

FEI Breakfast Seminar Series  
March 2009

# IFRS:

Opportunities for driving value  
in your conversion



# Agenda

- Where is IFRS Today and Where Are You in the Process?
- IFRS Timelines Are Shorter Than You Think.
- What Does Value Mean?
- Not All IFRS Conversions are Created Equal.
- Opportunities for Driving Value in Your IFRS Conversion.

# Where is IFRS Today and Where Are You In the Process?

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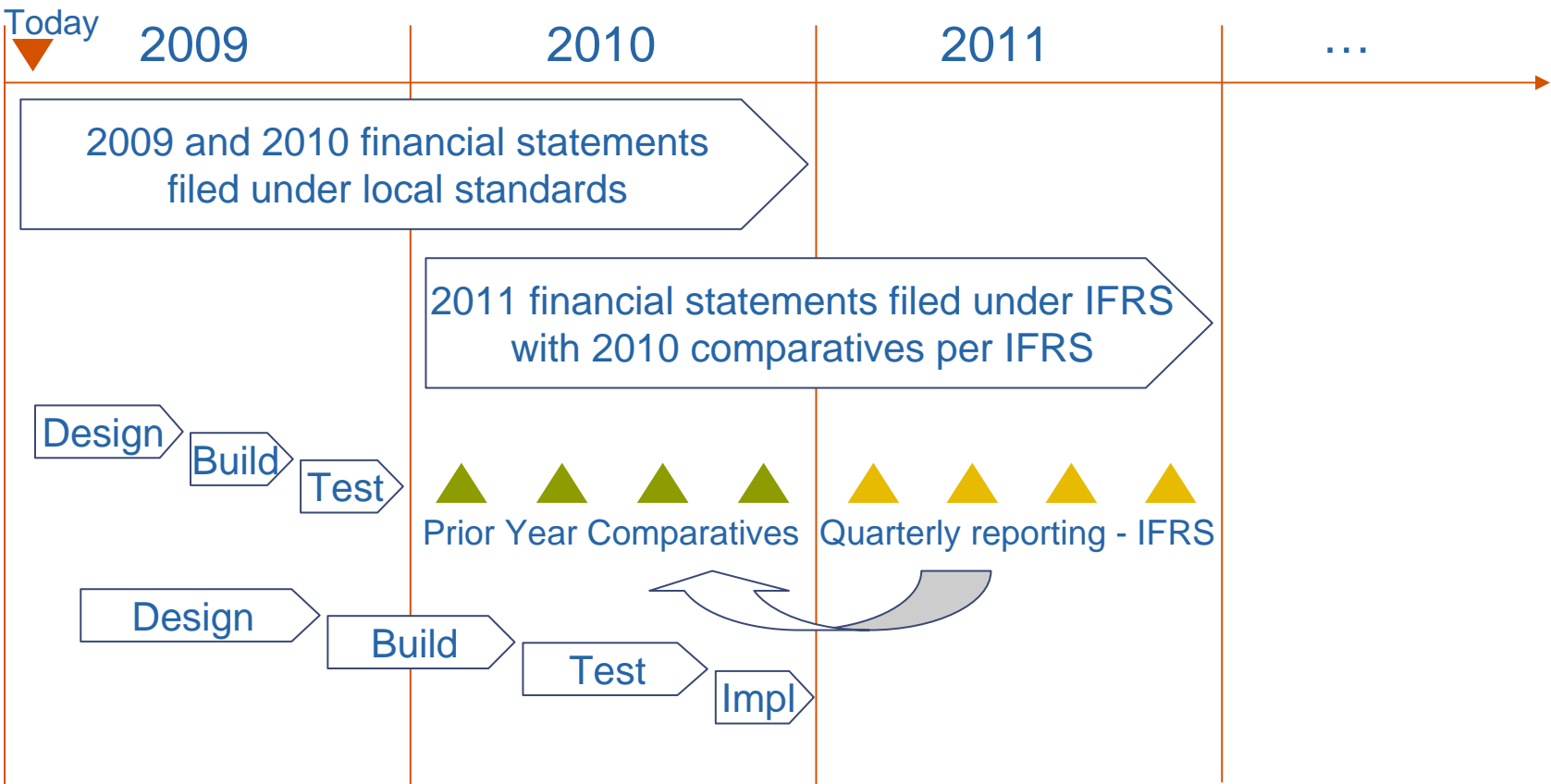
- IFRS is here to stay in Canada.
- US conversion timeline proposed to be determined in 2011 for mandatory adoption in 2014.
- The Standards are evolving.
- Many Canadian companies have completed a diagnostic assessment, some have not, and some are deep in their conversion journey.

# IFRS Timelines are Shorter Than You Think

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IFRS will become mandatory in Canada with the first financial statements published in Q1-2011.

## Canadian Accounting Standards Board Timeline



# What Does Value Mean?

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Opportunities to drive value will differ in each organization.

Fundamentals to consider:

- Proper planning to ensure “tactical” or “strategic” approach is employed – do not be reactive.
- Cost savings is on everyone’s agenda – early, proper planning and involving the right people can allow this to be achieved.
- Look for opportunities to make improvements to controls, processes and the business at the same time as your conversion.
- Investments today drive value and save costs in the long run.
- As time compresses, opportunity to drive value is effected. The balance between time, cost and quality must be understood.

# Not All IFRS Conversions Are Created Equal

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### **A good conversion program is tactical:**

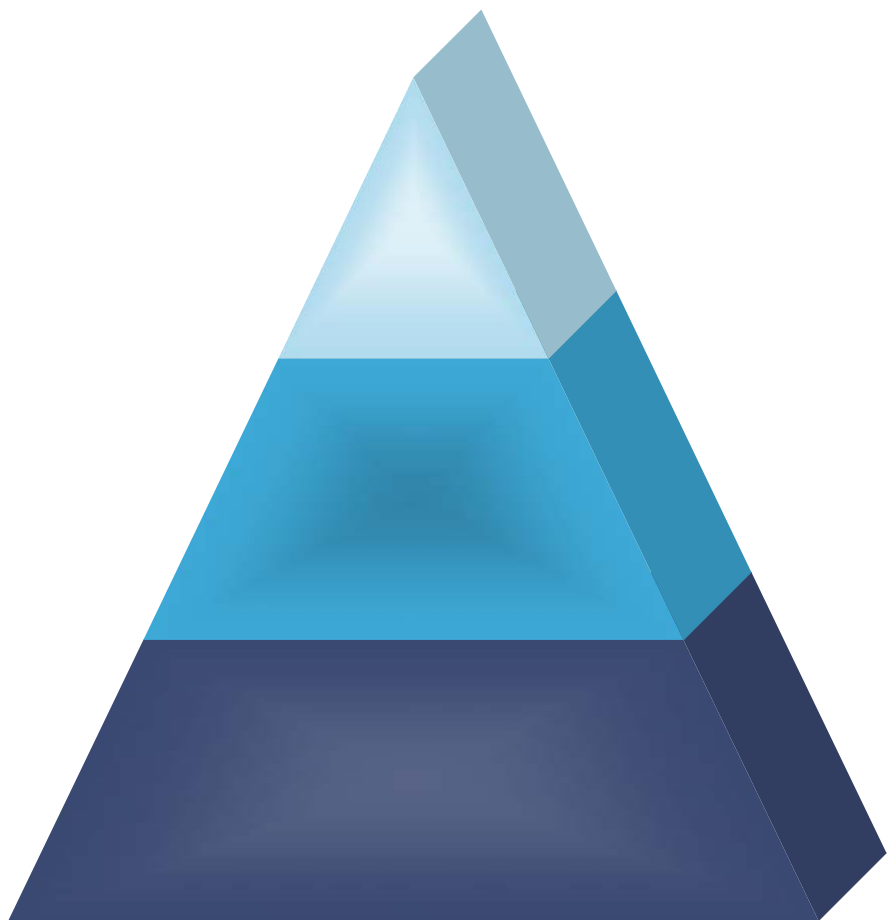
1. Identifies the full scope and depth of IFRS changes throughout the organization.
2. Provides a plan and a structural framework for truly embedding IFRS within the organization.
3. Integrates the necessary people, processes, systems, data, and controls changes with adequate considerations for quality.
4. Establishes a strategy for communicating IFRS impacts to key stakeholders, both internal and external.
5. Addresses the education and training needs throughout the organization.

### **A truly strategic conversion program:**

- Achieves all of the above ...
  - **And** provides strategic value to your business.

# Opportunities for Driving Value in Your IFRS Conversion

## Not All IFRS Conversions Are Created Equal



### Strategic

- Embeds IFRS end-to-end.
- Looks at the effort as an opportunity to embed other changes in your business, processes, etc.

### Tactical

- A robust implementation plan which embeds IFRS end-to-end throughout the organization.
- Limits its scope to IFRS.

### Reactive

- Doesn't embed IFRS end-to-end.
- Focuses on reconciling results with IFRS at the back end.
- Likely results in future fixes post implementation – highly costly.
- Increases risk of error.

## Cost Efficiencies



### **Bring value to the organization**

- Identify and implement opportunities to streamline processes in conjunction with IFRS conversion and embedding it into the culture, daily operating behaviors.

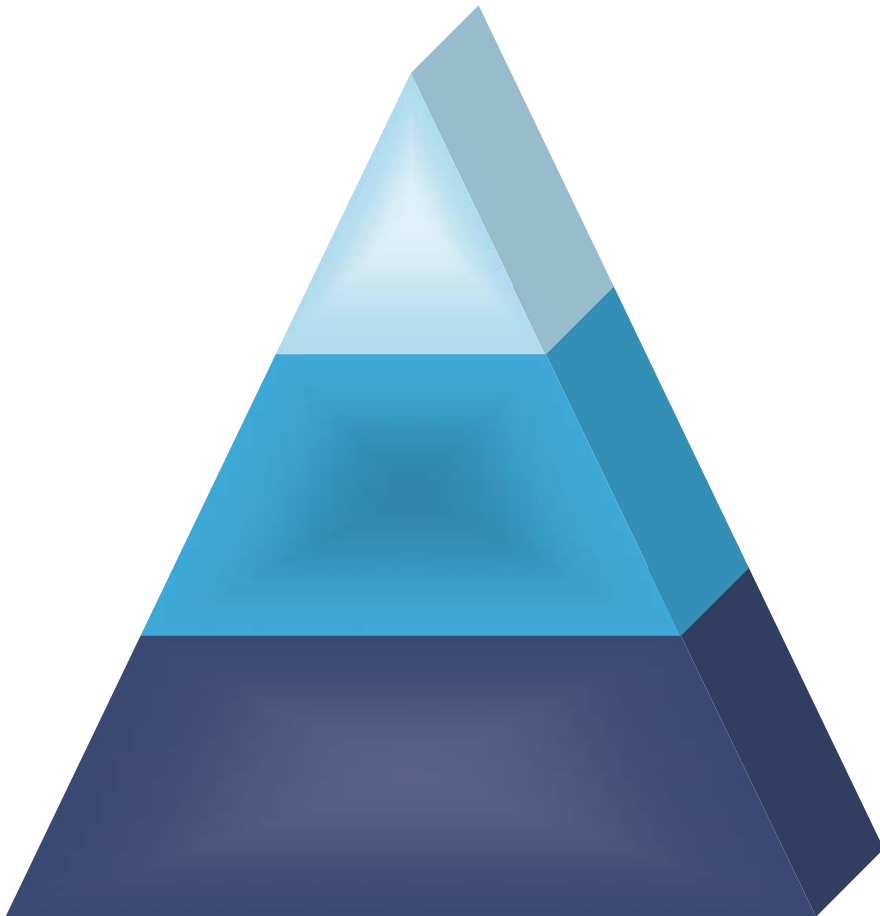
### **Minimize costs through various synergies**

- Identify and realize synergies with other projects across your organization.

### **Do the bare minimum to comply**

- Complete IFRS project as inexpensively as possible, could result in higher costs in late stages.

## Data, Systems, Process



### **Performance improvement**

- Use IFRS as opportunity to clean and improve data quality, systems and processes across the organization.

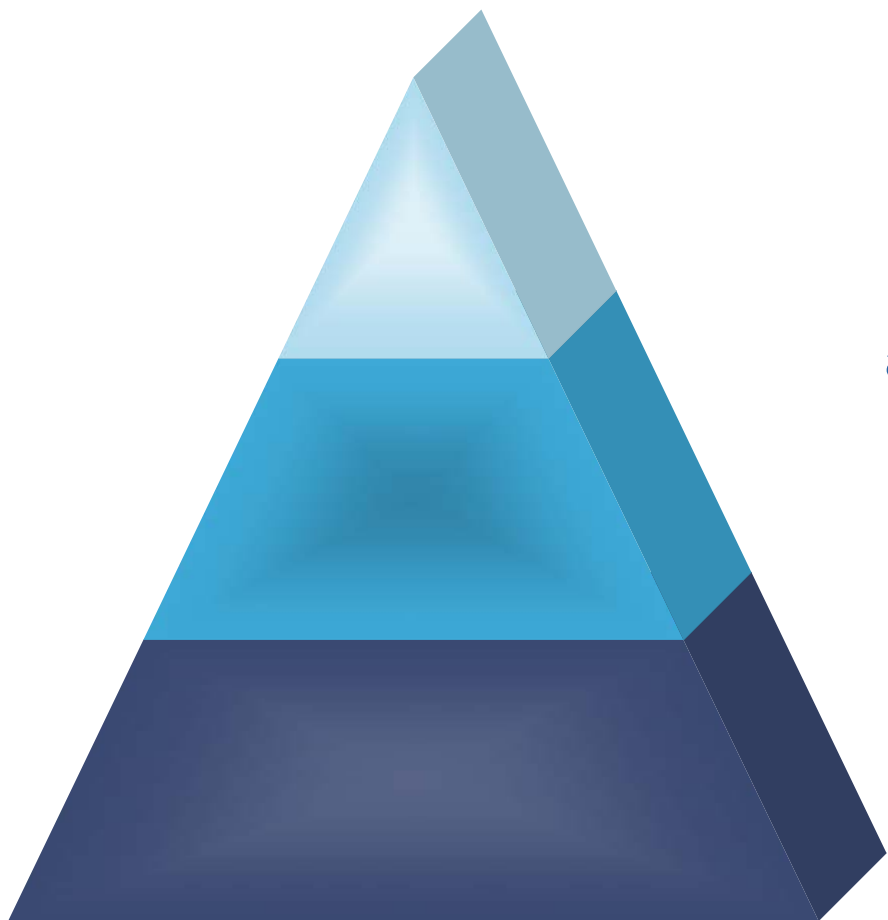
### **Engage IT and control teams**

- Utilize automated tools, systems and process for data gathering to support new IFRS data requirements.

### **Data gathering manually**

- Develop manual workarounds to access information required for IFRS reporting.

## Statutory Reporting



### **Re-engineer reporting process**

- Understand the impact of the changes on the current close window.
- Opportunity to review current reporting process and to improve reporting efficiency.
- Increase ability to generate better disclosures.

### **Embedding/automating IFRS adjustments**

- Make system changes to generate figures for IFRS financial statements.
- Minimize errors from manual adjustments.
- Make changes to the chart of accounts.

### **Incorporating IFRS adjustments**

- Make manual adjustments to generate IFRS financial statements.
- Minimal changes to the statutory reporting process to generate IFRS statements.

# Management Reporting



## Restructure management reports

- Consider data model revision as a result of new data elements, enabling customer centricity, for example.

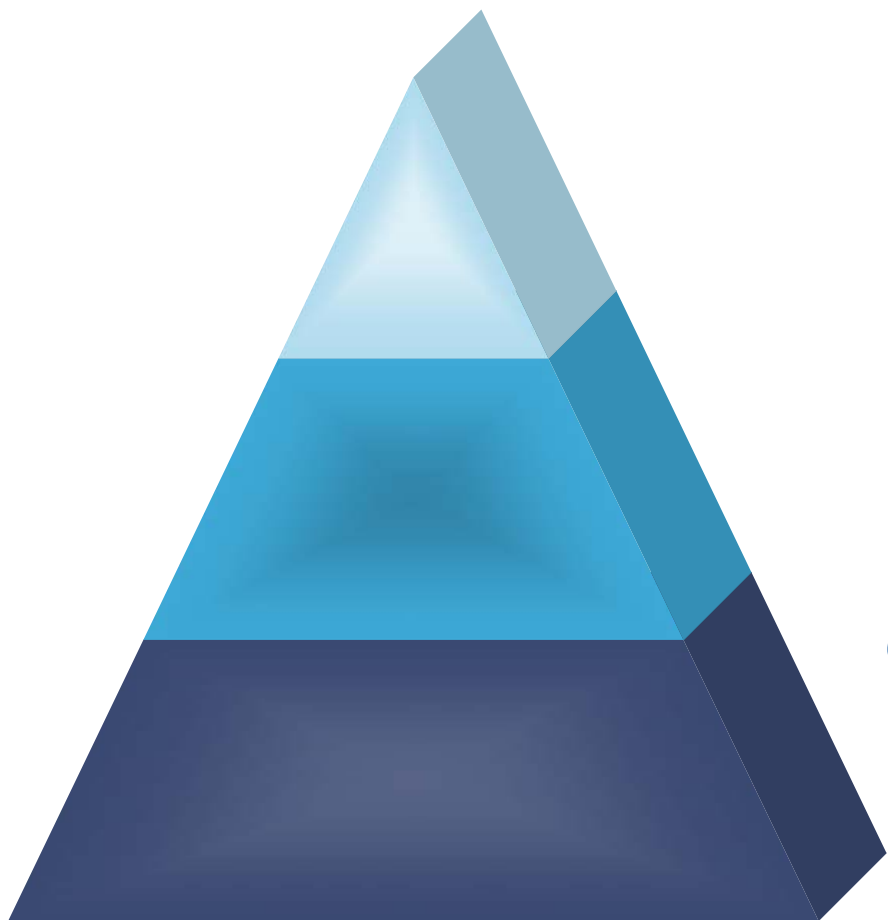
## Generate new reports

- Embed new IFRS reports into the system and monthly reporting process.
- Learn to make decisions using new reports.

## Understand the impact of IFRS

- Learn to make decisions based on new numbers within old reports.

# Investor Relations/Stakeholder Communications



## Educate stakeholders

- Engage analysts and investors for the impact of IFRS.
- Proactively demonstrate knowledge in IFRS – manage expectations.
- Engage regulators early as part of the conversion plan.

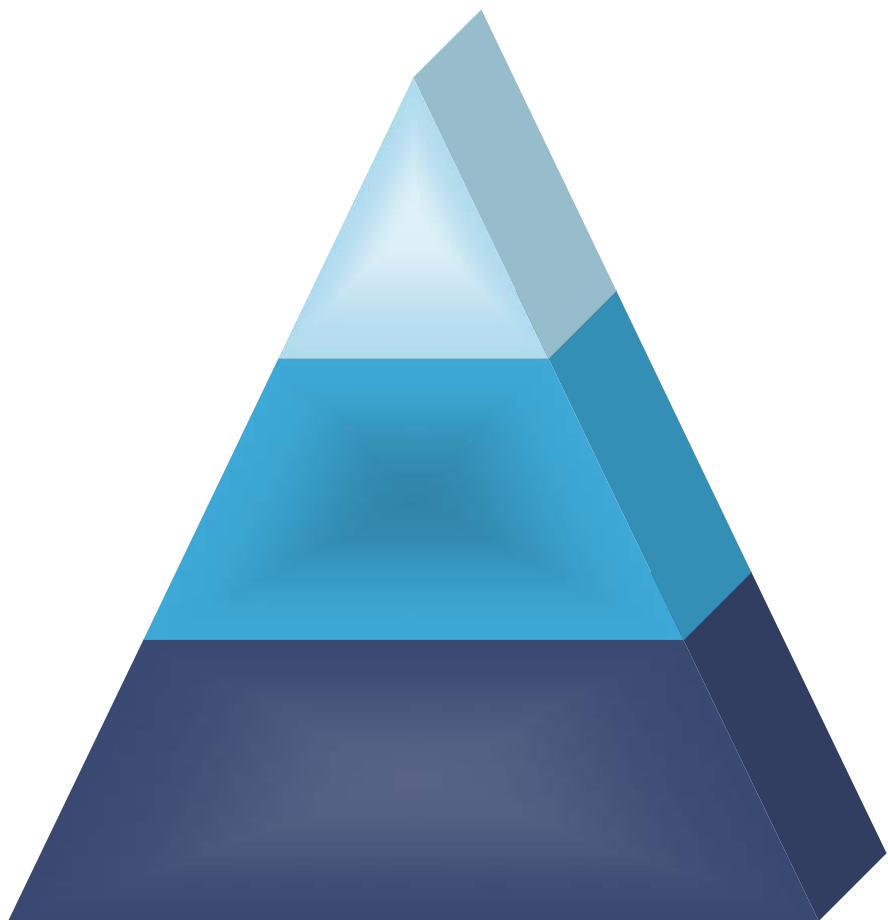
## Be a leader in your peer group

- Benchmark against competitors.
- Lead communication in the industry field.

## Communicate conversion plan

- Outline project plan to manage market expectations.

## Financing, Refinancing and M&A



### **Facilitate negotiations with lenders/targets**

- Educate lenders on IFRS impacts to your financial statements and provide transparency to accounting policy choices.
- Increase lender confidence in management's competency.
- Understand the impact of IFRS on acquisition targets to improve due diligence.

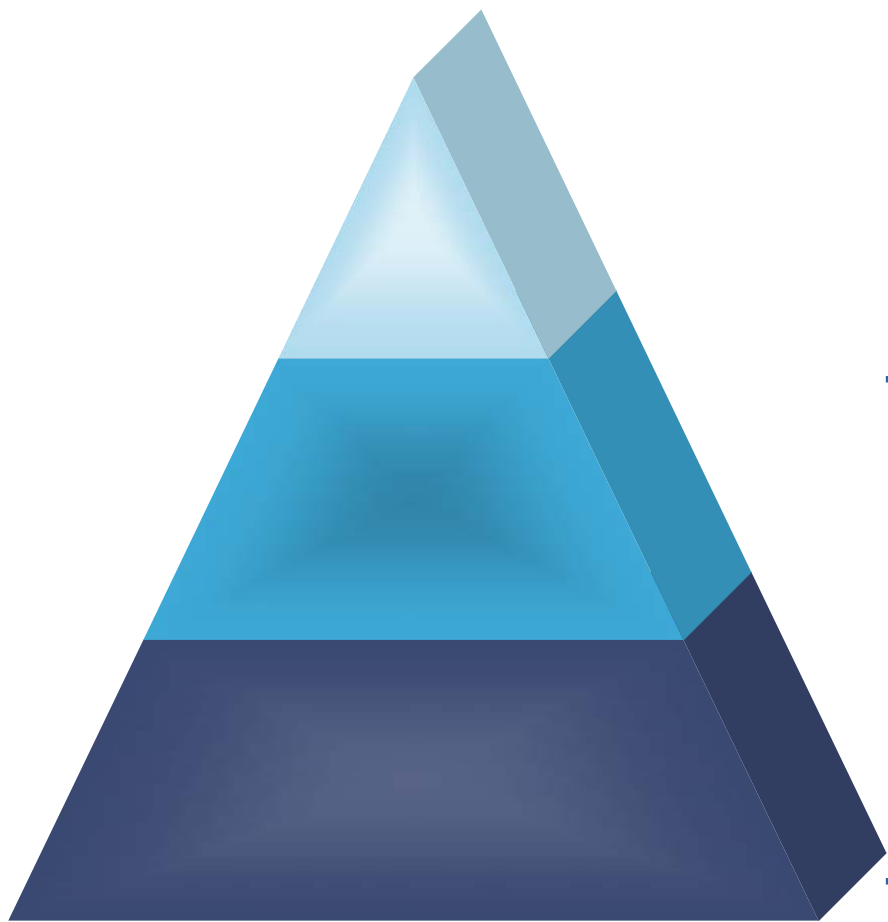
### **Set up discussions early**

- Proactive in communicating with lenders/targets about the impacts of IFRS.
- Engage in covenant negotiations early.
- Assess legal contract complications proactively.

### **Provide lenders/targets with IFRS statements when required**

- Risk of violating debt covenants.
- Record acquisition in accordance with IFRS.

## Training and Education



### **Become the leader**

- Maintain a reputation of providing excellent training for staff for recruiting and retention.
- Provide opportunities for leadership in external committees, institute training, etc.

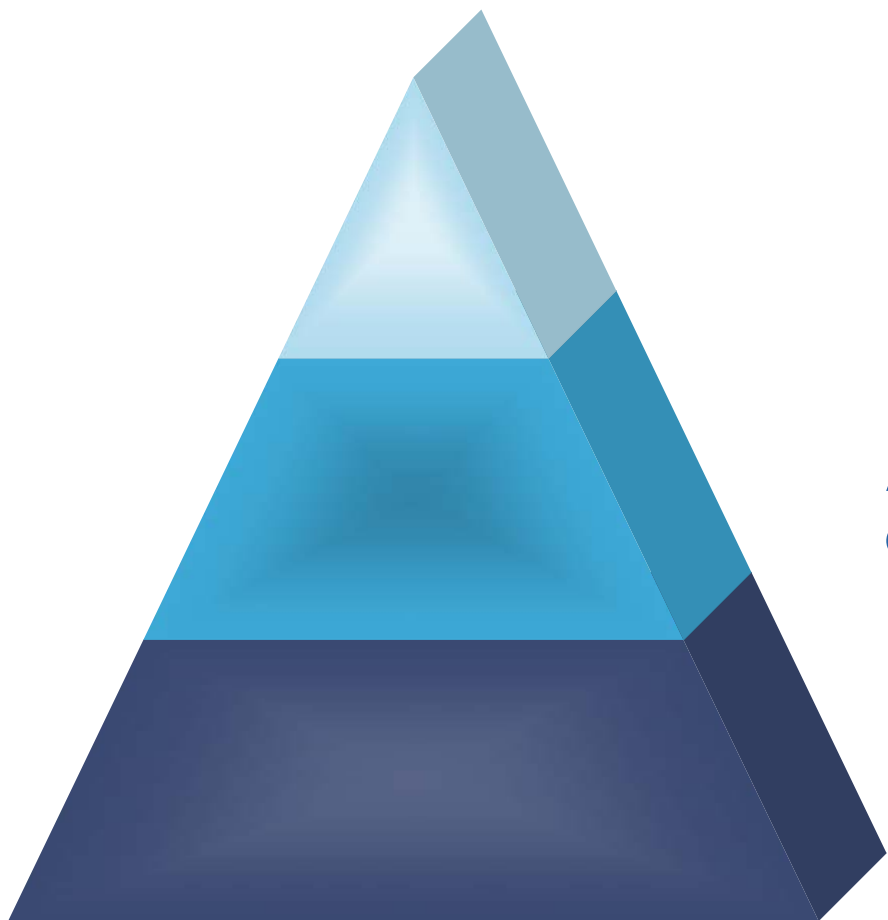
### **Train internal IFRS experts**

- Training finance staff to educate their business partners within the organization, such as, sales, marketing and operations so they can explain the reason for and the implications of the changes to the numbers.
- Ensure investor relations, HR and communications are part of your training process.

### **Train finance staff**

- Provide IFRS training for finance and accounting staff.

## Incentive Compensation



### **Rebuild incentive compensation**

- Develop new incentive compensation approach & contracts for key staff.

### **Educate HR on IFRS**

- Make changes to compensation targets, based on new IFRS financial results.

### **Allocate new targets, based on estimates of impact**

- Set up new process for calculating and tracking remuneration.
- Dual reporting is a risk.

# Key Messages

- IFRS is coming sooner than we think.
- Not all IFRS conversions are created equal.
- You have the opportunity to drive additional value from your IFRS conversion depending upon your approach and objectives.
- The balance between time, cost and quality must be understood.
- We can help.

# Thank you.