
Preparing for Tomorrow's Accounting Standards in a Global Marketplace

In an increasingly global marketplace, there has been a noticeable shift by countries to adopt **International Financial Reporting Standards (IFRS)** set by the International Accounting Standards Board (IASB). While Canada presently has its own unique set of Canadian accounting standards, in 2006 the **Canadian Accounting Standards Board (AcSB)** announced its commitment for Canadian publicly accountable enterprises to adopt IFRS to help meet the financial reporting demands of a global marketplace. A firm changeover date of **January 1, 2011** has been set.

Benefits of IFRS Transition

According to **Ian Hague**, a **Principal with the Accounting Standards Board (AcSB)**, the decision to transition from Canadian GAAP (Generally Accepted Accounting Principles) to IFRS was inevitable as the current standards would not be viable going forward as it would continue the inconsistencies in international reporting:

“You get many Canadian companies that are operating in an international environment not only having to prepare their Canadian information but also having to prepare information in accordance with whatever other GAAP they are dealing with. When you do that, you have people applying a premium to share prices because they are unsure of the underlying GAAP.”

While this transition will help reduce inconsistencies in international reporting, it will also help reduce the amount of paperwork for Canadian companies listed on U.S. exchanges. Companies who currently prepare Canadian GAAP financial statements and who are required to do a U.S. GAAP reconciliation for U.S. GAAP reporting purposes will no longer have to do the reconciliation as long as they are reporting in accordance with the IFRS. According to Hague, “once Canada moves to IFRS, those Canadian companies will be able to use the IFRS financial statements directly to go to the U.S. exchange without needing to reconcile to U.S. GAAP.”

Early Adoption

As early as 2008, Canadian publicly accountable enterprises have been permitted to begin using IFRS for their financial reporting with the approval of their provincial securities regulator. According to **Barbara Hendrickson**, a **partner at McMillan LLP** who practices securities law, “Companies seeking to adopt IFRS before the changeover date of January 1, 2011, are dealt with on a case by case basis and must adhere to the requirements outlined in the *CSA [Canadian Securities Administrators] Staff Notice 52-321 - Early Adoption of International Financial Reporting Standards, Use of US GAAP and Reference to IFRS-IASB.*”

The Need to Prepare

With the **January 1, 2011 deadline** fast approaching for Canadian publicly accountable enterprises to adopt IFRS as the Canadian financial reporting standards, companies need to prepare for this change sooner rather than later. As part of this transition, companies will be required to provide comparative IFRS information for the previous fiscal year. That is why it is crucial for companies to plan now and to do the preparatory work necessary to ensure a smooth transition.

According to Ian Hague, companies in specific industries can learn and benefit from countries that have already transitioned to IFRS. For example, “If you are an extractive company in Canada, you could probably look at financial statements and guidance from the like that was developed for extractive companies in South Africa or Australia being the other two big extractive industry countries, to help you along the way,” explains Hague.

In an effort to prepare Canadian companies and individuals for the impending transition, **Gord Beal**, a **Principal in Financial Reporting and Governance** at the **Canadian Institute of Chartered Accountants (CICA)**, recommends that individuals and organizations conduct needs assessments to determine their specific educational requirements to help them choose wisely from the abundance of IFRS education available:

“After assessing what they need, individuals can take a look at something at an introductory level or get into something with more depth. If they just dive in without a plan, they may find themselves going to a course that does not suit their needs. So the self assessments for individuals are important; just as important as needs assessments for organizations in terms of what their resources are, what areas are going to be most impacted by IFRS and what they need to do to make sure they can meet those needs and objectives.”

IFRS Education and Resources

Last fall, the CICA released a **free e-learning course** on IFRS. It is a primer providing the profession and others with a basic introduction to IFRS. It touches on the differences between Canadian GAAP and IFRS; the disclosure requirements of IFRS; and looks at the whole planning and implementation side of IFRS. According to Beal, it provides a good starting place for individuals and companies who must deal with IFRS to help them determine their current level of knowledge and understanding of it, and what they need to do next. Besides the e-learning course, the CICA is also conducting a series of **free webcasts** to address more relevant topics such as “IFRS 1 Standard for First Time Adopters”. These webcasts will be archived so they can be accessed at any time.

The e-learning course, webcasts and additional resources can be found on **CICA’s dedicated IFRS website (www.cica.ca/IFRS)** that serves as a **one-stop shop** for anyone looking for transition support. In addition, details about CICA’s in-depth IFRS courses and provincial CA institutes’ IFRS-related courses focusing in on specific industries such as Oil and Gas, Mining, Banking and Real Estate can also be found on the site.

In working closely with specific industry associations, the CICA is hoping to act as a catalyst for industry groups to ensure that they are hitting the most relevant topics for their industry when addressing the issue of the transition. For example, “Last fall we held an Oil & Gas conference in Calgary where we worked very closely with the Canadian Association of Petroleum Producers and really tried to bring issues to the forefront that were most relevant to that industry group,” explains Beal.

In **June 2009**, the CICA will be hosting its **annual IFRS conference**. This one-day conference will focus on providing participants with practical insights on the most critical implementation issues. It will bring early IFRS adopters and those who are in various stages of implementation together to share their experiences and to hear from those who are already well down the path. “A number of presenters will share their experiences to date with respect to the challenges they have faced and the opportunities they have taken advantage of. Drawing from the valuable experiences of others will help conference participants prepare for the next steps in their implementation process,” says Beal.

A Manageable Process

The Canadian accounting profession has adapted to changing standards before, but the transition from Canadian GAAP to IFRS is one of the most significant changes in decades. The CICA is providing a variety of IFRS education and resource options to help people navigate and manage the transition process. While the CICA is sensitive to the current economic situation and recognizes that organizations may be stretched for resources, the importance of individuals and organizations starting to prepare now for IFRS is critical for a seamless transition come January 1, 2011.

About the Author:

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