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ACTIVITIES OF THE CANADIAN ACCOUNTING STANDARDS BOARD AND STAFF

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MESSAGE FROM THE CHAIR

Next Generation of Standards
for Not-for-Profit Organizations

Standards for publicly accountable enterprises and private enterprises have undergone significant changes over the past few years under the Accounting Standards Board's

(AcSB) current strategies. Those standards consumed the majority of the AcSB's time and attention, with considerable progress achieved. However, not-for-profit organizations (NFPOs) are just as important to Canadian society as business enterprises. NFPOs deserve financial reporting standards of the same quality as those applied by other sectors. The AcSB, in collaboration with the Public Sector Accounting Board (PSAB), is now turning its attention to improving the standards for this sector.

The Canadian not-for-profit sector is large and diverse. It includes such entities as educational, health and social service organizations, charities, clubs, professional and trade associations, and religious organizations. One **survey** estimated approximately 161,000 separate entities in this sector, of which just over half are registered charities. By way of comparison, there are about 4,000 public companies and 2,000,000 private enterprises in Canada. A small number of NFPOs, such as large universities and hospitals, rival major public companies in size. However, most organizations are small. The diversity within the not-for-profit sector poses some challenges in identifying accounting principles that address the features unique to this sector.

Most of the standards for not-for-profit organizations in Part III of the CICA Handbook – Accounting and the corresponding “PS 4200 series” in the CICA Public Sector Accounting (PSA) Handbook, were first issued in March 1996. The standards were developed over the preceding six years and represent the thinking of twenty years ago. They were developed as a means of moving not-for-profit sector financial reporting onto a GAAP basis, involving some practical accommodations to achieve that objective. In some respects, they are out of step with the standards for other sectors that have evolved since 1996.



The recent major structural changes to the CICA Handbook – Accounting that resulted in the creation of Part III left existing standards essentially unchanged. Any financial reporting changes experienced by NFPOs in 2012 have resulted from initial application of standards in Part II or, more significantly, the migration of some organizations to the PSA Handbook. The AcSB and PSAB each concluded that it is time for a fundamental reconsideration of all of the standards specific to NFPOs, in both the private and public sectors.

The initial work of reviewing and assessing the current not-for-profit standards was taken on by an advisory task force appointed jointly by the AcSB and PSAB. The Joint Not-for-Profit Task Force comprises individuals from both the public and private sectors with backgrounds in the preparation, audit and use of not-for-profit organizations' financial statements, as well as an academic. The Task Force met nine times over a span of 20 months. After considerable debate, the Task Force developed a set of principles as a basis for developing new standards. Each Board discussed an initial draft of a statement of principles at their September 2012 meetings and a revised draft at their December meetings. After a thorough review, each Board approved the principles, subject to some redrafting and improvements to the related commentary and invitation to comment.

The bulk of the work to develop the proposed principles has already taken place and the statement of principles will be finalized for publication in 2013. The Boards plan to have an extended comment period to allow as many stakeholders as possible to provide their views. There is also a major outreach program planned to ensure that the proposals are widely circulated and well understood by affected stakeholders. Anyone associated with an NFPO, in any capacity, is invited to participate in the development of improved financial reporting for this important sector.

GORD FOWLER

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MATTERS TO BE CONSIDERED — 2012 AND 2013 FISCAL YEARS

International Financial Reporting Standards

Annual Improvements — New Cycle Just Released!

The International Accounting Standards Board (IASB) has recently issued the Exposure Draft, “**Annual Improvements to IFRSs 2011-2013 Cycle**.” These annual improvements consist of small changes that are non-urgent but necessary. The process was put in place by the IASB to enhance the quality of the standards by clarifying guidance and wording, or to correct for minor unintended consequences or oversights through these amendments.

The amendments proposed in the Exposure Draft are to:

- IFRS 3 *Business Combinations* — Amend the scope exemption for joint ventures to exclude the formation of all types of joint arrangements and clarify that the scope exemption applies only to the financial statements of the joint arrangement itself.
- IFRS 13 *Fair Value Measurement* — Clarify that the portfolio exception applies to all contracts within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments*, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 *Financial Instruments: Presentation*.
- IAS 40 *Investment Property* — Clarify that judgment is required to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 and that this judgment is based on the guidance in IFRS 3, not IAS 40.

The Exposure Draft also contains an addition to the Basis for Conclusions for IFRS 1 *First-Time Adoption of International Financial Reporting Standards* to clarify which version of an IFRS should be applied in an entity’s first IFRS financial statements when a new or revised IFRS has been issued, but is not mandatory.

Comments to the IASB and Accounting Standards Board Exposure Drafts are requested by February 18, 2013.

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Employee Benefits: Providing a Clear Picture of the Promise

The International Accounting Standards Board (IASB) improved the financial reporting toolkit with the issuance of IAS 19 *Employee Benefits* (Amended in 2011) in June 2011. This amended standard was incorporated into Part I of the CICA Handbook – Accounting in November 2011.

As a result of the amendments, enterprises will present in their statement of financial position a better representation of the liability (or asset) for their promises relating to defined benefit plans. Specifically, the amendments focus on the following areas that were most in need of improvement:

- Recognition — the elimination of the option to defer the recognition of gains and losses resulting from defined benefit plans (the corridor approach).
- Presentation — the elimination of options for the presentation of gains and losses relating to those plans.
- Disclosures — the improvement of disclosure requirements concerning the characteristics of defined benefit plans and the risks arising from those plans.

The amendments also incorporate changes to the accounting for termination benefits, and clarify some areas of diversity in application, including accounting for risk-sharing features and the classification of benefits.

IAS 19 (Amended in 2011) is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

For further information about IAS 19 (Amended in 2011), see these resources:

- Read “Employee Benefits: Presenting the True Promise” included in the FYI’s **Special Edition 2011**.
- Visit the IASB’s web project page at **Post-employment benefits (including pensions)**. Click on “Defined Benefit Plans” and “Termination Benefits” for information such as a Project Summary and Feedback Statement, as well as an archived webcast.

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IFRS 10, 11 and 12 – Adoption Time Is Here!

Canadian public entities are running out of time to prepare for the initial adoption of IFRS 10, IFRS 11 and IFRS 12. Transition to the revised standards on consolidations, joint arrangements and disclosure of interests in other entities is fast approaching!

IFRS 10 *Consolidated Financial Statements* provides a control-based requirement for consolidation that applies to all types of interests in other entities. The standard provides guidance for circumstances in which voting rights give the investor power over the investee, including potential voting rights such as options and convertible instruments. The



standard also provides guidance for circumstances in which voting rights are not the dominant factor in deciding control, agency relationships exist or the investor has control over specified assets of an investee.

IFRS 11 *Joint Arrangements* distinguishes “joint ventures”, which give parties rights to the net assets of a joint arrangement, from “joint operations”, in which parties participate directly in the assets, liabilities, revenues and expenses of a joint arrangement. The standard requires a joint venturer to account for its investment using the equity method, unless the entity is exempt from applying the equity method as specified in IAS 28 *Investments in Associates and Joint Ventures*. IFRS 11 requires a joint operator to account for the assets and liabilities and the related revenues and expenses in relation to its interest in the arrangement.

IFRS 12 *Disclosure of Interests in Other Entities* requires an entity to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, an entity’s various types of interests in other entities and the effects of those interests on the entity’s financial statements.

The International Accounting Standards Board issued guidance in June 2012 to clarify the transitional provisions in IFRS 10 and provide additional transitional relief for the initial application of all three standards. Read “IFRS 10, IFRS 11 and IFRS 12: Transition Relief in Time for Adoption,” in the FYI’s **October 2012 edition** to learn about the relief available.

In October 2012, the **IFRS Discussion Group** met to discuss several issues affecting Canadian preparers in applying IFRS 10, IFRS 11 and IFRS 12. Specifically, the Group discussed the complexities that arise when a change of basis occurs upon adoption of IFRS 10 and IFRS 11. These complexities can arise when the investee’s financial information is not prepared in accordance with International Financial Reporting Standards (IFRSs). The Group discussed standard-specific implementation challenges that could arise in that situation. Such challenges include what to do when an investee is required to be consolidated by IFRS 10 and does not meet the definition of a business in IFRS 3 *Business Combinations*. The Group discussed which standards an entity ought to consider in those circumstances. The discussion reinforced the need for preparers to start work early and be prepared to deal with the complexities that might arise.

IFRS 10, IFRS 11 and IFRS 12, along with the amendments to transitional requirements for these standards, become effective for annual periods beginning on or after January 1, 2013.

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Reminder – Derecognition Disclosures: Uncovered

The International Accounting Standards Board (IASB) enhanced the disclosure requirements for transfers of financial assets that result in derecognition by issuing amendments to IFRS 7 *Financial Instruments: Disclosures* in October 2010. These amendments were incorporated into Part I of the CICA Handbook – Accounting in January 2011.

They respond, in part, to the 2008 financial crisis. Entities are required to provide more extensive quantitative and qualitative disclosures about:

- risk exposures relating to transfers of financial assets that are not derecognized in their entirety, or derecognized in their entirety, but with which the entity continues to have some continuing involvement; and
- the effect of those risks on an entity's financial position.

To help entities identify transfers of financial assets and continuing involvement in a transferred asset for disclosure purposes, the IASB has provided additional guidance.

The amendments to IFRS 7 for derecognition disclosures are effective for annual periods beginning on or after July 1, 2011. An entity need not apply the disclosures for any period presented that begins before the date of initial application of the amendments.

For tips to consider in adopting these amendments and for further information:

- read "Derecognition Disclosures: Upfront and Centre," included in FYI's [Special Edition 2011](#); and
- refer to the IASB's web project page at [Derecognition – Disclosures](#).

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Standards for Private Enterprises

2012 Annual Improvements

The second iteration of the annual improvements process has finished and is now included in Part II of the CICA Handbook – Accounting. The amendments to Part II are discrete in nature, providing necessary improvements to several areas of the Handbook.

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.

The following provides a high-level summary of the changes resulting from the 2012 Annual Improvements project:

- Section 1520, *Income Statement*, was amended in several areas so that Part II is internally consistent.



- Section 1582, *Business Combinations*, requires acquisition-related costs to be expensed. The only exception is the costs to issue equity securities that are recognized in accordance with Section 3610, *Capital Transactions*. The amendment to Section 1582 extends that exception to the cost of issuing debt securities and requires those costs to be recognized in accordance with Section 3856, *Financial Instruments*.
- Section 1590, *Subsidiaries*, provides an accounting policy choice; an entity can consolidate its subsidiaries or account for them under the equity or cost methods. The amendment provides guidance on the accounting for acquisition costs or contingent consideration when a subsidiary is accounted for using the equity or cost method. The initial accounting should be the same as when the subsidiary is consolidated (i.e., the policy choice should not make a difference in accounting for those two items).
- Section 1651, *Foreign Currency Translation*, was amended to correct an inconsistency and provide guidance in respect of the accounting when an entity's interest in a subsidiary is reduced, but the entity still has control of the subsidiary.
- Section 3051, *Investments*, was amended to provide guidance in respect of dilution gains and losses. The standard now requires recognition of gains and losses resulting from the dilution of an entity's interest in an investee accounted for using the equity method.

For more details on these amendments, watch the webcast, "Accounting Standards for Private Enterprises (ASPE): 2012 Annual Improvements".

A **Background Information and Basis for Conclusions** document, which sets out how the Accounting Standards Board (AcSB) reached its conclusions as well as the significant matters arising from comments received in response to its Exposure Draft, is also available.

Effective date and transitional provisions

The changes are effective for years beginning on or after January 1, 2013, with earlier application permitted. The changes to Sections 1520, 1582, and 1590 are to be applied retrospectively. Changes to Section 1651 and 3051 may be applied retrospectively or prospectively.

Help us to help you

As noted above, the annual improvements process consists of fixing things that need fixing. The AcSB and its Private Enterprise Advisory Committee rely on stakeholders to inform them of the issues, 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 annual cycle. The 2013 annual improvements process is underway. Issues to be addressed will need to be submitted as soon as possible. Please submit issues electronically to the email address noted below.



The Private Enterprise Advisory Committee assists the AcSB in maintaining and improving accounting standards for private enterprises. This Committee established **Criteria for Annual Improvements** to help it assess whether to recommend to the AcSB that a specific issue should be addressed as part of the annual improvements process. Stakeholders are encouraged to 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.

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Standards for Pension Plans

Pension Plans: Enhancements and Clarifications

Are you aware of recent enhancements and clarifications made to accounting standards for pension plans? Amendments to Section 4600, *Pension Plans*, in Part IV of the Handbook were made in:

- November 2011, for fair value measurement;
- May 2012, to the scope of the Section to include plans providing benefits during employees' active service; and
- July 2012, to the fair value disclosure requirements.

Fair value measurement enhancement

Section 4600 requires pension plans to follow the fair value measurement guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 13 *Fair Value Measurement* was incorporated into Part I of the CICA Handbook – Accounting in November 2011 and replaces the guidance on fair value measurement in IAS 39. The Accounting Standards Board (AcSB) amended Section 4600 so that a pension plan is required to apply the fair value measurement guidance in Part I, rather than referring to a specific IFRS. For 2012, a pension plan may use the guidance in IAS 39 or that in IFRS 13. Effective in 2013, the guidance in IFRS 13 must be used.

To be consistent with the measurement modifications, the AcSB amended the recognition requirements to refer generally to either Part I or Part II of the Handbook.

To find out more about these fair value measurement enhancements, read "Pension Plans: Enhancing the Toolkit" included in the **FYI Special Edition 2011**.

Scope — Benefit plans providing benefits during active service

Some stakeholders with benefit plans providing benefits during active service were unclear whether Section 4600 applies to these benefit plans. In May 2012, the AcSB amended the definition of a benefit plan in this Section to clarify that benefit plans providing benefits to employees



during their active service are within the scope of Section 4600. A corresponding amendment was made to the definition of a benefit plan in the Preface to the Handbook.

The Introduction to Part IV was amended to state that first-time adoption of this Part of the Handbook by benefit plans providing benefits during active service is mandatory for annual financial statements relating to fiscal years beginning on or after January 1, 2012. Earlier application is permitted.

These amendments ensure that benefit plans providing benefits to employees during active service, after active service, or both, are accounted for on a consistent basis in accordance with the accounting standards for pension plans.

Fair value disclosure requirements

For those investments that are financial instruments, Section 4600 requires the disclosures in IFRS 7 *Financial Instruments: Disclosures* in Part I of the Handbook, including those on fair value. In July 2012, the AcSB incorporated the fair value disclosures from IFRS 7 into Section 4600. These disclosure requirements are no longer included in IFRS 7 as they are now included in IFRS 13. The more extensive fair value disclosures in IFRS 13 are not required for pension plans. This amendment ensures consistent continuing disclosures about fair value. So, no gap in GAAP!

Background Information and Basis for Conclusions documents

To find out more about these amendments, in addition to reviewing the amended Section 4600, take a look at the following Basis documents:

- **Fair Value Measurement by Pension Plans — Amendments to Section 4600;** and
- **Benefit Plans and Fair Value Disclosures by Pension Plans — Amendments to Section 4600.**

Bookmark our web page

For quick future reference of resources about accounting standards for pension plans, bookmark **Pension Plans**.

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RECENT CHANGES

International Financial Reporting Standards

Fair Value for Investment Entities – At Last!

The International Accounting Standards Board (IASB) listened to concerns raised by investment funds and the users of their financial statements that consolidation does not provide useful or relevant information about an investment entity's financial position or performance. In October 2012, the IASB issued an amendment to IFRS 10 *Consolidated Financial Statements* to provide an exception to consolidation for investment entities. The amendment applies for annual periods beginning on or after January 1, 2014, with earlier application permitted.

An entity that meets the definition of an investment entity is required to measure its subsidiaries at fair value through profit and loss in accordance with IFRS 9 *Financial Instruments* or IAS 39 *Financial Instruments: Recognition and Measurement*. The amendment also introduces new disclosure requirements for investment entities in IFRS 12 *Disclosure of Interests in Other Entities*.

In order to qualify, an entity is required to meet all of the following criteria to capture the business model and core activities of investment entities:

- The entity obtains funds from one or more investor(s) to provide those investor(s) with investment management services.
- The entity commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- The entity measures and evaluates the performance of substantially all of its investments on a fair value basis.

An investment entity typically has the following characteristics:

- more than one investment;
- more than one investor;
- investors that are not related parties of the entity; and
- ownership interests in the form of equity or similar interests.

If an entity does not meet one or more of the typical characteristics, it will need to use additional judgment to determine whether it is an investment entity and it will need to disclose its reasons for concluding that it is an investment entity.

These amendments will be incorporated into Part I of the CICA Handbook – Accounting in January 2013. At last, investment companies in Canada that are publicly accountable enterprises can, as required, adopt International Financial Reporting Standards (IFRSs) for annual periods beginning on or after January 1, 2014.

Calendar year reporters need to prepare their comparative financial information on an IFRS basis as of January 1, 2013, the date of transition to IFRSs.

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Pension Funds – Finally a Home!

Are you aware of the Accounting Standards Board's (AcSB) recent decision to discontinue its deferred pension plans scope expansion project?

Following the International Accounting Standards Board's (IASB) issuance of amendments to IFRS 10 *Consolidated Financial Statements* for investment entities (read "**Fair Value for Investment Entities — At Last**" in this edition of FYI), the AcSB decided, at its December 2012 meeting, to discontinue its deferred project to expand the scope of Section 4600, *Pension Plans*, in Part IV of the CICA Handbook – Accounting.

Background

In April 2010, the AcSB issued the Exposure Draft, "**Pension Plans (Proposed amendment to the Scope of Section 4600)**", proposing to expand the scope of Section 4600 to include "an entity that is separate from a pension plan and whose sole purpose is to hold and invest assets received from one or more pension plans, but does not itself have a pension obligation" (i.e., a "pension fund" for purposes of this article). To understand why this project was initiated by the AcSB, refer to the "Background" in this Exposure Draft.

The AcSB deferred this scope expansion project when the IASB initiated its Investment Entities project as that project would introduce an exception to consolidating particular subsidiaries for investment entities. As stated in the AcSB's Exposure Draft, "the AcSB will continue to monitor the ... [Investment Entities project] and will reassess the continued need for this scope amendment once the IASB finalizes its conclusions."

Current GAAP

Under the Handbook, publicly accountable enterprises, other than pension plans and specific benefit plans, apply the International Financial Reporting Standards (IFRSs) in Part I of the Handbook. Currently, first-time adoption for investment companies that are publicly accountable enterprises and that qualify for the deferral in the Introduction to Part I is not mandatory until 2014. Accordingly, qualifying investment companies such as some pension funds may have continued to follow the pre-changeover standards in Part V — at least until now.

A new home

The IASB issued amendments to IFRS 10 for investment entities and concluded the Investment Entities project. The AcSB decided at its December 2012 meeting to discontinue its deferred project to expand the scope of Section 4600.

Consequently, investment companies in Canada that are publicly accountable enterprises, such as some pension funds, must now prepare for the changeover to IFRSs for their interim and annual financial statements relating to annual periods beginning on or after January 1, 2014.

Calendar year reporters need to prepare their comparative financial information on an IFRSs basis as of January 1, 2013, the date of transition to IFRSs.



To learn more about preparing for the changeover to IFRSs, investment companies may wish to read “Investment Companies: Are You Preparing for the Changeover to IFRSs?” included in the **August 2012 edition of FYI**.

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CURRENT ACTIVITIES

International Financial Reporting Standards

IASB Agenda Consultation 2011 – Responses Are In!

On July 26, 2011, the International Accounting Standards Board (IASB) launched its first formal public **agenda consultation** on its future work plan. The IASB sought input from all interested parties on the strategic direction and the broad overall balance of the work plan. Your views have helped shape the IASB's future agenda and assisted the IASB to prioritize standard-setting projects.

What did the IASB hear?

Key comments on strategic areas

- Work on the Conceptual Framework is a priority.
- Focus on implementation and maintenance of the standards and on post-implementation review.
- Restrict the number of standards-level projects.
- Promote a broad research and development program.

Key comments on the standard-setting process

- Complete the four current Memorandum of Understanding projects.
- Provide a period of calm.
- Work more effectively with a network of standard setters.

What will the IASB be doing?

During its consultation process, the IASB confirmed that, on an ongoing basis, it is committed to actively maintaining existing IFRSs through its IFRIC interpretations and its annual improvements processes.

The IASB is also committed to undertaking post-implementation reviews. The IASB supports activities that help achieve a high level of consistent interpretation and application of IFRSs.

The IASB and the IFRS Interpretations Committee will work in partnership to give guidance that responds to the implementation needs of those applying IFRSs.

In response to the feedback received, the IASB agreed to do the following over the next three years:

- Give priority to work on the Conceptual Framework project and focusing on elements, measurement, reporting entity, and presentation and disclosure.



- Give priority to the following standards-level projects:
 - limited-scope project on IAS 41 *Agriculture* (bearer biological assets);
 - rate-regulated activities; and
 - the equity method in separate financial statements.
- Host a public forum on January 28, 2013 in London, U.K. to assess strategies for improving the quality of financial reporting disclosures, within the existing disclosure requirements.
- Give priority to recommencing research on emissions trading schemes and business combinations under common control.
- Initiate a research program, focusing initially on:
 - discount rates;
 - the equity method of accounting;
 - extractive activities/intangible assets/research and development;
 - financial instruments with the characteristics of equity;
 - foreign currency translation;
 - non-financial liabilities; and
 - financial reporting in high-inflation and hyperinflationary economies.
- Establish a consultative group to assist the IASB with matters related to Shariah law.

How has the IASB taken action?

The IASB added the following projects to its work plan:

- Bearer Biological Assets (limited-scope project on IAS 41) – an exposure draft is expected to be issued in the first half of 2013.
- Conceptual Framework – a discussion paper is expected to be issued in the first half of 2013.
- Rate-regulated Activities – a discussion paper is expected to be issued in the second half of 2013.

What are the next steps?

The IASB plans to publish a feedback statement on the agenda consultation process in the fourth quarter of 2012.

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IFRS Discussion Group

Recent meeting in Vancouver – October 18, 2012

Read the IFRS Discussion Group's detailed report and hear the [audio webcasts](#).

2012 year-end reporting considerations

Learn more about the following topics that were particularly relevant to exploration and evaluation stage entities:

- meaning of "significant or prolonged" decline in fair value of an investment in an equity instrument below its cost;



- impairment of exploration and evaluation assets; and
- going concern assessments and disclosures for development stage entities.

2013 transition to IFRS 10 and IFRS 11

Find out about the following complex issues that some entities will face upon transition to these new standards:

- Retrospective transition issues when a change in basis arises:
 - transition from non-consolidation to consolidation, consolidation to non-consolidation, equity method to accounting for a share of assets and liabilities of a joint operation, or proportionate consolidation to the equity method for a joint venture;
 - broader effects on foreign exchange translation, borrowing costs, hedging, impairment and acquisitions that are not businesses; and
 - complexities of the interaction with IFRS 1 *First-time Adoption of International Financial Reporting Standards* exemptions and elections.
- De facto control when an entity owns less than 50 per cent of the shares of another entity but has control under IFRS 10.

Upcoming Meeting in Toronto – January 11, 2013

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

2013 transition to IFRS 12, IFRS 13, and IAS 19

The Group will consider the initial application issues including:

- providing the disclosures required by IFRS 12 *Disclosure of Interests in Other Entities* and IFRS 13 *Fair Value Measurement* in the first quarter 2013 interim financial statements;
- making prospective transition adjustments for IFRS 13; and
- considering the implications of applying IAS 19 *Employee Benefits* (Amended in 2011) other than for defined benefit plans;

2012 year-end reporting considerations

The Group will discuss other topics such as:

- measurement of an investment in a private company;
- liability or equity treatment for convertible debt with cash settlement options for equity linked conversion features;
- when to accelerate the recognition of share-based payment expenses; and
- subsequent events on uncertain tax positions;

Get more [meeting details from the AcSB's website](#).

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Future Strategy for IFRSs: Answers to Key Questions

The IFRS Foundation and its Monitoring Board issued reports in 2012 that set out their objectives and strategies for the next decade. These reports resulted from their recent strategy and governance reviews and provide the following answers to these key questions:

What is the long-term goal for IFRSs?

International Financial Reporting Standards (IFRSs) are adopted globally and are applied in their entirety and without modification.

Will the United States and Japan commit to adopting IFRSs?

The IFRS Foundation Trustees assumed in setting the future strategy that the U.S. and Japan will commit, in some form, on the adoption of global standards for their domestic economies. Otherwise, the Trustees will need to revisit aspects of their strategy and the geographic distributions of the membership of the Trustees and the International Accounting Standards Board (IASB).

What actions will be taken to improve the consistent application of IFRSs internationally?

The IASB is to issue understandable, principle-based standards and work with regulators, accounting standard setters and others to identify divergence in practice. The IFRS Interpretations Committee is to use its tool kit and take an active role by providing guidance to address divergence.

How will the IASB foster confidence and support for its independence in its agenda-setting process?

The IASB will provide public feedback that demonstrates how it considered input from stakeholders and its Advisory Council as to how it sets its priorities and its standard-setting agenda.

Who holds the IASB accountable for the standards it sets?

The IFRS Foundation Trustees' Due Process Oversight Committee and stakeholders do. The Committee is enhancing its role by reviewing and discussing the IASB's compliance with due process throughout the standard-setting process, and at the end of the process, before a standard is finalized. Stakeholders can submit concerns to the Committee for consideration and provide feedback on new standards as part of post-implementation reviews.

What is the role of the Monitoring Board?

The Monitoring Board is to monitor, not participate in, how the IFRS Foundation Trustees oversee the IASB's standard-setting activities on behalf of the capital markets that the Monitoring Board's members represent.

How will the Monitoring Board support the long-term goal for IFRSs?

The Monitoring Board will require its members, including those members from the U.S. and Japan, to make a strong commitment to supporting the development of high-quality international accounting standards,



and to demonstrate that commitment through the use of IFRSs in their capital markets.

Read “[IFRSs as the Global Standards: The IFRS Foundation and Monitoring Board’s New Strategies](#)” included in the FYI’s April 2012 edition for additional insights.

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Rate-regulated Activities in a Nutshell

The International Accounting Standards Board (IASB) has reactivated its **Rate-regulated Activities** project and plans to issue a discussion paper by the end of 2013. However, any guidance resulting from the project, be it a new International Financial Reporting Standard (IFRS) or amendments to existing standards, is unlikely to be issued before 2016.

Here in Canada, the Accounting Standards Board (AcSB) has extended its deferral of the mandatory changeover date to IFRSs for this sector to January 1, 2014. It did so:

- in the hopes that the IASB would develop interim guidance permitting the continuation of industry practice under pre-changeover Canadian GAAP until it completes its larger project; and
- to avoid two sets of changes for rate-regulated first-time adopters.

Faced with continuing uncertainty about the final outcome of the IASB’s activities on this project, entities in this sector have chosen from among the following available accounting frameworks:

- pre-changeover standards in Part V of the CICA Handbook – Accounting, if the entity is using the AcSB’s deferral;
- U.S. GAAP, if the entity:
 - is a registrant of the U.S. Securities and Exchange Commission (SEC) and, therefore, has always had the option of applying U.S. GAAP;
 - is not an SEC registrant but has obtained permission from Canada’s securities regulators to apply U.S. GAAP until the beginning of 2015; or
 - is subject to government legislation requiring it to apply U.S. GAAP.
- IFRSs, if the entity doesn’t qualify for the securities regulators’ relief described above and has chosen not to use the AcSB deferral;
- “IFRSs plus” (i.e., IFRSs except for the effects of rate regulation, which are accounted for in accordance with U.S. GAAP in this area), again, when required by government legislation; and
- accounting standards for private enterprises in Part II, if the entity qualifies and chooses to use those standards in place of IFRSs.

The AcSB has taken every opportunity to tell the IASB that the current diversity in accounting frameworks being applied in Canada is unacceptable. Further, it continues to advocate for the interim solution described



in the second paragraph. We expect an IASB decision on an interim standard shortly.

Check our [featured item](#) on rate-regulated activities for developments.

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Standards for Private Enterprises

Consolidations: Change Is in the Works

The Accounting Standards Board (AcSB) has agreed with preparers and advisors that Accounting Guideline AcG-15, *Consolidation of Variable Interest Entities*, in Part II of the CICA Handbook – Accounting, is complex and often requires significant effort to apply. To address these concerns, the AcSB is developing guidance for enterprises to evaluate whether contractual arrangements, other than voting interests, confer control over another enterprise and the ability to obtain future economic benefits from it.

The AcSB has decided that the draft guidance should identify when an enterprise controls another enterprise through mechanisms other than ownership of an equity interest. The guidance will require an enterprise to consider all facts and circumstances, such as its involvement in the design of the other enterprise, any call or liquidation rights when determining control, and the ability to obtain future economic benefits. The AcSB also is considering including elements from IFRS 10 *Consolidated Financial Statements*, such as the guidance on franchise arrangements.

The draft transitional provisions will provide relief to assist an enterprise that applies the new guidance, or chooses to begin preparing consolidated financial statements when the guidance becomes effective.

Keep up to date on the development of the revised guidance via the [Consolidations web project page](#). The AcSB plans to issue an exposure draft in the third quarter of 2013.

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Greener Pastures: Accounting for Agriculture

The Accounting Standards Board is currently working to fill a void in respect of accounting for agricultural assets. Currently, there is no standard dealing with these assets in Part II of the CICA Handbook – Accounting and the result is significant diversity in practice. This diversity is causing problems for many stakeholders, primarily financial statement users.



Issues to be addressed by this project include:

- when a biological asset should be recognized;
- how it should be measured on initial recognition;
- how it should be measured in subsequent periods;
- how agricultural produce at the point of harvest should be accounted for; and
- what disclosures should be required.

The standard will be built from the ground up based on extensive research and consultations with a wide variety of stakeholders from across the country. Because it will be a totally new standard, the first step, prior to development of an exposure draft, will be publication of a discussion paper. This paper will include a comprehensive overview of the issues, possible approaches in addressing the issues, preliminary views on the issues, and an invitation to comment.

The discussion paper is expected to be ready for publication late in 2013.

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Standards for Not-for-Profit Organizations

Watch for Ongoing Activities on Two Fronts ...

... amendments to Part II ...

Part III of the CICA Handbook – Accounting became effective for fiscal years beginning on or after January 1, 2012. A not-for-profit organization (NFPO) that applies Part III also applies accounting standards for private enterprises in Part II of the Handbook to the extent that the Part II standards address topics not addressed in Part III.

As a consequence, NFPOs should monitor activities of the Accounting Standards Board (AcSB) that could result in changes to Part II that will affect them.

One such standard in Part II relates to employee future benefits. The AcSB is currently discussing whether, and to what extent, the amendments proposed to the current provisions of that standard should apply to not-for-profit organizations.

... and the joint standards improvements project

The AcSB and the Public Sector Accounting Board have been working together since early 2011 to improve not-for-profit standards to meet users' needs better. See the Chair's message for this edition of FYI, "Next Generation of Standards for Not-for-Profit Organizations".

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DOCUMENTS FOR COMMENT DEADLINES

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

IFRS Foundation

Invitation to Comment

Proposal to Establish an Accounting Standards Advisory Forum

- comment deadline is December 17, 2012

International Financial Reporting Standards

Exposure Drafts

[Annual Improvements to IFRSs 2011 – 2013 Cycle](#)

- comment deadline is February 18, 2013

[Equity Method: Share of Other Net Asset Changes](#)

- comment deadline is March 22, 2013

Classification and Measurement: Limited Amendments to IFRS 9

- comment deadline is March 28, 2013

[Clarification of Accepted Methods of Depreciation and Amortisation: Proposed amendments to IAS 16 and IAS 38](#)

- comment deadline is April 2, 2013

Accounting Standards Board

[Incorporating IFRSs into Canadian GAAP \(Amendment to the Preface to the CICA Handbook – Accounting and Introduction to Part I\)](#)

- comment deadline is February 28, 2013

Watch the AcSB's homepage for announcements of further IASB exposure drafts expected in the coming weeks.

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WEBCASTS

Listen to these new AcSB webcasts, which will provide comprehensive updates and overviews on projects and initiatives for 2012 and beyond:

- [2012 Accounting Standards Board Update on Part I of the Handbook](#) (December 2012)
- [2012 Accounting Standards Board Update on Part II and III of the Handbook](#) (December 2012)
- [Accounting Standards for Private Enterprises \(ASPE\): 2012 Annual Improvements](#) (December 2012)

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CHANGES TO IFRSs

This summary identifies new and revised International Financial Reporting Standards (IFRSs) and amendments to IFRSs that the International Accounting Standards Board (IASB) has issued recently or will issue shortly. Each change is effective for annual periods beginning on or after the date noted.

Effective January 1, 2011

- IAS 24 *Related Party Disclosures* (Revised in 2009)
- IFRIC 14 IAS 19 — *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
 - *Prepayments of a Minimum Funding Requirement* (Amendments to IFRIC 14)
- Amendments to IFRSs resulting from the 2008–2010 cycle of the annual improvements project

Effective July 1, 2011

- IFRS 1 *First-time Adoption of International Financial Reporting Standards*
 - *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (Amendments to IFRS 1)
- IFRS 7 *Financial Instruments: Disclosures*
 - *Disclosures — Transfers of Financial Assets* (Amendments to IFRS 7)

Effective January 1, 2012

- IAS 12 *Income Taxes*
 - *Deferred Tax: Recovery of Underlying Assets* (Amendments to IAS 12)

Effective July 1, 2012

- IAS 1 *Presentation of Financial Statements*
 - *Presentation of Items in Other Comprehensive Income* (Amendments to IAS 1)

Effective January 1, 2013

- IFRS 1 *First-time Adoption of International Financial Reporting Standards*
 - *Government Loans* (Amendments to IFRS 1)
- IFRS 7 *Financial Instruments: Disclosures*
 - *Disclosures — Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7)



- IFRS 10 *Consolidated Financial Statements* (New in 2011; incorporates *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* (Amendments to IFRS 10, IFRS 11 and IFRS 12))
- IFRS 11 *Joint Arrangements* (New in 2011; incorporates *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* (Amendments to IFRS 10, IFRS 11 and IFRS 12))
- IFRS 12 *Disclosure of Interests in Other Entities* (New in 2011; incorporates *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* (Amendments to IFRS 10, IFRS 11 and IFRS 12))
- IFRS 13 *Fair Value Measurement* (New in 2011)
- IAS 19 *Employee Benefits* (Amended in 2011)
- IAS 27 *Separate Financial Statements* (Amended in 2011)
- IAS 28 *Investments in Associates and Joint Ventures* (Amended in 2011)
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (New in 2011)
- Amendments to IFRSs resulting from the 2009-2011 cycle of the annual improvements project

Effective January 1, 2014

- IFRS 10, IFRS 11 and IFRS 12
 - *Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27)
- IAS 32 *Financial Instruments: Presentation*
 - *Offsetting Financial Assets and Financial Liabilities* (Amendments to IAS 32)

Effective January 1, 2015

- IFRS 9 *Financial Instruments* (New in 2010; incorporates *Mandatory Effective Date and Transition Disclosures* (Amendments to IFRS 9 and IFRS 7))

Expected to be issued in 2012

- IFRS 9, requirements regarding general hedge accounting

Expected to be issued in 2013

- Annual Improvements from 2010-2012 cycle
- Annual Improvements from 2011-2013 cycle
- Revenue from Contracts with Customers
- IAS 28, amendments regarding equity method of accounting for other net asset changes
- IFRIC Interpretation on Levies Charged by Public Authorities on Entities that Operate in a Specific Market
- IFRIC Interpretation on Put Options Written on Non-controlling Interests