



Accounting
Standards Board

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comptables

ACTIVITIES OF THE CANADIAN ACCOUNTING STANDARDS BOARD AND STAFF

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MESSAGE FROM THE CHAIR

AcSB Honoured by ASAF appointment



The Trustees of the IFRS Foundation recently announced the appointment of the Canadian Accounting Standards Board (AcSB) to the newly created Accounting Standards Advisory Forum (ASAF) of the International Accounting Standards Board

(IASB). This is a significant indication of the regard in which the AcSB is held on the international scene. The ASAF comprises just 12 of the world's pre-eminent standard-setting organizations, including the U.S. Financial Accounting Standards Board (FASB), the European Financial Reporting Advisory Group (EFRAG), and several other major national and regional organizations from all parts of the world.

The ASAF replaces the existing bilateral relationships between the IASB and some national and regional standards organizations. In addition to the partnership arrangement with the FASB to develop certain major standards jointly, the IASB has bilateral arrangements with EFRAG and the Japanese and Brazilian standard setters, amongst others. These various relationships were developed on an ad hoc basis. The IASB has recognized that this state of affairs could not continue. It is inefficient and not always effective, particularly as the number of International Financial Reporting Standards (IFRS) adopters continues to grow. It also appears to give privileged access to the IASB for some countries or regions.

The ASAF is designed to bring together senior standard setters to advise the IASB directly on significant financial reporting issues. Its membership is deliberately kept small to achieve efficiency, but is carefully allocated to each part of the world to achieve balance and reasonable representation. The new Forum is intended to help the IASB in achieving its objective of developing, in the public interest,



a single set of high-quality, globally accepted financial reporting standards based upon clearly articulated principles. It is also intended to promote and facilitate the adoption and consistent application of IFRSs around the globe.

Some commentators proposed that the ASAF membership should be restricted to those countries and regions that have already adopted IFRSs. The IFRS Foundation has chosen a more open policy. It recognizes that each jurisdiction has its own path to follow in adopting IFRSs. Further, those that have yet to reach that milestone can still contribute to improving the standards. However, all members will have to subscribe to a memorandum of understanding that, amongst other undertakings, requires them to support the IFRS Foundation in its mission.

According to the ASAF's terms of reference, the key considerations in the selection of its members are technical competence and resources that can be deployed to assist the IASB. In volunteering to serve, the AcSB offered to provide whatever it can in both respects. The inaugural members of the ASAF have been appointed for a two-year term. Membership is renewable but we anticipate that the IASB will want some rotation of members over time.

The AcSB's membership on the ASAF and its ongoing outreach to stakeholders will provide Canadians with a further vehicle for dialogue with the IASB on issues affecting our capital markets. We will strive to serve the Canadian public interest in sound financial reporting through this new and important opportunity.

GORD FOWLER

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INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS Discussion Group

NEW! *Searchable and Sortable Issues Database*

Are you facing an issue in the application of International Financial Reporting Standards (IFRSs)? You can now quickly and easily find out if the IFRS Discussion Group has discussed your issue or a similar one.

The 126 issues discussed at 13 meetings since the Group's inception are now available on our website in a new searchable and sortable database. The database includes a brief description of each issue and links to the meeting report extract and audio webcast for each issue.

Check it out today!

Upcoming Meetings

The locations and dates for the IFRS Discussion Group's next three meetings are:

- Toronto – June 13, 2013
- Calgary – September 5, 2013
- Toronto – December 5, 2013

If you will be in the Toronto or Calgary area, **register** to observe the relevant meeting in person.

To find out more about the Group's **next meeting** on June 13, watch our website for information.

Submit an Issue

The IFRS Discussion Group wants to hear from you on accounting issues arising from the application of IFRSs in Canada that may be widespread and result in divergent practices.

Call or email the Accounting Standards Board staff contact below to explore whether your issue meets the Group's criteria for discussion. See the **submission requirements** for further details about how to submit an issue. Issues should be submitted by May 2nd or July 25th to be considered for the June and September meetings, respectively.

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International Forum of Accounting Standard Setters

The International Forum of Accounting Standard Setter (IFASS) (formerly known as the National Standard Setters) is an informal network of national accounting standard setters from around the world, plus other organizations that have a close involvement in financial reporting issues. It is a forum at which interested stakeholders can discuss matters of common interest.

The group is currently chaired by Tricia O'Malley, a former Chair of the Canadian Accounting Standards Board (AcSB) and former member of the International Accounting Standards Board (IASB). Her term as Chair ends later this year.

The IFASS supports the mission of the IASB to develop a single set of high-quality, understandable and enforceable global accounting standards. In furtherance of these aims, the IFASS:

- provides a forum for an exchange of views and sharing of experiences between participants about financial reporting issues in both the public and not-for-profit sectors;
- reviews and comments on the IASB's agenda and its technical proposals; and
- facilitates the carrying out of research by participants aimed at developing improved accounting standards.

The IFASS meets twice a year. Its last meeting was held in São Paulo, Brazil on April 17-18, 2013.

The AcSB's contributions to the agenda for the above meeting were facilitating a discussion of the IASB's Work Plan and IFRS Foundation developments and providing a report on the responses to AcSB Consultant Alex Milburn's Discussion Paper, **"Toward a Measurement Framework for Financial Reporting by Profit-Oriented Entities."** Other matters on the Forum's agenda included discussion of:

- relationships between the IASB and the national and regional standards bodies in light of the new Accounting Standards Advisory Forum;
- disclosure issues, with a focus on several different published studies and reports;
- the status of various new and ongoing projects undertaken by Forum members;
- various topical issues in individual jurisdictions;
- activities of regional groups;



- public sector accounting issues; and
- administrative matters, including the process and timing for the selection of a new IFASS Chair.

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Rate-regulated Activities: Progress on All Fronts

The International Accounting Standards Board (IASB) has moved ahead with its comprehensive research project to determine whether, and if so, how International Financial Reporting Standards (IFRSs) should be amended to provide guidance on rate-regulated activities. It currently expects to publish a discussion paper in the fourth quarter of 2013. To inform its efforts, the IASB:

- is establishing a **consultative group** to provide specialist input on the major accounting issues; and
- has issued a **Request for Information** to help define more clearly the scope of the project (i.e., what types of rate regulation exist and what industries rate regulation affects). At this stage, the IASB is looking for factual evidence and examples, rather than views and opinions. The Accounting Standards Board (AcSB) encourages Canadians to get involved by responding to the Request for Information within the 60-day comment period.

At the same time, the IASB is working quickly to develop an exposure draft of an interim IFRS that would allow first-time adopters of IFRSs to continue using their local GAAP requirements for rate-regulated activities until the main project is completed. The IASB expects to issue its exposure draft in the second quarter of 2013. The AcSB has extended the mandatory IFRS adoption date for qualifying rate-regulated entities to January 1, 2015, based on the assumption that the final interim standard will be published by the end of this year.

The AcSB will monitor future developments to ensure it continues to work with the most current available set of facts. Stay tuned to the AcSB's **Rate-regulated Activities** project.

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ACCOUNTING STANDARDS FOR PRIVATE ENTERPRISES

Private Enterprise Standards Improved

In March 2013, the Accounting Standards Board (AcSB) issued an **Exposure Draft** of the 2013 Annual Improvements, with comments due by June 1, 2013. Annual improvements amend accounting standards for private enterprises to clarify guidance or wording and to correct for unintended consequences, conflicts or oversights.

More significant changes are bundled and issued every two years. The first such changes since the standards became effective in 2011 will be issued in May 2013 and be effective for fiscal years beginning on or after January 1, 2014. Standards affected are those on discontinued operations and employee future benefits.

All improvements benefit from the input of the AcSB's **Private Enterprise Advisory Committee**.

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Discontinued Operations: Fewer Is Better

The definition of a discontinued operation in Section 3475, *Disposal of Long-lived Assets and Discontinued Operations*, is being changed. This will affect what is classified as a discontinued operation.

Who's affected?

Any entity that applies Part II of the CICA Handbook – Accounting and has asset disposals that may qualify as discontinued operations.

What's changing?

The current definition of a discontinued operation in Section 3475 generally results in the presentation of more disposals as discontinued operations than the definition in IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* in Part I of the Handbook. The Accounting Standards Board (AcSB) was concerned that private enterprises applying Part II were required to incur more cost and effort in reporting discontinued operations than enterprises subject to Part I.

The financial statement users on the AcSB's Private Enterprise Advisory Committee informed the AcSB that the existing requirements to disclose long-lived assets disposed of or held for sale provide



the key information that they need. The information provided by presenting discontinued operations separately in the financial statements, including data for comparative years, is useful for large disposals that represent a shift in strategy or tactics. However, reporting many, less significant disposals, often made for ongoing operational reasons, does not provide significant additional value to users.

What resources are available?

For further information, refer to the [Discontinued Operations](#) project page. Watch for a Background Information and Basis for Conclusions document to be published later this year.

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Employee Future Benefits: More Transparent Reporting Ahead

Roll up your sleeves — in May 2013, the Accounting Standards Board (AcSB) plans to issue Section 3462, *Employee Future Benefits*, in Part II of the CICA Handbook – Accounting. This new Section incorporates feedback received on the January 2012 Exposure Draft, “[Employee Future Benefits](#),” and replaces Section 3461, *Employee Future Benefits*.

Who’s affected?

- Private enterprises applying Part II of the Handbook that have defined benefit plans (including individual pension plans providing defined benefits) are likely to be significantly affected.
- Pension plans applying Part IV that have a defined benefit plan for their employees may also be affected.

There are also small changes to the requirements for defined contribution plans.

What about NFPOs in the private sector?

The AcSB is developing an employee future benefits standard specifically for not-for-profit organizations (NFPOs) choosing to apply the standards in Part III of the Handbook (read “[Employee Future Benefits: A Twist for Not-for-Profit Organizations](#)” in this edition of FYI).



What's changing?

New Section 3462 requires immediate recognition of all gains and losses arising from defined benefit plans as they are incurred. The elimination of deferral and amortization accounting will provide more transparent reporting of plan liabilities/assets in an entity's financial statements, providing the information that users need. It may also result in more volatility in the income statement.

The main changes for defined benefit plans are as follows:

- The full amount of a defined benefit obligation, net of plan assets, is recognized in the balance sheet (subject to a ceiling test for a net asset).
- For plans that have an appropriate funding valuation, the obligation is measured using either that valuation or one prepared for accounting purposes, with the same choice applied to all such plans. For other plans, the obligation is measured using an accounting valuation.
- Changes in the fair value of plan assets and in the measurement of the plan obligation and asset ceiling, including past service costs and gains and losses arising from settlements and curtailments, are recognized immediately in income.
- "Remeasurements and other items" are disclosed in the notes to the financial statements, unless separately presented on the face of the income statement.
- Plan obligations and plan assets are measured as of the balance sheet date.
- Some disclosure requirements are clarified as a result of these changes.

A change has also been made to defined contribution plan accounting to recognize past service costs in the current period. The standard carries forward much of the text from Section 3461 that was not within the scope of the above changes.

Consequential amendments have been made to other Sections in Part II of the Handbook, as necessary, and also to Part IV of the Handbook to conform terminology.

What's the effective date?

New Section 3462 is effective for annual financial statements relating to fiscal years beginning on or after January 1, 2014. Earlier application is permitted, but only for all of an entity's benefit plans.

Are there transitional provisions?

Yes. New Section 3462 applies retrospectively, except that:

- benefit costs capitalized as part of the cost of assets in prior years need not be restated; and



- specific provisions provide simplified transitional guidance for a change in the measurement date for plan assets and the defined benefit obligation.

What resources are available?

For further information, refer to the [Employee Future Benefits](#) project page. Watch for a Background Information and Basis for Conclusions document to be published later this year.

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Private Enterprise Advisory Committee

Submit an Issue

Have you encountered difficulties in applying accounting standards for private enterprises? Do you think the standards need changing to address an issue more clearly? Let the Private Enterprise Advisory Committee know.

Each year, issues brought to the Committee's attention are considered as part of the annual improvements process.

To be addressed as an annual improvement, an issue must be:

- a correction of an error; or
- clarification of existing guidance.

Corrections of errors consist of:

- resolving conflicts between existing requirements in the standards;
- addressing oversights in creation of the standards; or
- addressing unintended consequences of the existing requirements.

Clarifications of existing guidance generally address:

- unclear wording in the standards; or
- an absence of guidance in the standards.

Issues that are not corrections of errors or clarifications of existing guidance generally will not be addressed in the annual improvements process, but may be addressed outside that process.

Call or email the Accounting Standards Board staff contact below to explore whether your issue meets the Committee's criteria for discussion. See the [submission requirements](#) for further details about how to submit an issue.

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Using Professional Judgment

Professional judgment has always been an important element of financial reporting. It is necessary, for example, in considering materiality, making estimates, and deciding on accounting policies when the standards do not address an issue directly. As private enterprises adopt Part II of the CICA Handbook – Accounting and not-for-profit organizations adopt Part III, they will find an increased need for professional judgment compared to the previous standards.

The Accounting Standards Board (AcSB) decided that those standards contained more detailed guidance and interpretations than was appropriate going forward. Consequently, the AcSB did not carry forward the Emerging Issues Committee Abstracts, although some key guidance was incorporated into relevant standards. The amount and type of guidance in new and revised standards in Parts II and III is likely to be somewhat less than in the previous standards.

The AcSB Staff Commentary on “**Making Judgment Professional**” notes that professional judgment searches for the accounting that best meets the objective of financial statements – communicating information to financial statement users that helps them in making resource allocation decisions and assessing management stewardship. Professional judgment must be consistent with primary sources of GAAP as described in Sections 1100 and 1101, *Generally Accepted Accounting Principles*, and does not mean “tell me why I can’t account in this manner.”

Sections 1100 and 1101 emphasize the importance of the core financial statement concepts underpinning the Handbook in applying professional judgment. These include:

- the objectives of financial statements;
- the qualitative characteristics of relevance, reliability, understandability and comparability;
- the definitions of assets and liabilities, and other financial statement elements; and
- materiality and the cost/benefit trade-off.

In many cases, it will be clear there is only one method of accounting that is appropriate for a specific transaction or event. However, in certain cases, the exercise of professional judgment by different accountants may lead to different views on the most appropriate accounting. This is a consequence of not having detailed rules in the standards that directly address every possible transaction or



event in every circumstance. Section 1505, *Disclosure of Accounting Policies*, requires that financial statements include a clear and concise description of significant accounting policies. This should include accounting policy choices developed through the exercise of professional judgment.

The AcSB Staff Commentary contains a more extensive discussion of the use of professional judgment in applying the standards in Parts II and III.

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ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

Employee Future Benefits: A Twist for NFPOs

The Accounting Standards Board (AcSB) is developing an employee future benefits standard specifically for Not-for-Profit Organizations (NFPOs) choosing to apply the standards in Part III of the Handbook. Most of the requirements in new Section 3462 in Part II will apply to NFPOs (see “[Employee Future Benefits: More Transparent Reporting Ahead](#)” in this edition of FYI regarding that standard). However, the AcSB will shortly be proposing some different presentation and disclosure requirements tailored to the information needs of users of NFPO financial statements. An exposure draft is expected to be issued in the third quarter of 2013.

For further details on the standard for Part III and what to do until it is finalized, you are encouraged to read the January 2013 AcSB Staff Commentary on “[Reporting Employee Future Benefits by Not-for-Profit Organizations](#).”

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ACCOUNTING STANDARDS FOR PENSION PLANS

Section 4600, *Pension Plans*, in Part IV of the Handbook refers to either International Financial Reporting Standards in Part I of the Handbook, or accounting standards for private enterprises in Part II of the Handbook. Therefore, pension plans should consider whether items in the other articles in this edition of FYI are relevant to them.

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THE ACSB'S PRIORITIES FOR 2013-2014

Supporting the New Sets of Standards

The Accounting Standards Board's (AcSB) overarching objective is to allow the sets of accounting standards it has adopted to "bed down" in practice. In doing so, the AcSB stands ready to respond to application concerns by either bringing interpretive issues to the IFRS Interpretations Committee, or developing needed improvements to Parts II-IV of the Handbook.

Top Priorities by Reporting Entity Type

By type of reporting entity, the AcSB's top priorities are:

- Not-for-Profit Organizations – To continue work to update and improve the standards to meet the unique needs of not-for-profit organizations by issuing a statement of principles, consulting with stakeholders and deliberating comments received, in conjunction with the Public Sector Accounting Board.
- Private Enterprises – To continue work to improve standards by issuing amended guidance on discontinued operations and employee future benefits, and proposals on consolidations, joint arrangements agriculture.
- Publicly Accountable Enterprises – To contribute to the development of International Financial Reporting Standards, including taking action on topics of particular concern, such as on leases, impairment of financial instruments, and insurance, to ensure Canadian concerns are considered by the International Accounting Standards Board (IASB). In addition to responding to requests for comment and holding discussions, the AcSB will also raise Canadian views as an inaugural member of the IASB's newly established Accounting Standards Advisory Forum.



In carrying out these activities, the AcSB reaffirmed its commitment to consider the need for a period of calm and the practical ability of stakeholders to participate in standard-setting activities.

New Strategic Initiatives

Looking ahead, the AcSB will begin strategic initiatives to address the following matters:

- Consult stakeholders on extending its **2011-2014 Strategic Plan** by two years. The extension will enable the AcSB to conduct comprehensive reviews of its current strategies later than previously planned and gather feedback from entities that adopted the new accounting frameworks later than anticipated. The AcSB will also be able to learn from stakeholders' experiences with the new sets of standards, including many who will have worked with the standards for more than one fiscal year.
- Plan the comprehensive reviews of the effects of the strategic directions first applied in 2011-2012 and prepare to conduct the reviews in 2014-2015.
- Plan the development of the next strategic plan in 2015-2016.

The AcSB's 2013-2014 Annual Plan sets out additional activities to be undertaken to support the application of the new sets of standards.

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OUR VOLUNTEERS

Arrivals and departures

We value our volunteers, who give unstintingly of their time and expertise. Without their assistance the Accounting Standards Board could not operate.

We welcome the following new members:

Accounting Standards Board

- Linda Mezon (incoming Chair)
- Anish Chopra

IFRS Discussion Group

- Murad Bhimani
- Arvind Kamath

Private Enterprise Advisory Committee

- Diana De Acetis
- Allan W. Foerster

User Advisory Council

- Mike Rodgers

We thank the following retiring members for their valued contributions:

Accounting Standards Board

- Anthony Scilipoti

IFRS Discussion Group

- Cally Hunt
- Nicolino Iannotti
- Constantino Malatesta

Private Enterprise Advisory Committee

- Mel Leiderman
- Kelly Thompson

User Advisory Council

- Ed Cass
- Robert Morgan
- Brad Wagar

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Ron Salole Retires from the Canadian Institute of Chartered Accountants

A special salute and thank you to Ron Salole who retired as Vice-President, Standards on March 31, 2013, after 31 years of dedicated service to the accounting profession in Canada and globally.

DOCUMENT FOR COMMENT DEADLINES

You are encouraged to access the following consultation documents and provide your comments:

International Financial Reporting Standards

Request for Information: [Rate Regulation](#)

- comment deadline is May 30, 2013

Exposure Draft: [Financial Instruments: Expected Credit Losses](#)

- comment deadline is July 5, 2013

Exposure Draft: [Defined Benefit Plans: Employee Contributions \(Proposed amendments to IAS 19\)](#)

- comment deadline is July 25, 2013

Accounting Standards Board

Exposure Draft: 2013 [Improvements to Accounting Standards for Private Enterprises](#)

- comment deadline is June 1, 2013

Statement of Principles: [Improvements to Not-for-Profit Standards](#)

- comment deadline is September 15, 2013

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