

## Accounting Standards Board Issues Long-Awaited IFRS Exposure Draft

### Board proposes to bring IFRS into the CICA Handbook

On April 7, 2008, the Accounting Standards Board (“the Board”) released for comment its long-awaited exposure draft proposing to incorporate International Financial Reporting Standards (IFRS) into the CICA Handbook. The Board previously decided that IFRS will be effective for interim and annual financial statements for fiscal years beginning on or after January 1, 2011 with earlier adoption permitted. This decision is not up for reconsideration.

The IFRS included in the exposure draft are those in effect at January 1, 2007. The Board expects to add these IFRS to the Handbook early in 2009 and to expose by then any changes that will be effective at January 1, 2009.

### IFRS mandatory for publicly accountable enterprises

The exposure draft proposes that IFRS be mandatory for publicly accountable enterprises (PAEs). It defines a PAE as any Canadian reporting entity other than:

- Private enterprises;
- Not-for-profit organizations; or
- Public sector entities to which the Public Sector Accounting Handbook applies.

An enterprise that is not a PAE can elect to adopt IFRS but is not required to do so.

### Private enterprises

A private enterprise is any enterprise that has not issued and is not in the process of issuing debt or equity instruments in a public market and does not hold assets in a fiduciary capacity for a broad group of outsiders. An entity holds assets in a fiduciary capacity if it stands ready to hold and manage financial resources entrusted to them by clients, customers or members not involved in the management of the enterprise.

Examples of such enterprises are:

- Banks
- Credit unions
- Insurance companies
- Securities brokers/dealers
- Mutual funds
- Investment banks

### Exception for pension plans

The Board is proposing that pension plans continue to prepare their financial statements in accordance with PENSION PLANS, Section 4100 rather than IAS 26, the applicable international standard. However, after the changeover to IFRS, pension plans should look to IFRS other than IAS 26 for guidance on aspects on financial reporting that Section 4100 doesn't address.

### Consequential change to Section 1506

The Board is also proposing to amend ACCOUNTING CHANGES, Section 1506 to make it clear that the requirement that an entity disclose information about new accounting standards applies only to individual standards, not to the wholesale replacement of Canadian GAAP with IFRS. Canadian securities administrators plan to issue guidance on the disclosures entities should be making to provide financial statement users with a general understanding of the future effects of adopting IFRS.

### Issue on which comments are being solicited

The exposure draft asks stakeholders to perform a fatal flaw review of the IFRS being exposed and to advise the Board of any that they would consider inappropriate for application in Canada. An Appendix to the ED outlines a suggested approach that stakeholders might use to perform the review. The exposure draft asks stakeholders to consider include whether:

- The Board has appropriately identified the entities for which IFRS should be mandatory;
- Application or interpretative guidance is necessary for specific international standards. Two possible areas identified by the Board are IFRS 4, Insurance Contracts (which allows an entity to temporarily continue following existing national standards) and IAS 12, Income Taxes (which refers to tax laws that are “substantively enacted” but does not provide guidance on the meaning of this term);
- Additional guidance with respect to certain standards is required in light of unique Canadian circumstances;
- Amendments to the IFRS transitional rules are needed;
- Allowing Canadian entities to adopt IFRS voluntarily raises issues; and
- Entities should not be required to disclose the impact of adopting IFRS in their financial statements.

### Deadline date for comments

The deadline date for comments is July 31, 2008.

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## For further information

To download the exposure draft visit: [www.cica.ca/IFRS](http://www.cica.ca/IFRS). For further information about IFRS in Canada, please visit our website at: [www.pwcifrs.ca](http://www.pwcifrs.ca) or speak to one of our IFRS professionals listed below:

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