Chapter 1
Introduction

OBJECTIVE AND ORGANIZATION OF THIS PUBLICATION

Objective

In early 2008, the Accounting Standards Board (AcSB) confirmed that January 1, 2011 would be the date that IFRS will replace Canadian GAAP for all Canadian publicly traded companies, non-listed financial institutions, securities dealers and many cooperative enterprises that qualify as "publicly accountable enterprises (PAE)."[1] Canadian private entities will be permitted, but not required, to adopt IFRS. Some PAEs may choose to adopt IFRS earlier.

This publication aims to help preparers of financial statements, as well practitioners and students, obtain a better understanding of IFRS. More specifically, it looks at the application of IFRS from a Canadian perspective by examining and explaining IFRS requirements and illustrating their application using extracts of financial statements of companies that have already adopted IFRS and discussing how those requirements differ under Canadian GAAP.

Organization

Each chapter discusses a particular accounting topic and includes the following sections:

- a list of the IFRS and Canadian standards discussed in the chapter;
- an introduction, providing an overview of the IFRS covered and any significant differences from Canadian GAAP as well as a list of the significant issues analyzed in the chapter;
- a high-level analysis of the impact on the financial statements of a Canadian entity adopting specific IFRS covered in the chapter;
- an analysis of relevant issues dealing with the significant aspects of the IFRS requirements including a comparison of requirements under Canadian GAAP and IFRS along with annotated illustrative disclosures on issues discussed;
- an illustration of IFRS application as a whole through comprehensive example(s);
- when applicable, future developments reflecting the status of IASB and IFRIC project(s); and
- some IFRS implementation suggestions for issues covered in the chapter, including specific transition requirements.

1 Entities required to apply IFRSs after January 1, 2011 are collectively referred to in the omnibus Exposure Draft *Adopting IFRSs in Canada* as "publicly accountable enterprises."

Illustrative Extracts

Since many countries have now adopted IFRS, we were able to obtain good application examples from financial reports of foreign companies that have already made the transition. Appendix C provides a list of the financial reports used for illustration purposes. As this appendix shows, many of the extracts were taken from financial statements prepared in accordance with both IFRS as adopted by the European Union (Euro-IFRS) and IFRS issued by the IASB (full IFRS).[2] In certain cases, extracts came from financial statements that conformed only to Euro-IFRS. These financial statements might have differed in certain respects from full IFRS. When that happened, every effort was made to provide only disclosures that would be no different than if the entity had applied full IFRS.

Generally, the extracts included in this publication were selected from financial statements contained in annual reports or in Form 20F for the fiscal year ending in 2007. In some cases, extracts from reports of other periods were used to illustrate the implementation of specific IFRS requirements or issues (2006 or 2008). In certain chapters, particularly in Chapter 20, extracts were taken from the management discussion and analysis (MD&A) included in financial reports.[3] All extracts were selected to illustrate issues discussed in the chapters. No attempt was made to present illustrations by industrial sector.

STRUCTURE OF IASB AND CONTEXT OF IFRS STANDARD SETTING

Structure

The IASB defines itself as an independent standard-setting board, appointed and overseen by a geographically and professionally diverse group of Trustees (IASC Foundation) who are accountable to the public interest. The IASB is supported by an external advisory council (SAC) and an interpretations committee (IFRIC) to offer guidance where divergence in practice occurs. The following diagram summarizes its structure. [4]

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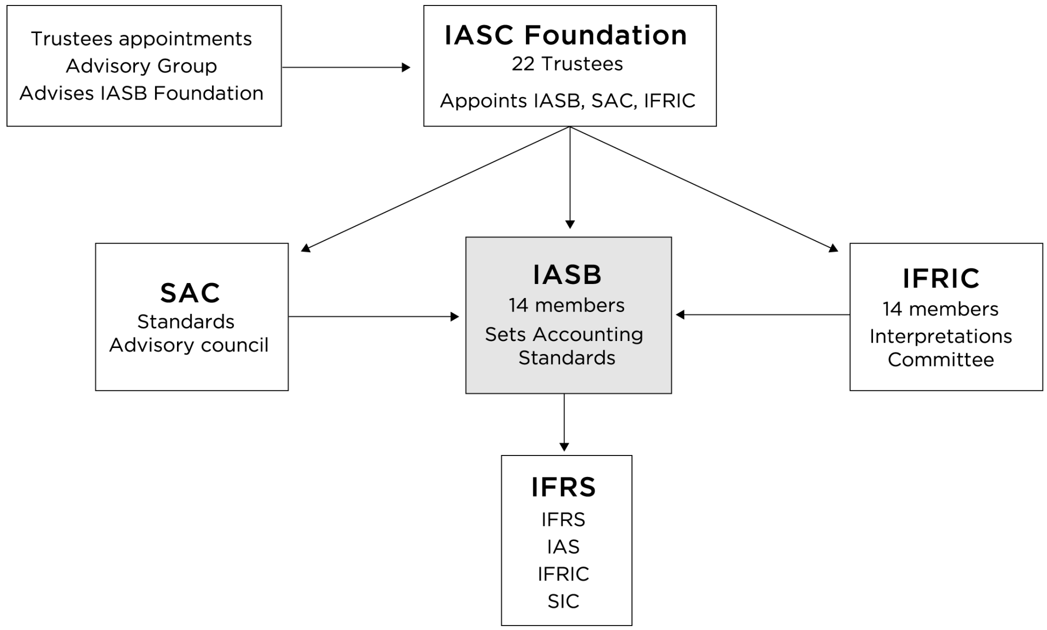
2 The most significant difference between Euro-IFRS and full IFRS pertains to IAS 39, *Financial Instruments: Recognition and Measurement*, which has proved to be controversial in some entities of certain European countries, in particular financial institutions.

3 Entities reporting under IFRS sometimes refer to MD&A as "management commentary."

4 Note that in an Exposure Draft issued in July 2008, the IASC Foundation has proposed significant changes to its constitution. The following modifications were adopted before going to press effective January 2009:

- Significant enhancement to the organisation's public accountability by establishing a link to a Monitoring Board of public authorities;
- IASB to be expanded from 14 to 16 members by 2012, with criteria added to ensure geographical diversity;
- Enhanced liaison with investor groups;
- Free availability of core standards through the public website.

In December 2008, the IASC Foundation issued part II of the Exposure Draft which proposes additional modifications to the constitution. The comment period ends March 2009.



Standard-setting Process

The table below summarizes information about IASB objectives and due process and explains the scope, authority and general transition rules for IFRS application. More detailed information can be found on these aspects in IFRS *Introductory Materials*.

Issue	Description
Organization	*IASC Foundation* The governance of the International Accounting Standards Committee Foundation rests with 22 Trustees whose responsibilities include appointing the members of the IASB and associated councils and committees, as well as securing financing for the organization. *IASB* The International Accounting Standard Board was established in 2001 and currently comprises 14 voting members. IASB approves IFRS and related documents, Exposure Drafts and other discussion documents. The IASB was preceded by the Board of IASC, which came into existence on June 29, 1973, as a result of an agreement by professional accountancy bodies in Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the UK and Ireland and the US. *IFRIC* The International Financial Reporting Interpretations Committee comprises 14 voting members and a non-voting chairman, all appointed by the Trustees. The role of the IFRIC is to prepare interpretations of IFRS for approval by the IASB and, in the context of the *Framework*, to provide timely guidance on financial reporting issues.[5] The IFRIC replaced the former Standard Interpretations Committee (SIC) in 2002. *SAC* The Standards Advisory Council is appointed by the IASC Foundation Trustees. It provides a formal vehicle for participation by organizations and individuals with an interest in IFRS. The participants have diverse geographical and functional backgrounds. The SAC's objective is to give advice to the IASB on priorities and on major standard-setting projects.

5 The IASB *Framework* is discussed in Chapter 2 of this publication.

Issue	Description
IFRS meaning	The term IFRS includes all standards and interpretations approved by the IASB, as well as by the IAS and SIC issued under previous constitutions.
IASB objectives	The IASB has set its objectives as follows: • develop, in the public interest, a single set of high-quality, understandable and enforceable global accounting standards that require high-quality, transparent and comparable information in financial statements and other financial reporting to help participants in the various worldwide capital markets and other users of the information to make economic decisions; • promote the use and rigorous application of those standards; and • work actively with national standard setters to bring about convergence of national accounting standards and IFRS to high-quality solutions.
IFRS coverage	*Financial information* IFRS standards apply to general purpose financial statements and other financial reporting (including information provided outside financial statements aimed at assisting the interpretation of the latter). General purpose financial statements: • are directed toward the common information needs of a wide range of users, for example, shareholders, creditors, employees and the public at large; • aim to provide information about an entity's financial position, performance and cash flows that is useful to those users in making economic decisions. Under IFRS, the term "financial statements" includes a complete set of financial statements prepared for an interim or annual period and condensed financial statements for an interim period. *Requirements* IFRS standards specify recognition, measurement, presentation and disclosure requirements dealing with transactions and events that are important in general purpose financial statements. They may also set out such requirements for transactions and events that arise mainly in specific industries. *Entities* IFRS apply to all profit-oriented entities engaged in commercial, industrial, financial and similar activities, whether organized in corporate or in other forms (such as mutual insurance companies and other mutual co-operative entities that provide dividends or other economic benefits directly and proportionately to their owners, members or participants). Although IFRS are not designed to apply to not-for-profit activities in the private sector, public sector or government, entities with such activities may find them appropriate. The International Public Sector Accounting Standards Board (IPSASB) prepares accounting standards for governments and other public sector entities, other than government business entities, based on IFRS.
Standards format	IFRS standards include paragraphs in bold type and plain type, which have equal authority. Paragraphs in bold type indicate the main principles. An individual standard should be read in the context of the objective and scope stated in that standard and the IFRS Preface. The IFRIC writes interpretations of IFRS to give authoritative guidance on issues that are likely to receive divergent or unacceptable treatment were no such guidance available. Application guidance, illustrative examples and *Basis for Conclusions* that specify reasons why the IASB rejected some solutions and preferred others often accompany the standards. All such guidance states whether it is an integral part of IFRS. Only implementation guidance that is an integral part of IFRS is mandatory. Guidance that is not an integral part of IFRS does not contain requirements for financial statements.

Issue	Description
Due process – standards (See Note)	Due process for projects normally, but not necessarily, requires the IASB to carry out the following steps: • ask staff to identify and review all the issues associated with the topic and to consider the application of the *Framework* to the issues; • study national accounting requirements and practices and exchange views about the issues with national standard setters; • consult the SAC about the advisability of adding the topic to the IASB's agenda; • decide whether to conduct the project alone or jointly with another standard setter; • form a working group to give advice to the IASB on the project; • publish for public comment a discussion document; • publish for public comment an Exposure Draft approved by at least nine IASB votes; • publish a basis for conclusions within an Exposure Draft; • consider all comments received within the comment period set for discussion documents and Exposure Drafts; • consider whether to hold a public hearing and/or conduct field tests and, if considered desirable, holding such hearings and conducting such tests; • consider the need to re-expose an issue; • proceed to the approval of a standard by at least nine IASB votes and include any dissenting opinions in the published standard; and • publish a basis for conclusions within a standard, explaining, among other things, the steps in the IASB's due process and how the IASB dealt with public comments on the Exposure Draft.
Due process – interpretations	IFRS interpretations are developed through an international due process that involves various users of financial statements, the business community, regulators and other interested individuals and organizations from around the world. The IFRIC discusses technical matters in meetings that are open to the public. The due process for each project normally, but not necessarily, requires the IFRIC to carry out the following steps: • ask staff to identify and review all the issues associated with the topic and to consider the application of the *Framework* to the issues; • decide, after debate in a public meeting and a consultative period on issues not added the agenda, whether to add the issue to the agenda; • consider the implications of the hierarchy of IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* on the issue; • publish a draft Interpretation for public comment if no more than four IFRIC members have voted against the proposal and if less than four IASB members object to it; • consider all comments received within the comment period on a draft Interpretation; • approve an Interpretation if no more than four IFRIC members have voted against the Interpretation after considering public comments on the draft Interpretation and if it is approved by at least nine IASB members.
Effective dates and transition	• effective date is specified in the document; • new or revised IFRS include transitional provisions to be applied on their initial application; • there are no general policies of exempting from the requirements of a new IFRS any transactions occurring before a specific date.

Issue	Description
Language	The approved text of any discussion document, Exposure Draft or IFRS is that approved by the IASB in the English language. The IASB may approve translations in other languages and may license other translations. When making the transition to IFRS, it is essential to take into account the time to convert IFRS into local law or to translate them into the local language. Copyright issues also need to be resolved early. The IASB has recently instituted a one-year delay between publication and the effective date of any significant new standard. Copyright agreements and translation arrangements have been negotiated with the IASB to permit the use of IFRSs in Canada.

Note: The process of IFRS standard setting is somewhat similar to the one followed by the AcSB.

Meaning of IFRS

Generally, IFRS constitute a principles-based set of standards that requires more judgment in applying the principles to specific situations than rules-based standards do. The disclosures required to explain the judgments made are, therefore, essential to the understanding of the accounting policies applied and estimates made in the preparation of the financial statements. Although this is an increased challenge for preparers of financial statements, who will have to provide more transparency and details in the notes, it reduces complexity in standards by avoiding detailed rules of application. In this context, it is also expected that interpretations for the standards would be issued only for areas where IFRS are not clear and have led to significantly divergent interpretations.

As indicated in the table above, when we refer to IFRS or compliance with IFRS it means compliance with the whole body of standards, including:

- IFRS: international financial reporting standards issued after 2001 by the IASB; eight have been issued so far;
- IAS: IASC standards issued prior to 2001, called International Accounting standards; there are 29 IAS;
- IFRIC: interpretations of the International Reporting Interpretations Committee issued after 2001;
- SIC: Standing Interpretations Committee, which are interpretations issued prior to the restructuring in 2001;
- interpretation guidance that is labelled as being part of a standard.

IASB Standards Projects

As with any set of standards, IFRS are not static. The IASB has many standards and research projects underway that follow the due process described above. Several of those projects have the objective of harmonizing IFRS and US GAAP and are undertaken jointly by the IASB and the US Financial Accounting Standards Board (FASB). Other standard setters around the world contribute to the projects underway; the AcSB is involved in some significant projects, notably in the revision of the *Framework*.

Annual Improvements Process

In addition to its regular projects, the IASB has adopted an annual process to deal with non-urgent but necessary amendments to IFRS called the "annual improvements process." These improvements focus on areas of inconsistency in IFRS or where clarification of wording is required. An omnibus Exposure Draft of all the proposals is published for public comment in the third or fourth quarter of the year, with a comment period of 90 days, and the final amendments are issued in the following second quarter, with an effective date of January 1 of the following year unless otherwise specified.

ADOPTION OF IFRS

Adoption of IFRS in the World

More than 100 countries now require or permit the use of IFRSs by listed companies as their basis for financial reporting. IFRSs are being used in most of the major capital markets of the world and have been the subject of evaluation by the International Organization of Securities Commissions.

Adoption in Europe

In June 2000, the European Commission announced its intention to require all listed companies throughout the European Union to use IFRS beginning in 2005 as part of its initiative to build a single European financial market. This intention was made concrete in June 2002 when the European Council of Ministers (the supreme EU decision- making authority) approved the IFRS Regulation. Beginning January 1, 2005, all EU companies whose securities are listed on an EU exchange had to prepare consolidated financial statements conforming to IFRS. To regulate its relationship with the IASB, the EU created the following:

- the European Financial Reporting Advisory Group (EFRAG), which was formed in 2001 by a number of European organizations, including the European Accounting Federation (FEE). EFRAG mandates include:
    - establishing a Technical Expert Group (TEG) that performs detailed work for IASB proposals,
    - closely consulting with European national standard setters and the European Commission before drafting its views on IASB proposals (consequently, it responds formally to all IASB Discussion Papers and Exposure Drafts), and
    - providing a report when an IASB standard is issued, specifying whether the standard has the required qualities and conforms to European company law directives;
- the Accounting Regulation Committee (ARC), whose members include permanent representatives of the EU member state governments. The ARC tells the European Commission whether it endorses a newly issued IASB standard. Note that the European Parliament also has the right to comment on newly issued IASB standards. In addition, if the ARC fails to endorse an IFRS standard, the European Commission may still ask the Council of Ministers to override that decision.

The Institute of Chartered Accountants in England and Wales (ICAEW) prepared the report *EU Implementation of IFRS and the Fair Value Directive* at the request of, and with funding from, the European Commission summarizing the key findings from an on-line survey, roundtables and telephone interviews with preparers, users and auditors. Among those findings:

On the positive side:

- IFRS implementation was challenging, but successful, as evidenced by no material problems being uncovered in the 2005 numbers during the process of preparing financial information for 2006 and the absence of any general loss of confidence in financial reporting.

- There was broad agreement that the adoption of IFRS across the EU had improved the quality of financial reporting and had substantially increased comparability across countries, competitors and sectors.
- There was significant support for improving the quality of disclosures in financial statements.

On the challenges:

- In many jurisdictions, the increased amount of judgment required by IFRS as a generally principles-based set of standards presented considerable challenges, and some concerns were expressed about consistency of application.
- Some contested the value of the significantly increased disclosure requirements, noting that the disclosures required under IAS 1, *Presentation of Financial Statements* for judgments and estimates presented a challenge for preparers.
- Many participants pointed to the requirements of national legislation and national regulators and the enduring strength of national accounting traditions as factors contributing to the "local accents" found in IFRS reporting in the EU. It was thought that, over time, as the body of IFRS practice evolved in the EU, these national features of financial statements would become less evident.

Canada should, however, have an easier time with the transition to IFRS. Many European countries had to deal with more extensive change than is expected in Canada because of greater differences between IFRSs and pre-existing standards, for example, in the adoption of the standards for the recognition and measurement of financial instruments. Canada has already adopted a good number of such standards. As well, in the years following the transition year, the problems related to the increased disclosure requirements were mostly resolved.

Harmonization with US GAAP

In recent years, the IASB and the FASB have undertaken short-term convergence projects resulting in the issuance of Exposure Drafts and amended IFRS standards or amended FASB pronouncements. The two boards have also undertaken long-term joint projects such as business combinations, financial statements presentation and revenue recognition. In addition, the SEC now exempts foreign private issuers presenting financial statements complying fully with IFRS from providing IFRS-US GAAP reconciliations for earnings and equity (when preparing annual filing on Form 20-F).

The table below presents significant events in the harmonization efforts of IFRS and US GAAP:

Dates	Event
October 2002	The FASB and IASB concluded the Norwalk Agreement to (1) formalize their commitment to the development of high-quality, compatible accounting standards for domestic and cross-border financial reporting and (2) to co-ordinate their future work programs to ensure that, once achieved, compatibility is maintained. They have pledged to make their existing financial reporting standards compatible as soon as possible and to maintain that compatibility.
February 2006	The FASB and IASB issued a Memorandum of Understanding (MoU), setting out the milestones of the FASB-IASB joint work program to be reached by 2008. MoU principles include converging existing standards and replacing standards in need of improvement with jointly developed new standards.

Dates	Event
December 2007	The SEC removed the reconciliation requirement for non-US companies that are registered in the US and apply IFRS.
September 2008	The IASB and FASB issued a progress report and timetable for completion of the MoU.
November 2008	The SEC proposed a "roadmap" for phasing in mandatory IFRS filings by US public companies beginning with the years ending on or after December 15, 2014. The roadmap is conditional on progress toward "milestones" that would demonstrate improvements in both the infrastructure of international standard setting and the preparation of the US financial-reporting community. If the conditional milestones are satisfactorily achieved by 2011, the SEC would then consider rulemaking to phase in requirements for US public companies to file financial statements using IFRS as issued by the IASB. Certain US public companies operating within an "IFRS industry" would be permitted to prepare their financial statements according to IFRS as early as 2009 if the proposal is adopted unchanged. The comment period ends February 19, 2009.
December 2008	The European Commission proposed that the European Union remove the requirement for US companies with securities registered in European capital markets and reporting under US GAAP to reconcile their accounts to IFRS. This measure acknowledges that US, Japanese, Chinese, Canadian, South Korean and Indian GAAP are equivalent to the IFRS adopted by the EU. The European Commission will review the situation of some of these countries (China, Canada, South Korea, India) by 2011 at the latest. The measures will mean that foreign companies listed on EU markets will continue to be able to file their financial statements prepared in accordance with those GAAPs (the transitional provisions allowing the use of these GAAPs in the EU would otherwise have expired at the end of 2008).

IFRS ADOPTION IN CANADA

Publicly Accountable Enterprises

In early 2008, the AcSB confirmed that January 1, 2011 would be the date that IFRS will replace Canadian GAAP for all Canadian publicly traded companies as well as for non-listed financial institutions, securities dealers and many cooperative enterprises. More specifically, entities other than the following are required to apply IFRS and are referred to as "publicly accountable enterprises" (PAE)[6]:

- private enterprises, that is, profit-oriented entities that:
    - have not issued (and are not in the process of issuing) debt or equity instruments in a public market, and
    - do not hold assets in a fiduciary capacity for a broad group of outsiders. Entities with fiduciary responsibility, such as banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks that stand ready to hold and manage financial resources entrusted to them by clients, customers or members not involved in the management of the entity;
- not-for-profit organizations, as defined in CICA 4400, *Financial Statement Presentation by Not-for-Profit Organizations*;
- public sector entities to which the standards in the *CICA Public Sector Accounting Handbook* apply. The introduction to that *Handbook* states that, for purposes of their financial reporting, government business enterprises and government business-type organizations are deemed to be publicly accountable enterprises and

6 Pension plans will continue to follow current CICA 4100, *Pension Plans*, instead of IAS 26, *Accounting and Reporting by Retirement Benefit Plans.*

should adhere to the standards applicable to publicly accountable enterprises in the *CICA Handbook – Accounting* unless otherwise directed to specific public sector standards. Accordingly, the changeover to IFRSs applies to these two categories of public sector entities.

Entities that are not required to apply IFRS can elect to do so.

Omnibus Exposure Drafts

In April 2008, the AcSB published the Exposure Draft *Adopting IFRSs in Canada* (Omnibus ED) which includes all 37 standards and 22 interpretations of the *IFRS 2007 Bound Volume*. Some of these standards and interpretations are similar to Canadian standards as the AcSB has worked, in recent years, toward harmonizing its requirements with those of the IASB. A second omnibus Exposure Draft is expected to be published in early 2009. This will include any new or amended standards or interpretations the IASB has issued since it released the 2007 bound volume, as well as any Exposure Drafts for which the comment deadline has passed and the IASB is re-deliberating the issues involved.

The second omnibus Exposure Draft will not contain potential future requirements issued by the time IFRS are adopted in Canada. Several projects and amendments could be added to the ever evolving IASB work plan. Despite these difficulties, the AcSB confirmed in July 2008 that none of the amendments to the IASB work plan would affect the Canadian changeover date or the AcSB's decision to adopt IFRS in full and without modification in January 2011. In December 2008, to help entities in their planning for IFRS adoption, the AcSB issued an update to a previous document entitled *Which IFRSs are Expected to Apply for Canadian Changeover in 2011?* This document outlines:

- expected IFRS standards applicable for the first year of adoption;
- IFRS standards expected to remain unchanged until adoption; and
- expected new versions of IFRS (date and impact of changes).

Other Regulations

In addition to the above, the following two documents contain certain regulatory requirements related to IFRS adoption in Canada:

- In May 2008, the Canadian Securities Administrators issued Staff Notice 52-320 *Disclosure of Expected Changes in Accounting Policies Relating to Changeover to International Financial Reporting Standards* (Staff Notice 52-320) that reflects Canadian regulators' expectations for MD&A disclosures leading up to an issuer's adoption of IFRS. The requirements cover interim and annual periods commencing three years prior to the adoption of IFRS (2008 for calendar year companies, fiscal 2009 for non-calendar year-ends). The requirements of Staff Notice 52-320 are examined in Chapter 20.
- The Office of the Superintendent of Financial Institutions Canada (OSFI) issued a letter on October 7, 2008, specifying that all federally regulated financial institutions (FRFI) considered PAE will not be permitted to adopt IFRS early. The letter requires that a progress report addressing an FRFI's transition plan be submitted to OSFI, and FRFIs that are not subject to the CSA disclosure requirements for IFRS adoption are required to submit the same disclosures directly to OSFI. There has been no similar notice of requirements for federally regulated pension plans.

Early Adoption

Some Canadian corporations, for example those with parent or subsidiary companies already reporting in accordance with IFRSs, may wish to adopt IFRSs before the mandatory changeover date. Early adoption is also likely to be affected by the elimination of the SEC requirement to reconcile financial statements prepared in accordance with IFRSs to US GAAP (see section above on “Harmonization with US GAAP”). The AcSB expects to incorporate current IFRS into the *CICA Handbook* in early 2009 to facilitate early adoption. Entities choosing to adopt the standards early would be required to adopt the full set of IFRS rather than individual standards or interpretations.

The CSA Staff Notice 52-321 “Early adoption of International Financial Reporting Standards, use of US GAAP and reference to IFRS-IASB” states that Staff are prepared to recommend exemptive relief on a case by case basis to permit a domestic issuer to prepare its financial statements in accordance with IFRS for financial periods beginning before January 1, 2011. They expect an issuer contemplating the possibility of adopting IFRS before 2011 would carefully assess the readiness of its staff, board of directors, audit committee, auditors, investors and other market participants to deal with the change. They also expect that an issuer will consider the implications of adopting IFRS before 2011 on its obligations under securities legislation including those relating to CEO and CFO certifications, business acquisition reports, offering documents, and previously released material forward looking information. A domestic issuer may have previously filed financial statements prepared in accordance with Canadian GAAP or US GAAP for interim periods in the first year that the issuer proposes to adopt IFRS. In such cases, Staff will recommend as a condition of the exemptive relief that the issuer file revised interim financial statements prepared in accordance with IFRS, revised interim management discussion and analysis, and new interim certificates.

AcSB Actions until Conversion

As already noted, the AcSB intends to bring IFRSs into the *Handbook* in full and without modification. The AcSB expects to incorporate the IFRS that are into the omnibus Exposure Draft into the *Handbook* in early 2009, and to expose by then any changes the IASB has made to the body of IFRS in effect at January 1, 2009.

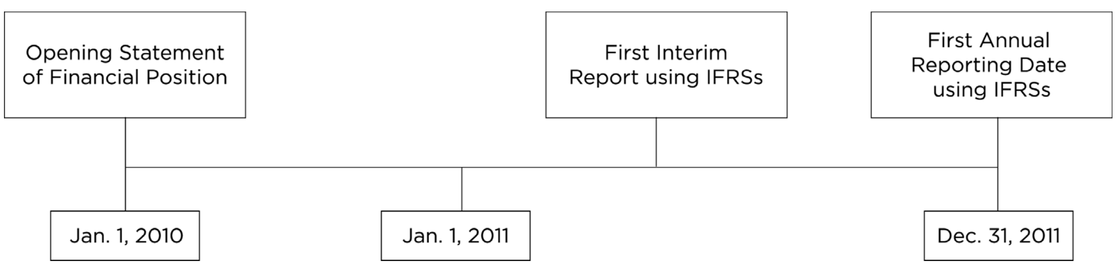
The IASB may change IFRS both before the changeover date and afterwards, in which case the AcSB will issue corresponding Exposure Drafts to incorporate those changes into Canadian GAAP. This will ensure that, at any point in time, the most current version of IFRS is available for use by Canadian entities. At the same time, the AcSB proposes to amend CICA 1506, *Accounting Changes* to accommodate the adoption of IFRS in Canada by providing relief in respect of the requirement to disclose information about new primary sources of GAAP that have been issued but are not yet effective.

The AcSB is also working with IFRIC to resolve interpretation matters, rather than permitting local interpretations. The convergence strategy implies that Emerging Issues Committee (EIC) Abstracts will no longer be applicable to publicly accountable enterprises at the changeover date to IFRSs. The AcSB has established a group to review existing EIC to identify any issues addressed by the Abstracts that should either be referred to the IASB or the IFRIC; or the subject of guidance issued by the AcSB because the issue is affected by specific Canadian legal, tax, regulatory or other circumstances that do not apply in other countries and, therefore, will not be addressed by the IASB. The Task Force proposed that guidance should be provided on the issues addressed by EIC-111, "Determination of Substantively Enacted Tax Rates under CICA 3465," EIC-146, "Flow-Through Shares," and EIC-160, "Stripping Costs Incurred in the Production Phase of a Mining Operation." The AcSB decided that:

- the issues addressed by EIC-111 should be considered by the AcSB's planned forum for the discussion of financial reporting issues arising from the application of IFRSs;
- the issues addressed by EIC-146 should be included in staff's review of the IASB's Exposure Draft on income taxes, which is expected to be issued this summer; and
- the issues addressed in EIC-160 should be referred to the International Financial Reporting Interpretations Committee as there is a lack of guidance in IFRSs on accounting for stripping costs.

Calendar of IFRS Adoption

Canadian corporations have already started to prepare for the transition to IFRS. It involves several steps, including becoming acquainted with the new set of standards, understanding the implications for the preparation of financial statements and for the data required, offering proper training, planning the implementation and the changes to the systems, deciding on whether to adopt IFRS early for certain issues, etc. The year 2009 will be crucial in getting ready for recording the 2010 transactions that will be required for comparative information in the 2011 statements.



Excerpt from *Which IFRSs Are Expected to Apply for Canadian Changeover in 2011?* (Toronto: AcSB, updated December 2008)

Summary of IFRS Status and Expected Changes

The following tables provide a summary of the status of projects underway for each of the existing and proposed standards as well as for interpretations and the framework. Information on the documents issued so far and the date each new IFRS is likely to be issued are provided. The first two tables also indicate the standards and the interpretations revised or amended in 2008 that are effective in 2008 and 2009. In addition, the first table indicates whether the standards are likely to change or not before the end of 2011 as could be deducted from an analysis of IASB work plan as at December 31, 2008.

Entities can start planning their IFRS adoption by first addressing potential changes in their accounting policies in relation to IFRS standards that are unlikely to change. Entities should always keep current on any amendments and improvements to the IFRS standards and interpretations. Though the IASB work plan anticipates the completion of several projects in 2010 and 2011, it has indicated that it will consider staggering effective dates of standards to help entities moving to IFRSs make an orderly transition.

Note that the AcSB is monitoring any standards likely to change significantly before the changeover date. It points out that choices are likely to be available as to whether to adopt some new standards early, to avoid a second change in accounting policies. Entities should monitor these projects carefully and ensure that their adoption plans are flexible enough to deal with such instances.[7]

Status of IFRS Standards

IFRS Standards		Revised or Amended IFRS in 2008	IFRS likely to Change Before end of 2011	Status of Projects Underway	
		Effective Date		DP and ED	Year New Standard Expected
IFRS 1	**First-time Adoption of IFRS** (updated with issuance of new standards or interpretation or amendments)		Yes		
	– Revised	Jul 2009			
	– Amendment - Cost of an Investment in a subsidiary, jointly controlled entities or associates	Jan 2009			
	– Additional Exemptions for First-time Adopters			ED 2008	2009
IFRS 2	**Share-based Payment**		Yes		
	– Amendment - Vesting conditions and cancellation	Jan 2009			
	– Group cash-settled share-based payment transactions			ED 2007	2009
IFRS 3	**Business Combinations**		Yes		
	– Revised	Jul 2009			
	– Common Control Transactions			DP or ED TBD	TBD
IFRS 4	**Insurance Contracts**		Yes		
	– DP: Preliminary Views on Insurance contracts Part 1 and 2			DP 2007, ED 2009	2011
IFRS 5	**Non-current Assets Held for Sale and Discontinued Operations**		Yes		
	– Discontinued Operations			ED 2008	2009
IFRS 6	**Exploration for and Evaluation of Mineral Resources**		Yes	DP 2009	TBD
IFRS 7	**Financial Instruments: Disclosures**		Yes		
	– Improving Disclosures about Financial Instruments			ED 2008	2009
	– Investments in Debt Instruments			ED 2008	2009
IFRS 8	**Operating Segments**	Jan 2009	No		

7 Adapted from *Which IFRSs Are Expected to Apply for Canadian Changeover in 2011?* (Toronto: AcSB, updated December 2008)

Status of IFRS Standards					
		Revised or Amended IFRS in 2008	**IFRS likely to Change Before end of 2011**	**Status of Projects Underway**	
	IFRS Standards	**Effective Date**		**DP and ED**	**Year New Standard Expected**
IAS 1	**Presentation of Financial Statements** – Revised in 2007 (phase A) – Preliminary Views on Financial Statement Presentation (phase B)	Jan 2009		phase B DP 2008, ED 2010	2011
IAS 2	**Inventories**		No		
IAS 7	**Cash-Flow Statements**		Yes	See IAS 1	
IAS 8	**Accounting Policies, Changes in Accounting Estimates and Errors**		No		
IAS 10	**Events After the Balance Sheet Date**		No		
IAS 11	**Construction Contracts (see IAS 18)**		Yes		
IAS 12	**Income Taxes**		Yes	ED 2009	2010
IAS 16	**Property, Plant and Equipment**		No		
IAS 17	**Leases**		Yes	DP 2009, ED 2010	2011
IAS 18	**Revenue** – Preliminary Views on Revenue Recognition in Contracts with Customers		Yes	DP 2008, ED 2010	2011
IAS 19	**Employee Benefits** – Preliminary Views on Amendments to IAS 19 Employee Benefits		Yes	DP 2008, ED 2009	2011
IAS 20	**Accounting for Government Grants and Disclosure of Government Assistance**		Yes/TBD	TBD	
IAS 21	**The Effects of Changes in Foreign Exchange Rates**		No		
IAS 23	**Borrowing Costs** – Revised 2008	Jan 2009	No		
IAS 24	**Related Party Disclosures** – State-controlled Entities and the Definition of a Related Party – Relationships with the State		Yes	ED 2007 ED 2008	2009 2009
IAS 26	**Accounting and Reporting by Retirement Benefit Plans**		No/TBD		
IAS 27	**Consolidated and Separate Financial Statements** – Amendment – Amendment: Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate – Consolidated Financial Statements	Jul 2009 Jan 2009	Yes	ED 2008	2009

Status of IFRS Standards					
		Revised or Amended IFRS in 2008	IFRS likely to Change Before end of 2011	Status of Projects Underway	
IFRS Standards		Effective Date		DP and ED	Year New Standard Expected
IAS 28	**Investments in Associates**		No		
IAS 29	**Financial Reporting in Hyperinflationary Economies**		No		
IAS 31	**Interests in Joint Ventures** – Joint Arrangements		Yes	ED 2007	2009
IAS 32	**Financial Instruments: Presentation** – Amended 2008: Financial Instruments Presentation and IAS 1 - Puttable Financial Instruments and Obligations arising on liquidation – Financial Instruments with Characteristics of Equity	Jan 2009	Yes	DP 2008, ED 2009	2011
IAS 33	**Earnings per Share** – Simplifying Earnings per Share		Yes	ED 2008	2009
IAS 34	**Interim Financial Reporting**		No		
IAS 36	**Impairment of Assets**		No		
IAS 37	**Provisions, Contingent Liabilities and Contingent Assets** – Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IAS 19 Employee Benefits		Yes	ED 2005	2009
IAS 38	**Intangible Assets**		No	DP TBD	
IAS 39	**Financial Instruments: Recognition and Measurement** – Amendment Reclassification of Financial Assets – Amendment: Eligible Edged Items – Embedded Derivatives – Derecognition of Financial Assets – Reducing Complexities in Reporting Financial Instruments	Jul 2008 Jul 2009	Yes	ED 2008 ED 2009 DP 2008	2009 2009/2010 TBD
IAS 40	**Investment Property**		No		
IAS 41	**Agriculture**		No		
New	**Fair Value Measurement Guidance**		Yes	DP 2006, ED 2009	2010
New	**Emission Trading Schemes**		Yes	ED 2009	2010
New	**Extractive Activities**		Yes	DP 2009	TBD
New	**Rate-Regulated Activities**		Yes	ED 2009	TBD
New	**IFRS for Small and Medium-sized Entities**		Yes	ED 2007	2009
	Annual Improvements to IFRS 2007-2009		N/A	ED 2008	2009
	Annual Improvements to IFRS 2008-1010		N/A	ED 2009	2010

IFRIC - New Interpretations and Projects Underway				
		Revised or Amended IFRIC/SIC in 2008	Status of Projects Underway	
Interpretations		Effective Date	ED	Year New IFRIC Expected
IFRIC 9	Reassessment of Embedded Derivatives		ED 2008	2009
IFRIC 12	Service Concession Arrangements	Jan 2008		
IFRIC 13	Customer Loyalty Programs	Jul 2008		
IFRIC 14	IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements, and Their Interaction	Jan 2008		
IFRIC 15	Agreements for the Construction of Real Estate	Jan 2009		
IFRIC 16	Hedges of Net Investment in a Foreign Operation	Oct 2008		
IFRIC 17	Distribution of Non-cash Assets	Jul 2009		
IFRIC 18	Transfers of Assets from Customers	Jul 2009		

Status of Projects on Conceptual Framework and Other		
	Status of Projects underway	
Conceptual Framework Projects	DP and ED	Year New Standard Expected
Conceptual framework phase A: Objective and Qualitative Characteristics. ED: *Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics and Constraints of Decision-Useful Financial Reporting Information*	ED 2008	2009
Conceptual framework phase B: Elements and Recognition	DP 2010	TBD
Conceptual framework phase C: Measurement	DP 2009 ED 2010	TBD
Conceptual framework phase D: Reporting Entity DP: *Pre-liminary views, Conceptual framework for financial reporting: The reporting entity*	DP 2008 ED 2009	TBD
Conceptual framework phase E: Presentation and Disclosure		TBD
Conceptual framework phase F: Purpose and Status of Framework		TBD
Conceptual framework phase G: Applicability to NPO		TBD
Conceptual framework phase H: Remaining Issues		TBD
Other IASB projects		
Management Commentary - Guidance	DP 2005, ED 2009	2010

ED: Exposure Draft
DP: Discussion Paper
HB: Handbook
Ef: Effective date

COVERAGE OF IFRS

With a few exceptions, all IFRS standards and interpretations are discussed in this publication. Appendix B provides a table listing of IFRS standards, interpretations, Exposure Drafts and Discussion Papers with a reference to the chapters where they are covered is discussed. The discussion is based on IFRS and related developments issued by the IASB up until end of December 2008[8].

One exception to the coverage is IAS 26, *Accounting and Reporting by Retirement Benefit Plans.* The AcSB proposes that, when publicly accountable enterprises adopt IFRS, pension plans continue to prepare their financial statements in accordance with CICA 4100, *Pension Plans*, rather than IAS 26, *Accounting and Reporting by Retirement Benefit Plans*. If CICA 4100 does not deal with certain aspects of financial reporting by pension plans, those plans currently consult other primary sources of Canadian GAAP. After the changeover to IFRSs, they would look instead to an IFRS other than IAS 26 for additional guidance. The AcSB will consider whether any modifications to Section 4100 are necessary to ensure compatibility with IFRSs. The AcSB will also encourage the IASB to undertake a project to update and improve IAS 26, with a view to eventually replacing Section 4100.

Also, except for a brief summary of the three standards dealing with specific activities in Appendix A, this publication does not deal with industry specific issues; these would merit an analysis of their own.

Given the many projects now underway that will have a significant impact on the conceptual framework, coverage of the latter is limited to the issues discussed in Chapter 2.

Any significant annual IFRS improvements issued in May 2008 have been incorporated into the analysis of the issues in each of the specific chapters. The amendments to eight IFRS proposed in the omnibus Exposure Draft issued in August 2008 are discussed in the "Future Developments" section of each chapter.

Any Exposure Drafts and Discussion Papers issued before December 31, 2008 that are still relevant are also discussed in the "Future Developments" section of each chapter.

8 Some developments in January 2009 might have been incorporated where possible.