

TRANSLATION

May 25, 2015

Rebecca Villmann, CPA, CA,
CPA (Illinois)
Director, Accounting Standards
Accounting Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

Dear Madam:

Please find enclosed the comments of the Technical working group on ASPE – Financial accounting – Part II of the Ordre des comptables professionnels agréés du Québec on the Exposure Draft entitled “*2015 Improvements to Accounting Standards for Private Enterprises*”.

We would appreciate receiving a copy of the English translation of our comments.

Please note that neither the Ordre des comptables professionnels agréés du Québec nor any of the persons involved in preparing the comments shall have any liability in relation to their use and no guarantee whatsoever shall be provided regarding these comments, as specified in the following disclaimer.

Yours truly,

Annie Smargiassi, CPA auditor, CA

Representative of the Technical working group on ASPE – Financial accounting – Part II

Encl. Disclaimer and comments

DISCLAIMER

Subject to the conditions described herein, the documents prepared by the Technical working group on ASPE – Financial accounting – Part II of the Ordre des comptables professionnels agréés du Québec (the Order), hereinafter referred to as the “comments,” provide the opinion of members on statements of principles, documents for comment, associates’ drafts and final exposure drafts published by the Accounting Standards Board, Auditing and Assurance Standards Board, Public Sector Accounting Board, Risk Management and Governance Board, and other organizations.

The comments submitted should not be relied upon as a substitute for engagements entrusted to professionals with specialized knowledge in their field. It is important to note that the legislation, standards and rules on which the comments are based may change at any time and that, in some cases, the comments may be controversial.

Neither the Order nor any person involved in preparing these comments shall have any liability in relation to their use and no guarantee whatsoever shall be provided regarding these comments. These comments are not binding on the Order’s technical group or the Office of the syndic in particular.

Users of the comments shall take full responsibility for, and assume all risks relating to, the use of the comments. They agree to release the Order from any claim for damages that could result from a decision they made based on these comments. They also agree not to mention the comments in the opinions they express or the positions they take.

TERMS OF REFERENCE OF THE WORKING GROUP

The terms of reference of the Technical working group on ASPE – Financial accounting – Part II of the Ordre des comptables professionnels agréés du Québec are to collect and channel the views of practitioners and members in business, industry, government and education, as well as those of other persons working in related areas of expertise.

For each exposure draft or other document reviewed, the working group members share the results of their analysis. Consequently, the comments below reflect the views expressed and, unless otherwise specified, all of the working group members agree on these comments.

The Order has not acted upon and is not responsible for the comments expressed by the working groups.

GENERAL COMMENTS

Members did not prepare any general comments on this Exposure Draft.

AcSB QUESTIONS

1. ***Do you agree with the proposed amendments to BUSINESS COMBINATIONS, paragraph 1582.62A, to clarify the requirement to disclose the amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed when a business is acquired through the acquisition of an asset or group of assets?***

Members agree with the proposals.

However, some members indicated that the combined use of the French terms “*significatif*” (paragraphs .62A and .63) and “*important*” (paragraph .62) in the same standard causes confusion. They would like the terminology to be made consistent.

2. ***Do you agree with the proposed amendments to INVESTMENTS, paragraph 3051.38, and LEASES, paragraphs 3065.79 and 3065.81, to require disclosure of the amount of any impairment loss or reversal of a previously recognized impairment loss?***

Members agree with the proposed amendments to sections 3051 and 3065.

3. ***Do you agree with the proposed amendments to EMPLOYEE FUTURE BENEFITS, paragraphs 3462.029-.031, to clarify when an entity can use a funding valuation to determine the obligation for a defined benefit plan?***

Members agree with the proposed amendments to section 3462.

4. ***Do you agree that the proposed decision tree in Section 3462 is helpful in illustrating the requirements for determining the measurement of the obligation for a defined benefit plan?***

Members appreciated the flow chart; many think such charts make it easier to analyze and “teach” the standards.

However, members believe that the proposed chart does not faithfully represent the specific guidance set out in paragraphs .029B and .029C, especially since, in certain circumstances, an entity must apply the same chosen method to each plan subject to pension legislation or regulation (.029B), as opposed to applying this choice on a plan-by-plan basis (.029C). Members

suggest adding a second decision level (illustrated by a second diamond-shaped box, for example) in the flow chart to address this issue. Members also propose standardizing the terminology in these paragraphs and recommend using the term “valuation method” instead of “accounting policy”.

OTHER COMMENTS

Future payments of financial liabilities

Some members noted that the wording in the paragraph relating to disclosures on future payments of lease obligations (paragraph 3065.76 in Part II) was changed compared to Part V (paragraph 3064.24 in Part V). This paragraph is now worded similarly to the requirements on future payments of financial liabilities (paragraph 3856.45 in Part II, 3210.03 in Part V) and, among other things, no longer refers to interest.

Members would like the AcSB to confirm its intentions in this regards, especially since the wording of Section 3065 was amended, but this change is not reflected in Note Y of Example 1 illustrating the required disclosures, which shows interest in accordance with the previous wording of this section’s paragraph. Members conclude by indicating that they would be comfortable with no longer presenting interest separately, and thus include it in the annual payment amounts.

Additional comment of the Technical working group on NFPO – Financial Accounting – Part III (hereinafter referred to as the “NFPO working group”)

Members of the NFPO working group would appreciate clarifications on the measurement of related party transactions, specifically when these transactions occur between NFPOs and private entities. They noted that, in practice, even though Section 3840 in Part II does not apply to NFPOs, it is commonly used to measure related party transactions in the absence of clear guidance on the matter. Some members indicated that the international standards, which could also be used as the basis for measuring these transactions, conflict with ASPE. They mentioned that since Sections 4450 and 4460 in Part III do not address the measurement of related party transactions, various bases of measurement are used in practice.