

Private Company Services  
IFRS

# IFRS for Private Companies



You've likely heard that the Canadian Accounting Standards Board has finalized its decision to require Canadian publicly accountable enterprises to adopt International Financial Reporting Standards (IFRS) as Canadian generally accepted accounting principles (GAAP) starting in 2011. What does this mean to you if you're a private company?

### What is IFRS?

- International Financial Reporting Standards are the emerging global standards for financial reporting.
- They provide a common financial reporting platform for companies that have previously reported on a wide variety of country-specific accounting principles.
- As IFRS has gained acceptance around the world, many jurisdictions have adopted them or developed national GAAPs based on IFRS.

### How are Canadian private companies impacted by IFRS?

- The Canadian Accounting Standards Board (AcSB) will require publicly accountable enterprises (PAE) to adopt IFRS as Canadian Generally Accepted Accounting Principles (GAAP) for interim and annual financial statements for fiscal years beginning on or after January 1, 2011.
- The AcSB is currently developing a GAAP framework for private companies founded on the existing CICA Handbook (i.e. Canadian GAAP), but simplified from the current version in areas such as:

<ul style="list-style-type: none"><li>• Financial instruments</li><li>• Capital disclosures</li><li>• Consolidation and affiliates</li><li>• Future income taxes</li></ul>	<ul style="list-style-type: none"><li>• Employee future benefits</li><li>• Leases</li><li>• Goodwill and intangible assets</li><li>• Stock-based compensation</li></ul>
--	---

- Private companies are expected to have the option of fully adopting IFRS.

- The International Accounting Standards Board (IASB) has recently published an exposure draft of an IFRS specifically designed for private companies. The objective of this project was to develop an IFRS expressly to meet the financial reporting needs of entities with no public accountability. Despite the AcSB's current position to maintain a Canadian GAAP framework, it is possible we could see a move towards complete harmonization with IFRS in the future.
- For some organizations, implementing IFRS may not be very complicated, but for others it can be a highly complex process that goes beyond finance and accounting functions. Other business operations such as human resources, business development and information technology (IT) departments will likely be involved in the IFRS conversion plan.
- Our experience helping companies of all sizes around the world that have already adopted IFRS shows that the conversion and adoption period can vary widely depending on the complexity of your organization.

### Why IFRS for private companies?

The objective of IFRS is global harmonization of accounting standards.

It is certain that financial reporting standards for Canadian private companies are going to change. The precise nature of these standards is not yet known but as the degree of global acceptance of IFRS for private companies increases we may see a move towards harmonization with the international standard.

In anticipation of this, some private companies may choose adoption of full IFRS, while others need to be aware of the areas in their accounts that may be subject to significant change as the AcSB arrives at its private company alternative to IFRS.



Private companies are being impacted by the increasing globalization of capital markets and supply chains. But there are many other reasons why considering early implementation is helpful. You should consider your options if you:

- have an exit strategy that could involve acquisition by an IFRS reporter or private equity interest
- are considering going public
- have suppliers or customers across jurisdictions
- are a subsidiary of a Canadian publicly accountable entity (PAE) and possibly face significant systems and internal control issues if you don't adopt IFRS
- are a subsidiary of an IFRS parent
- have international operations and multiple sources of financing
- have banking agreements that could evolve to require one common GAAP basis which most likely would be IFRS
- have competitors which use IFRS
- hold yourselves to PAE reporting standards voluntarily

### Key differences between Canadian GAAP and IFRS affecting private companies:

Differences between Canadian GAAP and full IFRS can be complex.

The key difference is that the main focus of IFRS is on the concept of fair value and less so on historical cost. IFRS is also highly principles-based and less rules-based which provides more room for the exercise of professional judgement.

Areas that could be affected by the transition include:

• First time adoption of IFRS	• Foreign exchange
• Joint ventures	• Impairments
• Revenue recognition	• Start up costs
• Pensions	• PP&E
• Financial instruments	• Contingent liabilities and provisions
• Debt/equity instruments	• Asset retirement obligations
• Income taxes	• Leases
• Business combinations	• Disclosure requirements

### Are you on track?

PricewaterhouseCoopers has unparalleled experience in helping many companies adopt IFRS. We have assisted with IFRS conversion projects in Canada and elsewhere for a wide range of companies, including private companies, across all industries. Our dedicated resources and experience in working with many of the more than 12,000 companies that have already made the transition to IFRS have taught us valuable lessons that will help Canadian private companies with their own conversion process.

We have industry-focused teams across Canada who specialize in IFRS/GAAP conversions. We can help you consider your options.

If you choose to adopt IFRS, we can guide you through an appropriate timeframe and conversion strategy.

# Contacts

## IFRS National Leader

**Diane Kazarian**  
416 365 8228

## Capital Markets Group Leader

**Geoff Leverton**  
416 815 5053

## Professional, Technical, Risk and Quality

**Jim Saloman**  
416 941 8249

## Alberta

### Calgary

**Ian Gunn**  
403 509 7543

Petro Canada Centre  
111-5th Avenue SW, Suite 3100  
Calgary, Alberta T2P 5L3

### Edmonton

**Jeff Baker**  
780 441 6816

Toronto Dominion Tower  
Edmonton City Centre  
10088 102 Avenue NW, Suite 1501  
Edmonton, Alberta T5J 3N5

## British Columbia

**Eric Andrew**  
604 806 7500

**Leo Smyth**  
604 806 7628

### Vancouver

PricewaterhouseCoopers Place  
250 Howe Street – 7th Floor  
Vancouver, British Columbia V6C 3S7

### Fraser Valley

10190 152 A Street – 3rd Floor  
Surrey, British Columbia V3R 1J7

## Saskatchewan

### Saskatoon

**Monte Gorchinski**  
306 668 5963

**Lee Braaten**  
306 668 5968

The Princeton Tower  
123 2nd Avenue South, Suite 200  
Saskatoon, Saskatchewan S7K 7E6

## Manitoba

### Winnipeg

**Tony Catanese**  
204 926 2414

Richardson Building  
1 Lombard Place, Suite 2300  
Winnipeg, Manitoba R3B 0X6

## Ontario

### Ottawa

**Cliff Taylor**  
613 755 4347

99 Bank Street, Suite 700  
Ottawa, Ontario K1P 1K6

### South West Ontario

Waterloo

**Paul Hendrikse**  
519 570 5736

95 King Street South, Suite 201  
Waterloo, Ontario N2J 5A2

## Greater Toronto Area

**Joe MacInnis**  
905 949 7422

### North York

North American Life Building  
5700 Yonge Street, Suite 1900  
Toronto, Ontario M2M 4K7

### Toronto

Royal Trust Tower, Suite 3000  
Toronto-Dominion Centre  
77 King Street West  
Toronto, Ontario M5K 1G8

### Mississauga

Mississauga Executive Centre  
1 Robert Speck Parkway, Suite 1100  
Mississauga, Ontario L4Z 3M3

### Hamilton

21 King Street West, Main Floor  
Hamilton, Ontario L8P 4W7

## Québec

### Montréal

**Yves Bonin**  
514 205 5220

1250 René Lévesque Boulevard West  
Suite 2800  
Montréal, Québec H3B 2G4

### Québec City

**Thomas Bouchard**  
418 691 2448

**Gilles Hamel**  
418 691 2438

Place de la Cité, Tour Cominar  
2640 Laurier Boulevard, Bureau 1700  
Sainte-Foy, Québec G1V 5C2

## Maritimes

**Simon Kent**  
506 653 9400

### Halifax

1809 Barrington Street, Suite 600  
Halifax, Nova Scotia B3J 3K8

### Moncton

1199 Main Street, Suite 100  
Moncton, New Brunswick E1C 1H9

### Saint John

Brunswick House  
44 Chipman Hill, Suite 300  
Saint John, New Brunswick E2L 4B9

### Sydney

500 George Street, Suite 220  
Sydney, Nova Scotia B1P 1K6

### Truro

710 Prince Street  
Truro, Nova Scotia B2N 5E5

## Newfoundland

### St. John's

**Steve Walters**  
709 722 1785

Atlantic Place  
215 Water Street, Suite 802  
St. John's, Newfoundland and Labrador  
A1C 6C9

[www.pwcifrs.ca](http://www.pwcifrs.ca) [www.pwc.com/ca/pcs](http://www.pwc.com/ca/pcs)

© 2008 PricewaterhouseCoopers LLP. All rights reserved. "PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity.