

MEDIA RELEASE

Communiqué

Attention Business / Assignment Editors
FOR IMMEDIATE RELEASE

Canada's Accounting Standards Board ratifies its strategic plan Approves convergence with international reporting standards

TORONTO, January 10, 2006 – Canada's Accounting Standards Board (AcSB) has ratified a new strategic plan for the direction of accounting standards that will significantly affect the way financial reporting will be carried out in Canada in the future.

The AcSB will pursue separate strategies for three major categories of reporting entities: public companies, private businesses and not-for-profit organizations.

“Our fundamental premise and experience is that ‘one size does not necessarily fit all’ when it comes to meeting the divergent needs of the full range of Canadian reporting entities and their stakeholders,” said Paul Cherry, Chair, AcSB. “For example, developments in global capital markets are important for public companies and their investors, but not so important for private businesses and not-for-profit organizations.”

One of the biggest challenges was developing a strategy for public companies. “We have done a lot of debating and questioning whether we should be aligning ourselves closer to US GAAP or to international standards,” said Cherry. “It is clear from our consultations that the vast majority of Canadian companies and, more important, their investors, have little or no interest in our copying the very detailed, rules-oriented US GAAP system.”

The AcSB has completed its deliberations on the input received to its March 2005 Invitation to Comment, *Accounting Standards in Canada: Future Directions - Draft Strategic Plan*, and approved the following directions in its strategic plan:

- For public companies, the AcSB's objective is to move to a single set of globally accepted high-quality standards. The AcSB has concluded that this objective is best accomplished by converging Canadian GAAP with International Financial Reporting Standards (IFRSs) over a transitional period. Australia and the European Union have already adopted IFRS and other countries have convergence programs underway. The AcSB will develop and publish a detailed implementation plan for achieving convergence later this year. The AcSB expects that the transition period will take approximately five years, but the precise timing will depend on many factors, and will be continuously monitored throughout the process. At the end of that period, Canadian GAAP will cease to exist as a separate, distinct basis of financial reporting for public companies.



The Canadian Institute
Of Chartered Accountants
277 Wellington Street West
Toronto, ON M5V 3H2 Canada
Tel: (416) 977-3222
Fax: (416) 977-8585
www.cica.ca

L'Institut Canadien
Des Comptables Agréés
277, rue Wellington Ouest
Toronto, ON M5V 3H2 Canada
Tel: (416) 977-3222
Fax: (416) 977-8585
www.icca.ca

- For private businesses, the AcSB has begun, as a matter of urgency, a comprehensive examination of their financial reporting needs and will determine the most appropriate model for meeting those needs.
- For not-for-profit organizations, the AcSB will continue to apply those elements of GAAP for profit-oriented enterprises that are applicable to their circumstances, and develop other standards dealing with the special circumstances of the not-for-profit sector.

The AcSB recognizes that some Canadian public companies that have significant market followings in the United States might prefer to use US GAAP. The Canadian Securities Administrators already permit those Canadian public companies that are SEC registrants to use US GAAP instead of Canadian GAAP.

Doug Hyndman, Chair of the Accounting Standards Oversight Council (AcSOC), the 25-member independent body that oversees the setting of accounting standards in Canada, said, “We are happy with the extensive consultations undertaken by the AcSB in developing its new strategic plan. AcSOC members have also had ample opportunity to debate and provide input and advice concerning the plan. Our role is to provide appropriate oversight to protect the public’s interest in the standard-setting process. I am satisfied that the AcSB has considered and responded to the views expressed by our stakeholders and AcSOC members. We will monitor the implementation of the plan and ensure that the AcSB considers the views and interests of stakeholders while continuing to provide Canada with high quality accounting standards that support reliable financial reporting for all types of entities.”

The AcSB will continue to provide Canada with its own standard setting capability for carrying out these strategies, although the roles, structures, processes and resources will evolve to match the strategies. “In carrying out the strategies, the AcSB intends to pay particular attention to the practical limitations on the ability of the Canadian financial reporting system to cope with change, and to assist affected parties in dealing with change,” said Cherry.

Due process background

The strategic plan is based on the results of an extensive consultative process commenced in 2004. In March 2005, the AcSB published an Invitation to Comment, *Accounting Standards in Canada: Future Directions - Draft Strategic Plan*, asking for input from all stakeholders. Further, there was a series of cross-Canada regional roundtables and consultations with interested parties to allow for the expression of views and concerns, and time for debate.

The Invitation to Comment on the draft plan can still be obtained from the AcSB web site at www.acsbcanada.org even though the comment period has closed. The AcSB expects to publish a final version of its strategic plan by March 31. For those without Internet access, documents can be obtained by writing to: Information Services Officer, Accounting Standards Board, 277 Wellington Street West, Toronto, Ontario, M5V 3H2; Fax: 416.204.3412.

The Accounting Standards Board establishes financial accounting and reporting standards for use by Canadian companies and not-for-profit organizations. It also participates in the development of internationally accepted accounting standards. The AcSB sets its financial accounting and reporting standards after an extensive process of consultation with organizations and individuals that are interested in or affected by the standards. The



standards contribute to enhanced decision making by continuously improving the quality of financial and other information about organizational performance reported by Canadian entities.

The Accounting Standards Oversight Council (AcSOC) is an independent body established by the Canadian Institute of Chartered Accountants to oversee the activities of the Accounting Standards Board (AcSB) and Public Sector Accounting Board (PSAB). Reporting to the public and consisting of 25 prominent business and government leaders, the Council brings a broad perspective to complex issues facing standard setters, and supports the AcSB and PSAB in setting accounting standards. AcSOC's responsibilities include appointing AcSOC, AcSB and PSAB members and providing input on strategic priorities. AcSOC members, many of whom represent particular constituencies, include regulators, investors and other users, preparers and auditors of financial reports.

-30-

For more information, or to arrange an interview, contact Angela Kooij, manager, corporate communications, at 416-204-3450, or at angela.kooij@cica.ca.

