

Accounting Standards Board

Decision Summary

April 29, 2009

This summary of Accounting Standards Board (AcSB) decisions has been prepared for information purposes only. Decisions reported are tentative and reflect only the current status of discussion on projects, which may change after further deliberations by the AcSB. Decisions to publish Handbook material are final only after a formal ballot process.

For more detailed information on AcSB projects, including the decisions summarized below, please refer to the project summaries under [Projects](#), which will be updated within the month following an AcSB meeting.

Economic Environment

The AcSB decided to develop proposals to converge with international standards regarding impairment of debt instruments. This decision is consistent with the AcSB's strategy of adopting IFRSs for publicly accountable enterprises in 2011. The changes would align Canadian GAAP more closely with IFRSs in this area. The changes also would narrow differences with new US requirements.

More specifically, the AcSB decided as follows:

- To adopt the definition of loans and receivables from IAS 39, Financial Instruments: Recognition and Measurement. As a result, debt instruments not quoted in an active market could be classified as loans and receivables, and impairment would be assessed using the incurred credit loss model of Section 3025, Impaired Loans. At the same time, Section 3855, Financial Instruments — Recognition and Measurement, would be amended so that loans and receivables that an entity intends to sell immediately or in the near term must be classified as “held for trading”.
- The impairment model for held-to-maturity financial assets would be changed to the incurred credit loss model of Section 3025. This would produce the same net income result as both IFRSs and US GAAP for impairments of debt instruments in this category of financial assets.
- Section 3855 would be changed to require the reversal of an impairment loss relating to an available-for-sale debt instrument when, in a subsequent period, the fair value of the instrument increases and the increase can be objectively related to an event occurring after the loss was recognized. IAS 39 already requires such reversals.
- The proposals would be applied to investments held by an entity as of the beginning of the interim period in which they are adopted. On transition, an entity would be able to transfer a debt instrument from the available-for-sale category to the held-to-maturity or loans and receivables categories at amortized cost less impairment measured in accordance with Section 3025.

Disclosures would explain the effect of any changes in accounting policies or reclassifications on adoption of the proposals.

The AcSB will issue an exposure draft by May 30, 2009 with a 30-day comment period. The AcSB plans to review the responses to that exposure draft in July 2009 and finalize amendments in time for adoption for years ending on or after October 31, 2009, with earlier adoption permitted in financial statements not yet issued.

In keeping with the AcSB's policy of making changes to Canadian GAAP only when they are consistent with IFRSs, it will not adopt the guidance in the FASB Staff Position (FSP) on FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments." Certain aspects of this guidance, including the requirement to bifurcate other-than-temporary impairment losses relating to held-to-maturity and available-for-sale debt securities, contravene IAS 39. The AcSB noted that the IASB decided similarly on April 23, 2009.

The AcSB also observed and decided as follows:

- FSP on FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly," is consistent with Section 3855. The AcSB noted that the IASB has confirmed that FSP on FAS 157-4 is consistent with the guidance on IFRSs contained in the IASB's Expert Advisory Panel report, "Measuring and disclosing the fair value of financial instruments in markets that are no longer active."
- Regarding FSP on FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments," the AcSB noted that the IASB is expected to issue an exposure draft on fair value measurement in May 2009 that will propose additional disclosure requirements about fair value for interim financial reports and take into account the requirements in the FSP. The AcSB will issue the exposure draft in Canada once it is available.