

Countdown

Deloitte Canada's IFRS transition newsletter



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Contact info

Need help on IFRS. Contact your local Deloitte IFRS specialist:

National

Don Newell
416-601-6189
dnewell@deloitte.ca

Robert Lefrançois
514-393-7086
rllefrancois@deloitte.ca

Karen Higgins
416-601-6238

IFRS: The countdown to 2011 begins here!



International Financial Reporting Standards ("IFRS") is rapidly becoming a key business issue for many Canadian entities. This trend is expected to heighten during 2008 and in preparation for this we are pleased to offer this first issue of our IFRS newsletter. Our launch is concurrent

with the announcement by the Canadian Accounting Standards Board ("AcSB") that IFRS will be mandatory in Canada for financial statements of profit-orientated publicly accountable entities ("PAEs") beginning on or after January 1, 2011. Further, the Canadian Securities Administrators ("CSA") have also just issued [a concept paper](#) on various IFRS matters, including a tentative conclusion that early adoption of IFRS for fiscal years commencing on or after January 1, 2009 will also be permitted.

These announcements are important milestones for financial reporting in Canada and through this monthly newsletter we plan to keep you up to date on other important IFRS issues and, perhaps more importantly, what they mean for your company and how you can effectively respond to these changes.

This first issue of Countdown provides a snapshot of where we are now as far as IFRS is concerned – both in Canada and in Deloitte. Future issues will focus on updates on IFRS convergence in Canada, related Deloitte activities, technical

khiggins@deloitte.ca

Clair Grindley
416-601-6034
clgrindley@deloitte.ca

Atlantic

André Vincent
902-496-1804
avincent@deloitte.ca

Jonathan Calabrese
506-632-1214
jcalabrese@deloitte.ca

Québec

Nathalie Tessier
514-393-7871
ntessier@deloitte.ca

Marc Beaulieu
514-393-6509
mabeaulieu@deloitte.ca

Ontario

Tony Ciciretto
416-601-6347
tciciretto@deloitte.ca

Kerry Danyluk
416-775-7183
kdanyluk@deloitte.ca

Steve Lawrenson
519-650-7729
slawrenson@deloitte.ca

Lynn Pratt
613-751-5344
lypratt@deloitte.ca

Manitoba

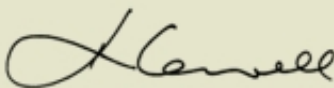
Susan McLean
204-944-3547
sumclean@deloitte.ca

Saskatchewan

Andrew Coutts
306-343-4466
ancoutts@deloitte.ca

briefings and tips and tools to assist you in your IFRS transition.

The Countdown to IFRS has started. We look forward to keeping you informed along the way!



Don Newell
IFRS National Implementation Leader

IFRS in Canada: It's official !

February 13 2008: The Canadian Accounting Standards Board ("AcSB") has just confirmed the mandatory International Financial Reporting Standards ("IFRS") changeover date for Canadian profit-oriented publicly accountable entities ("PAEs"). **This means that PAEs will be required to prepare IFRS financial statements for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Private companies (meeting the definition of non-publicly accountable enterprises), and not for profit organizations are not required, but are permitted, to adopt IFRS in 2011.**

A copy of the announcement made by the AcSB [can be accessed here](#).

The final decision follows consultation and review with the Accounting Standards Oversight Council ("AcSOC") in early February 2008 and the recent receipt of the necessary AcSB member approvals. For many, this news will not be a surprise as it effectively puts the official date stamp on an inevitable event. While some companies and organizations had requested that the changeover date be deferred by one year or more, this was not the majority view.

While fiscal years commencing on or after January 1, 2011 represent the latest date for changeover to IFRS, some companies may wish to adopt IFRS earlier. For many Canadian companies, this is a key consideration; particularly for non-calendar year-end companies, and also given the recent United States Securities and Exchange Commission ("SEC") decision to allow foreign private issuers to file IFRS financial statements without reconciliation to US generally accepted accounting principles ("US GAAP"). The ability for a Company to early adopt IFRS will depend, in part, on decisions made by the Canadian Securities Administrators ("CSA") who have just issued a concept paper which contains **tentative conclusions** addressing this and other timely IFRS questions for public companies. Note that regulated financial institutions and other regulated entities may also need to consider the guidance issued by their respective regulators

Cathy Warner
403-565-5230
cwarner@deloitte.ca

Alberta

Blair Kraus
403-503-1403
blkraus@deloitte.ca

Steen Skorstengaard
403-503-1351
sskorstengaard@deloitte.ca

Paul Borrett
780-421-3655
paborrett@deloitte.ca

British Columbia

Dan Rollins
604-640-3212
drollins@deloitte.ca

Carol Warden
604-640-3271
cwarden@deloitte.ca

Visit us at www.DeloitteIFRS.ca

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regarding their ability to adopt IFRS prior to 2011. **A copy of the announcement made by the CSA can be accessed [here](#)**

In the announcement made by the CSA, tentative conclusions are expressed and comments solicited on the following:

- Should domestic issuers have the ability to adopt IFRS in Canada prior to January 1, 2011?

The CSA have put forward in their concept release paper the pros and cons of early adoption and arrive at **a tentative conclusion that financial statements may be prepared under IFRS for a financial year beginning on or after January 1, 2009.**

- Should domestic issuers have the ability to use US GAAP when filing financial statements with Canadian Securities Regulators?

The CSA are **proposing to eliminate the option for domestic issuers to adopt US GAAP for domestic filing purposes** from January 1, 2009 onwards with some specific limited exceptions whereby domestic issuers currently reporting under US GAAP may be permitted a five year phase out period after 2009 tentatively scheduled to end in 2013.

- Should IFRS financial statements accepted for Canadian regulatory filing purposes refer to "IFRS as issued by the IASB" (IFRS-IASB) instead of Canadian GAAP?

The CSA has analyzed the alternative references to either IFRS-IASB or Canadian GAAP and has reached the tentative conclusion that the former (IFRS-IASB) is deemed to be the preferred approach for regulatory purposes. The CSA tentative conclusions propose to make corresponding revisions to [National Instrument 52-107, Acceptable Accounting Principles, Auditing Standards and Reporting Currency](#).

So, what does it mean for you? Are you scoped into IFRS and what are the key steps you should be taking now? In terms of future developments, what are the big "unknowns" that are out there and how do you incorporate these into your IFRS implementation plan?

When is the first date that IFRS financial statements must be prepared?

Assuming that you do not choose to early adopt IFRS, the AcSB requires that IFRS compliant financial statements be prepared for annual and interim financial statements commencing on or after January 1, 2011. This means for PAEs with a December 31 year-end:

- First unaudited interim financial statements: **March 31, 2011**
- First audited annual financial statements: **December 31, 2011**

How many years of comparative data must we present if any?

At least one year of comparative data prepared in accordance with IFRS must be presented. For a calendar year end PAE, this means that all opening balance sheet adjustments relating to the adoption of IFRS must be reflected in the **January 1, 2010** opening balance sheet which will be issued as part of the comparative financial information in the first unaudited interim financial statements issued in 2011.

What does IFRS compliant mean and how do we find out more?

“IFRS compliant” means IFRSs adopted in Canada which are IFRSs as promulgated by the International Accounting Standards Board. The standards are published in the IFRS bound volume and will be circulated by the CICA for review in an omnibus exposure draft in March 2008.

Is IFRS required for all Canadian entities?

The mandatory changeover date is applicable for PAEs. The definition of a PAE is currently based on CICA Section 1300, *Differential Reporting*. Accordingly it encompasses public companies and some other classes of enterprises that have relatively large or diverse classes of financial statement users. Proposed revisions to the definition of a PAE will be included in the March 2008 omnibus exposure draft to be released by the AcSB.

When will the CSA provide guidance on the nature and extent of disclosures required in 2008 and 2009?

There is an expectation that there will be qualitative disclosures required in fiscal 2008 annual financial reports (likely in the MD&A) and both qualitative and quantitative disclosures required in fiscal 2009 annual MD&A. This guidance will be issued by the CSA and is expected no later than April 2008.

Can we early adopt IFRS?

Potentially. If you represent a public company, this will depend on the final decision made by the CSA on early adoption of IFRS by public companies in Canada. The tentative conclusion indicates that you may be able to file IFRS financial statements for years beginning on or after January 1, 2009.

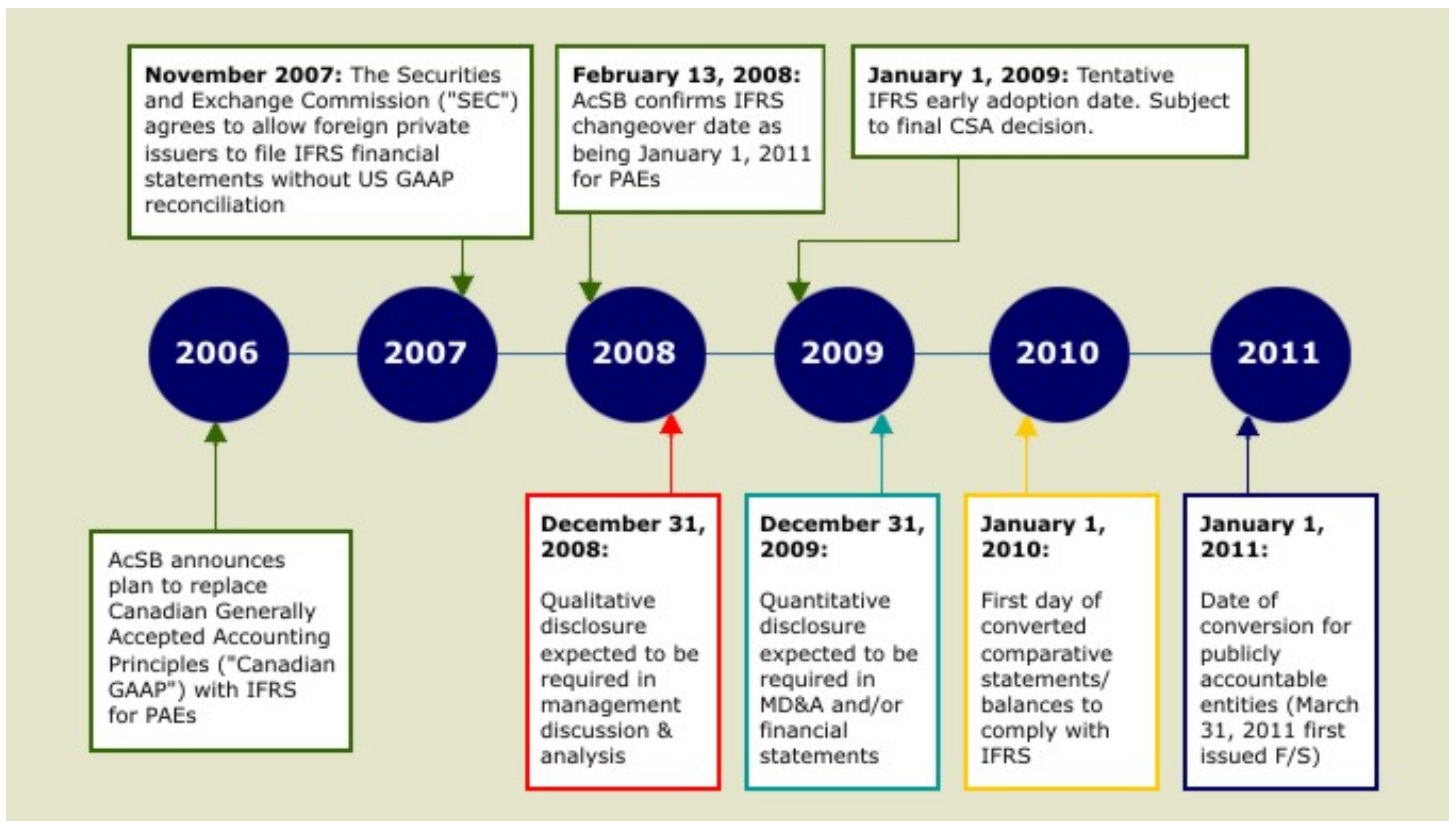
What Next?

If you haven't yet started, this announcement should be the 'green light' for you to kick-start your IFRS implementation plan. For those of you who have already started, the announcement should solidify key milestones and actions and assist in getting all relevant parties in your organization focused on IFRS implementation.

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IFRS in Canada: The conversion timeline

The major IFRS reporting milestones are illustrated here for a calendar year-end entity. Other important IFRS dates are provided later in this newsletter and will be updated with progress in IFRS over the countdown to 2011.



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Resources and tools to keep up with IFRS

There are numerous Deloitte and other resources available to help you keep up with IFRS. We will be providing more information about these useful tools in this newsletter so you can understand how and where to get information easily and quickly. Below is a spotlight on www.IASplus.com.

What is www.IASplus.com?

It's a Deloitte Web site maintained by Deloitte Touche Tohmatsu ("DTT") and accessible to all internet users.

How can it help me?

It's a great reference tool to find out what's happening, or has happened, in IFRS. This may range from details of new standards and exposure drafts, to countries reporting under IFRS, to a who's who in Deloitte/IFRS and access to Deloitte IFRS publications. The publications include model financial statements, a disclosure checklist and guidance by both subject matter and industry.

Is there any information specific to Canada?

Yes. Each country reporting under IFRS has its own page. This is the direct link to the Canadian page of www.IASplus.com: www.IASplus.com/country/canada.htm Here you can find an update on convergence activities, the CICA's IFRS/GAAP comparison and publications developed by the Canadian Firm.

Anything else?

The site is regularly updated. This can be seen on the home page which contains headlines by date of recent IFRS news. The site also provides free access to e-learning modules by IFRS standard which contain self-tests which you can incorporate into your IFRS training plans for your personnel. Lastly, www.IASplus.com also has an alert service where you and your clients can subscribe for regular IASplus newsletters and alerts by email.

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Deloitte IFRS conversion activities

- **IFRS Specialist Network:** Across Canada, [Deloitte IFRS specialists](#) are available to support you in your IFRS efforts. We'll be posting more about IFRS specialists in each region in the future.
- **IFRS Webcast:** Deloitte will be hosting an IFRS webcast in early April with guest speaker, Ian Hague, Principal, CICA Accounting Standards Board. [Click here](#) if you would like to receive an invitation to this session.
- **Directors' Series:** Our Directors' Series presentation scheduled on April 10th, 2008 will also focus on IFRS. You may [register here](#).
- **IFRS Publications:** We issued three Canadian IFRS publications in 2007 and have more planned for 2008. This includes **iGAAP 2008 – Canadian Edition**, the first desk reference on the implementation of IFRS in Canada. Additional IFRS publications are accessible from our [Web site](#) and include model financial statements, IFRS in your Pocket and standard specific publications.
- **IFRS Conferences:** [Upcoming conferences](#) with Deloitte participation are highlighted in this newsletter. Interested in attending? Contact your [local Deloitte IFRS specialist](#).

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What are our IFRS clients saying about Deloitte and IFRS?

"Without any hesitation... that was by far the best value engagement I have encountered in my career... my staff echo the same sentiment"

*Mr. Sandeep Uppal
Senior Vice-
President and
Chief Financial
Officer
The Economical
Insurance Group*

IFRS in Canada: Key dates to remember

When is the changeover date to IFRS? Can I early adopt IFRS? What do I need to do this year? Some Key IFRS Dates are shown below. These are based on **calendar year-ends**, the **mandatory IFRS adoption date** and official statements made by AcSB and others but in some cases the *timing below may change* so continue to monitor this in future newsletters.

2007	
December	First annual financial statements that Foreign Private Issuers preparing IFRS (as issued by the International Accounting Standards Board ("IASB")) statements may file financial statements with the United States Securities and Exchange Commission ("SEC") without reconciliation to US GAAP. The ruling applies to financial years ending on or after November 15, 2007 (and interim periods contained within those periods) and is applicable to filings made after the effective date of March 4, 2008.
2008	
February 13	Confirmation by the AcSB of the mandatory changeover date to IFRS for PAEs.
February 13	The CSA issued a concept release paper requesting the public to comment on whether early adoption of IFRS be permitted in Canada. It addresses early adoption by Foreign Private Issuers.
March	Issuance of omnibus exposure draft of existing IFRSs. This is also expected to expose the proposed revision of the definition of what is a PAE.
March	The AcSB and the CSA are expected to issue guidance on the nature and content of qualitative disclosures that PAEs will need to provide on 1) The qualitative impact of IFRS on the entity and 2) The plan the entity has in place to address IFRS convergence.
December 31	PAEs reporting with a year-end on/after this date will need to provide the disclosures referred to above in their annual MD&A and/or annual financial statements.
2009	
January 1	Tentative first date of IFRS Reporting in Canada based on tentative conclusions on early adoption published by the CSA in February, 2008.
December 31	As above with disclosure of the expected quantitative impacts of IFRS. The extent of detail that may be required has not yet been communicated by the AcSB or the CSA.
2010	
January 1	Date of Opening IFRS Balance Sheet – an IFRS requirement. Note if more than one year of comparative data is prepared this date will be earlier.
December 31	Last annual financial statements prepared under Canadian GAAP for PAEs (assuming no early adoption).
2011	
January 1	First day of IFRS Reporting in Canada.
March 31	First unaudited interim IFRS financial statements (with comparatives under IFRS).
December 31	First annual IFRS financial statements (with comparatives under IFRS).

IFRS Conference activities

One or more of our Deloitte IFRS specialists will be speaking at the following conferences. Contact us to find out more.

Calgary

- March 3-5, 2008: [CICA/IFRS Seminar](#)
- March 26-28, 2008: [Infonex/IFRS](#)

Montreal

- April 8-9, 2008: [Infonex/IFRS](#)

Toronto

- April 1-3, 2008: [Infonex/Financial Institutions](#)
- April 23-25, 2008: [CICA North America IFRS Conference](#)
- May 13-15, 2008: [Infonex/IFRS](#)
- May 27-29, 2008: [Acumen/IFRS](#)

Vancouver

- March 4-6, 2008: [Infonex/IFRS](#)

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Technical alert

The International Accounting Standards Board ("IASB") issued a revised version of IFRS 3, *Business Combinations*, on January 10, 2008. The standard is effective from July 1, 2009 with early adoption permitted.

This standard is the result of a joint project with the US Financial Accounting Standards Board ("FASB"). The AcSB is expected to issue a revised Canadian standard later this year. Most of the changes result in Canadian and US GAAP being amended to follow IFRS guidance and is an example of one area of standards converging prior to IFRS adoption in Canada.

A [special edition IFRS 3 newsletter](#) is available on www.IASplus.com. Countdown will profile the changes later in this year with a focus on specific points of interest for Canadian companies.

Other recent technical developments include:

- Amendments to IFRS 2 – Share-based Payment – clarifying the definition of vesting conditions and treatment of cancellations.
- Amendments to IAS 31 – Interests in Joint Ventures - focusing on the substance vs. legal form of joint venture arrangements.
- Revised IAS 27 – Consolidated and Separate Financial Statements. Includes new guidance around treatment of non-controlling interests.

You may also want to review our [Standard-setting Activities Index](#) that summarizes all new standards effective this year and next year, including exposure-drafts.

Until next time

The primary guidance of these publications is to help you understand IFRS and to help you manage through the conversion progress. We have many subjects to cover from now through 2011. Given that these publications are targeted at you, we would welcome any direct feedback from you including ideas for articles you would like to see in future issues of Countdown. For now, here is a taste of what is to come:

- Top tips for a smooth IFRS implementation
- Making sense of IFRS 1 – the standard which provides guidance, options and elections for all entities applying IFRS for the first time
- Resources – what's out there and where to find it
- Canadian GAAP vs. IFRS – practical differences for your entity
- Current convergence projects and recently issued IFRSs
- Deloitte IFRS Specialist Network: Who we are and how we can help

See you in our next issue of **Countdown!**

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2 Queen Street East
Toronto Ontario M5C 3G7

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