifications versus extinguishments in related party loans is an area the Board should also consider as part of this project. We see this as a pervasive issue as related party financing is common in the private enterprise sector, and parties frequently modify agreements. We think the requirements are complex to understand, and such complexity is not warranted. We think the Board should include illustrative examples in the standard to help support consistent application.

Question 10 — Stock-based compensation (Issue 10)

(a) Comments on the AcSB's analysis

We generally agree with the Board's analysis of this issue.

(b) Comments on the proposal

We do not agree with the Board's proposal. While we think that complexity is warranted for this issue, we do not think sufficient and appropriate resources exist to support the application. In particular, as the Board noted in the Consultation Paper, many preparers struggle with determining appropriate inputs to stock option valuation models. We think that the Board could assist by developing a non-authoritative resource to support preparers with the practical application issues related to measuring instruments, determining fair values, etc. However, we do not see this as a priority issue.

Question 10.1 — Other issues in Section 3870

We have not identified any other issues with Section 3870 that fall within the scope of this project.

Question 11 — Other application issues

We do not have any further recommendations on issues that the Board needs to consider within the scope of this project at this time.

Question 12 — Prioritization Of Top Issues

In contemplation of the factors the Board considers when setting its priorities, including prevalence of the issues, feasibility of a solution and cost/benefit considerations (including relevance to users), we recommend prioritizing the following topics:

- **Revenue (Issues 5a and 5b**) – We think this is a high-prevalence area for many private enterprises. We also see this area as a source of restatements, particularly involving percentage of completion and multiple-element arrangements.
- **Financial instruments (Issues 9a and 9c) –** We see significant diversity in practice with respect to financial instruments, and significant costs associated with financial reporting by preparers without significant benefit to users.
- **Impairment (Issues 2a/2b)** – We think this is a judgment-heavy area with frequent inconsistencies in identifying indicators and preparing recoverability assessments.
- **Inventory overhead allocation (Issue 1a)** – We think this issue has a high cost of compliance for private enterprises, with limited decision-usefulness of the incremental precision required.

If you require further information or have any questions on our responses, please contact Katherine Knowlton (Katherine.knowlton@rsmcanada.com or 647-725-1602) or Stephanie Wiseman (stephanie.wiseman@rsmcanada.com or 416-646-8775)

Sincerely,

RSM Canada LLP

MNP LLP

January 31, 2026

SENT ELECTRONICALLY

Katharine Christopoulos, CPA, CA
Director, Accounting Standards
Accounting Standards Board
145 King Street West, Suite 500
Toronto, Ontario M5H 1J8

Re: Consultation Paper, "Detailed Review of Accounting Standards for Private Enterprises (ASPE)"

Dear Ms. Christopoulos,

Thank you for the opportunity to provide input to the Accounting Standards Board ("AcSB") on the above noted document.

MNP LLP is one of Canada's largest chartered professional accountancy and business advisory firms. Our clients include small to mid-size owner-managed businesses in agriculture, agribusiness, retail and manufacturing as well as pension plans, credit unions, co-operatives, First Nations, medical and legal professionals, not-for-profit organizations, municipalities and government entities. In addition, our client base includes a sizable contingent of publicly traded companies. We believe that we are well-positioned to provide feedback on this Consultation Paper ("CP").

We support the AcSB's objective to simplify the application of ASPE while maintaining the usefulness of the financial statements for entities of all sizes and complexities. Overall, we agree with the proposed approach to the detailed review of ASPE. We have omitted questions from our response where we agree with and did not have any comments regarding the proposals. Where we have specific comments on the questions in the Consultation Paper, we have included those comments below.

Question 3: Straight-line recognition of rent expense

> **(a) Do you have any comments on the AcSB's analysis of feedback on the straight-line recognition of rent expense for operating leases?**
> **(b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope?**

We agree with the AcSB's proposal to take no further action, and we agree the requirement to recognize operating lease rent expense on a straight-line basis is aligned with the accrual basis of accounting.
We also note the standard already acknowledges that another basis may be appropriate when it better reflects the time pattern of benefit (paragraph 3065.24).

However, in our experience, this remains a commonly misapplied area by private enterprises, with rent frequently recorded as incurred rather than straight-lined over the lease term, particularly when contractual payments vary over time.

Therefore, although we are not seeking modifications to the existing requirement, we recommend that the AcSB consider providing educational materials or awareness communications (separate from Part II of the Handbook) to reinforce the requirement and its underlying rationale, as well as to address common challenges. This approach would align with the AcSB's broader strategy of offering guidance and educational resources to facilitate consistent application without affecting the original requirement.

Question 4.1 – Diversity in discount rates used

> **(a) Do you have any comments on the AcSB's analysis of feedback on diversity in discount rates used to measure an ARO?**
> **(b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?**

We recommend the AcSB develop illustrative, non-prescriptive guidance that provides a practical starting place for discount rate determination. For example, this guidance could include:

- an illustrative starting formula/approach anchored to an observable risk-free yield (for maturity dates aligned to expected cash flows),
- examples of where entities could obtain relevant inputs (i.e., commonly available public sources for risk-free yields), and
- examples of how entities might adjust the starting point depending on whether they are applying the traditional approach (embedding uncertainty in the discount rate) or the expected cash flow approach (reflecting uncertainty in risk-adjusted cash flows).

We believe this type of guidance, clearly presented as illustrative and not as a required methodology would reduce diversity in practice and improve operability, while preserving the judgment necessary for entity-specific facts and circumstances.

Question 10: Measuring employee stock options and other equity instruments in stock-based compensation plans

> **(a) Do you have any comments on the AcSB's analysis of feedback on challenges with measuring employee stock options and other equity instruments in stock-based compensation plans?**
> **(b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?**

We note that Section 3870 already provides guidance on estimating expected volatility in certain circumstances (including using the calculated value method based on an appropriate industry sector index, with a fallback to a broad-based market index when necessary).

In our view, the greater remaining challenge in many start-up enterprises is not volatility, but rather the valuation of the underlying shares and the documentation of key assumptions supporting that valuation.

Accordingly, we recommend the AcSB reconsider its "no further action" conclusion by developing a simplified valuation approach for estimating the fair value of a private enterprise's shares for purposes of Section 3870. In our view, obtaining formal share valuations can be costly and onerous for many private enterprises, particularly start-ups, which can be a key barrier to consistent and timely application. For example, the AcSB could provide an practical expedient that illustrates reasonable methods and supporting documentation entities may use, such as leveraging recent arms-length financing transactions, as well as other commonly applied valuation techniques and inputs. This type of simplified, practical expedient would, in our view, improve operability and consistency in practice while maintaining decision-useful information without changing the underlying requirements of Section 3870.

Question 12: Prioritizing financial reporting topics within the scope of the Detailed Review of ASPE

Considering how the AcSB prioritizes its projects, please indicate which financial reporting issues you think the Board should assign the highest priority (e.g., list your top three to five issues). Please explain your reasoning.

We believe that the proposals that would introduce additional accounting options should be prioritized by the AcSB. These include the proposals in order of priority to:

- Explore an accounting policy choice that would allow entities to measure financial liabilities with non-market interest rates at face value (i.e., the present value of future cash flows, discounted using the contractual interest rate).
- Explore an accounting policy choice that would allow entities to exclude overhead costs from the cost of manufactured inventories.
- Explore an accounting policy choice that would expand the applicability of the completed contract method to contracts meeting certain criteria, including multiple element arrangements.

These additional policy choices would reduce the reporting burden, complexity and costs for small and medium sized enterprises while keeping decision useful information available for financial statement users.

We would be pleased to offer our assistance to the AcSB for any future proposed changes to accounting standards and in helping to find solutions which meet the needs of the financial statement users.

Yours truly,

MNP LLP

Maryse Vendette

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Katharine Christopoulos, CPA, CA
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Accounting Standards Board
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30 January 2026

Dear Ms. Christopoulos

Comment letter on Consultation Paper – Detailed Review of Accounting Standards for Private Enterprises

We appreciate the opportunity to comment on the Accounting Standards Board's (AcSB) Consultation Paper – Detailed Review of Accounting Standards for Private Enterprises published in October 2025.

We support the AcSB's efforts to review complex ASPE requirements, for pervasive issues where the Board's cost/benefit threshold is not met. We generally support the approach of seeking practical solutions, including accounting policy choices that help to simply the standards for smaller entities, while maintaining the requirements for larger, more complex entities where the more complex requirements may be more relevant.

The appendix to this letter contains our detailed responses to the questions raised in the Consultation Paper.

Please contact Jamie O'Neil at joneil@kpmg.ca if you wish to discuss any of the responses in this letter.

Yours truly,

KPMG LLP

Per:

James A. O'Neil, CPA, CA	Abhimanyu Verma, CPA, CA
Partner, Enterprise Leader, Department of Professional Practice	Partner in-Charge, Department of Professional Practice

KPMG

30 January 2026

Question 1 – Allocating overhead costs to the costs of inventories
a) Do you have any comments on the AcSB's analysis of feedback on challenges with allocating overhead costs to the costs of inventories? b) Do you have any comments on the AcSB's proposal to explore an accounting policy choice that would allow entities to exclude overhead costs from the cost of manufactured inventories? i. If you disagree with this proposal, what solution(s) would you recommend, and why? ii. If you agree with the AcSB's proposal, do you think this accounting policy choice should be available to all entities, or should there be qualifying criteria to ensure users' information needs are met? If you think there should be restrictions on this accounting policy choice, what should they be, and why?

a) We agree with the AcSB's analysis of the feedback received on challenges with allocating overhead to the costs of inventories.
b) We have concerns that providing a policy choice to allow entities to exclude overhead costs from the cost of manufactured inventories could result in material amounts of costs being excluded from the cost of inventories and could materially distort gross margins and impact pricing decisions.
   i. Some of the challenges noted by certain entities could be mitigated by providing additional guidance on the nature of costs that should be included when allocating overhead costs to inventories, and there may be some simplified approaches that could be applied, such as determining an average overhead per day applied to the number of days of inventory on hand. We believe additional guidance and one or more simplified options for allocating estimated costs to inventory would produce more decision useful information than a policy choice to allow entities to exclude overhead costs from the cost of manufactured inventories.
   ii. We do not believe that an accounting policy choice to exclude allocating overhead to inventories would be appropriate for larger, complex manufacturing operations.

Question 1.1 – Disclosing the amount of inventories expensed during the period.
a) Do you have any comments on the AcSB's analysis of the feedback on challenges with disclosing the amount of inventories expensed during the period? b) Do you have any comments on the AcSB's proposal to retain this disclosure requirement and to consider replacing it in the future with a new disclosure requirement that better meets users' needs, such as a detailed breakdown of costs of sales? If you disagree with this proposal, what solution(s) would you recommend, and why?

a) As noted in paragraph 33 of the Consultation Paper, we see variation in how entities apply the disclosure requirements, which could be reduced through additional guidance or through a requirement to disclose a more detailed breakdown of costs of sales.

b) We believe that the information is useful and supports retaining the disclosure requirement in the near term and exploring the development of a new disclosure requirement that better meets users' needs.

Question 1.2 – Other issues with inventories
Are there any other financial reporting issues in Section 3031 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope, and suggest how the Board could address the issue.

No.

Question 2 – Identifying indicators of impairment

a) Do you have any comments on the AcSB's analysis of feedback on challenges with identifying indicators of impairment of long-lived assets?
b) Do you have any comments on the AcSB's proposal to develop guidance to assist with the application of this requirement?
   i. If you disagree with this proposal, what solution(s) would you recommend, and why?
   ii. If you agree with the AcSB's proposal, where do you think the additional guidance should be included – as an illustrative example that accompanies the standard, or as an external resource outside the Handbook? Please explain your preference, including how your suggested approach would best support consistent application.

a) Additional guidance, and/or examples might be useful resources to assist entities in applying the requirements.
b) We agree with this approach.
   i. n/a
   ii. We believe that additional guidance should include additional impairment indicators, as well as some examples of how specific indicators would be applied in practice. The additional impairment indicators should be authoritative in nature and included in an appendix to the standard. We support having application guidance as an external resource outside the Handbook so that fulsome guidance and examples could be developed.

Question 2.1 – Performing the impairment test

a) Do you have any comments on the AcSB's analysis of feedback on challenges with performing the impairment test for long-lived assets?
b) Do you have any comments on the AcSB's proposal to develop guidance to assist with the application of these requirements?

i. If you disagree with this proposal, what solutions(s) would you recommend, and why?
ii. If you agree with the AcSB's proposal, where do you think the additional guidance should be included – as an illustrative example that accompanies the standard, or as an external resource outside Part II of the Handbook? Please explain your preference, including how your suggested approach would best support consistent application.

a) In our experience, part of the challenge is that the cash flow test for recoverability requires quite different assumptions from a present value test that is commonly used to estimate the fair value of the long-lived assets. Entities have difficulty in grouping assets, developing cash flow models for the differing requirements of the cash flow test for recoverability and estimating fair value when there is an impairment.
b) The Appendix to Section 3064 currently includes general guidance on estimating fair value and applying fair value techniques. Adding some examples that show how to apply the techniques may be helpful to assist with the application of the requirements.
   i. n/a
   ii. Ideally any additional guidance would be included in an appendix to the standard for better awareness to support consistent application. If the AcSB does not believe that an appendix is the appropriate place for an illustrative example, then we would support it being in an external resource outside of Part II of the Handbook.

Question 2.2 – Other issues with impairment of long-lived assets
Are there any other financial reporting issues in Section 3063 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

We believe that adding a decision tree to Sections 3063 and 3064 could help entities better understand the sequencing of steps to be applied in an impairment analysis of long-lived assets, indefinite life intangible assets, and goodwill.

Question 3 – Straight-line recognition of rent expense
a) Do you have any comments on the AcSB's analysis of feedback on the straight-line recognition of rent expense for operating leases?
b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

a) We agree that the requirements are not burdensome or complex to apply.

b) We have not noted a pervasive issue with entities having difficulty in applying the requirements. Rather, we see a preference in practice for cash basis as entities would prefer to record the rent expense on a cash basis in accordance with the underlying leases. Entities often explain that the fixed step rent increases are a proxy for inflation. We are increasingly seeing longer lease terms, with initial terms of 10 years (often with a renewal option) being common. We believe that additional guidance in paragraph 24 of Section 3065 would be useful to provide some context as to what is considered “short-term”. Also, additional guidance related to Section 3065, paragraph 55 would be helpful for entities to understand examples of circumstances in which another systematic and rationale basis may be appropriate.

Question 3.1 – Other issues with leases
Are there any other financial reporting issues in Section 3065 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project’s scope and suggest how you think the Board could address the issue.

It would be helpful to have guidance on accounting for operating leases, from the lessee perspective, when the leased asset is abandoned but the lease is not cancellable, as we see diversity in practice.

Question 4 – Estimation uncertainty associated with measuring AROs

a) Do you have any comments on the AcSB’s analysis of feedback on estimation uncertainty associated with measuring AROs?
b) Do you have any comments on the AcSB’s proposal to take no further action because this issue is outside the project’s scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

a) We agree that while it can be challenging to measure an ARO, the requirements are necessary to faithfully represent the entity’s future obligations and to provide important information to financial statement users.
b) We agree with the AcSB’s decision to take no further action on this matter.

Question 4.1 – Diversity in discount rates used

a) Do you have any comments on the AcSB’s analysis of feedback on diversity in discount rates used to measure an ARO?
b) Do you have any comments on the AcSB’s proposal to take no further action because this issue is outside the project’s scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

a) We agree with the AcSB's intention for entities to apply judgment when determining an appropriate discount rate when applying a present value technique.
b) The appendix to ASPE Section 3063, Impairment of Long-Lived Assets, includes guidance on estimating fair value and the use of present value techniques. The appendix includes some limited guidance on the selection of an appropriate discount rate. This guidance could be enhanced, and the appendix guidance could be cross referenced to Section 3110. In our experience, the appendix guidance is often overlooked, and a better solution might be to relocate the appendix and make it clear that the guidance is generally applicable to fair value measurements as required across the Part II Standards.

Question 4.2 – Other issues with AROs
Are there any other financial reporting issues in Section 3110 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

No.

Question 5 – Applying the percentage of completion method

a) Do you have any comments on the AcSB's analysis of feedback on challenges with applying the percentage of completion method?
b) Do you have any comments on the AcSB's proposal to explore an accounting policy choice that would expand the applicability of the completed contract method to contracts meeting certain criteria?
   i. If you disagree with this proposal, what solution(s) would you recommend, and why?
   ii. If you agree with the AcSB's proposal, what criteria do you think contracts should meet to qualify for the completed contract method?

a) Applying the percentage of completion method of accounting requires good systems and processes, however, for long-term contracts it best reflects timing of revenue earned for users of the financial statements.
b) We agree that for short-term contracts, the overall revenue is not going to be different in the end in any case when one considers things on a cumulative basis. Providing an optional accounting policy choice would be an appropriate way to provide relief from the complexity in accounting for short-term contracts.
   If the AcSB were to explore an optional accounting policy choice, we believe that it would be appropriate to consider additional disclosure requirements, such as total contract values and amounts previously recognized and yet to be recognized.
   i. n/a
   ii. To qualify for the completed contract method, the main criteria should be the average contract duration, which should be aligned to the concepts in Section 1510, which would mean an average contract duration no longer than a year, or within the normal

operating cycle, when that is longer than a year. The criteria could also include contract value, whereby contracts under a certain value can be accounted for using the completed contract basis if they are below a quantitative threshold.

Question 5.1 – Multiple element arrangements

a) Do you have any comments on the AcSB's analysis of feedback on challenges with accounting for multiple element arrangements?
b) Do you have any comments on the AcSB's proposal to explore an accounting policy choice that would expand the applicability of the completed contract method to multiple element arrangements meeting certain criteria?
   i. If you disagree with this proposal, what solution(s) would you recommend, and why?
   ii. If you agree with the AcSB's proposal, what criteria do you think multiple element arrangements should meet to qualify for the completed contract method?

a) While Section 3400 requires an entity to provide disclosure of its policies for each element when its sales transactions have multiple elements, the presentation requirements in Section 3400.29 are more limited. Entities are simply required to present the amount of revenue recognized during the period – there is no disaggregation required for multiple elements. In practice, when the multiple elements are delivered at the same time, or over a similar time period, entities do not always fully allocate revenue to all elements, as the timing differences are minimal.
b) We support the AcSB's proposal to explore an accounting policy choice that would allow entities to apply the completed contract method to account for contracts with a short duration.
   i. n/a
   ii. Refer to our response to Question 5.1(a) above.

Question 5.2 – Other issues with revenue

Are there any other financial reporting issues in Section 3400 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

No.

Question 6 – Accounting for individual pension plans

a) Do you have any comments on the AcSB's analysis of feedback on accounting for individual pension plans
b) In your experience, are individual pension plans pervasive among private enterprises applying ASPE?

> c) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

a) We agree with the AcSB's analysis on this matter.
b) In our experience, these plans are not pervasive and many of the individual pension plans we see now were established years ago and most are now closed plans.
c) We agree with this approach given this is not a pervasive issue.

> **Question 6.1 – Disclosure requirements for defined benefit plans**
> a) Do you have any comments on the AcSB's analysis of feedback on the cost to meet the disclosure requirements for defined benefit plans?
> b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

a) We agree that the benefits of such disclosures exceed the cost of preparation.
b) We agree with the AcSB's plan to take no further action on this matter.

> **Question 6.2 – Accounting for termination benefits**
> a) Do you have any comments on the AcSB's analysis of feedback on challenges with the accounting for termination benefits?
> b) Do you have any comments on the AcSB's proposal to review the drafting of the guidance on accounting for termination benefits?

a) The AcSB's analysis suggests the issue is with awareness of the requirements rather than challenges in applying the requirements.
b) If the issue is predominantly related to awareness, then the AcSB should consider giving any updated requirements more prominence.

> **Question 6.3 – Other issues with employee future benefits**
> Are there any other financial reporting issues in Section 3462 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

No.

Question 7 – Disclosure requirements under the taxes payable method
a) Do you have any comments on the AcSB's analysis of feedback on the cost to meet the disclosure requirements under the taxes payable method? b) Do you have any comments on the AcSB's proposal to develop additional guidance to assist with the application of this requirement? i. If you disagree with this proposal, what solution(s) would you recommend, and why? ii. If you agree with the AcSB's proposal, where do you think the additional guidance should be included – as an additional illustrative example that accompanies the standard, or as an external resource outside the Handbook? Please explain your preference, including how your suggested approach would best support consistent application.

a) We believe that a trade-off of selecting an accounting policy choice to use the taxes payable method is the requirement to provide additional disclosures, including the nature and amount of significant reconciling items between the income tax rate or expense to the statutory income tax rate or the dollar amount that would result from its application. This is particularly true for entities with more complex structures and transactions.

b) No

   i. n/a

   ii. We support including any additional guidance through an additional illustrative example that accompanies the standard, however, if an external resource would allow flexibility for a more comprehensive illustrative example, then we would also support this approach to achieve more consistent application and understanding of the requirements.

Question 7.1 – Applying the future income taxes method
a) Do you have any comments on the AcSB's analysis of feedback on applying the future income taxes method? b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

a) We agree with the AcSB's proposal to take no further action as entities already have an accounting policy choice to use the taxes payable method of accounting for income taxes.

b) No – we agree with not taking further action on this matter.

Question 7.2 – Uncertain tax treatments
a) Do you have any comments on the AcSB's analysis of feedback on the accounting and disclosure of uncertain tax treatments?

b) Do you have any comments on the AcSB's proposal to continue to monitor this issue and consider addressing it as part of a separate standard-setting project? If you disagree with this proposal, what solution(s) would you recommend, and why?

a) In our experience the lack of specific guidance does result in diversity in practice with respect to the accounting and disclosure of uncertain tax treatments.
b) We agree with the proposal to continue to monitor this issue and consider addressing it as part of a separate standard-setting project.

Question 7.3 – Other issues with income taxes
Are there any other financial reporting issues in Section 3465 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

While not specific to Section 3465, there is diversity in practice with respect to the requirements below in Section 1582, Business Combinations, related to application of the taxes payable method in a business combination:

> *". A39 When the acquirer accounts for income taxes using the taxes payable method in accordance with INCOME TAXES, Section 3465, the fair value of an item reflects its tax base. For example, the fair value of equipment will reflect the remaining capital cost allowance available to be claimed on that equipment".*

In our experience, this requirement is rarely applied in practice, and when applied there is diversity in practice in how to reflect the remaining capital cost allowance in the fair value of the acquired assets. Application guidance would help to reduce the current diversity in practice.

Question 8 – Disposal of long-lived assets

a) Do you have any comments on the AcSB's analysis of feedback on challenges with accounting for the disposal of long-lived assets?
b) Do you have any comments on the AcSB's proposal to review the drafting of the requirements for the disposal of long-lived assets and to explore separating them into their own standard for greater clarity? If you disagree with this proposal, what solution(s) would you recommend, and why?

a) We have not noted pervasive issues with entities not applying the requirements for the disposal of long-lived assets when they meet the held-for-sale criteria and deferring such losses until the asset is ultimately disposed.
b) While we do not see this as a pervasive issue, we support the proposed solution to separate the requirements for discontinued operations from the requirements for the disposal of long-lived-assets into separate standards.

Question 8.1 – Discontinued operations

a) Do you have any comments on the AcSB's analysis of feedback on challenges entities face when accounting for discontinued operations?

b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

a) We believe that while there may be challenges for some entities to apply the requirements for the presentation of discontinued operations due to limitations within their financial reporting processes and systems, the information is useful for financial statement users and the cost and complexity of providing such information is warranted.

b) Given the feedback that the balance sheet presentation requirements are not well understood, adding appendix guidance to Section 3475 to illustrate a simple example of the balance sheet presentation requirements would be a straight-forward solution to address the understandability of the requirements.

Question 8.2 – Other issues with disposal of long-lived assets and discontinued operations

Are there any other financial reporting issues in Section 3475 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

No.

Question 9 – Measuring interest-free and low-interest loans in arm's length transactions at fair value

a) Do you have any comments on the AcSB's analysis of feedback on challenges with measuring interest-free and low-interest loans in arm's length transactions at fair value?

b) Do you have any comments on the AcSB's proposal to explore an accounting policy choice that would allow entities to measure financial liabilities with non-market interest rates at face value (i.e., the present value of future cash flows, discounted using the contractual interest rate), rather than at fair value?

i. If you disagree with this proposal, what solution(s) would you recommend, and why?

ii. If you agree with the AcSB's proposal, do you think this accounting policy choice should be available to all entities, or should there be qualifying criteria to ensure users' information needs are met? If you think there should be restrictions on this accounting policy choice, what should they be, and why?

a) We agree with the feedback – that the most prevalent issue with measuring interest-free and low-interest loans is in determining an appropriate market interest rate. Entities will often use interest rates of other loans as a proxy for a market rate; however, the terms of these loans are often significantly different and do not provide an appropriate estimate of a market rate for such loans.
b) We do acknowledge that the measurement requirements can create confusion for users when the carrying value of the loan on the balance sheet differs from the amount owing. However, we often see these loans in entities with multiple lenders and complex financing arrangements and believe that the existing requirements provide valuable information for the users. Often, non-interest-bearing loans and low-interest loans are issued by government agencies, and the interest discount is a form of government assistance. If the AcSB were to proceed with an accounting policy choice to allow entities to measure financial liabilities with non-market interest rates at face value, then consequential amendments should be considered for Section 3800, Government Assistance, or we could see other diversity in practice arise.

i. We support providing an option to not require discounting of interest-free and low-interest loans that have a short duration of a year or less. If the AcSB were to proceed with the proposed accounting policy choice, it would be important to have very explicit disclosure requirements to inform the financial statement users that the interest-free and low-interest loans could not be refinanced at the same terms if they were to be called by the lender.
ii. If the AcSB were to proceed with an accounting policy choice, then some consideration should be given to qualifying criteria. As noted above, we support providing an option to not require discounting for such loans with short-term maturities (one year or less). This could include an option to allow the accounting policy choice for loans from government agencies; however, we favour discounting such loans and recognizing the government assistance related to the non-market interest rate.

Question 9.1 – Determining the fair value of derivatives

a) Do you have any comments on the AcSB's analysis of feedback on challenges with determining the fair value of derivatives?
b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

a) Given the option provided in 3856.A10 to use a quote from a derivatives dealer as a proxy for the fair value of a derivative, in our experience, there is not a pervasive issue in determining the fair value of derivatives.
b) We agree with the AcSB's proposal to take no further action on this matter.

Question 9.2 – Liabilities and equity classification
a) Do you have any comments on the AcSB's analysis of feedback on challenges with applying the application guidance in the standard on liabilities and equity classification? b) Do you have any comments on the AcSB's proposal to review the drafting of the guidance related to classification of financial instruments as liabilities or equity? i. If you disagree with this proposal, what solution(s) would you recommend, and why? ii. If you agree with the AcSB's proposal, what aspects of the classification requirements do you find challenging to understand, and how do you think they could be improved through redrafting?

a) We frequently deal with entities who have challenges in applying the guidance on liabilities and equity classification. At least part of the challenge is as a result of entities not looking to the Appendix A Application Supplement. Part of this could be easily solved by either moving this guidance into the main body of the standard or including the Table of Contents for Appendix A in the main Table of Contents for the Standard.
Over the past several years, we have seen SAFEs (Simple Agreements for Equity) used more commonly for private entities raising capital. While there are many variations of SAFEs, they typically do not have a maturity date but rather terminate following either an equity financing or a liquidity event. The holders of these instruments do not hold a residual interest in the entity until they receive the equity instruments. There is currently diversity in practice in how these instruments are classified. We acknowledge that given there are variations in terms of SAFEs, some of the diversity is appropriate. We would suggest that applying the application guidance for the classification of liabilities and equity to a SAFE transaction will help the AcSB to identify some of the application challenges.

b) We agree with the proposal to review the drafting of the guidance related to classification of financial instruments as liabilities or equity to reduce the complexity in applying the requirements.
   i. n/a
   ii. Refer to our response to Question 9.2(a).

Question 9.3 – Hedge accounting
a) Do you have any comments on the AcSB's analysis of feedback on challenges with assessing and documenting whether an arrangement meets the criteria in the standard to qualify for hedge accounting? b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

a) Having worked with many clients that apply hedge accounting effectively, we do not believe that the requirements are onerous or difficult to apply in practice.

b) We agree with this approach.

Question 9.4 – Disclosure of financial risks
a) Do you have any comments on the AcSB’s analysis of feedback on challenges entities face when preparing the disclosure of financial risks?
b) Do you have any comments on the AcSB’s proposal to take no further action because this issue is outside the project’s scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

a) We concur with the AcSB’s analysis of the challenges entities face when preparing these disclosures.
b) Some specific illustrative examples, with different fact patterns, including the factors and considerations behind the tailoring of the disclosures to the specific facts/circumstances in the examples would be helpful for entities in applying the requirements. While we appreciate the template concerns, without such guidance entities may struggle to apply the standards.

Question 9.5 – Other issues with financial instruments
Are there any other financial reporting issues in Section 3856 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project’s scope and suggest how you think the Board could address the issue.

Recognizing the complexity of the requirements in Section 3856, the standard can be challenging to read and understand as it is currently drafted. There are many sentences that have multiple references to other sections of the standard. For example, Section 3856.08 reads:

“*.08 Except as specified in paragraphs 3856.04(c) 3856.08C-.08D and 3856.09A, when a financial asset is originated or acquired or a financial liability is issued or assumed in a related party transaction…”*

The understandability and readability of Section 3856 may be improved simply by separating the requirements into two distinct sections: the requirements that apply to arms-length transactions from those that apply to related party transactions.

Question 10 – Measuring employee stock options and other equity instruments in stock-based compensation plans
a) Do you have any comments on the AcSB’s analysis of feedback on challenges with measuring employee stock options and other equity instruments in stock-based compensation plans?
b) Do you have any comments on the AcSB’s proposal to take no further action because this issue is outside the project’s scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

a) We agree with the AcSB's analysis that the primary challenges in applying the requirements are with respect to determining the spot price and volatility. Often there are limited historic share transactions, or the entity raises capital through the issuance of preferred shares that have very different terms and value than the underlying common shares on which options are granted. Therefore, it can be challenging to estimate an appropriate underlying share price. Under prior Canadian GAAP, there was an option to assume a nil volatility in estimating option values. We believe that for early-stage entities this was a better option than the existing guidance in 3870.A13 to use an appropriate industry sector index as a proxy for volatility. Using an industry sector index may be appropriate for larger, more mature entities, but does not provide a reasonable proxy for volatility for a small, privately held, start-up entity. The AcSB could consider providing the option to use a nil volatility for entities meeting certain criteria.

b) Often, the most important issue for users is to understand the potential dilution from outstanding stock options rather than the quantum of the stock-based compensation. However, we favour maintaining the requirement to fair value stock options but support developing some practical expedients or accounting policy choices that could help certain entities to meet the requirements without having to incur incremental costs, such as valuations to determine the underling share price.

Question 10.1 – Other issues with stock-based compensation and other stock-based payments
Are there any other financial reporting issues in Section 3870 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

There is currently no or limited guidance on the recording of stock-based compensation when options are only exercisable upon an exit event, which creates some diversity in practice.

Question 11 – Other significant ASPE application issues
Are there any financial reporting issues in the standards with no significant application issues raised that you think the AcSB should address as part of this project? If so, please describe each issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

For several of the issues, the AcSB has proposed developing additional application guidance and illustrative examples, which may take the form of an external resource outside the Handbook. We think it would be helpful to have a comprehensive index of the external guidance within an Appendix to the Part II ASPE Standards, with links to the external documents so preparers, users and practitioners can easily locate relevant guidance.

Question 12 – Prioritizing financial reporting topics within the scope of the Detailed Review of ASPE
Considering how the AcSB prioritizes its projects, please indicate which financial reporting issues you think the Board should assign the highest priority (e.g., list your top three to five issues). Please explain your reasoning.

We believe the following financial reporting issues should be assigned the highest priority, as they are either the most challenging issues we see in practice:

1. Financial instruments – readability/understandability of Section 3856 [see response to Question 9.5]
2. Liabilities and equity classification [see responses to Question 9.2]
3. Measuring employee stock options and other equity instruments in stock-based compensation plans [see responses to Question 10]
4. Allocating overhead costs to the costs of inventories [see responses to Question 1]
5. Performing the impairment test [see responses to Question 2.1]

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January 31, 2026

SUBJECT: Consultation Paper – Detailed Review of Accounting Standards for Private Enterprises (September 2025)

Dear Ms. Christopoulos:

Doane Grant Thornton LLP and Raymond Chabot Grant Thornton LLP (hereinafter "we") would like to thank you for the opportunity to provide comments on the Accounting Standards Board's (hereinafter the "AcSB" or the "Board") Consultation Paper entitled *Detailed Review of Accounting Standards for Private Enterprises* (hereinafter the "CP").

We fully support the Board's project to identify the most complex requirements in Part II of the Handbook and to explore practical solutions to reduce their complexity while maintaining the overall usefulness of the information produced for users. Although we believe the CP identifies many of the complex ASPE requirements where the Board's cost/benefit threshold is not met and we support many of the Board's proposals, we believe the Board has excluded several important issues from the scope of the project.

Please see the Appendix for our responses to the specific questions contained in the CP.

If you which to discuss our comments or concerns, please contact Melanie Joseph (Melanie.Joseph@doane.gt.ca, 416-607-2736) or Stéphane Landry (landry.stephane@rcgt.com, 418-647-5008).

Yours sincerely,

Doane Grant Thornton LLP

Raymond Chabot Grant Thornton LLP

Melanie Joseph, CPA, CA

Stéphane Landry, CPA auditor

Appendix – Responses to Consultation Paper questions

Question 1 – Allocating overhead costs to the costs of inventories

(a) Do you have any comments on the AcSB's analysis of feedback on challenges with allocating overhead costs to the costs of inventories?

We agree that allocating overhead costs can be challenging.

(b) Do you have any comments on the AcSB's proposal to explore an accounting policy choice that would allow entities to exclude overhead costs from the cost of manufactured inventories?

i. If you disagree with this proposal, what solution(s) would you recommend, and why?

We do not disagree.

ii. If you agree with the AcSB's proposal, do you think this accounting policy choice should be available to all entities, or should there be qualifying criteria to ensure users' information needs are met? If you think there should be restrictions on this accounting policy choice, what should they be, and why?

We think this accounting policy choice should be available to all entities, without any restrictions or qualifying criteria.

Question 1.1 – Disclosing the amount of inventories expensed during the period

(a) Do you have any comments on the AcSB's analysis of the feedback on challenges with disclosing the amount of inventories expensed during the period?

We agree that it is not always clear how to determine the amount to be disclosed. We believe it would be useful to understand why users think the disclosure is useful especially given the diversity in practice of what items are included/excluded in the amount disclosed.

(b) Do you have any comments on the AcSB's proposal to retain this disclosure requirement and to consider replacing it in the future with a new disclosure requirement that better meets users' needs, such as a detailed breakdown of costs of sales? If you disagree with this proposal, what solution(s) would you recommend, and why?

We disagree that this issue is outside the project's scope and believe this disclosure requirement should be removed. If the disclosure requirement is retained and an accounting policy choice to exclude overhead costs from the cost of inventories is made available to all entities, we believe it is important to clarify what is included/excluded from the disclosure to ensure consistency in application and improve usefulness to users of the financial statements.

Question 1.2 – Other issues with inventories

Are there any other financial reporting issues in Section 3031 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope, and suggest how the Board could address the issue.

We believe the concept of "normal capacity" is not well understood in practice. However, the accounting policy choice proposed above would permit an entity to exclude overhead costs from the cost of inventory and resolve the complexity of "normal capacity" for entities that choose to exclude overhead costs.

Question 2 – Identifying indicators of impairment

(a) **Do you have any comments on the AcSB's analysis of feedback on challenges with identifying indicators of impairment of long-lived assets?**

We agree with the analysis.

(b) **Do you have any comments on the AcSB's proposal to develop guidance to assist with the application of this requirement?**

i. **If you disagree with this proposal, what solution(s) would you recommend, and why?**

Not applicable.

ii. **If you agree with the AcSB's proposal, where do you think the additional guidance should be included – as an illustrative example that accompanies the standard, or as an external resource outside the Handbook? Please explain your preference, including how your suggested approach would best support consistent application.**

We think the additional guidance should be included as either an illustrative example or additional guidance in the standard because all the guidance needed to apply ASPE would be contained in the Handbook. The additional guidance should not be included in an external resource outside the Handbook because it would not constitute a primary source of GAAP.

Question 2.1 – Performing the impairment test

(a) **Do you have any comments on the AcSB's analysis of feedback on challenges with performing the impairment test for long-lived assets?**

We agree with the analysis.

(b) **Do you have any comments on the AcSB's proposal to develop guidance to assist with the application of these requirements?**

i. **If you disagree with this proposal, what solutions(s) would you recommend, and why?**

Not applicable.

ii. **If you agree with the AcSB's proposal, where do you think the additional guidance should be included – as an illustrative example that accompanies the standard, or as an external resource outside Part II of the Handbook? Please explain your preference, including how your suggested approach would best support consistent application.**

We believe the additional guidance should be included as either an illustrative example or additional guidance in the standard because all the guidance needed to apply ASPE would be contained in Handbook. The additional guidance should not be included in an external resource outside the Handbook because it would not constitute a primary source of GAAP.

Question 2.2 – Other issues with impairment of long-lived assets

Are there any other financial reporting issues in Section 3063 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

We have identified two other issues as noted below:

Issue 1

We believe the interaction between Section 3063 and Section 3064 requires further clarifications with regard to the sequence of impairment testing and the allocation of impairment losses for asset groups and/or reporting units containing goodwill. Section 3064.76 states the following:

> *When goodwill and another asset (or asset group) of a reporting unit are tested for impairment at the same time, the other asset (or asset group) is tested for impairment before goodwill. For example, when a significant asset group is to be tested for impairment (thus potentially requiring a goodwill impairment test), the impairment test for the significant asset group is performed before the goodwill impairment test. When the asset group is impaired, the impairment loss is recognized prior to goodwill being tested for impairment.*

We believe an illustrative example of the application of 3064.76 would be very helpful.

Issue 2

Section 3063.09 states the following:

> *A long-lived asset shall be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.*

Section 3064.72 contains similar requirements.

We believe these Sections should permit flexibility as to when an entity needs to assess whether there are any indicators of impairment and when to perform the impairment test. For example, the standards could allow an entity to only perform the assessment of indicators and impairment test at the end of the financial reporting period. As currently written, the requirements seem to require an entity to constantly monitor impairment indicators throughout the reporting period and perform the impairment test as at the date when the indicator is first identified.

We believe these issues are within the project's scope because:

- There is diversity in the application of the requirement (i.e. we see different approaches applied in practice);
- The requirements in Sections 3063 and 3064 are difficult to navigate; and
- The issues are pervasive (i.e. impairment testing does not occur infrequently) and this issue may become more important with potentially increased values of goodwill that could result from an accounting policy choice to not recognize intangible assets separately from goodwill (as proposed in the Board's Exposure Draft entitled *Relief from Recognition of Acquired Intangible Assets and Amortization of Goodwill*).

Question 3 – Straight-line recognition of rent expense

(a) Do you have any comments on the AcSB's analysis of feedback on the straight-line recognition of rent expense for operating leases?

We agree with the analysis.

(b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

We believe the AcSB should allow entities, as a practical expedient for low-value leases, to recognize rent expense based on the contractual payments.

We believe these issues are within the project's scope because:

- Straight-line recognition requirements can be costly and onerous to comply with;
- The issue is pervasive (i.e. many low-value leases exist); and
- The benefits do not outweigh the cost and burden of complying with the requirement.

Question 3.1 – Other issues with leases

Are there any other financial reporting issues in Section 3065 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

We have identified two other issues in Section 3065.

The first issue relates to the guidance in 3065.03(r)(i) which states "Lease payments that depend on factors measurable at the inception of the lease, such as the consumer price index or the prime interest rate, are not, in substance, contingent rentals in their entirety, and are included in the minimum lease payments, based on the index or rate existing at the inception of the lease."

We have observed diversity in how this guidance is interpreted and applied in practice. We have observed that some interpret the guidance to require entities to assume that the increase in the consumer price index (CPI) at the inception of the lease will be the same throughout the duration of the lease. Consequently, should entities include this assumed increase in rental payments when determining the minimum lease payments that needs to be recognized on a straight-line basis over the lease term? This is not our current interpretation of the guidance in paragraph 3065.03(r)(i), but given the diversity we have seen, we believe this guidance should be clarified by the AcSB.

The second issue we identified relates to lease modifications. We believe the AcSB should perform an in-depth review of the guidance on how to account for lease modifications. For example, we do not believe it is logical to continue to account for a modified operating lease in accordance with the terms of the original lease until the original lease term expires. Furthermore, paragraph 3065.25 appears to only consider modifications that result in an extension of the original lease. It does not provide guidance in any other modification circumstances.

We have observed diversity in practice for both issues. Leases containing rent adjustment clauses based on CPI are prevalent in practice as are lease modifications. Therefore, we believe both of these issues are within the project's scope and should be addressed by the AcSB.

Question 4 – Estimation uncertainty associated with measuring AROs

(a) Do you have any comments on the AcSB's analysis of feedback on estimation uncertainty associated with measuring AROs?

We agree with the analysis.

(b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

We agree with the proposal.

Question 4.1 – Diversity in discount rates used

(a) Do you have any comments on the AcSB's analysis of feedback on diversity in discount rates used to measure an ARO?

We agree with the analysis.

(b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

We disagree with the proposal to take no further action. We believe diversity exists not only because different discount rates may be supportable in applying the requirements, but also because there is lack of clear guidance on how to apply the requirements: the use of either a risk-adjusted rate or a risk-free rate is mentioned in a single paragraph (3110.A25), but with little guidance on the actual application.

We believe it would be helpful if an illustrative example was included in Section 3110 that includes two scenarios. One scenario would illustrate a traditional cash flow with a risk-adjusted discount rate explaining that the discount rate is the risk-free rate adjusted for the risk that the timing and/or amount of cash outflows may be different. The second scenario would illustrate a probability-weighted cash flow with a risk-free discount rate explaining that uncertainties as to the amount and timing of cash outflows are reflected in risk-adjusted cash flows.

Question 4.2 – Other issues with AROs

Are there any other financial reporting issues in Section 3110 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

We have not identified other issues in Section 3110.

Question 5 – Applying the percentage of completion method

(a) Do you have any comments on the AcSB's analysis of feedback on challenges with applying the percentage of completion method?

We agree with the analysis. It is notably difficult in practice to determine if a contract should be considered a "long-term contract" (3400.06) and whether "performance consists of the execution of more than one act" (3400.17). Providing an accounting policy choice of when to apply the completed contract method can resolve that complexity.

(b) Do you have any comments on the AcSB's proposal to explore an accounting policy choice that would expand the applicability of the completed contract method to contracts meeting certain criteria?

Where services are provided, allowing the use of the completed contract method is not really a simplification in our view because it will require the entity to identify the costs of providing the services, which is not necessarily done in practice.

Given the proposed accounting policy choice not to include overhead in inventory costs, we believe the AcSB should consider providing a similar choice to include or exclude overhead costs from contract costs under Section 3400.

i. If you disagree with this proposal, what solution(s) would you recommend, and why?

Not applicable.

ii. If you agree with the AcSB's proposal, what criteria do you think contracts should meet to qualify for the completed contract method?

We are open to the Board weighing all of its options with respect to expanding the applicability of the completed contract method (whether it be criteria-based or freely applicable). However, given the significance of revenue to the financial statements of most entities, we believe this should be developed in full consultation with stakeholders (in particular users, such as lenders), after which we would be pleased to provide more commentary on the direction of the proposal.

Question 5.1 – Multiple element arrangements

(a) Do you have any comments on the AcSB's analysis of feedback on challenges with accounting for multiple element arrangements?

We agree with the analysis.

We believe that part of the complexity of accounting for multiple element arrangements can be resolved by simplifying the requirements for determining the units of account. We suggest that separate units of account be identified only for goods or services that are sold separately by the entity itself. This is easy to determine, and the entity will also have the stand-alone selling price readily available.

(b) Do you have any comments on the AcSB's proposal to explore an accounting policy choice that would expand the applicability of the completed contract method to multiple element arrangements meeting certain criteria?

i. If you disagree with this proposal, what solution(s) would you recommend, and why?

Not applicable.

ii. If you agree with the AcSB's proposal, what criteria do you think multiple element arrangements should meet to qualify for the completed contract method?

We are open to the Board weighing all of its options with respect to expanding the applicability of the completed contract method (whether it be criteria-based or freely applicable). However, given the significance of revenue to the financial statements of most entities, we believe this should be developed in full consultation with stakeholders (in particular users, such as lenders), after which we would be pleased to provide more commentary on the direction of the proposal.

Question 5.2 – Other issues with revenue

Are there any other financial reporting issues in Section 3400 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

We believe the requirement in 3400.32A to disclose "the aggregate amount of costs incurred and recognized profits (less recognized losses) to date" should be removed. The requirement is not well understood and is poorly applied in practice. Most importantly, in our view this information does not provide any relevant information for financial statement users to make decisions.

We also believe it would be useful to include an example of the application of the percentage of completion method using an output method. This would be particularly useful in demonstrating how to account for contract costs when using an output method.

Question 6 – Accounting for individual pension plans

(a) Do you have any comments on the AcSB's analysis of feedback on accounting for individual pension plans?

We disagree with the AcSB's conclusion. The conclusion that the information is readily available in the actuary's report applies only from the preparer's perspective and does not address the audit-related complexities.

(b) In your experience, are individual pension plans pervasive among private enterprises applying ASPE?

We believe individual pension plans exist frequently enough to be addressed by the AcSB.

(c) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

We believe the AcSB should provide a control-based exception whereby an individual pension plan would not need to be accounted for if the pension plan is for the shareholder who controls the entity.

Alternatively, we believe the Board could consider providing an accounting policy choice for individual pension plans to apply the accounting requirements for defined contribution plans. With some provinces (such as Ontario) no longer having a regulatory requirement to obtain a valuation for funding purposes, some entities are having to obtain valuations for accounting purposes for their individual pension plans. As noted in paragraph 71 of the CP, individual pension plans are normally immaterial to the overall entity and entities often accept qualifications related to their accounting rather than incur this cost.

Question 6.1 – Disclosure requirements for defined benefit plans

(a) Do you have any comments on the AcSB's analysis of feedback on the cost to meet the disclosure requirements for defined benefit plans?

We agree with the analysis.

(b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

We agree with the proposal.

Question 6.2 – Accounting for termination benefits

(a) Do you have any comments on the AcSB's analysis of feedback on challenges with the accounting for termination benefits?

We agree with the analysis.

(b) Do you have any comments on the AcSB's proposal to review the drafting of the guidance on accounting for termination benefits?

We agree with the proposal.

i. If you disagree with this proposal, what solution(s) would you recommend, and why?

Not applicable.

ii. If you agree with the AcSB's proposal, how do you think the Board could improve the drafting of the requirement to encourage application when relevant?

We believe the AcSB should remove the guidance on accounting for termination benefits from Section 3462 and place it elsewhere. We do not think financial statement preparers always have the instinct to look at Section 3462 when accounting for termination benefits because Section 3462 deals with employee future benefits and "termination" is not generally thought of as a benefit. We suggest a "carve-out" similar to the carve-out proposed by the AcSB in Section 3475.

(c) Do you have any comments on the AcSB's additional proposal to develop guidance to assist with the application of this requirement?

i. If you disagree with this additional proposal, what solution(s) would you recommend, and why?

Not applicable.

ii. If you agree with the AcSB's proposal, where do you think the additional guidance should be included – as an illustrative example that accompanies the standard, or as an external resource outside the Handbook? Please explain your preference, including how your suggested approach would best support consistent application.

We think the additional guidance should be included either as an illustrative example or as additional guidance in the standard because all the guidance needed to apply ASPE would be contained in the Handbook. The additional guidance should not be included in an external resource outside the Handbook because it would not constitute a primary source of GAAP.

(d) **Do you think the AcSB should implement both proposals or only one? If you think the AcSB should only implement one proposal, which one do you think would more effectively address the feedback received, and why?**

We believe both proposals should be implemented.

Question 6.3 – Other issues with employee future benefits

Are there any other financial reporting issues in Section 3462 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

We have not identified other issues in Section 3462.

Question 7 – Disclosure requirements under the taxes payable method

(a) **Do you have any comments on the AcSB's analysis of feedback on the cost to meet the disclosure requirements under the taxes payable method?**

We agree with the analysis.

(b) **Do you have any comments on the AcSB's proposal to develop additional guidance to assist with the application of this requirement?**

i. **If you disagree with this proposal, what solution(s) would you recommend, and why?**

Not applicable.

ii. **If you agree with the AcSB's proposal, where do you think the additional guidance should be included – as an additional illustrative example that accompanies the standard, or as an external resource outside the Handbook? Please explain your preference, including how your suggested approach would best support consistent application.**

We think the additional guidance should be included either as an illustrative example or as additional guidance in the standard because all the guidance needed to apply ASPE would be contained in the Handbook. The additional guidance should not be included in an external resource outside the Handbook that would not constitute a primary source of GAAP.

Question 7.1 – Applying the future income taxes method

(a) **Do you have any comments on the AcSB's analysis of feedback on applying the future income taxes method?**

We disagree with the analysis. We believe there are significant areas of complexity. Notably the following:

- The accounting for future income taxes on investments in redeemable shares
- The accounting for future income taxes on redeemable shares classified as liabilities
  - For these two issues, we believe adding an exclusion permitting future income taxes to not be recognized would greatly simplify matters. For example, for an investment in redeemable shares, the tax consequences of redemption of the shares sometimes depends on the situation of the issuer of the shares (i.e.

whether the issuer would receive a dividend tax credit at the time of redemption). For the issuer with redeemable shares classified as liabilities, the tax consequences depend on certain factors, including the total value of redemptions for the year for Part VI.1 tax purposes. We believe the cost and effort of determining the future income taxes related to redeemable shares exceed the benefits.

- The accounting for future "refundable" taxes is complex, but we do not have a simple solution to suggest to resolve this complexity.

We also disagree with the argument that nothing should be done regarding the complexity of future income taxes because “entities have the option to apply the simpler taxes payable method." The future income taxes method is frequently used in practice. Therefore, the challenges in applying this method should be addressed by the AcSB.

(b) Do you have any comments on the AcSB’s proposal to take no further action because this issue is outside the project’s scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

See our comments in 7.1(a) above.

Question 7.2 – Uncertain tax treatments

(a) Do you have any comments on the AcSB’s analysis of feedback on the accounting and disclosure of uncertain tax treatments?

We agree with the AcSB's conclusion.

(b) Do you have any comments on the AcSB’s proposal to continue to monitor this issue and consider addressing it as part of a separate standard-setting project? If you disagree with this proposal, what solution(s) would you recommend, and why?

See our previous comment.

Question 7.3 – Other issues with income taxes

Are there any other financial reporting issues in Section 3465 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project’s scope and suggest how you think the Board could address the issue.

We have not identified other issues in Section 3465.

Question 8 – Disposal of long-lived assets

(a) Do you have any comments on the AcSB’s analysis of feedback on challenges with accounting for the disposal of long-lived assets?

We agree with the analysis.

(b) Do you have any comments on the AcSB’s proposal to review the drafting of the requirements for the disposal of long-lived assets and to explore separating them into their own standard for greater clarity? If you disagree with this proposal, what solution(s) would you recommend, and why?

We agree with separating the guidance.

Question 8.1 – Discontinued operations

(a) Do you have any comments on the AcSB's analysis of feedback on challenges entities face when accounting for discontinued operations?

We agree with the analysis.

(b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

Please see our response to question 8.2 below.

Question 8.2 – Other issues with disposal of long-lived assets and discontinued operations

Are there any other financial reporting issues in Section 3475 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

We believe the AcSB should include guidance in Section 3475 for situations where activities are restructured within a related party group, such as a transfer of a division to a subsidiary. In these situations, there is complexity in interpreting the term "abandonment" as well as the "held for sale" criteria. It would be helpful to have guidance on how these terms should be interpreted in a situation where a division is transferred to a subsidiary versus to a company under common control. For example, should the fact that the transferor may still continue to indirectly benefit from the net income of the division be taken in consideration? Furthermore, if the parent transfers a division to a subsidiary that it accounts for using the cost or equity method, it is not clear whether the parent should disclose the transferred division as a discontinued operation.

We also believe the AcSB should delete the disclosure requirement in 3475.37(a) in the case of assets that were sold during the year. In our experience, this disclosure is rarely provided in practice and, if emphasized, would most often lead to boilerplate disclosure that would not provide useful information.

Lastly, we believe that the AcSB should include a sentence in Section 3475 that states that an entity should not present discontinued operations if the remaining operations are insignificant. This is consistent with former EIC-161 and paragraph 11 of the Basis for Conclusions but, as we mentioned in previous comments, including all relevant guidance in the Handbook sections, rather than the Basis for Conclusions, makes application easier for financial statement preparers.

Question 9 – Measuring interest-free and low-interest loans in arm's length transactions at fair value

(a) Do you have any comments on the AcSB's analysis of feedback on challenges with measuring interest-free and low-interest loans in arm's length transactions at fair value?

We agree with the analysis; however, the analysis only addresses financial liabilities. We believe it also applies to low-interest loans receivable.

(b) Do you have any comments on the AcSB's proposal to explore an accounting policy choice that would allow entities to measure financial liabilities with non-market interest rates at face value (i.e., the present value of future cash flows, discounted using the contractual interest rate), rather than at fair value?

i. **If you disagree with this proposal, what solution(s) would you recommend, and why?**

Not applicable.

ii. **If you agree with the AcSB's proposal, do you think this accounting policy choice should be available to all entities, or should there be qualifying criteria to ensure users' information needs are met? If you think there should be restrictions on this accounting policy choice, what should they be, and why?**

We agree with providing an accounting policy choice but it should be available on an instrument-by-instrument basis, without any restrictions. We believe some entities, for example, not-for-profit organizations (NPOs), may want to apply the simplification to some, but not all, loans. NFPOs that receive significant assistance through low-interest loans may want to continue recognizing contributions related to the low-interest component of such loans in accordance with paragraph 3856.A8, "*For example, when an enterprise receives an interest-free loan from a government agency, in the absence of evidence to the contrary, the difference between the fair value of the loan and the cash received is accounted for as a government grant*", while still being able to apply a policy choice to simplify the accounting for other low-interest loans.

Question 9.1 – Determining the fair value of derivatives

(a) **Do you have any comments on the AcSB's analysis of feedback on challenges with determining the fair value of derivatives?**

We agree with the analysis.

(b) **Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?**

We agree with the proposal.

Question 9.2 – Liabilities and equity classification

(a) **Do you have any comments on the AcSB's analysis of feedback on challenges with applying the application guidance in the standard on liabilities and equity classification?**

We disagree with the approach proposed by the AcSB. The current requirements of the standard do not meet the needs of financial statement users, particularly when redeemable shares are subject to subrogation or when shares are redeemable upon death (or the occurrence of a future event) under the shareholders' agreement. For example, while Section 3856 notes that the critical feature in differentiating a financial liability from an equity instrument is the existence of a contractual obligation, paragraph A26 (and former EIC-70 on this topic) incorporates probability when there is a contingent settlement provision: "*For example, if a financial instrument labelled as a share gives the holder an option to require redemption upon the occurrence of a future event that is highly likely to occur, classification as a financial liability on initial recognition reflects the substance of the instrument. An enterprise does not change the classification of the financial instrument based on a change in its estimate of the probability of the future event occurring*." To some entities, this is seemingly in contrast to the characteristics of a liability in Section 1000 which include "*the duty or responsibility obligates the entity leaving it little or no discretion* *to avoid it*"; therefore, the guidance should clarify when probability weightings should be considered.

We also believe that the existing requirements in Section 3856 are not clear on how the classification requirements apply to the components of a convertible instrument and similar detachable instruments. Although paragraph 20 notes that component parts should be classified based on substance and the definitions of a financial liability and equity instrument, the related application guidance in paragraph A31 provides the following example:

> *A bond or similar instrument convertible by the holder into common shares of the issuer is an example of such an instrument. From the perspective of the issuer, such an instrument comprises two components: a financial liability (a contractual arrangement to deliver cash or other financial assets) and an equity instrument (a call option granting the holder the right, for a specified period of time, to convert into common shares of the issuer). The economic effect of issuing such an instrument is substantially the same as issuing simultaneously a debt instrument with an early settlement provision and warrants to purchase common shares, or issuing a debt instrument with detachable share purchase warrants.*

We have observed some preparers interpret this example to mean that the specific terms of the conversion feature (such as whether and how the conversion ratio can vary) are irrelevant to the classification of the potential equity element of a compound instrument. Where the classification requirements are applied to the different components of a financial instrument, there is also a lack of guidance for when the additional feature (e.g. a conversion feature) does not meet the definition of an equity instrument, since the requirement in paragraph 21 to classify the component parts separately only refers to an instrument "*that contains both a liability and an equity instrument*". If the AcSB only reviews the drafting, we believe paragraphs A24, A26 and A28 of Section 3856 notably require redrafting. We propose that paragraph A26 reinstate some of the former EIC guidance from Pre-changeover standards on this topic.

In recent years, we have observed entities obtain financing with more complex terms and through different legal forms than simple debt. We often found that guidance of in former EICs would have been helpful in classifying those instruments, and assist in consistent application; this includes:

- EIC-70 *Presentation of a financial instrument labelled as a share when a future event or circumstance may affect the issuer's obligations*
- EIC-164 *Convertible and other debt instruments with embedded derivatives* (from the perspective of how non-separated features that alter the payment structure of debt may need to be factored into the amortized cost measurement)

We also believe the classification guidance is challenging to apply to Simple Agreements For Equity (SAFE) and the AcSB should revisit the guidance to reduce the complexity and judgment in analyzing the accounting for such instruments. We have observed an increasing number of entities enter into such arrangements. Addressing the guidance around how the probability of the occurrence of a future event is intended to interact with assessing the existence of a contractual liability, as we noted above, would help resolve some of this complexity, in particular, when the entity otherwise has little or no discretion to avoid the occurrence of the future event.

(b) Do you have any comments on the AcSB's proposal to review the drafting of the guidance related to classification of financial instruments as liabilities or equity?

i. If you disagree with this proposal, what solution(s) would you recommend, and why?

Please see our response to question 9.2(a) above.

ii. If you agree with the AcSB's proposal, what aspects of the classification requirements do you find challenging to understand, and how do you think they could be improved through redrafting?

Please see our response to question 9.2(a) above.

Question 9.3 – Hedge accounting

(a) Do you have any comments on the AcSB's analysis of feedback on challenges with assessing and documenting whether an arrangement meets the criteria in the standard to qualify for hedge accounting?

In our view, the main problem is not that it is difficult to determine whether the agreement meets the criteria to qualify for hedge accounting, but rather that the criteria are far too restrictive and often unattainable. For example, why restrict foreign exchange hedging to over-the-counter forward contracts? Why can futures not be used? The issue is that there are fully effective hedges that do not meet the criteria to use hedge accounting.

(b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

We note that the Guide To ASPE contained numerous useful examples of hedge accounting containing journal entries. We strongly believe the AcSB should include these as illustrative examples in Section 3856 so they are not lost as they were frequently used to apply the guidance appropriately.

Question 9.4 – Disclosure of financial risks

(a) Do you have any comments on the AcSB's analysis of feedback on challenges entities face when preparing the disclosure of financial risks?

We agree with the analysis.

(b) Do you have any comments on the AcSB's proposal to take no further action because this issue is outside the project's scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

We have no comments.

Question 9.5 – Other issues with financial instruments

Are there any other financial reporting issues in Section 3856 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

The guidance in paragraphs 14 and 14A of Section 3856 regarding financial liabilities that are indexed to a measure of the enterprise's financial performance or to changes in the value of the enterprise's equity is complex to apply in practice. The measurement of such liabilities is often complex and costly to determine, resulting in qualified opinions. Furthermore, more guidance would be useful on what is a “measure of the enterprise’s financial performance” (i.e. examples of such measures, including whether more specific measures such as revenue, gross margin, or EBITDA, are included). In addition, when the liability is indexed to changes in the value of the entity’s equity, this could cause a circular calculation for which there is no guidance on how to resolve it. For example, if the indexed liability is measured at the fair value of the entity’s shares, the indexed liability itself decreases the fair value of the shares (i.e. a circular calculation). We also refer back to our response to question 9.2(a) above regarding the lack of guidance where the elements of a financial instrument are not solely a debt host and equity instrument that would be separated. For example, in recent years we have observed financial liabilities that are indexed to other measures, such as the price of an asset, and thus, would not apply paragraphs 14 and 14A.

We also believe that the information required to be provided on redeemable shares issued in a tax planning transaction should be simplified immediately, rather than waiting for a separate project. Specifically, the requirements to disclose on the face of the balance sheet, the amount charged to retained earnings and to disclose the transaction that led to the issuance of the shares should be removed or revised. This disclosure is complex when there are multiple transactions over time.

Question 10 – Measuring employee stock options and other equity instruments in stock-based compensation plans

(a) Do you have any comments on the AcSB’s analysis of feedback on challenges with measuring employee stock options and other equity instruments in stock-based compensation plans?

We agree with the analysis that measuring and accounting for stock-based compensation can be complex and does not always provide useful information. But we disagree with the AcSB’s proposal to take no further action.

(b) Do you have any comments on the AcSB’s proposal to take no further action because this issue is outside the project’s scope? If you disagree with this proposal, what solution(s) would you recommend, and why?

Although we believe that the measurement and accounting for cash-settled stock-based compensation can provide useful information about potential future cash outflows, we believe that the measurement and accounting for equity-settled stock-based compensation to employees does not provide useful information that outweighs its cost and complexity. Although we agree with the principle that if an entity did not provide stock-based compensation to employees it would have provided compensation in another form, the amounts that result from Black-Scholes calculations are often very high and bear little resemblance to amounts that entities would have paid in cash. Therefore, we propose that the AcSB provide an accounting policy choice permitting entities to choose not to account for equity-settled stock-based compensation to employees but only provide disclosure.

Question 10.1 – Other issues with stock-based compensation and other stock-based payments

Are there any other financial reporting issues in Section 3870 that you think the AcSB should address as part of this project? If so, please describe the issue, explain why it is within the project’s scope and suggest how you think the Board could address the issue.

We have not identified other issues in Section 3870.

Question 11 – Other significant ASPE application issues

Are there any financial reporting issues in the standards with no significant application issues raised that you think the AcSB should address as part of this project? If so, please describe each issue, explain why it is within the project's scope and suggest how you think the Board could address the issue.

We believe Section 1500 *First-time adoption* is getting hard to apply because the Section refers to the transitional provisions of other standards for several topics. Furthermore, it is not clear how these transitional provisions should be applied to the first-time adoption because not all paragraphs are relevant to first-time adoption and it can be confusing to determine what paragraphs are relevant and how.

We agree with the AcSB's analysis in paragraph 20 of the CP that there are many challenges in applying Section 3840 for related party transactions and Section 3856 for related party financial instruments. We also agree that many issues might meet this project's scoping criteria. We encourage the AcSB to address these issues in a project with sufficient priority.

For Section 1510, we have observed that the guidance related to current versus long-term classification of debt (especially debt with a covenant violation) is regularly applied incorrectly by entities, while being an area that many users review (especially debt holders when there are covenant violations). Examples include the application of paragraph 1510.13(c), what constitutes an appropriate waiver for a covenant violation to satisfy paragraph 1510.14(a), and determining whether another covenant violation is likely under paragraph 1510.14. In addition, we have observed some entities accept, with the permission of their lender, modified audit opinions / review conclusions in order to continue presenting debt with a covenant violation as long-term. As such, we recommend the Board consult with preparers further on the concerns they have and involve stakeholders (in particular lenders) on any changes in this guidance to improve application.

We believe the AcSB should provide an accounting policy choice in Section 3056 allowing the use of proportionate consolidation. Alternatively, the AcSB can remove the distinction between a jointly controlled activity and a jointly controlled enterprise. We believe the proportionate consolidation method can provide useful information for financial statement users and we have observed some entities applying this method, either in special purpose financial statements or they accept a qualification in the report of general-purpose financial statements.

We believe the recognition and measurement of deferred revenue in a business combination is an area of complexity and diversity in practice that the AcSB should address. In accordance with Section 1582, in some business combinations a liability for deferred revenue should be recognized and measured at fair value at the acquisition date. There is diversity in practice regarding how the fair value should be determined and there is confusion surrounding the subsequent accounting for deferred revenue after the date of acquisition, as it is often different from how the acquiree would account for the revenue. We believe the AcSB should change the current guidance and instead require that, at the acquisition date, an acquirer should recognize and measure the deferred revenue related to acquired revenue contracts consistent with how the deferred revenue was recognized and measured in the acquiree's financial statements (if the acquiree prepared financial statements in accordance with ASPE). We note that the FASB made a similar such change to US GAAP in order to resolve similar complexity and diversity.

Lastly, it is difficult to determine whether costs incurred after the acquisition of property, plant and equipment increase the service potential of a fixed asset. We would like to see the AcSB include examples in Section 3061 to assist in preparers understanding. It would also be useful to provide illustrative examples where there are major components of a fixed asset (e.g., building components to consider separating because of differing useful lives such as an HVAC system or roof), and how to treat them if they were not initially accounted for separately.

Question 12 – Prioritizing financial reporting topics within the scope of the Detailed Review of ASPE

Considering how the AcSB prioritizes its projects, please indicate which financial reporting issues you think the Board should assign the highest priority (e.g., list your top three to five issues). Please explain your reasoning.

We believe the top three issues that should be addressed are the following because they are issues that occur frequently in practice and involve the most complexity:

1. Percentage of completion accounting (Section 3400)
2. Classification of liabilities versus equity (Section 3856)
3. Stock-based compensation (Section 3870)

Other comments

We recommend that the AcSB also consider whether the accounting policy choices and other solutions proposed in the CP would be acceptable for income tax purposes (for example, not including overhead costs in the cost of inventory). If the solutions would not be acceptable for tax purposes, we question whether the solutions will truly achieve the objective of reducing the costs and complexity of applying ASPE given entities may now have to determine separate figures for income tax reporting purposes.