

The 13th Annual Americas School of Mines Canadian GAAP Update*

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PRICEWATERHOUSECOOPERS 

Canadian GAAP Update

- Canadian GAAP is “on ice”
- Our Accounting Standards Board has reaffirmed the plan to move to IFRS
- US GAAP is dead, long live IFRS

Canadian GAAP Update

- First annual IFRS statements for December 31, 2011
- First interim IFRS statements for March 31, 2011
- Need an opening balance sheet at January 1, 2010
- Need a reconciliation from “old GAAP” to IFRS for comparative periods
- 200+ pages!

Canadian GAAP Update

- Transition approach in IFRS 1 is retroactive from the beginning of time
- However, 5 mandatory exceptions and 14 optional exemptions
- Mandatory exception examples are regarding hedging and designation of financial instruments
- Optional exemption examples are regarding fair value as deemed cost, CTA, pension accounting

Canadian GAAP Update

- IFRS is a moving target
- Over 20 active projects for completion in 2010 and 2011
- Examples are income taxes, leases, pensions, revenue recognition, provisions
- Early adopt or not?

Canadian GAAP Update

- Canadian Securities Administrators (CSA) have issued “guidance” on disclosures pre 2011
- Disclose what you know
- Should know a lot?
- Current CSA letter writing campaign

Client Activity

- Audit versus non Audit
- Need to evaluate initial alternatives
- If US registrant could adopt US GAAP for Canadian peers
- Rethink historic policies and positioning with peers
 - For example, fair value election and property write-down

Project itself

- Time line
- Early adoption election for 2009
- Tracking and disclosure through MD&A
- Phased approach
 1. Identify issues, assign responsibility and establish time lines
 2. Select from various GAAP alternatives and quantify financial statement impacts
 3. Implement reporting and tracking of results under dual GAAP

Status

- There have been other priorities and projects somewhat delayed
- Completion of phase 2 by December 2009
- Need to implement Phase 3 early to mid 2010 for tracking

Canadian GAAP Update – Mining Issues

- Accounting for Asset Retirement Obligations
- Now called “decommissioning liabilities”
- Settlement/fair value versus internal costs?
- What interest rate to use?
- Any “indeterminate life” exemptions?
- Solution in IAS 37 amendments?

Canadian GAAP Update – Mining Issues

- Accounting for Stripping Costs
- US GAAP “production cost” approach?
- IFRS preparers are using the old “stripping ratio” approach
- Canadian GAAP “betterment” approach is best?
- IFRIC to decide?

Canadian GAAP Update – Mining Issues

- Accounting for “E&E” activities
- IFRS 6 applies
- Can do whatever you’ve been doing
- More assets under Extractive Industries Discussion Paper?

Canadian GAAP Update – Mining Issues

- Accounting for mining taxes
- IAS 12 applies? IAS 18 applies?
- IAS 12 project not helpful
- Oil sands royalties being debated
- “Royalty” versus “income tax”
- May have more royalties and fewer income taxes?

Questions?