

April 21, 2008

# IFRS in Canada

Updates on changing accounting standards for Canadian public and private companies

## 2,522 Pages of Light Reading

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### IFRS Breakfast Seminar

**Vancouver**  
**June 5, 2008**

For more information, visit our website, and click on seminar registration.

### Public Companies

As confirmed in February, IFRS will replace Canadian GAAP for publicly accountable enterprises (PAEs) in 2011.

The AcSB has released what is being referred to as an “omnibus” exposure draft.\* The exposure draft itself is only 12 pages, but it incorporates by reference the January 1, 2007 bound volume of IFRS.\*

The January 1, 2007 bound volume of IFRS is available for download, weighing in at 2,522 pages. No one is suggesting that everyone needs to read the entire document; an appendix to the exposure draft provides a suggested approach for reviewing the material, including an overview of changes to IFRS since January 2007, and changes expected prior to the changeover in 2011.

A Q&A\* regarding the exposure draft has also been made available.

Subsequent issues of **IFRS in Canada** will outline recommended strategies for planning your transition to IFRS.

Some important proposals from the exposure draft:

- IFRS will be adopted in full without modification
- A definition of PAEs (*more information on page 2*)
- Early adoption of IFRS to be permitted starting in 2009 (*note that securities regulators are still to finalize decisions regarding early adoption*)

- The handbook section ACCOUNTING CHANGES (1506) will be amended to exclude accounting policy changes resulting from the adoption of IFRS
- The AcSB will generally not issue guidance to be applied in conjunction with IFRS; however, they do indicate they may develop some Canadian-specific guidance if necessary
- Current EIC Abstracts and Accounting Guidelines will no longer apply for PAEs after the changeover, subject to AcSB’s decisions regarding the necessity for Canadian-specific guidance
- Pension Plans will continue to follow current HB section 4100 PENSION PLANS instead of the IFRS for pension plans (IAS 26), but for issues not addressed by HB 4100, pension plans will be required to consult IFRS (other than IAS 26) in 2011

The AcSB is asking for comments regarding whether any of the standards or interpretations within IFRS could create inappropriate results if applied in Canada. This is being referred to as a “fatal flaw” review. The AcSB is *not* looking for suggestions on how individual standards or interpretations could be improved.

If you are considering responding to the exposure draft, we suggest you review the seven specific questions posed in the document. →

\* Links to these documents are available at [www.IFRSinCanada.com](http://www.IFRSinCanada.com)

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# IFRS in Canada

## Upcoming Topics

- Planning strategies for a successful transition
- Changes to expect 2008 - 2011
- Interviews with industry professionals involved in IFRS planning

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If you are not already subscribed to **IFRS in Canada**, please visit our website to register your free subscription.

## Public Companies (cont'd)

### Definition of Publicly Accountable Enterprises (PAEs)

The April 2008 exposure draft includes a proposed definition for PAEs (which are required to adopt IFRS in 2011).

There are no surprises in the definition, which identifies PAEs by exception. It can be summarized as follows:

*PAEs are all Canadian reporting entities, except the following:*

- a) *Private companies, which are defined as profit-orientated entities that:*
  - i) *are not publicly traded, and*
  - ii) *do not hold assets in a fiduciary capacity for a broad group of outsiders (banks, credit unions, insurance companies, etc.)*
- b) *Not-for-profit organizations*
- c) *Public sector entities to which the standards in the CICA Public Sector Accounting Handbook apply*

If you are unsure whether your organization falls under the definition of PAEs, please refer to the full proposed definition in the exposure draft\*, or the link to the definition on our resources webpage ([www.IFRSinCanada.com](http://www.IFRSinCanada.com)).

Please refer to the previous page for a specific exception for Pension Plans. The exception does not apply to an entity that holds or manages the assets of a pension fund, but only to pension plans themselves.

### Canadian Securities Regulators

Please refer to Issue 4 of **IFRS in Canada** for information regarding proposed rules related to the adoption of IFRS from the Canadian Securities Administrators. Issue 4 can be accessed from our resources webpage.\*

## SEC Registrants

As mentioned in previous issues of **IFRS in Canada**, the SEC has eliminated the requirement for a reconciliation to US GAAP for foreign filers using IFRS.

Once Canadian SEC registrants are in compliance with IFRS, they will no longer be required to provide the reconciliation to US GAAP.

## Private Companies & NFPOs

Private companies and not-for-profit organizations will be permitted, but not required, to adopt IFRS in 2011.

Private companies can expect to hear AcSB's decisions on the approach to be adopted for developing GAAP for private companies in mid-2008.

An invitation to comment on the future direction for setting accounting standards applicable to NFPOs is also expected by mid-2008.

### Framework for Owner-Managed Enterprises

The CICA has released an update on the Framework for Owner-Managed Enterprises.\* This framework had been drafted as a non-GAAP Accounting Framework for private companies without significant external users of their financial statements.

The feedback received by the CICA indicated there was little support for different standards to be applied by different private companies, but strong support for a simplified, self-contained GAAP for all private companies.

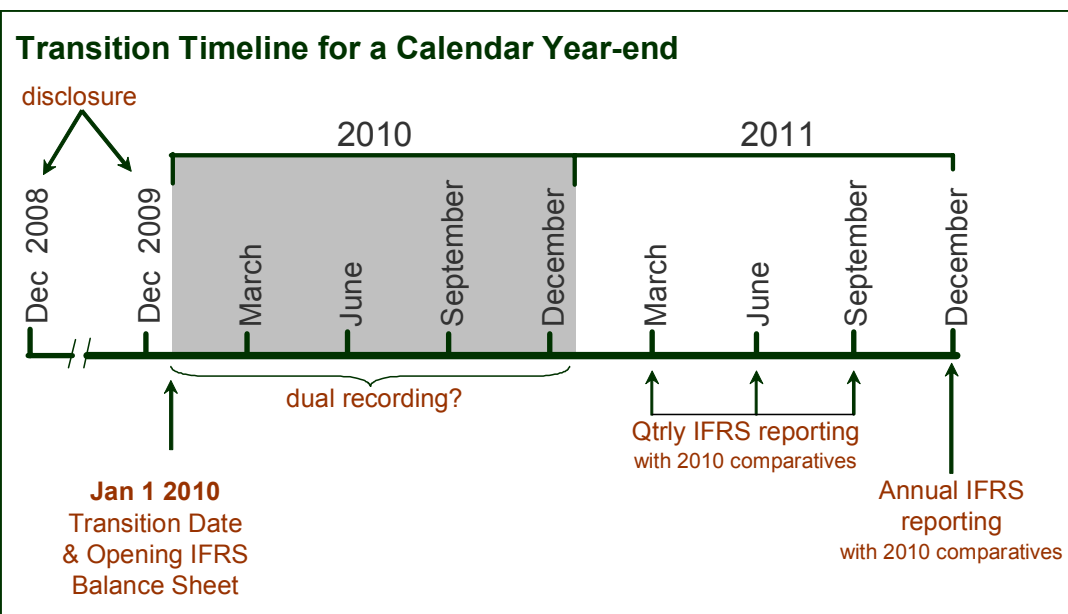
In light of this feedback, the development of non-GAAP standards will be discontinued, but the AcSB will discuss a possible simplified form of GAAP intended to be available to all private enterprises.

\* Links to these documents are available at [www.IFRSinCanada.com](http://www.IFRSinCanada.com)

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# IFRS in Canada

## Implications of the 2011 Timeline



“A significant challenge lies ahead but it will be made far more manageable if business leaders prepare early”

Paul Cherry,  
Chair, AcSB

### External Reporting Requirements (Calendar fiscal year)

#### 2008

Public companies should expect disclosure requirements from securities regulators to include qualitative information regarding the impact of adopting IFRS and information on their transition plans.

#### 2009

Public companies should be prepared to disclose quantitative information regarding the impact of adopting IFRS and information on their transition plans.

#### 2010

PAEs will continue to report interim and annual external financial statements under existing Canadian GAAP.

Public companies should be prepared to disclose a significant level of detail on the quantitative impact of adopting IFRS.

#### 2011

PAEs will report financial statements in accordance with IFRS, beginning with interim reporting for Q1 2011. 2010 comparatives in accordance with IFRS will be required for all interim and annual financial statements through 2011.

Public companies should note that relief will likely be available from Canadian securities regulators, they are likely to allow filings to include only a single year of comparative information in companies' first year of IFRS adoption.

*planning considerations* →

#### Comments?

Please contact us at  
[info@IFRSinCanada.com](mailto:info@IFRSinCanada.com)

Suggestions for future topics  
are always welcome

### IFRS in Canada

is published by  
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## Implications of the 2011 Timeline (cont'd)

### Planning Considerations

IFRS 1 is the standard that is applied through the first fiscal year in which an entity adopts IFRS for the first time.

According to definitions within IFRS 1, January 1, 2010 is the *Transition Date* for calendar year-end companies adopting IFRS in 2011.

Companies adopting IFRS are required to prepare an *opening balance sheet* as of this date in accordance with IFRS. This means applying IFRS standards, including measurements for estimates and impairments as of January 1, 2010.

IFRS 1 also requires that comparative information in the first year of adoption be presented in accordance with IFRS.

Therefore, companies need to be in a position to collect information needed to present 2010 financial information in accordance with IFRS as comparatives in their 2011 financial statements. This will require an understanding of the relevant sections of IFRS and consideration whether information systems are capable of collecting information needed for both current Canadian GAAP financial statements in 2010 and IFRS comparative information in 2011.

Further details on planning considerations will be included in subsequent issues of **IFRS in Canada**, as we discuss our planning strategy recommendations for a successful transition.

## IFRS Breakfast Seminars

**Thank you** to the sponsors and the over 200 people who registered for one of our IFRS Breakfast Seminars held in Ottawa (March 14th), Calgary (March 26th), Edmonton (March 28th) and Mississauga (March 18th and April 18th).

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If you are interested in attending an IFRS Breakfast Seminar, please let us know; future seminars will be scheduled based on demand.

Please visit [www.IFRSinCanada.com/seminars.html](http://www.IFRSinCanada.com/seminars.html).

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## Resources

Up-to-date source of information on changes to accounting standards for public and private companies:

[www.IFRSinCanada.com/resources.html](http://www.IFRSinCanada.com/resources.html)

Our resources page includes links to

- IFRS - Canadian GAAP Comparisons
- IFRS Reader's Guide
- 20 Questions Directors and Audit Committees Should Ask about IFRS Conversions
- CICA Transition to International Standards website
- Illustrative IFRS Financial Statements
- Education & Training
- Financial Reporting by Private Enterprises
- more

## IFRS Transition Services

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