

IFRS in Canada

Practical updates on accounting standards for Canadian public and private companies

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Review & Update of Status

This issue of **IFRS in Canada** provides a review of previous announcements and a current update on the status of the changes to Canadian GAAP for public and private companies.

For those of you following the discussions closely, much of this will be familiar. Consider this a refresher and a chance for others to catch up.

PUBLIC COMPANIES

Publicly accountable enterprises (PAEs) are required to adopt IFRS for interim and annual reporting in fiscal periods beginning on or after January 1, 2011.

For PAEs with a calendar year-end, the first external IFRS financial statements will be Q1 2011. PAEs with a non-calendar fiscal year will be required to produce their first IFRS financial statements in Q1 of their 2012 fiscal year.

Early adoption of IFRS is possible, but note that permission is being granted by the Canadian Securities Administrators (CSA) on a case-by-case basis. The CSA states that an issuer requesting permission for early adoption should carefully assess a number of implications, including the readiness of its staff, board of directors, auditors and investors. Refer to CSA Staff Notice 52-321* for more information.

Definition of PAEs

As a rough summary, the following types of organizations are defined as PAEs:

- Public companies
- Financial institutions (banks, credit unions, insurance companies)
- Crown corporations and other government business enterprises

If you are unsure whether your organization falls under the definition of a PAE, please refer to the full proposed

definition in the AcSB's April 2008 IFRS exposure draft*.

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).

MD&A Disclosure Requirements

In May, the CSA issued their expectations for MD&A disclosures leading up to an issuer's adoption of IFRS.

The requirements cover interim and annual periods commencing three years prior to the adoption of IFRS (2008 for calendar year companies, fiscal 2009 for non-calendar year-ends).

A summary is provided below, but be sure to refer to CSA Staff Notice 52-320* for the full requirements.

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, and
- contractual arrangements (e.g., debt covenants, compensation plans)

While these requirements may seem daunting, you are not expected to provide definitive answers on the resolution of all these issues. The expectation is that issuers discuss where they are in the planning process and the types of issues they expect to be addressing as they prepare for the transition to IFRS.



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2 Years Prior to IFRS Adoption:

Interim and annual MD&A disclosures 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. In addition, companies are expected 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 areas of the financial statements that will be affected.

1 Year Prior to IFRS Adoption:

Interim and annual MD&A disclosures should include updated disclosures on the items discussed above.

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

SEC Registrants

Canadian Companies

Foreign filers in the US will no longer need to reconcile to US GAAP once their financial statements are prepared in accordance with IFRS.

US Companies

The SEC has proposed a timetable for transitioning public companies from US GAAP to IFRS, including an option for a very small group of companies to adopt IFRS in 2009. The timetable proposes that US public companies be required to begin reporting under IFRS for years ranging from 2014 to 2016 depending on their size. The proposed timetable will not be confirmed until 2011, and is subject to a number of conditions, including changes to

the governance of the International Accounting Standards Board (IASB) and progress on changes to certain standards under IFRS. →

IFRS Overview & Planning Sessions

We will conduct overview and planning sessions at your office that are tailored to your needs. Generally, participants include Board members, Audit Committees or corporate finance groups (CFO, Controllers, etc.).

The discussions are tailored to ensure relevance to your organization and can be scheduled to range from 2 to 5 hours.

Designed to bring clarity to your transition planning, the sessions include discussions related to:

- Transition requirements from the AcSB
- IFRS-related MD&A disclosure requirements
- Potential business impacts beyond financial reporting
- *Practical* planning & implementation strategies
- Recommended publications & reference materials
- Significant IFRS - Canadian GAAP differences relevant to your organization

To provide you with *practical* insight and recommendations, the sessions are conducted by individuals with a strong understanding of IFRS transition issues combined with significant industry experience at a senior finance level.

Contact us: (519) 578-9384
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IFRS in Canada

is published by
The Finance Group
www.financegroup.ca

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OSFI

For those regulated by OSFI, a letter* was issued in the spring to all Federally Regulated Financial Institutions (FRFIs) regarding IFRS adoption. The letter included the following statements:

- All FRFIs are considered PAEs (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, and
- FRFIs that are not subject to the CSA disclosure requirements regarding IFRS adoption are required to submit the same disclosures directly to OSFI.

There has been no similar notice of requirements for Federally Regulated Pension Plans.

Rate Regulation

For organizations subject to rate regulation, it is not clear that the current standards under IFRS can be interpreted to support the accounting policies currently used in Canada.

The international committee that issues authoritative guidance is the International Financial Reporting Interpretations Committee (IFRIC). IFRIC is currently reviewing the accounting issues associated with rate regulated industries, and is expected to announce in November whether it will consider issuing specific guidance. If IFRIC does decide to issue guidance, a draft is not expected until mid-2009, with final guidance issued in late 2009 or early 2010.

Comments?

Please contact us at:
info@IFRSinCanada.com
 Suggestions for future topics welcome.

PRIVATE COMPANIES

Private companies have the option, but will not be required, to adopt IFRS in 2011.

New GAAP

The AcSB has decided to develop a separate "made in Canada" set of accounting standards for private enterprises. Work on the previously drafted non-GAAP "Framework for Owner-Managed Enterprises" has been discontinued.

Using the existing CICA Handbook (Accounting) as a starting point, the AcSB is reconsidering sections that are not relevant to private companies, or that have caused significant concerns for private companies in the past. Disclosure requirements will also be re-evaluated, which is expected to result in considerably fewer disclosure requirements than are in the existing Handbook.

A list of sections that are currently proposed to be excluded or retained in the new GAAP for private companies, along with those under deliberation for possible amendments, is available on the AcSB website. This list can also be accessed from the link on the private company [resources page](#) of our website.

Sections proposed to be removed include:

- Segment disclosures
- Earnings per share

Sections under deliberation include:

- Comprehensive income
- Leases
- Asset retirement obligations
- Employee future benefits
- Income taxes
- Financial instruments
- Hedges

The complete proposed set of standards is expected to be available for comment in the first part of 2009.

IFRS Services

We provide a number of services to help you plan and execute a *practical* transition to IFRS.

For more information, please visit the [services page](#) of our website.

www.IFRSinCanada.com

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NOT-FOR-PROFIT ORGANIZATIONS

NFPOs have the option, but will not be required, to adopt IFRS in 2011.

An invitation to comment regarding the strategy for NFPO accounting standards is expected to be released in late 2008.

In addition, the AcSB is considering whether to allow NFPOs to use the new GAAP for private companies.

IFRS Seminars

Thank you to the sponsors and the over 300 people who registered for our IFRS Seminars held in Vancouver (June 6th), Toronto (June 24th), and Calgary (September 16th).

Seminar Sponsors:



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Future Seminars

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

It is also possible to schedule a presentation, tailored specifically to your organization, in your offices. For more information, please see IFRS Overview and Planning Sessions on the [services page](#) of our website.

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