Deloitte.

The conversion of Canadian GAAP to IFRS: Volume one – scoping the effort

May 2007

Contents

Preface

This publication is the first in a series of guides published by Deloitte to assist Canadian publicly accountable entities[1] in the task of transitioning from Canadian Generally Accepted Accounting Principles (GAAP) to International Financial Reporting Standards (IFRS).

The relatively lengthy conversion period (2007 – 2011) means that entities will have time to approach the task in a deliberate fashion considering the scope of the exercise and all its ancillary consequences before plunging into the details of conversion. Our series is intended to provide guidance that is relevant to this deliberate approach, by dealing first with those matters that are in our judgment of a higher priority than others. Changing to IFRS is not a revolution but a move from one set of financial reporting standards, with which we are already comfortable, to another set which, while they incorporate some changes, new concepts and new language, are often highly similar in form and content.

Preparing for this conversion, to use the travelling analogy that we think very appropriate, begins by thinking about what you need to take on the trip and the order that it should be packed. Those things that you are going to need first should not be left to last, while there are other things that while important can be addressed later in the process.

This guide focuses on scoping and planning for the journey. In subsequent volumes we will address in increasingly greater detail other aspects of the road ahead, with more specific guidance on issues as they become more relevant to the timing of the process.

In the meantime, "***Bon Voyage*".**

---

[1] The definition of publicly accountable entities, for the purposes of implementing the Canadian Institute of Chartered Accountants (CICA) Strategic Plan to adopt IFRS, will be based on the final definition provided by the CICA. The current definition encompasses all those companies not eligible for differential reporting. The final definition has yet to be confirmed.

Introduction

This guide is intended to assist Canadian publicly accountable financial statement preparers in scoping out the significant tasks of the conversion from Canadian GAAP to IFRS. Full convergence is anticipated by 2011 but there are a number of critical tasks that need to be completed prior to 2011 either to satisfy financial reporting and regulatory requirements or to ensure that when January 1, 2011 arrives, everything is in place to ensure a smooth transition. The objective of this guide is to help financial statement preparers in determining what conversion tasks are important now and which tasks can wait until later. By careful planning and through the implementation of a well thought out implementation strategy, conversion to IFRS can be a smooth and cost effective exercise.

This guide is divided into four parts as outlined on the next page. On completion of the final section, we hope you will have the tools, or the ability to access tools, to address the first phase of IFRS conversion – scoping the effort.

Part 1

Provides an overview of IFRS, key considerations for Canadian financial statement preparers and an introduction to key terms and concepts.

Part 2

Focuses on important conversion issues. These are financial reporting areas that Deloitte has identified as being of importance at an early stage in the conversion process. This may be based on the existence of a significant technical difference between Canadian GAAP and IFRS or it may be due to transitional or ongoing requirements to compile data that entities will need to plan ahead for in order to implement on a timely and cost effective basis.

Part 3

Reconsiders the overall conversion process after review of the important conversion issues raised in Part 2 of the guide. Part 3 also looks at the phases in the conversion process which follow the first phase, scoping the effort, and which will be the subject of future publications.

Part 4

Guidance and resources available from Deloitte. This includes a series of related publications, lists IFRS professionals in each Canadian province and the ability to access training modules on each key subject matter, free of charge through our IFRS website www.iasplus.com.

Part 1:
Beginning the conversion journey

Where does your journey begin?

Beginning the journey

The Accounting Standards Board (AcSB) of the CICA has announced its intent to replace Canadian GAAP with IFRS for all publicly accountable entities (as defined by the CICA). The first date on which IFRS will replace Canadian GAAP in published annual reports will be January 1, 2011. Between now and then, entities will have to manage the conversion from Canadian GAAP to IFRS.

"Converting to IFRS from Canadian standards is a journey not a revolution"

Does this mean that those who understand current Canadian GAAP become obsolete on New Year's Eve 2010? Does it mean that there will be a seismic shift on that date that will require overtime efforts to comply in 2011? The answer to both of the above is "No". This is not an accounting revolution, but a journey from one comprehensive basis of GAAP to another. This new basis involves important conversion issues that should be addressed immediately, some that while important, may be addressed later in the conversion process and other items that are expected to be converged with Canadian GAAP prior to the overall convergence date. In addition, there are a whole host of details, including enhanced disclosure requirements that will need to be addressed before the conversion date. Beneficially, many areas are already closely aligned with the current Canadian financial reporting framework – and some Canadian standards will fall away.

What's the destination?

The ultimate destination is ***complete conversion*** of all financial statements from Canadian GAAP to IFRS for fiscal years beginning on or after January 1, 2011, with restatement of the immediately prior year's results (including quarterly results). The scenery at this destination includes all operations, resources, and systems converted. The market, including all stakeholders, will be fully aware of the change, as this will be communicated to them well in advance. And of course, certifications of internal and disclosure controls will be necessary throughout the process.

Key viewpoints along the way are ***disclosures*** of the likely effects, if known, in the financial statements for the years ended on or after December 31, 2008, 2009, and 2010.

How to get there?

Plan your route

- Scoping
- Enabling
- Executing
- Monitoring

With some careful route planning and a good map, any journey can be made more manageable. As we see it, there are essentially four phases to the journey to IFRS- scoping the effort, enabling the resources, executing the plan, and monitoring the process. This guide is the first in a series of annual travel guides on the journey to IFRS – focusing on the elements of conversion that are important at this initial stage.

The four phases of conversion

Scoping the Effort – determining the scale and breadth of the exercise, setting deadlines and priorities, and assigning responsibilities

Enabling the Resources – providing those responsible for the entity's financial reporting with the skills to execute timely and error-free conversion statements – and to prepare IFRS-compliant financial reports continuously thereafter

Executing the Plan – drawing up specific plans and undertaking those activities to gather data, analyze transactions, measure, classify and disclose those transactions in accordance with IFRS

Monitoring the Process – ensuring that the quality expected of the process is in fact achieved, providing assurance that internal controls – an important element of the Canadian public entity environment – are embedded in the process, and providing those in charge of governance with the ability to execute their oversight role of the process

A related and complimentary Deloitte publication "Are you ready? Conversion from Canadian GAAP to IFRS: Planning for a cost-effective transition" outlines our views on making the journey as efficient and as effective as possible.

This guide addresses the first phase of conversion – Scoping the Effort. It considers the factors that determine the scale and breadth of the exercise, provides advice on setting deadlines and priorities and assigning responsibilities – as well as on acquiring the appropriate resources. Subsequent editions will focus on the enabling, execution, and monitoring elements as well as those areas of work effort that become more important as the conversion date approaches.

How much time will this journey take?

The first order of business is to determine what has to be physically prepared and by when. Specific items that will be required on first-time adoption are as follows (timelines below assume a Company with a calendar year-end):

- **2008:** Disclosure of expected effects of conversion of the financial statements
- **2009:** Disclosure and quantification of expected effects of conversion of the financial statements
- **2010:**
    - Preparation of opening IFRS balance sheet at the date of transition (January 1, 2010)
    - Preparation of comparative figures for annual and interim reporting periods

- **2011:**
  - Preparation of the interim and annual conversion note required by IFRS 1 in the “conversion year” detailing elective accounting policy choices, and the reconciliation of income statements and equity accounts for the prior fiscal year;
  - Full implementation of an IFRS compatible financial reporting process, including financial statements,

Throughout the transition period, the Company’s IFRS reporting will be covered by internal and disclosure control certification requirements.

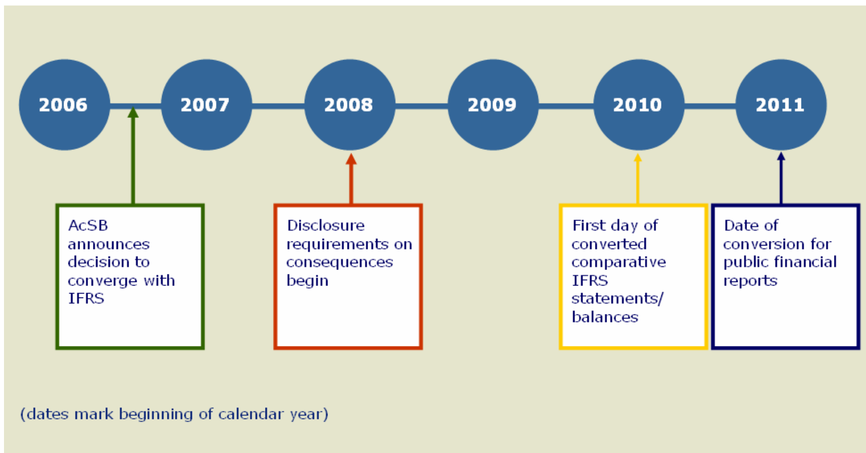
Later in this guide, we will provide some guidance of those areas where the work effort is expected to be the greatest and thus the initial effort may be focused. Obviously, in any particular case the issues may be more complex or simpler than they generally appear, the speed of execution may vary from expectations and many things—accounting standards, business models, financial conditions, and the like – may change during the process. This guidance is not intended for specific use but to illustrate general principles. The decisions on scoping, enabling, executing and monitoring are yours alone to make – and for which you alone will be responsible.

How much time will this journey take?

Key departure dates

In determining the timing, you should look at two factors:

- Destination points – see timeline below
- Experience of past travelers – many European countries converted to IFRS effective January 1, 2005



Disclosure requirements for IFRS conversions begin in 2008; that is not too far away. The likely effects of conversion must be disclosed every year thereafter.

The general consensus from past experience, for example from entities in Europe that have converted to IFRS, was that they did not start early enough, even though they were aware of the upcoming conversion date well in advance. Many also did not scope out their efforts well during the planning stage, and did not address the more difficult issues first.

How long is conversion likely to take? There is probably no easy answer, but experience on conversions provides the following observations:

- Conversion efforts that begin early and involve continuing personnel that will be responsible for the preparation of the conversion note and the financial statement preparation afterwards will both reduce the expenses of involving others and produce benefits which may persist after the conversion date;
- If there are impairment issues lurking on the Canadian GAAP horizon in any group of assets, then these issues are likely to be accelerated under an IFRS regime: determining their consequences early is the more prudent course of action than a surprising result on conversion that leaves little room for constructive responses;

- The more decentralized an organization's reporting functions, the greater degree of difficulty in ensuring compliance with a conversion program. This will be exacerbated with entities for which you do not exercise control and which are under no compulsion to convert, such as private investees and joint ventures with non-converting entities;
- Gathering data and preparing new spreadsheets or changing general ledger programs can be very time consuming as well as revealing; many times the opportunity or necessity will arise for changing process as well as measures;
- Drafting disclosure may be as time intensive as converting balances;
- Significant lead times are required when resources other than those under the control of the financial reporting function are involved, such as Information Technology; and
- Remember to think outside of the accounting box and consider such matters as the Management Discussion & Analysis (MD&A), non GAAP measures, debt agreements, compensation and stock option plans.

Scoping the effort: A question of priorities

What needs attention now?

Scoping is determining the scale and breadth of the exercise, setting deadlines and priorities, and assigning responsibilities.

There are two main facets of conversion that need to be addressed in scoping the conversion effort:

- The *process of conversion* involving such matters as the number of entities that are involved, their locations, the ability to get timely data for the reporting entity's purposes, the controls (both internal and quality over those processes) and having a plan to get people sufficiently knowledgeable about IFRS in time before conversion.

- The *accounting principles* and the manner in which they are applied in the conversion process – and identifying those principles that may need attention early from those that are not so urgent in the timing of things.

The process of conversion: Management of the process may be ultimately as important as the selection of accounting principles. This is particularly true in the North American environment, where there are reporting requirements by management on the internal controls over the process when new accounting principles are applied. When considering the scope of the task, experience has shown that it is often a challenge to assemble data on a timely basis from all the locations and entities that form the consolidated reporting entity. This means a conversion plan should include:

- All divisions, branches, and locations that prepare inputs to the consolidation that might be affected by the change to IFRS;

- All investees and joint ventures for which accounting and financial reporting data are included in the consolidated results; and;

- All off-balance sheet entities, such as securitization trusts and variable interest entities that may be consolidated under IFRS.

In addition, a scoping exercise should consider the need for inputs from all providers of data inputs for reporting purposes, such as actuaries for pensions and benefits and business valuators for impairment testing. Standards should be reviewed with an eye to process to see if these individuals may need to prepare new inputs into the consolidated financial statements. Their lead times may significantly reduce the amount of lead time that you actually have available.

Accounting principles: Where do you start? Not at first glance an easy task, but made easier by identifying which areas are likely to be more problematic or challenging for your entity. And by that we mean which areas require more upfront planning, preparation and more data gathering ahead of 2011.

This guide has been prepared with the Canadian GAAP preparer in mind, and incorporates the following key elements:

- Canadian standards are identified as the starting point – the logical place for you to start your implementation process.

- The triage – used to prioritize your time:

    - **Needs attention now** – These areas are the subject of this publication and are important differences between Canadian GAAP and IFRS which are either not expected to be converged prior to 2011 or will otherwise require significant time and preparation to fulfill the requirements of the new guidance. This includes some guidance which will have particular significance to certain industries. Related Deloitte publications will provide an industry specific focus.

    - **Needs attention later** – These areas, while important, represent areas where the differences are less significant or widespread. In addition, they may be tackled after other items since the preparation and upfront time required to address these areas is typically less than the preceding category.

    - **To be converged** - Areas where Canadian GAAP is already or is expected to be converged with IFRS ahead of 2011. Efforts here may be contingent on the pace of these convergence activities.

There are also items where additional disclosure requirements apply under IFRS – that will require a separate stream of work effort, and should not be overlooked in the planning process. Some of these are referred to in this guide where they relate to an item which in our view "Needs attention now". A related Deloitte publication – "Model IFRS Financial Statements" – provides a comprehensive review of disclosure requirements under IFRS.

This guide is focused on the items which in our view "Need attention now". This is done to assist you in scoping your efforts at the start of your journey. As future guides are available, the other areas will become more prominent in our discussions.

IFRS 1 – First-time adoption of IFRS

Your map to successful conversion

Before you begin your journey from Canadian GAAP to IFRS, your ultimate destination, you need to pick up a map that will guide you along the way and ensure that you reach your destination with minimal disruptions. Your "map" to successful conversion is IFRS 1 "First-time Adoption of IFRS" and it is full of directions, options and requirements which if not reviewed will most certainly result in you losing your way – as well as time and money – on the road to conversion. Like any map, you need to take some time to study it carefully …….especially given it's well over 100 pages long.

IFRS 1 shows a number of paths that you could take on your journey towards conversion. The paths come in the form of exemptions and exceptions and provide relief from the general principle of retrospective application. The exemptions are elective, thus providing you with a number of paths to choose from, and the exceptions, if applicable, are mandatory. It is important that you study your "map" at the outset, plan your route and thus select which paths are best for you, especially those that reduce the work effort required.

In addition to planning your route, you need to plot your route so that a navigator is able to tell where your starting point is, where the stops are along the way and where the path ultimately comes to an end. The plotting of your route comes in the form of disclosures and reconciliations.

In order to help you through the lengthy maze of IFRS 1, here is a brief summary of the standard, its requirements and its importance on convergence to IFRS.

Possible detour note

It is important to note that the IFRS 1 map is subject to change itself. The IASB and CICA's AcSB are looking at the current IFRS 1 route including the current exemption and exception paths. It is possible that some or all of the current exemptions and exceptions may change prior to the conversion date for Canada.

IFRS 1 – First-time adoption of IFRS

Overview

IFRS 1 opening balance sheet is the starting point for accounting under IFRS

IFRS 1 is applicable for entities preparing financial statements in accordance with IFRS for the first time. Accordingly, it will be applicable for all Canadian entities who adopt IFRS under the CICA's Strategic Plan.

The objective of IFRS 1 is to provide guidance to financial statement preparers as to how to establish a starting point for accounting under IFRS. This is done through an opening balance sheet where opening balance sheet entries generally flow through equity to record adjustments necessary on first-time adoption.

Adjustments from Canadian GAAP to IFRS typically made through equity

In order to arrive at a consistent starting point for all first-time adopters the International Accounting Standards Board (IASB) included in the standard a fairly prescriptive list of "do's" and "don'ts" that are applicable when initially adopting IFRS. This includes a list of disclosure requirements designed to ensure that not only is a consistent approach applied but also to ensure the impact of first-time adoption of IFRS is clearly communicated to financial statement users. The disadvantage to the approach taken is that in order to achieve these objectives the resulting guidance, which incorporates many pages of supplementary implementation guidance, is long and in some places not easily understood at first glance.

Important to review exemptions from retrospective application – will reduce time and costs involved!

We have outlined the basic steps of IFRS 1 below. This is not a substitute for reading the standard itself but will hopefully help the interpretation of this important piece of guidance.

First-time implementation actions

Action	Details
1. Preparation of opening balance sheet	• The starting point for IFRS is the preparation of an opening balance sheet at the "Date of Transition". This is the first day of the first year for which comparatives are presented under IFRS (e.g. January 1, 2010 for calendar year-end companies) • This must be prepared but does not have to be disclosed in the financial statements. However, a reconciliation of equity at the date of transition must be disclosed (see disclosure section below) • The opening balance sheet will reflect all adjustments from Canadian GAAP to IFRS on the date of transition. These are typically made through retained earnings unless another account is specified (e.g. revaluation surplus, goodwill)

Carefully monitor the status of IFRS 1 for Canadian entities throughout the conversion process as some exemptions or elections may be eliminated of amended by the AcSB

Certain exceptions to retrospective application must be compiled with

Action	Details
1. Preparation of opening balance sheet (cont'd)	• The opening balance sheet is typically prepared on the basis of retrospective application of all IFRS guidance that is in force on the final conversion date. However, there are a number of elective exemptions to the general rule. In addition there are a number of mandatory exceptions to the general rule
2. Identify elective exemptions retrospective application	• There are currently 12 elective exemptions that may reduce the work otherwise necessary on first-time adoption. These are as follows: o Business combinations o Fair value or revaluation as deemed cost – property, plant and equipment, investment property or intangible assets o Employee benefits (defined benefit obligations) o Cumulative translation differences o Compound financial instruments o Assets and liabilities of subsidiaries, associates and joint ventures o Designation of previously recognized financial instruments o Share-based payment transactions o Insurance contracts o Decommissioning liabilities o Leases o Fair value measurement of financial assets or financial liabilities at initial recognition
3. Identify mandatory exceptions to retrospective application	• There are currently 4 mandatory exceptions on first-time adoption. These are as follows: o Derecognition of financial assets and liabilities o Hedge accounting o Estimates o Assets classified as held for sale and discontinued operations
4. Prepare interim financial statement disclosures	• The interim disclosure requirements are as follows: o A reconciliation from equity under Canadian GAAP to IFRS at the date of transition (and at the last annual balance sheet date if different) o A reconciliation from equity under Canadian GAAP to IFRS at the balance sheet date

Adjustments from Canadian GAAP to IFRS typically made through equity

Don't Forget! Interim, as well as annual, disclosures are required in year of convergence

Plan ahead to gather data to meet these requirements

Action	Details
4. Prepare interim financial statement disclosures (cont'd)	o A reconciliation from profit or loss under Canadian GAAP to IFRS for that period. This applies for both the period (i.e. quarter) and for the year to date o A reconciliation from profit or loss under Canadian GAAP to IFRS for the most recent annual period presented o Details of any impairment losses or reversals of impairment on first-time adoption of IFRS o Details of any material adjustments to the cash flow statement
5. Prepare annual financial statement disclosures	• The annual disclosure requirements are as follows: o A reconciliation from equity under Canadian GAAP to IFRS at the date of transition (and at the last annual balance sheet date if different) o A reconciliation from profit or loss under Canadian GAAP to IFRS for the most recent annual period presented o Details of any impairment losses or reversals of impairment on first-time adoption of IFRS o Details of any material adjustments to the cash flow statement

The disclosures are intended to provide an explanation as to how you went from Canadian GAAP to IFRS. The example IFRS 1 note which follows illustrates how long the process can be and emphasizes that careful planning is required at the outset. The nature and quantum of the IFRS adjustments included in this note are not expected to be representative of the adjustments that may be required in the first IFRS financial statements of other entities.

Example IFRS conversion note

The following note provides an overview of the disclosures that are required on first-time adoption of IFRS. Since the impact of conversion may vary considerably from one entity to another, no data has been included in this example. A Deloitte publication "International Financial Reporting Standards: Model financial statements and disclosure checklist" provides examples of financial statement presentation and disclosure requirements under IFRS.

Explanation of transition to IFRS

This is the first year that the company has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The last financial statements under Canadian GAAP were for the year ended December 31, 20YY and the date of transition to IFRS was therefore January 1, 20YY.

Reconciliation of equity at 1 January 20YY (date of transition to IFRS)

Note		Canadian GAAP	Effect of transition to IFRS	IFRS
1	Property, plant and equipment			
2	Goodwill			
3	Intangible assets			
4	Financial assets			
	Total non-current assets			
5	Inventories			
6	Other receivables			
	Cash and cash equivalents			
	Total current assets			
	Total assets			
	Interest bearing loans			
	Trade and other payables			
7	Employee benefits			
8	Restructuring provision			
	Current tax liability			
9	Deferred tax liability			
	Total liabilities			
	Total assets less total liabilities			
	Issued capital			
10	Revaluation reserve			
11	(Hedging reserve)			
12	Retained earnings			
	Minority interest			
	Total equity			

Example IFRS conversion note (continued)

Notes to the reconciliation of equity at 1 January 20YY

Appropriate notes should be given to the reconciliation of equity to explain how the transition from Canadian GAAP to IFRS affected the financial position of the entity. Sufficient detail should be given to enable users to understand the material adjustments. Some example notes are given in the Implementation Guidance to IFRS 1 but these would not necessarily be applicable to the circumstances of a Canadian company.

Reconciliation of equity at 31 December 20YY (date of last Canadian GAAP financial statements)

The reconciliation, which is required by IFRS 1, would be similar to the one set out above except that the information would be at the end of the latest period presented in the most recent financial statements under Canadian GAAP. The related notes are also required.

Explanation of transition to IFRS

Reconciliation of profit or loss for 20YY

Note		Canadian GAAP	Effect of transition to IFRS	IFRS
	Revenue			
	Cost of sales			
	Gross profit			
	Distribution costs			
	Administrative expenses			
	Finance income			
	Finance costs			
	Profit before tax			
	Tax expense			
	Net profit (loss)			

Notes to the reconciliation of profit or loss for 20YY

Appropriate notes should be given to the reconciliation of profit or loss to explain how the transition from Canadian GAAP to IFRS affected the financial performance of the entity. Sufficient detail should be given to enable users to understand the material adjustments. Some example notes are given in the Implementation Guidance to IFRS 1 but these would not necessarily be applicable to the circumstances of a Canadian company.

Explanation of material adjustments to the cash flow statement for 20YY

Appropriate notes should be given to explain how the transition from Canadian GAAP to IFRS affected the cash flow of the entity. Sufficient detail should be given to enable users to understand the material adjustments.

Terminology – An IFRS phrasebook

Acronym	Definition	Guidance
IASC	International Accounting Standards Committee	Predecessor standard-setting body to the IASB
IASB	International Accounting Standards Board	Current standard-setting body, the international equivalent of the Accounting Standards Board in Canada
IAS	International Accounting Standards (e.g. IAS 1, IAS 2….)	Standards pronounced by the predecessor body and which were approved and adopted by the IASB as the starting point for IFRS. Equal authority as standards introduced by the IASB
SIC	Standing Interpretations Committee or Interpretations of the SIC, e.g. "SIC 12"	Interpretations made by a sub-committee of the IASC. International equivalent of EIC Abstracts and Accounting Guidelines
IFRS	International Financial Reporting Standards (e.g. IFRS 1, IFRS 2…)	Standards pronounced by the current standard-setting body, i.e. the IASB, e.g. "IFRS 1"
IFRIC	International Financial Reporting Interpretations Committee or Interpretations of the IFRIC, e.g. "IFRIC 5"	Interpretations made by the Sub-committee of the IASB. Refer comments under "*SIC*"
Date of transition	The first day of the earliest period for which an entity presents full comparative information under IFRS in its first IFRS financial statements	For an entity with a December 31 year-end adopting IFRS in 2011, then the date of transition is January 1, 2010
Opening balance sheet	An entity's balance sheet (published or unpublished) at the date of transition to IFRS	The IFRS compliant balance sheet which incorporates all IFRS 1 adjustments made at the date of transition
Retrospective application	Retrospective application means the application of IFRS as if they had been applied since the inception of the entity	Requires an entity to go back to inception and apply IFRS from that point onwards. Generally required for elective changes in accounting principles, IFRS 1 provides a number of options, exemptions and prohibitions to this rule for first-time adopters

The financial reporting framework

Looking for directions? What's the difference between IFRS and IAS? Is there an IFRS equivalent to our Emerging Issues Committee (EIC)? We have mapped the financial reporting standards and interpretations for you below so that you have a better sense of direction.

Canadian GAAP		***IFRS***
- Standards set by the Canadian AcSB		- Standards set by the IASB
Accounting Standards (includes Section 1000 – 4460) **Accounting Guidelines** (includes AcG-2 – AcG-19)	**Financial Reporting Standards**	No IFRS equivalent for a number of CICA standards e.g. Related Party Transactions **Accounting Standards** (includes IFRS 1 – 8 *and* IAS 1 – 41: 30 still in effect)
Emerging Issues Committee abstracts (includes EIC 8 – EIC 164)	**Financial Reporting Interpretations**	No SIC/IFRIC equivalent for most EICs **International Financial Reporting Interpretations Committee** interpretations (includes IFRIC 1 – 12) **Standing Interpretations Committee** interpretations (includes SIC 7 – SIC 32: 11 still in effect)

IFRS is comprised of a number of pieces of accounting literature. They are the standards themselves. The starting point for IFRS is the International Accounting Standards (IAS's) published by the predecessor IASC. While these have been amended, and in some cases superseded, over the years, they still constitute the biggest portion of the literature under IFRS. Next, there are the standards which were developed by the IASB itself which are generically called IFRS 1 through IFRS 8. Together, IAS 1 through 41 and IFRS 1 through 8 represent the equivalent to the CICA Handbook's Accounting Standards.

Most of the topics in the CICA accounting standards and guidelines are covered in IFRS; however, there are some that are not addressed at all or in the same level of detail as in Canadian GAAP.

Part 2:

Canadian GAAP to IFRS: Important conversion issues

Canadian GAAP to IFRS – important conversion issues

This guide is focused on conversion issues that we have identified as being important now, including industry specific standards. As future guides are available, other standards will become the focus. In order to assist you in scoping your efforts at the start of your journey, the following pages of this guide address these significant conversion issues.

For your reference, these significant issues are mapped on this page from the respective standards in Canadian GAAP to IFRS.

Canadian GAAP			IFRS		Pg
1		**Impairment**			
	3062	Goodwill and Other Intangible Assets	IAS 36	Impairment	27
	3063	Impairment of Long-lived assets	IAS 36	Impairment	27
2	3061	**Property, Plant and Equipment**	IAS 16	Property, Plant and Equipment	29
3		**No comparable item**	IAS 40	Investment Property	31
4	1581	**Business Combinations**	IFRS 3	Business Combinations	33
5		**Consolidation**			
	1590	Subsidiaries	IAS 27	Consolidated and Separate Financial Statements	35
	1600	Consolidated Financial Statements	IAS 27	Consolidated and Separate Financial Statements	35
	AcG-15	Variable Interest Entities	SIC-12	Consolidation – Special Purpose Entities	35
6	3055	**Interests in Joint Ventures**	IAS 31	Interests in Joint Ventures	37
7	3280	**Contractual Obligations**	IAS 37	Provisions, Contingent Liabilities and Contingent Assets	38
8	3461	**Employee Future Benefits**	IAS 19	Employee Benefits	40
		Industry-specific			
9	4211	**Life Insurance** Enterprises - Specific Items	IFRS 4	Insurance contracts	42
10	1651	**Foreign Currency Translation**	IAS 21	The Effects of Changes in Foreign Exchange Rates	46
11		**Financial Instruments**			
	3855	Financial Instruments - Recognition and Measurement	IAS 39	Financial Instruments - Recognition and Measurement	48
	3861	Financial Instruments - Disclosure and Presentation	IAS 32	Financial Instruments - Disclosure and Presentation	48
	3862	Financial Instruments - Disclosures	IFRS 7	Financial Instruments - Disclosure and Presentation	48

Canadian GAAP				IFRS		Pg
	3863	Financial Instruments – Presentation		IAS 32	Financial Instruments - Disclosure and Presentation	48
12	3865	**Hedges**		IAS 39	Financial Instruments - Recognition and Measurement	51
13	AcG-12	**Transfers of Receivables**		IAS 39	Financial Instruments - Recognition and Measurement	52
14	3840	**Related Party Transactions**		IAS 24	Related Party Disclosures	53
15	1530	**Statement of Comprehensive Income**			No comparable item	56
16	AcG-14	**Disclosure of Guarantees**		IAS 39	Financial Instruments - Recognition and Measurement	57

The following pages outline in additional detail what we believe are the significant differences in Canadian GAAP and IFRS, with specific reference on the work effort required to convert existing balances to IFRS compliant balances by conversion date. In any specific circumstance, other standards may be equally challenging: this is not a definitive list, and users are reminded that they alone are responsible for their decisions.

Impairment

Overview

Reversals of impairment losses are limited to the original carrying amount of the asset

Canadian GAAP guidance on impairment (CICA 3063 – Impairment of Long-Lived Assets and CICA 3062 – Goodwill and Other Intangible Assets) will be replaced by IAS 36 – Impairment of Assets. IAS 36 sets out the requirements for ensuring assets are not carried at an amount exceeding the amount to be recovered from their use or sale.

Assets are tested for impairment at the level of the "Cash - Generating Unit" (CGU) being the lowest level of assets for which independent cash flows are generated. There is an explicit requirement in IAS 36 to identify impairment indicators at each reporting date. However, consistent with Canadian GAAP, goodwill and indefinite-lived intangible assets are subject to an annual impairment test.

Conversion issues

Issue	Canadian GAAP	IFRS
Reversal of prior impairment losses	• Reversal of impairment losses is prohibited	• Prohibited for goodwill • For all other assets within scope, including indefinite-life intangibles, requirement to assess whether an impairment previously recognized no longer exists or has been reduced • Guidance provided on "reverse" indicators of impairment • Limited to amount of original write-down net of depreciation
Fundamentals of impairment testing	• Determine whether carrying amount recoverable from use based on undiscounted cash flows • If undiscounted cash flows are below carrying amount, calculate fair value and record impairment loss based on excess of carrying amount over fair value	• Compare carrying value to recoverable amount • Recoverable amount is higher of value in use and fair value less costs to sell • Value in use is based on discounted cash flows • Record impairment loss based on excess of carrying amount over recoverable amount

Under IFRS, there is no undiscounted cash flow "screen" for impairment. The comparison is directly with fair value or value in use……and impairment may be reversed

Goodwill impairment is determined at the "Cash-generating unit" level of analysis

Issue	Canadian GAAP	IFRS
Level of testing	• Assets other than goodwill and indefinite-life intangibles are tested for impairment at the smallest group of assets for which independent cash flows are generated. This is known as an asset group • Goodwill is tested at the reporting unit level which is an operating segment or one level below • Indefinite-life intangibles are tested on a stand-alone basis	• All assets – including intangibles - are tested at the level of the CGU which is the smallest group of assets for which independent cash flows are generated • CGUs may be grouped together for the purpose of testing goodwill as long as the CGU group is no larger than a segment
Review for impairment indicators	• Passive requirement to test assets (other than goodwill and indefinite - life intangibles) for impairment when impairment indicators exist	• Explicit requirement to review for impairment indicators at each reporting date

What work must be done

- **Identify** CGUs
- **Test** goodwill for impairment at the date of transition
- **Choose** whether to restate other long-lived assets (including intangibles) to deemed cost (fair value or revalued amount) at the date of transition. See conversion guidance on property, plant and equipment
- **If you do not** exercise this option then:
    - Determine whether assets or CGUs are impaired and the amount of impairment to be recorded at transition
    - Consider whether impairment losses previously recognized under Canadian GAAP should be reversed at the date of transition

Possible changes during the conversion period

- Impairment is part of the IASB/Financial Accounting Standards Board (FASB) convergence project. It is unlikely that convergence with Canadian GAAP will occur prior to 2011

Property, plant and equipment

Overview

Conversion work may be minimized under currently available policy choices

IAS 16 provides guidance on Property, Plant and Equipment ("PPE") and contains the same basic principles as Canadian GAAP – items are recognized at cost and depreciated over their useful economic lives. Depreciation must be assessed at the "component" level (see conversion issues).

There are more choices under IFRS, including the ability to revalue PPE through equity or qualifying investment property through income under IAS 40 – "Investment Property". More work will be involved if either of these options is elected.

IAS 23 – Borrowing Costs - provides guidance on the treatment of borrowing costs including those incurred when borrowing funds to acquire or construct a long-lived asset over time. Future amendments to IAS 23 will mean that borrowing costs of this nature will be required (currently an option) to be capitalized as part of the initial cost of the asset.

Conversion issues

Choice to fair value Property, Plant and Equipment through equity under IAS 16

Choice to fair value Investment Property through income under IAS 40.

Issue	Canadian GAAP	IFRS
Measurement after initial recognition	• PPE is recorded using the cost model • Initial cost basis reduced by depreciation and impairment losses	• May record PPE using **either** the cost model **or** the revaluation model (fair value) • Revaluation model may be applied to one or more asset classes • Periodic remeasurements to fair value required - changes in fair value recorded in equity (revaluation surplus) • PPE depreciated under both cost and revaluation model • Special considerations for real estate– see IAS 40
Depreciation of components of assets	• Limited guidance but notion of component parts is recognized	• Specific requirement to depreciate major parts of an asset separately • May have different useful life to rest of asset

Issue	Canadian GAAP	IFRS
Costs of major inspections and plant overhauls	• No specific guidance under Canadian GAAP	• Costs of major inspections may be recognized in the carrying amount of PPE • Any remaining costs of prior inspections derecognized upon each subsequent inspection or overhaul
Interest and other costs incurred to construct or acquire an asset	• Policy choice to capitalize or expense interest costs	• Currently aligned with Canadian GAAP • Changes imminent (2007) – ability to expense to be removed

Interest incurred to construct or acquire assets must be capitalized in future

What work must be done

- **Elect** accounting policy for each class of assets – cost or revaluation model
- **Identify components** for the purposes of depreciation
- **Consider** option to remeasure property at fair value at date of transition
- **Remember** that additional options are available for real estate property (See "investment property")

Don't forget - IAS 40 "Investment Property" applies to certain types of qualifying Real Estate

Possible changes during the conversion period

- IAS 23 revisions require borrowing costs for acquisition or construction of qualifying asset be capitalized as part of asset
- Otherwise borrowing costs expensed as incurred

Investment property

Overview

Certain investment properties may now be recorded at fair value

Significant changes in accounting in the Real Estate Industry can be anticipated upon convergence to IFRS. These changes come courtesy of IAS 40 – Investment Property – a standard which provides certain companies owning qualifying real estate properties with the option to record this property at fair value. Under Canadian GAAP, the ability to fair value properties is limited to investment companies courtesy of AcG-18 – Investment Companies.

A summary of the standard is included below and preparers should plan ahead since more work will be required, but arguably more meaningful financial statements will also be prepared.

Conversion issues

Plan ahead to comply with new guidance by date of transition

Substantial Disclosure Requirements – even under Cost Model

Issue	IAS 40 Guidance
Definition of "Investment Property"	• Property that is held to earn rentals or for capital appreciation • Examples – office buildings leased to tenants, land held for long-term capital appreciation • Cash flows largely independent of other assets

Measurement choices	• Policy choice – to be applied to all investment property
	  o Record investment property at fair value, or
	  o Record investment property at cost and disclose fair value
	• Presumption that fair value model will result in more appropriate presentation
	• Encouraged, but not required, to determine fair value using independent valuation specialist

Fair value model	• Measure Investment Property at fair value at each balance sheet date – including interim financial statements • May elect to use professionally qualified valuation specialists for annual, but not necessarily for interim reporting • Changes in fair value recorded in income as incurred • Investment Property is not depreciated
Cost Model	• Measure Investment Property using cost model in accordance with IAS 16 requirements • Disclose fair value

Issue	IAS 40 Guidance (cont'd)
Disclosure	• The following items must be disclosed: o Basis of classification as investment property o How fair value is determined o Extent of use of independent expert valuer - if no independent expert valuation conducted need to disclose o Amount of rental income from investment property o Net gains/losses on fair value adjustments

What work must be done

- **Select** accounting policy for investment property – cost or fair value model
- **Remember** if you choose the cost model, you still have to disclose fair value
- **Determine** fair value at date of transition and thereafter at each balance sheet date (including interims)
- **Implement** process to determine fair values and fulfill expanded disclosure requirements

Possible changes during the conversion period

- No significant changes expected prior to convergence date.

Business combinations

Overview

IFRS 3 – Business Combinations replaces CICA 1581 – Business Combinations -upon convergence of IFRS. As with Canadian GAAP, IFRS 3 requires the use of the purchase method of accounting for all business combinations – one party is identified as the acquirer and the net assets acquired, including intangibles, are recorded at fair value at the date of acquisition.

There are some significant application differences with Canadian GAAP regarding the use of the purchase method under IFRS. In addition, it is important to note that this area of accounting is under review by the International, Canadian and United States standard setters. This is one area where it is important to stay abreast of developments around the world since convergence may occur prior to the general transition to IFRS in Canada.

Conversion issues

Restructuring costs generally unable to be recognized through the purchase equation

Contingent consideration recognized when probable

Issue	Canadian GAAP	IFRS
Fair value of share consideration	• Fair value is based on the share price around the date the terms of the transaction are agreed to and announced	• Fair value is determined based on share price at date of exchange • May be later than announcement date and accordingly the share price and purchase price will differ under IFRS
Liability recognition for exit activities	• Liability recognition permitted for certain costs to exit activities of acquiree • Where conditions met, include as a liability in the purchase equation	• Costs expensed as incurred unless exit plan is not contingent on the acquisition • Will occur only if acquiree has pre-existing exit plan in place
Contingent consideration	• Future consideration recorded if certain conditions met • High threshold: Recognized when outcome can be determined "beyond reasonable doubt"	• Record contingent consideration at date of acquisition if probable • Lower threshold: Recognized earlier under IFRS
Negative Goodwill	• Occurs when fair values of net assets exceeds purchase price	• Specific requirement to revisit purchase price allocation when negative goodwill identified

Immediate income recognition for "negative goodwill"

Issue	Canadian GAAP	IFRS
Negative goodwill (cont'd)	• Eliminate via reduction in non-current assets and then in income	• Thereafter income recognition
Step acquisitions	• Goodwill determined based on percentage of equity interests acquired • Percentage of net assets acquired determines fair value increment to identifiable net assets	• Goodwill determined based on percentage equity interests acquired • 100% of fair value increment to identifiable net assets – even where less than 100% equity interest acquired • Non-controlling interest and values of net assets acquired other than goodwill will differ under IFRS

Relief available for first-time adopters to minimize work required

What work must be done

Monitor changes in IFRS during the conversion period – *may* result in effective convergence prior to conversion date. Otherwise, see below:

IFRS 1 provides a **choice** between retrospective and prospective application

- **Remember** retrospective application unlikely to be practical - would require restatement under IFRS 3 of all prior business combinations
- **Prospective application** results in limited work required on adoption
- **Goodwill impairment** test required at date of transition. Timing of current test may alleviate additional work required!

Major changes proposed in both GAAPs in conversion period

Possible changes during the conversion period

- Exposure drafts issued in Canada and under IFRS proposing fundamental changes to accounting for business combinations
- Changes include recognition of 100% of fair values including goodwill in all business combinations and expensing of costs of acquisition

Consolidation

Overview

Current framework takes a substance over form approach to consolidation of SPEs

Guidance on consolidation under IFRS remains in a state of evolution at the time of this publication. The "traditional rules" of consolidation are largely consistent with Canadian GAAP and can be found in IAS 27 – Consolidated and Separate Financial Statements.

The consolidation guidance for variable interest entities or special purpose entities in IFRS follows a different model from AcG-15 and in certain circumstances is more narrow in scope. Guidance on variable interest entities (VIEs) is found in SIC-12 – "Special Purpose Entities" (SPEs). At the crux of SIC-12 is the premise that if, in substance, the activities of an entity are carried out for the benefit of another entity, then the entity in receipt of the benefits should consolidate its interest. There are no complex calculations and there is more room for judgment than is available in AcG-15.

There is a project under way with more in-depth guidance on accounting for SPEs (or VIEs) at the IASB.

Conversion issues

IFRS has only one consolidation model i.e. the control model

Issue	Canadian GAAP	IFRS
Scope of guidance on SPEs	• Applies to legal structures only	• Applies to **activities** regardless of whether conducted by legal entity or not, e.g. unincorporated research and development activities, assets in multi-seller structures
Measurement of non-controlling interests	• Stated at the subsidiary's carrying amount	• Stated at the proportion of the fair value of net assets acquired excluding goodwill
General consolidation framework	• **Voting control concept -** applicable for entities that are not VIE's • **Variable interest concept -** applicable for VIE's	• Consolidate where an entity controls another by way of voting rights or a control contract • Apply the concept of risk and reward when the existence of control is not apparent

SIC-12 may require the consolidation of QSPE's

What work must be done

- **Consider** whether your subsidiaries, joint ventures and equity-method investees implement IFRS *before* or *after* you. For ease of transition, you may consider aligning year-ends
- **Consider** whether any VIEs consolidated under AcG-15 would no longer require consolidation under SIC-12
- **Ensure** your subsidiaries (and any SPEs) prepare financial statements under IFRS when you need them
- Assuming that the guidance under SIC-12 is not converged pre-2011, a **practical consideration** is to consider leveraging off the AcG-15 inventory of arrangements prepared under Canadian GAAP. This would only be a starting point as:
    - There are scope differences between the two GAAPs and your inventory should include all arrangements and structures, not only legal structures
    - You would then need to assess the "adjusted" inventory list to determine IFRS consolidation requirements

Possible changes during the conversion period

- A joint project is underway between the IASB and FASB to converge the guidance on consolidation prior to 2011. If the timing proceeds according to plan, this will result in changes to the Canadian consolidation model and convergence with IFRS prior to 2011
- This project has been underway for some period of time. Financial statement preparers should remain alert for future developments including postponements

Joint venture accounting

Overview

The international replacement to CICA 3055 – Interests in Joint Ventures is in the form of IAS 31 – Interests in Joint Ventures. The IAS guidance is more flexible than Canadian GAAP. IAS 31 currently affords financial statement preparers a choice in accounting treatment between the use of the proportionate consolidation method (i.e. aligned with Canadian GAAP) or the equity method (US GAAP) when accounting for joint ventures.

Conversion issues

Issue	Canadian GAAP	IFRS
Method of accounting	• Proportionate consolidation method *only*	• Proportionate consolidation or equity method (alternative treatment)

Current IASB project will mean that jointly-controlled entities will be accounted for under the equity method

What work must be done

- **Consider** whether your joint venture interests will implement IFRS *before* or *after* you. For ease of transition, you may consider aligning year-ends.
- **Ensure** your joint venture interests prepare financial statements under IFRS when you need them!
- **Consider** whether new reporting arrangements need to be put in place for joint ventures, because of the anticipated change in accounting for jointly-controlled entities.

Possible changes during the conversion period

- An IASB project is in progress that is expected to remove proportionate consolidation as a method of accounting for jointly-controlled entities.
- Final standard expected in 2008 with similar revisions anticipated in Canada pre-2011.

Provisions and contingencies

Overview

IAS 37 – Provisions, Contingent Liabilities and Contingent Assets encompasses guidance on a variety of areas located in various standards and EICs in the CICA Handbook. These include but are not limited to contingent gains and losses, asset retirement obligations and restructuring liabilities.

IAS 37 is a significant piece of financial reporting literature not only because of its broad scope but also because the concepts described in IAS 37 are fundamental to general liability recognition and measurement under IFRS. In addition, certain of the concepts described in IAS 37 are either not defined or not explicitly addressed in Canadian GAAP. Examples may include the definition of a provision and the notion of a constructive obligation.

This standard is currently under review with revisions to IAS 37 expected prior to 2011.

Conversion issues

Provision: A known obligation or liability of uncertain timing or amount

Contingency: uncertainty as to whether an obligation exists

Do your past practices result in constructive obligations under IAS 37?

Issue	Canadian GAAP	IFRS
Definition and recognition of contingencies	• CICA 3290 requires that contingent losses are recognized when likely and the amount can be reasonably estimated • Contingent gains are disclosed	• Definition of contingent liability not aligned with Canadian GAAP • IAS 37 contingent liabilities **NOT** recognized • IAS 37 "provision" encompasses obligations that are likely contingent losses • May result in same treatment of many uncertain liabilities but watch for the changes in terminology
Definition and recognition of provisions	• Provisions not defined	• A provision is a liability of uncertain timing **or** amount • **Present** obligation from **past event** and probable outflow of resources • Measure based on "best estimate" to settle. Discount to present value if impact material

Liability recognition for Onerous Contracts

– Broader scope under IFRS

Issue	Canadian GAAP	IFRS
Constructive obligations	• Limited guidance on constructive obligation • Not defined • CICA 1000 states liabilities may be recognized based on constructive obligation • Similar concept applies in CICA 3110 – Asset Retirement Obligations	• Clear guidance - provision is recognized if legal OR constructive obligation • Constructive obligation arises from past practice, published policies or specific current statement • Examples: past practice of pension enhancements, history of granting product refunds
Onerous contracts	• No specific reference to "Onerous Contracts". EIC-135 addresses costs to terminate contracts associated with an exit activity • Liability recognition permitted when entity ceases to use contractual right but costs continue to be incurred	• An onerous contract is a contract where unavoidable costs of meeting obligations exceed benefits • Not restricted to exit activities and/or leases • Provision recognized based on least net cost to exit contract

Proposed exposure draft:

"Non-Financial Liabilities" will replace "Provisions"

What work must be done

- **Identify** any constructive obligations which may not have been recognized under Canadian GAAP
- **Consider** if any onerous contracts need to be recognized
- **Remember** that only provisions are recognized under IAS 37. This definition encompasses likely contingent losses under Canadian GAAP.

Possible changes during the conversion period

- Amendments anticipated under both IFRS and Canadian GAAP
- More changes in terminology – "non-financial liabilities" will be the new "provisions".

Employee benefits

Overview

Scope of IAS 19 includes both short and long-term employee benefits

CICA 3461 – Employee Future Benefits is replaced by IAS 19 – Employee Benefits on convergence to IFRS. The scope of IAS 19 is broader than CICA 3461, since it encompasses both short and long-term employee benefits. The basic approach to accounting for employee future benefits is in line with Canadian GAAP. However, there are some differences to watch out for which will impact the accounting treatment for entities which have defined benefit plans.

Conversion issues

Option available under IFRS to recognize actuarial gains and losses directly in equity

Issue	Canadian GAAP	IFRS
Recognition of actuarial gains/losses	• Recognize immediately in income or over the estimated average remaining service life (EARSL) of plan participants	• May follow same treatment as Canadian GAAP or; • May recognize as incurred directly in equity
Recognition of obligations for benefit plans	• Recognition based both on written and unwritten actions by an entity, including past practice	• More specific guidance provided on concept of constructive obligation • Constructive obligation may arise from informal practices which if changed would cause unacceptable damage to relationship with employees
Termination benefits	• "Special" termination benefits recognized when communicated to employees or ratably over any minimum retention period • Contractual termination benefits recognized when entitlement probable and amount can be reasonably estimated	• No distinction between "special" and contractual termination benefits • Termination benefits recognized when the employer is demonstrably committed to pay
Recognition of past service cost for benefits that have vested	• Generally amortized over remaining service period or life expectancy	• Recognized immediately

Issue	Canadian GAAP	IFRS
Limit on amount of accrued benefit asset	• A valuation allowance is recognised for any excess of the adjusted benefit asset over the expected future benefit.	• Amount recognized as an accrued benefit asset cannot exceed the total of unrecognized net actuarial losses, past service costs and the present value of future refunds or reductions in contributions made to the plan • There is a further cap on the above should a gain/loss arise solely from current actuarial gains/losses and past service costs

What work must be done

- **Identify** all legal and constructive obligations under benefit arrangements
- **Appoint** actuaries who are IAS 19 qualified
- **Determine** employee future benefits obligation/liability under IAS 19 at the date of transition and thereafter at all reporting dates
- **Decide** whether to apply election to recognize cumulative unamortized actuarial gains and losses in equity on conversion to IFRS (at same time may elect to recognize subsequent gains and losses over EARSL)
- **Select** accounting policy for future treatment of actuarial gains and losses

Possible changes during the conversion period

- Proposed amendments to CICA 3461 in the March 2007 exposure draft, if approved, may create more differences between Canadian GAAP and IFRS
- Convergence project underway, therefore the new differences may be addressed but unlikely to be converged prior to 2011

Insurance enterprises

Overview

IFRS 4 – Insurance Contracts is the primary guidance under IFRS for insurance contracts and accordingly will be the successor to the Canadian guidance found in CICA 4211 and Accounting Guideline 3 pending finalization of Phase II of the IASB project on insurance contracts.

IFRS 4 in general permits companies to continue to use their existing accounting policies for insurance contracts subject to certain modifications.

There is considerably less guidance in IFRS 4 than under Canadian GAAP. A comprehensive IFRS for insurance contracts has been under development for the past number of years. Given the complexity of the area and wide variety of approaches around the world, the IASB decided to separate the project into two phases. Phase I resulted in the issuance of IFRS 4 which, in general, permits companies to continue to use their existing accounting policies for insurance contracts subject to certain modifications. Among the major modifications are the elimination of any catastrophe or claims equalization provisions and testing for liability adequacy.

There are some accounting policies that are allowed to continue in Phase I, but which cannot be adopted in Phase I, these include: undiscounted measurement basis for claims reserves, excessive prudence that may be a result of applying local regulatory requirements and reflecting future investment margins (with some limited exceptions). Contracts that do not meet the definition of an insurance contract under IFRS 4 will be required to be accounted for under IAS 39 as investment contracts. There are also some potential differences in accounting treatment due to the requirements relating to insurance risk transfer, embedded derivatives and unbundling of deposit components.

Disclosure requirements were introduced, notably to include disclosures regarding risk and uncertainty, risk management practices, reconciliation of the movement of reserves, claims development tables, sensitivity testing and gains or losses on buying reinsurance. IFRS 4 also requires reinsurance assets, liabilities, income and expenses to be presented separately on the balance sheet and income statement.

Overall, Phase I provided a starting point for insurance companies following IFRS; the major changes would be addressed in Phase II. The objective of Phase II is to develop an IFRS that provides a comprehensive accounting framework for insurance contracts. The IASB published a discussion paper in May 2007 outlining its proposed accounting framework for insurance contracts.

It proposes that an insurer measure its insurance liabilities using the following building blocks:

- Explicit, unbiased, market consistent, probability-weighted and current estimates of contractual cash flows
- Current market discount rates that adjust for time value of money
- Explicit and unbiased estimate of the margin that market participants would require to bear risks

This approach is referred to as the Current Exit Value Method which is defined as the amount the insurer would expect to pay at the reporting date to transfer its remaining contractual rights and obligations immediately to another entity. A measurement at current exit value is not intended to imply that an insurer can, will or should transfer its insurance liabilities to a third party. Indeed, in most cases, insurers cannot transfer the liabilities to a third party and would not wish to do so. Rather, the purpose of specifying this measurement objective is to provide useful information that will help users make economic decisions.

Key differences include the discount rate used and expensing of acquisition costs.

There are also complex issues relating to the determination of risk margins and how to determine market inputs.

In addition, 'current exit price' is not meant to imply that the insurer does not intend to settle its obligations with the policyholder. Ultimate settlement with the policyholder would clearly be an important consideration in the price that the third party would charge for assuming the liabilities.

The proposals in the discussion paper have a number of similarities to current Canadian actuarial standards but there are a number of differences and application challenges. Key differences include the determination of the discount rate (current market based on characteristics of the liability cash flows vs. asset based) and expensing of acquisition costs as incurred. The discussion paper also raises some complex issues relating to the determination of risk margins and how to determine market inputs given the absence of an active secondary market for insurance contracts.

The comment deadline is November 16, 2007 and it is expected that an exposure draft will be published in 2008 and a new standard will be in place by 2010.

The US Financial Accounting Standards Board plans to publish an Invitation to Comment containing the discussion paper and the responses it receives will determine whether to add to its agenda a joint project with the IASB to develop a comprehensive standard on accounting for insurance contracts.

Conversion issues

Issue	Canadian GAAP	IFRS
Actuarial liabilities, reinsurance and retrocession	• Actuarial liabilities of Life Insurance Entities are determined using the Canadian asset liability method • The provision for unpaid claims and adjustment expenses of Property & Casualty Insurance Companies are determined following Accounting Guideline 3 • Discount rate determined with reference to investment portfolio • Defer and amortize acquisition costs (P&C) • Risk margins based on CIA guidance	• Relatively limited guidance • Definition of insurance vs. investment contracts • Gross presentation of reinsurance • Unbundling of deposit components • Embedded derivatives • Current discount rate based on characteristics of liability • Expense acquisition costs as incurred • Risk margin is an unbiased estimate of the margin that market participants would require to bear risk
Investment property	• For life insurance companies, real estate investment property is measured using the moving average market value method	• Eligible real estate investment property measured at fair value under IAS 40 • Property used by the life insurance company measured at amortized cost

Fair value of investment property will not only impact the real estate industry, but also the life insurance industry

What work must be done

- **Assess** classification of products between insurance and investment contracts.
- **Assess** implications of embedded derivatives, unbundling and other requirements of IFRS 4.
- **Consider** applying the transitional provisions of IFRS 4. They require an insurer to apply IFRS 4 prospectively for reporting periods beginning on or after 1 January 2005 with optional earlier application. First-time adopter would only retroactively restate their financial statements to 1 January 2005 instead of retroactively restating to the beginning of time.
- **Assess** the impact of the proposals included in the discussion paper.

Possible changes during the conversion period

- A discussion paper was issued in May 2007. The next step in Phase II is an exposure draft expected in 2008.

IAS 21 specifically requires the identification of a functional currency for the reporting entity based on specific factors

There is no "Other Comprehensive Income" account: cumulative translation adjustments are charged to equity

Relief from Retrospective Application currently available for First-time Adopters under IFRS 1 (monitor potential changes to IFRS 1)

Foreign currency

Overview

IAS 21 – The Effects of Changes in Foreign Exchange Rates - is the authoritative literature under IFRS on foreign currency translation. This contains similar basic principles to CICA 1651 although it is important to note that different terminology is used in places. As, a result, on conversion, you will have to be familiar with translation of the language used in the standard in addition to currency translation issues.

Conversion issues

Issue	Canadian GAAP	IFRS
Functional currency criteria	• Section 1651 and EIC-130 indicates certain factors that need to be considered	• IAS 21 indicates additional secondary factors to consider • If the functional currency changes upon convergence, there may be a significant impact to the financial statements
Presentation of translation adjustments – statement of comprehensive income	• Section 1530 requires this statement to have the same prominence as other financial statements, such as the Balance Sheet	• No such financial statement exists in IFRS and so translation adjustments will be reclassified and presented in equity
Translation of monetary items classified as available for sale	• The entire change in fair value (including foreign exchange) of available for sale securities is recorded in other comprehensive income	• Foreign exchange gains and losses recorded in the income statement for monetary (debt) securities • Impact may be significant
Disclosures	• Minimal disclosure requirements are found in Section 1651	• More enhanced disclosures are found in IFRS

What work must be done

- **Review** transitional provisions of IFRS 1
- **Consider electing exemption** available under IFRS 1 where cumulative translation differences are deemed to be zero at date of transition, providing this exemption is not eliminated by the CICA or IASB pre-convergence
- If exemption applied, some work may still be required on adoption:
  - **Re-assess** appropriateness of functional currency
  - **Convert** other comprehensive income to opening equity balances
  - **Enhance** disclosures

Possible changes during the conversion period

- No convergence projects planned prior to 2011

Financial instruments

Overview

Guidance on financial instruments is located in three primary financial reporting standards under IFRS. IAS 39 governs recognition and measurement whereas IAS 32 and IFRS 7 deal with presentation and disclosure.

The 2007 adoption date (2006 for some) of a number of CICA accounting standards on financial instruments resulted in significant changes in the way that financial instruments are accounted for in Canada. These changes significantly reduced the differences between Canadian GAAP and IFRS. One of the most controversial and costly IFRS implementation issues in the European Union was IAS 39. By reducing the differences prior to 2011, Canadians are effectively now in a much better starting position with respect to convergence.

However, while the work involved is reduced, the revised Canadian financial instruments standards are not identical with IFRS and for some entities, differences will still exist, and will need to be addressed upon first-time adoption of IFRS. In addition, companies who have implemented the Canadian standards still have some work to do, as they have likely not implemented the new disclosure and presentation standards that were issued later, such as CICA 3862, Financial Instruments: Disclosures and CICA 3863, Financial Instruments: Presentation.

Although significant conversion issues have been identified below, other more specific differences exist that may have a significant impact on certain entities including certain policy choices permitted under CICA 3855 (e.g. transaction costs, certain embedded foreign currency derivatives) which are not available under IAS 39.

Conversion issues

Issue	Canadian GAAP	IFRS
Pension plans	• Exemption allowed in CICA 3855 for pension plans subject to CICA 4100 • Financial assets and liabilities are currently measured using trade (i.e. closing) prices	• IAS 39 does not have an equivalent exemption for pension plans • Significant impact to all pension plans, as financial assets and liabilities will need to be measured using bid/ask prices

Issue	Canadian GAAP	IFRS
Embedded derivatives	• Grandfathering date may be selected whereby an entity does not recognize embedded derivatives that were contracted before this elected grandfathering date	• IAS 39 makes no mention of such a date • IFRS 1 does not provide an exemption for retrospective application of embedded derivatives • Opening retained earnings may have a significant impact, as long-term contracts tend to have significant fair values
Contracts Eligible for Normal Purchase / Normal Sale Exemption (Expected Usage Exemption)	• Non-financial contracts which meet the definition of a derivative (such as commodity purchase contracts) are subject to CICA 3855 unless there is a documented election made which supports the eligibility for the election • Certain embedded derivatives in such contracts may make the contract ineligible for the election	• Eligibility for exemption from treatment as a derivative is based on similar criteria; however, if the criteria are met the contract is automatically exempt from IAS 39. It is not an election and there is no need for the same type of documentation. • Embedded derivatives may require separate accounting from the host contract
Derivatives linked to the entity's own equity – classification and disclosure	• Classification as liability or equity is based on whether or not shares can be delivered • Excluded from the definition of a derivative in CICA 3855	• Classification is more restrictive based on settlement alternatives
Available-for-sale investments in unlisted equity instruments	• Measured at cost if not quoted in an active market less other than temporary impairments, if any	• Measured at fair value if <u>reliably measurable</u>; otherwise at cost

Issue	Canadian GAAP	IFRS
Measurement of compound instruments	• Choice between three alternatives to value the components	• Must fair value liability and embedded derivative components first and allocate residual to equity
Held for trading (HFT) fair value option	• Election to designate most financial assets and financial liabilities as HFT is broadly available	• Criteria to designate as HFT or fair value through profit or loss (FVTPL) is more restrictive

Relief from Retrospective Application currently available for First-time Adopters under IFRS 1 (monitor AcSB activities!)

What work must be done

- **Review** transitional provisions of IFRS 1
- Retrospective application unlikely to be practical - would require restatement under IAS 39 and IAS 32 of all prior financial instruments
- Preparers may take advantage of IAS 39 and IAS 32 exemption relief from retrospective application under IFRS 1; however, the CICA's AcSB and IASB considerations of changes to IFRS 1 should be carefully monitored
- If exemption applied, some work still required on adoption for certain companies e.g. **Pension plans** must adopt IAS 39
- **Review** all long-term contracts for embedded derivatives that still exist on IAS 39 adoption date that were entered into prior to the elected grandfather date in CICA 3855
- **Review** all financial instruments issued for appropriateness of classification and measurement
- **Review** classification of related interest, dividends and gains
- **Enhance** disclosures
- **Possible** remeasurement of related party transactions

Possible changes during the conversion period

- Numerous Emerging Issues Committee (EIC) Abstracts exist in Canadian GAAP relating to Financial Instruments that do not have an equivalent in IFRS
- Both CICA 3862 and IFRS 7 will be converged in 2008

Hedge accounting

Overview

IAS 39 contains some of the same basic principles as Canadian GAAP as it relates to the application of hedge accounting. Documentation, designation, and effectiveness assessment must be completed before hedge accounting can be applied.

Matching of critical terms or "short-cut method" is not permitted in IFRS. Effectiveness must be assessed quantitatively

While in many areas IFRS affords more choices or is less rigid than Canadian GAAP, hedge accounting is not one of these areas. Although convergence should not pose significant issues for many Canadian companies, more work is required to demonstrate hedge effectiveness possibly causing more companies to have ineffective hedging relationships.

Conversion issues

"There is no such thing as a perfect hedge except perhaps within a well-manicured garden"

Issue	Canadian GAAP	IFRS
Matching of Critical Terms	• Section 3865 permits an entity to assume no ineffectiveness in certain cross currency interest rate swaps, certain interest rate swaps and foreign exchange and commodity forwards when specific criteria are met	• IAS 39 requires that companies prepare a quantitative assessment of effectiveness regardless of critical terms matching • Effectiveness assessments and documentation must change prior to the adoption date of IFRS • Type of acceptable effectiveness assessment methods is also more narrow
Prepayment Risk in a Held-To-Maturity investment	• Section 3865 permits hedging the prepayment risk in held-to-maturity investments provided prepayment risk is reliably measurable	• IAS 39 prohibits an entity from hedging the prepayment risk of a held-to-maturity asset • Derivatives in these relationships must be de-designated and recorded in the P&L beginning on the adoption date

What work must be done

- **Review** transitional provisions of IFRS 1
- IFRS 1 currently prohibits the retrospective application of hedge accounting; however, CICA AcSB and IASB considerations of changes to IFRS 1 should be carefully monitored
- Some work is required on adoption for certain companies
- **Review** all hedging relationships where critical terms matching is used to assess effectiveness
- **Perform** quantitative effectiveness assessments, where necessary
- **Re-consider** if hedge accounting should be continued for such relationships
- **Evaluate** the impact of discontinuing hedge accounting of prepayment risk of Held to Maturity (HTM) Investments

Possible changes during the conversion period

Pay attention to any future developments in Canadian GAAP on the limited use of the matching of critical terms

Related party transactions

Overview

Disclosure of Key Management Compensation required under IFRS

A change of particular significance for Canadian financial statement preparers is the lack of guidance on measurement of related party transactions under IFRS.

Unlike Canadian GAAP, there is no IFRS equivalent of CICA 3840 – Related Party Transactions. This may come as a surprise for Canadians after being used to the rather rigid and at times intricate rules that form the basis for accounting for related party transactions in Canada. Furthermore, EIC-89 – Exchanges of Ownership Interests between Enterprises under Common Control – will not survive convergence which may have significant implications for entities who rely on this guidance to support the treatment for related party group restructuring exercises.

On the IFRS front, what is lacking in measurement guidance is partially compensated for in disclosure guidance in IAS 24- Related Party Disclosures. One such compensation is the requirement to disclose compensation of "Key Management Personnel" in the financial statements.

In addition, while there is no standard which individually deals with measurement of related party transactions, guidance is sprinkled in various international standards – including IAS 39, the international standard on financial instruments. Often this requires related party transactions to be measured at fair value. Given the retrospective implementation requirements of IFRS 1, one issue that will need to be reviewed (by the CICA as well as financial statement preparers) will be the interplay of the retrospective transitional requirements in IFRS 1 and the measurement of previously reported related party transactions under Canadian GAAP.

Conversion issue: Disclosure examples

Issue	Disclosure
Key Management Personnel Compensation	Disclosure of compensation is required for each of the following categories: • Short-term benefits • Post-employment benefits • Other long-term benefits • Termination benefits • Share-based payment
Ultimate Controlling Party	• Disclose name of parent • Disclose ultimate controlling party if not parent

Securitization transactions

Securitization -- the process by which financial assets are transformed into securities

Overview

Canadian literature provides specific guidance (AcG-12 – Transfer of Receivables) as to when assets should be derecognized and when a sale is deemed to occur for financial reporting purposes. This concept is addressed in considerably less detail – for now at least – in the international literature with current guidance on derecognition of assets located in IAS 39. There is little emphasis in the international literature on legal isolation which, as a general rule, means the criteria for asset derecognition are less easily achieved under IFRS.

Conversion issues

Issue	Canadian GAAP	IFRS
Sale criteria	• AcG-12 sets out criteria where a transfer of receivables should be accounted for as a sale when the transferor surrenders control over those receivables, and therefore the receivables/assets can be de-recognized	• It is generally more difficult to derecognize financial assets under IAS 39, as it does not focus on legal isolation • Focus is on the transfer of risks and rewards as well as control
Qualifying Special Purpose Entity (QSPE)	• AcG-12 sets out the definition and stringent criteria to be considered a QSPE • A QSPE is not consolidated in the financial statements of a transferor or its affiliates, and so transfers of assets to a QSPE are de-recognized in the transferor's statements	• The concept of a QSPE does not exist in IFRS

The concept of a Qualifying Special Purpose Entity ("QSPE" or also known as the "Q") is not currently found in any discussions of upcoming IFRS projects

What work must be done

- **Monitor** changes during the conversion period – ***may*** result in effective convergence prior to convergence date
- **If no changes in conversion period**, following steps apply:
  - Review transitional provisions of IFRS 1
  - IFRS 1 generally prohibits the retrospective application of the de-recognition of financial assets
  - Significant work effort is required on adoption
  - **Review** all financial assets that have been de-recognized due to achieving AcG-12 sale treatment

Possible changes during the conversion period

- Exposure draft for IFRS amending Special Purpose Entities is expected late 2008

Statement of comprehensive income

Statement of Comprehensive Income — is a Canadian GAAP financial statement requiring presentation with equal prominence as the balance sheet, income statement and statement of cash flows

Overview

Presentation of comprehensive income and its components in a separate financial statement is required under CICA 1530; however, no equivalent standard in IFRS exists. Statement of comprehensive income includes net income plus other comprehensive income (OCI). The items normally found in OCI are unrealized gains and losses on translating financial statements of self-sustaining foreign operations, gains and losses on available-for-sale financial assets, and effective portion of gains and losses on derivatives designated in cash flow hedges.

Conversion issues

Issue	Canadian GAAP	IFRS
Elimination of a financial statement	• OCI normally includes, but is not limited to, unrealized gains and losses on translating financial statements of self-sustaining foreign operations, gains and losses on available-for-sale financial assets, and/or effective portion of gains and losses on derivatives designated in cash flow hedges • Adjustments including reclassifications out of OCI are normally presented on this financial statement	• All the components of OCI will need to continue under IFRS, but they are no longer presented in a separate financial statement and instead are presented in equity

What work must be done

- **Identify** components of OCI
- **Track** these components separately
- **Record** changes in components of OCI directly into equity

Possible changes during the conversion period

- No expected plans for convergence pre-2011

Guarantees

A guarantee is a contract (or indemnification agreement) that contingently requires the guarantor (indemnifying party) to make payments to the guaranteed (indemnified) party

Overview

Guidance on guarantees is located in a number of different international financial reporting standards. Guarantees which are financial instruments are covered by IAS 39, guarantees which meet the definition of insurance contracts fall within the scope of IFRS 4 and most other types of guarantees are dealt with by IAS 37.

While some of the basic principles are aligned with Canadian GAAP, the key financial reporting difference is that the recognition requirements of IFRS are more expansive than Canadian GAAP.

Conversion issues

A guarantee can also be an indirect guarantee of the indebtedness of another party

Issue	Canadian GAAP	IFRS
Subsequent measurement of some guarantees	• Financial guarantees are considered financial instruments under 3855 • Certain financial guarantees are recognized at fair value at inception but not remeasured subsequently	• IAS 39 requires some financial guarantees to be accounted for as financial instruments • IFRS 4 addresses the measurement of other financial guarantees
Related party guarantees	• Related party guarantees are not recognized as they are excluded from the scope of CICA 3855	• IAS 39 does not distinguish separately related party guarantees and requires that these be initially measured at fair value

What work must be done

- **Review** transitional provisions of IFRS 1
- **Choice to be made** between retrospective and prospective application
- Retrospective application unlikely to be practical - would require restatement under IAS 39 or IFRS 4 of all prior financial guarantees
- If you elect **prospective application**, limit work required on adoption
- **Identify** all guarantees and categorize which IFRS standard applies
- **Record** at fair value at inception and subsequently re-measure accordingly, if required

Possible changes during the conversion period

- No significant changes expected prior to convergence date

Part 3:

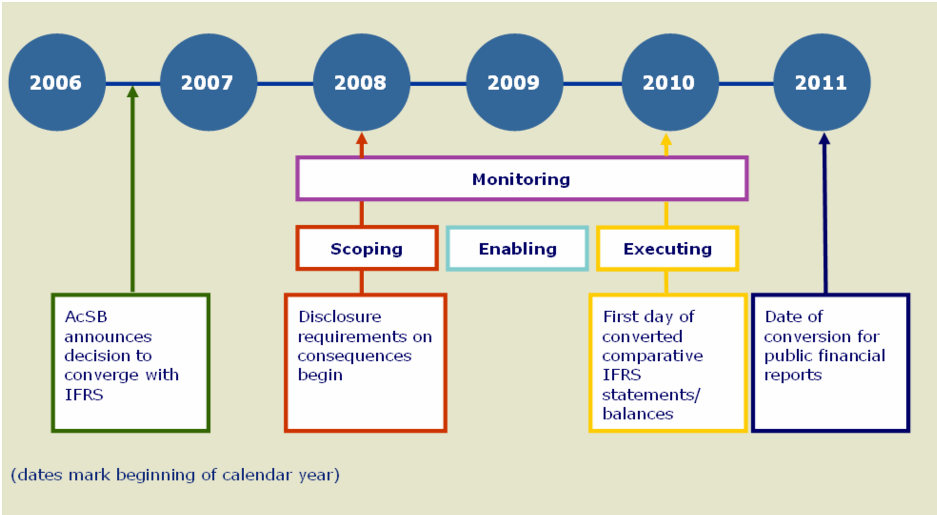
Conversion revisited – A comprehensive viewpoint

Conversion revisited: A comprehensive viewpoint

Planning your route

First Step - Plan your Route:

Scope out <u>what</u> needs to be done and <u>when</u> it needs to be done by



What's next? You have an idea of what your final destination is on your journey to IFRS and so the next step is determining the most efficient and effective route to get there.

Are the words "Are we there yet" familiar to you? Have you ever been horrendously lost on a trip of a lifetime? Likely, we can all relate to at least one of these, combined possibly also with an empty fuel tank and a car load of passengers who are complaining about where you took a wrong turn.

Experience in Europe shows that the same pitfalls may lie ahead for IFRS implementation: comments include "excessively expensive for the benefit", and "the process took too long." Some entities arrived at the IFRS implementation date with literally minutes to spare. However, for those companies that planned ahead and started the process early, the journey was much smoother…..and there was even some fuel left in the tank at the end of it!

Step 1: Scoping the effort

- **Identify** a competent and responsible IFRS Leader/Team
- **Determine** key timelines - where do you need to be at the key milestone dates?
- **Scoping the Task** – implement mechanism to capture complete scope of IFRS: Branches and Divisions, Investees, Joint Ventures, Special-Purpose Entities
- **Identify** specialized accounting principles and information gathering requirements
- **Things to Consider** include the preparation of an opening balance sheet one year ahead of implementation date, disclosure of one year of full comparatives, including interim financial statement needs

Step 2: Enabling the resources

- **Identify** conversion note needs as well as pre-conversion required disclosures
- **Plan for** long term financial statement and reporting needs
- **Assess** IFRS knowledge needs by staff level and implement staff IFRS education program
- **Determine** associated requirements – Internal Controls, IS/IT, Treasury, Taxation

Step 3: Executing the plan

- **Prepare** required pre-conversion note disclosures in **2008 and 2009**
- **Prepare** IFRS 1 opening balance sheet at **date of transition**
- **Record** IFRS 1 entries at date of transition
- **Prepare** IFRS 1 conversion note including reconciliations of equity and net income
- **Don't forget** interim requirements – reconciliation requirements apply in quarterly financial statements too
- **Prepare** MD&A and other investor communications
- **Finalize and Implement** IFRS accounting policies

Step 4: Monitoring the process

- **Keep** ahead of changes – ongoing training and education requirements, internal control processes, and informing those in charge of governance of your progress

As you can see, the journey is manageable, and you *will* reach your destination, including key stopovers, with careful planning. The time commitment is also manageable as long as you start now.

Part 4:
How Deloitte can help

How Deloitte can help

Deloitte has numerous IFRS professionals across Canada able to help entities convert from Canadian GAAP to IFRS. In addition, we have a global network of IFRS professionals who have been extensively involved in IFRS conversions all over the world. The services we offer address the broad spectrum of conversion challenges you may need to consider. Whether it's a training course for your conversion team, specific identification of key conversion issues or assistance in addressing the non-accounting side effects of conversion, we have a team that can find a solution that fits your specific needs.

Due to independence requirements, the scope of the services we can provide may be limited with respect to audit clients and audit committee pre-approval will be required.

Deloitte IFRS conversion services

Deloitte has a team of IFRS professionals across Canada who are focused on assisting companies with all aspects of conversion from Canadian GAAP to IFRS including training, project management and change management.

Examples of ways in which we can help you, at each phase of the conversion process identified earlier in this document, are provided on the next pages.

Additional details and examples of some of our service offerings are also included for your information.

- Business Impact Study
- IFRS Training Program(s)
- Deloitte IFRS publications
- Deloitte IFRS E-learning modules (including self-tests)

We can tailor our IFRS conversion services to meet your specific IFRS conversion needs.

Assurance clients

If Deloitte provides audit services to an entity, the protocols that govern the maintenance of independence between client and assurance providers must be followed. These include: obtaining audit committee pre-approval; ensuring that management makes the decisions; using the auditor to provide information on the source of guidance and examples of its application, rather than determining its application in the first instance; and establishing internal controls that will be in some circumstances subject to the auditors' review, as in the case of certain SEC registrants.

Deloitte IFRS conversion services (continued)

Examples of ways in which Deloitte can help you at each phase of IFRS convergence

Phase 1

Scoping the effort

Project initiation and awareness → Business impact study → Conversion planning

- Assist with the development of a Business Impact Study to identify and prioritize IFRS conversion issues – what needs attention now?
- Assist with the development of the draft project plan that considers all aspects of IFRS convergence (financial and operational)
- Provide membership on your IFRS Steering Committee
- Develop and deliver focused training programs to your IFRS team and other employees
- Provide access to Deloitte E-learning and publications to build IFRS awareness

Phase 2

Enabling the resources

Financial evaluation → Operational design → Change management

- Assist with development of "early warning" type internal and external communications which address the estimated impact of IFRS on the financial results of the entity
- Assist with the development of "sample" IFRS financial statements which consider industry-specific issues
- Identify new disclosure requirements and nature of information requirements
- Review alternative IFRS accounting policy choices with management
- Assist with the design and implementation of new systems and accounting policy manuals
- Assist with the analysis of the pros and cons for the various IFRS 1 exemptions

Phase 3

Executing the process

Build → Implement → Review

- Assist with the development of the opening balance sheet format and review of IFRS opening balance sheet entries prepared by management
- Review proposed IFRS adjustments and consider impact of alternative policy elections
- Assist with development of inventory of date of transition action steps
- Help you implement a system/process to capture ongoing data and disclosure requirements
- Work with you to address ongoing internal controls requirements

Sample IFRS training offering

Day one	
9:00-10:00	Overview of IFRS Convergence in Canada
10:00-10:45	IAS 16 – Property, Plant and Equipment
	IAS 23 – Borrowing Costs
10:45-11:00	Break
11:00-12:15	IAS 40 – Investment Property
	IFRS 8 – Operating Segments
	IAS 36 – Impairment of Assets
12:15-1:15	Lunch
1:15-2:45	IFRS 3 – Business Combinations
	IAS 37 – Provisions
2:45-3:00	Break
3:00-4:45	IAS 12 – Income Taxes
	IAS 17 – Leases
	IAS 19 – Employee Benefits
4:45 -5:00	Question and Answer Session

Day two	
9:00-10:00	US GAAP vs. IFRS – Harmony or Hardship Ahead?
10:00-10:45	SIC 12 – Consolidation and SPEs
	IAS 31 – Interests in Joint Ventures
	IAS 33 – Earnings per Share
10:45-11:00	Break
11:00-11:45	IAS 32/39/IFRS 7 – Financial Instruments
	IAS 21 – Foreign Currency Translation
	IAS 34 – Interim Financial Reporting
11:45-12:15	How do you Solve a Problem under IFRS? Where to look and how to research
12:15-1:15	Lunch
1:15-2:00	IFRS 1 – First-time Adoption of IFRS
2:00 – 2:45	Effective Implementation of IFRS
2:45-3:00	Break
3:00-4:00	Question and Answer Session

Our IFRS professionals

Québec
Robert Lefrancois
514-393-7086
rlefrancois@deloitte.ca

Richard Simard
418-624-5364
risimard@deloitte.ca

Maryse Vendette
514-393-5163
mvendette@deloitte.ca

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

Ontario
Peter Chant
416-874-3650
pchant@deloitte.ca

Joanne Barradas
416-601-6304
jbarradas@deloitte.ca

Eric Graham
613-751-5416
egraham@deloitte.ca

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

Karen Higgins
416-601-6238
khiggins@deloitte.ca

Luzita Kennedy
416-601-5812
lkennedy@deloitte.ca

Richard Nunn
416-601-6534
rnunn@deloitte.ca

South Western Ontario
Steve Lawrenson
519-650-7729
slawrenson@deloitte.ca

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

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

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

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

Anna Roux
403-503-1421
aroux@deloitte.ca

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

IFRS publications:

You can find links to many Deloitte IFRS-related publications at www.iasplus.com/dttpubs/pubs.htm. Here are a few examples of publications and web-based education that may be helpful to you:

www.iasplus.com (our IFRS website)

Daily news updates on IASB developments as well as summaries of standards and interpretations and reference materials for download.

Are you Ready? Conversion from Canadian GAAP to IFRS: Planning for a cost-effective transition

A publication addressing on how Companies can most effectively and efficiency approach the conversion of Canadian GAAP to IFRS.

IFRS – Are you Ready?

A brochure providing a high-level summary of IFRS convergence in Canada, key timelines and related considerations.

The conversion of Canadian GAAP to IFRS: Volume One – scoping the effort

A publication looking at the impact of change on the financial statements of a Canadian financial statement preparer. Emphasis is placed on those financial statement areas which are likely to be posing the biggest conversion challenge.

IAS Plus newsletter

A quarterly newsletter on recent developments in International Financial Reporting Standards and accounting updates for individual countries. Plus special editions. To subscribe, visit our IAS Plus website.

Deloitte's IFRS e-Learning

e-Learning IFRS training materials, modules for each IAS and IFRS and the Framework, with self-tests, available without charge at www.iasplus.com.

Model IFRS financial statements

Based on IFRS guidance effective for 2006. Also a presentation and disclosure checklist.

IFRS financial statements 2006 – Key considerations for preparers

Guidance on drafting IFRS financial statements both for first-time adopters and those already applying IFRS.

Interim financial reporting: A guide to IAS 34

Includes a model interim financial report and IAS 34 compliance checklist.

Comparisons of IFRS and local GAAP

Australia, Canada, China, Denmark, Germany, New Zealand, Singapore, United States, and others.

IFRS in your pocket

Not just this booklet in English, but also translations into other languages.

iGAAP 2007 Financial Instruments: IAS 32, IAS 39 and IFRS 7 explained

The first edition of this book was published two years ago. Those involved with financial statements have since spent considerable time and effort either complying with financial instrument accounting, or grasping what it means to them. In this period the accounting standards have remained relatively stable, but the experience and understanding by users and preparers has grown. This publication has always aimed to provide a comprehensive guide to the requirements of the standard. It now also represents a guide as to how the standards are being applied in practice to a wide variety of common transactions.

First-time Adoption: A Guide to IFRS 1

Application guidance for the "stable platform" standards expected to be effective in Canada in 2011.

Share-based payment: A guide to IFRS 2

Guidance on measurement of share-based payments, a benchmark study of key measurement variables, comparison with US FAS 123, and illustrative disclosures.

Business combinations: A guide to IFRS 3

Guidance on determining fair value for the purposes of accounting for business combination: a comparison of IFRS and US GAAP; frequently asked questions and illustrative disclosures.

Interim financial reporting: A guide to IAS 34

Guidance on interim financial reports and principles for recognition and measurement in interim financial statements.

www.deloitte.ca

Deloitte, one of Canada's leading professional services firms, provides audit, tax, consulting, and financial advisory services through more than 6,800 people in 51 offices. Deloitte operates in Québec as Samson Bélair/Deloitte & Touche s.e.n.c.r.l. The firm is dedicated to helping its clients and its people excel. Deloitte is the Canadian member firm of Deloitte Touche Tohmatsu.

Member of
Deloitte Touche Tohmatsu