

## **ADOPTING IFRSs IN CANADA**

### AcSB Exposure Draft

#### **Q&A**

##### **1. What has been released?**

**ADOPTING IFRSs IN CANADA** is the Exposure Draft of IFRSs. It has been released by the Accounting Standards Board as part of the due process in incorporating IFRSs into Canadian GAAP in 2011. It includes the text of the 2007 bound volume of International Financial Reporting Standards, available for download in electronic format.

##### **2. Who is affected by the IFRSs?**

The IFRSs apply to Canadian publicly accountable enterprises – profit-oriented enterprises that have responsibilities to a large or diverse group of stakeholders and can include:

- Publicly listed companies
- Enterprises with fiduciary responsibilities, such as banks, insurance companies, credit unions, securities firms, mutual funds and investment banks
- Certain government corporations.

In the Highlights section of the Exposure Draft, the AcSB has included a formal definition of “publicly accountable enterprise” on which you are encouraged to comment. You can also find this definition on the Chartered Accountants of Canada’s IFRS website at [www.cica.ca/ifrs](http://www.cica.ca/ifrs).

##### **3. How do I get a copy?**

The Exposure Draft on IFRSs is available for download from the AcSB. Otherwise, you can purchase the 2008 version of IFRSs.

##### **4. What should I do with it?**

Chartered Accountants of Canada has developed a Reader’s Guide to help you review the Exposure Draft and identify the sections relevant to your company. For a copy, click [here](#).

The appendix to the Exposure Draft also provides detailed instructions for reviewing the document. It will help you begin your plan for the transition of your organization to IFRS.

You are invited to submit comments to the Accounting Standards Board by July 31, 2008 in the form of a “fatal flaw” review – to determine whether the IFRSs will create any unique issues upon application within Canada. In the Highlights, the AcSB seeks comments on seven specific questions, including the definition of “publicly accountable enterprises” and whether disclosure in accordance with Section 1506 requiring information on the effects of new GAAP that is issued, but not yet effective, should apply to the conversion to IFRSs.

Even if you do not intend to comment on the Exposure Draft, the document provides an excellent starting point for planning your transition to IFRSs.

##### **5. What should readers be looking for in a “fatal flaw” review of ADOPTING IFRSs IN CANADA?**

The Accounting Standards Board is seeking comments on whether any of the IFRSs could create inappropriate Canadian results compared with the rest of the world, and whether there are any special transitional issues for Canadian entities that would benefit from an adjustment to IFRS 1, *First-time Adoption of International Financial Reporting Standards*.

The Accounting Standards Board is not asking for comments on the general appropriateness of the standards themselves, since the IFRSs already have been through the IASB’s rigorous due process and are developed with the global economy in mind.

**6. What's the next step in the process?**

There will be changes to the IFRSs between now and 2011 because the IASB continues to develop standards; these changes will be released as exposure drafts as part of the AcSB's due process. Watch the Chartered Accountants of Canada's IFRS website ([www.cica.ca/ifrs](http://www.cica.ca/ifrs)), to keep up to date on these drafts as they are issued.

**7. When will these IFRSs become effective?**

IFRSs will be used to prepare interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. For comparative purposes, organizations will have to begin collecting data under IFRS in 2010 for inclusion in their 2011 IFRS financial statements.

**8. Why IFRS?**

Adoption of this single set of high quality global accounting principles will secure Canada's place in global capital markets and make it easier for Canadian companies to tell their stories to investors worldwide. In moving to the new standards, Canada joins more than 100 countries – including the European Union, Australia, and New Zealand – that have already adopted IFRS.

**9. What's the U.S. doing?**

The US Securities and Exchange Commission ruled that foreign companies may use IFRS without reconciliation to US GAAP if the statements are prepared under IFRS as published by the International Accounting Standards Board. The removal of this requirement allows companies direct access to US capital markets and marks another major step in the worldwide acceptance of IFRS.

**10. What happens to accounting standards for private companies and other entities not covered by IFRSs?**

The AcSB is deliberating on a simplified GAAP framework designed to address the less complex needs of private enterprises compared with those of publicly accountable enterprises. CICA believes the ideal solution would allow for two reporting models under GAAP – IFRS for publicly accountable enterprises and another comprehensive and self-contained simplified framework for all non-publicly accountable entities, potentially including many not-for-profit organizations. It is also important that any solution developed be timely and relevant to the market it serves. The CICA will be conveying these views to the AcSB and urging it to complete its deliberations quickly. We will continue to update members as work progresses