FEBRUARY 2013

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ACTIVITIES OF THE CANADIAN ACCOUNTING STANDARDS BOARD AND STAFF

IN THIS ISSUE

MESSAGE FROM THE DIRECTOR

Public Interest Oversight of Standard Setting

Financial reporting standards are meant to be set in the public interest — the Accounting Standards Board's (AcSB) Terms of Reference make this clear. The purpose of the standards is to encourage high-quality reporting that facilitates the efficiency and effectiveness of capital markets in allocating scarce economic resources. That benefits everyone.

How can members of the Canadian public have confidence that the standards are, in fact, being set to serve their interests? The system has some important safeguards built into it that start with the AcSB's Terms of Reference but include a number of other features. The most important safeguard is the role played by Canada's Accounting Standards Oversight Council (AcSOC). AcSOC is the body that establishes the terms of reference for the AcSB (and also its sister body, the Public Sector Accounting Board), appoints the AcSB's members, and then oversees its activities to ensure that the process for setting standards is functioning as it should.

AcSOC is a body of approximately 25 people in senior positions from a wide range of backgrounds who volunteer their time to carry out the oversight role. AcSOC meets in public three times each year and anyone may attend to observe. In those meetings, the AcSB reports on its activities and is required to justify its plans and its results relative to long-term strategies and objectives. Individual AcSOC members will raise concerns and suggestions from the perspective of the particular constituency each represents but AcSOC does not have the authority to overturn the AcSB's technical decisions. However, AcSOC does make high-level recommendations on key issues to ensure that the public interest is considered in the AcSB's activities.

AcSOC meetings provide a venue in which any member of the public may make a presentation on current financial reporting issues. Such presentations, and the ensuing discussion amongst the presenters, AcSOC members and AcSB representatives, can provide valuable input to the AcSB's decision-making and AcSOC's oversight function.

AcSOC monitors the AcSB's proper adherence to its established due process for developing standards. Stakeholders who have concerns about the AcSB's activities, including whether it has considered their input on a particular matter, can raise them directly with AcSOC.

Some of AcSOC's work is done through its committees. The Nominating Committee is charged with the detailed work of identifying suitable candidates to fill vacancies in AcSOC's own membership and the AcSB's. The Nominating Committee focuses on ensuring a proper balance of backgrounds in the membership of both bodies relative to their different roles, as well as selecting individuals with strong credentials to recommend to the full Council for appointment. The Performance Review Committee conducts in-depth inquiries into the AcSB's performance relative to its long-term objectives, its strategic plans and its annual operating plans. The Performance Review Committee then recommends a final "report card" on performance to the full Council. From time to time, the Strategy Committee provides input on various high-level issues such as reviews of terms of reference, the AcSB's strategic plans and issues arising in the relationship with the IFRS Foundation and the International Accounting Standards Board.

The AcSB is grateful for the support that AcSOC has provided to it over the past dozen years since AcSOC's inception. Stakeholders of all backgrounds should recognize and appreciate the important role that AcSOC plays in Canadian financial reporting.

PETER MARTIN

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INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS Discussion Group: January 2013 Meeting

Group members discussed the transition to new or amended standards effective for annual periods beginning on or after January 1, 2013:

- IFRS 12 and IFRS 13: Disclosures in Interim Financial Statements – Are all of the disclosures required by IFRS 12 and IFRS 13 needed in the first condensed interim financial statements in an annual period in which these new standards are first applied?
- IFRS 13: Prospective Transition Adjustments – When might the initial application of IFRS 13 result in transition adjustments? What is the appropriate accounting treatment for such adjustments?
- IAS 19 (2011): Transition – What are the changes for an entity that does not have a defined benefit plan?

Group members also considered these additional questions:

- IFRS 2: Share-based Payment Awards with Variable Vesting Periods – What accounting is required when vesting of share-based payment awards is accelerated after an exit event, such as a change in control or an initial public offering, occurs?
- IAS 32: Cash Settlement Options for Equity Linked Conversion Features in Convertible Debt – Is liability or equity treatment appropriate for convertible debt that includes these cash settlement options?
- IAS 39: Measurement of an Investment in a Private Company – When is cost acceptable as the ongoing measurement basis?

Listening to the Audio Webcasts will tell you how Group members answered these questions. Reading the Observers' Summary will help you follow the Group's discussion. A report on the meeting will be available soon.

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Relief for Rate-regulated Entities

As previously reported in the FYI Special Edition 2012, the International Accounting Standards Board (IASB) is proceeding with its newly reactivated project on rate-regulated activities and plans to issue a discussion paper by the end of 2013.

And now there is even more good news for Canada!

At its January 2013 meeting, the IASB gave the "go ahead" for its staff to prepare an exposure draft of an interim International Financial Reporting Standard (IFRS) for use until the comprehensive project is completed. The exposure draft will propose "grandfathering" existing recognition and measurement policies for rate-regulated activities, with amendments to presentation requirements. The IASB currently expects to publish an exposure draft in March 2013 and issue any resulting IFRS by the end of the year.

In light of this development, the Accounting Standards Board (AcSB) extended the mandatory IFRS adoption date for qualifying rate-regulated entities by an additional year, to January 1, 2015. This provides entities adopting IFRSs for the first time on that date adequate time to prepare comparative figures based on the new interim standard.

The AcSB's and IASB's project pages provide more details.

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NOT-FOR-PROFIT ORGANIZATIONS

Employee Future Benefits: Present and Future Activities

What's Coming Soon

New Section 3462, *Employee Future Benefits*, in Part II of the CICA Handbook – Accounting will be effective for 2014 reporting. As a result of input from not-for-profit organizations (NFPOs), the Accounting Standards Board (AcSB) decided to develop a separate NFPO standard that will be included in Part III. This standard will be based on new Section 3462, except that NFPOs would:

- present remeasurements and other specified elements of cost of a defined benefit plan as a separate component of changes in net assets; and
- continue to make disclosures substantially similar to the disclosures required by Section 3461, *Employee Future Benefits*, in pre-changeover standards in Part V.

The AcSB expects to issue an exposure draft in mid-2013 and finalize the standard in time for NFPOs to adopt it for 2014 reporting. The new employee future benefits standards in Part II and Part III will be effective at the same time.

What's Happening Now

NFPOs adopting Part III will apply the existing Section 3461, *Employee Future Benefits*, in Part II for 2012 and 2013 reporting. The disclosure requirements in that standard are significantly less than those NFPOs have applied in past years when reporting under Part V and less than those expected to be included in the new NFPO standard. The AcSB encourages NFPOs to consider the fair presentation requirements in Section 1401, *General Standards of Financial Statement Presentation for Not-for-profit Organizations*, and make the Part V disclosures that are necessary to provide users with sufficient information to understand the effects of employee future benefits.

The AcSB Staff Commentary, "Reporting Employee Future Benefits by Not-for-Profit Organizations," provides more details.

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Proposals for Comprehensive Improvements: Coming Soon

The Accounting Standards Board (AcSB) and the Public Sector Accounting Board are working together to improve standards for not-for-profit organizations (NFPOs) to meet users' needs better. The two Boards have agreed on proposed principles to accomplish the improvements and expect to issue a statement of principles in the first half of 2013 for public comment.

The proposed principles for NFPOs in the private sector are as follows:

- recognize contributions consistent with the liability definition;
- provide guidance on recognition and disclosure of contributed materials and services;
- report tangible capital assets by applying relevant Sections in Part II of the CICA Handbook – Accounting and remove the size exemption for reporting tangible capital assets;
- report intangible assets, works of arts and historical treasures (including collections), and economic interests in other entities consistent with existing standards and measure collections at either cost or nominal value, and remove the size exemption for reporting intangible assets;
- report a decline (partial impairment) in the value of tangible and intangible assets;
- report controlled entities by:
  - consolidating controlled NFPOs, subject to an exclusion from consolidation for a large number of individually immaterial organizations; and
  - accounting for controlled for-profit entities in accordance with the equity method;
- present financial statements by applying relevant Sections in Part II;
- present expenses by function in the financial statements and disclose expenses by object in the notes to the financial statements; and
- present total fundraising expenses and general support expenses as separate functions in the statement of operations or disclose them in the notes to the financial statements.

The AcSB will consider later how the resulting proposed standards should be developed and introduced into practice.

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Important Reminder: Monitor Amendments to Part II

NFPOs that apply Part III of the CICA Handbook – Accounting should monitor the changes made to Part II as they are being developed and issued in the Handbook. Accounting standards for private enterprises in Part II apply to NFPOs when a topic is not addressed in Part III.

DOCUMENT FOR COMMENT DEADLINES

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

International Financial Reporting Standards

Annual Improvements to IFRSs 2011 – 2013 Cycle
- comment deadline is February 18, 2013

Recoverable Amount Disclosures for Non-Financial Assets (Proposed Amendments to IAS 36)
- comment deadline is March 19, 2013

Equity Method: Share of Other Net Asset Changes (Proposed amendments to IAS 28)
- comment deadline is March 22, 2013

Classification and Measurement: Limited Amendments to IFRS 9 (Proposed amendments to IFRS 9 (2010))
- comment deadline is March 28, 2013

Clarification of Acceptable Methods of Depreciation and Amortisation (Proposed amendments to IAS 16 and IAS 38)
- comment deadline is April 2, 2013

Acquisition of an Interest in a Joint Operation (Proposed amendment to IFRS 11)
- comment deadline is April 23, 2013

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Proposed amendments to IFRS 10 and IAS 28)
- comment deadline is April 23, 2013

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Incorporating IFRSs into Canadian GAAP (Amendments to the Preface to the CICA Handbook – Accounting and Introduction to Part I)
- comment deadline is February 28, 2013

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