

December 5, 2023

Submitted electronically via www.ifrs.org

International Accounting Standards Board
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Dear IASB Members,

**Re: Exposure Draft – Annual Improvements to IFRS Accounting Standards—Volume 11
(IASB/AI/ED/2023/1)**

This letter is the response of the [Canadian Accounting Standards Board](http://www.frascanada.ca) (AcSB) to the International Accounting Standards Board’s (IASB) Exposure Draft, “Annual Improvements to IFRS Accounting Standards—Volume 11” issued in September 2023.

Who we are

The AcSB is an independent body with the authority to establish accounting standards for use by all Canadian entities outside the public sector. We serve the public interest by establishing standards for financial reporting by all Canadian private sector entities and by contributing to the development of internationally accepted financial reporting standards.

Our process

This letter represents the views of AcSB members and staff based on their knowledge and experience. As part of our due process for this Exposure Draft, we consulted with over 40 interested and affected parties across Canada. This included discussions with our [IFRS® Accounting Standards Discussion Group](#) and [User Advisory Committee](#). We took their feedback into account when developing this letter.

Our view

We appreciate the opportunity to comment on this Exposure Draft and continue to support the IASB in its efforts to identify and address standards implementation issues.

Overall, we agree with the proposals in the Exposure Draft as we think that the proposed amendments will help address application challenges and improve the consistency of the application of the respective IFRS Accounting Standards.

Our responses to your questions

The [Appendix](#) to this letter responds to the questions posed in the Exposure Draft and expands on the points raised above.

We would be pleased to elaborate on our comments in more detail if you require. If so, please contact me or, alternatively, Katharine Christopoulos, Director, Accounting Standards (+1 416 204-3270 or email kchristopoulos@acsbcanada.ca), Dominique Hamel, Principal, Accounting Standards (+1 514 285-5019 or dhamel@acsbcanada.ca), or Eric English, Principal, Accounting Standards (+1 647 264-8277 or eenglish@acsbcanada.ca).

Yours truly,



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About the Canadian Accounting Standards Board

We are an independent body with the legal authority to establish accounting standards for use by all Canadian publicly accountable enterprises, private enterprises, not-for-profit organizations and pension plans in the private sector. We are comprised of a full-time Chair and volunteer members from a variety of backgrounds, including financial statement users, preparers, auditors and academics; a full-time staff complement supports our work.

Our standards

We have adopted IFRS[®] Accounting Standards as issued by the IASB for publicly accountable enterprises. Canadian securities legislation permits the use of U.S. GAAP in place of IFRS Accounting Standards in certain circumstances. We support a shared goal among global standard setters of high-quality accounting standards that result in comparable financial reporting outcomes regardless of the GAAP framework applied.

We developed separate sets of accounting standards for private enterprises, not-for-profit organizations and pension plans. Pension plans are required to use the applicable set of standards. Private enterprises and not-for-profit organizations can elect to apply either the set of standards developed for them, or IFRS Accounting Standards as applied by publicly accountable enterprises.

Our role vis-à-vis IFRS Accounting Standards

Our responsibility to establish Canadian GAAP necessitates an endorsement process for IFRS Accounting Standards. We evaluate and rely on the integrity of the IASB's due process as a whole, and monitor its application in practice. In addition, we perform our own due process activities for each new or amended IFRS Accounting Standard to ensure that the standard is appropriate for application in Canada. We reach out to Canadians on the IASB's proposals to understand and consider their views before deciding whether to endorse a final IFRS Accounting Standard. A final standard is available for use in Canada only after we have endorsed it as Canadian GAAP.

Appendix

Section 1 – IFRS 1 *First-time Adoption of International Financial Reporting Standards: Hedge accounting by a first-time adopter*

Question 1

Do you agree with the IASB's proposals to amend IFRS 1 in the manner described in this Exposure Draft?

If not, why not? If you disagree with these proposals, please explain what you would suggest instead and why.

1. We agree with the IASB's proposal to amend IFRS 1 as described in the Exposure Draft. The proposed amendments will improve consistency with the requirements in IFRS 9 *Financial Instruments* and improve the accessibility and understandability of IFRS Accounting Standards.

Section 2 – IFRS 7 *Financial Instruments: Disclosures: Gain or loss on derecognition*

Question 2

Do you agree with the IASB's proposals to amend IFRS 7 in the manner described in this Exposure Draft?

If not, why not? If you disagree with these proposals, please explain what you would suggest instead and why.

2. We support the IASB's proposal to remove an obsolete reference from IFRS 7 and update wording in the standard to align it with IFRS 13 *Fair Value Measurement*. We think that the proposed amendments will provide more clarity and consistency across these standards.

Section 3 – Guidance on implementing IFRS 7: Introduction, Disclosure of deferred difference between fair value and transaction price and Credit risk disclosures

Question 3

Do you agree with the IASB's proposals to amend the Guidance on implementing IFRS 7 in the manner described in this Exposure Draft?

If not, why not? If you disagree with these proposals, please explain what you would suggest instead and why.

3. We agree with the IASB's proposal to amend the Guidance on implementing IFRS 7 as described in the Exposure Draft.
4. We think that the proposed amendments to paragraph IG14 of the Guidance on implementing IFRS 7 will resolve inconsistencies within the standard. Additionally, they will support better alignment with the concepts and terminology in IFRS 9 and IFRS 13.

5. We are also supportive of the proposed amendments to paragraphs IG1 and IG20B of the Guidance on implementing IFRS 7. These amendments clarify that the guidance in IFRS 7 does not cover all requirements and simplifies the language. We think that this will provide increased clarity when applying the guidance.

Section 4 – IFRS 9: Derecognition of lease liabilities and Transaction price

Question 4

Do you agree with the IASB’s proposals to amend IFRS 9 in the manner described in this Exposure Draft?

If not, why not? If you disagree with these proposals, please explain what you would suggest instead and why.

6. We are supportive of the IASB’s proposal to amend IFRS 9 as described in the Exposure Draft.
7. Overall, we think that the proposed amendments to Appendix A and paragraph 5.1.3 of IFRS 9 will clarify the meaning of the term transaction price and align the requirements of IFRS 9 with those of IFRS 15 *Revenue from Contracts with Customers*.
8. However, regarding the proposed amendments to paragraph 5.1.3 of IFRS 9, we think the IASB should remove the words “if the trade receivables do not contain a significant financing component in accordance with IFRS 15 (or when the entity applies the practical expedient in accordance with paragraph 63 of IFRS 15).” These words suggest that an entity needs to apply paragraph IFRS 9.5.1.1 for trade receivables with a significant financing component and measure them at fair value plus or minus transaction costs. Paragraphs 61 to 65 of IFRS 15 detail how an entity should measure the promised amount of consideration with a significant financing component. While these measurements may result in an amount that is equal to fair value, fair value is not explicitly referred to in IFRS 15.
9. We also agree with the proposal to apply the amendment to paragraph 2.1(b)(ii) of IFRS 9 to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the lessee first applies the amendment. We think that it is unlikely that the benefits of applying this proposed amendment retrospectively would outweigh the costs.
10. We think that the proposed amendment to paragraph 2.1(b)(ii) of IFRS 9 clarifies the accounting treatment once an entity determines that this standard applies. However, we have heard that it can be unclear whether the derecognition requirements in IFRS 9 or the lease modification requirements in IFRS 16 *Leases* apply when the change to the lease contract is a change in consideration only. We recommend that the IASB explore this issue further when it conducts its post-implementation review of IFRS 16.

Section 5 – IFRS 10 *Consolidated Financial Statements*: Determination of a ‘de facto agent’

Question 5

Do you agree with the IASB’s proposals to amend IFRS 10 in the manner described in this Exposure Draft?

If not, why not? If you disagree with these proposals, please explain what you would suggest instead and why.

11. We agree with the IASB's proposal to amend IFRS 10 as described in the Exposure Draft. We think that the use of less conclusive language in paragraph B74 of IFRS 10 will remove the inconsistency between this paragraph and paragraphs B73 and B75 of the standard.

Section 6 – IAS 7 Statement of Cash Flows: Cost method

Question 6
Do you agree with the IASB's proposals to amend IAS 7 in the manner described in this Exposure Draft?
If not, why not? If you disagree with these proposals, please explain what you would suggest instead and why.

12. We support the IASB's proposal to amend IAS 7 to remove a term that is no longer defined in IFRS Accounting Standards and replace it with updated terminology. We think that this will improve consistency across IFRS Accounting Standards.