

The Canadian Report

Please find attached the June 2009 issue of *IFRS News*, a monthly global publication that provides IASB technical updates and PwC insights into the impact of IFRS on your business. A few highlights in this issue include information on the Boards' exposure draft on Fair Value Measurement, an introduction to new IASB and IFRIC board members and an article on intangible assets. In addition, please find enclosed the June *IFRS News – Supplement*. This issue covers the Derecognition of Financial Instruments Exposure Draft.

Sooner than expected – AcSB proposes further convergence of accounting for debt instruments

The Accounting Standards Board (the Board) recently released an Exposure Draft, *Impairment of Financial Instruments*, proposing amendments to Section 3855, *Financial Instruments – Recognition and Measurement* (Section 3855) that would further converge accounting for impairments of debt instruments with IFRS. While they usher in aspects of IFRS sooner than might have been expected, the proposed changes are nevertheless almost certain to be well received as they provide an even break for those following Canadian GAAP.

In the past, some guidance on debt instruments in Section 3855 mirrored U.S. GAAP and created a divergence between it and its IFRS counterpart, IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39). Recent changes to U.S. GAAP left Canadian guidance alone in the way that it measures the impairment of certain debt securities, prompting the proposed amendments. In light of Canada's planned move to IFRS, the Board decided that further convergence with IFRS, rather than incorporating U.S. GAAP revisions, was appropriate.

Existing Section 3855 distinguishes "debt securities" from other debt instruments and doesn't allow their inclusion in the loans and receivables category. This means that impairments of these securities have to be accounted for based on the excess of cost basis over fair value (i.e., using the full fair value model) which differs significantly from impairments of loans and receivables which are measured as the difference between amortized cost and the present value of expected future cash flows, discounted using the original effective interest rate (i.e., using the incurred credit loss model). Impairment losses calculated using the incurred credit loss model are often significantly less than they would be using the full fair value model.

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The proposed amendments are consistent with IAS 39 and require that impairments of debt instruments classified as loans and receivables or as held to maturity be measured using the incurred credit loss model, while those classified as available for sale will continue to be measured using the full fair value model. Although the full fair value model is still required for available for sale debt instruments, subsequent reversals of impairment losses will now be allowed if certain conditions are met. The Exposure Draft also proposes that an entity be required to classify loans and receivables that it intends to sell immediately or in the near term as held for trading and those for which it may not recover substantially all of its initial investment, other than because of credit deterioration, as available for sale.

Comments on the Exposure Draft are due by June 30, 2009 and the Board anticipates final guidance in time for adoption for years ending on or after October 31, 2009, including any interim periods not yet reported on.

Soft copies of the Exposure Draft can be downloaded at www.iasb.org under projects.

New Report

The 2009 electronic edition of *The Similarities and Differences, a Comparison of International Financial Reporting Standards (IFRS)* has now been launched.

The 2009 report compares IFRS with local accounting standards for Australia, Canada, Hong Kong, India, Japan and Singapore. Soft copies are available at www.pwc.com under Investment Management and Real Estate publications.

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IFRS News is a monthly global publication that provides IASB technical updates and PwC insights into the impact of the adoption of International Financial Reporting Standards (IFRS) and may be helpful as you move toward conversion.

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