

May 12, 2008

# IFRS in Canada

Practical updates on accounting standards for  
Canadian public and private companies

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## IFRS Breakfast Seminar Vancouver June 6, 2008

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

## What's new

### Toronto IFRS Conference

The CICA and International Accounting Standards Committee Foundation jointly hosted the IFRS North America conference in Toronto in late April. Over 800 attendees participated in a number of generally very informative sessions.

There were no significant surprises, with the possible exception of the comments made by representatives of FASB regarding IFRS in the US. Although representatives were careful with their language, reading between the lines it seemed they were acknowledging it is only a matter of time until IFRS will be mandatory in the US. In fact, since the conference, FASB has announced a public forum on June 16 to discuss a new blueprint for moving the US to IFRS. Some are speculating about the possibility of a 2013 changeover in the US, but that seems very fast.

It remains to be seen to what extent the US bodies can resist adding prescriptive language and guidance to the generally principal-based IFRS.

### Public Companies (PAEs)

Please refer to Issue 5 of **IFRS in Canada** for information related to IFRS adoption included in the April 2008 exposure draft from the AcSB. This includes proposals for the definition of PAEs, early adoption, and changes to section 1506, ACCOUNTING CHANGES. Previous issues and other resources can be accessed from our resources webpage.\*

### Canadian Securities Regulators

On May 9th, the Canadian Securities Administrators (CSA) released Staff Notice 52-320\* which details the expectations for MD&A disclosures in the reporting periods leading up to an issuer's adoption of IFRS.

The requirements cover interim and annual reporting commencing three years prior to an IFRS adoption (2008 for some companies).

For example, a calendar year company adopting IFRS beginning Jan 1, 2011 would be subject to the guidance beginning with interim and annual reporting for the year ending December 31, 2008. Note that there are separate requirements in the notice for investment funds.

#### → 3 years prior to IFRS adoption:

No later than the annual MD&A, a company will be expected to discuss the status of key elements and timing of its IFRS transition plan. Key elements may include the impact of IFRS on:

- accounting policies,
- information systems,
- internal controls over financial reporting,
- disclosure controls & procedures,
- financial reporting expertise, including training requirements, and
- business activities (e.g., debt covenants, compensation plans)

If the company has developed an IFRS changeover plan at the time of preparing an interim MD&A, they should discuss the same key elements and timing at that time as well.



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

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## Next Issue

- Recap of all announced and proposed requirements
- Planning considerations for a successful IFRS transition

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### Canadian Securities Regulators (cont'd)

#### → 2 years prior to IFRS adoption:

Interim and Annual MD&As should include an update of progress on, and any changes to, the company's IFRS transition plan.

The Annual MD&A should include discussion of the same key elements identified above (3 years prior to IFRS adoption). In addition, companies are required to describe major identified differences between current accounting policies and those it expects to apply under IFRS. It is acknowledged that this information may only be narrative, but it should enable readers to understand the key elements of the financial statements that will be affected.

#### → 1 year prior to IFRS adoption:

Interim and Annual MD&As should include updated disclosures regarding the issues discussed above (3 and 2 years prior to IFRS adoption).

Companies should be prepared to discuss in more detail the key decisions and changes they have made (or will have to make) relating to the changeover to IFRS. These will include accounting policy choices under IFRS 1 (first-time adoption rules).

Companies will be expected to disclose quantitative information regarding the impact of IFRS adoption on key financial statement line items, to the extent it is available.

As a reminder, the CSA released a concept paper discussing other issues related to IFRS transitions in February. Further information on the tentative decisions related to early adoption and restrictions on the ability to file US GAAP statements is included in Issue 4 of **IFRS in Canada**.\*

### OSFI

In late April, OSFI issued a notice\* to all Federally Regulated Financial Institutions (FRFIs) regarding IFRS adoption. The notice included the following statements:

- All FRFIs are considered publicly accountable enterprises (and therefore must adopt IFRS).
- FRFIs will not be permitted early adoption.
- A progress report addressing an FRFI's transition plan must be submitted to OSFI within 30 days of the semi-annual period.
- FRFIs that are not subject to CSA disclosure requirements regarding IFRS adoption are required to submit the same disclosures directly to OSFI.

### **Director Education**

The CICA publication *20 Questions Directors and Audit Committees Should Ask about IFRS Conversions*\* is an excellent summary resource to assist Directors in preparation for the transition to IFRS.

While management is responsible for executing an effective transition to IFRS, Directors have a responsibility to play an oversight role. In addition, CSA guidelines state that the Board is responsible for a company's internal control and information management systems, both of which have the potential to be significantly affected by the transition to IFRS.

**IFRS in Canada** delivers presentations specifically tailored to the educational needs of Boards and Audit Committees.

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

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## Private Companies

Private companies are permitted, but not required, to adopt IFRS in 2011.

Based on public feedback received, the development of the Accounting Framework for Owner-Managed Enterprises (non-GAAP framework) has been discontinued.

The AcSB is indicating their goal is to develop a simplified form of Canadian GAAP for all private enterprises, using the existing Handbook as a starting place.

Private companies can expect to hear AcSB's decisions on the approach for developing GAAP for private companies relatively soon, with the possibility of a new system in place for 2009.

## Not-for-profit Organizations

Not-for-profit organizations (NFPOs) are permitted, but not required, to adopt IFRS in 2011.

The AcSB's NFPO advisory committee is working on recommendations for an Invitation to Comment (ITC) regarding the future direction for setting accounting standards for Canadian NFPOs. The ITC is now expected in the latter half of 2008.

## IFRS Breakfast Seminar

### Vancouver - June 6, 2008

- Status and timing of the IFRS transition for Canadian public companies
- Relevance for Canadian private companies
- Significant accounting standards, disclosure and business issues
- Planning strategies for your company's transition to IFRS

For more information, visit

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

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