



Accounting
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ACTIVITIES OF THE CANADIAN ACCOUNTING STANDARDS BOARD AND STAFF

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MESSAGE FROM THE DIRECTOR

Hail to the Chief

The Accounting Standards Board (AcSB) bids a fond farewell to its retiring Chair, Gord Fowler, and welcomes its incoming Chair, Linda Mezon, effective July 1, 2013. This change was announced several months ago but the time has now come for it to happen.

The AcSB has had a succession of outstanding Chairs since its inception. The position became a paid one, rather than a volunteer role, in 1999 as a result of one of the recommendations of the 1996-1998 CICA Task Force on Standard Setting. The first full-time Chair, Tricia O'Malley, went on to become one of the inaugural members of the International Accounting Standards Board (IASB) and is now the Chairman of the International Forum of Accounting Standard Setters. Her successor, Paul Cherry, served for eight years and spearheaded the major strategic changes implemented over the past few years. Paul is the current Chairman of the IFRS Advisory Council.

Gord Fowler served as a volunteer member of the AcSB during that period after having served for a number of years on various standards-related project committees and the former Emerging Issues Committee. Following a long and distinguished career with KPMG in both Canada and the United States, Gord assumed the Chair of the AcSB in 2010. He has steered the AcSB ably through the period immediately following the strategic changes, dealing with such crucial issues as reporting by public companies subject to rate regulation, investment entities and the IASB's ongoing work program. All who have worked with Gord in standard setting will miss his unsurpassed knowledge of accounting at both the practical and principles levels and his razor-sharp analyses of the most vexing issues. He has a special ability to discern the crux of complicated technical



issues and to propose clear, workable solutions. He is not easily side tracked by tangential issues when a more fundamental crisis has arisen and is fond of reminding us that “It’s hard to try on a new hat when your pants are on fire.”

Linda Mezon will bring a fresh perspective to the role of AcSB Chair. Linda is the first Chair in many years with a background as a financial statement preparer, rather than a practitioner/auditor. She is no novice in standard setting, having served as a volunteer AcSB member for eight years prior to reaching the term limit in March 2012. She has worked in standards-related roles as a financial statement preparer in major public companies, culminating in a 10-year term as the Chief Accountant of the Royal Bank of Canada. In that role, Linda has chaired the Chief Accountants Committee of the Canadian Bankers Association and represented Canadian banks in a host of international meetings. She was appointed as AcSB Vice-Chair in January 2013 on a volunteer basis to ensure a smooth transition.

The AcSB Chair has a special role beyond simply presiding over the AcSB’s monthly meetings, with responsibilities that include:

- reaching out to stakeholders and representing the AcSB in meetings and conferences;
- speaking for the AcSB in international gatherings, including the recently created Accounting Standards Advisory Forum of the IASB;
- speaking to the media on behalf of the AcSB concerning financial reporting matters;
- liaising with the AcSB’s independent oversight body, the Accounting Standards Oversight Council, and with the source of its human and financial resources, Chartered Professional Accountants of Canada; and
- acting as the day-to-day link between the AcSB and its staff.

All success to Linda as she takes on the challenging responsibility of improving financial reporting in Canada and carries the torch passed to her by her distinguished predecessors.

PETER MARTIN

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INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS Discussion Group

Recent and Upcoming Meetings

Toronto – June 13, 2013

Learn more about the topics discussed by the IFRS Discussion Group, including:

- presentation of joint venture equity income;
- fair value measurement disclosure challenges;
- interaction between impairment and fair value measurement;
- classification of restricted cash; and
- subsequent events relating to uncertain tax positions.

For further details, listen to the [Audio Webcasts](#) and read the [Observers' Summary](#). The Group's Report on Meeting will be available soon.

Calgary – September 5, 2013

Mark your calendar for the IFRS Discussion Group's next meeting. If you are in the Calgary area, [register](#) to observe the meeting in person.

The Group's tentative agenda includes:

- joint arrangements with equity ownership that differ from the percentage of output taken;
- reversals of impairment for commodity based companies; and
- measurement of a unit comprised of common shares and warrants.

To find out more, watch our website for information about the Group's upcoming meeting.

Toronto – December 5, 2013

It's not too early to [register](#) to observe the Group's December meeting or submit an issue that the Group might discuss.

Submit an Issue

The IFRS Discussion Group wants to hear from you about accounting issues arising from the application of IFRSs in Canada.

Call or email the Accounting Standards Board (AcSB) staff contact below to explore whether your issue meets the Group's criteria for discussion.



Issues should be submitted by July 25, 2013 or October 24, 2013 to be considered for the September and December meetings, respectively. See the [submission requirements](#) for details.

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Rate-regulated Activities: Golden Opportunities for Canada

The first half of 2013 was most encouraging for Canadian rate-regulated entities and their stakeholders. Recent international activities presented a number of opportunities to influence the outcome of the current long-standing debate on how best to account for the effects of rate regulation.

A temporary fix forthcoming?

Are you one of the many Canadians that voiced your need for interim guidance from the International Accounting Standards Board (IASB) pending the completion of its comprehensive Rate-Regulated Activities project? If so, you'll be happy to know that scenario is one step closer to becoming a reality.

In April 2013, the IASB issued an Exposure Draft, "[Regulatory Deferral Accounts](#)," of an interim International Financial Reporting Standard (IFRS) that, for the most part, is just what the Canadian doctor ordered.

The proposals would allow a first-time adopter of IFRSs that currently recognizes regulatory items in its statement of financial position to continue to do so when transitioning to IFRSs. The entity would also be permitted to continue its previous GAAP accounting policies for the measurement and impairment of such items.

The following are other major features of the proposed interim IFRS:

- The standard would apply to rate-regulated activities subject to a regulatory mechanism in which there is an identifiable causal effect between the costs (and income) expected to be recognized in the entity's financial statements and the basis of the rate calculation. Thus, the focus of the proposals is wider than that of both the IASB's July 2009 Exposure Draft, "[Rate-regulated Activities](#)," and the pre-changeover standards in Part V of the Handbook specifically addressing rate-regulated activities. In both those cases the scope was restricted to activities subject to "cost-of-service" regulation.



- The entity would be required to present total regulatory assets and total regulatory liabilities as separate line items in the statement of financial position, and to present movements in those items as a separate line item in the statement of profit or loss and other comprehensive income.
- Disclosure requirements would clearly identify the nature of, and risks associated with, the rate regulation that has resulted in the recognition of regulatory assets and regulatory liabilities.

Provide your views

In May 2013, the Accounting Standards Board (AcSB) issued an **Exposure Draft** corresponding to that of the IASB. Comments on both Exposure Drafts are requested by September 4, 2013.

This is your chance to say what you think about the IASB's proposed interim solution for rate-regulated activities. Do you agree with the AcSB's **May 2013 decision** to give strong support to the proposals as a workable set of requirements likely to meet the needs of Canadians until more definitive guidance is available? If so, be sure to tell the IASB. There is likely to be significant opposition to the proposals from elsewhere around the globe, so the more support from Canada, the better.

Request for Information

In March 2013, the IASB invited rate regulators and financial statement preparers, auditors and users around the globe to help with research relating to its comprehensive project. A number of Canadians responded to a **Request for Information** asking specific questions about the objectives of rate regulation and how those objectives are reflecting in the rate-setting mechanisms used by rate regulators.

The IASB will use the fact patterns identified through this and other research to determine the scope of a discussion paper it expects to issue by the end of this year. The aim of the discussion paper is to identify what information about the consequences of rate regulation would be most useful for users of IFRS financial statements and whether the IASB should develop specific guidance for accounting for those consequences.

Consultative group

Yet another opportunity for Canadians to participate in the global debate is through the IASB's consultative group on rate-regulated activities. Its purpose is to provide expert analysis of the accounting issues relating to rate-regulated activities. The IASB recently announced the group's membership and Canada will play a major role. Of the group's 15 **members**, three are Canadian, as is an official observer.



Interested in plugging into the discussion? If so, [register](#) as an “unofficial” observer to one or more of the consultative group’s meetings, which will be open to the public. The first meeting is expected to be held near the end of July 2013.

The participation of Canadians in international standard-setting activities relating to rate-regulated activities reflects the importance of this topic to Canadians and the IASB’s recognition of that fact. Keep the momentum going and take your own opportunities to become involved.

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ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

Employee Future Benefits: Changes Afoot

The Accounting Standards Board (AcSB) recently issued the Exposure Draft, “[Reporting Employee Future Benefits by Not for Profit Organizations](#).” The proposals:

- provide specific guidance on the recognition and presentation of remeasurements and other items for defined benefit plans, which differs from that in *Employee Future Benefits*, Section 3462 in Part II of the Handbook; and
- require not-for-profit organizations (NFPOs) to apply Section 3462 in all other respects.

These different requirements address a significant concern raised by respondents to the AcSB’s January 2012 Exposure Draft, “Employee Future Benefits,” (i.e., including remeasurements and other items in the statement of operations would be potentially problematic for NFPOs).

The problems relate to the potential volatility and size of that number which, if included in operating results, may result in misunderstandings by donors and other funders that could have an adverse effect on an organization’s ability to raise funds. These unique users differ from those of private enterprises. In order to address the differences in who uses financial statements of private enterprises and NFPOs, the AcSB considered alternative ways in which remeasurements and other items might be recognized and presented, and decided on the approach proposed in the Exposure Draft.



What are the main features of the proposals?

The main features of the proposals are summarized as follows:

- Remeasurements and other items would be:
 - recognized directly in net assets in the statement of financial position, rather than in the statement of operations; and
 - presented as a separately identified item in the statement of changes in net assets.
- Remeasurements and other items would not be reclassified from net assets to the statement of operations in a subsequent period.
- Retrospective application would generally be similar to the requirements in Section 3462 in Part II of the Handbook with additional guidance related to the different recognition and presentation of remeasurements and other items.
- An NFPO would apply all the other requirements in Section 3462 in Part II of the Handbook.

What about disclosures?

The June 2013 Exposure Draft does not propose requirements for disclosures in addition to those required by Section 3462 in Part II of the Handbook, pending further research on the needs of users of NFPO financial statements. However, NFPOs should keep in mind that additional disclosures may be required when planning their employee future benefits note to the financial statements. NFPOs should exercise professional judgment while considering the following:

- the disclosure requirements in accounting standards for private enterprises in Part II of the Handbook, including those in Section 3462, which set a minimum level;
- the fair presentation requirements in Section 1401, *General Standards of Financial Statement Presentation for Not-for-Profit Organizations*, in accounting standards for not-for-profit organizations in Part III of the Handbook; and
- the disclosure requirements required prior to adoption of Part III (i.e., those in Section 3461, Employee Future Benefits, in the pre-changeover standards in Part V of the Handbook).

When will the proposals be effective?

The final standard will be effective for fiscal years beginning on or after January 1, 2014 and early application will be permitted, but only for all of an NFPO's benefit plans — consistent with Section 3462 in Part II of the Handbook.

The final standard is expected to be included in the Handbook before the end of this year.



Can I provide comments?

Yes. Provide your input today. The AcSB welcomes comments on the proposals from all interested stakeholders by Tuesday, August 27, 2013 — a 60-day comment period. To provide your comments, see the “Comments requested” section of the Exposure Draft for further details.

The 60-day comment period is necessary to ensure that the final standard is issued in time for the proposed effective date. Furthermore, this timing ensures that NFPOs will not have to recognize and present remeasurements and other items in the statement of operations, as would otherwise be required by Section 3462 in Part II of the Handbook. The AcSB observed that these proposals are narrow in scope and respond to comments received on its January 2012 Exposure Draft.

The AcSB recognizes that there is an overlap with the comment period of the jointly issued AcSB and Public Sector Accounting Board Statement of Principles, “**Improvements to Not-for-Profit Standards**,” which has a deadline of September 15, 2013. The Statement of Principles was issued in April 2013 with a 120-day comment period (see “Improvements to Not-for-Profit Standards: Ensure Your Voice Is Heard” in this edition of FYI regarding that document). Stakeholders are encouraged to review both documents for comment now and begin formulating their responses by the stated deadlines.

What resources are available?

The Exposure Draft, “**Reporting Employee Future Benefits by Not-for-Profit Organizations**,” includes a highlights section and a basis for conclusions.

For further information, refer to the **Employee Future Benefits** project page for Standards for Not-for-Profit Organizations.

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Improvements to Not-for-Profit Standards: Ensure Your Voice Is Heard

The Accounting Standards Board (AcSB) and Public Sector Accounting Board (PSAB) have jointly issued a Statement of Principles, “**Improvements to Not-for-Profit Standards**,” that proposes improvements to the standards being followed by not-for-profit organizations (NFPOs) in both the private and public sectors.



The proposed improvements would change how NFPOs account for and report, amongst other items, their:

- revenues from contributions and pledges;
- capital assets; and
- expenses.

The proposals are directed at enhancing the comparability and understandability of the financial statements prepared by NFPOs.

Listen to the Boards' joint webinar in English on June 25, 2013 and in French on July 11, 2013 to:

- hear about why this project was undertaken and its objectives; and
- understand what is being proposed for NFPOs and why changes are needed.

Please note: The webinar will be archived if you are unable to participate.

Review the **Statement of Principles** before listening to the webinar and sharing your views on the suggested improvements with the Boards.

Now is the time to get involved. Provide your comments by September 15, 2013.

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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 member:

User Advisory Council

- William Kovalchuk

We thank the following retiring members for their valued contributions:

Academic Advisory Council

- Joan Conrod
- Bill Scott



Private Enterprise Advisory Committee

- Rick Morin

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DOCUMENT FOR COMMENT DEADLINES

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

International Financial Reporting Standards

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

Exposure Draft: [Regulatory Deferral Accounts](#)

- comment deadline is September 4, 2013

Exposure Draft: [Leases](#)

- comment deadline is September 13, 2013

Accounting Standards Board

Exposure Draft: [Reporting Employee Future Benefits by Not-for-Profit Organizations](#)

- comment deadline is August 27, 2013

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

- comment deadline is September 15, 2013

Invitation to Comment: [2011-2014 Strategic Plan: Proposed Extension to the Term of the Plan](#)

- comment deadline is September 24, 2013

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