



Accounting
Standards Board

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Conseil des normes
comptables

ACTIVITIES OF THE CANADIAN ACCOUNTING STANDARDS BOARD AND STAFF

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MESSAGE FROM THE CHAIR

It's my pleasure to provide you with my first message as Chair of the Accounting Standards Board (AcSB). It has been a very busy time since I assumed this role on July 1, 2013 and I do not anticipate the activity level to decrease this fall. Each of the categories for which the Board sets or participates in the development of standards – publicly accountable, private enterprises and not-for-profit organizations – has key initiatives underway.

I took this role because of my belief that participation in the standard-setting arena is very important. I'm also the first financial statement preparer to serve as Chair for a very long time and my approach to the standard-setting process may be slightly different than the preceding Chairs' approaches. My perspective is unique in comparison to the guidance brought by Chairs in the recent past, each of whom were amazing professionals who brought their wealth of accounting knowledge from their time at Big 4 accounting firms or from their experience in previous standard-setting roles. I bring the preparers' perspective – which means I will be able to bring more focus to those aspects of potential difficulties in applying the standards, including the disclosure implications, as well as carrying on ensuring that the technical aspects of each project the AcSB takes on is sound. So it's fair to say that I will have my own approach to ensuring the key activities of the AcSB continue. And part of that approach will be to ensure we focus on all three areas important to stakeholders: developments in International Financial Reporting Standards (IFRSs); updates and improvements to accounting standards for private enterprises (ASPE); and, along with the Public Sector Accounting Board, the feedback we receive on the Statement of Principles for not-for-profit organizations (NFPOs) currently out for public comment.



In terms of the AcSB's role in the development of IFRSs, we are excited about the Board's participation in the Accounting Standards Advisory Forum (ASAF), the advisory group formed earlier this year by the International Accounting Standards Board (IASB). I've just come back from my first ASAF meeting, involving two days of meetings, with discussion on topics important to Canadian stakeholders who are reporting under IFRSs on insurance, leases, impairment, hedge accounting, disclosures and the conceptual framework. And since I was in London attending the ASAF meeting while the fall CPA Canada Financial Reporting and Accounting Conference was in process – I did a live webcast from London as part of that conference. This was a great opportunity for me to provide a real-time update on the ASAF discussions.

For those entities reporting under ASPE, we've just completed our 2013 annual improvements process and currently have proposals issued for comment on consolidations, and joint arrangements and investments. We're looking for feedback from the companies and auditors working with these standards, as well as the users of the financial statements prepared using the standards. It's so important to hear from folks – so that we know where we have done well and, more importantly, where we need to focus our efforts on improvements.

I'm also looking forward to some face-to-face discussions around the Statement of Principles on NFPO issues as I travel across Canada later in the fall. We issued this document jointly with the Public Sector Accounting Board, for comment by December 15, 2013. In this area, we tend to have the most difficulty in getting feedback from preparers and users, so it's very important for me to get out and hear what people have to say. We encourage busy NFPO preparers and users to take the time to attend these roundtables and come forward with comments. We'll be publishing the specific times on our website shortly – so keep an eye out for that.

There's a lot happening in the standard-setting world and it's very important that we continually assess our key priorities. In fact, we have just had out for comment our 2011-2014 Strategic Plan, which proposes to extend the term of the original plan as a result of our continuous consideration of our priorities. To function efficiently, I need to hear from you – all of you. I look forward to working with each and every one of you.

LINDA F. MEZON

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INTERNATIONAL FINANCIAL REPORTING STANDARDS

A Positive Outcome from IFRIC on the “Dual Dating” Issue

The IFRS Interpretations Committee’s (IFRIC) recent response to the Accounting Standards Board’s (AcSB) submission provides clarity for entities facing the dual dating issue. As recommended by its IFRS Discussion Group, the AcSB requested that the IFRIC clarify whether or not International Financial Reporting Standards (IFRSs) permit dual dating when an entity is required to reissue financial statements in connection with an offering document. Although the IFRIC decided that this issue did not meet its agenda criteria, the resulting agenda decision provides the necessary clarity for reporting issuers.

This issue arose mainly in North America because of the interplay between securities laws and regulatory practices, assurance standards and IFRSs. While the IFRIC’s work was underway, changes were made to the Canadian assurance standards that largely resolved the issue for an entity that is a reporting issuer only in Canada.¹ Canadian reporting issuers are not expected to be required to reissue financial statements in connection with an offering document. However, the issue was still relevant to reporting issuers registered with the U.S. Securities Exchange Commission (SEC), and a matter of significant interest to the SEC.

Background on dual dating

In Canada and the United States, reporting issuers sometimes reissue annual financial statements in connection with an offering document. Entities generally reissue the annual financial statements when the most recent interim financial statements reflect the retrospective application of certain events such as:

- a change in accounting policy required to be applied retrospectively;
- a change in segment information; or
- an operation that was discontinued in the current period.

In the past, auditors typically dual dated their audit report, if it had to be reissued in the context of an offering document.

¹ The Auditing and Assurance Standards Board issued Section 7150, *Auditor’s Consent to the Use of a Report of the Auditor Included in an Offering Document*, in the CICA Handbook – Assurance in February 2013. The November 2012 Auditing and Assurance Bulletin, “**Auditor’s Consent to the Use of a Report of the Auditor Included in an Offering Document**,” highlights key aspects of the new Section.



This approach communicated that the previously issued annual financial statements had only been amended for those specific matters and that the audit work was extended only to audit their effects. Given that this practice of dual dating is well established in an auditing context, the AcSB expected that some auditors would continue to dual date their audit reports and some entities would apply a corresponding accounting practice under IFRSs.

What did the AcSB submit to the IFRIC?

The **AcSB's submission** asked the IFRIC whether financial statements reissued in connection with an offering document following this past Canadian practice (i.e., adjusting only for the above events) contravene IAS 10 *Events after the Reporting Period*. More specifically, the question was whether IAS 10 does not permit dual dating when considered in this context because IAS 10 refers only to a single "date of authorization".

What did the IFRIC decide?

The IFRIC discussed the AcSB's request at its November 2012, January 2013 and May 2013 meetings. The Committee decided not to add this issue to its agenda, providing the following comments in its agenda decision published in the **May 2013 IFRIC Update**:

"The Interpretations Committee noted that IAS 10 does not address the presentation of reissued financial statements in an offering document when the originally issued financial statements have not been withdrawn, but the reissued financial statements are provided either as supplementary information or a re-presentation of the original financial statements in an offering document in accordance with regulatory requirements.

On the basis of the above and because the issue arises in multiple jurisdictions, each with particular securities laws and regulations which may dictate the form for re-presentations of financial statements, the Interpretations Committee decided not to add this issue to its agenda."

What are the implications of IFRIC's agenda decision?

The AcSB's IFRS Discussion Group considered the implications of the IFRIC's May agenda decision for Canadian companies in June 2013.

Group members noted that IFRIC's agenda decision is helpful because it provides the needed clarity that IAS 10 does not address the presentation of reissued financial statements in an offering



document when the originally issued financial statements have not been withdrawn.

Group members observed that the agenda decision provides a relatively clear signal that IFRSs do not preclude an approach that is consistent with dual dating in these circumstances. Further, entities may be able to re-present previously issued financial statements in connection with an offering document and report that those financial statements comply with IFRSs.

Listen to the [Audio Webcast](#) and read the [Meeting Report Extract](#) for the Group's June 2013 discussion.

Questions?

All of the IFRS Discussion Group's audio webcasts and meeting report extracts can be found in the Group's [searchable and sortable issues database](#). Search the database using a relevant key word such as "reissuing" to get the full history on this issue.

Issuers with any questions about how the applicable securities laws and regulatory practices apply to their particular circumstances, including whether their financial statements need to be reissued, should contact their securities regulator or seek the advice of counsel.

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IFRS Discussion Group – Recent and Upcoming Meetings

Calgary – September 5, 2013

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

- measuring flow-through shares from the holder's perspective;
- classifying interest in the statement of cash flows;
- reversing impairments;
- measuring a unit comprised of common shares and warrants; and
- classifying a joint arrangement as a joint venture or joint operation.

For further details, listen to the [Audio Webcasts](#) and read the [Observers' Summary](#).



The Group's Report on the Public Meeting will be available soon. The topics will be added to the Group's **searchable and sortable issues database** once the Report is available.

Toronto – December 2, 2013

Submit an issue that the Group might discuss at its upcoming meeting. Issues should be submitted by October 21st to be considered for the December meeting.

If you are in the Toronto area, **register** to observe the meeting in person.

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CFERF Study – The Cost of IFRS Transition in Canada

The Canadian Financial Executives Research Foundation (CFERF), the research arm of Financial Executives International Canada (FEI Canada), published the Study, "**The Cost of IFRS Transition in Canada**," on July 16, 2013. The Study found that transition costs were significant but manageable, and generally consistent with what Canada's publicly accountable enterprises planned for and expected.

How much did it cost Canada's publicly accountable enterprises to transition to IFRSs?

- 62 per cent of companies' transition budgets were under \$500,000.
- Actual costs incurred by the Study's participants to prepare their first set of financial statements varied according to their revenues:
 - For smaller-sized companies, the average total cost was \$154,800.
 - For medium-sized companies, the average total cost was \$512,800.
 - For larger-sized companies, the average total cost was \$4,041,200.
- 72 per cent of the participants said it costs the same to prepare interim financial reports under IFRSs as under Canadian GAAP.

"I am very pleased that this Study was undertaken. It is a great illustration of what an immense undertaking the transition to IFRSs was for Canada's listed companies," said AcSB Chair, Linda F. Mezon.



"The Study also gave us objective evidence that the decisions made by the Board helped the transition transpire effectively. Specifically, the lead time companies had to prepare was a key reason why costs were managed so well. Providing sufficient lead time was a direct result of the feedback the Board got when setting the transition's effective date."

For the Study's results, CFERF polled the FEI Canada members and a selection of financial statement preparers across Canada through a voluntary online survey, as well as holding a roundtable discussion. The Study was sponsored by the Accounting Standards Oversight Council and the IFRS Foundation.

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Shape the Future of Financial Reporting – Revising the Conceptual Framework

The IASB issued its Discussion Paper, "[A Review of the Conceptual Framework for Financial Reporting](#)," in July 2013.

This is your chance to influence the future direction of financial reporting standards at the most fundamental level. It is important that Canadian perspectives and views are provided on the Discussion Paper. The IASB will make broad decisions during this stage of the project that will shape the future of financial reporting and affect all new and revised International Financial Reporting Standards (IFRSs) in the future.

To share your views:

- attend an IASB roundtable in Toronto on October 18, 2013;
- provide comments to the IASB by January 14, 2014; and/or
- call or email the staff contacts below.

Background

The *Conceptual Framework* sets out the underlying concepts for the preparation and presentation of financial statements and forms the basis for developing specific requirements in IFRSs. The existing *Conceptual Framework* requires improvement to:

- address some areas that have caused problems in practice;
- reflect current thinking and updated concepts developed by the IASB in recent projects; and
- fill in gaps, particularly in important areas such as measurement, presentation and disclosure.



The IASB's Conceptual Framework project aims to provide the IASB with a more comprehensive, updated and improved set of concepts to use when it develops or revises IFRSs. Thus, decisions in this project will shape the decisions that the IASB ultimately makes in all future projects to develop or revise IFRSs.

The revised *Conceptual Framework* should enable the IASB to reach consistent conclusions on a variety of complex financial reporting matters as well as assist others when accounting for items not covered by a particular IFRS. It will be incorporated into Canadian GAAP in accordance with the Accounting Standards Board's (AcSB) strategy of adopting IFRSs for publicly accountable enterprises.

The proposals

The possible changes to the *Conceptual Framework* include improvements, new principles and presentation and disclosure initiatives such as:

- improvements to:
 - the definitions of assets and liabilities, along with more guidance to support those definitions; and
 - guidance on when assets and liabilities should be recognized,
- new principles on:
 - when assets and liabilities should be derecognized;
 - what measurement bases should be required in various contexts; and
 - how to determine what should be recognized in other comprehensive income as well as whether and when to recycle those items through profit and loss,
- presentation and disclosure initiatives to:
 - expand the statement of changes in equity to provide more information about different classes of equity and wealth transfers between those classes; and
 - create principles to underlie decisions that the IASB makes in setting disclosure requirements.

For an overview of these proposals, read the [Snapshot](#) and listen to an IASB [web presentation](#).

AcSB activities

The AcSB Chair, Linda F. Mezon, is a member of the IASB's Accounting Standards Advisory Forum ([ASAF](#)), which is advising the IASB on the Conceptual Framework project. As one of the 12 inaugural members appointed to the ASAF, the AcSB's membership will provide Canadians with the opportunity for continued dialogue



with the IASB and ensure that Canadian entities' financial reporting needs are considered.

The AcSB is also seeking advice from its **Conceptual Framework Discussion Group** in formulating views to respond to the IASB and advise the AcSB Chair on aspects of this project that will be discussed at the ASAF meetings. The Group is comprised of a diverse group of 15 professionals with broad vision who are conceptual thinkers knowledgeable about IFRSs.

Toronto IASB roundtables

The AcSB is hosting two half-day IASB roundtables in Toronto on October 18, 2013. Take advantage of this opportunity to provide your views directly to the IASB members and project staff.

Each roundtable meeting will cover measurement, use of other comprehensive income and one other topic. Time will be devoted to a general session in which participants will have the opportunity to discuss other areas of the *Conceptual Framework* that are of interest.

If you would like to participate or observe the discussion, visit the IASB's **Conceptual Framework outreach events page**.

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ACCOUNTING STANDARDS FOR PRIVATE ENTERPRISES

2013 Improvements

The next round of annual improvements will amend Part II of the CICA Handbook – Accounting in October 2013. These amendments are narrow and specific in nature, providing necessary improvements to several areas of the standards.

This is the third cycle of annual improvements to Part II. Annual improvements consist of relatively limited amendments to clarify guidance or wording, or to correct for relatively minor unintended consequences, conflicts or oversights. The focus of annual improvements is to help stakeholders in applying the standards, rather than introducing significant changes.

Highlights

- *Cash Flow Statement*, Section 1540, has been amended to remove the reference to non-controlling interests.
- *Business Combinations*, Section 1582, has been amended to require that:
 - contingent consideration be remeasured only on settlement; and
 - only certain disclosures be provided when a subsidiary is consolidated and not when it is accounted for under the cost or equity method.
- *Subsidiaries*, Section 1590, has been amended to clarify that the accounting for a change in ownership interest is based on the accounting policy used to account for the subsidiary.
- *Non-controlling Interests*, Section 1602, has been amended to:
 - clarify that non-controlling interests are not a deduction in arriving at net income ; and
 - indicate how exchange gains and losses arising from the translation of a self-sustaining foreign operation that are attributable to a non-controlling interest should be allocated.
- *Financial Instruments*, Section 3856, has been amended to:
 - modify the guidance for an anticipated transaction hedged by a foreign exchange forward contract that settles by an exchange of currencies before the hedged transaction is recognized; and
 - clarify that a financial instrument that would be redeemed as a result of economic compulsion rather than by contractual requirement would not be classified as a financial liability.



Effective date

The changes are effective for years beginning on or after January 1, 2014, with earlier application permitted.

Help us to help you

The Accounting Standards Board (AcSB) relies on stakeholders to inform it of the issues that need attention, as stakeholders are the ones using the standards.

Due process is critical to setting high-quality standards, but it can take some time to enact change. Given the overall goal of having the annual improvements address issues in the short term, as well as the time it takes to deliberate and expose changes to the standards, it is critical that any issues be identified early in the cycle. The 2014 annual improvements process is already underway. Issues that you would like the AcSB to consider should be submitted by November 30, 2013.

How do you do this? There are **Criteria** used to assess whether an issue should be addressed under the annual improvements process. Please review these criteria prior to submitting an issue for consideration. Ensuring that an issue meets these criteria will promote efficient discussions of the issue, and also help stakeholders in framing issues submitted for consideration. Details on how to submit an issue are provided on the same webpage as the criteria.

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Proposed Revised Guidance for Subsidiaries

The Accounting Standards Board (AcSB) is addressing concerns shared by stakeholders that Accounting Guideline AcG-15, *Consolidation of Variable Interest Entities* in Part II of the Handbook, is complex and often requires significant effort to apply.

The AcSB is proposing to remove AcG-15 and replace Section 1590, *Subsidiaries*, with Section 1591. Section 1591 would include additional guidance that requires the use of judgment to determine when control is obtained through means other than equity interests. An enterprise would need to consider all facts and circumstances such as its involvement in the design of the other enterprise, any call or liquidation rights related to the activities of the other enterprise, and the ability to obtain future economic benefits. The proposals are based on the concepts in IFRS 10 Consolidated Financial Statements.

***Provide your views***

The Exposure Draft, "**Consolidations**," was issued in August 2013 with comments requested by November 11, 2013. This is your chance to say what you think about the proposed guidance. Specifically, the AcSB is seeking feedback on whether control can be conveyed through means other than equity interests and whether the guidance would be operational in practice.

Outreach

The AcSB is presenting a webinar on this topic along with the proposed changes on joint arrangements and investments. A webinar in English will be broadcast on September 16, 2013, and in French on October 18, 2013. The webinars will be archived for later viewing. The AcSB will also be hosting roundtables later in the comment period.

To stay up to date on these and any other developments, review the **Consolidations** project page.

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ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ENTERPRISES

Improvements to Not-for-Profit Standards

In conjunction with the Public Sector Accounting Board, the Accounting Standards Board (AcSB) has extended the comment period on the Statement of Principles, "Improvements to Not-for-Profit Standards," to December 15, 2013 from September 15, 2013 to allow sufficient time for stakeholders to respond. AcSB representatives will also be meeting with interested stakeholders across Canada over the comment period – watch for announcements of individual meetings in your area and participate in the discussion.

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VOLUNTEERS

Arrivals and departures

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

We welcome the following new members:

Academic Advisory Council

- Jeff Pittman
- Ole-Kristian Hope
- Joy Begley

Conceptual Framework Discussion Group

- Brian Banderk
- Karyn Brooks
- Guy Jones
- Kerry Danyluk
- Gabriela Kegalj
- Scott Sorenson

**Insurance Accounting Task Force**

- Nick Bauer
- Jim Christie
- Neil Haynes
- Kenneth Hotton
- Mario Mendonca
- Amir Poliszuk
- Renée Chen

We thank the following retiring members for their valued contributions:

Academic Advisory Council

- Joan Conrod
- Bill Scott

Conceptual Framework Discussion Group

- Bill Scott

Insurance Accounting Task Force

- Mark Causevic
- John Craven
- Helmut Engels
- Richard Gauthier
- Noeline Simon

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 Drafts

Insurance Contracts

- comment deadline is October 25, 2013

Agriculture: Bearer Plants (Proposed amendments to IAS 16 and IAS 41)

- comment deadline is October 28, 2013

Discussion Paper

A Review of the Conceptual Framework for Financial Reporting

- comment deadline is January 14, 2014

Accounting Standards Board

Invitation to Comment

2011-2014 Strategic Plan: Proposed Extension to the Term of the Plan

- comment deadline is September 24, 2013

Exposure Drafts

Consolidations

- comment deadline is November 11, 2013

Joint Arrangements and Investments

- comment deadline is November 11, 2013

Statements of Principles

Improvements to Not-for-profit Standards

- comment deadline is December 15, 2013

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