

November 23, 2015

Submitted electronically via www.ifrs.org

International Accounting Standards Board
30 Cannon Street, 1st Floor
London EC4M 6XH
United Kingdom

Subject: Conceptual Framework for Financial Reporting Exposure Draft

Dear members of the International Accounting Standards Board (IASB),

We appreciate the opportunity to comment on the IASB's Exposure Draft, "Conceptual Framework for Financial Reporting", issued in May 2015. The Canadian Securities Administrators (CSA) is an organization of Canada's provincial and territorial securities regulators whose objective is to improve, coordinate and harmonize regulation of the Canadian capital markets. The CSA Chief Accountants Committee is comprised of the Chief Accountants from the provinces of Alberta, British Columbia, Ontario and Quebec.

In response to Question 2, we are concerned with the description and boundary of a reporting entity in chapter 3. In particular, the proposed wording may inappropriately broaden the use of combined financial statements where two or more entities do not have a relationship during the reporting period that justifies reporting results of their economic activities on a combined basis.

CSA staff have accepted combined financial statements prepared in compliance with IFRS as issued by the IASB where the combined entities' operations were subject to common control or common management throughout substantially all of the periods presented in the financial statements. In developing this approach, given the absence of specific IFRS guidance and in accordance with IAS 8, paragraphs 10 through 12, CSA staff considered US GAAP guidance on combined financial statements, and specifically ASC 810-10-55-1B¹.

We recommend adding language to describe the scenarios of common control or common management where combined financial statements may be relevant and may faithfully represent the economic activities of the reporting entity. However, we recommend the IASB not revert to the approach outlined in the Reporting Entity Exposure Draft issued in

¹ "To justify the preparation of consolidated financial statements, the controlling financial interest shall rest directly or indirectly in one of the entities included in the consolidation. There are circumstances, however, in which combined financial statements (as distinguished from consolidated financial statements) of commonly controlled entities are likely to be more meaningful than their separate financial statements. For example, combined financial statements would be useful if one individual owns a controlling financial interest in several entities that are related in their operations. Combined financial statements might also be used to present the financial position and results of operations of entities under common management."

March 2010 that only referred to combined financial statements of commonly controlled entities. Our experience is that combined financial statements may be relevant and faithfully representative when the combined entities are under common management throughout substantially all of the periods presented in the financial statements.

We support the approach taken by the IASB to provide significant improvements to the existing conceptual framework. Although it is important to complete this phase of the project in a timely manner, we recommend that the IASB continue to work on the less developed areas of the framework such as the chapter on measurement. The measurement chapter as proposed is a good first step in that it describes the two categories of measurement bases currently used in IFRS (historical cost and current value), the information they each provide, and the factors to consider in selecting between the two. However, we think the chapter does not provide sufficient criteria for selecting a measurement basis. In particular, while paragraph 6.48 notes “the relative importance of each of the factors will depend upon facts and circumstances”, we suggest the factors, as well as the cost constraint issue discussed in paragraph 6.50, should be more clearly linked to the described measurement bases in order to facilitate a determination of the appropriate basis. Given the complexity and importance of the topic, the IASB may want to consider performing additional research and outreach to identify and clearly articulate all the relevant factors, and to develop appropriate criteria for selecting a measurement basis.

We agree with the due process outlined in IN3 that if the IASB departs from the conceptual framework in developing a specific standard, an explanation of that departure should be included in the Basis for Conclusions in the standard impacted. This practice will assist in maintaining the credibility and consistency of the standards.

If you have any questions about this letter, please do not hesitate to contact us.

Yours truly,

The CSA Chief Accountants Committee

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