

December 5, 2008

Mr. Peter Martin, CA  
Director, Accounting Standards  
Accounting Standards Board  
277 Wellington Street West  
Toronto, ON M5V 3H2

**SENT VIA E-MAIL**

Dear Mr. Martin,

On behalf of the 44 members of the Canadian Coalition for Good Governance who manage over \$1 trillion of assets, we thank you for the opportunity to comment on the exposure draft Simplifying Earnings per Share.

In principle we agree with the Accounting Standards Board's (AcSB) efforts to simplify the earnings per share calculation particularly since moving to this new standard will not require any changes to accounting processes of systems. As a result, moving to the new EPS standard will not divert a reporting issuer's efforts away from adopting International Financial Reporting Standards (IFRS) and leads to consistency in reporting as there will be a convergence among Canadian GAAP, IFRS and US GAAP using the timeline prescribed by the IASB.

Thank you once again for the opportunity to provide our comments on this exposure draft. Should you require further information or clarification, please contact Paul Schneider (paul\_schneider@ccgg.ca or 416.868.3582) at the Coalition.

Yours truly,

Stephen Griggs  
Executive Director

Kim Shannon  
Chair, Accounting and Audit Policy Committee

December 5, 2008

Peter Martin, CA  
Director, Accounting Standards  
The Canadian Institute of Chartered Accountants  
277 Wellington Street West  
Toronto, Ontario  
M5V 3H2  
Email: ed.accounting@cica.ca

Dear Mr. Martin:

**Re: Simplifying Earnings per Share**

We have read the above-mentioned Exposure Draft and would like to make the following comments for your consideration. In addition we have attached the BDO International<sup>1</sup> response to the IASB, as requested.

*The ED has been developed by the IASB to be applied by entities around the world. Assuming that the ED proposals are approved by the IASB as amendments to IAS 33, do you believe that there are aspects of the proposed amendments that make some or all of them inappropriate for Canadian entities, even though they are appropriate for entities in the rest of the world? If so, please specify which aspects and what circumstances make the accounting requirements proposed in the ED inappropriate for Canadian entities.*

Consistent with our responses to other exposure drafts related to the adoption of IFRSs in Canada, we do not believe there are aspects of the Exposure Draft that contain concepts that would lead to inappropriate results if they are applied in Canada.

*The AcSB has determined that it will not generally issue application or interpretative guidance on IASB standards. An exception might be when an aspect of a standard needs interpreting in light of specific Canadian legal, tax, regulatory or other circumstances that do not apply in other countries and that therefore will not be addressed by the IASB. Do the amendments proposed in the ED require such application or interpretative guidance?*

Consistent with our responses to other exposure drafts related to the adoption of IFRSs in Canada, we do not believe any Canadian specific issues exist which would require the need for Canadian specific application or interpretive guidance.

*The AcSB intends that the amendments proposed in the ED be adopted in Canada when finalized by the IASB, prior to the overall adoption of IFRSs. Do you agree with this? If not, please specify why not.*

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<sup>1</sup> BDO International is a worldwide network of public accounting firms, called member firms, serving International clients. Each BDO Member Firm is an independent legal entity in its own country.

As mentioned in BDO International's response to the IASB, we do not feel now is the time to be making changes to the calculation of Earnings per Share. We believe the changes should be deferred until the finalization of the IASB project related to financial instruments with the characteristics of equity, as this project will likely have a direct impact on denominator for determining EPS and result in second round of changes to IAS 33. Standard setters should do what ever possible to avoid multiple changes to a single standard over a relatively short period of time. For this same reason we believe, if the IASB does adopt these proposals, the AcSB should not adopt these changes prior to changeover. By adopting these changes early, Canadian entities could face three significant changes to their reported EPS in short period time: on the adoption of these proposed changes, on the adoption of IFRS in 2011 which will likely impact the numerator in the EPS calculation and then if any further changes are required as a result of the financial instruments with the characteristics of equity project.

Thank you for your consideration of the above-noted comments. If you have any further questions, please contact me at 416-369-6937.

Yours truly,

BDO DUNWOODY LLP  
Chartered Accountants

**Armand Capisciolto**

Armand Capisciolto, C.A., CPA  
National Accounting Standards Partner



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**COMMENT LETTER**

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To  
International Accounting Standards Board  
30 Cannon Street  
London  
EC4M 6XH

Date  
5 December , 2008

*By email - Commentletters@iasb.org*

Dear Sir,

**Exposure Draft *Simplifying Earnings per Share – Proposed Amendments to IAS 33***

We are pleased to have the opportunity to comment on the above Exposure Draft (ED) issued by the International Accounting Standards Board (IASB), on behalf of BDO International<sup>1</sup>.

BDO does not support the proposals in the ED, because they include changes other than convergence with US GAAP even though further changes to earnings per share (EPS) are likely to arise from the work currently under way on financial instruments with the characteristics of equity. We consider that the timing of changes to IAS 33 and full convergence with US GAAP should be aligned with the outcome of the IASB and FASB project on financial instruments with the characteristics of equity. Changing the standard now, only to amend it again in the near future as a result of related convergence changes, would in our opinion be overly burdensome on both preparers and users.

Further, we are not convinced that the proposals will simplify EPS as suggested.

Our detailed comments on the specific questions raised in the ED are provided in the attached Appendix.

We hope that you will find our comments and observations helpful. If you would like to discuss any of them further, please contact either Helen Thomson at + 32 2 778 0130 or Andrew Buchanan at +44 (0)20 7893 3300

Yours faithfully,

BDO Global Coordination B.V.

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<sup>1</sup> BDO International is a world wide network of public accounting firms, called BDO Member Firms, serving international clients. Each BDO Member Firm is an independent legal entity in its own country.

The network is coordinated by BDO Global Coordination B.V., incorporated in the Netherlands, with an office in Brussels, Belgium, where the International Executive Office is located.

## Question 1

### **Mandatorily convertible instruments and instruments issuable for little or no cash or other consideration:**

**1(a) - Do you agree that the weighted average number of ordinary shares for basic EPS should include only instruments that give (or are deemed to give) their holder the right to share currently in profit or loss of the period? Why or why not?**

BDO agrees with the principle that the weighted average number of ordinary shares for basic EPS should include only instruments that give their holder the right to share in profit or loss of the period as stated in paragraph 18. However, question 1(a) refers to "... the right to currently share in profit or loss of the period...". The meaning of "currently" in this question is not clear. Does it refer to the balance sheet date or some other date?

Similarly, the meaning of "currently" as used in paragraph 19 is not clear, when it is noted that "Ordinary shares that are currently issuable for little or no cash or other consideration are deemed to have the right to share with ordinary equity holders in profit or loss for the period".

**1(b) - Does the exposure draft apply this principle correctly to mandatorily convertible instruments and ordinary shares issuable for little or no cash or other consideration? Why or why not?**

#### *Mandatorily convertible instruments*

IAS 33 *Earnings per share*, paragraph 23, addresses mandatorily convertible instruments, indicating that "Ordinary shares that will be issued upon the conversion of a mandatorily convertible instrument are included in the calculation of basic earnings per share from the date the contract is entered into". Mandatorily convertible instruments are not specifically addressed in the ED although we note that the Basis of Conclusions (BC 11 and 12) indicates that they are not included in basic EPS unless they are participating instruments.

We are of the view that the last sentence of paragraph 19 of the ED could possibly address mandatorily convertible instruments. The last sentence of paragraph 19 of the ED states that "Ordinary shares are currently issuable if the holder of an instrument has a current ability to become an ordinary equity holder". We are unclear on how to apply this sentence to mandatorily convertible instrument. Does the phrase "current ability to become an ordinary equity holder" mean that instruments mandatorily convertible at a future date are not currently issuable, because they do not have an immediate or present ability to become an equity holder? If so, we disagree that instruments mandatorily convertible at a future date should not be included in the calculation of basic EPS. Alternatively, the phrase "current ability to become an ordinary equity holder" could mean that instruments mandatorily convertible at a future date are currently issuable, because they do have an ability to become equity holders at a future date. We support this latter interpretation.

It would be helpful for the text of the proposed standard to be amended in order that these instruments are covered, rather than the guidance being included in the Basis of Conclusions.

#### *Ordinary shares issuable for little or no cash or other consideration*

We are of the view that the principle is correctly applied to ordinary shares issuable for little or no cash or other consideration, because the holders of the instrument has the current ability to become an ordinary equity holder.

## Question 2

**Gross physically settled contracts to repurchase an entity's own shares and mandatorily redeemable ordinary shares:**

**Do you agree with the proposed treatment of gross physically settled contracts to repurchase an entity's own shares and mandatorily redeemable shares? Why or why not?**

Subject to the clarification of our concerns expressed in questions 1(a) & (b), we agree with the proposed treatment of gross physically settled contracts to repurchase an entity's own shares and mandatorily redeemable shares.

## Question 3

**Instruments that are measured at fair value through profit and loss:**

**Do you agree that the fair value changes sufficiently reflect the effect on ordinary equity holders of instruments measured at fair value through profit and loss and that recognising those changes in profit and loss eliminates the need for further adjustments to the calculation of EPS? Why or why not?**

We agree, in principle, that the fair value changes sufficiently reflect the effect on ordinary equity holders of instruments measured at fair value through profit and loss and that recognising those changes in profit and loss eliminates the need for further adjustments to the calculation of EPS.

## Question 4

**Options, warrants and their equivalents:**

**4(b) - Do you agree that to calculate diluted EPS an entity should assume the settlement of forward sale contracts on its own shares in the same way as options, warrants and their equivalents? Why or why not?**

We agree that to calculate diluted EPS an entity should assume the settlement of forward sale contracts on its own shares in the same way as options, warrants and their equivalents, because this is consistent with the approach taken in the ED that the final transaction resulting from these instruments has already taken place.

**4(b) - Do you agree that ordinary shares arising from the assumed exercise or settlement options, warrants and their equivalents should be regarded as issued at the end-of-reporting market price? Why or why not?**

We agree with the proposals because:

- it reflects the effect on shareholders at the balance sheet date;
- it reflects the most current price and market conditions;
- it results in simplification of the calculations; and
- it is in line with the balance sheet approach in other IFRSs.

**Question 5**

**Participating instruments and two-class ordinary shares:**

**Do you agree with the proposed amendments to the application guidance for participating instruments and two-class ordinary shares? Why or why not?**

We agree with the proposed amendment.

**Question 6**

**Disclosure requirements:**

**Are additional disclosures needed? If so, what additional disclosures should be provided and why?**

We consider that additional disclosures are not required.