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October 2010

Countdown

Deloitte Canada's IFRS transition newsletter

Welcome to the October 2010 edition of Countdown!

As we get closer to 2011, there are only a few weeks remaining before transition to IFRS for calendar year-end entities and Canadian generally accepted accounting principles ("GAAP") as we know it will no longer be our accounting framework. While it seems hard to believe, we have now issued over thirty editions of Countdown, and there are only two more to go before changeover!

This month's lead article focuses on the principles-based foundation of IFRSs and practical issues that may be encountered when exercising judgment through the application of these principles. As for Lightyear, this month we look at IAS 10 Events After the Reporting Period ("IAS 10"), and how this will affect them 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.

We look forward to seeing you again next month!

Don Newell

National Leader - IFRS services

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Principles-based Accounting:

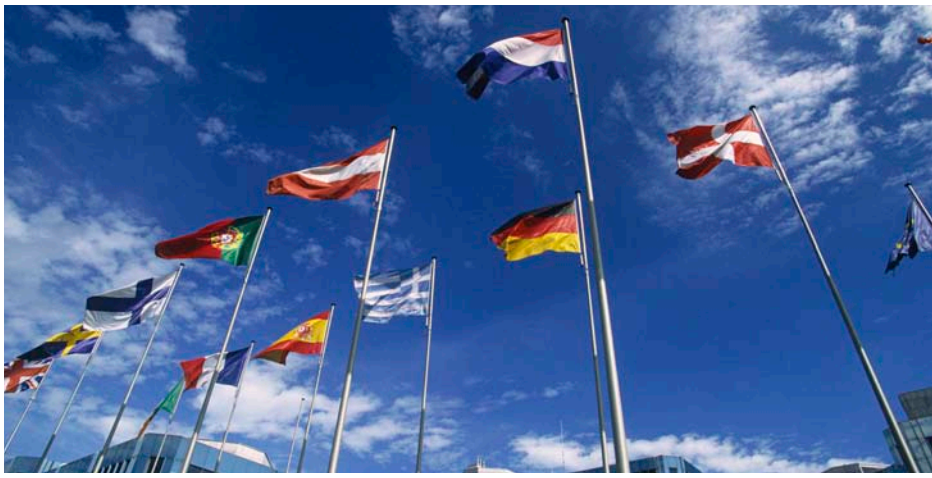
The Interplay of Judgment and Ethics in the Application of IFRS

The introduction of IFRSs in Canada is hailed by many as the introduction of principles-based accounting. This notion goes hand-in-hand with the idea that judgment will play a role in the determination of many accounting issues. For many this is a good thing: following bright-line rules (held to be the opposite of principles-based standards) may lead to the arrival at outcomes that are not consistent with the objective of the underlying standard. Present the standard as a principle, the theory goes, and good judgment should follow.

Or does it? In fact, poor judgment could also follow! Also, closely following poor judgment is the notion of unethical or inappropriate judgment – decisions made that are intentionally inconsistent with the spirit or letter of the accounting standard at hand. The notions of "misleading" or "incomplete" information can be applied equally well in an IFRS framework as they can in a Canadian GAAP (or any other GAAP) framework. The standard of care in many circumstances can be expressed in the same manner under both IFRS and Canadian GAAP.

This view of principles-based accounting may make some long for rules-based accounting, where the role of judgment – and its potentially adverse consequences – is minimized. However while principles-based accounting does call for greater judgment, this is not necessarily a bad thing; there are ways in which principles-based accounting can be implemented as it is intended to function but without the less desirable consequences that might go hand-in-hand.

The difference that occurs with principles-based accounting is in the process whereby an entity – or more practically speaking – its accountants – reach and support (or defend) judgments. The wider notion of acceptable practices under "principles-based accounting" suggests not only that there may be additional outcomes to contemplate – that's part of the deal – but also suggests that additional steps may need to be taken to avoid the appearance or the inference that choices were made on an unprincipled basis.



The reasonable application of judgment

This all leads to the notion of "judgment". Perhaps a good definition offered for "judgment" in these circumstances is the following: *"a: the process of forming an opinion or evaluation by discerning and comparing; b: an opinion or estimate so formed."* [Merriam-Webster On-Line Dictionary]. The interesting part of this definition for the purposes of applying IFRS is the two participles employed in the last part of the definition: "discerning" and "comparing". Practically speaking, "discerning" means identifying alternative outcomes that may arise from the interpretation or application of an accounting policy. "Comparing" means assessing the alternatives that are identified and making a choice. One interpretation that is not consistent with the definition: the idea that applying judgment – as required in the principles-based approach – means a "free choice."

If the application of judgment requires the consideration of alternatives, how are those alternatives identified and developed? One approach is to consider the factors that are usually identified in the standard itself. This may be best illustrated by an example from the guidance. One common judgment that has to be addressed in the application of IAS 16 *Property, Plant and Equipment* ("IAS 16") is the degree to which assets are "componentized" into items that are subject to separate depreciation and derecognition requirements. How should alternatives be generated in

the course of making this judgment? The standard itself provides limited insights on how to determine the individual components. A rationale for requiring componentization is expressed, however, in the *"Basis for Conclusions"* accompanying the standard: *"Of particular concern to the Board were situations in which the unit of measure [i.e. that is, the component] is the "item as a whole" even though that item may be composed of significant parts with individually varying useful lives or consumption patterns."* This suggests that the application of judgment should focus on varying useful lives and patterns of consumption for individual "significant" parts of assets.

By itself, this doesn't provide a bright-line test for the determination of components. An asset may, in theory, be broken down into two components or three hundred components, or any number between those two! How to choose between the options available? An approach that is consistent with the IFRS Framework would be to consider the expectations and needs of users of the financial statements. What would they expect to see in terms of the results of componentization? It is unlikely that an analysis for a transportation company based on hundreds of engine parts would be of interest to them. But what may be of interest would be those components that are, for example, treated as engineering units – and likely componentized for the purposes of repairs and maintenance – for example, engines, chassis, and in some cases, such as where they are a significant expense per vehicle (e.g. for giant mining trucks), tires.

Note also that the guidance does not suggest that a micro-analysis of each asset is the objective of the standard; the adjective *"significant"* suggests that the process can stop when the analysis leads to insignificant variations. The plain language interpretation of the standard would clearly support this view, and would not require an extensive interpretation of the meaning of the word "part", which could take the analysis of truck parts down to the level of, for instance, windshield wipers.

In abstract form, a principled analysis identifies elements by looking at the intent of the standard, considers what users would reasonably expect to result from the application of that standard, and follows the plain meaning of words in their interpretation.

How can judgment become "unprincipled"?

"Unprincipled" judgments are those that are not consistent with the intent of the standard, or inconsistent with the process of the application of

judgment in the manner described above. What could illustrate this circumstance? One obvious approach would be to determine the outcome for a judgment based upon a desired financial statement result, as opposed to a reflection of the underlying process or manner in which the economic benefits are consumed by the entity. For example, componentization could be carried out so that depreciation expense is minimized, by identifying elements into groups with the longest possible remaining service lives.

Another approach is to consider the word "significant" that is used to guide the degree of componentization in the largest possible sense – significance, for example, could be equated with "financial statement materiality" and parts only identified if they are "material to the financial statements as a whole". This would not seem to be consistent with the intent of the standard where significance is expressed in the context of "parts of an asset". Therefore, it would be unprincipled to use the words in the standard out of their context.

A third approach might be to consider components based upon looking at the largest physical asset – for example – the dragline in a mining operation – and ignoring the fact that more than half the assets are composed of mining trucks that have a different pattern of wear and tear – and useful lives. That is, an unprincipled analysis would ignore significant or weighty elements of the circumstances by focusing on only one aspect of the circumstances and ignoring other elements which have equal or greater weight.

In abstract form, "unprincipled" analysis focuses on the outcome in making choices of principles, as opposed to the underlying objective of the standard; emphasizes words out of context and intentionally ignores weighty matters that should enter into a decision.

Other aspects of principles and ethical challenges

Good judgments in the interpretation of accounting standards are only one example of the role of principles and ethics in IFRS. Other examples include the choice of estimates and the role of bias therein.

Choosing a point estimate from the continuum of possible estimates that are potentially available in the application of any accounting system presents some unique challenges – and the application of IFRS is estimate-intensive. There are few guidelines available for making such choices and those guidelines that are available do not always appear to be consistent. For example, the notion of "unbiased" estimates is frequently found in IFRS standards. Specifically, the conceptual framework underlying IFRSs requires that information must be "reliable" and this, in turn, is stated to mean that the information contained in the financial statements must also be neutral or free from bias. Here the lack of bias may be implied to mean using the "expected value" or "mathematical mean" of a distribution of outcomes to make an estimate. Using the mathematical mean indicates that the outcome should be higher or lower than the estimate with equal probability. For example, IAS 37 – Provisions, Contingent Liabilities and Contingent Assets refers to the use of "most likely outcome" – being the mathematical "mode" of a distribution - as a measure which may be the best estimate of the liability to be recognized for a single obligation.

On the other hand, according to the IFRS Framework, the concept of "prudence" also applies to estimates. This is defined as *"a degree of caution in the exercise of the judgments needed in making the estimates required under conditions of uncertainty"*, specifically, "*…such that assets or income are not overstated and liabilities or expenses are not understated"*. This would seem to motivate a choice that shades estimates away from the mid-point and towards the "conservative" end of the continuum of choices. In any case, the same Framework also states that financial statements should be "neutral", which arguably points the preparer back to the notion of midpoint estimates of some sort.

How can these various directions be reconciled; i.e. estimates be made, without violating either the characteristics of neutrality or of prudence? The application of the same definition of "judgment" as used in the discussion of accounting principles and the notions of discerning and comparing

alternatives still apply. In the case of estimates, consider what the estimate is intended to represent, and consider, from a user's point of view, the impact of alternative choices.

For example, on matters related to the measurement of income or liquidity in a struggling entity, it is probably fair to state that the "payoff" to users of outcomes that significantly differ from estimates of those outcomes is probably not symmetrical. That is, users generally dislike outcomes that are lower than expected more than they welcome the surprise of outcomes that are better than expected. Partly this is because downside results may result in terminal losses – the liquidation of the entity - while upside results may lead to its continued existence as a struggling entity. And partly the push to prudence may be because evidence and experience shows that when managerial self interest is involved, such as compensation, individuals are instinctively optimistic; that is, are prone to over-estimate the likelihood of positive outcomes.

Given these considerations, what are the qualities of "good estimates"?

- Good estimates are prepared using a degree of diligence that reflects their impact on the financial statements, and on the users of financial statements. Estimates that reflect a substantial degree of diligence may in fact be both "prudent" and "unbiased". In practical terms, if, for instance, an estimate affects gross margins that are usually analyzed to within a decimal point, a good estimate would be one that reflects that same degree of accuracy.
- Good estimates are also prepared using relevant and timely data. Estimates of parameters such as bad debt rates should be based on data that is as contemporaneous as possible with the accounting data to which they are applied.
- Good estimates recognize that there may be

asymmetrical consequences to the resolution of the uncertainty that requires an estimate in the first place. While this may be obvious in the case of matters such as the estimated consequences of lawsuits, it may be just as true for entities that rely upon estimated values to measure working capital net of an estimate of bad debts – to determine compliance with debt covenants.

What are the qualities of "bad estimates" that might, in extreme cases, be characterized as unprincipled or unethical? The following are some examples of such circumstances:

- An estimate in which natural optimism is in play, that makes it more likely than not that future outcomes will come in below estimates for assets (or above estimates for liabilities). Despite innocent motivations, estimates that are subsequently shown to be biased or optimistic may be considered as intentional mis-estimates – or bad management, not just the "luck of the draw."
- Estimates that do not consider what investors – or financial statement users – would expect to be factored into an estimate in the circumstances. Consider an estimate of the recovery of receivables in a struggling organization: Would a negative result put the enterprise in significantly dire circumstances, whereas a positive result would leave it in the status quo? Are such significant factors considered in the process of making estimates, for example in refining the estimate to reflect the risk involved, or are they ignored?
- Relying upon factors that don't really affect the outcome. Emphasizing elements that are of no real practical significance is another way that estimates may be skewed away from those that would be driven by a consideration of the principles of good judgment. For example, using Canadian data to estimate bad debt provisions for US customers could be inappropriate
- Choosing an estimate because it is within a range of acceptable outcomes, and which coincidentally produces a positive result for the entity, essentially does not involve professional judgment but is reverse engineering – making the desired outcome determine the estimate.

Ethics, Principles and IFRS are intertwined

It would be a happy circumstance indeed if the accounting choices involved in applying IFRS did not involve considerable judgment, and there were no right or wrong ways to go about those tasks. But the nature of IFRS – principles-based, estimate-intensive – does not provide that luxury. There are right ways of making interpretations and estimates – and when doing so an entity should document, at the same time these assessments are made, the manner in which it has executed those choices and the underlying rationale for them.

There are also wrong ways to go about the tasks, and these may indicate that management is unprincipled in its judgments, or worse yet, has made unethical choices to serve its own purposes rather than the purposes of the users of financial statements. In most cases the utmost professionalism of accountants produces the right result. Documenting that professionalism in making those choices not only serves the interests of users, but also demonstrates the integrity of management, which is, logically, a necessity for the application of principles-based accounting standards such as found in IFRS.

Suffice to say that preparers should not be afraid of making judgments and users of financial statements should not doubt that they are reliable and have been arrived at through a thought process that has considered the range of possible outcomes and concluded on a position that adheres to the overriding principles of the standards. Perhaps, the important message here to both preparers and users is that when judgment is involved, the full story cannot be written or understood by solely numbers alone. Rather, arriving at the amount recognized must be supported by robust documentation underlying the thought process and the note disclosures in the financial statements should clearly communicate the use of estimation and uncertainty that may be inherent in the process. Notwithstanding all of the complexities inherent in today's business and financial reporting world, communication in plain English is still as effective as ever!

The Real Deal

Events after the reporting period

Lightyear is into the final quarter of its last Canadian GAAP year and its first year of dual reporting under IFRSs. The IFRS team has, through the course of their IFRS transition project, tackled the key technical and practical application aspects of the IFRSs which will be in effect - and that will impact Lightyear –at the end of its first annual IFRS reporting period. Additionally, the team, alongside their Deloitte advisor, Hugh Guardian, has monitored the status of new and evolving IFRSs.

One standard which has been addressed by Lightyear, but which has not been reported on to date in the "Real Deal" section of Countdown, is IAS 10 – *Events After The Reporting Period* which provides guidance on what we refer to as "subsequent events" under Canadian GAAP.

What's the Deal?

Under Canadian GAAP, we split subsequent events into two categories – a) adjusting - being those events that necessitate adjustment in the financial statements even though they occur after the balance sheet date; and b) Non-adjusting - being those events that require disclosure in, but no adjustment to, the financial statements.

So, what has changed under IAS 10, and what is essentially the same? In short, what does Lightyear need to focus on both on transition to IFRSs and in (and after!) subsequent reporting periods.

Keeping it Real

Are the core principles of IAS 10 aligned with Canadian GAAP?

To a large extent, yes, they are. IAS 10 retains the terminology and core principles that we are familiar with now under Canadian GAAP. Key definitions within IAS 10 are as follows:

- **Events after the reporting period:** Those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue.
- **Adjusting Events:** Those that provide evidence of conditions that existed at the end of the reporting period.
- **Non-Adjusting Events:** Those that are indicative of conditions that arose after the reporting period.

One new term that has been introduced through IAS 10 is "the date the financial statements are authorized for issue" which is the endpoint of the time period which is within the scope of IAS 10. This is in contrast to Canadian GAAP, which refers to the date that the financial statements are completed. In addition, under IAS 10, the date of authorization for issue must be disclosed, accompanied with disclosure of who provided this authorization.

Our financial statements go through multiple drafts and various layers of review. How do we determine the date at which they are authorized for issue?

Each entity will have to determine the appropriate date based on its management structure, applicable regulations and its own processes and procedures for finalizing the financial statements. Approval processes may involve the Board of Directors, other Executive Committees, and Shareholders and will vary from one entity to another (and may change within an entity over time). Considerations specific to Canada will include, perhaps, the approval of both the French and English language financial statements, as well as the implications of dual filing requirements for entities listed on both Canadian and United States exchanges.

IAS 10 does not specifically define the date when financial statements are authorized for issue, but it does provide some guidance on its interpretation and includes examples of different approval processes and the applicable authorization date in each instance.

As noted earlier, whatever the date, entities must disclose the date when the financial statements were authorized for issue and who gave that authorization. IAS 10 attaches particular importance to this requirement since it communicates to users the timeframe within which the entity has considered, and reflected, events occurring after the year-end. This is not a disclosure requirement under Canadian GAAP and thus will be a new disclosure for Lightyear.

How do we deal with the IAS 10 requirements at transition? For example, our opening balance sheet won't be issued until 2011, so what does this mean for our subsequent events window?

Good question!! There is some guidance which talks to this within IFRS 1 – *First-time Adoption of IFRSs.* Relevant reference points are IFRS 1.14-17 and IFRS1.IG3-4 (Implementation Guidance dealing with IAS 10) which provide guidance on addressing potential dilemmas here as well as some practical examples.

Essentially, there is a general exception in IFRS 1 which precludes the use of hindsight in the determination of accounting estimates. This states that estimates should be made on a basis that is consistent with prior (i.e. Canadian) GAAP aside from accounting policy differences or when there is objective evidence that there is an accounting error in the prior GAAP numbers. Translating this into application in the opening balance sheet, the window for adjusting an estimate made under IFRSs for subsequent information should mirror that of its Canadian counterpart. The receipt of additional information pertaining to the estimate is treated in a manner akin to a non-adjusting event as set out in IAS 10. We recommend Lightyear refer to IFRS 1.15 (replicated below) and make reference to this, as applicable, in its final IFRS transition file documentation.

IFRS 1.15

An entity may receive information after the date of transition to IFRSs about estimates that it had made under previous GAAP. In accordance with paragraph 14, an entity shall treat the receipt of that information in the same way as non-adjusting events after the reporting period in accordance with IAS 10 Events after the Reporting Period. For example, assume that an entity's date of transition to IFRSs is 1 January 20X4 and new information on 15 July 20X4 requires the revision of an estimate made in accordance with previous GAAP at 31 December 20X3. The entity shall not reflect that new information in its opening IFRS statement of position (unless the estimates need adjustment for any differences in accounting policies or there is objective evidence that the estimates were in error). Instead, the entity shall reflect that new information in profit or loss (or, if appropriate, other comprehensive income) for the year ended 31 December 20X4.

What about disclosures?

In addition to the required disclosures of the date of authorization for issue, and who gave that authorization, there are some other required disclosures. Where non-adjusting events after the reporting period are material, entities must disclose the nature of the event and an estimate of its financial effect or a statement that such an estimate cannot be made for each material category of non-adjusting event.

IAS 10 also requires that any information received after the reporting period about conditions that existed at the end of the reporting period should be included in the disclosures, by way of an update to the disclosures that related to those conditions in light of the new information available.

Until next time……

Join us again next month to read about some of the final issues Lightyear must focus on before January 1, 2011.

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 publicly-accountable enterprises.

Publications

Enhancing the Quality of IFRS Financial Statements

Enhancing the Quality of IFRS financial statements provides ten easy ways to improve the clarity and informativeness of financial statements under IFRS. It highlights qualitative aspects within the preparation of IFRS financial statements that can improve the quality of those statements beyond the level obtained by simply complying with the standards. The ideas presented in the document may be implemented by companies who are transitioning to IFRS and by those who are post-conversion.

Click here to access the online version of this publication. Printed copies are available upon request.

The IFRS Changeover – A Guide for Canadian Users

The IFRS Changeover – A Guide for Canadian Users is intended to orient users of external financial reports and members of audit committees to matters arising from Canada's imminent change in accounting standards for public companies. Unlike other publications issued by the Canadian Performance Reporting Board (the CPRB) that focus on Management's Discussion & Analysis, this guide is unique in that it focuses on raising awareness in the user community about the potential effect of the changeover on performance metrics and informing users about some of the more common differences that they will encounter. Members of audit committees have also expressed an interest in its non-technical approach, and focus on users' reaction to IFRS-based financial statements.

Click here to access the online version of this publication. Printed copies are available upon request.

IAS 34 – Interim financial reporting: A Canadian perspective is a comprehensive reference source for financial statement preparers and users with a working knowledge of Canadian GAAP and securities requirements. The guide frames IAS 34 in a Canadian perspective and combines international reporting requirements and timely regulatory information into a single document. The report is relevant to financial statement preparers both before IFRS adoption and throughout the adoption process. It will also be relevant to first-time adopters. The guide also includes sample interim financial statements and a compliance checklist. For more information click here.

Webcasts

IFRS technical update – Keeping Current!

Our quarterly IFRS technical updates provide some highlights relating to both recent developments in IFRSs and perspectives on transition in Canada. Combining technical expertise with practical experience our webcasts discuss what's new and what's next in IFRS and a variety of other matters.

- **June 22, 2010 (English version)**
  View archive here
- **September 8, 2010 (French version)**
  View archive here
- **September 21, 2010 (English version)**
  View archive here

IASB Revenue Recognition Webcast - Looking Ahead!

The Revenue Recognition Exposure Draft (ED) was issued at the end of June 2010. If the ED is finalized as drafted, there will be significant changes in how some transactions are accounted for. Learn about the key differences from current accounting standards and understand how these changes may impact your organization. If there are issues that you believe the standard setters need to reconsider, you will still have time to submit a comment letter (comments are due October 22, 2010).

- **September 27, 2010 (English version)**
  View archive here

Public Sector Technical Update

This technical update provides some of the highlights relating to changes in the accounting standards and underlying accounting frameworks for organizations in the public sector. Combining technical expertise with practical experience, our webcast discusses the new accounting frameworks, changes in public sector accounting standards and other matters.

- **October 20, 2010 (English version)**
  View archive here

Toronto

- **November 22-24, 2010**

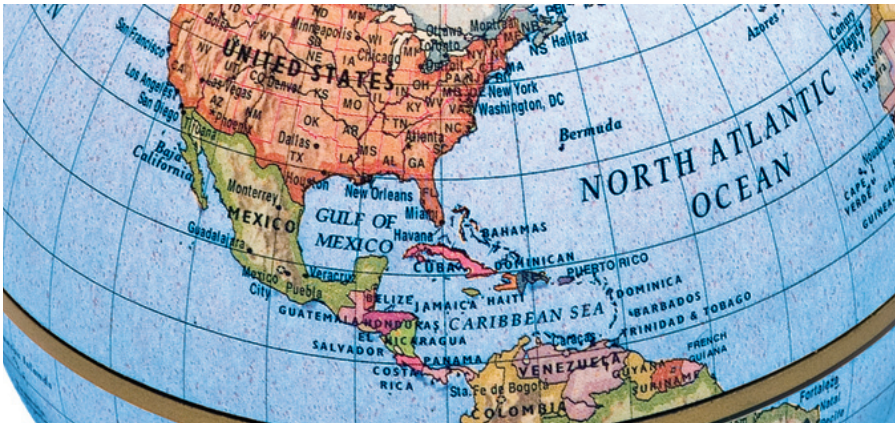
CICA - IFRS Foundation Conference – IFRS in North America 2010

For more information please click here.

IFRS Round-up

Updates in Canadian and International news

September 28, 2010: IASB and FASB complete first stage of conceptual framework



The IASB and the FASB completed the first phase of their joint project to develop an improved conceptual framework for IFRSs and US GAAP. The objective of the conceptual framework project is to create a sound foundation for future accounting standards that are principles-based, internally consistent and internationally converged. Work on the framework project is being carried out in stages. As each chapter is finalized, the relevant paragraphs in the Framework for the Preparation and Presentation of Financial Statements that was published in 1989 will be replaced. To date, the chapters 1 - *The objective of financial reporting* and 3 - *Qualitative characteristics of useful financial information* were published. The IASB document is available for eIFRS subscribers only; the FASB document, containing also the chapters *The Objective of General Purpose Financial Reporting and Qualitative Characteristics of Useful Financial Information* is freely available on the FASB's website. Deloitte's IFRS Global Office has also published an IFRS in Focus Newsletter – IASB completes first phase of joint project on Conceptual Framework for Financial Reporting which describes the project.

September 30, 2010: IASB proposes Severe Hyperinflation amendment to IFRS 1

The IASB published for public comment an exposure draft Severe Hyperinflation, a proposed amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment proposes guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. According to the proposed amendment an entity that has been subject to severe hyperinflation would be allowed to measure assets and liabilities at fair value and use that fair value as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. The exposure draft is open for comment until November 30, 2010. Deloitte's IFRS Global Office has also published an IFRS in Focus Newsletter – IASB issues Exposure Draft on First-time Adoption of IFRSs after a period of Severe Hyperinflation which describes the proposal.

October 3, 2010: CSA publish IFRS-related amendments to various national instruments

The Canadian Securities Administrators (CSA) have published IFRS-related amendments to a number of national instruments and companion policies with the intention of reflecting the transition to IFRSs and updating accounting terms and references. Generally, the amendments affect continuous disclosure rules, prospectus rules, certification rules, registration materials and smaller changes to various instruments. Assuming that all required Ministerial approvals are granted, the amendments will come into force on January 1, 2011. A summary of these amendments can be found on the Ontario Securities Commission's website.

October 7, 2010: IASB finalizes enhanced derecognition disclosure requirements for transfer transactions of financial assets

The IASB issued amendments to IFRS 7 *Financial Instruments: Disclosures* as part of its comprehensive review of off-balance sheet activities. The amendments will allow users of financial statements to improve

their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The IASB had originally proposed to replace the existing derecognition model in IAS 39 *Financial Instruments: Recognition and Measurement* and the associated disclosure requirements in IFRS 7. However, in light of the feedback received, the IASB decided to retain the existing derecognition requirements and to finalize improved disclosure requirements. The amendments also broadly align the relevant disclosure requirements of IFRSs and US GAAP. Entities shall apply the amendments for annual periods beginning on or after July 1, 2011. In the first year of application, comparative information is not required. Deloitte's IFRS Global Office has also published an IFRS in Focus Newsletter – IASB amends disclosures about transfers of financial assets that describes these requirements.

October 11, 2010: CSA delay implementation of IFRS for investment funds

The Canadian Securities Administrators (CSA) published an update regarding their plans for requiring adoption of IFRS by Canadian investment funds. In October 2009, the CSA proposed amendments that would have required investment funds to transition to IFRS by 1 January 2011. The Accounting Standards Board (AcSB) recently decided, however, to defer the mandatory IFRS changeover date for investment companies in order to give the International Accounting Standards Board (IASB) time to implement the proposed exemption for investment companies from having to consolidate investments they control. The CSA would prefer that the proposed IASB consolidation exemption be in place before requiring investment funds to transition to IFRS; the new goal for IFRS implementation for investment funds is now 1 January 2012.

We have published a new Accounting Alert which addresses changes to the Canadian Securities Administrators (CSA) securities rules for IFRS changeover. You can access the alerts in the English and French language through the links below:

- Accounting Alert: Changes to CSA securities rules for IFRS changeover
- Alerte comptable: Modifications relatives aux IFRS apportées aux règlements sur les valeurs mobilières

October 12, 2010: IASB publishes updated work plan

The IASB have updated their IASB work plan which sets out financial reporting projects in progress at this time and the planned timetable for issuance of the respective Exposure Drafts and final Standards. Key items of note include the following:

- **New Standards expected before the end of the year:** Joint Ventures, IAS 27 (consolidated and separate financial statements) replacement, Disclosures about unconsolidated entities and Financial Liabilities – Classification and Measurement (IFRS 9)
- **New standards expected in the first half of 2011:** Employee Benefits (planned for the first quarter); Leases, Revenue Recognition and Financial Instruments (balance of requirements and comprehensive replacement to current guidance) are all planned to be issued before June 30, 2011.
- **Other items:** The revised project plan contemplates new Exposure Drafts on both Income Taxes and Provisions (IAS 37 replacement) during the second half of 2011. Accordingly, these developments will be relevant to Canadian entities in the post-transition period.

The project plan can be issued through this link.

October 12, 2010: Hans Hoogervorst to succeed Sir David Tweedie as IASB Chair

Standards Board (IASB), today announced the appointment of Hans Hoogervorst as chairman and Ian Mackintosh as vice-chairman of the IASB.

Hans Hoogervorst will succeed Sir David Tweedie on his retirement as chairman of the IASB at the end of June 2011. He is currently chairman of the Netherlands Authority for the Financial Markets (AFM), the Dutch securities and market regulator, chairman of the Technical Committee of the International

Organization of Securities Commissions (IOSCO) and co-chair of the Financial Crisis Advisory Group (FCAG), an independent body of senior leaders formed to advise accounting standard-setters on their response to the global financial crisis. He will step down from all his present positions in order to join the IASB.

Ian Mackintosh, a former chief accountant of the Australian Securities and Investment Commission, has more than 30 years experience of national and international accounting standard-setting. He is currently chairman of the UK Accounting Standards Board and chairman of the group of national accounting standard-setters, a body in which more than 20 national and regional accounting standard-setting organizations participate.

October 28, 2010: IASB issues additions to IFRS 9 for financial liability accounting

The International Accounting Standards Board (IASB) has today issued requirements on the accounting for financial liabilities. These requirements will be added to IFRS 9 *Financial Instruments* and complete the classification and measurement phase of the IASB's project to replace IAS 39. They follow the IASB's November 2009 issue of IFRS 9, which prescribed the classification and measurement of financial assets.

The new requirements address the problem of volatility in profit or loss arising from an issuer choosing to measure its own debt at fair value. This is often referred to as the 'own credit' problem. The IASB decided to maintain the existing amortised cost measurement for most liabilities, limiting change to that required to address the own credit problem. With the new requirements, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income (OCI) section of the income statement, rather than within profit or loss.

IFRS 9 applies to financial statements for annual periods beginning on or after 1 January 2013. Entities are permitted to apply the new requirements in earlier periods, however, if they do, they must also apply the requirements in IFRS 9 that relate to financial assets.

Click for:

- IASB press release
- IASB feedback statement
- IAS Plus summary of IFRS 9 *Financial Instruments*

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