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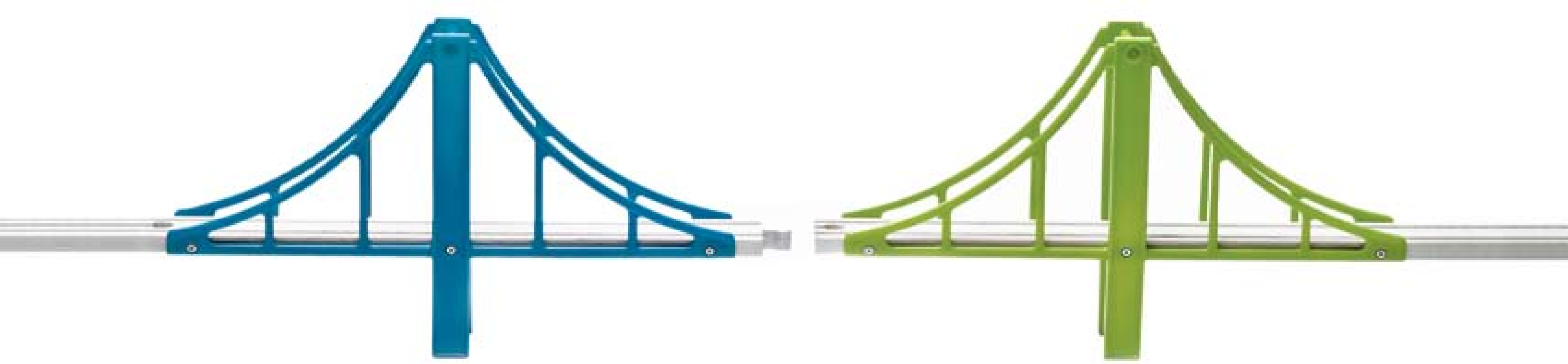

The road to a cost-effective conversion

Maximizing the return on your IFRS investment

Volume III in Deloitte's series on conversion to IFRS

Executive summary

The current economic environment demands that publicly accountable entities seek cost-effective means to implement International Financial Reporting Standards (IFRS). A cost-effective IFRS changeover plan represents the best way an entity can organize its internal accounting resources, utilize external resources, create an IFRS-capable financial reporting function, and adopt the new standards without significant error.

The practical challenge is to determine the optimal mix of inputs needed to accomplish these tasks at a reasonably low cost, and with sufficient competence and speed to minimize the risks associated with financial reporting. There are essentially three categories of input costs:

1. Internal human resources across the organization;
2. External resources, e.g., Deloitte's IFRS experienced advisors, legal counsel, valuation experts, reservoir or mining engineers; and
3. Information technology (IT) resources.

There are also other potential costs. One example is the potential cost of erroneous, incomplete or untimely IFRS conversion. A cost-effective solution takes into account all actual and potential costs, as well as potential benefits that can be realized on conversion.

IFRS conversion is likely to require some incremental expenditure in each category of inputs. Planning is needed to minimize the potential costs and realize any potential benefits. Starting early and maximizing the use of internal resources are two obvious ways to make a changeover plan cost-effective. Building on these ideas, Deloitte has identified seven principles that companies can use to make their changeover more cost-effective:

- Map out plans that focus on costs and benefits as well as deadlines, and consider both the long-run and short-run costs.
- Set deadlines that are realistic, but also enable the development of internal resources.
- Focus on the important changes. Avoid making any unnecessary changes in financial reporting systems at the same time.
- Use external resources for targeted purposes. Employ external advisors strategically when internal expertise is unavailable or unlikely to be developed.
- Employ publicly available tools, templates and examples to support internal efforts.
- Anticipate change. Build in the ability to react to expected as well as unexpected changes.
- Document controls along with principles. Include internal controls that are necessary to certify the changeover process.

The optimal mix of internal resources, external resources and IT costs will depend on the circumstances of the individual entity, the complexity of the issues involved, the capabilities of the various parties, and the time and money available to execute the changeover plan. These seven principles, combined with their related action steps, are designed to help companies find their optimal mix. Implementing these steps involves starting early, developing internal resources, and having a flexible yet comprehensive plan.

Contents

The costs of conversion

The best changeover strategies allow an entity to apply IFRS for the first time without significant error, create a continuing IFRS-capable financial reporting function, and complete the exercise for a reasonable cost without burning out the company's financial reporting personnel in the process.

Given the current economic environment, devising a cost-effective IFRS changeover plan is a necessity for many companies. The costs of converting to IFRS come in several forms. There are the direct costs of the resources involved, including:

- The internal human resources involved in the financial reporting function and elsewhere in the organization
- External resources, e.g., Deloitte's IFRS experienced advisors, legal counsel, valuation experts, reservoir or mining engineers; and
- The information technology (IT) hardware, software and human resources involved in the changeover

There are also other potential costs, such as those arising from:

- Incomplete, erroneous or untimely completion of the conversion project
- Premium rates for IFRS specialists if acquired at the last minute in a tight market
- Inefficient or ineffective post-implementation procedures
- Stretched and stressed financial reporting resources

Given the current economic environment, devising a cost-effective IFRS changeover plan is a necessity for many companies

A cost-effective plan should consider all direct and potential costs. There are also potential benefits from the conversion to IFRS – for instance, the opportunity to enhance a company's financial reporting processes. Some of these benefits are considered in our publication "Beyond compliance: Strategic choices on the conversion to IFRS." Realizing such benefits would contribute to a cost-effective strategy.

Starting as early as possible and maximizing the use of internal resources are two obvious strategies for obtaining cost-effective changeover plans

The earlier the conversion process starts, the less intensive the conversion activities have to be. Probably the most important step to a successful implementation is the early development of accounting personnel who have mastered the IFRS standards that apply to an entity. Accounting personnel do not necessarily have to become experts in IFRS, but they should have a strong working knowledge of the standards that are of greatest concern in their industry. (Appendix A provides a list of the issues that are most likely to affect an entity in a selected industry.)

There are additional steps that entities can take to produce a cost-effective result. The following commentary outlines seven principles for developing cost-effective changeover plans, and the key steps to implement them.

1 Consider costs and benefits

Many IFRS changeover plans focus on meeting deadlines as the key benchmarks in the conversion process. An effective conversion plan should also consider costs and benefits, and have a sufficiently wide scope to capture all the relevant dimensions of each. Such plans should identify:

- **The specific individuals who are expected to obtain a functional knowledge of IFRS**, and a timeline for that to be accomplished. The plan should provide for the development of IFRS knowledge not only by the accounting line staff, but also by operating personnel affected by the change, senior management, and the board and audit committees overseeing the process. An understanding of IFRS is particularly crucial for senior management involved in certifying the internal controls over financial reporting (ICFR) or disclosure controls and procedures (DC&P).
- **The extent of the work to be done on conversion**, identifying areas where it is most likely that significant effort is required, and other areas where no significant work is anticipated. This should include disclosure as well as accounting issues. This part of the plan is conventionally called Phase I – Scoping and Planning.
- **The internal and external resources needed** to identify and implement IFRS accounting policy requirements and choices (generally called Phase II – Designing and Building) and their implementation (generally called Phase III – Implementation and Review). The plan should identify the specific types of knowledge needed, e.g., expertise in valuation, tax, hedging, leasing or mineral reserves as required.
- **Areas where IT may need to be modified to enable IFRS implementation**, as the lead times required for IT modifications may affect many other timelines. These may include workaround solutions, reconfiguration projects and appropriate internal controls.
- **Areas where IFRS-related changes in the financial statements may require modifications of contractual or operational arrangements**. These may include debt covenants, lease agreements and licensing arrangements. In addition, compensation arrangements usually depend on financial statement benchmarks (which may in turn be affected by the recognition of compensation expense under IFRS). Other functions not to be overlooked include budgeting, mergers and acquisitions activities and investor relations.

ACTION **STEPS**

1. Develop a plan that focuses on resources, costs and benefits, as well as deadlines.
2. Prioritize the specific areas, including disclosure matters that need attention.
3. Obtain commitments for external assistance, such as engineering, valuations, IT and tax resources.
4. Include collateral matters such as loan agreements, compensation arrangements, treasury plans and budgets that need to be addressed.

An effective conversion plan should also consider costs and benefits, and have a sufficiently wide scope to capture all the relevant dimensions of each

2 Set realistic deadlines

The changeover plan should facilitate opportunities for an entity to develop internal resources. It generally makes sense to "grow your own" – to develop the in-house skills that will be required in the normal course of financial statement preparation in the post-conversion era. The timing of the plan may limit these opportunities, but long-run benefits should not be ignored. Set deadlines that facilitate the realization of such benefits.

Set realistic deadlines for component parts, as well as for the overall project, particularly if some components are needed in advance of others, or depend on actual accounting data not available until some future date. For example, the preparation of interim or annual 2010 IFRS-compliant financial statements will not be possible until the 2010 data are available.

IFRS changeover plans should include time for quality assurance reviews. Time allocations should have built-in buffers for unforeseen difficulties in executing the changeover. Experience in jurisdictions that have implemented IFRS indicates that first-time adoption is not always error-free. The regulatory and litigation environment in Canada may result in significant penalties for companies that fail to achieve full IFRS compliance.

ACTION **STEPS**

1. Set deadlines with provision for the development of internal resources.
2. Be realistic by providing buffers and time for quality assurance reviews.
3. Consider that there may be deadlines earlier than the statutory requirements.
4. Consider the options under IFRS 1, and build relevant activities into your conversion plan.

When setting deadlines, be aware that IFRS-compliant data may be needed prior to the official changeover date (the first date on which IFRS-compliant financial statements are to be published). Companies should expect requests for IFRS-compliant earnings guidance from analysts during the period leading up to conversion. Renegotiations of contractual relationships such as debt covenants involving IFRS-compliant data may require estimated or actual IFRS-compliant opening balance sheets and interim financial statements, so that the entity can determine whether it will be in compliance with a renegotiated arrangement. Deadlines should reflect these earlier needs, as well as statutory reporting requirements.

Provide time to assess the options available on the first-time adoption of IFRS, such as the use of fair values as deemed cost for certain types of assets. These options may have strategic value on conversion. Identifying and assessing such options cannot be done at the last minute. Building their consideration into the plan may enable an entity to reap strategic objectives in addition to achieving compliance with IFRS.

3 Focus on the important changes

The changes in financial statements that are likely to be of greatest significance to companies are those involving previously undisclosed (or significant changes in previously disclosed) cash inflows or outflows. The impact will be on the measurement of assets and liabilities and the disclosure of these. These would include newly recognized assets and liabilities, newly recognized impairment charges, significantly revised estimates of provisions such as those for defined benefit pension plans, and any changes in revenue streams. The latter item is undoubtedly the single most sensitive operating statistic for most entities. Changes in principles or estimates that affect these balances should be the focus of attention.

The conversion to IFRS may also motivate the reconsideration of other matters. For example, companies might consider simultaneously changing their IT platform, or reevaluating the useful lives of assets. A cost-effective conversion plan should only address elements of the financial reporting system that are required for conversion. It may be tempting to address all related matters at once. But if the cost of IFRS is a concern, it may make sense to defer non-essential matters.

ACTION **STEPS**

1. Consider the adoption of IFRS as a separate decision from major systems changes.
2. If workarounds are to be employed temporarily, identify the additional controls necessary to ensure the workarounds have no adverse implications for internal controls over financial reporting (ICFR).
3. Distinguish those changes in estimates that are necessary from others that are not.
4. Avoid conversion issues arising from any anomalies in the Canadian GAAP financial statements by addressing those issues prior to 2010.
5. Focus on areas where differences in assets, liabilities, revenues and expenses that relate to future cash flows may be significant.

For example, IFRS conversion may require modification or replacement of elements of IT systems that are based on Canadian generally accepted accounting principles (GAAP). These may include consolidation packages (given that proposed principles of consolidation under IFRS differ from current Canadian GAAP), modules relating to the acquisition, depreciation and disposition of property, plant and equipment, and certain other recurring transaction streams.

In many instances, systems and software vendors have "plug-in" modules that can handle IFRS-compliant subledger balances. Some of these can run in parallel with Canadian GAAP reporting systems, permitting the simultaneous processing of IFRS-compliant and Canadian GAAP data. Both IT personnel and accounting professionals would need to be involved in such decisions. However, when timelines are short and resources limited, workaround solutions in conjunction with good control procedures may be sufficient. In such cases, a post-conversion implementation plan for IT matters may be appropriate.

Changing accounting principles to comply with IFRS may intuitively suggest that it would be appropriate to reconsider related estimates as well. For example, there may be cases where plant and equipment have been fully depreciated but are still in use. Would conversion require revisiting the apparently incorrect estimate of useful life?

The conversion to IFRS generally only requires changes to estimates if they are truly errors, or are required for new circumstances, e.g., for newly identified components of property, plant and equipment. Anomalies in the Canadian GAAP books and records may also be identified, such as credit balances in property, plant or equipment accounts. However, these may be more of a Canadian GAAP challenge than an IFRS problem. Corrections of known errors in the Canadian GAAP statements should be dealt with preferably when they are discovered – rather than upon conversion to IFRS.

4 Use external resources strategically

The use of internal resources to design the conversion plan, interpret standards, impart knowledge to line, staff and executives, and implement and assess the effectiveness of internal controls throughout the changeover would likely result in the lowest out-of-pocket cost for an IFRS conversion. There may be organizations that are capable of implementing such changeovers. But few entities will be endowed with sufficient IFRS-knowledgeable professionals to plan and execute a conversion exclusively employing internal resources.

Most entities will need to draw on external resources to some extent. To maximize the benefits of such expenditures, companies should use external resources in a manner that provides long-term as well as short-term benefits. Activities with persistent benefits, such as training, are obvious candidates; IFRS knowledge imparted to employees will remain with an entity over the long term.

Other areas where external advisors could be employed in a limited but effective capacity include reviewing policies and implementing more complex standards, such as those involving the classification of financial instruments, the treatment of hedging programs, and the identification and treatment of embedded derivatives. These are areas where internal experience is unlikely to be developed on a timely yet economical basis. External resources could also be used to review internal controls during the changeover. Such reviews could not only act as a safety check, but also provide a CEO or CFO who has limited IFRS knowledge with a basis for certifying internal controls and fair presentation. (See page 8)

To complement the use of external advisors, leverage the efforts of industry or trade groups. Many industries have formed groups to study the specific IFRS issues that arise in their context. A further idea would be to consider "joint venturing" the use of external advisors with other entities in the same vicinity or in the same industry, or both. Preparers could share the development cost of templates for many common protocols – such as those for the recognition of impairment for property, plant and equipment, or for the recognition of provisions.

ACTION **STEPS**

1. Employ external resources where the maximum long-term benefits accrue for a given activity.
2. Consider advisors as cold reviewers or internal control reviewers to provide additional benefits from their use.
3. Reduce or share costs by using industry groups or forming a buying group to source external advice in generic areas.
4. Joint venture the development of templates for common applications, such as impairment, provisions and new IFRS standards.

5 Don’t reinvent the wheel

There’s no need to reinvent the wheel. Preparers can take advantage of publicly available tools, templates and examples, many of which are available online or in the Deloitte IFRS Portal CD. This includes interpretive guidance, complete sets of financial statements in virtually all industries, including financial statements of previous first-time adopters, and commentary by securities regulators on the use of IFRS. There are numerous Canadian publications available to assist preparers in the conversion of their financial statements: Deloitte, in partnership with CCH, has published iGAAP 2008: IFRS for Canada, available in hard copy and online. There are also IFRS-to-Canadian-GAAP comparisons and other IFRS materials available through the Canadian Institute of Chartered Accountants website, at **www.cica.ca**

> Preparers can take advantage of publicly available tools, templates and examples, many of which are available online or in the Deloitte IFRS Portal DVD

The layout of IFRS financial statements is generally consistent across entities, primarily as the result of protocols for disclosure that are provided by IAS 1, Presentation of financial statements. Model IFRS financial statements (such as those available at **www.iasplus.com**) can help preparers significantly reduce the time needed to draft their IFRS-compliant financial statements. Also useful for this purpose are the financial statements of European Union (EU) or Australian entities in the same line of business, generally available at an entity’s website. In many cases, the financial statements for the year of transition to IFRS (frequently 2005) are still available. Further insight into the challenges of first-time adoption is provided by correspondence between the staff of the United States Securities and Exchange Commission (SEC) and many EU and Australian SEC registrants. The SEC conducted a special review of the adoption of IFRS by those registrants, copies of which are available on the SEC website at **www.sec.gov/divisions/corpfin/ifrs_reviews**, together with copies of the filings of those registrants during the changeover period.

ACTION **STEPS**

1. Profit from the experience of others: use previously published IFRS-compliant financial statements to illustrate issues.
2. Employ model financial statements to assist in drafting.
3. Access the websites of professional accounting firms and the CICA for guidance.

Keep in mind, however, that EU and Australian financial statements may not always comply with IFRS as it will be adopted in Canada. For example, the EU adopted a version of IFRS that permits certain practices in financial instruments not found in the IASB text. Many jurisdictions also require the publication of unconsolidated financial statements of the parent entity, but this will not be a requirement in Canada. Other jurisdictions require extensive disclosure of executive compensation matters in the financial statements beyond that specifically required by IFRS. Thus, IFRS-compliant financial statements may reflect practices that may not be expected in the Canadian IFRS environment. The effects of changes in IFRS standards since the publication date of any historical statements should also be considered.

6 Anticipate change

The IFRS standards to be applied by Canadian entities in 2011 are those that will be in effect as of December 31, 2011. IFRS is not static: its standards are constantly evolving. Some significant IFRS standards will change between now and the date of changeover in 2011. A list of these is published by the Canadian Accounting Standards Board entitled "Which IFRSs are expected to apply for Canadian Changeover in 2011?" (available online at **www.acsbcanada.org**). The following projects are likely to be effective for Canadian entities publishing IFRS-compliant financial statements in 2011:

- **Joint arrangements**, which is expected to modify the proportionate consolidation option and require the equity method for common types of joint ventures
- **Consolidation**, which, along with **Derecognition of Financial Assets**, is expected to result in the on-balance sheet treatment of many sales of receivables transactions treated as off-balance sheet transactions under Canadian GAAP
- Amendments to IFRS 1, **First-time adoption of IFRS**, and other standards that are expected to provide specific guidance of relevance to Canadian oil and gas and rate-regulated entities adopting IFRS in 2011

The IASB has also recently announced a project to revise its standards governing accounting for financial instruments, which is scheduled for completion before the date of the Canadian changeover. There are also potential changes in IFRS arising from projects at the International Financial Reporting Interpretations Committee (IFRIC). Given that IFRIC interpretations are often created in less than a year and are generally applicable upon publication, the IFRIC projects that will affect standards in 2011 are unlikely to be known with certainty before the end of 2011.

Such potential changes in standards and interpretations – and the uncertain timing of such changes – make it difficult to assess all of the consequences of IFRS adoption before the end of 2011. Given ordinary due process, the details of many changes in IFRS standards applicable at the end of 2011 should be known earlier. But if there is considerable change in IFRS immediately prior to the 2011 year-end, preparing draft IFRS-compliant financial statements as at the year-end may be a frustrating process, particularly for entities that need to establish compliance with covenants or other agreements. One alternative to preparing draft financial statements is to focus on the pro forma behaviour of key performance indicators (KPIs) that affect legal agreements or are commonly found in analysts' reports, such as earnings before interest, taxes, depreciation and amortization (EBITDA). Preparing KPI measures may require less work than drafts of the complete financial statements.

There are also variations in accounting policies or balances that may arise from the entity's election of an option under IFRS 1. These options include, for example, using the fair value of selected items of property, plant and equipment as their deemed cost. The choices an entity makes may be affected by the economic conditions that will exist in 2011. A cost-effective changeover plan would have the data needed to illustrate and incorporate the effects of the entity's conversion options on its opening balances.

ACTION **STEPS**

1. Monitor known or proposed changes in IFRS and IFRIC publications. These may have material effects on the financial statements at the changeover date.
2. Plan on changes in IFRS standards when developing model financial statements and pro forma models of, for example, the effects on loan covenants.
3. Use KPIs to assess the effects of significant changes in IFRS without creating the entire set of financial statements.

7 Document compliance

CEOs and CFOs of Canadian entities are required to certify the effective operation of their entity's internal controls over financial reporting (ICFR) and disclosure controls and procedures (DC&P). Since ICFR incorporates controls over changes in accounting principles, the adoption of IFRS is scoped into the control certification requirements. Therefore, a company's IFRS changeover plan should include steps to provide assurance that controls over changes in accounting principles are effective. These controls should reduce, to a sufficiently low level, the likelihood for material errors in the preparation of financial statements, including the first-time application of IFRS.

Few Canadian CEOs and CFOs are likely to have significant direct exposure to IFRS. But because they are required to certify the accuracy of their financial statements, they should ensure that IFRS is incorporated into their ICFR compliance efforts. There are several reasons for this:

- Shareholders, analysts and others will be relying on IFRS data, similar to the way they relied on Canadian GAAP data in the past, for their investment decisions. Since these users must retool, it's only fair that the CEOs and CFOs do likewise.
- There is a significant number of choices and judgments involved in the application of IFRS 1. These choices and judgments can significantly affect the results of operations, financial position and cash flows as reported under IFRS. These decisions should involve senior executive input, since certification formally establishes executive responsibility for them.
- Audit committees and boards of directors will need to provide oversight and direction to ensure corporate compliance.

An entity's conversion plans should identify activities that involve the CEO and CFO in the changeover process. Such participation provides both the executives and the entity's governance bodies with a degree of assurance about the effectiveness of controls during the changeover, and the CEO's and CFO's comprehension of the changeover and the controls governing it. CEOs and CFOs should consider participating in the following activities:

- The determination of significant accounting policy choices as they are made
- Entity-level training, thereby encouraging all other individuals to develop a personal knowledge of IFRS
- The review of the appropriateness of accounting policy choices under IFRS by the audit committee or other appropriate governance body (in many organizations, the review may be with the board of directors)
- The preparation of investor materials and management's discussion and analysis (MD&A) disclosures that explain, prior to the changeover date, the expected effects of the changeover on the financial statements as required by the Canadian Securities Administrators (CSA) Staff Notice SN 52-320 – Disclosure of Expected Changes in Accounting Policies relating to Changeover to IFRS, and of the materials that explain the actual effects of the changeover in 2011.

One exercise that would drive home the effects of IFRS conversion would be for an entity to provide the CEO and CFO with a quantitative analysis of variances between all financial statement numbers prepared under Canadian GAAP and IFRS, respectively. By understanding the quantitative variances – rather than the verbal descriptions of changes in accounting principle – the executives will gain a more thorough comprehension of the measurement, classification and disclosure consequences of IFRS.

ACTION **STEPS**

1. Establish documented reviews of policy choices under IFRS as part of the initial plan – not as a later add-on.
2. Include senior management and non-accounting personnel in learning activities.
3. Prepare investor materials – particularly guidance for the first year of IFRS – and obtain explanations for differences from Canadian GAAP.
4. Prepare a quantitative analysis of variance of all accounts and conduct reviews with the CEO and CFO.

Implementing cost-effective IFRS conversions

Many of the opportunities for cost-effectiveness in the conversion to IFRS arise in the planning phase. This is partly because it is in the course of planning that efficiencies can be identified in time to realize them. Of course, planning isn't everything: achieving cost-effective IFRS conversion undoubtedly requires 99% perspiration for every 1% of inspiration. For this reason, resourcing must go hand in hand with planning. Without adequate time and human resources, the best ideas for a cost-effective IFRS changeover will fall by the wayside.

To capture the maximum amount of available efficiencies, our advice is:

- Start early. Many opportunities for efficiency are available only if the entity starts early enough. These include:
  - The opportunity to develop internal capabilities over time rather than being required to outsource the exercise at the last minute;
  - The opportunity of knowing in advance which IFRS 1 options are good strategic options, rather than passing them by for lack of information; and
  - The opportunity to provide timely and relevant guidance to the market on the consequences of conversion, rather than create uncertainty about its consequences.
- Identify the significant issues in terms of required resources as well as deadlines.
- Focus on the important changes and defer any unnecessary ones.
- Develop internal resources fast and first. Limit the use of external resources to strategically important roles.
- Learn from the experience of others. There are plenty of resources available, including the financial reports of IFRS-compliant entities, industry-sponsored guidance and other insights that do not require significant outlays of funds.
- Be flexible. Financial conditions and accounting standards may change, and there are options to help entities cope with some of this change.
- Plan beyond the financial statements. For example, anticipate the effects on covenants and contracts, and communicate the results of the process to the market. Experience has shown that the external communication process, if well-executed, may have a favourable impact on shareholder values and stakeholder confidence.

Preparers must recognize that, while IFRS is principles-based, there are complexities. As with any new standard, it is likely that first-time adopters will need assistance at some point to resolve some of these complexities. We at Deloitte believe that achieving efficiency and effectiveness is not a "one-size-fits-all" proposition. For every publicly accountable entity, the optimal solution will involve a judicious mix of internal and external resources – but assembled with an eye to maximizing the efficiency and effectiveness of the IFRS changeover process.

Appendix A

Significant issues in IFRS conversions by industry

General issues

Goodwill and business combination options under IFRS 1
Recalculating costs of PP&E assets – determination of significance
Fair value option under IFRS 1
Translation adjustments

Consumer Business/Retail

Componentization of property, plant and equipment
Determination of cash generating units
Derecognition of financial assets
Provisions
Employee benefit plans – liabilities or equity?
Lease capitalization
Consolidation of SPE's
Customer loyalty programs

Energy/Oil and gas

Transition rules for oil and gas entities
Cash generating unit determination for oil and gas assets
Reserve determination for depreciation
Provisions (esp. ARO's)
Functional currency determination
Deferred tax determination
Hedging of future revenues
Joint venture treatment
Classification of working interests as liabilities/equity
Classification of trust units as equity
Liabilities vs. equity in warrant and contingent equity arrangements
Flow through shares

Financial Institutions and services

Fair values
Consolidation and derecognition of financial assets
Use of bid/ask prices
Hedging portfolios
Deferred taxes
Debt vs. equity in trust units, exchangeable shares
Insurance contracts and impairment recognition
Customer loyalty programs in credit card arrangements

Technology

Intangible assets: development costs vs R&D
Revenue recognition
PP&E: components
Impairment
Stock compensation
Functional currency
Liabilities vs. equity in venture capital investees

Regulated utilities and power generation

Componentization of property
Regulatory assets and liabilities (in process at IASB)
Cash generating units
Group depreciation methods
Embedded derivatives in long-term contracts
Arrangements containing leases
Derivatives without notionals in supply contracts
Consolidation of SPE's

Real estate

Lease inducements and revenue recognition
Componentization
Fair value
Loan covenant renegotiation
Lease capitalization
Revenue recognition
Impairment
Provisions for ARO's
Deferred income taxes
Debt versus equity in REITs

Manufacturing

Componentization of Property, plant and equipment
Determination of cash generating units
Impairment – value in use calculations
Provisions
Hedging
Functional currency determination (for exporters)
Development costs
Employee benefits, including defined benefit pension plans
Derecognition of financial assets

Mining

Componentization of property plant and equipment
Functional currency determination
Reserve determination for depreciation
Stripping costs
Provisions – ARO's
Hedging
Deferred taxes
Embedded derivatives in supply contracts
Derivatives without notional values in supply contracts
Classification of working interests as liabilities/equity
Liabilities vs. equity in warrant and contingent equity arrangements
Flow through shares

Appendix B

An IFRS resource needs worksheet – sample

In order to achieve a cost effective transition consider completing a resource needs worksheet similar to the sample below.
Please note that the complexity and deadline dates are a sample only and will differ by organization.

Financial reporting topic	IFRS standard	Internal hours			External hours			External training required			Deadline
		First year	Second year	Third year	First year	Second year	Third year	First year	Second year	Third year	
Income statement											
Revenues	IAS 18										
Operating expenses	IAS 1										
Shared based payment	IFRS 2										
Defined benefit plans	IAS 19										
Depreciation	IAS 16										
Impairment and reversals	IAS 36										
Finance income	IAS 32, 39 IFRS 7										
Finance expenses	IAS 32, 39 IFRS 7										
Capitalized interest	IAS 23										
Income taxes	IAS 12										
Disclosure											
Earnings per share	IAS 33										
Accounting policies	IAS 1										
Other assets/liability details	IAS 1										
Related parties	IAS 24										
Compensation	IAS 24										
Segmented information	IFRS 8										
Financial risk management	IFRS 7										
Post retirement benefits	IAS 19										
Contingencies and commitments	IAS 37										
Post balance sheet events	IAS 10										
Total estimated hours											
Estimated cost											

Appendix B

An IFRS resource needs worksheet – sample (continued)

Financial reporting topic	IFRS standard	Internal hours			External hours			External training required			Deadline
		First year	Second year	Third year	First year	Second year	Third year	First year	Second year	Third year	
Balance sheet											
Current assets											
Cash and equivalents	IAS 7										
Investments	IAS 32, 39 IFRS 7										
Accounts receivable	IAS 1										
Inventory	IAS 2										
Prepaids	IAS 1										
Income tax	IAS 12										
Long-term assets											
Property (not investment)	IAS 16										
Plant and equipment	IAS 16										
Leased property	IAS 17										
Intangibles	IAS 38										
Investment property	IAS 40										
Goodwill	IFRS 3										
Investments in:											
Associates	IAS 28										
Joint ventures	IAS 38										
Other investments	IAS 32, 39 IFRS 7										
Financing receivables	IAS 39										
Assets for sale	IFRS 5										
Derivatives	IAS 39										
Total estimated hours											
Estimated cost											

Financial reporting topic	IFRS standard	Internal hours			External hours			External training required			Deadline
		First year	Second year	Third year	First year	Second year	Third year	First year	Second year	Third year	
Current liabilities											
Trade payables	IAS 1										
Current income tax	IAS 12										
Accrued expenses/ deferred income	IAS 18										
Provisions	IAS 37										
Long-term liabilities											
Long term debt	IAS 32, 39 IFRS 7										
Other financial liabilities	IAS 32, 39 IFRS 7										
Deferred tax liabilities	IAS 12										
Liabilities held for sale	IFRS 5										
Provisions											
Environmental	IAS 37										
Employee benefits	IAS 2, 19										
Restructuring	IAS 37										
Shareholders' equity											
Share capital	IAS 1, 32 IFRS 7										
Other	IAS 1										
Retained earnings	IAS 1										
Reserves for:											
Hedging	IAS 32, 39 IFRS 7										
Benefit plans	IAS 19										
Currency translation	IAS 21										
Property revaluation	IAS 40										
Statement of comprehensive income											
Tax effects	IAS 1, IAS 12										
Cash flow statement											
Treatment of dividends	IAS 23										
Total estimated hours											
Estimated cost											

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iGAAP 2008: IFRS for Canada
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How to Monitor a Sea Change:
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Deloitte, August 2008

IFRS transition readiness assessment: How well are you prepared?
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IFRS transition – top issues to address Potential issues related to IFRS transition
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IFRSs in your Pocket 2009 Summary of all IFRS in issue at March 31, 2009
DTT, April 2009

iGAAP 2009: A Guide to IFRS Reporting
DTT, December 2008

Business Combinations and Changes in Ownership Interests
DTT, July 2008

iGAAP 2008 Financial Instruments IAS 32, IAS 39 and IFRS 7 Explained
Deloitte UK, Published by Lexis Nexis, June 2008

Learning

IFRS e-learning for directors:
Deloitte & Touche IFRS e-Learning Program for Directors™
Deloitte, 2009

eLearning Modules on IFRS Standards (available online or on CD)
DTT, regularly updated

IFRS Dbriefs for Financial Executives
Webcast, Deloitte US, August 2008

IFRS- Moving beyond the initial scoping work
Webcast, Deloitte, May 2009

Getting Started: Cost effective IFRS conversion strategies
Webcast, Deloitte, May 2009

Periodicals

Countdown
Monthly eNewsletter on transition

www.DeloitteIFRS.ca
A dedicated webste

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www.iasplus.com
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Tools

IFRS Compliance Questionnaire: A compliance assessment tool
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Special Report on SEC Comment Letters: Insights for registrants using IFRSs
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