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Developments in Financial Reporting

Fall 2011



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Overview

The Evolving Canadian GAAP Framework

The 2011 Transition Experience

Annual Financial Statements and Regulatory Considerations

Emerging IFRS Issues

Update from the Alberta Securities Commission

IFRS and Other Canadian GAAP Developments

Whither the IASB?

SEC Developments

The Evolving Canadian GAAP Framework

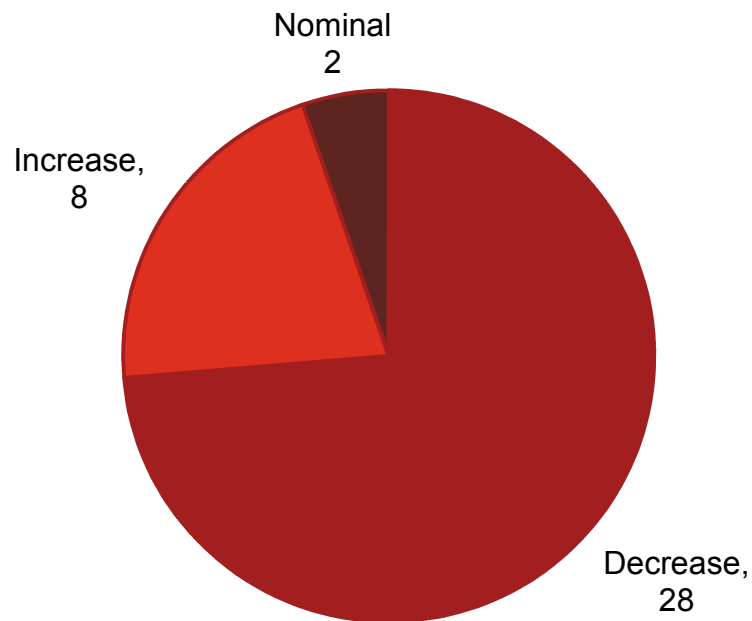
Canada adopts IFRS!

Mostly...

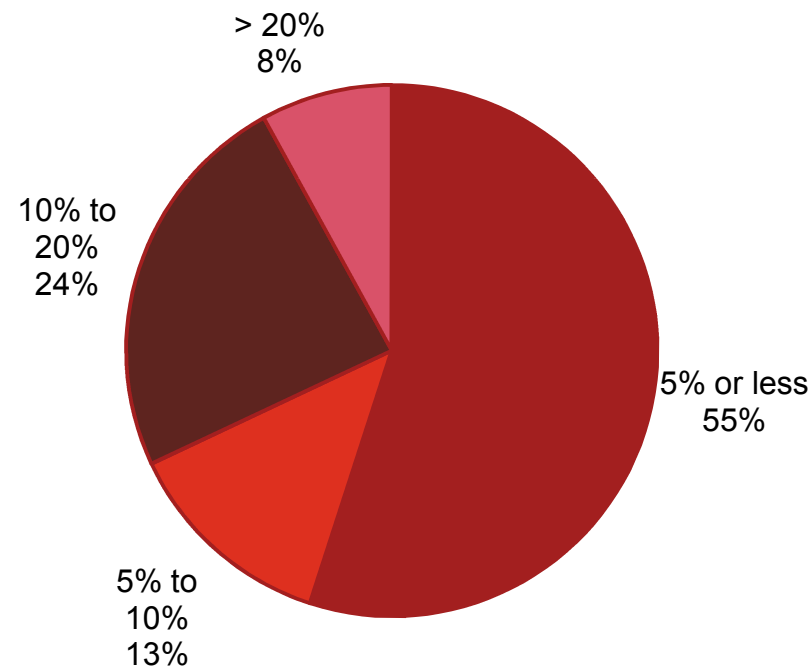
Impact on equity – as at end of 2010 year

S&P/TSX 60 companies

Change in equity



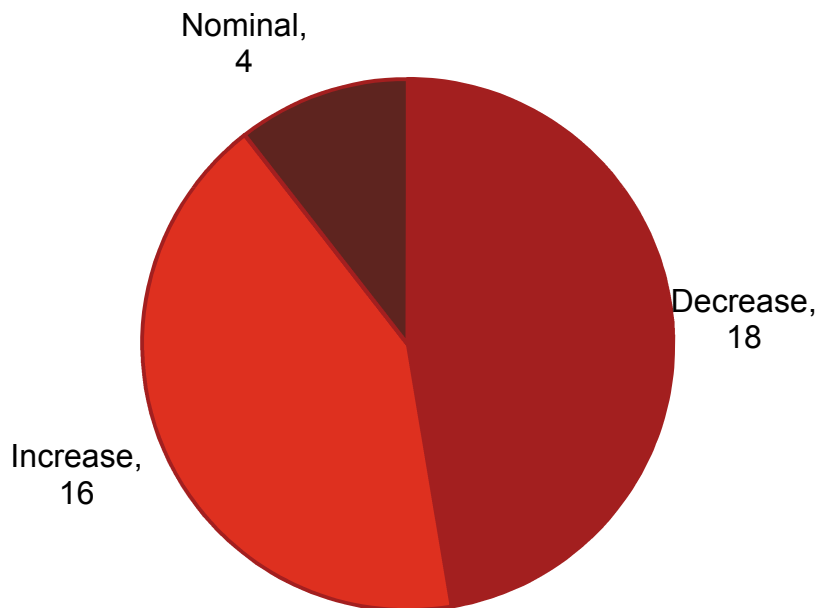
Extent of change



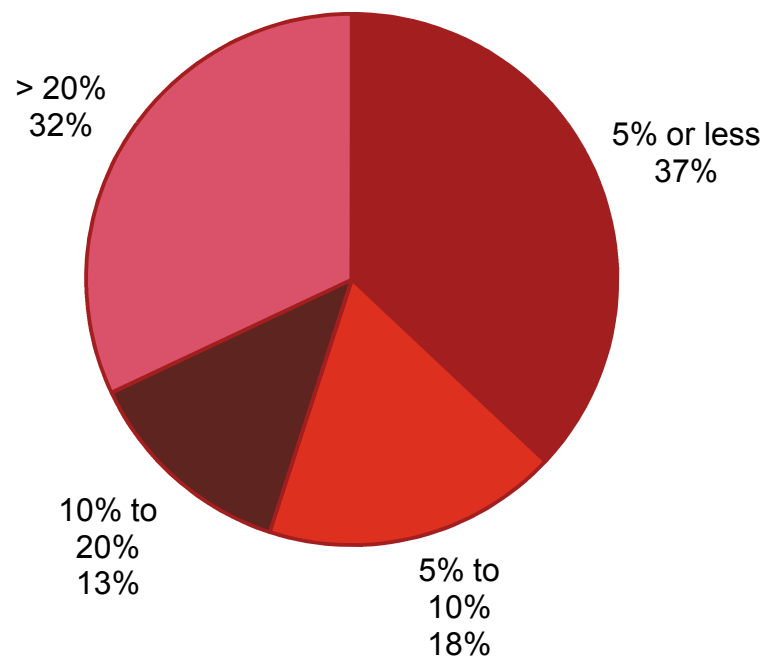
Impact on net income – 2010 year-ends

S&P / TSX 60 companies

Change in net income



Extent of change



The Canadian GAAP framework for publicly accountable entities

	2011	2012	2013 and beyond
All publicly accountable entities other than:	IFRS		IFRS including mandatory adoption of major new IFRS standards
Investment funds and companies	Part V - Canadian GAAP		
Rate-regulated enterprises	Part V- Canadian GAAP	IFRS	
Pension Plans	Part IV- Canadian GAAP (Section 4600 plus IFRS or ASPE)		
Private sector not-for-profit organizations	Part V- Canadian GAAP	IFRS or Part III Canadian GAAP	

The 2011 Transition Experience

What were the main changes?

Exemptions elected

Virtually all companies used the exemptions which limited retrospective adoption to the transition date or the date stipulated in IFRS 1

All companies with deferred foreign exchange translation amounts elected to zero these out the to retained earnings

All companies with unamortized actuarial gains / losses and vested past service costs for employee benefit plans chose to charge these to retained earnings on transition

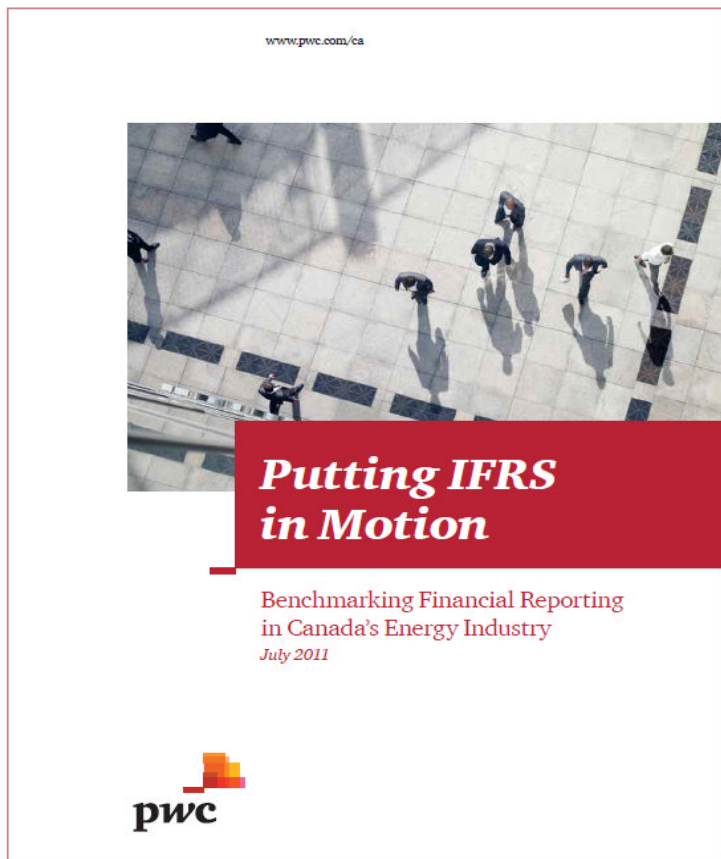
21% of companies elected to use fair value as deemed cost for some assets

What were the main changes?

Most frequently occurring changes:

1. Provisions
2. Impairment of assets
3. Property, plant & equipment
4. Employee benefits
5. Income taxes
6. Share based payments
7. Financial instruments

Benchmarking Financial Reporting in Canada's Energy Industry

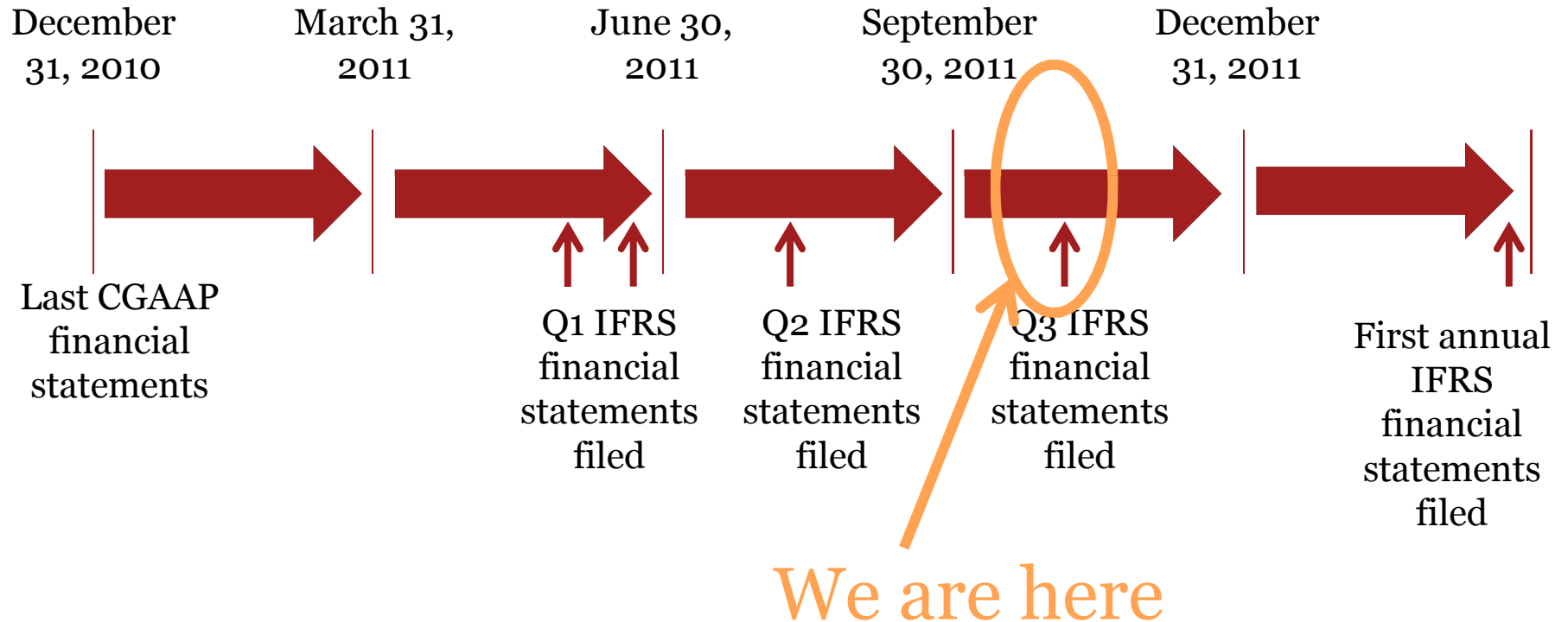


IFRS results

Survey of 60 public companies

Annual Financial Statements and Regulatory Considerations

Publicly accountable enterprises - countdown to annual IFRS financial statements - calendar year-end



Reminders for 2011 annual financials

Finalize accounting policies - “last chance” to change IFRS accounting policies and IFRS 1 exemptions and elections for:

- Early adoption of new standards
- Align with industry practices

No filing extension for annual financial statements. Filed within 90 days of year end (120 days if venture issuer)

Reminders for 2011 annual financials

Presentation:

- Meet all IAS 1 requirements
- Opening balance sheet and transition reconciliations still necessary

Disclosure:

- Full set of disclosures
- Statement of compliance with IFRS
- Complete accounting policies note
- Incremental IFRS disclosures compared to CGAAP
- IFRS 1 disclosures

IFRS 1 disclosures include...

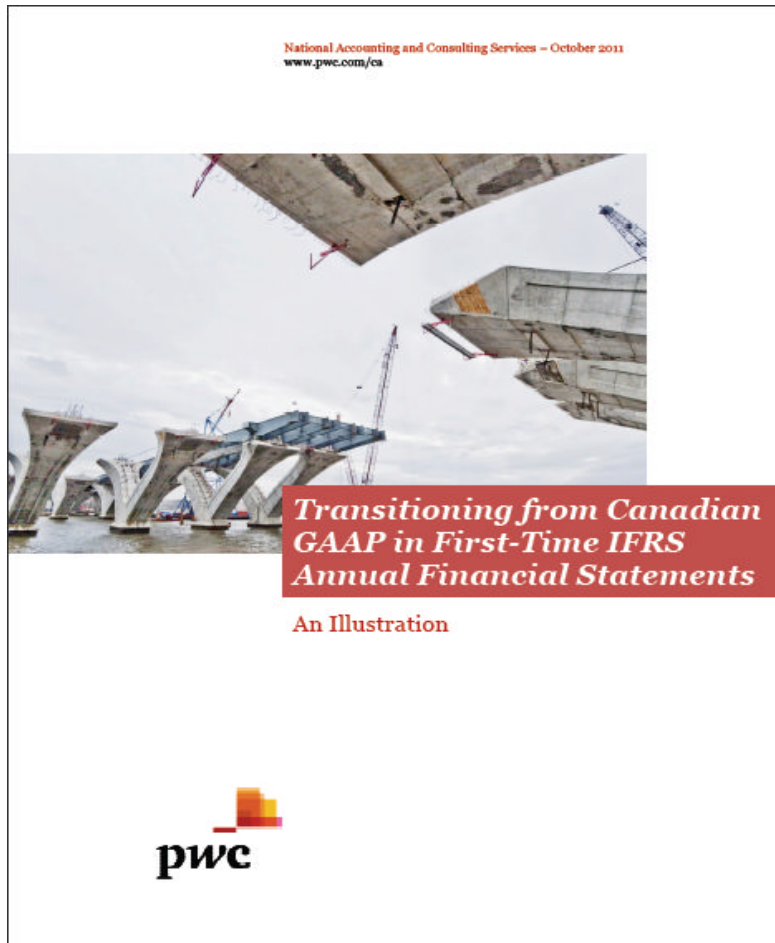
- IAS 36 disclosures when opening balance sheet includes impairment loss/reversal
- Designation of financial assets or liabilities
- Use of fair value as deemed cost
- Use of deemed cost for oil and gas assets

Reminders for 2011 annual financials

Do your annual financial statements:

- Make disclosures specific to the entity
- Include all material disclosures

Preparing your annual IFRS financial statements



Illustrative First-Time IFRS Annual Financial Statements

- Canadian perspective
- *ETA* – November 2011

Financial reporting in the oil and gas industry under IFRS



Major accounting practices under IFRS

Prospectuses

IPO prospectuses must include “IFRS transition information” or full Q1 financial statements

Cannot mix IFRS and CGAAP in the same financial statements

2012 prospectus options:

- 3 years of IFRS (2011, 2010, 2009)
- 2 years of IFRS (2011, 2010) + 2 years of CGAAP (2010, 2009)
- 2 years of IFRS (2011, 2010) + 2 years of CGAAP (2009, 2008)

Prospectuses

IFRS annual financial statements may need to be “re-filed” when included in an offering document:

- Date of authorization required to be disclosed
- Subsequent events may require disclosure or adjustment
- Auditor responsibilities extended



*Ongoing discussions
on re-issuance
under IFRS and
auditing standards*

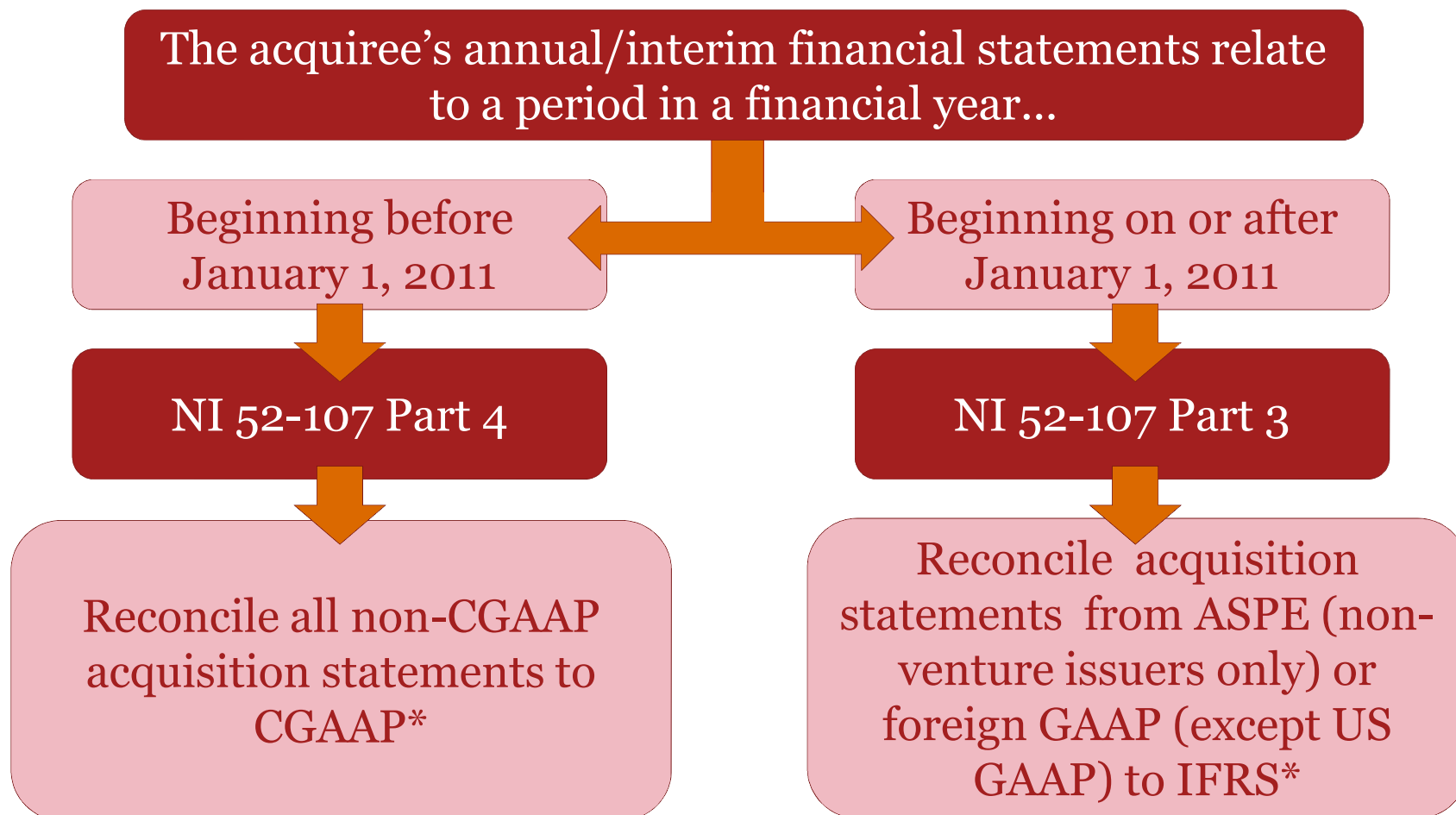
Acquisition statements

Securities regulation restricts what “GAAPs” can be used when filing the financial statements of a significant acquiree. These rules have changed on adoption of IFRS. Most significantly:

Canadian GAAP part V replaced with Canadian GAAP part I (IFRS)

**GAAPs with the “same core subject matter” removed.
Canadian GAAP part II (ASPE) added**

Acquisition statements



*Assumes acquiring issuer uses Canadian GAAP for publicly accountable enterprises

Acquisition statements - ASPE reconciliation

What do I need to include? (Non-venture issuers only)

- Describe and quantify all material differences in recognition, measurement and presentation between ASPE and Issuer's GAAP
- Reconciliation of net income from ASPE to Issuer's GAAP for:
 - Each annual period shown (including comparatives)
 - Most recent interim period (no comparative needed)
- For measurement differences, disclose inputs and assumptions required by the Issuer's GAAP (e.g. IFRS)

Reconciliation is included in the notes to the financial statements and subject to audit

Emerging IFRS Issues

Role of the IFRS Discussion Group (IDG)

Purpose: To identify IFRS application issues and advise AcSB on possibility of referrals to IFRS Interpretations Committee (“IC”)

Examples of recent topics of discussion:

Funding of
benefit plans

Investment
tax credits

Reverse
takeovers

Earnings per
share

Group
restructurings

Initial recognition
exemption for
deferred taxes

Re-
classification
of warrants

Farm-outs
(extractive
activities)

IAS 8
hierarchy

Emerging IFRS issues

Here are 5 major issues of particular relevance to Canadian companies considered recently by the IC:

- Classification of commercial paper and bankers acceptances
- Discount rate for decommissioning obligations
- Borrowing costs – options for transition
- Contingent consideration for asset acquisitions
- Acquisitions of interests in joint ventures

Emerging IFRS issues

Classification of commercial paper and bankers acceptances

The issue: If an existing facility allows an entity to roll-over debt, can the debt be presented as a non-current obligation?

IC discussion: If an entity expects and has the discretion to re-finance or roll-over debt obligations for at least 12 months under an existing facility, this results in non-current presentation of the debt **only if** the lender remains the same.

Emerging IFRS issues

Discount rates for decommissioning obligations

The issue: In determining a discount rate for decommissioning obligations the risks specific to the liability must be included. Does this include the entity's own credit risk?

IC discussion: The committee noted that own credit risk is generally viewed as a risk of the entity rather than a risk specific to the liability, but agreed that IAS 37 does not explicitly state whether or not own credit risk should be included.

Emerging IFRS issues

Borrowing costs – options for transition

The issue: Borrowing costs can be accounted for prospectively from the date of transition to IFRS. In practice how should this be applied?

IC discussion: Referred to the current annual improvements process.

Exposure draft proposes:

- Previously capitalized borrowing costs not be restated on transition
- Assets already under construction should include borrowing costs on an IFRS-compliant basis from the date of transition

Emerging IFRS issues

Contingent consideration for asset acquisitions

The issue: When an asset purchase agreement includes contingent pricing, should the re-measurement of the liability be recognized in profit or loss, or included as an adjustment to the cost of the asset?

IC discussion: The Committee has added the issue on to its agenda. No decisions have been taken to date, pending completion of the revenue and leases projects.

Emerging IFRS issues

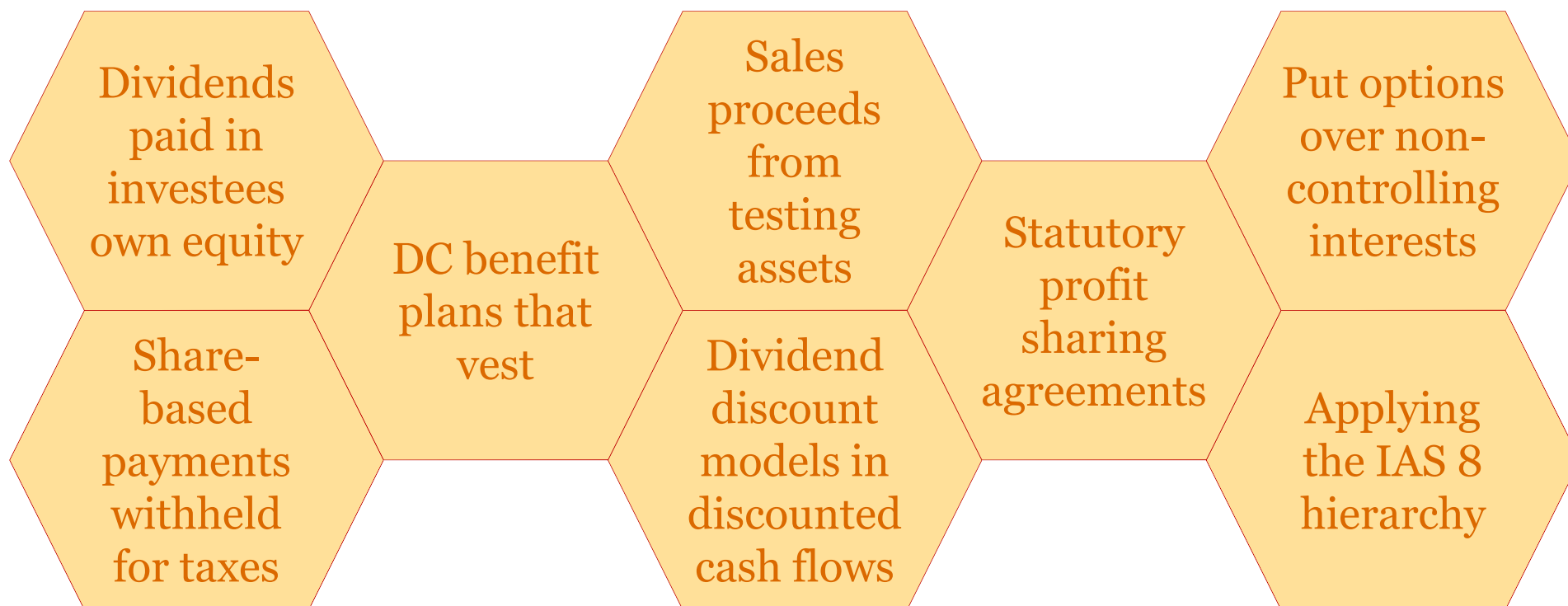
Acquisitions of interests in joint ventures

The issue: When do joint operations or jointly controlled assets constitute a business? How does one account for the acquisition of the interest in a joint arrangement?

IC discussion: The Committee is considering this item but no conclusions have been reached.

Emerging IFRS issues

Other issues rejected by the IC



Update from the Alberta Securities Commission

Lara Gaede, CA, CFA
Chief Accountant

Where are we?

- Reporting issuers
- Investment funds and investment companies
- Rate regulated issuers
- US decision on conversion/transition

How is the transition going?

- For the most part, it is going well, BUT....
- Common deficiencies
 - Accounting policies and other note disclosure
 - Required statements
 - Required statement of compliance

What's coming up?

- Annual financial statements
 - Errors vs IFRS transition
 - Any changes from interim statements?
 - Exec comp
 - Non-GAAP financial measures
- Future changes to auditing standards?
- Future changes to securities regulations pertaining to venture issuers?

- Involvement in accounting standard-setting process:
AcSB, IDG, IASB, IFRIC, IOSCO, FRAC
- Involvement in auditing standards-setting process:
AASB, IAASB, CPAB, IOSCO, FRAC
- Letters from CSA Chief Accountants Committee
posted on CSA website:

<http://www.securities-administrators.ca>

Questions?

- <http://albertasecurities.com/Pages/Default.aspx>

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IFRS and Other Canadian GAAP Developments

Standards issued this year	Mandatory adoption date
New standards	
IFRS 10 – Consolidated Financial Statements (with amendments to IAS 27)	January 1, 2013
IFRS 11 – Joint Arrangements	January 1, 2013
IFRS 12 – Disclosure of Interests in Other Entities (with amendments to IAS 28)	January 1, 2013
IFRS 13 – Fair Value Measurements	January 1, 2013
Amendments to other standards	
IFRS 7 – De-recognition Disclosures	July 1, 2011
IAS 12 – Deferred taxes for investment properties	January 1, 2012
IAS 1 – Presentation of Other Comprehensive Income	July 1, 2012
IAS 19 – Employee Benefits	January 1, 2013
New IFRICs	
IFRIC 20 – Stripping costs in production phase of a surface mine	January 1, 2013

“These standards are not effective yet. Why worry now?”

Why worry now?

Effect on financial statements: Could be very significant. Most standards are retrospective → start to account for them from **January 1, 2012**. Do you have all the information you need?

Impact on deals: If you are entering into joint ventures or acquiring interests in other entities you'll need to start thinking about the accounting impacts before the deal is finalized

Impact on systems and controls: Significant changes to accounting may require significant changes to systems and controls. Also consider tax implications

Consider pros and cons of early adoption: Is a transition exemption under IFRS 1 transition preferable to the transition in the standard? Do you have enough time to implement early adoption?

IFRS 10- consolidated financial statements – effective 2013

Scope: All parent entities with limited exceptions

Previous IFRS: Consolidation based on control. Special guidance for special purpose entities (SPEs) in SIC 12

New IFRS 10: Principles of consolidating entities that are controlled remains. The definition of “control” has changed. Same guidance for OPCOs and SPEs.



IFRS 10- consolidated financial statements – effective 2013

How will I be impacted?

- Need to reconsider all existing relationships
- Standard affirms that an entity can control an OPCO even holding less than 50% of the voting rights
- Perhaps greatest impact will be on complex structures
- Securitization structures may not require consolidation but are likely still borrowings

IFRS 10- consolidated financial statements – effective 2013

Transition:

- Annual and interim periods beginning on or after January 1, 2013
- Retrospective application, with some modifications
- Early adoption permitted but only with IFRS 11 and IFRS 12

IFRS 11 – joint arrangements – effective 2013

Scope: All entities that are a party to a joint arrangement

Joint arrangement– contractual arrangement where joint control exists:

- Decisions about relevant activities require unanimous consent
- Venturers collectively control the arrangement
- Consistent with control under IFRS 10

IFRS 11 – joint arrangements – effective 2013

Previous IFRS: Classification based primarily on form and structure

Joint operations	<ul style="list-style-type: none">• Operations jointly controlled but each venturer uses its own assets and incurs its own liabilities• No separate entity or financial structure• Recognize own assets, liabilities, expenses and share of income
Joint assets	<ul style="list-style-type: none">• Assets jointly owned, shared output and expenses• No separate entity or financial structure• Recognize share of joint assets, liabilities, revenues and expenses
Jointly controlled entities	<ul style="list-style-type: none">• Interests in a separate entity which controls the asset, incurs the liabilities and expense and earns income• Proportionate consolidation or equity method accounting

IFRS 11 – joint arrangements – effective 2013

New IFRS 11: Classification depends on substantive rights and obligations of the parties to the arrangement

Joint operations	<ul style="list-style-type: none">• Operators have rights to the assets and obligations for liabilities• Can be structured through a separate vehicle but not necessary• Recognize share of assets, liabilities, revenues and expenses
Joint ventures	<ul style="list-style-type: none">• Venturers have rights to net assets of the arrangement• Must be structured through a separate vehicle• Equity method accounting for interests in net assets

IFRS 11 – joint arrangements – effective 2013

How will I be impacted?

Reassess all existing arrangements

IFRS 11 includes some guidance for distinguishing between joint operations and joint ventures but considerable judgement is necessary

We expect classification to become a significant issue in practice

IFRS 11 – joint Arrangements– effective 2013

Transition:

Periods beginning on or after January 1, 2013

Retrospective application, with some modifications

Early adoption permitted but only with IFRS 10 and IFRS 12

IFRS 12- disclosures of interests in other entities – effective 2013

Scope: Applies to interests in subsidiaries, joint arrangements, associates, and unconsolidated structured entities

- Structured entities – entities designed so that voting or similar rights are not the dominant factor in deciding who controls the entity

New IFRS 12:

Disclosures from IAS 27, IAS 28, and IAS 31 brought into IFRS 12

IFRS 12- disclosures of interests in other entities – effective 2013

How will I be impacted?

More detail required for subsidiaries, joint arrangements and associates

Disclosures about unconsolidated structured entities related to nature of interest and risks

Transition:

Annual periods beginning on or after January 1, 2013. Early adoption permitted, with or without IFRS 10 and IFRS 11

IAS 12 – deferred taxes for investment properties – effective 2012

Issue: How to calculate deferred taxes for investment properties carried at fair value

Previous IFRS: Calculate based on expected manner of recovery – sale, use or both

New IAS 12 amendment: Calculate based on presumption the asset will be recovered through sale. Presumption is rebutted if the assets are depreciable and the business model is to consume the economic benefits over time

IAS 12 - deferred taxes for investment properties – effective 2012

Will I be impacted?

Only if you have investment property carried at fair value and only for jurisdictions where capital gains are not taxed, or are taxed at a different rate from business income (as in Canada).

Transition:

Annual periods beginning on or after January 1, 2012. Early adoption permissible. Full retrospective application.

Canadian tax update – proposed foreign affiliate amendments

Income inclusion related to certain upstream loans

Implications for deferred taxes under IAS 12:

- Companies need to assess implications of changes in rules on ability to assert indefinite reversal with respect to outside basis differences
- Potential tax expense at time of substantive enactment

Foreign currency translation implications

IAS 1 - presentation of other comprehensive income – effective July 2012

New amendments to IAS 1:

Requirement to separate items of OCI by whether they are recycled or not recycled.

Will I be impacted?

Expect changes to be minimal.

Transition:

Annual periods beginning on or after July 1, 2012. Early adoption permitted. Full retrospective application .

IAS 1 - presentation of other comprehensive income – effective July 2012

Examples of OCI items recycled to P&L

- Gain and losses on cash flow hedges (recycled to match hedged item)
- Foreign currency translation differences (recycled on disposal of subsidiary)
- Fair value gains/losses on AFS financial assets under IAS 39 (recycled upon disposal)

Examples of OCI items not recycled to P&L

- Revaluation gains on PP&E
- Fair value gains/losses on equity instruments under IFRS 9
- Actuarial gains and losses for defined benefit plans

IAS 1 - presentation of other comprehensive income – effective July 2012

Impact for US GAAP filers

FASB adopted the same presentation requirements into US GAAP. Most significant impact is the removal of the option to allow OCI to be presented in the statement of changes in equity

Effective date

The US GAAP standard is effective for annual and interim periods beginning on or after **December 15, 2011** - slightly earlier than the IFRS presentation becomes mandatory

IAS 19- amendments to defined benefit plans and termination benefits – effective 2013

Scope of amendment:

Eliminates options for recognizing actuarial gains and losses for defined benefit plans

Streamlines presentation of changes in assets and liabilities and enhances disclosures

Clarifies when termination benefits may be recognized

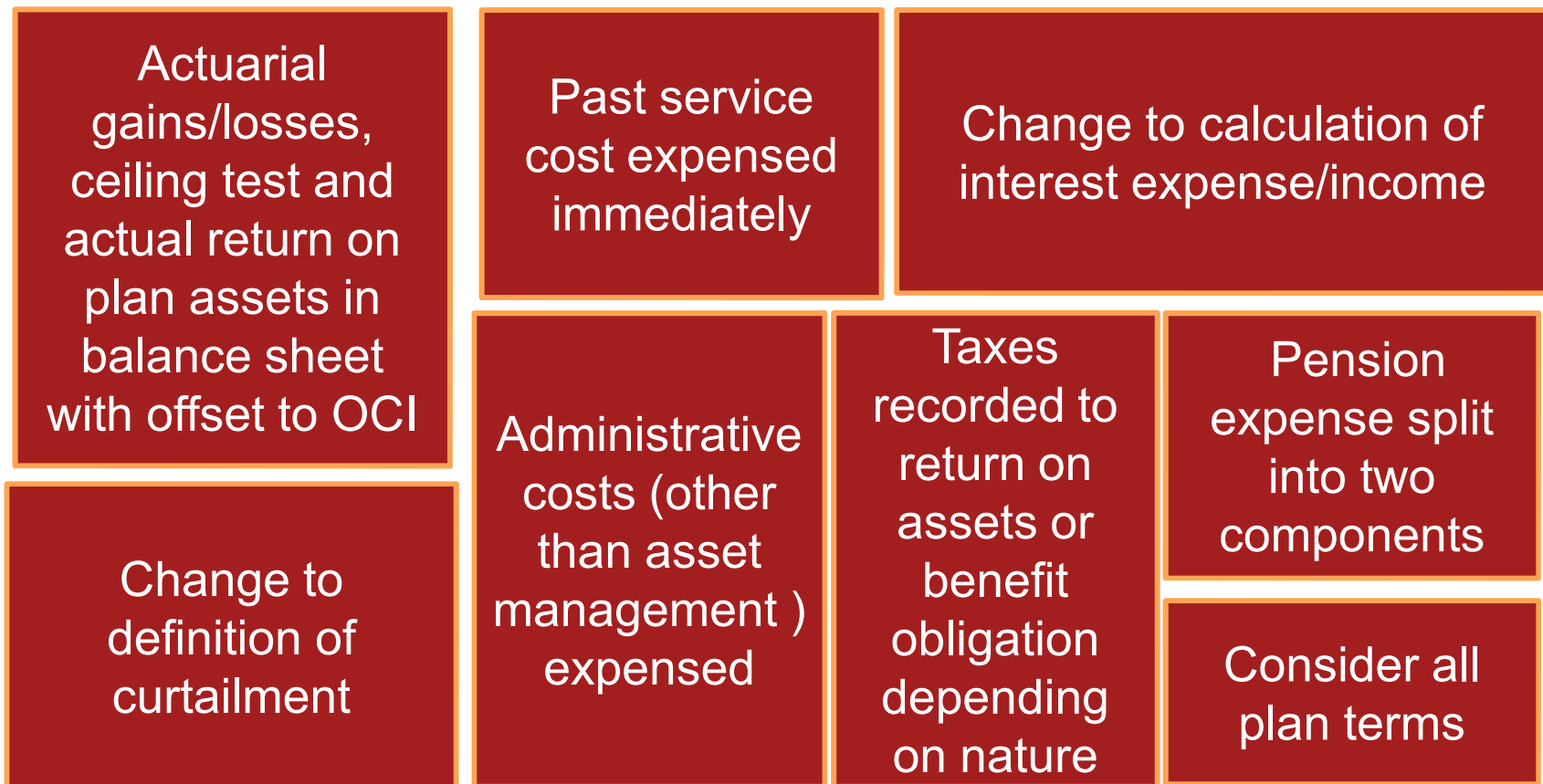
IAS 19- amendments to defined benefit plans and termination benefits – effective 2013

Previous IFRS:

- Actuarial gains/losses on DB plans are recognized in P&L using corridor (or another faster) method, or in OCI when they occur
- Flexibility in presenting components of employee benefit costs in income statement
- Past service costs recognized on straight line basis over vesting period
- Curtailment occurs on significant reduction in employees or future benefits
- Termination benefits recognized when demonstrably committed

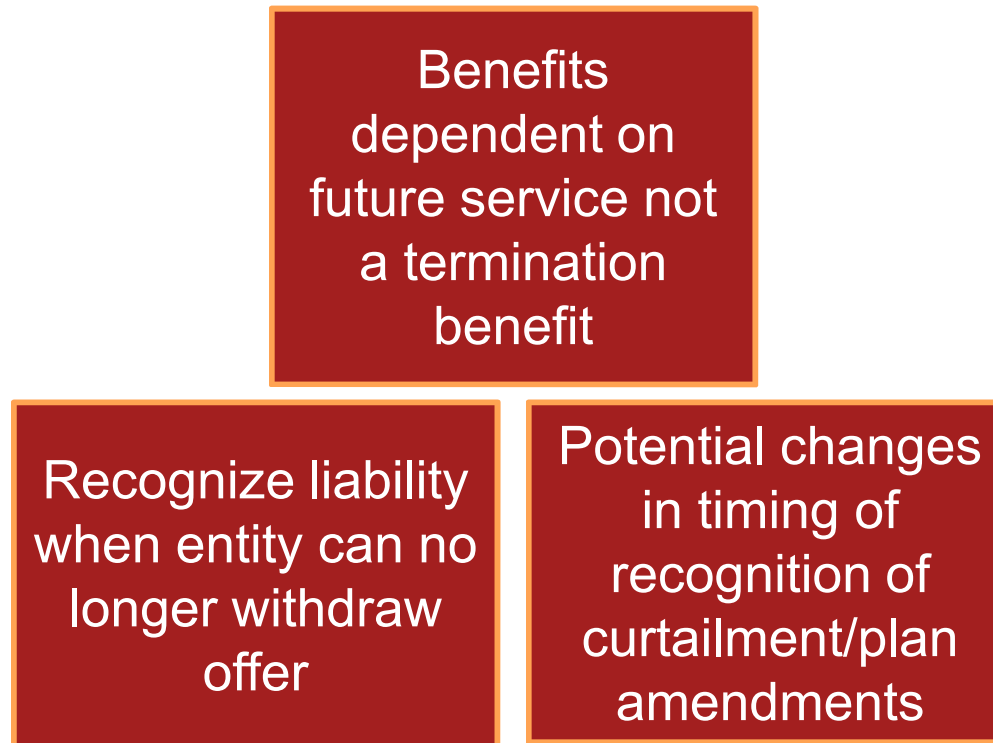
IAS 19- amendments to defined benefit plans and termination benefits – effective 2013

IAS 19 amendments relating to post-employment DB plans



IAS 19- amendments to defined benefit plans and termination benefits – effective 2013

IAS 19 amendments relating to termination benefits



IAS 19- amendments to defined benefit plans and termination benefits – effective 2013

Will I be impacted?

All defined benefit plans will be impacted. Could have significant impact on performance indicators:

- OCI more volatile and net income potentially less volatile
- Benefits expense will increase for many entities due to manner of net interest calculation

Termination benefits may be reclassified or recognized later.

Transition: Annual periods beginning on or after **January 1, 2013**. Retrospective application except for assets where carrying value includes employee benefit costs. Early adoption permitted.

IFRIC 20 – stripping costs

No previous IFRS guidance on accounting for “stripping costs”:

- Waste removal costs incurred in surface mining activity during production phase of mine

Requires capitalization of stripping costs:

- As inventory in accordance with IAS 2, or
- As non-current tangible/intangible asset if meet certain criteria

Effective January 1, 2013, with early adoption permitted.

Significant judgement will still be needed to determine how to apply accounting policy for stripping costs

IFRS 13- fair value measurements – effective 2013

Scope: All fair value measurements and related disclosures except:

- Share-based payments (IFRS 2)
- Net realizable value (IAS 2)
- Leases (IAS 17)
- Value-in-use (IAS 36)

Disclosure requirements do not apply to :

- Employee benefit plan assets (IAS 19), or
- Asset impairments based on fair value less cost to sell (IAS 36)

IFRS 13- fair value measurements – effective 2013

Previous IFRS:

- Fair value measurement guidance provided in each relevant standard
- Standards such as IAS 39 contain more guidance and disclosures than other standards that also require fair value measurements, such as IAS 36 on impairments
- Some inconsistencies between standards

IFRS 13- fair value measurements – effective 2013

New IFRS 13:

Supersedes all other fair value guidance in IFRS

Single source for guidance on measuring/ disclosing fair values

Clarifies definition of fair value:

- The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date
- Commonly referred to as an “exit price”

IFRS 13- fair value measurements – effective 2013

New IFRS 13:

Determination of fair value is based on:

- The particular asset or liability being measured
- The highest and best use of non-financial assets
- Orderly market transactions
- Appropriate valuation techniques that maximize the use of observable inputs

IFRS 13- fair value measurements – effective 2013

New IFRS 13:

Mandates disclosures over all recurring and non-recurring fair value measurements after initial recognition (unless exempted) using the 3 level “fair value hierarchy”, including:

- Level within hierarchy
- Description of valuation techniques and inputs used for levels 2 and 3
- Significantly more detail on level 3 measurements including sensitivities on a qualitative basis

IFRS 13- fair value measurements – effective 2013

How will I be impacted?

Reconsider existing measurements. We expect changes will mainly affect:

- Measurement of derivative liabilities
- Use of bid and ask prices
- Application of highest and best use principle in certain situations

Expanded disclosures expected for many entities.

IFRS 13- fair value measurements – effective 2013

Transition:

- IFRS 13 is effective for annual periods beginning on or after **January 1, 2013**, and is applied **prospectively**
- Early adoption permitted

Fair value measurement

Day one gains and losses

- Under IFRS day one gains and losses can only be recognized to the extent that the fair value is based on observable pricing – this is different from U.S. GAAP which requires that day one gains and losses be recognized when present in a fair value measurement

Fair value of investments in investment company entities

- U.S. GAAP provides a practical expedient for the measurement of fair value of certain investments that report a net asset value (NAV), to allow use of NAV as fair value.
- The IASB decided not to issue similar guidance because:
 - IFRS does not contain accounting requirements specific to investment companies
 - NAV is not defined in IFRS

Effective date

- US GAAP fair value measurement guidance is effective for annual and interim periods beginning on or after **December 15, 2011** - a year earlier than the IFRS guidance become mandatory

IFRS 13 and pension plans

In July 2011, AcSB approved amendments to CICA 4600, Pension Plans (Part IV), including:

- Requiring use of fair value measurement guidance in either IAS 39 (until withdrawn) or IFRS 13 for investment assets/ liabilities
- Disclosure of which standard (IAS 39 or IFRS 13) it has applied
- Deletion of definition of fair value in CICA 4600

AcSB expects to issue amendments in November 2011.

IFRS 7 - transfers of financial assets – effective July 2011

Previous IFRS: Requires disclosure of transfers only when transfer fails de-recognition

New IFRS 7 amendment: Enhances disclosures and transparency for transfers that:

- Do not result in de-recognition; **or**
- Result in de-recognition, but there is “*continuing involvement*”

IFRS 7 - transfers of financial assets – effective July 2011

Will I be impacted?

If you sell, factor, securitize, lend or otherwise transfer financial assets to other parties, you will have to consider if additional disclosures are required.

Transition:

Annual periods beginning on or after July 1, 2011. Disclosures not required for periods prior to initial adoption.

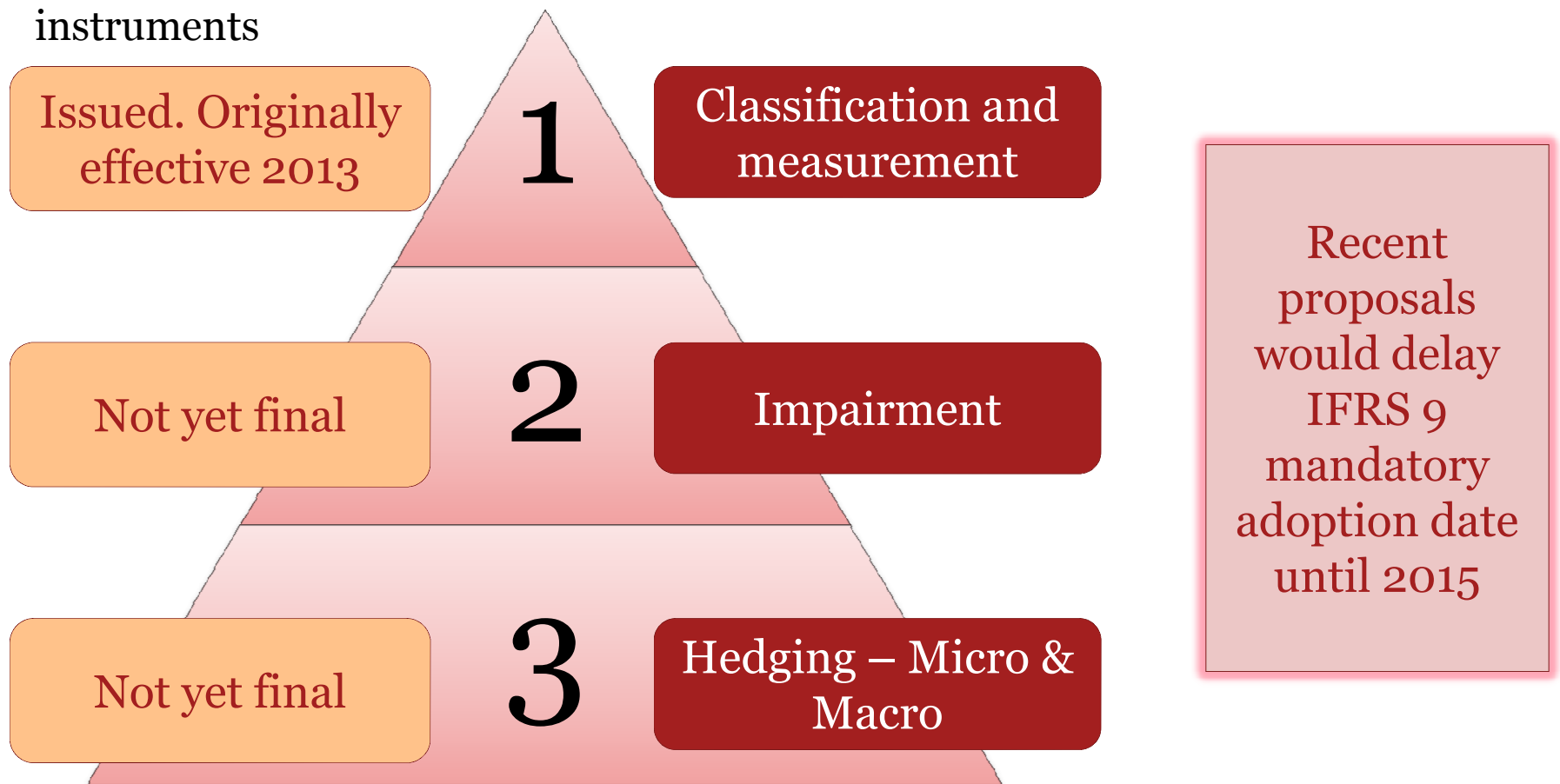
OUTSTANDING PROJECTS

IFRS and other Canadian GAAP developments

Outstanding Projects	Expected Timing
Financial instruments:	
Classification and measurement	Issued
Impairment of financial assets	Re-exposure or Review draft 2012
Hedging	H1, 2012
Offsetting of financial assets and liabilities	Q4 2011
Revenue Recognition	Re-expose Q4 2011. Final 2012
Leases	Re-expose H1 2012. Final 2012
Insurance	Re-exposure or Review draft 2012
IFRIC:	
Annual improvements	Exposure draft out

IFRS 9 – financial instruments – effective 2015?

Purpose: To improve the usefulness for users of financial statements by simplifying the classification and measurement requirements for financial instruments



IFRS 9 – financial instruments – effective 2015?

Impairment:

- IASB considering a 3-bucket approach based on different phases of credit risk deterioration to capture identified losses and expected losses over lifetime of the financial assets
- Re-exposure or Review draft expected 2012

IFRS 9 – financial instruments – effective 2015?

Hedging exposure draft :

- Proposes **relaxed** requirements to match risk management practices, allowing for **more** hedges to qualify for hedge accounting
- Early adoption may therefore be desirable
- If early adopt hedging, may need to early adopt all already published elements of IFRS 9 (e.g. classification and measurement)
- Final standard - first half of 2012?

IFRS 9 – financial instruments – effective 2015?

Macro hedging:

- Fair value hedge accounting for a portfolio of interest rate risk (including open portfolios with prepayable items)
- Not included in the current hedging exposure draft
- A separate exposure draft expected in Q4 2011 or early 2012

IFRS 9 – financial instruments – effective 2015?

Offsetting:

- IASB expects to retain existing IAS 32 model
- May issue implementation guidance to clarify application

Revenue recognition project – an update

Purpose: To provide one model for revenue recognition for all transactions



- Over 950 comment letters received on Revenue ED
- Re-deliberations almost complete. Revised draft will be re-exposed to ensure a transparent process
- IASB confirmed no industry specific guidance
- Expect effective date of final standard to be 2015 or later

Leases project – an update

Purpose: Single approach to lease accounting that would recognize all assets and liabilities arising under lease contracts on the balance sheet



- Over 750 comment letters received on Leases ED
- Revised draft will be re-exposed because of significant changes to proposed accounting – such as lessor accounting and accounting for contingent rentals
- Expect effective date of final standard to be 2015 or later

Insurance project – an update

Purpose: Develop principles-based guidance to account for all types of insurance contracts and eliminate the variety of practices currently allowed under IFRS 4



- Deliberations are on-going
- Many key decisions affirmed. Significant areas still outstanding include disclosures, presentation in OCI, short duration contracts and transition
- Re-exposure expected at the beginning of next year
- Expect effective date of final standard to be 2015 or later

Annual improvements exposure draft

This years proposed annual improvements cover the following topics:

- ★ Circumstances when IFRS 1 can be used more than once
- ★ Clarification of IFRS 1 borrowing costs exemption
- ★ Clarification of requirements for comparative information
- ★ Updates for consistency with the revised *Conceptual Framework*
- ★ Classification of servicing equipment as PPE or inventory
- ★ Clarification of segment information for interim reporting
- ★ Income tax consequences of distributions to holders of an equity instrument, and of transaction costs of an equity transaction are in scope of IAS 12

All proposed changes would be effective for periods beginning on or after
January 1, 2013

Annual improvements project - 2012

Exposure draft (November 2011) expected to include:

- Vesting and non-vesting conditions (IFRS 2)
- Reconciliation of segment assets (IFRS 8)
- Classification of interest paid that is capitalized (IAS 7)
- Deferred tax assets for unrealized losses on AFS debt securities
- Meaning of key management personnel (IAS 24)
- Harmonizing disclosures for value in use and fair value less costs to sell

Whither the IASB?

What's next?

The IASB has requested input into their agenda for the next three years. Certain items are sure things. Possible other projects, amongst others, include:

Liabilities (IAS 37) and discount rates	Common control transactions	Income taxes	Rate-regulated activities	Extractive activities
Earnings per share	Foreign currency translation	?	Financial statement presentation	Post-employment benefits
Intangible assets	Interim reports	Share-based payments	Presentation and disclosure	Equity instruments

Have a view? Comments are requested by November 30, 2011.

What's next?

The over-riding goal – global GAAP domination!

US, Japan, India and China major holdouts though some have adopted convergence strategies

Focus of IASB activities over the past few years – convergence projects with FASB designed to minimize differences with US GAAP

Not only in response to financial crisis but a carrot to induce US cross-over

Convergence with US – harder than it looks

Area	Success?
Fair value measurement	Final standards released and mostly converged
Consolidation	True convergence abandoned. Closer together but still differences
Revenue recognition	Delayed but converged standard expected
Leases	Delayed but converged standard expected
Insurance	Delayed by lack of agreement on key issues
Financial instruments <ul style="list-style-type: none">• Classification and measurement• Hedging• Impairment• Offsetting	<ul style="list-style-type: none">• Classification and measurement – closer but differences exist• Hedging – extent of convergence unclear• Impairment – delayed by lack of agreement. Still working for a converged solution• Offsetting – the boards have agreed to disagree

Will the US adopt IFRS?

The SEC has suggested it will make a decision on if, when and possibly how to adopt IFRS by the end of 2011. Some approaches are:

“Big Bang” adoption – Model adopted by Canada. All US registrants must adopt IFRS on a specified date. Variant includes voluntary adoption of full IFRS by US domestic issuers.

Convergence – Slowly aligning all aspects of US GAAP to IFRS, but without a clear adoption date of IFRS. Issue: Can convergence be achieved given the delays and differences experienced?

“Condorsement” – Adopting IFRS into US GAAP on an individual standard basis, by “endorsing” static IFRS, and influencing new IFRS standards as they are developed prior to future adoption. **The hot favourite!**

IASB attitudes to US deliberations

No official position yet as US still deliberating but recognition that US is in a special position

Further convergence projects with US unlikely absent positive move from the US on using IFRS

Threat also of downgrading US representation and influence on IASB

But...US a major source of funding

SEC Developments

SEC eliminates Form F-9

Form F-9:

- Used for investment grade securities - did not require reconciliation to US GAAP

Impact:

- Use Form F-10 to register (if eligible) or F-3 or S-3 forms, which require SEC specific disclosures
- May require filing of annual report on 20-F, requiring SEC specific disclosure, rather than 40-F which could incorporate Canadian annual filings
- Amendments effective December 31, 2012

Centre for audit quality (“CAQ”) SEC Regulations Committee – discussions

Loss contingencies

Is your disclosure adequate?

- Compliance with ASC 450, *Contingencies*, SAB Topic 5-Y, *Accounting and Disclosures Related to Loss Contingencies* and Reg. S-K 103, *Legal Proceedings*
- Is language consistent with ASC 450 and clear?
- Is there support for the assertion that the amount is not estimable?

CAQ SEC Regulations Committee – discussions

Non-GAAP financial measures

Full non-GAAP income statement not permitted

Equal prominence measured based on order of presentation and degree of emphasis

All adjustments should be clearly described and measure should be appropriately labelled

CAQ SEC Regulations Committee – discussions

US GAAP competency of foreign companies

Foreign companies using US GAAP may receive questions on compliance with ICFR including competence of financial reporting staff

Conflict minerals – SEC proposes new disclosures

All companies required to assess whether “conflict minerals” are necessary to the function or production of a product they manufacture. Generally, conflict minerals include tantalum, tin, gold, or tungsten.

If use minerals from a DRC country, or cannot determine origin must file an audited Conflict Minerals Report as part of the annual report

Not yet finalized – SEC is still seeking input. Could be effective for 2012

Interims in a prospectus in the first year of IFRS

SEC expects IFRS interim reports in registration statements to:

- Include IFRS 1 reconciliations for the date of transition, comparative year and comparative interim period
- Disclose IFRS 1 exemptions taken
- Disclose significant IFRS accounting policies adopted
- Include significant footnote disclosures for the interim period

Canadian requirements for Q3 don't mandate all of this information. If you are contemplating a US registration statement, including additional disclosures in Q3 financial statements may make it easier to meet SEC obligations. Pre-clearance with SEC Staff is strongly encouraged

Conclusion and key takeaways...

The leap to IFRS is well underway...

...But be prepared for more accounting changes ahead

Early evaluation of new standards prevents surprises

SEC decision on adoption is critical to the future of IFRS

Thank you

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