

Countdown

Deloitte Canada's IFRS transition newsletter



Happy New Year to everyone!!

Welcome to the January 2010 edition, our second year anniversary issue of Countdown! As our Countdown clock moves to 2010, we will continue to issue monthly newsletters with articles that are most relevant to you.

Hot off the press from CCH is our second edition of iGAAP: IFRSs for Canada, which has been revised and updated for developments in standards and even more examples and interpretative guidance tailored specifically to the needs of Canadian companies!

In our lead article, Karen Higgins, Partner and Deloitte Canada's National Director of Accounting Services, provides us with her insights and predictions for IFRS for the second year in a row. The focus for Lightyear this month has moved more to implementation, as the team works with Deloitte to determine how they will collectively manage the project in this year of "shadow reporting" under IFRSs.

As always, we want to continue to understand and meet your needs, so please submit ideas regarding matters that you would like to see us address in Countdown to deloitteifrs@deloitte.ca.

See you again next month!



Don Newell
National Leader - IFRS services

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IFRS Predictions for 2010

Insights from Karen Higgins, Partner and National Director of Accounting Services



With the 2010 Winter Olympics in Vancouver almost upon us, it is bringing out the competitive spirit in us all, with some strong interest in how Canada will fare for this special year. Many of us are thinking about who will win the different events and the respective rankings on the final medal table. My prediction is that with home country advantage Canadian athletes will win 30 medals including 10 gold. Ambitious? ... I hope not!!

2009 – How did we do?

In keeping with the predictive spirit, you may remember last year that I did some crystal ball gazing around developments in IFRSs. While I may have said that fortune telling was not my strong point, it seems I may have underestimated my predictive abilities. Here are some of the key predictions that were realized in 2009:

2009 Prediction	2009 Events
A few entities will early adopt IFRSs	Just a handful of early adopters as predicted
No acceleration of any major IASB projects	No acceleration and some postponement announced in November 2009
Major uncertainty around the outcome of the consolidations project	Spot on. This was one of the major projects for which the issuance of the IFRS has been pushed back to Q3 of 2010

2010 Predictions

This year, the last year of reporting under Canadian GAAP for most Canadian publicly accountable enterprises (PAEs) before IFRS changeover, I'm going to look forward once more to see what the year may hold for us in terms of IFRS developments and Canadian transition.

Global Warming! – Things continue to heat up as Canada gets closer and closer to adopting IFRSs with the "Countdown" to mandatory changeover in its final year. For PAEs, we will be bidding adieu to home-grown Canadian standards. Last year in the midst of the credit crisis and uncertainty with respect to the United States Securities and Exchange Commission (SEC) roadmap, the Canadian Accounting Standards Board (AcSB) confirmed that it's all systems go for 2011. In my view, this has been accepted by the vast majority of PAEs and people are getting ready for the change. My guess is that there will be some increased efforts and focus on this following the release of the 2009 annual financial statements, with catch-up required by some companies to ensure they are ready for the changeover date.

On the Canadian Front – Now that IFRSs is officially Canadian GAAP for PAEs (see our article on the inclusion of IFRSs into the CICA handbook later in this edition of Countdown), there's no turning back. The AcSB issued the third of three exposure drafts (EDs) relating to IFRSs in the last quarter of 2009 completing the process of exposing existing IFRSs for incorporation into Canadian generally accepted accounting principles (GAAP). Going forward in 2010, as the International Accounting Standards Board (IASB) issues exposure drafts, the AcSB will expose them in Canada individually, rather than grouping some into an omnibus exposure draft as has been done thus far. Accordingly, my predictions in this area also mirror my predictions and views regarding IASB developments in 2009.

Changing Platform – the IASB platform is never static and [the latest work plan](#) was issued by the IASB in November 2009. Two of the major standards that are expected to be finalized during 2010 include those for Provisions and the remaining Financial Instruments standards addressing Impairment, Hedging and Derecognition. The first installment of the revised Financial Instruments standard was issued in November 2009 which addressed classification and measurement of financial assets. Given that an ED related to Provisions has been issued earlier this month and comments are requested by April 2010, it is highly likely that this standard will be finalized before year-end and become either mandatorily or optionally effective for fiscal years ending on or after December 31, 2011 (which means it may need to be applied on transition by Canadian companies moving to IFRSs on January 1, 2011). In contrast, the mandatory adoption date(s) for the combined Financial Instruments standards are expected to be 2013 and beyond. I do not predict many Canadian companies with complex financial instruments will choose to early adopt any or all of the revised Financial Instruments standards as they will not have sufficient time to fully assess and analyze the impact of the new standards.

Other key standards which are due to be issued in 2011 include Consolidations and Joint Ventures. I believe they will both make it (especially given that these timelines were revised and postponed in the November work plan) but I have a little less certainty about the Consolidations standard. The IASB is waiting to publish its final standard until after it has considered comments received by the United States Financial Accounting Standards Board (FASB) on an ED they have yet to issue. In addition, this is partially linked to the conclusions reached in the derecognition project for which progress has been slower and for which some complexities remain. This is due to be finalized in the 2010-2011 timeframe. We should have a clearer view on the timing of the final Consolidations standard in Q2 2010 after many of the remaining interpretive issues still on the IASB and FASB agenda have been discussed during several joint meetings of these two standard setters.

2010 Adopters – last year, as predicted, we only saw a handful of early adopters, so is 2010 going to be any different? I don't anticipate seeing a large number of companies adopting IFRS this year as I think most are planning to wait till 2011; however I do think we will have a larger number of adopters than in 2009, possibly even reaching the double digits! Early adopters this year will continue to be



monitored closely as other adopters search for best practices from their Canadian counterparts.

First-time Adoption Policy Choices and Elections

– In this area, I have the benefit of our survey results and insights from my colleagues to get a reasonable idea of policy and first-time adoption choices that Canadian companies will make. The most popular exemptions are expected to be business combinations, employee benefits and cumulative translation differences. Other notable impacts to expect from the adoption of IFRSs include employee benefits with more companies expecting to be moving away from the corridor method; property, plant and equipment and impairment will see an increased level of detail and rigour and, last but not least, increased disclosure is the area where changes can be expected for all companies.

Ripe for Comment – I expect the regulators to be looking closely at publicly listed companies' Management's Discussion and Analysis (MD&A) for disclosures made around the status of their IFRS changeover plan and thus this should be an area of focus for PAEs as they draft their 2009 and 2010 MD&As. As you may know, the disclosure requirements introduced by the regulators (i.e. [CSA Staff Notice 52-320](#)) increase as changeover draws closer, on the presumption that management will become better informed as organizations complete the necessary IFRS transition procedures. Securities commissions noted a number of disclosure deficiencies with respect to IFRS changeover disclosures in their continuous disclosure reports published in 2009. They did, however, concurrently provide information and insights about what they believed was lacking and sample disclosures about what they expect companies to be in a position to be able to communicate, and by when. It will be important to draw an appropriate line in the sand between providing meaningful information (with applicable caveats as necessary) and disclosing information that is subject to too much uncertainty to be considered helpful.

The Alberta Securities Commission (ASC) [has issued its 2009 report](#), which people should find very helpful as they begin drafting their documents. Remember that the regulators are paying attention, so make sure your analysis is appropriate and well documented and, where appropriate, ask your Deloitte advisors to help out.

These are my predictions for 2010, but things are always changing so I am sure there will be some surprises in store for us all. However, I won't make you wait a year for those. Through future issues of Countdown and our Deloitte IFRS webcasts, there will be a heightened focus on those standards in flux and changes in the financial reporting world, to ensure that you receive practical and timely information to help you towards the IFRS finish line.

As for the Olympic predictions I discussed at the start of my article, I'm going to go out on a limb and say that Canada will take the Gold in both the Men's and Women's Hockey. I'll be keeping my fingers crossed!

The Real Deal



It's 2010 and the Lightyear team is, like many other companies in Canada, starting off a new year with a new basis of accounting records.....well, for internal purposes, that is. External reporting under IFRSs for Lightyear will not commence until 2011, but Lightyear will need to maintain IFRS accounting records throughout 2010 in order to be ready for and meet the IFRSs 2011 external reporting requirements.

What's the Deal?

As is the case with all other Canadian PAEs who are adopting IFRSs on the mandatory changeover date of January 1, 2011, Lightyear will be required to file IFRS comparative data in its interim and annual IFRS financial statements for 2011. The topic of dual reporting was covered by Lightyear in June 2009 and the detailed requirements were set out in our June edition of Countdown. The team members are comfortable that they know what the requirements are. The final phase of IFRS transition however requires not just knowledge of the requirements, but being able to implement them so that the IFRS compliant data can be generated.

Lightyear also realize that they have numerous financial documents and reports which are prepared for internal and external purposes at each interim and

year end date. Many of these reports are prepared for compliance, compensation or operational purposes and therefore it would be critical to ensure that the flow of IFRS information into those reports is complete and accurate.

Keeping it Real

The Lightyear Project Management Office has been working with Hugh Guardian, its Deloitte advisor, to tackle both the technical compliance requirements of IFRSs and the project management skills that need to be in place to ensure that the implementation team is doing as much as it can to work with the data being generated "behind the scenes", so to speak.

To keep things organized and on track, the team have decided to compile a dual reporting calendar covering the following:

- 2010 **actual** external and internal reporting requirements – Canadian GAAP
- 2010 **shadow** external and internal reporting requirements – IFRSs

An extract from this calendar is discussed later.

In addition, the following decisions have been made by Lightyear in terms of determining the scope of the dual reporting process, the process of generating the data and communication of critical requirements throughout the entity.

Decision 1: Scope - How far should dual reporting be extended beyond the production of the external financial statements?

The Lightyear team have compiled a list of internal and external reports issued in conjunction with the interim financial statements or that incorporate information based on those statements and determined whether or not their "shadow accounting" in 2010 would extend to the production of these reports. Below is a summary of their decisions:

Description of Reporting requirement	Priority	Include in Q1 shadow reporting process?
Debt covenant compliance calculation for Bank XYZ	High	Yes
Stand alone financial statements for significant subsidiaries	High	Yes. This will test the effectiveness of the process established to push information down to the legal entity level.
Stand alone financial statement for subsidiaries not deemed to be significant	Low	No
Management performance reporting by business unit	Medium	Defer to Q3. Agreement still being reached on which IFRS adjustments are reflected at the business unit level.
Management variance analysis and debrief of the interim results	High	Yes. Deemed critical part of assessing the reasonableness of the IFRS results.
Statutory compliance report to regulator ABC which incorporates certain GAAP information	High	Yes
Operating segment information	Medium	Defer to Q2

Decision 2: Establishing the dual reporting "production process"

Lightyear currently plans to commence the production of their IFRS compliant interim information for dual reporting purposes as soon as they file their Canadian GAAP Q1 2010. They considered whether they were ready to simultaneously produce both Canadian GAAP and IFRS interim information during Q1 but after discussion of the pros and cons of that approach, management decided that they would separate the two processes, but work towards the same timetable and deadlines. Quality and internal controls over production of this information will be covered by CEO/CFO certification in 2011.

Decision 3: Communication is Key - Establishing a reporting calendar

A summary of quarterly and annual financial statement and MD&A requirements extracted from the dual reporting calendar in place by Lightyear is shown below. This has been posted on the Company's intranet website and sent out to the various corporate controllers responsible for reporting to Lightyear for consolidated purposes by investees. This has also been provided to the external auditors and Audit Committee to ensure there is appropriate communication of the reporting requirements.

Reporting period	2010 Reporting Canadian GAAP	2010 Shadow Reporting IFRSs
Q1	<ul style="list-style-type: none"> Interim financial statements for the period prepared under Canadian GAAP MD&A including disclosure around IFRS changeover plan and in accordance with Canadian GAAP requirements 	<ul style="list-style-type: none"> IFRS interim financial information (including any required related note disclosures) as at and for the 3 months ended March 31, 2010 in accordance with IAS 34. Reconciliation of Canadian GAAP equity to IFRS equity at this date. Reconciliation of Canadian GAAP total comprehensive income to IFRS for 3 month period ending on this date. Opening IFRS Statement of Financial Position plus note disclosures at date of transition Reconciliation of Canadian GAAP equity to IFRSs at date of transition Description of significant accounting policies Explanation of transition to IFRSs including details of exemptions used Information for MD&A discussion related to IFRS transition Comparative analysis for First IFRS MD&A.
Q2	See Q1 (above)	<ul style="list-style-type: none"> IFRS interim financial information (including any required related note disclosures) as at and for the 3 and 6 months ended June 30, 2010 in accordance with IAS 34. Reconciliation of Canadian GAAP equity to IFRS equity at this date. Reconciliation of Canadian GAAP total comprehensive income to IFRS for 3 and 6 month period ending on this date. Comparative analysis for Q2 IFRS MD&A.
Q3	See Q1 and Q2 (above)	<ul style="list-style-type: none"> IFRS interim financial information (including any required related note disclosures) as at and for the 3 and 9 months ended September 30, 2010 in accordance with IAS 34. Reconciliation of Canadian GAAP equity to IFRS equity at this date. Reconciliation of Canadian GAAP total comprehensive income to IFRS for 3 and 9 month period ending on this date. Comparative analysis for Q3 IFRS MD&A
Year end	<ul style="list-style-type: none"> Annual financial statements under Canadian GAAP. Note also that both the total comprehensive income and equity reported for this period will be required to be disclosed in the IFRS 1 transition note in the December 31, 2011 financial statements as part of the reconciliation requirements. MD&A disclosure relating to IFRS changeover plan. 	<ul style="list-style-type: none"> IFRS annual financial information (including note disclosures) as at and for the year ended December 31. Reconciliation of Canadian GAAP equity to IFRS equity at this date. Reconciliation of Canadian GAAP total comprehensive income to IFRS for the year ended December 31. Opening IFRS Statement of Financial Position plus note disclosures Reconciliation of Canadian GAAP equity to IFRSs at date of transition Description of significant accounting policies used at this date Explanation of transition to IFRSs including details of exemptions used Comparative analysis for first IFRS MD&A AND an explanation and supporting analysis of how IFRS transition has impacted the entity including, but not limited to, discussions around transitional adjustments, policy changes and impact on key performance indicators.

Next Steps

2010 is perhaps one of the trickiest years for IFRS implementation because of the need to effectively have two heads – the public reporting one which is still in the Canadian GAAP mindset and the shadow reporting one that takes over next year and requires comparative IFRS data to be developed.

A reasonable question that has been raised by some companies in the group has been “what if things change – some standards are still not finalized”? The need for some flexibility has been incorporated into Lightyear’s plan from the start – meaning that changes are being monitored and, when issued, guidance will be issued from the implementation team as to how to proceed. Hugh Guardian has also advised Lightyear that as part of the Deloitte update webcasts in 2010, changes in IFRSs – and the impact on transition – will form part of the agenda to ensure that Canadian PAEs have the most current information.

The good news about all of this is that 2010, with proper advice and planning, can serve as the “practice year” for full IFRS reporting, with the ability and knowledge that any trial run issues can be resolved well ahead of time, thereby avoiding headaches in 2011 when time is of the essence and reporting issues will be more difficult to fix.



It’s official!!

IFRSs have now made their way into the handbook and now form “Part I” of the Canadian handbook following their incorporation into Canadian GAAP this month. The restructured handbook will still include as Part V, existing Canadian GAAP, as well as new sections incorporating the new accounting standards for other types of organizations. See below for a summary of the now multi-volume literature and what’s available now.

Part I – International Financial Reporting Standards (available)

Part II – Accounting Standards for Private Enterprises (available)

Part III – Accounting Standards for Not-for-Profit Organizations (availability to be announced)

Part IV – Accounting Standards for Pension Plans (availability to be announced)

Part V – A complete set of the existing Handbook contents (available)

Deloitte IFRS publications and events

A comprehensive summary of Deloitte IFRS publications and events is [available here](#).

Please first [login](#), first time visitors will need to complete a short registration form. Below we have included new publications and events most relevant to Canadian companies.

IFRS Publications

iGAAP: IFRS for Canada, 2nd Edition
Deloitte iGAAP: IFRS for Canada, 2nd Edition launched on January 5, 2010. It is a comprehensive reference book on the transition of Canadian GAAP to IFRS. The book includes expanded Canadian content and reflects current thinking in key industries. It is essential reading for accounting professionals, as well as others who need to understand the implications of IFRS conversion on their organization. Written for Canadians by Canadian practitioners, the book provides a roadmap to help companies understand how to effectively transition from Canadian GAAP to IFRS.



- For more information, please visit the [Deloitte IFRS website](#)
- To order the book in printed or digital format, please visit the [CCH website](#)

[Guide to IFRS 1 First-time Adoption of International Financial Reporting Standards](#) (Second Edition) – this guide aims to provide first-time adopters with helpful insights for the application of IFRS 1. The second edition has been updated to reflect the lessons learned from the first major wave of IFRS adoption in 2005, as well as for the changes to IFRS 1 since 2004.



[IFRS Model Financial Statements for 2009](#) – These model financial statements for the year ended 31 December 2009 illustrate the application of the presentation and disclosure requirements of International Financial Reporting Standards (IFRSs) by an entity that is not a first-time adopter of IFRSs. They also contain additional disclosures that are considered to be best practice, particularly where such disclosures are included in illustrative examples provided with a specific Standard.

Deloitte's IFRS Global Office has published a version of our illustrative IFRS financial statements for 2009 that illustrate early adoption of IFRS 9 *Financial Instruments*, which was issued in November 2009. IFRS 9 is effective 1 January 2013, but early adoption is permitted starting in 2009. Click for:

- [Illustrative IFRS Financial Statements Including IFRS 9](#) (PDF).
- [Illustrative IFRS Financial Statements Including IFRS 9](#) (Word file, zipped).

21 January 2010: Canadian Disclosure and compliance checklists

Deloitte Canada has published an IFRS Presentation and Disclosure Checklist and IFRS Compliance Checklist incorporating differences between Canadian GAAP and IFRSs. The Canadian versions are based on the Deloitte global versions but also include 'consideration points' relating to key differences between Canadian GAAP and IFRSs that

may be helpful for Canadian companies in assessing whether or not they meet the requirements of a specific IFRS. These considerations may also serve as a helpful reference source for Canadian companies on transition to IFRSs from Canadian GAAP. Also, the English versions (.docm files) include a built-in macro that allows users to select standards that are not applicable to them and exclude them automatically. Click to download:

- [2009 IFRS Presentation and Disclosure Checklist - English](#) (Macro Enabled) (Word .docm file 818k)
- [2009 IFRS Presentation and Disclosure Checklist - French](#) (Word .doc file 3,627k)
- [2009 IFRS Compliance Checklist - English](#) (Macro Enabled) (Word .docm file 1,582k)
- [2009 IFRS Compliance Checklist - French](#) (Word .docx file 1,538k)
- [All Four Above Files in a Single ZIP File](#) (.zip file 4,203k)

International Round-up

Updates and news from the IASB

January 5, 2010: IASB re-exposes liability measurement proposals

The IASB has published for comment a revised exposure draft (ED/2010/1) of one section of a replacement for IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. That section deals with measurement of liabilities that are within the scope of IAS 37. In June 2005, the IASB had published [Proposals](#) to amend IAS 37, including revised measurement requirements. In light of the comments received, the IASB has decided to issue revised proposals that include more guidance on measurement. Comment deadline is April 12, 2010. [Click here](#) for further details.



January 13, 2010: Two bound volumes of IFRSs for 2010

The IASB plans to publish two types of Bound Volume (BV) of IFRSs for 2010. One will be the traditional BV including all pronouncements issued at the publication date; including those that do not become mandatory until after 2010 (it will have a red cover). The other will be a BV of only those pronouncements whose application is mandatory as of January 1, 2010 (it will have a blue cover). The IASB expects to have a facility for placing orders for these volumes shortly on [IASB's Website](#).

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