

September 6, 2007

Peter Martin
Director, Accounting Standards
Accounting Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

Dear Mr. Martin:

**Re: Invitation to Comment
Financial Reporting by Private Enterprises**

Laurence W. Zeifman, C.A.

Partner

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We are writing to provide our Firm's comments on the Invitation to Comment (the "ITC") and Discussion Paper (the "**Discussion Paper**") of the Accounting Standards Board (the "**AcSB**") on financial reporting by private enterprises.

Our Firm –

Zeifman & Company, LLP is one of Canada's largest and longest-serving public accounting firms primarily serving private enterprises. Founded in 1959, the Firm, with its affiliates, is ranked as Canada's 13th largest public accounting firm. While the wide majority of our clients are private, we also service a number of well-recognized public companies. The Firm is a participant in the Canadian Public Accountability Board.

We are responding to the ITC to ensure that the views of practitioners serving largely private, but also public, enterprises are heard in the AcSB's deliberations.

The ITC's three alternatives –

The ITC and the Discussion Paper suggest three possible approaches, as follows:

- (a) A top-down approach based on standards for publicly accountable enterprises (i.e., IFRS) (the "**Top-Down Approach**"). This approach would entail eliminating and modifying IFRS requirements much as is done under the current differential reporting model, although not necessarily with the same results;
- (b) An approach based on the IASB's proposed standard for small and medium sized entities — the IFRS-SME (the "**IFRS-SME Approach**"). This approach entails adopting the IFRS-SME, perhaps with some modification to address Canadian circumstances; and

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- (c) An independently developed set of Canadian accounting standards for private enterprises (the “**Made in Canada Approach**”). This approach could involve, to a large degree, a fresh start, but it would share the same conceptual framework that underpins current GAAP and IFRS. The sources for the development of such standards have yet to be determined.

Our recommendation –

For the reasons expanded on below, we recommend the Top-Down Approach, with the provision for consideration of the IFRS-SME Approach at some later date.

Our reasons –

Our experience with differential reporting

Our Firm has been working with numerous private enterprise client differential reporting applications since the implementation of CICA Handbook section 1300: Differential Reporting in 2002.

We have found that the section generally serves our clients well, offering the client the option of implementing...

This is especially true for the differential reporting option for high-low shares...

Similar to the comments in Appendix B to the Discussion Paper, our clients have found the required unanimous consent of shareholders to be quite onerous. We believe a *de minimis* test of perhaps 10% of shares should apply. We believe that it is not necessary that approval be required from lenders since lenders typically could preclude use of differential reporting by contract, usually subject to renegotiation on an annual basis.

Which private enterprises should the rules apply to?

We believe that the criteria for eligibility should be essentially the same as is currently the case for differential reporting in Canada.

Size tests

We agree with the AcSB that size tests should not be used in determining whether a private enterprises qualifies, largely for the reasons listed in the Discussion Paper.

The Made in Canada Approach

Our primary concern with the Made in Canada Approach is that its use would require an inordinate commitment of resources that would quite possibly not be forthcoming given the nature of the market being served.

The concept of Canadian-made standards for Canadian private enterprises is attractive at first glance. However, we believe that history has shown that the development of Canadian standards has been an expensive exercise. We believe that the resources that have been made available in the past when standards were being developed for both public and private enterprises will not be available when Canadian standards are being developed only for private enterprises.

The IFRS-SME Approach

Our primary concerns with the IFRS-SME approach are:

- its newness, and our concern that it may not adequately address Canadian private enterprise needs; and
- its preference for a principles-based approach, rather than a rules-based approach. While we have traditionally preferred a principles-based approach, we find that such an approach can be subject to very wide variations in application, and with the move by the standards setters toward a rules-based approach we believe that move is better implemented for all type of enterprises.

Accordingly, we are not comfortable at this time with this approach. However, we believe that in the foreseeable future, this may become a viable alternative.

The Top-Down Approach

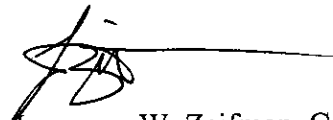
We believe this approach best meets the needs of private enterprises at the present time.

We have come to this conclusion in light of our positive experience with differential reporting, and our dissatisfaction with the alternatives.

On behalf of our clients and the broader private enterprise community, we thank the AcSB for its hard work in developing the ITC and the Discussion Paper, and for its consideration of our comments. Please do not hesitate to contact the undersigned should any further clarification of our thoughts be required.

Respectfully submitted,

ZEIFMAN & COMPANY, LLP



Laurence W. Zeifman, CA
Managing Partner

cc: Brian T. McGee
Carolynn Orth