Q. Requested by the Public Utilities Board - Transcript Reference October 23, 2007, Page 127 lines 7-22.

Provide the Board with a copy of all key documents relating to International Financial Reporting Standards.

A. The requested information is provided in this binder.

Contents

Tab

Accounting Standards Development, Rate-Regulated Operations 1

March 2007 Exposure Draft *Rate Regulated Operations* 2

International Financial Reporting Standards (IFRS)
- Accounting Standards Board Strategic Plan 3
- IFRS Implementation Plan 4
- IFRS Bulletins 5
- IFRS Advisory Committee Reports 6
- Progress Review Plan 7
- International Accounting Standards Board
  (Clarification Letter re Regulatory Assets & Liabilities) 8
- Newfoundland Power IFRS Transition Plan 9

Accounting Standards Development
Rate Regulated Operations
1999 to 2007

1999	**Accounting Standards Board creates Study Group to assess financial accounting for rate-regulated operations.**
2002	**Study Group issues research report *Financial Reporting by Rate-Regulated Enterprises.***
	Accounting Standards Board approves project ("Rate-Regulated Project") to examine potential modifications to Canadian GAAP for rate-regulated operations.
2003	**Accounting Standards Board effectively approves continued recognition of regulatory assets and liabilities pending completion of Rate-Regulated Project.**
2005	**Accounting Standards Board issues accounting guideline 19 ("AcG-19") providing for disclosure requirements for regulatory assets and liabilities.**
2006	**Accounting Standards Board announces strategic plan to transition to international financial reporting standards ("IFRS").**
2007	**Accounting Standards Board abandons Rate-Regulated Project in light of 2006 plan to transition to IFRS.**
	In March, Accounting Standards Board issues exposure draft on accounting for rate-regulated operations.
	In August, Accounting Standards Board issues decision on exposure draft.

Exposure Draft
Rate-Regulated Operations
March 2007

Background

The Accounting Standards Board ("AcSB") is the arm of the Canadian Institute of Chartered Accountants that is responsible for establishing accounting standards in Canada. These standards are known as Canadian Generally Accepted Principles, or GAAP.

In 2006, the AcSB announced its Strategic Plan to replace Canadian GAAP with international financial reporting standards ("IFRS") by 2011.

In light of this decision, the AcSB abandoned an onging project on accounting for rate regulated operations. Instead, in March 2007 it released the exposure draft *Rate-Regulated Operations*.

The exposure draft is referred to by Grant Thornton in its October 17, 2007 supplementary report on Newfoundland Power's 2008 GRA. A copy of the exposure draft and the accompanying *Background Information and Basis for Conclusions* (which explains the exposure draft) are provided under this tab.

Purpose of Exposure Draft

The exposure draft proposed to remove from Canadian GAAP guidance for rate-regulated entities, including that which effectively permits the recognition of regulatory assets and liabilities.[1]

The purpose of the exposure draft is to harmonize Canadian GAAP with IFRS which also provides no guidance on recognizing regulatory assets and liabilities.

Newfoundland Power issued a comment letter on the exposure draft to the AcSB. The comment letter is Attachment A to the response to request for information PUB-NP-1.

Effect of Exposure Draft

The AcSB issued its decision on the exposure draft in August 2007. A copy of the AcSB's Decision Summary is provided under this tab.

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1 Newfoundland Power's regulatory assets are (i) unrecorded future income tax obligations, (ii) the OPEBs transitional obligation and (iii) unrecovered balances in the weather normalization reserves and the rate stabilization account. Collectively, these total approximately $127 million over 2006/2007.

Newfoundland Power's regulatory liabilities are (i) the 2005 unbilled revenue, (ii) the municipal tax liability and (iii) the balance in the purchased power unit cost variance reserve. Collectively, these total approximately $22 million over 2006/2007.

The AcSB has decided, effective January 1, 2009, to: (1) remove from Canadian GAAP the guidance that effectively permits the recognition of regulatory assets and liabilities and (2) require balance sheet disclosure of regulatory assets and liabilities related to future income tax.[2]

The effect of this decision in the near term is that Canadian utilities will have to look to US GAAP for guidance during 2009 and 2010.[3] This is expected to have no effect on Newfoundland Power because a preliminary review indicates that the Company's regulatory assets and liabilities already comply with US GAAP.

However, if IFRS are implemented in 2011, the ability to recognize regulatory assets and liabilities will have to be evaluated in the context of IFRS.

Because IFRS are currently silent on regulatory assets and liabilities, it is not clear whether their continued recognition will be permitted.

It is also uncertain whether, following IFRS adoption, Canadian utilities will still be able to look to US GAAP for guidance.

The Accounting Standards Board itself has indicated it is *too early to tell* whether, following implementation, IFRS will be interpreted in a way that produces results consistent with US GAAP.[4]

It is the lack of clarity for 2011 which is the central aspect of current uncertainty for rate-regulated enterprises, including Newfoundland Power.

The AcSB has brought the issue of rate-regulated accounting to the attention of both the International Accounting Standards Board, which governs IFRS, and Canadian securities regulators.

These referrals were in response to regulated utility comments, including those of Newfoundland Power, regarding the exposure draft.

If, and how, the International Accounting Standards Board and Canadian securities regulators will respond to these matters is currently uncertain.

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[2] Pursuant to accounting guideline AcG-19, Newfoundland Power already discloses on its balance sheet all of its regulatory assets and liabilities *except* those relating to future income tax. The disclosure of future income tax will not affect the Company's earnings. See Newfoundland Power's response to request for information Nos. PUB-NP-3 and PUB-NP-6.

[3] Under Canadian GAAP, all companies, including rate-regulated utilities, are permitted to follow US GAAP in areas where Canadian GAAP is silent. US GAAP for rate-regulated operations is set out in Financial Accounting Standards 71 and 109 (FAS 71 and FAS 109).

[4] See paragraph 34(c) of *Background Information and Basis for Conclusions* under this tab.

Concluding

The exposure draft was a primary catalyst for the uncertainty surrounding the recognition of regulatory assets and liabilities under IFRS.

Uncertainty exists because IFRS are currently silent on accounting for rate regulated operations.

It is too early to determine whether and how IFRS may affect the recognition of regulatory assets and liabilities.

exposure draft

ACCOUNTING STANDARDS BOARD
PROPOSED ACCOUNTING STANDARDS

Rate-Regulated Operations

March 2007

COMMENTS MUST BE RECEIVED BY JUNE 30, 2007

This Exposure Draft of proposed accounting standards is issued by the Accounting Standards Board. The Board is composed of persons knowledgeable in the preparation and use of financial statements who are drawn from public practice, business and academe. All members serve as individuals and not as representatives of their employers or organizations.

Individuals and organizations are invited to send written comments on the Exposure Draft proposals. Comments are requested from those who agree with the Exposure Draft as well as from those who do not.

Comments are most helpful if they are related to a specific paragraph or group of paragraphs, and, when expressing disagreement with the Exposure Draft, they clearly explain the problem, and include a suggested alternative supported by specific reasoning. All comments received will be available on a public file one month after the Accounting Standards Board has discussed the comment letters, unless confidentiality is requested.

To be considered, comments must be received by June 30, 2007, addressed to:

Peter Martin, CA
Director, Accounting Standards
Accounting Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

For ease of handling, we prefer comments to be sent by e-mail (in Word format) to:
ed.accounting@cica.ca

"Standards need not be applied to immaterial items. While materiality is a matter of professional judgment in the particular circumstances, the Board believes that, as a general rule, materiality should be judged in relation to the significance of financial statement information to decision makers. An item of information, or an aggregate of items, is deemed to be material if it is probable that its omission or misstatement would influence or change a decision."

(Introduction to Accounting Standards — CICA Handbook – Accounting)

Highlights

The Accounting Standards Board (AcSB) proposes, subject to comments received following exposure, to remove from GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, Section 1100, the temporary exemption pertaining to the application of the Section to the recognition and measurement of assets and liabilities arising from rate regulation, and eliminate from other Sections of the CICA Handbook – Accounting all recognition and measurement guidance relating specifically to rate-regulated operations. ACCOUNTING GUIDELINE AcG-19, Disclosures by Entities Subject to Rate Regulation, would be amended as necessary as a result of this proposal, and retained.

Background

In March 2002, the AcSB approved a project examining the need to modify existing Canadian accounting standards to deal specifically with the unique characteristics of rate-regulated operations. The project was undertaken as a domestic project, not intended specifically as part of the AcSB's efforts (under its previous Strategic Plan) to support the international convergence of accounting standards while harmonizing with US GAAP.

The AcSB made continued progress on the project, deliberating the key issues and seeking stakeholder input as appropriate to better understand the nature of rate regulation in Canada and its economic effects on entities subject to rate regulation. In May 2005, the AcSB issued AcG-19 to improve disclosures by entities subject to rate regulation pending completion of the project.

Following the adoption of its Strategic Plan for the period 2006-2011, the AcSB considered the Plan's implications for the AcSB's current work program and concluded that the project, as it was originally envisaged, should be discontinued. The decision to discontinue the project required further decisions by the AcSB regarding the disposition of existing Handbook guidance relating specifically to rate-regulated operations. The proposals described in this Exposure Draft reflect the AcSB's decisions in this regard.

Proposals

The Exposure Draft proposes to:

(a) remove the temporary exemption in Section 1100 pertaining to the application of that Section to the recognition and measurement of assets and liabilities arising from rate regulation; and
(b) withdraw from the Handbook all other recognition and measurement guidance relating specifically to rate-regulated operations. Such guidance is found in CONSOLIDATED FINANCIAL STATEMENTS, Section 1600, PROPERTY, PLANT AND EQUIPMENT, Section 3061, INCOME TAXES, Section 3465, and DISPOSAL OF LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS, Section 3475.[1]

The Exposure Draft also proposes that AcG-19 be retained after the consequential amendments indicated at the end of the document.

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[1] Other Sections that mention rate-regulated operations do not provide recognition and measurement guidance relating specifically to this sector, and are unaffected by this proposal.

These proposals should be read in conjunction with the accompanying Background Information and Basis for Conclusions document.

Plans for finalizing the proposals

The AcSB will redeliberate these proposals to take into account comments received on this Exposure Draft. The AcSB will provide updates about its redeliberations on its website at www.acsbcanada.org.

These proposals are expected to be finalized in the fourth quarter of 2007, to be applicable to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009.

Comments requested

The AcSB welcomes comments on all aspects of the proposals. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, and, when expressing disagreement with the Exposure Draft, they clearly explain the problem, and include a suggested alternative supported by specific reasoning.

The AcSB particularly welcomes comments on the following questions concerning the proposals:

1. Do you agree with the proposed elimination from Canadian GAAP of all recognition and measurement guidance relating specifically to rate-regulated operations? If not, why not?

2. Do you agree that AcG-19 should be amended as proposed, and retained? If you do not agree that it should be retained, why not? If you do not agree with the proposed amendments, what changes would you suggest and why?

3. Do you agree with the effective date for the proposed amendments to Sections 1100, 1600, 3061, 3465 and 3475, and that the proposals should apply to both interim and annual financial statements for periods beginning on or after that date? If not, what alternative(s) do you propose and why?

4. Do you agree that the effect of any changes in accounting policy required as a result of the proposal to remove the temporary exemption in Section 1100 should apply prospectively, in accordance with paragraph 1100.33? If not, what alternative do you propose and why?

5. Do you agree that when initially applying Section 1100 to the recognition and measurement of assets and liabilities arising from rate regulation, and when this results in a change in the accounting for such assets and liabilities, entities should be required to repeat the disclosures made in the comparative period under paragraph 8 of AcG-19, in order to assist financial statements users in performing a comparative analysis? If not, why not?

Rate-Regulated Operations

PROPOSAL

The following Handbook material would be amended as indicated below. Additional text is denoted by underlining and deleted text by strikethrough. Paragraphs that do not contain changes have been omitted.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, Section 1100

.32 This Section applies to fiscal years beginning on or after October 1, 2003, except as specified in paragraph 1100.32B ~~except in the circumstances described in paragraph 1100.34~~. Earlier adoption is encouraged.

.32B This Section applies to the recognition and measurement of assets and liabilities arising from rate regulation in interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. Upon initial application of this Section to assets and liabilities arising from rate regulation, when such application results in a change in the accounting for such assets and liabilities, entities are required to repeat, in their current period financial statements, information disclosed in the comparative period under paragraph 8 of ACCOUNTING GUIDELINE AcG-19, Disclosures by Entities Subject to Rate Regulation.

~~.34 Pending completion of a separate project on rate-regulated operations, an entity is not required to apply this Section to the recognition and measurement of assets and liabilities arising from rate regulation. Entities are required to apply this Section to all other assets and liabilities for fiscal years beginning on or after October 1, 2003.~~

~~.35 An entity that chooses not to apply this Section to the recognition and measurement of assets and liabilities arising from rate regulation is required to comply with all disclosure requirements of GAAP, and to disclose the nature of the differences between its accounting policies for assets and liabilities arising from rate regulation and those required by the primary sources of GAAP.~~

~~.36 Rate regulation exists when all of the following criteria are present:~~
- ~~(a) The rates for regulated services or products provided to customers are established by or are subject to approval by a regulator or a governing body empowered by statute or contract to establish rates to be charged for services or products.~~
- ~~(b) The regulated rates are designed to recover the cost of providing the services or products.~~
- ~~(c) It is reasonable to assume that rates set at levels that will recover the cost can be charged to and collected from customers in view of the demand for the services or products and the level of direct and indirect competition.~~

CONSOLIDATED FINANCIAL STATEMENTS, Section 1600

~~.29 Where a parent or subsidiary manufactures or constructs facilities for a regulated public utility in the consolidated group, any intercompany gain or loss is deemed to have been realized to the extent that the transfer price on such facilities is recognized for rate-making purposes by a government regulatory body.~~

PROPERTY, PLANT AND EQUIPMENT, Section 3061

~~.10 Rate-regulated property, plant and equipment are items of property, plant and equipment held for use in operations meeting all of the following criteria:~~
~~(a) The rates for regulated services or products provided to customers are established by or are subject to approval by a regulator or a governing body empowered by statute or contract to establish rates to be charged for services or products.~~
~~(b) The regulated rates are designed to recover the cost of providing the services or products.~~
~~(c) It is reasonable to assume that rates set at levels that will recover the cost can be charged to and collected from customers in view of the demand for the services or products and the level of direct and indirect competition. This criterion requires consideration of expected changes in levels of demand or competition during the recovery period for any capitalized costs.~~

.23 The cost of an item of property, plant and equipment that is acquired, constructed, or developed over time includes carrying costs directly attributable to the acquisition, construction, or development activity such as interest costs when the enterprise's accounting policy is to capitalize interest costs. ~~For an item of rate-regulated property, plant and equipment, the cost includes the directly attributable allowance for funds used during construction allowed by the regulator.~~

INCOME TAXES, Section 3465

.01 This Section establishes standards for the recognition, measurement, presentation and disclosure of income and refundable taxes in an enterprise's financial statements~~, except that certain rate-regulated enterprises may limit the application of this Section as set out in paragraphs 3465.102-.104~~. Special considerations related to the accounting for investment tax credits are dealt with in INVESTMENT TAX CREDITS, Section 3805.

.09 The following definitions have been adopted for purposes of this Section:
~~(k) A rate-regulated enterprise is an enterprise that meets all of the following criteria:~~
~~(i) the rates for regulated services or products provided to customers are established by or are subject to approval by a regulator or a governing body empowered by statute or contract to establish rates to be charged for services or products;~~
~~(ii) the regulated rates are designed to recover the cost of providing the services or products; and~~
~~(iii) it is reasonable to assume that rates set at levels that will recover the cost can be charged to and collected from customers in view of the demand for the services or products and the level of direct~~

~~and indirect competition. This criterion requires consideration of expected changes in levels of demand or competition during the recovery period for amounts recorded as recoverable under the rate formula.~~

~~.102~~ ➤ ~~*A rate-regulated enterprise need not recognize future income taxes in accordance with this Section to the extent that future income taxes are expected to be included in the approved rate charged to customers in the future and are expected to be recovered from future customers. If future income taxes are not recognized in accordance with this Section, the rate-regulated enterprise should disclose the following, in addition to the information to be disclosed in accordance with paragraphs 3465.91-.92:*~~

~~*(a) the reason why future income tax liabilities and future income tax assets have not been recognized; and*~~

~~*(b) the amount of future income tax liabilities, future income tax assets and future income tax expense that have not been recognized.*~~

~~.103 Pending further study of accounting for rate-regulated enterprises as a whole, rate-regulated enterprises are not required to record future income taxes for temporary differences that arise from assets and liabilities relating to their rate-regulated activities to the extent that these future income taxes will be included in the rates charged to customers in the future and will be recoverable at that time as set out in paragraph 3465.102.~~

~~.104 Future income taxes would be recognized in accordance with the remainder of this Section to the extent that future income taxes are not expected to be included in the rates charged to customers in the future. In addition, a rate-regulated enterprise that chooses to recognize future income taxes despite the expectation that they will be included in the rates charged to customers in the future would recognize all future income tax liabilities and future income tax assets in accordance with the requirements of this Section.~~

DISPOSAL OF LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS, Section 3475

.03 The following terms are used in this Section with the meanings specified:

~~(d) Rate-regulated long-lived assets are long-lived assets held for use in operations meeting all of the following criteria:~~

~~(i) The rates for regulated services or products provided to customers are established by or subject to approval by a regulator or a governing body empowered by statute or contract to establish rates to be charged for services or products.~~

~~(ii) The regulated rates are designed to recover the cost of providing the services or products.~~

~~(iii) It is reasonable to assume that rates set at levels that will recover the cost can be charged to and collected from customers in view of the demand for the services or products and the level of direct or indirect competition. This criterion requires consideration of expected changes in levels of demand or competition during the recovery period for any capitalized costs.~~

~~.26 For rate-regulated operations, the regulator may require the difference between net carrying amount and the proceeds on disposal of a long-lived asset to be considered in the determination of future rates charged to customers. In such circumstances, the difference is deferred, provided there is reasonable assurance that:~~

~~(a) any excess of net carrying amount over proceeds on disposal will be recovered through future rates; or~~

~~(b) any excess of proceeds on disposal over net carrying amount will serve to reduce future rates.~~

CONSEQUENTIAL AMENDMENTS

ACCOUNTING GUIDELINE AcG-19, Disclosures by Entities Subject to Rate Regulation

AcG-19 would be modified as follows to:

(a) remove references to Handbook guidance that the Exposure Draft proposes be eliminated;

(b) clarify that paragraph 1 of the Guideline is not to be interpreted as providing a definition of rate-regulated operations that may be used for recognition and measurement purposes once current Handbook definitions relating specifically to rate-regulated operations have been eliminated; and

(c) remove from the Illustrative Example the hypothetical description of an entity's accounting for income taxes, since this accounting would not likely be followed if the proposals are adopted.[2]

PURPOSE AND SCOPE

3 This Guideline does not address recognition and measurement issues associated with the accounting for rate-regulated operations, and applies regardless of the accounting policies selected by an entity for its rate-regulated operations. The description in paragraph 1 of entities to which this Guideline applies should be used only for purposes of complying with the disclosure requirements of this Guideline, and should not be interpreted as providing a definition of rate-regulated operations that may be used by analogy for recognition and measurement purposes. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, Section 1100, applies to the recognition and measurement of assets and liabilities arising from rate regulation. ~~GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, paragraph 1100.34, indicates that an entity is not required to apply that Section to the recognition and measurement of assets and liabilities arising from rate regulation, pending completion of a separate project on rate-regulated operations, which is currently underway.~~

DISCLOSURE

Additional information on the financial statement effects of rate regulation

7 ~~Rate regulation may cause an entity to account for a transaction or event differently than it would in the absence of rate regulation. Such differences in accounting may result from the application of GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, paragraph 1100.34, or other Sections that require or permit entities subject to rate regulation to recognize or measure an item differently from other entities (see CONSOLIDATED FINANCIAL STATEMENTS, Section 1600; PROPERTY, PLANT AND EQUIPMENT, Section 3061; INCOME TAXES, Section 3465; and DISPOSAL OF LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS, Section 3475).~~

8 When rate regulation has caused an entity to account for a transaction or event differently than it would have in the absence of rate regulation, ~~affected the accounting for a transaction or event,~~ the entity should state this fact and

[2] These modifications would, in turn, necessitate other amendments to the Guideline of an editorial or referencing nature. These are not identified below.

disclose additional information about the effect on its financial statements. This information should include, at a minimum, the following:

ILLUSTRATIVE EXAMPLE

Other items affected by rate regulation

~~As prescribed by a regulatory rate order, income tax expense is recovered through customer rates based on the taxes payable method. Therefore, rates do not include the recovery of future income taxes related to temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. RRO Inc. has not recognized future income taxes, as it is expected that when these amounts become payable, they will be recovered through future rate revenues. Generally accepted accounting principles require the recognition of future income tax liabilities and future tax assets in the absence of rate regulation.~~

Rate-Regulated Operations

AcSB
Exposure Draft

Background Information and Basis for Conclusions

FOREWORD

In March 2007, the Accounting Standards Board (AcSB) released an Exposure Draft, "Rate-Regulated Operations," proposing revisions to the CICA Handbook – Accounting. The AcSB also approved for publication the contents of this document setting out its rationale for the Exposure Draft proposals. The AcSB believes this Background Information and Basis for Conclusions document will assist readers of the Exposure Draft in understanding its proposals.

March 2007

TABLE OF CONTENTS

	PARAGRAPH
Introduction	1-2
Background	3-10
Handbook guidance on rate-regulated operations	11-16
AcSB decisions	17-37
Section 1100	17-18
The application of GAAP to rate-regulated operations	19-24
Sections 1600, 3061, 3465 and 3475	25-35
AcG-19	36-37
Effective date and transition	38-42

INTRODUCTION

1. This document summarizes considerations that were deemed significant by the members of the Accounting Standards Board (AcSB) in reaching the conclusions in the March 2007 Exposure Draft, "Rate-Regulated Operations." This Exposure Draft proposes to remove from GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, Section 1100, the temporary exemption pertaining to the application of the Section to the recognition and measurement of assets and liabilities arising from rate regulation, and withdraw from the CICA Handbook – Accounting (Handbook) all other recognition and measurement guidance relating specifically to rate-regulated operations. ACCOUNTING GUIDELINE AcG-19, Disclosures by Entities Subject to Rate Regulation, would be retained after some consequential amendments. This document sets out the reasons the AcSB undertook a project on rate-regulated operations, the process of research and deliberation, the key decisions made, and the principal reasons for adopting the positions taken and rejecting others. Individual AcSB members gave greater weight to some factors than to others.

2. Nothing in this document is to be taken as overriding the requirements of the Handbook or the proposals in the Exposure Draft. However, it may help readers understand how the AcSB reached its conclusions in developing the proposed Handbook revisions, and the AcSB's intent with respect to the interpretation of its proposals.

BACKGROUND

3. In March 2002, the AcSB approved a project examining the need for modifications to the Handbook to address rate-regulated operations more comprehensively. The project was undertaken for the following reasons:
   (a) Currently, the Handbook provides limited guidance dealing specifically with rate-regulated operations. Consequently, financial statement preparers have found it necessary to analogize to guidance on other topics, or have adopted industry practice or relied on US GAAP when dealing with areas in which Canadian GAAP is silent.
   (b) In the late 1990s, after becoming aware of certain accounting and financial reporting issues related to rate-regulated operations and in light of changes in the regulatory environment (for example, increased deregulation and the emergence of new forms of rate regulation), the AcSB and the Public Sector Accounting Board (PSAB) jointly commissioned a research study on the topic. In 2002, the CICA published a Research Report, "Financial Reporting by Rate-Regulated Enterprises." The report recommended that the AcSB issue a new Section on accounting for the effects of rate regulation and that the accounting requirements be substantially converged with Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS 71), of the US Financial Accounting Standards Board (FASB), with the exception of accounting for income taxes.

4. The issuance of Section 1100 in July 2003 provided another reason for undertaking the project. Paragraph 1100.34 exempts entities subject to rate regulation from the requirement to apply the Section to the recognition and measurement of assets and liabilities arising from rate regulation pending completion of the project.

5. This project was undertaken as a "domestic" project, not intended specifically as part of the AcSB's efforts (under its previous Strategic Plan) to support the international convergence of accounting standards while harmonizing with US GAAP. Nonetheless, the AcSB recognized that the project could result in Canadian GAAP moving closer to either US GAAP or International Financial Reporting Standards (IFRSs) with respect to the treatment of rate-regulated operations. US GAAP includes guidance relating specifically to rate-regulated operations in SFAS 71 and other pronouncements or guidance issued subsequently by the FASB and its Emerging Issues Task Force (EITF). In contrast, IFRSs are silent on rate-regulated operations. Entities subject to rate regulation must comply with IFRSs with no exceptions or specific guidance for their circumstances.

6. The project, as originally planned, was intended to address the following key recognition and measurement issues:
   (a) Whether, and if so, under what circumstances, rate regulation may create assets and liabilities meeting the asset and liability definitions of FINANCIAL STATEMENT CONCEPTS, Section 1000.
   (b) If rate regulation creates assets and liabilities meeting the conceptual framework definitions, how these items should be measured.

7. Since rate regulation is an important consideration in evaluating the financial performance of entities with rate-regulated operations, the project was also intended to consider how best to meet user needs through disclosures in the general purpose financial statements of such entities.

8. Considerable progress was made towards the resolution of these issues. Most notably, the AcSB:
   (a) has gained a better appreciation for the nature of rate regulation in Canada, its economic effects on entities subject to rate regulation and the various accounting treatments that have been adopted;[1]
   (b) commenced deliberations on the issue set out in paragraph 6(a); and
   (c) issued AcG-19 in May 2005.

9. The AcSB recently reconsidered this project in light of the Strategic Plan it adopted in January 2006 and the impending move to IFRSs for publicly accountable enterprises. Since publicly accountable enterprises are currently expected to be following IFRSs in approximately four years' time, any new guidance resulting from the project would be short-lived and potentially require two accounting changes within a relatively short period. Therefore, the AcSB decided that the project, as it was originally envisaged, should be discontinued.

10. The decision to discontinue the project and the implications of the new Strategic Plan required further decisions by the AcSB regarding:
   (a) the temporary exemption described in paragraph 4;
   (b) Handbook guidance relating specifically to rate-regulated operations in Sections 1600, 3061, 3465 and 3475 (see paragraphs 12-15);

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[1] This was achieved, in part, through stakeholder input obtained at roundtable discussions and from written submissions, including those provided in response to the AcSB's invitation to submit fact patterns.

(c) the appropriateness of entities subject to rate regulation relying on other sources of GAAP (including SFAS 71); and

(d) AcG-19.

The decisions taken, and their supporting rationale, are described in paragraphs 17-37.

HANDBOOK GUIDANCE ON RATE-REGULATED OPERATIONS

11. Certain Sections of the Handbook currently provide additional or different requirements that apply only in the specific circumstances of entities subject to rate regulation and permit or require these entities to account for transactions and events differently than they would in the absence of rate regulation. As noted above, Section 1100 is one such Section. Paragraphs 12-15 describe the guidance relating specifically to rate-regulated operations in each of the other such Sections and compare it to corresponding guidance under US GAAP. As noted in paragraph 5, there is no corresponding guidance in IFRSs.

12. CONSOLIDATED FINANCIAL STATEMENTS, Section 1600, currently requires the elimination of unrealized intercompany gains or losses arising subsequent to the date of an acquisition on assets remaining within the consolidated group, but provides an exception for entities subject to rate regulation. SFAS 71 provides a similar exception.

13. PROPERTY, PLANT AND EQUIPMENT, Section 3061, currently permits the capitalization of carrying costs directly attributable to the acquisition, construction or development of property, plant and equipment over time and specifies that, in the case of rate-regulated property, plant and equipment, these costs include the regulator-approved allowance for funds used during construction (AFUDC). Since AFUDC typically includes not only an interest component but also a cost-of-equity component, carrying costs capitalized by entities subject to rate regulation generally exceed those capitalized in similar circumstances by other entities. Similarly, SFAS 71 specifies that when a regulator requires an entity to capitalize the cost of financing, comprising both a computed interest cost and a designated cost of equity funds, the entity should capitalize the same amount for financial reporting purposes, rather than the amount of interest that would otherwise be capitalized under Statement of Financial Accounting Standards No. 34, "Capitalization of Interest Cost" (SFAS 34).

14. INCOME TAXES, Section 3465, currently requires the recognition of future income taxes, but provides an exception for entities subject to rate regulation to the extent that future income taxes are expected to be included in regulator-approved future rates and recovered from future customers. US GAAP in this area differs. While SFAS 71 originally mandated the approach to accounting for future income taxes found in Section 3465, the standard was subsequently amended by Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109). US GAAP now requires entities subject to rate regulation to recognize future income tax liabilities and assets, as well as a separate regulatory asset (or liability) for the amount of future income taxes expected to be included in future rates and recovered from (or paid to) future customers.

15. DISPOSAL OF LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS, Section 3475, currently requires the immediate recognition of gains or losses on the sale of a long-lived asset, except for rate-regulated operations, when the regulator requires such gains or losses to be included in the determination of future rates and there is reasonable assurance that the gain (or loss) will serve to reduce (or be recovered through) future rates. In such cases, the gain or loss is deferred for financial reporting purposes. Neither SFAS 71 nor Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144), specifically addresses the accounting for disposals of long-lived assets by entities subject to rate regulation. However, SFAS 71 includes general guidance on when the rate actions of a regulator justify the deferral and amortization of gains that would otherwise be included in net income of the current period, or the capitalization of costs that would otherwise be charged as a current period expense. Such guidance might reasonably be applied to disposals of long-lived assets when the qualifying criteria have been met.

16. IMPAIRMENT OF LONG-LIVED ASSETS, Section 3063, does not specifically address rate-regulated operations, but the accompanying Background Information and Basis for Conclusions states that the Basis for Conclusions for SFAS 144 might be helpful to Handbook users. Hence, it may be concluded that Canadian and US GAAP are consistent in this area. As explained in the Basis for Conclusions for SFAS 144, the impairment provisions of that standard are intended to apply differently to entities subject to rate regulation. Another US standard, Statement of Financial Accounting Standards No. 90, "Regulated Enterprises — Accounting for Abandonments and Disallowances of Plant Costs," provides guidance on impairments of a particular nature.

AcSB DECISIONS

Section 1100

17. The temporary exemption provided in Section 1100 and described in paragraph 4 was granted pending completion of the AcSB's project on rate-regulated operations, so that entities subject to rate regulation making changes as a result of the adoption of Section 1100 would not be required to make further (and possibly reversing) changes upon completion of the project. When Section 1100 was issued, the AcSB anticipated the timely completion of the project and that the exemption would be in place for a limited time. The Decision Summary for the December 1-2, 2004 meeting of the AcSB noted that it remained the Board's intention to eliminate the exemption within a reasonable period of time.

18. The AcSB has now decided that the Section 1100 exemption should be removed concurrently with any proposed amendments to Sections 1600, 3061, 3465 and 3475, for the following reasons:
    (a) Section 1100 makes it clear that accounting prescribed by regulatory authorities should not be considered in and of itself generally accepted for purposes of financial reporting. This includes financial reporting by entities subject to rate regulation.
    (b) The AcSB had previously concluded, and stakeholder input received throughout the project has consistently supported the view, that the GAAP conceptual framework and hierarchy should apply equally to all entities,

whether or not they are subject to rate regulation. Removing the Section 1100 exemption will ensure that this is the case.

(c) Revising Sections 1100, 1600, 3061, 3465 and 3475 concurrently as proposed would allow entities subject to rate regulation to make all necessary changes simultaneously, thus eliminating the need for the exemption.

The application of GAAP to rate-regulated operations

19. The AcSB notes that the Handbook, SFAS 71 and IFRSs are based on a common premise, namely, that entities subject to rate regulation should follow GAAP. However, they differ in terms of how this premise is expressed. While IFRSs are silent on rate regulated operations, SFAS 71 is explicit in its acknowledgment that the economic effects of rate regulation may affect the manner in which GAAP is applied. Although the Handbook does not have an equivalent to SFAS 71, the guidance it contains relating specifically to rate-regulated operations reflects the same concept.

20. The issue at hand is whether rate regulation introduces an economic dimension in some circumstances that should affect the application of generally accepted accounting principles to rate-regulated operations. The FASB concluded that it does, noting the cause-and-effect relationship of costs and revenues as a primary economic effect of regulation that affects the accounting for rate-regulated operations. The specific circumstances in which the FASB believes rate actions should affect the accounting for rate-regulated operations are described in SFAS 71.

21. SFAS 71 does not imply that GAAP does not apply to entities subject to rate regulation. Rather, it specifies how the different types of rate actions are reported in general purpose financial statements. The economic effect of regulatory decisions, not the mere existence of regulation, is the pervasive factor that determines the application of GAAP.

22. SFAS 71 requirements relating to future income taxes serve to illustrate this concept. As the FASB notes, rate actions of the regulator cannot eliminate obligations that were not imposed by the regulator. Thus, entities must recognize a future income tax liability when appropriate, and this liability is not affected by rate actions. At the same time, rate actions may create an asset related to but quite separate from the future income tax liability, to the extent that the future income taxes are expected to be included in future rates and recovered from future customers.

23. The AcSB's project, as originally envisaged, would have provided the opportunity to assess the appropriateness of using SFAS 71 as a model for the development of more comprehensive Handbook guidance on rate-regulated operations, considering such factors as the standard's age and changes in the North American regulatory environment since it was issued. However, this work has not been completed and, therefore, the AcSB has not formed an opinion on the extent to which SFAS 71 remains relevant in today's environment, and whether it incorporates the best measurement model.

24. Nonetheless, the AcSB is aware that the accounting for rate-regulated operations in both Canada and the US has largely evolved from the principles of SFAS 71, and that these principles were rigorously tested by the FASB

when developing the standard. The AcSB considers the FASB's analysis of, and conclusions on, the issue described in paragraph 20 to be reasonable. At the same time, the AcSB is also aware that certain differences exist between SFAS 71 and current practice in Canada.

Sections 1600, 3061, 3465 and 3475

25. The AcSB considered the extent to which existing Handbook guidance relating specifically to rate-regulated operations is consistent with SFAS 71, and whether any differences are justified. As noted in paragraphs 12, 13 and 15, the guidance contained in Sections 1600, 3061 and 3475 is consistent with SFAS 71. However, as also noted in paragraph 14, the guidance in Section 3465 differs from SFAS 71 as concerns the treatment of future income taxes.

26. During the development of Section 3465, Canadian entities subject to rate regulation were opposed to the proposed adoption of US requirements relating to income taxes. They argued that:
    (a) these requirements would result in an increase in large corporations taxes and capital taxes payable by entities subject to rate regulation, an amount that would generally be passed on to shareholders or customers, depending on whether or not the regulator allowed the increased cost to be included in the calculation of customer rates; and
    (b) the unique circumstances created by Canadian tax rules justified a different approach from the one taken in SFAS 71.

    After considering these concerns, the AcSB decided to include the exception found in paragraph 3465.102, "pending further study of accounting for rate-regulated enterprises as a whole."

27. The AcSB sees no theoretical justification for this exception. It notes that entities not operating in a rate-regulated environment must manage the pricing effects of recognizing future income taxes, and suggests that concerns about the tax effects of applying accounting standards are more appropriately brought to the attention of either the taxation authorities or the regulator, who may extend the period over which any associated increase in costs is recovered through rates. The AcSB further notes that in most Canadian tax jurisdictions, large corporations and capital taxes have either been eliminated or are being phased out. As a result of these considerations, the AcSB decided that leaving Section 3465 as is was not a feasible option.

28. The AcSB recognizes that one way of achieving consistency between those Sections with guidance relating specifically to rate-regulated operations and SFAS 71 would be to:
    (a) remove the exception in Section 3465 and further amend the Section to require the treatment of future income taxes specified in SFAS 71; and
    (b) leave Sections 1600, 3061 and 3475 intact.

    However, it could be argued that in order to make it more helpful, the Handbook should be further amended to incorporate all guidance provided in SFAS 71 and subsequent related US standards. For example, Appendix B to SFAS 71 provides guidance on the application of the standard to specific situations including intangible assets, early extinguishment of debt, and accounting for leases. The Handbook does not provide similar guidance. Anything less than this more comprehensive amendment would result in a continuation of the Handbook's current piecemeal approach to dealing with rate-regulated operations, a situation the project was intended to rectify.

29. The AcSB decided that, to the extent that it is possible for Canadian entities subject to rate regulation to account for their transactions and events in accordance with SFAS 71, this result would more appropriately be achieved through the removal of all Handbook recognition and measurement guidance relating specifically to rate-regulated operations. This conclusion rests on the view that, once such guidance has been removed, SFAS 71 is a possible "other source" of GAAP as described in Section 1100.

30. As noted in paragraph 18(b), the proposed removal of the Section 1100 exemption means that the Section's requirements regarding consistency with the conceptual framework and the application of the GAAP hierarchy would apply fully to entities subject to rate regulation. This includes the requirement, in paragraph 1100.04, that when the primary sources of GAAP do not adequately deal with an entity's circumstances, the entity adopt accounting policies and disclosures that are consistent with the primary sources of GAAP and developed through the exercise of professional judgment and the application of the concepts described in FINANCIAL STATEMENT CONCEPTS, Section 1000. The AcSB notes that:
    (a) the FASB regards the principles of SFAS 71 as being consistent with FASB Concepts Statements (for example, the Basis for Conclusions for SFAS 71 speaks to the ability of a regulatory action to create a future economic benefit, the essence of an asset, and concludes that the qualifying criteria for an asset, found in FASB Concepts Statement No. 3, *Elements of Financial Statements of Business Enterprises*, are met); and
    (b) the financial statement concepts described in Section 1000 are substantially converged with the FASB Concepts Statements.

31. Canadian entities subject to rate regulation intending to consult the pronouncements of accounting standard setters in other jurisdictions in the absence of Handbook guidance adequately dealing with their circumstances are reminded of paragraph 1100.26, which states that such other sources of GAAP should be evaluated in the context of the relative manner in which the foreign standard setter requires its pronouncements to be applied, as well as in the context of the related pronouncement.

32. The AcSB notes that the eligibility criteria of SFAS 71 appear more restrictive than the criteria included in the current Handbook definition of rate-regulated operations. Most notably, while the Handbook requires that rates be established by or subject to approval by "a regulator or a governing body empowered by statute or contract to establish rates," SFAS 71 further requires that the rate regulator be an "independent, third-party regulator." The AcSB further notes that this has implications, and could be a particular concern, for public sector entities that are required to comply with the Handbook and have a rate regulator deemed not to be independent.

33. The AcSB decided against introducing elsewhere in the Handbook a definition that differs from the one in SFAS 71 if, as proposed, all Handbook recognition and measurement guidance relating specifically to rate-regulated operations is withdrawn. The AcSB is aware that DIFFERENTIAL REPORTING, Section 1300, currently includes a definition of rate-regulated enterprises and that it differs from the SFAS 71 definition. However, the purpose of the Section 1300 definition was, and remains, only to determine the entities that qualify to use differential reporting, and not to otherwise provide recognition and measurement guidance. Therefore, the AcSB proposes that this definition be left as is.

34. Based on the foregoing, the AcSB proposes to eliminate all explicit references to rate-regulated operations in Sections 1600, 3061, 3465 and 3475.[2] This would:
    (a) open the door to the possibility of Canadian entities looking to SFAS 71 and other related US pronouncements as other sources of GAAP;
    (b) reduce the diversity of practice currently in evidence among Canadian entities subject to rate regulation; and
    (c) bring Canadian GAAP closer to IFRSs before publicly accountable enterprises are required to begin reporting using IFRSs. The AcSB observes that, at this stage in the movement towards a single set of globally accepted accounting standards, it is too early to tell whether IFRSs will be interpreted and applied in a manner that produces results consistent with those of SFAS 71. However, the AcSB's proposals create a level playing field between Canadian entities subject to rate regulation, once they are reporting using IFRSs, and others following IFRSs.

35. The AcSB observes that input received to date appears to support its choice. Stakeholders commenting on the appropriateness of SFAS 71 as a model for the development of more comprehensive Handbook guidance on rate-regulated operations strongly agree with the standard's underlying premise that the actions of a rate regulator can create an asset or liability.

AcG-19

36. AcG-19 has no equivalent in US GAAP or IFRSs. However, the AcSB believes that this Accounting Guideline is, and will remain, beneficial to the readers of the financial statements of entities subject to rate regulation. Therefore, the AcSB proposes that AcG-19 be amended as necessary as a result of the proposals in the Exposure Draft, and retained throughout the period leading up to the date on which publicly accountable enterprises are required to begin reporting using the new IFRS-based standards. The ultimate disposition of AcG-19, and other Handbook guidance with no equivalent in IFRSs, will be decided at a later date, in conjunction with the AcSB's detailed implementation plan for IFRS convergence.

37. Besides removing from AcG-19 references to Handbook material that will be withdrawn if the proposals in the Exposure Draft are adopted, the AcSB proposes the following:
    (a) The Guideline would be amended in the manner indicated so as to make clear that its broad scope is not to be used by analogy for recognition and measurement purposes once all Handbook recognition and measurement guidance relating specifically to rate-regulated operations has been withdrawn. More specifically, Handbook users cannot access SFAS 71 via AcG-19. Rather, they must look to SFAS 71 itself to determine whether they meet its qualifying criteria.
    (b) The reference, in the Guideline's Illustrative Example, to RRO Inc. accounting for income taxes using the taxes payable method would be

[2] One Section other than Section 1300 makes mention of rate-regulated operations but is unaffected by the AcSB's proposals. INTEREST CAPITALIZED — DISCLOSURE CONSIDERATIONS, Section 3850, scopes out interest capitalized by rate-regulated enterprises as part of AFUDC when AFUDC in the period is disclosed. The AcSB decided that this scope exception should remain, since it affects the disclosure, rather than recognition and measurement, practices of entities subject to rate regulation.

eliminated, as this scenario is no longer relevant if the proposals are adopted.

EFFECTIVE DATE AND TRANSITION

38. The effective date selected for the Handbook revisions proposed in this Exposure Draft reflects the AcSB's practice of providing a reasonable period from the publication of Handbook revisions to their effective date.

39. The AcSB decided that the proposals should apply to interim, as well as annual, financial statements relating to fiscal years beginning on or after the effective date. The AcSB notes that in determining the effect of the proposals on interim financial statements in years following the one in which the proposals become effective, entities should refer to INTERIM FINANCIAL STATEMENTS, Section 1751.

40. The AcSB considered whether the effect of any change in accounting policy made as a result of now applying Section 1100 to the recognition and measurement of assets and liabilities arising from rate regulation should be applied retrospectively, as would normally be the case under ACCOUNTING CHANGES, Section 1506, or prospectively, as required by paragraph 1100.33. As noted in the Background Information and Basis for Conclusions for Section 1100, the AcSB's rationale for requiring prospective application of the effect of any change in accounting policy made on adopting the Section related primarily to the dramatic changes in reported equity that might otherwise result, and the recognition that public companies are sensitive to financial statement restatements. Prospective application was also viewed by the AcSB as making it easier to meet the Section's effective date. The AcSB decided that this rationale applies equally as well to entities subject to rate regulation and the proposals at hand, and, therefore, entities subject to rate regulation should be subject to the same requirement as all other entities.

41. The AcSB also considered whether additional guidance on the application of the transitional provisions in Section 1100 is required. In particular, it noted that paragraph 1100.33(b) does not permit an entity to recognize assets and liabilities that were not recognized previously but would have been recognized had these proposals been in place. The AcSB concluded that additional guidance is not required. However, it notes the important distinction between not now recognizing items that were not recognized previously, and presenting separately (gross) amounts that may have previously been offset. Taking income taxes as an example, entities subject to rate regulation have, in essence, already been recognizing future income tax assets and liabilities, as well as offsetting liabilities and assets for the rate actions of the regulator, and netting them for presentation purposes. Under the proposals, the amounts would be required to be presented gross.

42. In order to ensure that financial statement users have the information needed for comparative analyses, the AcSB decided that when initially applying Section 1100 to the recognition and measurement of assets and liabilities arising from rate regulation, and this results in a change in the accounting for such assets and liabilities, entities should be required to disclose the additional information specified in proposed paragraph 1100.32B.

CA Chartered Accountants of Canada

Accounting Standards Board AcSB CNC Conseil

Accounting Standards Board Decision Summary August 22, 2007

This summary of Accounting Standards Board (AcSB) decisions has been prepared for information purposes only. Decisions reported are tentative and reflect only the current status of discussion on projects, which may change after further deliberations by the AcSB. Decisions to publish Handbook material are final only after a formal ballot process.

For more detailed information on AcSB projects, including the decisions summarized below, please refer to the project summaries under Projects , which will be updated within the month following an AcSB meeting.

Rate-Regulated Operations

The AcSB considered the comments received on its March 2007 Exposure Draft, "Rate-Regulated Operations," and decided to:

- remove the temporary exemption in Section 1100, *Generally Accepted Accounting Principles*, pertaining to the application of that Section to the recognition and measurement of assets and liabilities arising from rate regulation;
- amend Section 3465, *Income Taxes*, to require the recognition of future income tax liabilities and assets as well as a separate regulatory asset or liability for the amount of future income taxes expected to be included in future rates and recovered from or paid to future customers; and
- make these changes applicable prospectively to fiscal years beginning on or after January 1, 2009.

The AcSB also decided not to withdraw:

- the existing guidance relating specifically to rate-regulated operations in Section 1600, *Consolidated Financial Statements, Section 3061, Property, Plant and Equipment*, and Section 3475, *Disposal of Long-Lived Assets and Discontinued Operations*; and
- AcG-19, *Disclosures by Entities Subject to Rate Regulation*, but to make consequential amendments to the Guideline as a result of the above changes.

The changes to Sections 1100 and 3465 will result in consistency between all Handbook Sections providing guidance relating specifically to rate-regulated operations, and the corresponding guidance under US GAAP.

The AcSB believed there was benefit to removing all Handbook recognition and measurement guidance relating specifically to rate-regulated operations prior to the adoption of IFRSs for publicly accountable enterprises, as was proposed in the Exposure Draft, and noted that the decisions summarized above may not have a much different effect on practice than the Exposure Draft proposals. At the same time, it acknowledged the concerns expressed by respondents about the ability of Canadian entities to rely on US GAAP in this area, and to influence the development of any future IFRS guidance on rate-regulated operations, once the Handbook guidance had been removed. The AcSB noted the high degree of support expressed by respondents for retaining AcG-19 during the transition period.

The AcSB also noted that:

- respondents appeared focused on the current uncertainty about whether the accounting prescribed by FASB Statement of Financial Accounting Standards No. 71, *Accounting for the Effects of Certain Types of Regulation* (FAS 71), and Handbook Sections with recognition and measurement guidance relating specifically to rate-regulated operations, is compatible with IFRSs, and therefore, what will transpire upon changeover to IFRSs; and
- it has brought this issue to the attention of other national standard setters and the IASB, and continues to follow up on it.

The AcSB decided that the final Background Information and Basis for Conclusions for this project would not express any views of the AcSB regarding this issue or the status of FAS 71 as an "other source of GAAP" within the Canadian GAAP hierarchy.

AcSB Strategic Plan

The January 4, 2006 Strategic Plan outlines the AcSB's broad policy objectives and standard setting mandate for 2006 – 2011. A copy of the AcSB's Strategic Plan is provided under this tab.[1]

The key elements of the Strategic Plan are:

(i) Canadian GAAP will be replaced by IFRS.

(ii) Target implementation date for IFRS tentatively set at January 1, 2011.

(iii) IFRS implementation date to be finalized in early 2008 based on the results of a progress review.

(iv) During the tentative 2006 – 2011 transition period, (a) certain Canadian standards will be modified to make them consistent with related IFRS and (b) certain IFRS will be adopted. This will reduce the amount of change required at the date of IFRS implementation.

1 Pages 30-40 of the Strategic Plan address non-profit enterprises and other matters unrelated to Newfoundland Power. For convenience, these pages have been removed.

Strategic Plan

Accounting Standards in Canada: New Directions

Accounting Standards Board
Strategic Plan

AcSB

Accounting Standards Board
AcSB
CNC
Conseil des normes comptables

ACCOUNTING STANDARDS IN CANADA: NEW DIRECTIONS

STRATEGIC PLAN

(Adopted by the Accounting Standards Board on January 4, 2006)

Summary of the Strategies

This strategic plan outlines the broad policy objectives that will guide the Accounting Standards Board (AcSB) in carrying out its standard-setting mandate for the period 2006-2011. In summary, the AcSB has adopted the following strategic directions for financial reporting in Canada:

- The AcSB will pursue separate strategies for each of the major categories of reporting entities — publicly accountable enterprises, non-publicly accountable enterprises and not-for-profit organizations. The AcSB recognizes that "one size does not necessarily fit all"; it may not be possible to address the divergent needs of different categories of reporting entities properly within a single strategy. Each category deserves a strategy that specifically addresses the particular needs of the users of financial statements of entities in that category, even though the outcomes of some of the strategies may be the same or similar for all categories.

- For publicly accountable enterprises:

  The AcSB will direct its efforts primarily to participating in the movement toward the global convergence of accounting standards. The AcSB has concluded, given the increasing globalization of capital markets and other recent developments, that it is timely for publicly accountable Canadian enterprises to adopt globally accepted, high-quality accounting standards by converging Canadian GAAP with International Financial Reporting Standards (IFRSs) over a transitional period. At the end of that period, a separate and distinct Canadian GAAP will cease to exist as a basis of financial reporting for publicly accountable enterprises.

The AcSB's general approach to achieving convergence will include:

— adopting standards newly developed by the International Accounting Standards Board (IASB) that are converged with standards issued by the US Financial Accounting Standards Board (FASB), as these new global standards are issued;
— replacing other Canadian standards with corresponding IFRSs already issued, in accordance with a separate convergence implementation plan to be developed in consultation with affected stakeholders;
— working with both the IASB and the FASB to ensure that the Canadian perspective is taken into account in their deliberations; and
— working to promote the further convergence of IASB and FASB standards.

In taking on a role in the development of global standards, the AcSB will cease to make final decisions on most matters affecting the technical content and timing of implementation of standards applied in Canada.

The AcSB's objective is to achieve convergence of Canadian GAAP with IFRSs at the changeover date at the end of the transitional period, which is expected to be approximately five years. The AcSB believes that by providing reasonable lead time and a clear transition plan, the costs and disruption to affected stakeholders will be minimized. As soon as possible, the AcSB will develop and publish a detailed implementation plan for effecting the changeover.

The AcSB will continually monitor events in Canada and internationally to determine whether there have been significant changes in any of the environmental factors that have influenced it in developing its global convergence strategy, with a view to making any necessary modifications in the program for implementing that strategy. This monitoring process will culminate in a progress review, approximately 24 months after the publication of this plan, at which point the AcSB expects to be in a position to set the definitive changeover date when Canadian GAAP for publicly accountable enterprises will be converged with IFRSs.

In applying its IFRS convergence strategy, the AcSB will work actively with the IASB and the FASB to eliminate the relatively few fundamental differences that remain between IFRSs and US GAAP and avoid the creation of new ones wherever possible.

- For non-publicly accountable enterprises:

  The AcSB will undertake as a matter of urgency a comprehensive examination of the needs of the users of these enterprises' financial statements, and then determine and implement the most appropriate financial reporting model to meet those needs. This will require research to identify more clearly who the financial statement users are, what their information needs are and what reporting model or models might best satisfy those needs. In formulating this strategy, the AcSB has reached no conclusions on the extent to which the basis of financial reporting for this sector needs to differ from the basis of financial reporting for publicly accountable enterprises or how it might differ.

  The research will take some time to complete, during which the current differential reporting model will remain in place. Existing differential reporting alternatives will be maintained, and any additional alternatives will be developed through the existing process with the advice of the AcSB's Differential Reporting Advisory Committee.

  In carrying out its strategy for non-publicly accountable enterprises, the AcSB will consider the needs of those enterprises that do not have significant external users of their financial statements. Such enterprises may not need GAAP-basis financial statements, which are designed for entities that have significant external users of financial information and require the application of a common basis of financial reporting.

  Individual enterprises in this sector will have the option of applying the set of standards for publicly accountable enterprises when those standards better serve their needs.

- For not-for-profit organizations:

  Not-for-profit organizations (NFPOs) will continue to apply those elements of GAAP for profit-oriented enterprises that are applicable also to the circumstances of NFPOs. The AcSB will consult with the not-for-profit sector to determine whether all NFPOs should base their accounting on the standards for publicly accountable enterprises, or whether the approach applied to non-publicly accountable enterprises should be applied also to some NFPOs.

The AcSB will continue its current practice of developing standards that deal with the special circumstances of NFPOs, and will focus more of its attention on addressing those circumstances.

- Canada will continue to maintain its own standard-setting capability to carry out the strategies outlined above, although the roles, structures, processes and resources will evolve to match those strategies.

A more complete description of these strategies, together with the AcSB's reasons for adopting them, is set out below.

This plan also includes the following commitment:

- In carrying out its strategies, the AcSB will pay particular attention to the practical limitations on the ability of the Canadian financial reporting system to cope with change. In other words, the AcSB will be particularly sensitive to the "standards overload" issue. Where change is determined to be necessary, the AcSB will take such steps as it can to assist affected parties in dealing with change through, for example, participating in the development of implementation aids and training programs.

The strategies require the development of more detailed implementation plans that are not included in this document. Implementation plans suitable to each of the strategies will be prepared and published.

The Auditing and Assurance Standards Board (AASB) is undertaking the development and implementation of new strategies that respond to some of the same developments addressed by this strategic plan. The AcSB will take into account the AASB's findings and conclusions that are relevant to the strategic directions adopted by the AcSB. The AcSB will also work with the AASB and the Public Sector Accounting Board (PSAB) in resolving financial reporting issues it has in common with either or both of those boards. In particular, the

AcSB expects to work with the AASB to produce a reporting system that meets the needs of non-publicly accountable enterprises, and with the PSAB in connection with not-for-profit organizations in the public sector.

Background Information and Basis for Conclusions

Table of Contents

	PARAGRAPH
Introduction	1 - 2
Development of the plan	3 - 11
First Invitation to Comment (2004)	3 - 7
Second Invitation to comment (2005)	8 - 11
"One size does not necessarily fit all"	12 - 19
Basis for conclusions	14 - 19
Publicly accountable enterprises	20 - 58
Applying the strategy	21 - 39
Basis for conclusions	40 - 58
Non-publicly accountable enterprises	59 - 81
Applying the strategy	60 - 69
Basis for conclusions	70 - 81
Not-for-profit organizations	82 - 89
Applying the strategy	83 - 87
Basis for conclusions	88 - 89
Maintaining Canada's standard-setting capability	90 - 94
Applying the strategy	91 - 92
Basis for conclusions	93 - 94
Dealing with "standards overload"	95 - 100
Communications with stakeholders	101

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Introduction

1. This section of the plan sets out details of the strategies adopted by the AcSB and the reasons for adopting those strategies and rejecting others. The plan does not include a work program specifying projects for developing individual accounting standards, nor detailed steps for carrying out each of the strategies described. Separate implementation plans for various parts of the plan will be prepared and published on the AcSB's website (www.acsbcanada.org).

2. This plan is formulated in accordance with the mission and objectives of the AcSB, as set out in its terms of reference from its oversight body, the Accounting Standards Oversight Council (AcSOC).[1] The AcSB's mandate is:

> "… to contribute to enhanced decision-making by continuously improving the quality of financial and other information about organizational performance reported by Canadian entities including profit oriented enterprises and not-for-profit organizations. The AcSB shall serve the public interest by developing and establishing standards and guidance governing financial accounting and reporting domestically and by contributing to the development of internationally accepted standards."

Development of the plan

First Invitation to Comment (2004)

3. In March 2004, the AcSB began a review of its strategies for setting Canadian accounting standards. The AcSB issued an Invitation to Comment in May 2004 seeking public input on several key issues. An accompanying Discussion Paper outlined the AcSB's current strategies, the reasons for the AcSB to undertake a fundamental re-evaluation of those strategies and the significant factors having a bearing on the re-evaluation.[2]

4. The 2004 Discussion Paper noted that there had been some significant changes in the standard-setting environment since the AcSB had last reviewed its strategies and policies. These changes include:

   (a) an increasing stratification of the universe of Canadian reporting entities;

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1 The AcSB's terms of reference are available on its website (www.acsbcanada.org).

2 The May 2004 Invitation to Comment, "Accounting Standards in Canada: Future Directions", and related Discussion Paper, together with additional background information, are available on the AcSB's website (www.acsbcanada.org).

(b) changes in the standard-setting climate as a result of recent financial reporting failures internationally, including greater emphasis on principle-based standards and more concern with the extent of rule-based requirements in US GAAP;

(c) the increasing trend to global convergence of accounting standards, and the emergence of IFRSs as a viable basis for achieving convergence through an international partnership of standard setters;

(d) the increasing extent of harmonization of Canadian GAAP and US GAAP, and the difficulties created for Canadian financial statement preparers and auditors by such harmonization, including the unintended importation of certain aspects of US GAAP;

(e) legal changes adopted or proposed permitting public companies registered with the US Securities and Exchange Commission (SEC) to adopt US GAAP for some Canadian financial reporting purposes;

(f) the pace of change and the extent to which financial statement preparers, auditors and users are overloaded by the accumulated burden of new accounting, disclosure, auditing, governance and other requirements; and

(g) questions about whether accounting standards meet the financial reporting needs of all categories of reporting entity, even with the introduction of differential reporting for certain non-publicly accountable enterprises.

Refer to the 2004 Discussion Paper for detailed discussion of these issues.

5. The 2004 Invitation to Comment questioned whether Canada should:

(a) maintain its own standard-setting capability;

(b) maintain its own GAAP or adopt either US GAAP or IFRSs;

(c) maintain the current strategies of working to support the international convergence of accounting standards while harmonizing with US GAAP (giving precedence to the latter); and

(d) consider modifying current GAAP requirements to provide better information to the users of financial statements of various different types of entities through, for example, a wider application of differential reporting.

The 2004 Invitation to Comment identified several possible scenarios and their more significant potential effects.

6. The AcSB received 68 letters of comment in response to the 2004 Invitation to Comment, many of which presented collective views from large organizations. In addition, a number of individuals attended public roundtable meetings held by the AcSB to solicit oral comments. A number of these individuals expressed views on behalf of others. AcSB representatives met privately with certain key stakeholder groups, including the AcSB's User Advisory Council, to brief them and discuss issues raised by the 2004 Invitation to Comment. The input received reflected views from financial statement users, preparers and auditors as well as from academe and regulators. All of this input was discussed with the AcSOC at its October 21-22, 2004 meeting, in a public session.[3]

7. The AcSB received a wide range of views on the principal issues. Commentators did not take issue in any significant way with the AcSB's assessment of the standard-setting environment laid out in the Discussion Paper, or with the need to reconsider the current strategies. While some commentators were comfortable with the status quo, at least in the short to medium term, most favoured change.

Second Invitation to Comment (2005)

8. On the basis of the input received in response to the 2004 Invitation to Comment, the AcSB developed a Draft Strategic Plan reflecting what the AcSB believed would best serve the public interest. The AcSB believed the proposals would strike an appropriate balance among the competing legitimate needs of its stakeholders and receive broad-based support. For publicly accountable enterprises, the proposals represented in large measure an acceleration of the ultimate objective of the strategic plan previously in effect — global convergence — while acknowledging the needs of those who advocated the other key component of that plan — harmonization with US GAAP. For non-publicly accountable enterprises, the proposals provided a basis for resolving concerns that standards were not addressing the financial

[3] The comment letters and a summary of comments made in public roundtable meetings are available on the AcSB's website (www.acsbcanada.org).

reporting needs of that sector adequately. For not-for-profit organizations, the proposals offered continued attention to issues unique to that sector as well as a basis for providing relief for smaller organizations comparable to that offered to smaller private businesses. The AcSB's draft proposals were discussed with the AcSOC at its February 10-11, 2005 meeting, in a public session.

9. In March 2005, the AcSB issued an Invitation to Comment on its Draft Strategic Plan to test whether it had struck the right balance in response to commentators' views.[4] While requesting comment on all aspects of the Draft Strategic Plan, the Invitation to Comment particularly solicited comments on the overall suitability of the proposed strategies, including:

   (a) whether it would be appropriate to apply different strategies to different major categories of reporting entities, rather than to apply the same strategy to all;

   (b) whether the strategy proposed for each of the major categories of entities would establish an appropriate direction for the future development of financial reporting requirements for the entities to which it would apply (that is, whether the strategies would create an improvement in Canadian financial reporting and the expected benefits would likely exceed the associated costs); and

   (c) whether the individual strategies and the plan as a whole would be operational (that is, whether it appeared likely that they could be carried out as described within the proposed timeframes without causing undue disruption to affected parties).

   The AcSB also invited comments on other matters that would be important to the application of the strategies proposed.

10. The AcSB received 66 letters of comment on the 2005 Invitation to Comment, as well as additional input from a large number of individuals through public roundtable meetings and

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[4] The March 2005 Invitation to Comment, "Accounting Standards in Canada: Future Directions – Draft Strategic Plan", is available on the AcSB's website (www.acsbcanada.org).

private discussions with key stakeholder groups. As with the 2004 Invitation to Comment, the AcSB undertook an extensive program of consultation with interested parties and heard from many organizations and individuals with a wide range of backgrounds and perspectives.

11. The responses to the 2005 Invitation to Comment were generally supportive of the strategic directions proposed by the AcSB. However, some commentators did express concerns about certain aspects of the proposed plan. The input received is discussed below in respect of each of the strategies individually. The responses were discussed with the AcSOC at its October 27-28, 2005 meeting, in a public session.[5] AcSB representatives also met privately with those respondents who seemed most concerned, particularly regarding convergence with IFRSs, to ensure that their issues and concerns were understood. The AcSB believes that it has responded appropriately in finalizing its strategies and has substantially mitigated the concerns raised by commentators. After considering all of the public input and the views of the AcSOC, the AcSB redeliberated the principal issues in the Invitation to Comment and then adopted the strategies set out in the summary above and discussed more fully below.

"One size does not necessarily fit all"

12. The first of the strategies adopted by the AcSB is the following:

> The AcSB will pursue separate strategies for each of the major categories of reporting entities — publicly accountable enterprises, non-publicly accountable enterprises and not-for-profit organizations. The AcSB recognizes that "one size does not necessarily fit all"; it may not be possible to address the divergent needs of different categories of reporting entities properly within a single strategy. Each category deserves a strategy that specifically addresses the particular needs of the users of financial statements of entities in that category, even though the outcomes of some of the strategies may be the same or similar for all categories.

[5] The comment letters are available on the AcSB's website (www.acsbcanada.org).

13. Trying to be "all things to all people" in a single set of accounting standards might result in serving no one adequately. Accordingly, the AcSB will consider the need for separate bases of financial reporting for the major categories of reporting entities. The categories reflect the characteristics of the users and the uses of financial statements in each sector. The AcSB believes that by focusing on the particular needs of the sector for which each basis of financial reporting is designed, the result will be financial information that is more useful and cost-effective to that sector.

Basis for conclusions

14. The 2004 Discussion Paper and related background information[6] dwelt at some length on the fact that the universe of Canadian reporting entities is quite diverse and stratified into several distinct sectors with differing financial reporting needs. The responses to the 2004 Invitation to Comment confirmed the existence of that stratification and its significance. Accordingly, in the 2005 Invitation to Comment the AcSB proposed that it would consider the need for separate bases of financial reporting for various major categories of reporting entities. The key factors underlying the AcSB's proposed strategy are discussed in paragraphs 7-14 of the 2005 Invitation to Comment.

15. The responses to the 2005 Invitation to Comment on this issue substantially confirmed the AcSB's thinking. The three principal concerns of respondents were:

(a) Essentially the same transaction, event or circumstance might be treated differently in the financial statements of different entities.

(b) Multiple sets of financial reporting standards would impose an unwarranted burden on the financial reporting system by requiring financial statement users, preparers and auditors to be knowledgeable in more than one set of requirements.

(c) It may not be clear which set of standards should apply in some circumstances.

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6 This discussion summarizes material from the 2004 Discussion Paper and 2005 Draft Strategic Plan documents and, accordingly, omits certain details and references to other supporting documents.

16. In respect of the concern that essentially the same transaction, event or circumstance might be treated differently in the financial statements of different entities, the AcSB notes that the comparability of financial information is significant only when the information is relevant to a financial statement user. Consistent reporting by all entities of irrelevant information is of no benefit to the users of financial statements and therefore does not enhance financial reporting. The issue is determining which pieces of information are useful to the users of all entities' financial statements, and which are useful only to the users of some entities' financial statements. Differing cost/benefit trade-offs for different types of entities also enter into the consideration of which requirements ought to apply to which entities.

17. As discussed in the 2005 Invitation to Comment, Canadians were already coping with multiple sets of financial reporting requirements when the AcSB's strategy was being formulated. Whatever the AcSB might have decided to do, US GAAP and IFRS financial reporting will be a fact of life for some Canadian financial statement preparers and auditors in reporting to foreign investors, and also for some Canadians who have invested in other countries. By converging Canadian GAAP for publicly accountable enterprises with IFRSs, the AcSB is removing one of the sets of standards that some stakeholders would otherwise have to deal with. Standards for non-publicly accountable enterprises can be designed to minimize differences from other standards, to the extent that this objective is compatible with the principal objective of addressing the specific financial reporting needs of that sector. Special standards for not-for-profit organizations will exist only in respect of their unique circumstances. Accordingly, multiple sets of requirements will exist only to the extent that their utility outweighs the associated costs. Financial statement users, preparers and auditors, and the infrastructure supporting the Canadian financial reporting system, have been able to cope with the various requirements applicable to different classes of entities in the past. In this regard, Canada should be no worse off under the new strategies, and will likely be better off.

18. The AcSB has concluded that these concerns are manageable. The AcSB intends that all standards for all categories of reporting entities will be based on the same conceptual framework, and will differ only when justified by the needs and cost-benefit considerations of the different categories. Clear definitions can be developed to delineate each category of

reporting entity. The AcSB will formulate ways of carrying out its strategies without undue stress, in part by allowing a reasonable period of time to make necessary infrastructure changes such as modifications to educational programs.

19. On the basis of factors cited above and in the 2005 Invitation to Comment, the AcSB's experience in setting standards under its former strategies and the views expressed by stakeholders, the AcSB concluded that it is no longer appropriate to assume that the needs and concerns of all stakeholders in the Canadian financial reporting system can be addressed through a single set of standards. This holds true even with the variations on a single set of standards that have previously been tried or proposed to satisfy the differing needs of the different sectors. Having reached this conclusion, the AcSB has developed a package of separate strategies to satisfy the needs and concerns of stakeholders in the different sectors, responding in a practical way to the input it has received.

Publicly accountable enterprises

20. The AcSB's strategy for publicly accountable enterprises, which is further described and explained in paragraphs 21-39, is as follows:

    (a) The AcSB will direct its efforts primarily to participating in the movement toward the global convergence of accounting standards. The AcSB has concluded, given the increasing globalization of capital markets and other recent developments, that it is timely for publicly accountable Canadian enterprises to adopt globally accepted, high-quality accounting standards by converging Canadian GAAP with IFRSs over a transitional period. At the end of that period, a separate and distinct Canadian GAAP will cease to exist as a basis of financial reporting for publicly accountable enterprises.

    (b) The AcSB's general approach to achieving convergence will include:

        (i) adopting standards newly developed by the IASB that are converged with standards issued by the FASB, as these new global standards are issued;

        (ii) replacing other Canadian standards with corresponding IFRSs already issued, in accordance with a separate convergence implementation plan to be developed in consultation with affected stakeholders;

(iii) working with both the IASB and the FASB to ensure that the Canadian perspective is taken into account in their deliberations; and

(iv) working to promote the further convergence of IASB and FASB standards.

In taking on a role in the development of global standards, the AcSB will cease to make final decisions on most matters affecting the technical content and timing of implementation of standards applied in Canada.

(c) The AcSB's objective is to achieve convergence of Canadian GAAP with IFRSs at the changeover date at the end of the transitional period, which is expected to be approximately five years. The AcSB believes that by providing reasonable lead time and a clear transition plan, the costs and disruption to affected stakeholders will be minimized. As soon as possible, the AcSB will develop and publish a detailed implementation plan for effecting the changeover.

(d) The AcSB will continually monitor events in Canada and internationally to determine whether there have been significant changes in any of the environmental factors that have influenced it in developing its global convergence strategy, with a view to making any necessary modifications in the program for implementing that strategy. This monitoring process will culminate in a progress review, approximately 24 months after the publication of this plan, at which point the AcSB expects to be in a position to set the definitive changeover date when Canadian GAAP for publicly accountable enterprises will be converged with IFRSs.

(e) In applying its IFRS convergence strategy, the AcSB will work actively with the IASB and the FASB to eliminate the relatively few fundamental differences that remain between IFRSs and US GAAP and avoid the creation of new ones wherever possible.

Applying the strategy

21. The strategy summarized in paragraph 20 and the discussion that follows are intended to apply to "publicly accountable enterprises." That term is used in this plan substantially in accordance with the terminology and definitions in DIFFERENTIAL REPORTING, Section 1300 of the Handbook. Accordingly, it encompasses public companies plus some other classes of enterprises that have relatively large or diverse classes of financial statement users. The

AcSB will review the definition of "publicly accountable enterprise" in carrying out this strategy.

22. The strategy for publicly accountable enterprises represents a modification to the AcSB's previous strategy by placing the primary emphasis on global convergence rather than harmonization with US GAAP. However, recent developments make those two objectives much more congruent, and also make the ultimate goal of a single set of global standards seem achievable in the foreseeable future. The AcSB has concluded that it is timely to undertake the process of converging Canadian GAAP with IFRSs with the goal of making Canadian GAAP identical with IFRSs by a specific date. The strategy for publicly accountable enterprises is focused on how that goal can be achieved.

23. Convergence with IFRSs is a practical possibility because of the many similarities of approach and specific content between Canadian GAAP and IFRSs. However, there are also differences that make it necessary to undertake a carefully conceived implementation program over a transitional period. As soon as possible after publication of this strategic plan, the AcSB will prepare and publish a detailed implementation plan dealing with the specifics of the changeover.

24. The changeover will occur in the following ways:

    (a) The IASB and the FASB have agreed to work co-operatively to develop new standards on topics of global interest. Over the period covered by this plan, the AcSB expects that the IASB and the FASB will develop proposals jointly for new or amended standards on a variety of topics, and then proceed to adopt common standards. The AcSB intends to adopt the globally converged standards at the same time as the IASB and the FASB. Accordingly, on some topics Canadian GAAP will converge with IFRSs, and also with US GAAP, during the transitional period.

    (b) On a few topics, the AcSB has already embarked on standard-setting projects to adopt elements of IFRSs or reduce differences between Canadian GAAP and IFRSs. These projects will continue and the resulting changes to Canadian GAAP will come into effect before the changeover date.

(c) On other topics not addressed by ongoing global standard-setting projects during the transitional period, the AcSB will incorporate currently existing IFRSs into Canadian GAAP with effect from the specified changeover date.

In each case, the AcSB will follow its established processes in introducing standards into GAAP.

25. From the changeover date onwards, Canadian GAAP will no longer be a separate and distinct basis of reporting for publicly accountable enterprises. As a practical matter, IFRSs will be imported into Canadian GAAP and will need to be described as Canadian GAAP for some time after the changeover date. At present, the many federal, provincial and territorial laws, regulatory rules and other such requirements related to financial reporting refer to Canadian GAAP. Nonetheless, enterprises will be able to report compliance with IFRSs as well as with Canadian GAAP.

26. In adopting the IFRS convergence strategy, the AcSB is not relinquishing any of its powers and responsibilities as set out in its terms of reference, but simply specifying how it will exercise its powers and carry out its responsibilities relative to publicly accountable enterprises. Until such time as its mandate may be changed, the AcSB retains the power to modify or add to the requirements of the IFRSs under Canadian GAAP, as it deems necessary.

27. The AcSB's powers might, in theory, be exercised in one or more of the following ways:

(a) The AcSB could potentially add disclosure requirements to those specified by IFRSs, to address Canadian circumstances.

(b) The AcSB could potentially direct which of two or more alternative accounting treatments permitted by IFRSs on a particular issue should be adopted by Canadian enterprises, to achieve greater consistency in Canadian practice.

(c) The AcSB could potentially provide requirements compatible with IFRSs on issues not addressed specifically by IFRSs. In particular, the AcSB could decide to carry forward such requirements that already exist in Canadian GAAP, with any necessary conforming amendments.

In each case, the financial statements of Canadian enterprises would remain fully compliant with IFRSs. However, the AcSB is concerned that, were it and other national standard setters or regulators to supplement or modify IFRSs in such ways, a variety of diverse and potentially incompatible national versions of IFRSs would emerge. The result would not be the single set of global standards that the AcSB and others aspire to.

28. The AcSB's intention is to exercise its powers in such ways only when necessary, which is expected to be rarely. In general, the AcSB intends to adopt IFRSs without modification. The AcSB anticipates that unique Canadian circumstances requiring it to modify an IFRS will arise infrequently. The most likely instance of Canadian GAAP "add-ons" to IFRSs is the possible continuation of some existing requirements that have no specific IFRS counterparts. This would only be for a limited period following the IFRS changeover date until the IASB develops corresponding requirements. This issue will be addressed on a case-by-case basis in the detailed convergence implementation plan. In addition, there may be a need for Canadian interpretations of IFRSs on questions that are significant in Canada but not the rest of the world. Only in the most extreme and unlikely circumstances would the AcSB contemplate any requirement in conflict with IFRSs.

29. The AcSB intends to continue to work with the IASB and the FASB to bring Canadian views and experiences to the global standard-setting process. The AcSB believes that Canadian interests will be best served both by working to promote the highest possible quality for globally converged standards and by ensuring that Canadian circumstances are suitably addressed in those standards. The AcSB will also encourage the IASB and the FASB to continue to work co-operatively and reach common conclusions on issues. When necessary, the AcSB will offer to play the role of "honest broker" to resolve any tensions between the IASB and the FASB. In particular, the AcSB will:

(a) participate in discussions of the global standard-setting agenda, including priorities, and individual standard-setting projects;

(b) assist the IASB, as needed, in carrying out specific standard-setting and research projects;

(c) participate in the development of implementation aids and interpretive guidance in co-ordination with the IASB;

(d) evaluate the effectiveness of standards (post-issuance reviews);

(e) assist in communications between the IASB and Canadian stakeholders to ensure widespread dissemination of information about IFRSs;

(f) encourage full participation by interested Canadian stakeholders in the development of IFRSs; and

(g) develop the expertise and experience of individuals for participation in global standard-setting activities.

30. During the transitional period prior to the full adoption of IFRSs, the AcSB will continue to operate its own due process in parallel with the IASB. The principal purpose of doing so is to facilitate the importation of new global standards into Canada so that Canadian GAAP will continue to be of the highest quality and the burden of the subsequent changeover to IFRSs will be minimized. During this period, it will be important for Canadians to become engaged in the IASB's processes on active standard-setting projects and to accept the outcomes of those processes, just as they have been engaged in the AcSB's processes in the past. The AcSB will generally not stand between the IASB and individual Canadians stakeholders, nor act as a lobbyist for particular views; however, it will act as a facilitator to ensure good communication.

31. The AcSB expects the transitional period leading up to the changeover date to be approximately five years. The changeover is not expected to occur any earlier than for fiscal years beginning some time in 2011 but may be somewhat later, as circumstances dictate. However, to provide reasonable certainty and sufficient notice for all affected parties, the AcSB intends to make a final determination of the changeover date in a "progress review" of the implementation of the strategy (see paragraphs 34-36).

32. The AcSB's objective is that Canadian enterprises will be in a position to make an unqualified statement of compliance with IFRSs from the changeover date onwards. However, in setting the changeover date, the AcSB will be particularly sensitive to circumstances in which Canadian enterprises could potentially be required to make two accounting changes in relatively quick succession and, as a result, be forced to make two major systems changes or incur other significant costs. Such circumstances could arise, for

example, if Canadian GAAP and a corresponding IFRSs requirement were significantly different but the IASB was well advanced in developing a significantly different new IFRS. Without some action by the AcSB to address the situation, affected enterprises might be forced to change first to the older IFRS and, shortly afterwards, to change again to the new IFRS. The AcSB will consult with the IASB in advance of setting the changeover date to identify standard-setting projects that might cause this problem to arise and ways in which it may be possible to minimize its effects.

33. The matters mentioned above, and others, will be addressed in more detail by an IFRS convergence implementation plan to be issued shortly after the publication of this plan.

34. The AcSB will continually monitor progress in implementing the IFRS convergence strategy, and the state of readiness of the Canadian investors and the business community, over the course of the transitional period. Monitoring will include a search for factors not previously considered in adopting the strategy and new developments that might affect the AcSB's thinking. The process will also include consultation with the AcSOC. Early in 2008, the AcSB will fine-tune and finalize its implementation plan. The intention is not to develop a new or significantly revised strategy at that time, nor to provide an opportunity for those who disagree with the IFRS convergence strategy to reiterate their views. The AcSB would only consider the possibility of a change in strategic direction in the unlikely event that there was a fundamental change in circumstances that negated the rationale for the strategy.

35. In finalizing the implementation plan in 2008, the AcSB will take stock of issues such as:

(a) the acceptance of IFRSs and their contribution to the improved functioning of global capital markets;

(b) the ability of the IASB to continue to develop high-quality standards, including the functioning of its partnership with the FASB; and

(c) any difficulties encountered in the initial adoption or ongoing application of IFRSs in the European Union, Australia and other countries.

However, the principal issue to be addressed will be progress in Canada in addressing IFRS implementation issues, including efforts by individual affected enterprises to plan and carry out necessary changes, with particular attention to the circumstances of smaller enterprises.

In assessing Canada's state of preparedness, the AcSB will need to take into account the effects of new regulatory requirements and other factors that might affect the ability of financial statement preparers, auditors or users to prepare for the IFRS changeover. While the AcSB will also note progress toward the possible elimination of the SEC requirement for foreign registrants to reconcile IFRS information to US GAAP equivalents, that is not a prerequisite to the implementation of the IFRS convergence strategy. Accordingly, any delay or difficulty in eliminating the SEC requirement will not necessarily have any effect on the AcSB's implementation of its strategy.

36. The AcSB will remain open to input from stakeholders on the implementation of the strategy at all times during the transitional period. It will also consult regularly with the AcSOC. The focus of the progress review will be on identifying and assessing any new information or new issues not previously considered. Accordingly, the AcSB will consider the need for a formal consultation process immediately before beginning the review.

37. The AcSB acknowledges that some public companies, including some very large enterprises, have chosen to apply US GAAP as their primary basis of financial reporting or are required to apply US GAAP in developing the reconciliations required by the SEC. The ability to adopt US GAAP as a primary basis of financial reporting for the purposes of securities law is a choice provided by the Canadian Securities Administrators and permitted by recent amendments to some Canadian laws. Other laws may preclude such a choice. The choice of accounting bases that must, or may, be applied is a matter of public policy. This plan does not address the role of US GAAP in Canada because it is beyond the AcSB's mandate. Nevertheless, the AcSB will provide any assistance it can to competent authorities considering the issue, if asked to do so.

38. For those enterprises that continue to apply Canadian GAAP and reconcile to US GAAP, consistency between the two sets of standards remains an ongoing concern. The AcSB will take whatever steps it can, consistent with this plan, to minimize the extent of differences between Canadian GAAP and US GAAP during and after the transitional period. AcSB participation in ongoing global standard-setting projects during the transitional period will help in this regard. So too will ongoing efforts by the IASB and the FASB to eliminate

various differences between their standards through short-term convergence efforts. On some issues, the relatively less detailed and prescriptive nature of IFRSs may provide an avenue for enterprises to adopt accounting policies within IFRSs that result in compliance with US GAAP. The AcSB will continue to monitor reported reconciling differences.

39. During the transitional period, a particular issue may arise in respect of certain Canadian GAAP standards that were adopted under the AcSB's previous strategy to be fully harmonized with corresponding US GAAP standards. If the FASB proposes to modify the US standard, but not in a way that results in convergence with IFRSs, the AcSB is faced with the alternatives of:

(a) leaving the Canadian standard "as is";

(b) amending the Canadian standard so that it does not conflict with US GAAP; or

(c) replacing the Canadian standard with the corresponding IFRS.

Alternative (a) results in Canadian GAAP differing from both US GAAP and IFRSs, although those enterprises not concerned with reconciling to US GAAP may prefer not having to make any changes to their accounting. Alternative (b) maintains US GAAP harmonization until the IFRS changeover date but forces two accounting changes on all affected enterprises within a few years' time, including those enterprises not concerned with reconciling to US GAAP. Alternative (c) creates a US GAAP difference sooner than the IFRS changeover date. In general, the AcSB intends to adopt alternative (b) as the approach to addressing this issue but will address FASB proposals on a case-by-case basis. The AcSB will consider any factors that may be unique to a particular standard, and will address the issue in the invitation to comment in each exposure draft in which it arises.

Basis for conclusions

40. Paragraphs 17-51 of the 2005 Invitation to Comment contain a discussion of the principal issue for publicly accountable Canadian enterprises — whether to maintain a separate Canadian GAAP and, if not, whether to converge with US GAAP or IFRSs. That discussion rests in turn on information and discussion in the 2004 Discussion Paper and the responses to the 2004 Invitation to Comment. Not all of that material is reproduced below but, in general, it remains pertinent to the AcSB's final decisions on its strategy for publicly accountable enterprises.

41. While the basic direction of the strategy was supported by most commentators who responded to the 2005 Invitation to Comment, and preferred by many, some expressed concerns about either the timing of the changeover date or the lack of details about how the transition would be accomplished.

42. Some commentators preferred that the AcSB delay any change that would give primacy to international convergence and, instead, carry on with its previous strategies that gave primacy to harmonization with US GAAP. From comments received in response to the 2005 Invitation to Comment, it appeared that some commentators did not fully appreciate some of the consequences of such an approach. The Norwalk Agreement of 2002 between the IASB and the FASB created a global standard-setting partnership to develop a single set of high-quality, globally accepted accounting standards. The IASB and the FASB agreed to align their project agendas and conduct all significant projects jointly. As a result, all significant new standards being created by the IASB and the FASB will be the same, save only for those aspects that need to differ to achieve consistency with the pre-existing accounting literature of each board (their "legacy standards"). While the IASB and the FASB have each taken steps through a short-term convergence program to eliminate a number of significant differences between their respective sets of legacy standards, other differences will remain for some time. The FASB wishes to reform US GAAP to eliminate rule-oriented standards, but it will take considerable time and effort to do so. If Canada would have continued with a strategy of US GAAP harmonization, it would have continued to import more and more of the detailed rules embedded in US legacy standards. It would then be faced with the effects of replacing those standards with higher quality standards as global convergence continues. Canada would also have lost some of the influence it might otherwise have in global standard setting, since that influence can come most readily through the IASB and the adoption of IFRSs. Accordingly, the AcSB has chosen a direction that avoids the importation of US legacy standards and allows Canada to retain its position as a contributor to improved global standards. The decision comes none too soon, given the length of time that the transition will take and the fact that most major economies have already adopted IFRSs or, at least, a program of convergence.

43. The direction chosen by the AcSB does not represent a complete turning away from US GAAP harmonization because new US standards developed in conjunction with the IASB will be adopted by the AcSB at the same time as they are adopted by the FASB and the IASB. To minimize disruption and allow as much preparation time as possible before the changeover to IFRSs, the AcSB decided to maintain the existing degree of US GAAP harmonization on certain topics, such as impairment, variable interest entities and securitizations. On these and other topics, it is likely that there will be changes in the future as better, globally converged standards are developed by the IASB and the FASB. The AcSB will do its best to minimize the number and effect of accounting changes to which Canadian enterprises are exposed by the careful selection of the IFRS changeover date and by promoting timely progress in developing new global standards on selected topics.

44. The AcSB indicated in the 2005 Invitation to Comment that the transitional period was "expected to be five years," which some construed as being a precise and fixed date. This was not the AcSB's intention. The purpose of proposing a five-year transitional period was to indicate the approximate length of time until the changeover date and, in particular, to emphasize that the changeover was intended to occur on a specific date to be fixed within the foreseeable future. Proposing a date far off in the future would be no real decision at all, in effect, and provide no clear direction. Proposing a change in less than five years would be unrealistic relative to the work required to effect the transition. The progress review was intended to provide the process for finalizing the changeover date. By the time of the progress review, the AcSB will have more information on which to base a decision on the date, including input from affected stakeholders on the detailed implementation plan.

45. Some commentators felt that five years would be insufficient time to complete all of the steps necessary to achieve the changeover to IFRS, although some others felt that the transitional period would be unduly long. The AcSB recognizes that there will be challenges in preparing for the changeover, but believes they can be addressed in the time provided under this plan. European Union (EU) countries had approximately five years to prepare from the formal adoption of an IFRS convergence program by the EU authorities until the initial application of IFRSs by all public companies in the EU on January 1, 2005. Australia had less than five years to make a changeover on January 1, 2005, and applied IFRSs not only to

public companies but also to some private companies and non-business entities. The changeover in the EU and Australia was a challenge and some difficulties may yet emerge, but initial market reactions suggest that no major problems are evident. The changeover was a much bigger task for many individual companies in EU countries than it will be for Canadian companies because Canadian GAAP is closer to IFRSs than were the former national standards of most EU countries. Canada should be able to benefit from the lessons learned in the EU, Australia and elsewhere in formulating and implementing its IFRS convergence strategy. Delaying the changeover to IFRSs would mean postponing the solution to various current problems.

46. Part of the implementation challenge for financial statement preparers will be identifying which accounting practices will need to change and which systems will need to be modified or created to support new requirements. A further challenge will be finding the resources necessary to make the changes when there are competing demands for such resources to deal with other changes affecting financial reporting. The AcSB believes it is critical for affected enterprises to start work as soon as possible and, accordingly, will provide its detailed implementation plan as soon as possible. Those enterprises that make use of the full time available prior to the changeover date to plan and implement their conversion to IFRSs are expected to be able to make the change without undue difficulty.

47. Wherever possible, the AcSB will co-ordinate its activities with other Canadian standard setters and regulators to spread the burden of implementing new requirements imposed by various organizations over a reasonable period.

48. A further concern over timing among respondents to the 2005 Invitation to Comment was whether it is appropriate to begin convergence with IFRSs without greater certainty that global convergence will come about. The AcSB noted that most of the world's economies have either adopted IFRSs or, at least, adopted a program of convergence. The IASB and its partnership with the FASB constitute a robust system in which the AcSB has been participating for several years. Considerable resources from throughout the world have been devoted to setting up the IASB and making it work. The FASB and the SEC have both expressed strong commitments to full US participation in the development of global

standards, with the objective of facilitating the emergence of truly global capital markets for the benefit of all. While there is no guarantee that problems will never arise, there is every indication that the system is working and will continue to work satisfactorily.

49. Some Canadian SEC registrants felt that the elimination of the SEC's requirement for foreign registrants to reconcile their financial statements to US GAAP should be a prerequisite for the adoption of IFRSs. The AcSB did not take this view in formulating the proposals in the 2005 Invitation to Comment and was not persuaded by respondents. Adopting US GAAP would be the only sure way of eliminating the effect of the SEC requirement, but this would be unacceptable to most Canadian public companies. The SEC has held out the prospect that it will consider eliminating its current requirement, but only for registrants reporting in accordance with IFRSs. The AcSB believes it is highly unlikely that this concession would be extended to registrants reporting under a Canadian GAAP that differed from IFRSs. The SEC is not committed to a specific timeframe for reconsidering the reconciliation issue, but it has suggested that it could do so as early as 2009. Even if the SEC requirement is not eliminated, the extent of the work required to prepare reconciliations should be no greater after convergence with IFRSs than at present, and may well be less. IFRS convergence appears to be the most promising path to eliminating, at the earliest possible time, the need for Canadian SEC registrants to provide GAAP reconciliations. Nevertheless, the AcSB considered that the elimination of the SEC requirement is not a necessary condition for proceeding with its strategy.

50. Some respondents to the 2005 Invitation to Comment felt that they could not support an IFRS convergence strategy without knowing more about how it would be carried out. They pointed to the challenges of changing the infrastructure necessary to support a financial reporting system generally, as well as making changes in individual enterprises. Some were concerned about the possibility of adverse effects on Canadian capital markets or the ability of Canadian companies to access US capital markets. Others were concerned about what would happen when Canadian GAAP addresses a specific point but IFRSs do not.

51. In developing the 2005 Invitation to Comment, the AcSB decided not to proceed with developing a detailed implementation plan for IFRS convergence until the basic strategic

direction had been determined. This approach was based on the view that proceeding to create a detailed plan:

(a) might signal that the AcSB had already made up its mind on the basic direction before consulting with stakeholders;

(b) would delay issuing a draft plan; and

(c) might obscure the basic issue of which direction to pursue.

The AcSB did recognize that some stakeholders would want a more detailed plan before coming to their own conclusion on a strategic direction, and some did comment to this effect.

52. Early reactions to the Draft Strategic Plan were generally favourable, which gave the AcSB a basis for beginning to address implementation issues in mid-2005 while it was awaiting further comments and subsequently while reviewing response letters. The AcSB had several discussions of implementation issues in conjunction with its discussion of response letters, which gave it a basis for concluding that the implementation issues would be manageable and that a detailed implementation plan would be able to address many of the concerns of stakeholders. The AcSB's staff has developed and published a detailed technical comparison of Canadian GAAP and IFRSs as an aid to stakeholders, but also as an important foundation for a detailed implementation plan. The plan will address the matters noted in paragraph 50 and other matters identified by the AcSB.

53. Some commentators were concerned that smaller public companies would have greater difficulty coping with a changeover to IFRSs because they have fewer resources available to deal with the challenges. The AcSB notes that such companies may also have less complex businesses and transactions, which would tend to make the changeover easier. During the transitional period, the AcSB intends to obtain further information on the expected effects of the changeover on smaller companies, and will include its findings in the determination of the changeover date.

54. A loss of control over Canadian GAAP by the AcSB concerned some commentators. However, the AcSB noted that it had effectively ceded decision making some years ago as a result of adopting its former strategy of US GAAP harmonization. The only change resulting from IFRS convergence would be in the party making the decisions. Ceding decision

making is the price of global convergence which, in the AcSB's view, is a price worth paying. However, the AcSB retains the authority to make its own decisions if it chooses to exercise that authority (see paragraph 26).

55. The AcSB considered concerns about a possible impairment of access to US capital markets, since the issue is critical to a number of major Canadian public companies, but concluded that there is no need for concern. Canadian GAAP is not particularly well understood in US markets currently, but that does not appear to have been a major obstacle to companies entering that market. By the time of the changeover to IFRS reporting by Canadian companies, a significant number of companies from Europe, Australia and other countries will have been providing IFRS-based information to US markets for several years, with the result that US markets will have some degree of familiarity with that type of information. IFRSs and US GAAP will also have converged further by the changeover date. The SEC and other members of the International Organization of Securities Commissions are satisfied that IFRSs comprise a sufficiently robust and comprehensive basis of reporting for acceptance in global markets. However, those Canadian companies active in US markets that have any remaining qualms about IFRSs have the option of adopting US GAAP instead, as long as regulators continue to permit it.

56. In its review of comments on the 2005 Draft Strategic Plan, the AcSB noted several issues on which commentators appeared to have misunderstood the proposals, such as the purpose of the proposed checkpoint review (now termed a progress review) and the AcSB's ability to permit, require or prohibit the use of US GAAP in Canada. These matters have been addressed through some redrafting of the strategies and added explanations.

57. The one specific implementation issue that the AcSB raised in the 2005 Invitation to Comment was the question of whether the changeover to IFRS should be accomplished in a single step or phased in over the transitional period. A clear majority of respondents preferred a one-time, single step changeover. As paragraph 24 points out, this changeover will apply only to those individual IFRSs that have not been adopted during the transitional period. As of the date of this plan, several projects are under way that could result in significant new standards during the transitional period. Other than such standards, it may

not be practicable to bring any individual IFRSs into Canadian GAAP before the progress review, and there will not be sufficient time after the review and before the changeover date for any significant degree of phasing in to occur. These matters will be addressed in some detail in the IFRS convergence implementation plan.

58. After considering all of the various points outlined above and the widespread support for the proposed strategy among its stakeholders, the AcSB decided that it should adopt IFRS convergence for publicly accountable enterprises. The AcSB also concluded that the concerns raised by commentators can be addressed and that difficulties in practice can be mitigated, although the issues will need continuous monitoring and a concerted effort by the AcSB to achieve the best possible transition.

Non-publicly accountable enterprises

59. The AcSB's strategy for non-publicly accountable enterprises, which is further described and explained in paragraphs 60-69, is as follows:

(a) The AcSB will undertake as a matter of urgency a comprehensive examination of the needs of the users of these enterprises' financial statements, and then determine and implement the most appropriate financial reporting model to meet those needs. This will require research to identify more clearly who the financial statement users are, what their information needs are and what reporting model or models might best satisfy those needs. In formulating this strategy, the AcSB has reached no conclusions on the extent to which the basis of financial reporting for this sector needs to differ from the basis of financial reporting for publicly accountable enterprises or how it might differ.

(b) The research will take some time to complete, during which the current differential reporting model will remain in place. Existing differential reporting alternatives will be maintained, and any additional alternatives will be developed through the existing process with the advice of the AcSB's Differential Reporting Advisory Committee.

(c) In carrying out its strategy for non-publicly accountable enterprises, the AcSB will consider the needs of those enterprises that do not have significant external users of their financial statements. Such enterprises may not need GAAP-basis financial

Dealing with "standards overload"

95. This plan includes the following commitment:

> In carrying out its strategies, the AcSB will pay particular attention to the practical limitations on the ability of the Canadian financial reporting system to cope with change. In other words, the AcSB will be particularly sensitive to the "standards overload" issue. Where change is determined to be necessary, the AcSB will take such steps as it can to assist affected parties in dealing with change through, for example, participating in the development of implementation aids and training programs.

96. While not a strategy itself, this commitment to address change management issues is critical to the successful implementation of the strategies. It is clear that all aspects of the Canadian financial reporting system have been subject to considerable strain in recent years, as discussed in paragraphs 96-102 of the 2005 Invitation to Comment.

97. Some change is necessary, including changes designed to alleviate some of the burdens imposed by accounting standards developed under previous strategies. The AcSB will place more emphasis on meeting the needs of certain groups that have not occupied its attention as much under previous strategies, such as private businesses, not-for-profit organizations and financial statement users. Although sympathetic to those bearing the brunt of change, the AcSB sees no prospect that accounting standards will cease to change.

98. The increased pace of change in financial reporting requirements in Canada in recent years has resulted largely from efforts to address systemic weaknesses. People will need some time to adapt fully to various new requirements that have recently become effective or are about to become so. The timing of changes introduced in carrying out the AcSB's strategies will be considered very carefully. The AcSB will endeavour to limit the number of changes to GAAP over the term of this plan but cannot control the pace of global standard setting that will affect publicly accountable enterprises. The AcSB will monitor the implementation of its strategies and consider any overload issues that may arise.

99. In introducing changes, the AcSB will take particular care to:

    (a) communicate the changes fully to as broad an audience as possible;

(b) seek input from all affected stakeholder groups;

(c) express new requirements clearly and provide adequate explanations for them;

(d) provide a reasonable period between the issuance of requirements and their mandatory effective date, to permit entities to prepare for initial application (including the possibility of longer transitional periods for entities other than publicly accountable enterprises);

(e) introduce changes to standards less frequently by "batching" them up and introducing several changes together;

(f) develop implementation aids and assist others in developing them; and

(g) assist those charged with the education and professional development of accountants and financial statement users to develop programs to teach the new accounting requirements.

The AcSB will also provide input to the IASB and the FASB on change management issues such as those listed above in the development of new global standards that will apply to some Canadian reporting entities.

100. The AcSB will consider what implementation aids it is able to provide within the limits of its mandate and resources, taking advantage of all available methods of providing guidance to those who most need it. Guidance will focus on indicating how new requirements might affect various types of entities, particularly those less able to determine the effects for themselves. The AcSB will also encourage and support professional organizations and others in providing such guidance and in developing education programs. The strategies in this plan will require a considerable amount of professional development effort by all affected parties. Successful implementation of the strategies will depend to a significant extent on educating accountants and financial statement users in the new standards.

Communications with stakeholders

101. The AcSB will continue and, to the extent possible, intensify its ongoing program for communicating with all those affected by its activities. Specific steps will be undertaken to inform all interested parties about the strategies in this plan and the implementation programs for carrying out the strategies. AcSB representatives are available to make presentations in

meetings, provide interviews for the media, and conduct consultations with stakeholders on issues of general interest, upon request. The AcSB will accept comments at any time on the plan or its implementation, and is particularly interested in relevant new information.[7]

7 Current contact information is available on the AcSB website (www.acsbcanada.org).

IFRS Implementation Plan

The IFRS Implementation Plan provided under this tab outlines the AcSB's plan for incorporating IFRS into Canadian GAAP.

The key elements of the Implementation Plan are:

(i) The implementation date for IFRS, based on the results of the progress review, will be finalized and announced no later than March 31, 2008.

(ii) The Implementation Plan provides a tentative timeline of key milestones that must be met by publicly accountable entities like Newfoundland Power during the transition period leading up to full IFRS adoption. This timeline and the key milestones were shown in Appendix A of Grant Thornton's October 17, 2007 Supplementary Report on Newfoundland Power's 2008 GRA.

(iii) In the context of financial reporting, securities laws etc. make reference to Canadian GAAP. Therefore, Canadian GAAP cannot simply be "replaced" by IFRS. Rather, IFRS have to be "imported into" Canadian GAAP, i.e. Canadian GAAP will be made IFRS compliant and will continue to be referred to as Canadian GAAP for a period of time after the IFRS implementation date.

(iv) Certain IFRS will be early adopted prior to the tentative 2011 implementation date in order to reduce the degree of change required at that date. These are listed in Appendix A of the Implementation Plan.

(v) The Implementation Plan notes that the United States Financial Accounting Standards Board and the International Accounting Standards Board are undertaking a joint project aimed at reducing differences between US GAAP and IFRS. The AcSB intends to adopt newly converged standards arising from the joint project during the tentative 2006 – 2011 transition period.

(vi) The AcSB is required to issue an exposure draft for public comment for each standard that it proposes to amend for IFRS compliance. It is this exposure draft process that provides Newfoundland Power with the opportunity to voice any concerns about proposed changes to those standards that affect the Company.

(vii) Appendix B of the Implementation Plan provides a summary comparison of Canadian accounting standards to IFRS. Its purpose is to assist publicly accountable entities in understanding where and how they may be affected by IFRS. This was the starting point for Newfoundland Power's ongoing comprehensive review of the differences between Canadian GAAP and IFRS that may affect the Company.

ACCOUNTING STANDARDS IN CANADA

Implementation Plan for Incorporating IFRSs into Canadian GAAP

(as of March 31, 2007)

Table of Contents

PARAGRAPH

Introduction .... 1 - 2

To whom does this implementation plan apply? .... 3 - 7

When does the plan take effect? .... 8 -15

How will the standards be introduced? .... 16 - 30

Adopting newly converged standards .... 16 - 18

Canadian standards and US GAAP during the transitional phase .... 19 - 21

Organization of standards to determine approach during transition .... 22 - 24

Exposure of IFRSs before and after changeover date .... 25 - 30

What do constituents need to do to prepare? .... 31 - 34

Magnitude of change expected .... 35 – 37

Modification to IFRSs .... 38 – 39

The role of the AcSB in standard setting now and in the future 40- 41

Other .... 42 - 44

Communications .... 42 - 43

Auditors and the audit report 44

Introduction

1. In January 2006, the AcSB adopted its Strategic Plan, which includes the decision to move financial reporting for Canadian publicly accountable enterprises to a single set of globally accepted high-quality standards, namely, International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB). This document outlines the AcSB's implementation plan for incorporating IFRSs into Canadian GAAP, including identifying key decisions that the AcSB will need to make as it implements the Strategic Plan for publicly accountable enterprises.

2. The AcSB welcomes and encourages comment on this plan. Comments may be submitted at any time, to ed.accounting@cica.ca. The AcSB intends to revise and update this plan periodically, as circumstances warrant.

To whom does this implementation plan apply?

3. The Strategic Plan specifies that IFRSs are to be adopted as Canadian GAAP for publicly accountable enterprises (PAEs). The term "publicly accountable enterprises" is used in the Strategic Plan substantially in accordance with the terminology and definitions in DIFFERENTIAL REPORTING, Section 1300 of the CICA Handbook – Accounting (Handbook). Accordingly, it encompasses public companies and some other classes of enterprises that have relatively large or diverse classes of financial statement users. As part of its implementation plan, the AcSB is considering the need for a revised definition of a publicly accountable enterprise.

4. In November 2006, the AcSB agreed to develop a definition of "publicly accountable enterprise," for the purposes of the IFRS Implementation Plan, from the IASB's proposed definition in its Exposure Draft on Small and Medium-sized Entities (SMEs). That definition states:

    A "publicly accountable enterprise" is an entity that:

- files, or is in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market; or
- holds assets in a fiduciary capacity for a broad group of outsiders, such as a bank, insurance entity, securities broker/dealer, pension fund, mutual fund or investment banking entity.

5. The AcSB will consider how this definition would apply to certain types of reporting entities, such as co-operative organizations and pension plans. All enterprises that do not fall within the definition would *not* be publicly accountable enterprises and, accordingly, would not be required to be subject to the IFRS convergence strategy.

6. The AcSB has conducted research into the needs of users of financial statements of non-publicly accountable enterprises (NPAEs) to determine what standards should apply to them. An invitation to comment incorporating its findings is planned for the first half of 2007. Absent a decision on standards applicable to NPAEs, the extent to this Implementation Plan is relevant to these enterprises remains unclear. However, since NPAE's will have the option of utilizing the standards applicable to PAE's, those choosing to do so may find it to be relevant.

7. Not-for-profit organizations (NFPOs) will continue to apply those elements of GAAP for profit-oriented enterprises that are also applicable to their circumstances. The AcSB will consult with the not-for-profit sector to determine whether all NFPOs should base their accounting on the standards for PAEs, or whether the approach applied to NPAEs should also be applied to some NFPOs. Accordingly, aspects of this plan will be relevant to NFPOs. The AcSB will seek input from NFPOs on the implementation of its strategies for that sector.

When does the plan take effect?

8. The Strategic Plan indicates that a reasonable transitional period for implementation for Canadian enterprises is expected to be approximately five years from the date of its publication (March 2006). However, the precise timing of the changeover is not yet determined. For purposes of this implementation plan, the changeover is when publicly

accountable enterprises will be required to begin reporting using the new IFRS-based standards.

9. Throughout the transitional period, the AcSB will monitor Canada's progress in implementing the IFRS convergence strategy and the readiness of the investor and business communities. There will be a "progress review" within 24 months of the publication of the Strategic Plan. The main focus of the progress review will be to identify and assess any new information or new issues that would affect the implementation of the strategy in order to fine tune and finalize plans for implementing the strategy. Upon completion of the progress review, the AcSB expects to be in a position to set the timing of the changeover. The AcSB expects to be in a position to make an announcement regarding the changeover date no later than March 31, 2008.

10. The progress review will include consultation with the Accounting Standards Oversight Council (AcSOC). The intention is not to develop a new or significantly revised strategy at that time, nor to provide an opportunity for those who disagree with the IFRS convergence strategy to reiterate their views. The AcSB would only consider the possibility of a change in strategic direction in the unlikely event that there was a fundamental change in circumstances that negated the rationale for the strategy. The criteria to be assessed in the progress review will need to be finalized, but paragraph 35 of the Strategic Plan notes that the following matters will be reviewed:

    (a) the acceptance of IFRSs and their contribution to the improved functioning of global capital markets;

    (b) the ability of the IASB to continue to develop high-quality standards, including the functioning of its partnership with the FASB; and

    (c) any difficulties encountered in the initial adoption or ongoing application of IFRSs in the European Union, Australia and other countries.

    The principal issue to be addressed, however, will be progress in Canada in addressing IFRS implementation issues, including efforts by individual affected enterprises to plan and carry out necessary changes, with particular attention to the circumstances of smaller PAEs.

11. The implementation of the new IFRS-based standards does not depend on receiving agreement from various government agencies or any legislative bodies, but the AcSB is maintaining a dialogue with government and regulatory agencies that have an interest in financial reporting issues. Assistance and co-operation from all such agencies is encouraged and welcomed.

12. At present, the many federal, provincial and territorial laws, regulatory rules and other such requirements related to financial reporting refer to Canadian GAAP. As a practical matter, IFRSs will therefore need to be imported into Canadian GAAP and will need to be described as Canadian GAAP for some time to come. Nonetheless, the ultimate objective is for enterprises to be able to report compliance with IFRSs, as well as with Canadian GAAP.

13. The following is a tentative timeline of key events for reporting enterprises in adopting IFRSs, based on current assumptions in the Strategic Plan and an assumed changeover of January 1, 2011. For illustrative purposes, this timeline assumes an enterprise with a calendar year end.

2006-2008	Obtain training and thorough knowledge of IFRS. Commence assessment of accounting policies with reference to IFRSs and development of a plan for convergence
By early 2008	Progress review by AcSB
By March 31, 2008	Changeover timing to be announced by the AcSB following progress review
2008	Finalize assessment of accounting policies with reference to IFRSs and plan for convergence
December 31, 2008	Possible disclosure of an enterprise's plan for convergence and what effects the enterprise anticipates will arise with the change to IFRS (see paragraph 32)

December 31, 2009	Same disclosure required as in 2008, but with a greater degree of quantification of the effects of the change to IFRSs (see paragraph 32)
January 1, 2010	First year for collection of comparative information for inclusion with 2011 financial statements under new IFRS-based requirements. Opening balance sheet for 2010 on IFRS basis required. Valuations on certain items may be advisable for the opening balance sheet preparation, depending on accounting policy choices under IFRS, especially under IFRS 1, *First-time Adoption of International Financial Reporting Standards.*
December 31, 2010	Last year-end for reporting under existing Canadian GAAP
January 1, 2011	Changeover. First year reporting under new IFRS-based standards. Opening balance sheet for 2011 on IFRS basis required.
March 31, 2011	Enterprises issuing interim financial statements prepare their first IFRS-based statements for the three months ended March 31, 2011
December 31, 2011	End of first annual reporting period in accordance with new IFRS-based requirements including IFRS-based comparatives for 2010.

14. The US Securities and Exchange Commission (SEC) provided an exemption from its general requirement to provide two years of comparative figures, for the EU countries and Australia for their year of transition when they adopted IFRSs for the first time in 2005. If a similar exemption is not granted for Canadian SEC registrants they would be required to begin collecting comparative information for the calendar year beginning January 1, 2009.

15. Appendix A provides more detail on the timing, by year, of the anticipated completion of implementation goals discussed in this document.

How will the standards be introduced?

Adopting newly converged standards

16. In October 2002, the FASB and the IASB signed the Norwalk agreement, in which they agreed to work together to eliminate differences between US GAAP and IFRSs. This was reaffirmed with the signing of a Memorandum of Understanding on February 26, 2006. As the two Boards continue to work on convergence projects, the AcSB is actively supporting their efforts. The AcSB will continue to adopt all converged standards as they are agreed to by the FASB and IASB. This reduces the number of IFRSs that will differ from Canadian GAAP at the final changeover, and means that standards will continue to change between now and the adoption date (see Appendix B — Category 1).

17. Appendix A lists those standards that the AcSB expects to be adopted prior to the changeover, with an indication of their anticipated effective date[1] where available. Standards expected to be adopted substantially word for word from the equivalent IFRS have been marked with an asterisk. These early adoptions will reduce the degree of change required at the changeover.

18. Canadian constituents should not assume that there will be a "period of calm" (i.e., a minimal number of new standards released by the IASB) leading up to the changeover. However, the IASB is cognizant of the "standards overload" factor, and this is generally reflected in the decision on the effective dates of their standards.

Canadian standards and US GAAP during the transitional phase

19. In the interest of reducing standards overload the AcSB will observe, whenever possible, a basic principle of not imposing changes to standards that may require extensive systems changes or information gathering that would become redundant at the changeover date.

20. Accordingly, the AcSB generally will not adopt new FASB requirements if they create a new conflict with IFRSs. The AcSB plans not to adopt IFRSs during the transition period

[1] These expectations are necessarily dependent on progress being made by the IASB and FASB in accordance with current plans. Delays may result in more standards being adopted at the changeover date, rather than beforehand.

that would create new conflicts with FASB standards. However, if the IASB changes a standard that does not result in a conflict with FASB standards, then the AcSB may consider adopting the new IFRS during the transition period if it enhances the quality of Canadian GAAP.

21. Some Canadian standards, such as those addressing impairment, variable interest entities, and transfers of receivables, have a high degree of similarity to their US counterparts but are different from IFRSs. If the FASB changes any such standards, the AcSB will have to consider its course of action on a case-by-case. The AcSB will need to balance transitional issues (such as the need to avoid more than one change to GAAP whenever possible) with the enhancement offered by the change the FASB has adopted and the lifespan of any such change if adopted in Canadian GAAP. The consequences of not adopting the revised FASB position and the effect that would have on reconciling items for Canadian SEC registrants would also be considered.

<u>Organization of standards to determine approach during transition</u>

22. All primary sources of GAAP are being reviewed to determine their role within the context of the new Canadian GAAP converged with IFRSs. Primary sources of GAAP include Accounting Guidelines, EIC Abstracts and Background Information and Basis for Conclusion documents, as well as Handbook Sections.

23. The AcSB has compared existing Canadian standards to IFRSs to determine which standards it believes will cause the most significant changes when the adoption of IFRSs occurs. Significance may be related to many issues or combinations of issues, such as the requirement for systems changes to ensure adequate collection of the data, and the number of enterprises that will be affected by a particular issue. The AcSB will try to reduce the significance of the change in a variety of ways. For example, when a Canadian standard is more detailed than an IFRS or has no IFRS equivalent, the AcSB might consider:

    (a) approaching the IASB to request that certain subjects become part of its agenda;

    (b) suggesting to the IASB that AcSB staff could assist in specific projects; or

(c) finding other standard setters who have similar issues and are willing to join forces to provide well-supported proposals to the IASB.

When the AcSB decides that an IFRS is of higher quality then the existing Canadian standard, it may initiate its own project to bring Canadian GAAP closer to the IFRS during the transition period.

24. To assist the AcSB and staff with the assessment of technical issues associated with the move to IFRSs and their relationship to Canadian GAAP for implementation and beyond, the AcSB has established an IFRS Advisory Committee. This group is involved in the assessment of Canadian standards to determine which will be the most challenging in transition, as discussed above, and will contribute to the AcSB's plans for mitigating those challenges.

Exposure of IFRSs before and after changeover date

25. The AcSB's due process requires that standards comprising Canadian GAAP be exposed for public comment. Therefore, IFRSs will be exposed before the AcSB adopts them as Canadian GAAP. The AcSB will need to determine how this process will take place for the IFRSs that will become effective at the changeover. It seems most likely that, because of the interaction of IFRSs with one another, the body of IFRSs will be exposed for comment as a whole — an omnibus exposure draft. However, the AcSB will need to consider the timing and basis of that exposure, as well as the interaction with other standards adopted prior to the changeover. The issue of the omnibus exposure draft is not for the purposes of assessing the appropriateness of convergence with IFRSs. The benefit of adopting IFRSs is that no matter where enterprises are applying for capital, their financial statements will be understood. As noted in the Strategic Plan, the AcSB is concerned that, were it and other national standard setters or regulators to supplement or modify IFRSs, a variety of diverse and potentially incompatible national versions of IFRSs would emerge. The result would not be the single set of global standards to which the AcSB and others aspire.

26. In general, the AcSB intends to adopt IFRSs without modification (see paragraph 38). The AcSB does not intend to delete options from IFRSs or otherwise change them, and in no circumstances does the AcSB intend to make changes that would result in non-compliance with IFRSs. Constituents will be requested to review the omnibus exposure draft primarily to determine if there are common Canadian transactions or other events to which the principles in IFRSs cannot be applied or for which additional guidance might be needed in how to apply the IFRS principles. Therefore, the question(s) posed in the exposure draft will be very limited.

27. Standards developed by the IASB today, and in the future, will affect Canadian GAAP. Therefore, both before and after the changeover, constituents are encouraged to monitor IASB activities and to respond directly to the IASB on any documents it issues for comment. Notification of documents that the IASB releases can be found on the AcSB's home page and there is a link from the AcSB's "International Activities" web page to the IASB's outstanding documents for comment. Well reasoned, supported arguments, including constructive suggestions for change, will have the most influence on the IASB. Any comments regarding uniquely Canadian circumstances that would appear to require additional implementation guidance for the adoption of a particular IFRS into Canadian GAAP should also be directed to the AcSB.

28. Constituents will need to determine the data they need to collect prior to the changeover for the purposes of having appropriate information available to prepare comparative information in the first period for which an entity adopts the new Canadian GAAP that incorporates IFRSs. It is anticipated that standards that are not part of a global convergence project and will be included in the omnibus exposure draft of existing IFRSs will be approved by the AcSB well in advance of their effective date. To be in compliance with International Financial Reporting Standard IFRS 1, *First-time Adoption of International Financial Standards*, the reporting entity must apply the accounting policies that comply with each IFRS effective at the reporting date. To assist constituents in determining which IFRSs will potentially be effective at their reporting date, it has been proposed that standards exposed and approved by the AcSB but not yet effective will be available in a "pending" file for reference.

29. To assist constituents in identifying the components of the IFRSs that have been approved and are currently in effect in Canadian GAAP (for example, large portions of IAS 39, *Financial Instruments — Recognition and Measurement*), a record system separate from the "pending" file discussed above has been proposed.

30. The AcSB will ensure that documentation, such as exposure drafts and final standards, will continue to be issued in both of Canada's official languages. The AcSB will be reviewing how translations will be provided after the adoption of IFRSs. The IASB has its own policies with regard to the requirement for and timing of translations, which the AcSB will review within the Canadian context.

What do constituents need to do to prepare?

31. Constituents who will be affected by this Strategic Plan should prepare sooner rather than later. Education and training is a prerequisite to managing a smooth transition. The AcSB will not be providing training, but is taking such steps as it can to assist affected parties in dealing with the challenges of transition throughout the transition period. The AcSB is encouraging various other organizations involved in education and training to provide the necessary programs. Canadians have the benefit of adopting IFRSs after the EU and Australia, where some training materials have been created. This includes material for university level, material for preparatory courses for professional designations and retraining material for those already in the workforce. This material should assist our domestic educators. The AcSB is, and will continue to be, in contact with the standard setters, preparers and educators from the EU and Australia to learn from their experiences with the adoption of IFRSs and seek their guidance on how to achieve a smooth transition.

32. To assist constituents' preparations, the AcSB has discussed requiring disclosure about the anticipated effects of the transition to IFRSs prior to the changeover, as noted above in the illustrative timeline, for years ending December 31, 2008 and 2009. The objective of the disclosure would be to encourage enterprises to assess promptly their accounting policies in the context of IFRSs so that any system changes required can be instigated. In addition, the disclosure would focus financial statement users' attention on the changes

the entity anticipates as a result of adopting IFRSs in sufficient time for those users to understand and prepare for that change. The Canadian Securities Administrators (CSA) require some disclosure of the effects of anticipated accounting policy changes, which will require some planning for enterprises governed by the CSA. The AcSB staff has met with CSA representatives to discuss disclosure requirements on transition, and will continue to liaise with them to consider the need for appropriate disclosure requirements to be put in place and to ensure that the two bodies work together on transition issues.

33. Once sufficient knowledge of IFRSs is obtained, existing accounting policies have been reviewed and a transition plan on how to adopt IFRSs has been created, an enterprise must determine its approach to educating the users of its financial statements. The users may include investors, profit-sharing employees, audit committees, and anyone providing financing. If the users can anticipate the effect of the changes, problems caused by lack of understanding can be reduced.

34. The AcSB acknowledges that the transition will impose a burden on constituents in the near term, but is of the view that the improved access to global markets for raising capital, and elimination of penalties resulting from differences in accounting standards, will far outweigh the costs in the long run.

Magnitude of change expected

35. IFRSs are principles-based, similar to Canadian GAAP. As noted in the Strategic Plan, Canada has had considerable input and influence in the development of international accounting standards. The AcSB continues to encourage the IASB and FASB to pursue converged accounting treatments.

36. To assist interested parties in understanding the degree of change expected in practice from adopting IFRSs, a summary comparison of the Canadian standards to IFRSs has been prepared (see Appendix B). The summary comparison[2] is meant as an aid for constituents to gauge the impact of IFRSs, but users should realize that there is no

[2] A more detailed comparison of IFRSs to Canadian GAAP is available on the AcSB website. It is presented in the numerical order of IFRSs.

guarantee that it will direct them to all matters they will need to consider, as each enterprise has different circumstances and concerns. In addition, the categorization of standards in Appendix B is a subjective exercise utilizing professional judgment. The comparison sorts the Canadian standards as follows:

Category 1 **AcSB expects to converge with IFRSs before changeover because of a current or anticipated project** — There is a FASB or IASB project, either jointly or separately, in process or anticipated, that will result in a converged standard to be adopted as a Canadian standard prior to the changeover. Or, the AcSB has embarked on a project to converge a particular standard with IFRSs, because it believes that the IFRS offers a significant improvement that should be made prior to changeover.

Category 2 **IASB project in process at the changeover** — An IASB project will be well-advanced in developing a significantly different new IFRS corresponding to the current Canadian standard, but not completed by the changeover. The AcSB will consult with the IASB regarding these projects in advance of setting the date of the changeover, to determine what can be done to minimize the possibility of a second significant change shortly after Canada's changeover. The AcSB will need to evaluate each of these projects based on the progress of the IASB project at changeover. This will include consideration as to whether an option should be provided for entities to choose not to adopt a particular IFRS that is shortly to be changed by the IASB.[3]

Category 3 **AcSB adoption of IFRSs at changeover —** Current AcSB standards that will be replaced with corresponding IFRSs at the changeover. These are divided between:

(a) those which are already substantially converged with IFRSs; and

[3] An entity choosing to elect such an option might benefit in not having to make two consecutive changes to adopt similar standards on the same subject. However, the entity would also be unable to claim compliance with IFRS until the date of fully adopting all extant IFRSs.

(b) those for which IFRSs differ, but for which there is no expected action by either the AcSB or IASB between the date of the comparison and the changeover date.

Category 4 **IASB standards that have no Canadian counterpart that will be adopted at changeover.**

Category 5 **Canadian standards that have no IFRS counterpart**

37. IFRS 1, First-time Adoption of International Financial Reporting Standards, was developed by the IASB to provide some relief to enterprises preparing their first annual financial statements in complete compliance with IFRSs. The first time Canadian enterprises are able to prepare financial statements in complete compliance with IFRSs some of the difficulties of the transition to IFRSs will be alleviated by IFRS 1. IFRS 1 provides a number of elective options, generally based on a cost/benefit consideration. For example, the current version of IFRS 1 includes an elective exemption from the application of IFRS 3, *Business Combinations*, to past business combinations. In addition, there are some mandatory exemptions for those areas involving management's judgment that would be applied with the benefit of hindsight, for example, the derecognition of financial assets and financial liabilities, hedge accounting and estimates. The Board will strive to ensure that Canadian enterprises are able to qualify at the time of changeover for relief similar to that provided by IFRS 1, but this will be dependent on the progress of convergence projects over the transitional period. The AcSB will consider whether there are any circumstances related to Canadian GAAP as it will exist prior to the changeover that are not dealt with by IFRS 1 presently but would cause particular transitional difficulty. If there are, it will discuss with the IASB the possibility of allowing for such circumstances in IFRS 1.

Modifications to IFRSs

38. While the AcSB retains the power to modify or add to the requirements of IFRSs, as it deems necessary, it intends to avoid changing IFRSs when adopting them as Canadian GAAP. Accordingly, the AcSB does not expect to eliminate any options within existing IFRSs. In the two IFRSs currently identified as directing preparers to follow their

Insurance Contracts, and IFRS 6, *Exploration for and Evaluation of Mineral Resources*, the AcSB intends to maintain Canadian guidance dealing with those matters, to the extent that it does not conflict with IFRSs.

39. The AcSB also intends to assess and monitor the application of accounting standards in Canada. The AcSB will work to resolve issues through the IASB's interpretive body, the International Financial Reporting Interpretations Committee. However, in the event this is not possible, the AcSB will stand ready to develop additional temporary guidance. No sector-specific guidance, other than that required for unique circumstances of not-for-profit organizations, is expected to be added to IFRSs for Canadian GAAP purposes.

The role of the AcSB in standard setting now and in the future

40. The AcSB is, and will continue to be, actively participating in IASB projects. The structures and mechanisms by which participation is achieved may change, but there remains a critical role for a Canadian standard-setting function. The AcSB will continue its current research in relation to NPAEs to determine what the most appropriate basis of accounting will be. Based on the results of that research, the role of the AcSB will evolve in relation to NPAEs. The AcSB will continue to assess what special standards are required to accommodate the special needs of NFPOs. Canada will maintain its own standard-setting capabilities, though they will be applied within a changed environment.

41. There are almost certainly additional areas of potential AcSB activity in the future. The role of Canadian accounting standard setting, far from being greatly restricted in the future, will evolve and remain vital to the development and maintenance of a single set of truly global accounting standards.

Other

Communications

42. To ensure constituents are informed of the progress of the implementation of IFRSs for PAEs, this Implementation Plan will be updated periodically. Constituents can stay informed of current activity by referring to the International Activities page of the AcSB

website at www.acsbcanada.org. A series of bulletins have been, and will continue to be, distributed to senior executives in business and government and other interested parties, to make them aware of the new Strategic Plan. The most recent of these, (Bulletin #4) was distributed in January 2007, and is also available on the AcSB website. Ongoing communications with other constituent groups will also continue.

43. The AcSB will be communicating with governments and other regulatory bodies throughout the transition process to obtain their input and to enhance their understanding of the process, and thereby improve the understanding of their constituents. The AcSB's IFRS Advisory Committee, User Advisory Council and Academic Advisory Council will also be consulted throughout the process to ensure that adequate communication is being delivered to constituents.

Auditors and the audit report

44. The Auditing and Assurance Standards Board (AASB) has developed new strategies that respond to some of the same developments addressed by the AcSB's Strategic Plan. The AcSB will take into account the AASB's findings and conclusions that are relevant to the strategic directions adopted by the AcSB.

Implementation Plan for Incorporating IFRSs into Canadian GAAP
Appendix A
Calendar of Implementation Goals
(As of March 31, 2007)

2007
- Consider treatment of Canadian standards that will have no IFRS equivalent at the changeover
- Consider implications of IFRS 1
- Consider who should approach the SEC to determine if it will consider an exemption for comparative year financial information, similar to that provided for enterprises adopting IFRSs in 2005-2007
- Define criteria for assessment during progress review
- Consider need for disclosures on IFRS transition by publicly accountable enterprises that are not listed companies and approve exposure draft if necessary, in co-operation with the CSA
- Determine basis for exposing existing IFRS for adoption into Canadian GAAP
- Finalize definition of publicly accountable enterprises

Standards anticipated to be adopted

Employee Future Benefits—partial convergence with IAS 19 (effective December 31, 2007)
Going Concern* (effective January 1, 2009)
Income Taxes* (effective 2009)
Inventories* (effective January 1, 2008)

2008
- Complete progress review
- Announce changeover timing
- Finalize disclosures required prior to adoption, if necessary
- Issue omnibus exposure draft of existing IFRSs
- Consider need for temporary differences from IFRS at the changeover date in order to smoothly manage the transition.
- Consider the need for any temporary transitional considerations.

Standards anticipated to be adopted

Business Combinations* (effective January 1, 2009)
Earnings per Share* (effective December 31, 2008)
Internally Developed Intangible Assets*(effective January 1, 2009)
Joint Ventures*

2009
- Determine rules of procedure for the exposure of IFRS in Canada after changeover

Implementation Plan for Incorporating IFRSs into Canadian GAAP
Appendix A
Calendar of Implementation Goals
(As of March 31, 2007)

- Finalize process for translation to both official languages

Standards with possibility of being adopted beyond 2008 and before changeover
Consolidations*
Government Grants*
Fair Value Measurement*
Financial Statement Presentation*
Impairment*
Insurance Contracts*
Liabilities and Equity*
Research and Development Costs*
Revenue Recognition*

Implementation Plan for Incorporating IFRSs into Canadian GAAP

Appendix B: Comparison of IASB and Canadian standards

1. This comparison has been prepared by the staff of the Accounting Standard Board (AcSB) to provide a high-level comparison of current Canadian standards and International Financial Reporting Standards (IFRSs). Its purpose is to provide readers with information about the AcSB's current evaluation of the way in which individual CICA Handbook – Accounting (Handbook) Sections will incorporate IFRSs over the transitional period. The standards are sorted into five categories, as explained in the Implementation Plan. The allocations are subjective in nature. Each enterprise must assess how the differences between Canadian GAAP and IFRSs will affect its individual situation. The allocations by anticipated timing of convergence are subject to change, as many are dependent on the actions of the IASB and the FASB.

2. This comparison covers significant differences only and does not include all of the differences that might arise in a particular entity's circumstances. The groupings by category and the individual comparison are a tool to assist enterprises in preparing their plans for the transition to IFRSs, and should not be used in preparing financial statements. To understand fully the implications of applying and preparing financial statements in accordance with IFRSs, users of this comparison and financial statement preparers must refer to the standards themselves. AcSB staff is maintaining a more detailed comparison for those interested in comparison at a more technical level. The more detailed comparison is available on the AcSB website at www.acsbcanada.org (see "international activities").

3. IFRSs are based on a conceptual framework that is substantially the same as that on which Canadian standards are based. IFRSs cover many of the same topics and reach similar conclusions on many issues. The style and form of IFRSs are generally quite similar to Canadian standards, and considerably more similar than US standards (although there is some variation within all three sets of standards). IFRSs are laid out in the same way as Handbook Sections, highlight the principles and use similar language.

Individual IFRSs and Handbook Sections are of similar length and depth of detail. The complete sets of standards are also similar in length.

4. This comparison includes EIC Abstracts and the IFRS equivalents only to the extent that a significant issue is covered directly in one set of standards but addressed through an interpretation in the other. The comparison reflects standards issued as of March 31, 2007. Effective dates may be after March 31, 2007.

5. The IASB, FASB and AcSB have active standard-setting projects in process. In a number of cases, this work in process will eliminate differences that exist today. The comparison identifies this work in process and categorizes the standards based on the extent to which the work in process is expected to eliminate existing differences. The estimated timing of completion of work in process is based on expectations as at March 31, 2007 and is subject to significant change dependent on decisions made by the AcSB, IASB and FASB regarding their work programs.

6. The term "converged" has been used in the comparison when related Canadian standards and IFRSs are substantially similar. There will inevitably be differences at a more detailed level both, as a result of different levels of guidance, and different ways of expressing similar ideas.

7. Within the five categories identified in the Implementation Plan, standards are presented in the order in which they appear in the Handbook. A table of concordance at the end of the document lists the International Financial Reporting Standards in numerical order with the Canadian GAAP counterpart noted in the columns to the right.

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
1. AcSB expects to converge with IFRS before changeover because of a current or anticipated project			
Section 1000, Financial Statement Concepts *IASB Framework* *IAS 1, Presentation of Financial Statements*	Section 1000 and the IASB Framework are **converged, except** that: (i) the IASB Framework does not explicitly address not-for-profit organizations; and (ii) the IASB Framework describes concepts of financial and physical capital maintenance without prescribing that a particular concept should apply, whereas Section 1000 specifies that financial statements are prepared with capital maintenance measured in financial terms. IAS 1 provides more comprehensive guidance on going concern than Section 1000.	IASB and FASB have commenced a project to develop a converged conceptual framework. Canada is participating. The AcSB approved amendments to Section 1400 that converge with the going concern paragraphs of IAS 1. AcSB has issued an Exposure Draft on internally developed intangible assets, the proposals of which require changes to Section 1000. If adopted, the changes would clarify the role of "matching" in financial reporting and make Section 1000 more similar to the framework in this regard.	The IASB/FASB project is a long-term project—parts of which might not be complete until after changeover.
Section 1400, General Standards of Financial Statement Presentation *IAS 1, Presentation of Financial Statements*	Section 1400 and the corresponding requirements of IAS 1 are **converged, except** that IAS 1: (i) permits departure from standards on grounds of fair presentation if the relevant regulatory framework for the enterprise permits or requires such a departure; (ii) does not require a statement of retained earnings, but does require a statement of changes in equity; and (iii) does not permit comparative information to be omitted in the rare circumstances when it is not meaningful.	IASB and FASB have commenced a project on Financial Statement Presentation to improve the presentation of information in certain financial statements. AcSB intends to issue converged standards at the same time.	*See Category 3b) regarding difference (i) and (iii).*

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
1. AcSB expects to converge with IFRS before changeover because of a current or anticipated project			
Section 1510, Current Assets and Current Liabilities *IAS 1, Presentation of Financial Statements*	Section 1510 is **less comprehensive** than IAS 1 as IAS 1: (i) requires presentation in order of liquidity when such presentation provides information that is reliable and more relevant; and (ii) requires current classification of breached long-term liabilities unless refinancing is complete by the balance sheet date.	IASB and FASB have commenced a project on Financial Statement Presentation to improve the presentation of information in certain financial statements. AcSB intends to issue converged standards at the same time.	
Section 1520, Income Statement *IAS 1, Presentation of Financial Statements*	Section 1520 and the corresponding requirements of IAS 1 are **converged, except** that Section 1520 provides more specific guidance on the items to be disclosed in the income statement.	IASB and FASB have commenced a project on Financial Statement Presentation to improve the presentation of information in certain financial statements. AcSB intends to issue converged standards at the same time.	Work in process likely to reduce differences further, but also to result in significant change from present requirements and practices.
Section 1530, Comprehensive Income *IAS 1, Presentation of Financial Statements*	Section 1530 and the corresponding requirements of IAS 1 are **converged**.	IASB has issued an Exposure Draft, the proposals in which, if adopted, would limit the possible choices of presentation compared to those available in accordance with Canadian standards. AcSB has decided not to converge with the proposals in that Exposure Draft at this time. However, see also Section 1520 above.	

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
1. AcSB expects to converge with IFRS before changeover because of a current or anticipated project			
Section 1540, Cash Flow Statements *IAS 7, Cash Flow Statements*	Section 1540 and IAS 7 are **converged, except** that IAS 7 does not prohibit the disclosure of cash flow per share amounts.	IASB and FASB have commenced a project on Financial Statement Presentation to improve the presentation of information in certain financial statements. AcSB intends to issue converged standards at the same time.	
Section 1581, Business Combinations *IFRS 3, Business Combinations*	Section 1581 and IFRS 3 are **converged, except** that IFRS 3: (i) requires the acquisition date to be the date on which the acquirer obtains control over the acquired entity or business; (ii) requires that shares issued as consideration be measured based on their fair value at the date of the exchange transaction; (iii) does not allow the use of the acquiree's share of the fair value of the net assets or equity instruments acquired if that is more reliably measurable, in determining the cost of a business combination; (iv) requires that contingent consideration be recognized when it is probable that it will be paid and can be reliably measured; (v) requires that any negative goodwill be recognized immediately in profit or loss; and (vi) requires the acquirer to recognize the acquiree's identifiable assets, liabilities and contingent liabilities at their fair values at the acquisition date (rather than the acquirer's share only), thus resulting in any non-controlling interest in the acquiree being stated at the non-controlling interest's portion of the net fair values of those items.	IASB and FASB have commenced a project on business combinations to develop new requirements for purchase method procedures. AcSB intends to issue converged standards at the same time.	Differences expected to be eliminated by work in process but also to result in change from present requirements and practices.

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
1. AcSB expects to converge with IFRS before changeover because of a current or anticipated project			
Section 1590, Subsidiaries *IAS 27, Consolidated and Separate Financial Statements*	Section 1590 and IAS 27 are **converged, except** that IAS 27 assesses control at a point in time, whereas Section 1590 assesses control based on an entity's continuing ability to make strategic policy decisions. *(See also AcG-15, AcG-18, and SIC-12 below.)*	IASB and FASB have commenced a project on consolidation, which intends to develop a comprehensive definition of control. AcSB intends to issue converged standards at the same time.	Differences expected to be eliminated by work in process but also to result in change from present requirements and practices.
Section 1600, Consolidated Financial Statements *IAS 27, Consolidated and Separate Financial Statements* *IFRS 3, Business Combinations*	Section 1600 and IFRS 3 and IAS 27 are **converged, except** that IFRSs: (i) have less detail on dilution gains and step acquisitions; (ii) require non-controlling interests to be shown within equity separately from the parent shareholders' equity (as a consequence, non-controlling interest's share of net income is reported as an allocation within equity, rather than as income or expense in the income statement); and (iii) require non-controlling interests to be stated at their proportion of the net fair value of the acquired net assets, rather than at the subsidiary's carrying amount. *(See also Section 1581 above and AcG-18 below.)*	IASB and FASB have commenced projects on business combinations and consolidations to converge the standards. AcSB intends to issue converged standards at the same time.	Differences expected to be eliminated by work in process but also to result in change from present requirements and practices.
Section 3030, Inventories *IAS 2, Inventories*	Section 3030 is **less comprehensive** than IAS 2 as IAS 2: (i) requires inventories to be measured at the lower of cost and net realizable value ; (ii) contains more extensive guidance on the determination of cost, including guidance on the allocation of overhead; and (iii) requires recognition of a reversal arising from an increase in net realizable value(However, like IAS 2, Canadian practice would generally carry inventory at the lower of cost and net realizable value). IAS 2 also prohibits the last-in, first-out (LIFO) method of cost determination.	AcSB approved Section 3031, which replaces Section 3030. Section 3031 is substantially converged with IAS 2.	Differences for many entities expected to be eliminated by work in process but also to result in significant change from present requirements and practices. .

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
1. AcSB expects to converge with IFRS before changeover because of a current or anticipated project			
Section 3051, Investments *IAS 28, Investments in Associates* *IAS 36, Impairment of Assets*	Section 3051 and the corresponding requirements in IAS 28 and IAS 36 are **converged, except** that IFRSs: (i) require an impairment to be recognized when the recoverable amount of an asset is less than the carrying amount, rather than when there is a significant or prolonged decline in value below the carrying amount; (ii) determine the impairment loss as being the excess of the carrying amount above the recoverable amount (the higher of fair value less costs to sell and value in use, calculated as the present value of future cash flows from the asset), rather than the excess of the carrying amount above the undiscounted future cash flows of the asset; and (iii) require the reversal of an impairment loss when the recoverable amount changes. *(See also AcG-18 below.)*	Convergence of impairment requirement identified as longer-term convergence project.	Convergence by FASB and IASB of impairment requirements before changeover will be strongly encouraged by the AcSB.
Section 3055, Interests in Joint Ventures *IAS 31, Investments in Joint Ventures*	Section 3055 **differs** from IAS 31 as IAS 31: (i) permits the use of either the proportionate consolidation method or the equity method to account for joint ventures; and (ii) excludes a venturer's interest in a joint venture held by a venture capital organization, mutual fund, unit trust or similar entity.	IASB has commenced a project to remove the option for accounting for interests in jointly controlled entities using the proportionate consolidation method. AcSB plans to consider similar revisions.	Work in process likely to reduce differences in accounting methods, but also to result in significant change from present requirements if IASB decides to eliminate the proportionate consolidation method.

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
1. AcSB expects to converge with IFRS before changeover because of a current or anticipated project			
Section 3061, Property, Plant and Equipment *IAS 16, Property, Plant and Equipment* *IAS 36, Impairment of Assets* *IAS 40, Investment Property*	Section 3061 and IAS 16, IAS 36 and IAS 40 are **converged, except** that: (i) IAS 16 permits the revaluation of property, plant and equipment to fair value; (ii) IAS 16 requires the depreciable amount to be the asset cost less its residual value, rather than using the greater of the asset cost less its residual value or asset cost less its salvage value; (iii) IAS 36 requires discounting in determining the net recoverable amount of property, plant and equipment; (iv) IAS 40 allows investment property to be accounted for using a fair value or a cost-based model; (v) IFRSs contain an exemption from applying the GAAP hierarchy to develop accounting policies for exploration and evaluation activities; and (vi) IFRS 6 provides limited guidance on the financial reporting for exploration for, and evaluation of, mineral resources. *(See also AcG-16 and EIC-126 below.)*	IASB project on extractive industries is in progress. AcSB expects to reconsider its standards in conjunction with that project. Convergence of impairment requirements identified as longer-term convergence project.	AcSB will strongly encourage convergence by FASB and IASB of impairment requirements before changeover. Fair value options within IAS 16 and IAS 40 will not be converged until the changeover. *See comments in Category 2 and Category 3b).*

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
1. AcSB expects to converge with IFRS before changeover because of a current or anticipated project			
Section 3062, Goodwill and Other Intangible Assets *IAS 36, Impairment of Assets* *IAS 38, Intangible Assets*	Section 3062 is **less comprehensive** than IAS 38 as IAS 38 provides more guidance on intangible assets. Also, IAS 38 permits revaluation at fair value for intangible assets that have an active market. Section 3062 and IAS 38 guidance on accounting for goodwill are **converged**. Section 3062 uses a **different model** from IAS 36 and IAS 38 for testing impairment as IAS 36: (i) includes identifiable indefinite life intangible assets in the cash-generating unit to which it relates; (ii) might require goodwill impairment assessments to be made below the level of the reporting unit, at the cash generating unit; and (iii) determines an impairment loss as the excess of the carrying amount above the recoverable amount of the cash generating unit to which the goodwill is allocated, rather than the difference between carrying amount and fair value of the reporting unit's goodwill. *(See also Section 3051and 3063.)*	Convergence of impairment requirements identified as longer-term convergence project. AcSB has issued an Exposure Draft on Internally Developed Intangible Assets (IDIA), the proposals would narrow the differences between Section 3062 and IAS 38. It is intended that the IDIA project will improve the convergence with IAS 38. IASB and FASB have identified intangible assets as a topic for longer-term convergence.	Convergence by FASB and IASB of impairment requirements before changeover will be strongly encouraged by the AcSB. The option to revalue intangibles to fair market when there is an active market will not be adopted until change over. *See comments in Category 3b).*

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
1. AcSB expects to converge with IFRS before changeover because of a current or anticipated project			
Section 3063, Impairment of Long-lived Assets *IAS 36, Impairment of Assets*	Section 3063 **differs** from IAS 36 as IAS 36: (i) does not include a separate "trigger" for recognizing impairment losses based on an assessment of undiscounted cash flows; (ii) determines an impairment loss as the excess of the carrying amount of an asset or group of assets above the recoverable amount (the higher of fair value less costs to sell and value in use), rather than the difference between carrying amount and fair value; and (iii) requires the reversal of an impairment loss when there has been a change in estimates used to determine the recoverable amount. *(See also Section 3051 and 3062 above.)*	Convergence of impairment requirements identified as longer-term convergence project.	Convergence by FASB and IASB of impairment requirements before changeover will be strongly encouraged by the AcSB.
Section 3450, Research and Development Costs *IAS 38, Intangible Assets*	Section 3450 and IAS 38 are **converged, except** that IAS 38 allows for periodic revaluation of intangible assets that have an active market.	IASB and FASB are considering this topic in their short-term convergence project. The AcSB has a project on Internally Developed Intangible Assets that is intended to converge more closely with IAS 38.	The AcSB project will not eliminate the revaluation difference.

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
1. AcSB expects to converge with IFRS before changeover because of a current or anticipated project			
Section 3465, Income Taxes *IAS 12, Income Taxes* *SIC-25, Income Taxes — Changes in the Tax Status of an Enterprise or Its Shareholders*	Section 3465 and IAS 12 are **converged, except** that IAS 12: (i) continues to allocate to equity any current-year deferred taxes on items that are related to an item charged to equity in a prior year ("backward tracing"); (ii) prohibits recognition of a deferred tax asset if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and does not affect accounting or taxable income at the time; (iii) requires recognition of a deferred tax liability or asset for temporary differences that arise on translation of non-monetary assets that are remeasured from the local currency to the functional currency using historical rates and result from changes in exchange rates and indexing for tax purposes; (iv) requires recognition of an income tax asset or liability when there is a temporary difference on intercompany transfers of assets; (v) requires the application of average tax rates; and (vi) addresses the consequences of a change in tax status of the entity. SIC-25 requires that the effects of such a change be allocated based on its origin.	IASB and FASB have commenced a project to converge their standards. AcSB intends to issue converged standards on income tax shortly after those resulting from this current joint IASB/FASB project.	Most differences expected to be eliminated by work in process. Treatment of uncertain tax positions. FASB has issued guidance for the accounting for uncertainty in income taxes that separates recognition from measurement. The IASB's approach requires that any uncertainty be reflected through the measurement via an expected outcome method. The AcSB plans to issue similar proposals to the IASB on this issue.
Section 3480, Extraordinary Items *IAS 1, Presentation of Financial Statements*	Section 3480 **differs** from IAS 1 as IAS 1 does not allow separate presentation of extraordinary items.	IASB and FASB have commenced a project on Financial Statement Presentation to improve the presentation of information in certain financial statements. AcSB intends to issue converged standards at the same time.	

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
1. AcSB expects to converge with IFRS before changeover because of a current or anticipated project.			
Section 3500, Earnings per Share *IAS 33, Earnings per Share*	Section 3500 and IAS 33 are **converged, except** that IAS 33: (i) does not require presentation of earnings per share for income and loss before discontinued operations and extraordinary items and (ii) does not allow rebuttal of the presumption of share settlement treatment on contracts that may be settled in shares or cash, based on past experience of contract settlements.	IASB has a current project that proposes to amend IAS 33. The AcSB intends to adopt the proposed changes and converge Section 3500 with revised IAS 33 when the IASB issues the revised standard.	Difference causing conflict expected to be eliminated by work in process.
Section 3863, Financial Instruments — Presentation *IAS 32, Financial Instruments: Presentation*	The presentation requirements of Section 3863 and IAS 32 are **converged, except** that IAS 32: (i) does not apply to insurance contracts; (ii) addresses the presentation of derivatives on an entity's own equity; and (iii) does not allow for initial measurement of a compound financial instrument using the relative fair value method.	FASB has commenced a project on liabilities and equity, with which IASB and AcSB expect to converge.	Differences (i) and (iii) are expected to be eliminated by work in process. *See Category 3 b)*
Section 4211, Life Insurance Enterprises — Specific Items *IFRS 4, Insurance Contracts* *IAS 36, Impairment of Assets* *IAS 40, Investment Property*	Section 4211 **differs** from IFRS 4, IAS 36 and IAS 40 as IFRSs: (i) provide limited guidance; (ii) do not address actuarial liabilities, reinsurance and retrocession, segregated accounts and income and distributions; (iii) do not permit presentation of discretionary participation features separately from liabilities and equity; and (iv) permit investment property to be measured at fair value versus the moving average market value method. *(See also Section 3051 above for differences regarding impairment testing and AcG-3, AcG-8 and AcG-9 below.)*	IASB has commenced a project to introduce new requirements for insurance contracts. Project is expected to become a joint IASB/FASB initiative. AcSB intends to issue harmonized requirements at the same time as IASB.	Differences expected to be eliminated by work in process.

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
1. AcSB expects to converge with IFRS before changeover because of a current or anticipated project			
Accounting Guideline AcG-3, Financial Reporting by Property and Casualty Companies *IFRS 4, Insurance Contracts*	AcG-3 **differs** from IFRS 4 as IFRS 4 contains only limited requirements.	See Section 4211 above.	Differences expected to be eliminated by work in process.
Accounting Guideline AcG-8, Actuarial Liabilities of Life Insurance Enterprises — Disclosure *IAS 32, Financial Instruments: Presentation* *IFRS 4, Insurance Contracts*	AcG-8 is **more comprehensive** than IAS 32 and IFRS 4 as AcG-8 provides additional guidance as to how the requirements of Sections 1508 and 3861 are to be applied to actuarial liabilities.	See Section 4211 above.	Differences expected to be eliminated by work in process.
Accounting Guideline AcG-9, Financial Reporting by Life Insurance Enterprises *IFRS 4, Insurance Contracts*	AcG-9 **differs** from IFRS 4 as IFRS 4 contains only limited requirements.	See Section 4211 above.	Differences expected to be eliminated by work in process.
Accounting Guideline AcG-11, Enterprises in the Development Stage EIC-27, Revenues and Expenditures During the Pre-operating period *IAS 38, Intangible Assets*	AcG-11 **differs** from IAS 38 as IAS 38 precludes capitalizing intangibles that would be permitted by AcG-11. (For example, IAS 38 would not allow pre-operating costs to be capitalized as detailed in EIC-27, which interprets AcG-11.)	Current AcSB project on deferral of costs / internally developed intangible assets proposes to eliminate ability to capitalize pre-operating period expenses.	Differences expected to be eliminated by work in process.

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
1. AcSB expects to converge with IFRS before changeover because of a current or anticipated project			
Accounting Guideline AcG-15, Variable Interest Entities *SIC-12, Consolidation — Special Purpose Entities*	AcG-15 **differs** from SIC-12 as SIC-12: (i) does not deal with variable interest entities (VIEs) in the same manner, and relies on the general principles of consolidation; and (ii) is less detailed. However, both rely on similar underlying principles.	IASB and FASB have commenced a joint project on consolidations, which is considering accounting for VIEs. AcSB will consider similar revisions.	
Accounting Guideline AcG-18, Investment Companies *IAS 27, Consolidated and Separate Financial Statements* *IAS 28, Investments in Associate* *IAS 39, Financial Instruments: Recognition and Measurement*	AcG-18 **differs** from IFRSs as IFRSs do not contain any special treatments for accounting for investments by investment companies and for investment companies by its parent or equity method investor. The fair value treatment under AcG-18 differs from the consolidation method required by IAS 27 for subsidiaries and the equity method required by IAS 28 for associates subject to significant influence.	IASB and FASB have commenced a joint project on consolidation. AcSB intends to issue converged standards at the same time.	Most differences expected to be eliminated by work in process. Investments by investment companies will not be addressed before changeover. *See Category 3b).*

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
2. IASB project in process at changeover — AcSB will evaluate depending on progress of IASB project at changeover date			
Section 3061, Property, Plant and Equipment *IAS 16, Property, Plant and Equipment* *IAS 36, Impairment of Assets* *IAS 40, Investment Property* *IFRS 6, Exploration for and Evaluation of Mineral Resources*	Certain portions of Section 3061 and all of AcG-16 and EIC-126 are **more comprehensive** than IAS 16 with respect to mineral resources. Section 3061 does not contain an exemption from applying the GAAP hierarchy to develop accounting policies for exploration and evaluation activities. IFRS 6 provides limited guidance on the financial reporting for exploration for, and evaluation of, mineral resources. Some portions of Section 3061 and all of AcG-16, and EIC-126 are **more comprehensive** than IFRS 6 as IFRS 6 only provides guidance onthe exploration and the evaluation of mineral resources up to the point that technical feasibility and commercial viability of extracting is demonstrated. IFRS 6 would permit a form of full cost accounting only during the exploration and evaluation phases, but the full cost accounting model cannot be extended to development and production. *(See also AcG-16 and EIC-126 below.)*	IASB research project on extractive industries is in progress. AcSB expects to reconsider its standards in conjunction with that project.	
Section 3065, Leases *IAS 17, Leases*	Section 3065 and IAS 17 **are converged, except** that: (i) IAS 17 uses the term "finance lease" in the same manner as Section 3065 uses "capital lease"; (ii) IAS 17 does not subdivide finance leases into sales-type leases and direct financing leases; and (iii) disclosure requirements vary.	IASB and FASB have commenced a project on lease accounting, likely to result in a significantly different accounting model.	

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
2. IASB project in process at changeover — AcSB will evaluate depending on progress of IASB project at changeover date			
Section 3400, Revenue EIC-141, Revenue Recognition *IAS 11, Construction Contracts* *IAS 18, Revenue* *SIC-31, Revenue — Barter Transactions Involving Advertising Services*	Recognition criteria in Section 3400 and EIC 141 and IAS 11, IAS 18 and SIC-31 are **converged, except** that: (i) IAS 11 does not allow the completed contract method; (ii) IAS 11 provides more guidance on work in process; (iii) IAS 18 includes measurement standards requiring fair value for consideration received or receivable; (iv) SIC-31 deals with barter transactions involving advertising services specifically; (v) IFRSs do not provide specific guidance regarding goods with right of return, like EIC 141; and (vi) both sets of standards have application guidance in various other related standards. *(See also AcG-2 and AcG-4 below.)*	IASB and FASB have commenced a project on revenue recognition, likely to result in a significantly different accounting model.	.

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
2 IASB project in process at changeover — AcSB will evaluate depending on progress of IASB project at changeover date			
Section 3461, Employee Future Benefits *IAS 19, Employee Benefits*	Section 3461 and IAS 19 are **converged, except** that IAS 19: (i) requires plan assets to be measured at fair value for all purposes at all reporting dates; (ii) requires past service costs to be recognized on a straight-line basis over the average period until the amended benefits become vested; (iii) requires multi-employer plans with defined benefit characteristics to be accounted for as defined benefit plans; and (iv) permits a choice of recognizing actuarial gains and losses directly in equity in the period in which they occur, without subsequent recycling to net income.	IASB has issued an Exposure Draft proposing amendments to IAS 37, with complementary adjustments to the termination benefits requirements of IAS 19. The proposals include greater specificity regarding accounting for special involuntary termination benefits. The AcSB issued an Exposure Draft that requires recognition of the over/underfunded status of an entity's defined benefit plan on the balance sheet and measurement of plan assets and related obligations as at the balance sheet date. The proposals in the Exposure Draft would not change the benefit cost charged to expense in a period. Recognition of the funded status on the balance sheet is permitted but not required under IAS 19 and the benefit cost charged to expense in a period could differ in some respects. Employee benefits is identified as a longer-term convergence project.	

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
2 IASB project in process at changeover — AcSB will evaluate depending on progress of IASB project at changeover date			
Accounting Guideline AcG-2, Franchise Fee Revenue *IAS 18, Revenue*	AcG-2 is **more comprehensive** than IAS 18.	See Section 3400 above.	
Accounting Guideline AcG-4, Fees and Costs Associated with Lending Activities *IAS 18, Revenue*	AcG-4 is **more comprehensive** than IAS 18.	See Section 3400 above.	
Accounting Guideline AcG-12, Transfers of Receivables *IAS 39, Financial Instruments: Recognition and Measurement*	AcG-12 **differs** from IAS 39 as IAS 39: (i) addresses the derecognition of other financial instruments, such as securities lending transactions or sale and repurchase agreements; and (ii) does not focus on legal isolation, but on risks and rewards of ownership.	AcSB has a project to amend AcG-12 that intends to maintain convergence with U.S.GAAP. In the long-term, IASB, FASB and AcSB are all considering improvements to their standards on derecognition. However, the intention would be to converge with one another on any improvements.	

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
2 IASB project in process at changeover — AcSB will evaluate depending on progress of IASB project at changeover date			
Accounting Guideline AcG-16, Oil and Gas Accounting — Full Cost EIC-126, Accounting By Mining Enterprises For Exploration Costs *IAS 16, Property, Plant and Equipment* *IAS 36, Impairment of Assets* *IFRS 6, Exploration for and Evaluation of Mineral Resources*	AcG-16, EIC-126 and certain portions of Section 3061 are **more comprehensive** than IFRS 6 as IFRS 6 only provides guidance during exploration and evaluation of mineral resources up to the point that technical feasibility and commercial viability of extracting is demonstrated. IFRS 6 would permit a form of full cost accounting only during the exploration and evaluation phases but the full cost accounting model cannot be extended to the development and production phases. Accounting during these phases will generally be by analogy to IAS 16 and IAS 36.	IASB has commenced a research project on extractive industries. AcSB expects to reconsider its standards in conjunction with that project.	Differences expected to be eliminated by work in process.
3a) AcSB adoption of IFRSs at changeover — substantially converged currently			
Section 1100, Generally Accepted Accounting Principles *IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors*	Section 1100 and the corresponding requirements of IAS 8 are **converged, except** that Section 1100 provides a temporary exception for recognition and measurement of assets and liabilities arising from rate regulation.	AcSB issued an Exposure Draft that will eliminate the exception.	Remainder of Section 1100 is converged with IAS 8. Little change expected at changeover.
Section 1505, Disclosure of Accounting Policies *IAS 1, Presentation of Financial Statements*	Section 1505 and the corresponding requirements of IAS 1 are **converged, except** that IAS 1 requires disclosure of judgments made in the process of applying accounting policies. Certain Canadian standards on individual financial statement items require disclosure of assumptions.	None.	*See comment Section 3861 in category 1.*

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
3a) AcSB adoption of IFRSs at changeover — substantially converged currently			
Section 1535, Capital Disclosures *IAS 1, Presentation of Financial Statements*	Section 1535 and the corresponding requirements of IAS 1 are **converged**..		
Section 1701, Segment Disclosures *IFRS 8, Operating Segments*	Section 1701 and IAS 14 are converged except that: (i) IFRS 8 only applies to listed entities and those in the process of filing, (ii) IFRS 8 requires the disclosure of segment liabilities and (iii) IFRSs do not recognize extraordinary items.		
Section 3000, Cash *IAS 1, Presentation of Financial Statements*	Section 3000 and the corresponding requirements of IAS 1 are **converged.**	None.	
Section 3020, Accounts and Notes Receivable *IAS 1, Presentation of Financial Statements*	Section 3020 and the corresponding requirements of IAS 1 are **converged.**	None.	
Section 3040, Prepaid Expenses *IAS 1, Presentation of Financial Statements*	Section 3040 and the corresponding requirements of IAS 1 are **converged.**	None.	
Section 3210, Long-Term Debt *IAS 1, Presentation of Financial Statements*	Section 3210 and the corresponding requirements of IAS 1 are **converged.**	None.	

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
3a) AcSB adoption of IFRSs at changeover — substantially converged currently			
Section 3240, Share Capital *IAS 1, Presentation of Financial Statements*	Section 3240 and the corresponding requirements of IAS 1 are **converged.**	None.	
Section 3251, Equity *IAS 1, Presentation of Financial Statements*	Section 3251 and the corresponding requirements of IAS 1 are **converged.**	See Section 1520 above.	
Section 3260, Reserves *IAS 1, Presentation of Financial Statements*	Section 3260 and the corresponding requirements of IAS 1 are **converged.**	None.	
Section 3280, Contractual Obligations *IAS 1, Presentation of Financial Statements* *IAS 16, Property, Plant and Equipment*	Section 3280 and the corresponding requirements of IAS 1 and IAS 16 are **converged.**	None.	
Section 3475, Long-Lived Assets and Discontinued Operations *IFRS 5, Non-current Assets Held for Sale and Discontinued Operations*	Section 3475 and IFRS 5 are **converged, except** that IFRS 5 contains a more restrictive definition of a discontinued operation;	IASB and FASB have commenced a project on Financial Statement Presentation to improve the presentation of information in certain financial statements and will define discontinued operations. AcSB intends to issue converged standards at the same time.	

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
3b): AcSB adoption of IFRSs at changeover — no further changes before changeover			
Section 1400, General Standards of Financial Statement Presentation *IAS 1, Presentation of Financial Statements*	IAS 1 differs from 1400 because IAS 1 (i) permits departure from standards on grounds of fair presentation if the relevant regulatory framework for the enterprise permits or requires such a departure; and (ii) does not permit comparative information to be omitted in the rare circumstances when it is not meaningful.		The exemption in (i) allowing for departure from IAS 1 if another method provides a "true and fair" presentation is rarely applied.
Section 1506, Accounting Changes *IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors*	Section 1506 differs from IAS 8 because IAS 8 allows an entity to be exempt from the requirement to restate prior periods for the correction of an error on grounds of impracticability.	AcSB decided not to adopt this aspect of IAS 8 in its project to revise Section 1506.	This is also a difference between IFRSs and US GAAP. The AcSB decided to maintain convergence with US GAAP on this aspect until changeover.
Section 1508, Measurement Uncertainty *IAS 1, Presentation of Financial Statements* *IAS 37, Provisions, Contingent Liabilities and Contingent Assets*	Section 1508 and the corresponding requirements of IAS 1 and IAS 37 are **converged, except** that IFRSs: (i) contain additional disclosure requirements; and (ii) do not allow an exemption from these disclosures, including the recognized amount, based on seriously prejudicial circumstances.	None.	

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
3b) AcSB adoption of IFRSs at changeover — no further changes before changeover			
Section 1651, Foreign Currency Translation EIC-130, Translation Method When the Reporting Currency Differs from the Measurement Currency or There is a Change in the Reporting Currency *IAS 21, The Effects of Changes in Foreign Exchanges Rates* *IAS 29, Financial Reporting in Hyperinflationary Economies*	Section 1651 and EIC-130 and IAS 21 are **converged, except** that IAS 21 requires that non-monetary items measured at fair value be translated at the date when the fair value was determined rather than the balance sheet date. For accounting in highly inflationary environments, IAS 29 is more comprehensive than Section 1651, including providing requirements for restating financial statements to an inflation-adjusted basis before translation.	None.	
Section 1751, Interim Financial Statements *IAS 34, Interim Financial Reporting*	Section 1751 and IAS 34 are **converged, except** that: (i) IAS 34 contemplates providing a condensed set of financial statements; (ii) IAS 34 does not require the presentation of a cash flow statement for the current interim period, only for the cumulative period; (iii) IAS 34 precludes the deferral, in interim periods, of manufacturing cost variances that are expected to be absorbed by year end; and (iv) IAS 34 treats the initial recognition of a previously unrecognized income tax asset as an adjustment to the estimated average annual effective income tax rate used in determining interim period tax expense, rather than as a separate item of the income tax expense.	None.	
Section 3025, Impaired Loans *IAS 39, Financial Instruments: Recognition and Measurement*	Section 3025 and related requirements in IAS 39 are **converged, except** that IAS 39 is more stringent regarding general loan loss allowances.	None.	

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
3b) AcSB adoption of IFRSs at changeover — no further changes before changeover			
Section 3061, Property, Plant and Equipment *IAS 16, Property, Plant and Equipment (revaluation aspects)* *IAS 40, Investment Property*	IAS 16 permits the revaluation of property, plant and equipment to fair value, and requires the depreciable amount to be the asset cost less its residual value, rather than using the greater of the asset cost less its residual value or asset cost less its salvage value. IAS 40 allows investment property to be accounted for using a fair value or a cost-based model		
Section 3062, Goodwill and Other Intangible Assets *IAS 36, Impairment of Assets* *IAS 38, Intangible Assets*	Section 3062 is **less comprehensive** than IAS 38 as IAS 38 provides more guidance on intangible assets. Also, IAS 38 permits revaluation at fair value for intangible assets that have an active market. Section 3062 and IAS 38 guidance on accounting for goodwill are **converged**. *(See also Section 3051and 3063 in category 1 above.)*	AcSB has issued an Exposure Draft on internally developed intangible assets, the proposals of which would narrow the differences between Section 3062 and IAS 38. However, the Exposure Draft does not include some of the specific exclusions and inclusions found in IAS 38. IASB and FASB have identified intangible assets as a topic for longer-term convergence.	The option to revalue intangibles to fair market when there is an active market will not be adopted until changeover.
Section 3110, Asset Retirement Obligations EIC-159 , Conditional Asset Retirement Obligations *IAS 37, Provisions, Contingent Liabilities and Contingent Assets*	Section 3110 is **more comprehensive** than the corresponding requirements of IAS 37. Also, IAS 37 requires the use of management's best estimate of the enterprise's cash outflows, rather than fair value measurement on initial recognition, and requires the use of current interest rates in each estimate.	IASB has issued an Exposure Draft proposing amendments to IAS 37, however, the differences noted will remain. AcSB is not undertaking a project to adopt the proposals in that Exposure Draft at this time.	

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
3b). AcSB adoption of IFRSs at changeover — no further changes before changeover			
Section 3290, Contingencies *IAS 37, Provisions, Contingent Liabilities and Contingent Assets*	Section 3290 and IAS 37 are **converged, except** that when a contingency under IAS 37 meets recognition criteria it is treated as a provision, or if it is a debit balance it is recognized as an asset when realization of income is virtually certain. *(See also AcG-14 below.)*	IASB has issued an Exposure Draft proposing amendments IAS 37. AcSB is not undertaking a project to adopt the proposals in that Exposure Draft at this time.	If IASB Exposure Draft is adopted, differences could be significant for those affected. *See Category 4 comments regarding provisions in IAS 37.*
Section 3800, Government Assistance *IAS 20, Accounting for Government Grants and Disclosure of Government Assistance* *SIC-10, Government Assistance — No Specific Relation to Operating Activities*	Sections 3800, IAS 20 and SIC-10 are **converged, except** that IAS 20: (i) permits, and provides guidance on, the recognition of non-monetary government grants at zero; and (ii) provides guidance on biological assets.	IASB has deferred consideration of changes to IAS 20 to address accounting for government grants using a fair value model until further work is completed on IAS 37 and IAS 41. This is also a topic for short-term convergence with U.S. GAAP. AcSB may consider similar revisions.	
Section 3820, Subsequent Events *IAS 10, Events After the Balance Sheet Date*	Section 3820 and IAS 10 are **converged, except** that IAS 10: (i) requires reporting of subsequent events to the date of authorization for issue of financial statements; and (ii) requires disclosure of the date of authorization for issue and who gave that authorization.	None.	

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
3b) AcSB adoption of IFRSs at changeover — no further changes before changeover			
Section 3831, Non-Monetary Transactions *IAS 16, Property, Plant and Equipment* *IAS 38, Intangible Assets* *IAS 40, Investment Property* *SIC-31, Revenue — Barter Transactions Involving Advertising Services*	Section 3831 is **more comprehensive** than IAS 16, IAS 38, and IAS 40 as Section 3831 applies to a broader range of non-monetary transactions. Sections 3400 and 3831 provide **less comprehensive** guidance than SIC-31 on barter transactions involving advertising services.	None.	
Section 3840, Related Party Transactions *IAS 24, Related Party Transactions*	Section 3840 **differs** from IAS 24 as IAS 24 does not contain requirements for measuring related party transactions or guidance on the resulting treatment of any gains and losses. Also, IAS 24 does not exclude from its scope management compensation arrangements, expense allowances and similar payments to individuals in the normal course of operations. Section 3840 and IAS 24 disclosure requirements are **converged.**	The IASB issued and Exposure Draft that amends IAS 24 to address disclosure of transactions by state-controlled entities and transactions between a subsidiary of a significant investor of an associate and the associate.	

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
3b) AcSB adoption of IFRSs at changeover — no further changes before changeover			
Section 3850, Interest Capitalized — Disclosure Considerations *IAS 23, Borrowing Costs*	Section 3850 **differs from** IAS 23 as IAS 23 does not allow the expensing of borrowing costs to the extent they are directly attributable to acquisition, production and construction of a qualifying asset. IAS 23 also includes guidance on how to determine the amount of borrowing costs eligible for capitalization.	None. The AcSB does not plan to adopt the IASB's recent amendment to IAS 23 eliminating the option of expensing borrowing costs to the extent they are directly attributable to acquisition, production and construction of a qualifying asset.	
Section 3855, Financial Instruments — Recognition and Measurement *IAS 39, Financial Instruments: Recognition and Measurement*	Section 3855 and IAS 39 are **converged, except** that IAS 39: (i) restricts the circumstances in which the option to measure a financial instrument at fair value through profit or loss is available; (ii) requires quoted loans to be measured at fair value through profit or loss, whereas Section 3855 classifies these as loans and receivables and accounts for them at amortized cost (other than debt securities, which may be classified as held for trading, held to maturity or available for sale); (iii) requires all available-for-sale financial assets to be measured at fair value unless fair value is not reliably determinable, whereas Section 3855 requires non-quoted equity instruments classified as available for sale to be measured at cost; (iv) requires foreign exchange gains and losses on available-for-sale financial assets to be recognized immediately in net income; (v) does not allow a choice of accounting policy for transaction costs; (vi) does not address financial instruments exchanged or issued in related party transactions; and (vii) requires reversal of impairment losses.	In the long-term, IASB, FASB and AcSB are all considering improvements to their standards on financial instruments. However, the intention would be to converge with one another on any improvements.	

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
3b). AcSB adoption of IFRSs at changeover — no further changes before changeover			
Section 3861, Financial Instruments — Disclosure and Presentation *IAS 32, Financial Instruments: Presentation* *IFRS 7, Financial Instruments: Disclosures*	The presentation requirements of Section 3861 and IAS 32 are **converged, except** that IAS 32: (i) does not apply to insurance contracts whereas IFRS 4 requires the disclosure as specified in IAS 32; (ii) addresses the presentation of derivatives on an entity's own equity; and (iii) does not allow for initial measurement of a compound financial instrument using the relative fair value method. The disclosure requirements of IFRS 7 are generally **more comprehensive** than Section 3861 as IFRS 7: (i) requires only that entities disclose information that enables users of their financial statements to evaluate the significance of financial instruments, rather than specific contractual terms and conditions of financial instruments; (ii) requires disclosures about financial instruments classified into (as well as out of) a fair value classification; (iii) requires more specific disclosures about collateral; (iv) requires disclosure of the existence of multiple embedded derivatives whose values are interdependent, when these are contained in an instrument having both a liability and an equity component; (v) does not encourage (or require) disclosures about average aggregate carrying amounts during the year, average aggregate principal during the year, or average aggregate fair value during the year; (vi) requires disclosure of the disposition of any inception profit that might result from the use of a valuation technique used to measure a financial instrument that has no active market price; (vii) requires extensive disclosures about exposures to liquidity, currency and other price risks; and (viii) requires an analysis of the sensitivity of net income to possible changes in market risk factors.	FASB has commenced a project on liabilities and equity, with which IASB and AcSB expect to converge (i) and (iii) of the presentation differences.	Section 3861 can be applied only to insurance contracts by entities choosing not to apply the disclosures required in Section 3862. See Section 3862

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
3b) AcSB adoption of IFRSs at changeover — no further changes before changeover			
Section 3862, Financial Instruments — Disclosure *IFRS 7, Financial Instruments: Disclosures*	The disclosure requirements of Section 3862 and IFRS 7 are **converged, except** that IFRS 7: (i) does not apply to insurance contracts, however IFRS 4 requires the disclosure as specified in IFRS 7; (ii) does apply to partially de-recognized assets; (iii) requires disclosure of any remedy or renegotiation on the terms of a loan in default obtained prior to the financial statements being 'authorised for issue' versus 'completed'; and (iv) requires less specific disclosures about hedging transactions.		
Section 3863, Financial Instruments — Presentation *IAS 32, Financial Instruments: Presentation*	The presentation requirements of Section 3863 and IAS 32 are **converged, except** that IAS 32 addresses the presentation of derivatives on an entity's own equity		
Section 3865, Hedges *IAS 39, Financial Instruments: Recognition and Measurement*	Section 3865 and IAS 39 **are converged, except** that IAS 39 permits fair value hedge accounting for a portfolio hedge of interest rate risk.	In the long-term, IASB, FASB and AcSB are all considering improvements to their standards on financial instruments. However, the intention would be to converge with one another on any improvements.	

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
3b) AcSB adoption of IFRSs at changeover — no further changes before changeover			
Section 3870, Stock-Based Compensation and Other Stock-Based Payments *IFRS 2, Share-based Payments*	Section 3870 and IFRS 2 are **converged, except** that IFRS 2: (i) does not provide an exemption for the recognition of an expense when an employee share purchase plan provides a discount to employees that does not exceed the per-share amount of share issuance costs that would have been incurred to raise a significant amount of capital by a public offering and is not extended to other holders of the same class of shares; (ii) defaults to using the fair value of the non-tradable equity instruments granted if the value of received goods or non-employee service is not reliably measurable; (iii) requires that share-based payments to non-employees be measured at the date the entity obtains the goods or the counterparty renders service; (iv) requires cash-settled share-based payments are measured at the fair value of the liability not intrinsic value; (v) requires the transaction to be accounted for as a cash-settled transaction if the entity has incurred a liability to settle in cash or other assets, or as an equity-settled transaction if no such liability has been incurred; and (vi) is more detailed about how to deal with a modification of an award.	IASB issued an Exposure Draft proposing to restrict the vesting conditions to service or performance conditions (consistent with 3870) and clarify the treatment of cancellations by parties other than the entity.	.
Section 4100, Pension Plans *IAS 26, Accounting and Reporting by Retirement Benefit Plans*	Section 4100 **differs** from IAS 26 as IAS 26: (i) does not require a statement of changes in net assets available for benefits; (ii) does not require information on pension obligations be included in the statements of a defined contribution plan; and (iii) permits the actuarial valuation with or without salary projection and without prorating the effect.	None.	The AcSB has yet to conclude on whether to adopt IAS 26 at changeover.

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
3b) AcSB adoption of IFRSs at changeover — no further changes before changeover			
Accounting Guideline AcG-14, Disclosure of Guarantees *IAS 37, Provisions, Contingent Liabilities and Contingent Assets* *IAS 39, Financial Instruments: Recognition and Measurement*	AcG-14 **differs** from IAS 37 as: (i) IAS 37 addresses recognition and measurement requirements for non-financial guarantees, as well as disclosure; and (ii) IAS 37 addresses subsequent measurement more extensively than Section 3290.	IASB has issued an Exposure Draft amending aspects of IAS 37 (see 3290 above). The proposed changes will not eliminate the differences with AcG-14.	
Accounting Guideline AcG-18, Investment Companies *IAS 27, Consolidated and Separate Financial Statements* *IAS 28, Investments in Associate* *IAS 39, Financial Instruments: Recognition and Measurement*	AcG-18 **differs** from IFRSs as IFRSs do not contain any special treatments for accounting for investments by investment companies and for investment companies by its parent or equity method investor. The fair value treatment under AcG-18 differs from the consolidation method required by IAS 27 for subsidiaries and the equity method required by IAS 28 for associates subject to significant influence.		Investments by investment companies will not be addressed before changeover.
4. IASB standards that have no Canadian counterpart and will be adopted at changeover			
IFRS 1, First-time Adoption of International Financial Reporting Standards	There is no Canadian standard providing exceptions to the normal basis of application when a new basis of accounting is applied for the first time. The usual requirements for changes in accounting policies would apply (see Section 1100 and Section 1506 above).	None.	AcSB will consider whether there is any need for exceptions for Canadian first-time adoption of IFRSs.

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
4. IASB standards that have no Canadian counterpart and will be adopted at changeover			
IAS 37, Provisions, Contingent Liabilities and Contingent Assets	IAS 37 requires a best estimate of the obligation or, when there is a large population of items, that an expected value method be applied in measuring liability provisions. If the time value of money is material, then discounting should be applied. Canadian standards dealing with "provisions" are limited to the application of the definition of a liability in Section 1000.	IASB has issued an Exposure Draft of amendments to aspects of IAS 37 in conjunction with the IASB/FASB joint project on business combinations. AcSB is not undertaking a project to adopt the proposals in that Exposure Draft at this time..	
IAS 41, Agriculture	IAS 41 provides specific guidance in dealing with agriculture. For example, IAS 41 requires that biological assets, as defined, be measured at fair value less estimated point-of-sale costs.		This will not be addressed in the current Canadian project on inventories.
5. Canadian standards that have no IFRS counterpart — AcSB to consider disposition of Sections			
Section 1300, Differential Reporting	There is **no corresponding IFRS**. All entities adopting IFRSs apply the standards in full.	IASB issued an Exposure Draft on accounting standards for small- and medium-sized entities (SMEs), which may develop alternative guidance for such entities.	
Section 1625, Comprehensive Revaluation of Assets and Liabilities	There is **no corresponding IFRS**.	None.	

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
5. Canadian standards that have no IFRS counterpart — AcSB to consider disposition of Sections			
Section 1800, Unincorporated Businesses	There is **no corresponding IFRS.**	IASB issued an Exposure Draft on accounting standards for small- and medium-sized entities, which may develop guidance applicable to some such entities.	
Section 3610, Capital Transactions	There is **no corresponding IFRS.**	None.	
Section 3805, Investment Tax Credits	There is **no corresponding IFRS.** IAS 12, *Income taxes,* and IAS 20, *Accounting for Government Grants and Disclosures of Government Assistance*, specifically scope out investment tax credits.	IASB and FASB have commenced a project to converge their income tax standards. AcSB intends to issue converged standards on income tax shortly after those resulting from this current joint IASB/FASB project.	Difference may be eliminated by work in process.
Section 3841, Economic Dependence	There is **no corresponding IFRS.**	None.	
Section 4250, Future-Oriented Financial Information	There is **no corresponding IFRS.**	None.	
Sections 4400-4460, Not-for-Profit Organizations	There are **no corresponding IFRSs.**	AcSB Not-for-Profit Advisory Committee is considering improvements to Sections 4400-4460.	
Accounting Guideline AcG-7, The Management Report	There is **no corresponding IFRS.**	None.	

Canadian standards *IASB equivalents*	Comparison of accounting treatments	Work in process	Comments
5. Canadian standards that have no IFRS counterpart — AcSB to consider disposition of Sections			
Accounting Guideline AcG-19, Disclosures by Entities Subject to Rate Regulation	There is **no corresponding IFRS**.	None.	

Implementation Plan for Incorporating IFRSs into Canadian GAAP -Appendix B

The following table of concordance relates each International Financial Reporting Standard and Interpretation issued as of March 31, 2007 to corresponding CICA Handbook – Accounting material. (EIC Abstracts no longer effective at March 31, 2007, and hence to be withdrawn, are not included.)

	International Financial Reporting Standards	Handbook Sections	Accounting Guidelines	EIC Abstracts
IAS 1	Presentation of Financial Statements	1000, 1300, 1400, 1505, 1508, 1510, 1520, 1530,1535, 3000, 3020, 3210, 3240, 3251, 3260, 3480		59, 122
IAS 2	Inventories	3030		
—	IAS 3 has been superseded by IAS 27 and IAS 28	—		
—	IAS 4 has been superseded by IAS 36 and IAS 38	—		
—	IAS 5 has been superseded by IAS 1	—		
—	IAS 6 has been superseded by IAS 15	—		
IAS 7	Cash Flow Statements	1540, 1651		34, 47
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1100, 1506, 3480, 3610		
—	IAS 9 has been superseded by IAS 38			
IAS 10	Events After the Balance Sheet Date	3820		
IAS 11	Construction Contracts	1505, 1508, 3030, 3400		65, 78
IAS 12	Income Taxes	1300, 3465		120, 136, 146
—	IAS 13 has been superseded by IAS 1	—		
	IAS 14 has been superseded by IFRS 8			
—	IAS 15 has been withdrawn	—		
IAS 16	Property, Plant and Equipment	1400, 1506, 1520, 3061, 3280, 3831		27, 80, 86, 126
IAS 17	Leases	1520, 3065		19, 21, 25, 30, 46, 52, 61, 85, 97,150
IAS 18	Revenue	3400	2, 4	65, 123, 141, 142, 143, 156
IAS 19	Employee Benefits	3461		134, 162
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1520, 3800		
IAS 21	The Effects of Changes in Foreign Exchange Rates	1651		130
—	IAS 22 has been superseded by IFRS 3	—		
IAS 23	Borrowing Costs	1505, 3061, 3850		12
IAS 24	Related Party Disclosures	3840		79, 83
—	IAS 25 has been superseded by IAS 39 and IAS 40	—		
IAS 26	Accounting and Reporting by Retirement Benefit Plans	4100		
IAS 27	Consolidated and Separate Financial Statements	1300, 1590, 1600, 3051	15	163

Implementation Plan for Incorporating IFRSs into Canadian GAAP -Appendix B

	International Financial Reporting Standards	Handbook Sections	Accounting Guidelines	EIC Abstracts
IAS 28	Investments in Associates	1300, 3051	18	8
IAS 29	Financial Reporting in Hyperinflationary Economies	1651		
—	IAS 30 has been superseded by IFRS 7	—		
IAS 31	Interests in Joint Ventures	1300, 3055, 3831	18	38,
IAS 32	Financial Instruments: Presentation	1300, 3863		50, , 69, 70, 74, 75, 94, 96, 148, 149
IAS 33	Earnings per Share	3500		10, 40, 50,155
IAS 34	Interim Financial Reporting	1505, 1751, 3461, 3870		
—	IAS 35 has been superseded by IFRS 5	—		
IAS 36	Impairment of Assets	1581, 3025, 3051, 3061, 3062, 3063, 4211		61, 64, 126, 129, 133, 136, 152
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1000, 1508, 3110, 3280, 3290, 3475	14	91, 134, 135, 159
IAS 38	Intangible Assets	1581,3061,3062, 3450		55, 86, 118
IAS 39	Financial Instruments: Recognition and Measurement	1300, 1651, 3025, 3855, 3865	12, 14, 18	69, 88, 96, 101,
IAS 40	Investment Property	3061		
IAS 41	Agriculture	—		
IFRS 1	First-time Adoption of International Financial Reporting Standards	—		
IFRS 2	Share-based Payment	3870		127, 132
IFRS 3	Business Combinations	1300, 1581, 1600, 3062		10, 14, 42, 55, 64, 66, 73, 76, 94, 114, 119, 124, 125, 127, 137, 140, 152, 154
IFRS 4	Insurance Contracts	4211	3,8,9	
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	3475		135, 153,161
IFRS 6	Exploration for and Evaluation of Mineral Resources	3061, 3063	11,16	126,,152,160
IFRS 7	Financial Instruments: Disclosures	3025, 3862		
IFRS 8	Operating Segments	1701		115

IFRSs do not generally apply to not-for-profit organizations and, accordingly, there are no IFRSs corresponding to Handbook Sections 4400, 4410, 4420, 4430, 4440, 4450 and 4460.

Implementation Plan for Incorporating IFRSs into Canadian GAAP -Appendix B

	Interpretations of International Financial Reporting Standards	Handbook Sections	Accounting Guidelines	EIC Abstracts
SIC-7	Introduction of the Euro (IAS 21)			
SIC-10	Government Assistance — No Specific Relation to Operating Activities (IAS 20)	3800		
SIC-12	Consolidation — Special Purpose Entities (IAS 27)		15	157
SIC-13	Jointly Controlled Entities — Non-monetary Contributions by Venturers (IAS 31)	3055, 3831		
SIC-15	Operating Leases — Incentives (IAS 17)	3065		21
SIC-21	Income Taxes — Recovery of Revalued Non-Depreciable Assets (IAS 12, IAS 16)	3061, 3465		
SIC-25	Income Taxes — Changes in the Tax Status of an Entity or its Shareholders (IAS 12)	3465		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease (IAS 1, IAS 17, IAS 18)	3065, 3400		
SIC-29	Disclosure — Service Concession Arrangements (IAS 1)			
SIC-31	Revenue — Barter Transactions Involving Advertising Services (IAS 18)	3400		
SIC-32	Intangible Assets — Web Site Costs (IAS 38)	3061, 3062		86, 118
IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities (IAS 1, IAS 8, IAS 16, IAS 23, IAS 36, IAS 37)	—		
IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments (IAS 32, IAS 39)	3861		
	IFRIC-3 -Emission Rights has been withdrawn	—		
IFRIC-4	Determining whether an Arrangement Contains a Lease (IAS 8, IAS 16, IAS 17, IAS 38)	3065		150
IFRIC-5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (IAS 8, IAS 27, IAS 28, IAS 31, IAS 37, IAS 39)	—		
IFRIC-6	Liabilities Arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment	—		
IFRIC-7	Applying the Restatement Approach Under IAS 29, *Financial Reporting in Hyperinflationary Economies*	—		
IFRIC-8	Scope of IFRS 2	3870		
IFRIC-9	Reassessment of Embedded Derivatives (IAS 39)	3855		

Implementation Plan for Incorporating IFRSs into Canadian GAAP -Appendix B

	Interpretations of International Financial Reporting Standards	Handbook Sections	Accounting Guidelines	EIC Abstracts
IFRIC-10	Interim Financial Reporting and Impairment (IAS 39, IFRS 1)	1751, 3062, 3855		
IFRIC-11	IFRS–2 – Group and Treasury Share Transactions	3870		
IFRIC-12	Service Concession Arrangements (IAS 18)	3400		

AcSB Bulletins

AcSB Bulletins provide updates and related information about AcSB activities in particular areas.

AcSB Bulletins related to IFRS are provided under this tab. They are:

(i) Bulletin #1, April 2006, "Global Positioning: The New Direction".

(ii) Bulletin #3, September 2006, "Public Companys And The Move To International Accounting: Getting There From Here".

(iii) Bulletin #4, January 2007, "Canada's Move To International Financial Reporting Standards: Frequently Asked Questions".

(iv) Bulletin #5, September 2007, "Adopting IFRS: Next Steps – Ours and Yours".

These Bulletins provide information about the AcSB's activities and plans regarding IFRS. They also provide general advice to assist affected parties in their transition to IFRS.

Canadian Accounting Standards

GLOBAL POSITIONING: THE NEW DIRECTION

Over the next five years, accounting standards in Canada will change. The new direction will affect public, private and not-for-profit organizations. Standards for public companies will move to the International Financial Reporting Standards (IFRS) now used by the European Union and a number of other major countries. The specific changeover timing will be determined at a checkpoint date about two years from now.

This *Bulletin #1* is a broad overview of the changes facing public companies and their stakeholders. The changes for publicly traded companies will also affect other publicly accountable enterprises, such as Crown corporations, credit unions and cooperatives, and regulated public utilities. Subsequent issues in the series will deal with specific topics in more detail.

They will also cover changes for private businesses and not-for-profit organizations. Following the "One size does not necessarily fit all" philosophy, accounting standards for public companies may not be suitable for other organizations.

Why change?

Canada's is a small, open economy. Canadian public companies increasingly borrow, operate and invest globally, but Canada has only a 2% share of the global capital market. The IFRS world will provide better access to global capital markets and help investment in new businesses that create jobs. Adopting international accounting standards will be more cost-effective than maintaining a separate, and isolated, set of accounting standards.

International Financial Reporting Standards (IFRS), developed by the International Accounting Standards Board (IASB), have gained strong support in recent years. Since the beginning of 2005, approximately 100 countries either require or permit the use of IFRS for public companies, including all countries of the European Union. So does Australia. The IASB is working with Japan. In February 2006, China announced that it will bring its accounting and auditing practices in line with international standards in 2007. The IASB and the Financial Accounting Standards Board (FASB) in the United States have agreed to write new joint standards and converge existing standards in a number of areas by 2008.

The Canadian Accounting Standards Board (AcSB) and its predecessor have been active in developing and promoting international standards for over thirty years. The AcSB will continue to work with the IASB and FASB to represent the Canadian perspective and to minimize the burden of changeover for Canadian public companies.

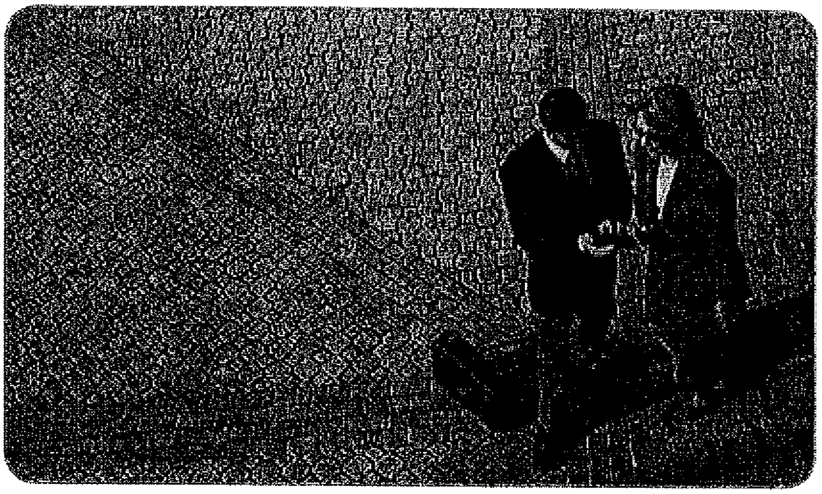
Why international and not US standards?

The United States is the major—and huge—external influence on Canada's capital markets. For a number of years, Canadian standard setters have worked to minimize differences between US and Canadian GAAP.

The new direction recognizes that:

- The majority of Canadian public companies and their investors have little or no interest in the expense and effort involved in the application of detailed and extensive US GAAP. Compared to the US, a large proportion of Canadian public companies are small cap.
- If Canada continued to pursue a strategy of harmonization with US GAAP, Canadian companies would incur increased costs of compliance with the more detailed rules embedded in US legacy standards.
- The Securities and Exchange Commission is moving towards accepting filings in accordance with IFRS without reconciliation to US GAAP.
- In 2002, the IASB and FASB created

a partnership to align their project agendas, which means that differences between US and international standards will gradually diminish as new joint standards are developed in concert by both Boards.
- Canadian public companies registered with the SEC—these are generally big—are permitted by the Canadian Securities Administrators to use US instead of Canadian GAAP.



What does this mean for me?

In general, IFRS are quite similar to Canadian standards. They are based on conceptual frameworks that are substantially the same, the style and form are similar, and they often reach the same or similar conclusions. At the detail level, companies will need to adapt a number of practices.

Preparers of financial information will have to deal with their particular situations. In many cases, the accounting will be substantially unchanged from current practice. There will be some areas, however, where accounting changes will be required and their effect could be significant.

The changeover will affect more than financial reporting. Lending agreements and debt covenants may have to be changed. The comprehensive technology systems capturing financial transactions and related company-specific infrastructure will need to be modified. Tax advisors will need to absorb the implications. So will regulators.

The transition to IFRS will require education and process change on the part of Canadian public companies, their investors, lenders, and advisors.

In the short term, Boards of directors of public companies should ensure that a member of management, or an advisor, is responsible for reporting on a regular basis on the implications of IFRS conversion for the particular enterprise. Effort up-front will mitigate longer-term costs and impact.

Boards and investor relations professionals will want to work together to ensure that there are no surprises.

Those with interests in the quality and content of the international accounting standards are urged to become involved with the process being followed by the IASB.

What next?

The AcSB will be working to eliminate existing differences over the transition period. It will adopt new IFRS that emerge from the current IASB/FASB project to write new joint standards and converge existing standards. The AcSB will also replace other Canadian standards with corresponding IFRS already in existence through a separate undertaking developed in consultation with Canadian stakeholders.

Canada's Accounting Standards Oversight Council, an independent body, will monitor implementation and the interests of stakeholders. The AcSB will also establish a blue ribbon panel of preparers and users of financial statements to assess the financial reporting issues as convergence moves forward.

The AcSB has prepared a detailed comparison between current Canadian GAAP and IFRS (available on the web site) for those who must deal with the technical level. This will be updated as necessary.

Because "standards overload" is a pressing and practical concern for businesses, implementation aids and training programs will be developed. The convergence strategy is intended to, among other things, get away from a path that would inevitably have led to a more detailed, different and costly standards environment for Canadian public companies.

It is expected that Canadian companies, investors and their advisors will benefit through learning from the transition experiences of the members of the European Union and other countries. The European Union is achieving convergence with IFRS in a relatively short timeframe, with many countries coming from substantially different GAAP environments. The AcSB will monitor—and report on—developments in these countries.

The AcSB is aware that the move to IFRS will involve effort and expense by all involved. We have, however, recognized for many years the long-term advantages of international accounting standards and have contributed strongly to their development. The decision to converge now was made because Canada's small open economy and its public companies will benefit from being part of the big picture.

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For more information:
On the web: http://www.acsbcanada.org http://www.iasb.org
Or email: Paul.Cherry@cica.ca or Peter.Martin@cica.ca

Further *Bulletins* in this series will present information, at a non-technical level, on different aspects of the change involved in convergence with international accounting standards.

Accounting Standards Board of Canada

B U L L E T I N # 3
SEPTEMBER 2006

Canadian Accounting Standards

PUBLIC COMPANIES AND THE MOVE TO INTERNATIONAL ACCOUNTING: GETTING THERE FROM HERE

Over the next five years, public companies in Canada will move to financial reporting using International Financial Reporting Standards (IFRS). *Bulletin #1* of this series outlined the strategy and the reasoning for this change. This Bulletin offers suggestions and a tentative timetable to manage the process as Canadian accounting standards go global.

IFRS are to a great degree similar—in language, length and concepts—to current Canadian GAAP. However, the implementation of IFRS will involve changes in financial reporting, data management, and communication to stakeholders. The extent of the changes—and some could be very significant—will vary according to the circumstances of each company. The devil is in the details.

The Accounting Standards Board (AcSB) has recently published its implementation plan for incorporating IFRS into Canadian GAAP. It is available online—see below. What is really important, however, is your implementation plan. Management will need to assess their company's circumstances carefully. The Board of Directors—and particularly the Audit Committee—should be involved in the overall strategy for convergence and should monitor implementation throughout the period.

Starting now: Determine what needs to be done

Public companies will need to learn about IFRS and how these accounting standards will affect them in order to set up the internal reporting, information systems and training to accommodate their particular circumstances.

A practical place to start is to establish an implementation team with responsibility to assess the implications for your company. The team can review the *Implementation Plan for Incorporating IFRS into Canadian GAAP* (available at www.acsbcanada.org/index.cfm/ci_id/32735/la_id/1.htm) and then go to the Appendix which outlines some significant differences between current Canadian GAAP and IFRS.

Accounting for such items as revenue, impairment of assets and financial instruments will affect most companies. The implementation team should assess the extent to which other differences between current Canadian GAAP and IFRS will affect your company. These include effects on, for example, debt covenants and employee incentive programs.

The team should also assess the impact of probable changes in Canadian GAAP and IFRS during the transition period. A number of significant changes are likely to be made to Canadian GAAP with respect to, for example, business combinations, income taxes and financial statement presentation. These are outlined in the *Implementation Plan*.

In addition to assessing the likely changes to financial reporting, you should also consider how you will collect and assemble necessary new data.

Definitely by 2008

In 2008, the definitive changeover timetable will be announced. By the end of that year, public companies should have completed the planning for transition to IFRS and assessed the anticipated effect on financial reporting.

A public company will want to be in a position to disclose its particular plans for the transition and the broad impact on its financial reporting and other communications. What will the users of your financial statements see that's different? In addition to those relying on required general purpose financial reporting, specific users of financial information, such as lenders and employees, should be informed of the impact of transition to IFRS.

By 2009

By the end of 2009, public companies will need to quantify more precisely the impact of the move to IFRS in their particular circumstances.

You should consider the effects of applying IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which was developed to provide some relief on initial adoption of IFRS. IFRS 1 contains a number of transitional options, generally based on cost/benefit considerations. For example, companies can elect not to apply IFRS to pre-transition business combinations—and avoid restating these transactions. In addition, there are some mandatory exemptions from retrospective restatement when management's judgments would be involved, with the benefit of hindsight, on such items as hedge accounting and estimates.

Canadian companies registered with the US Securities and Exchange Commission (SEC) will need to decide whether they prefer to adopt US GAAP as it stands at that time instead of IFRS (assuming that securities regulations in Canada continue to allow this option). With respect to the year of transition, we will approach the SEC for an exemption from their general requirement for comparative figures for two years.

2010

Assuming a January 1, 2011 effective date for reporting under IFRS, companies would begin to collect comparative information for inclusion in the IFRS-based 2011 financial statements.

2011

Again assuming a January 1, 2011 effective date, this year will mark the end of the transition period. You would need to prepare interim and annual financial statements using IFRS.

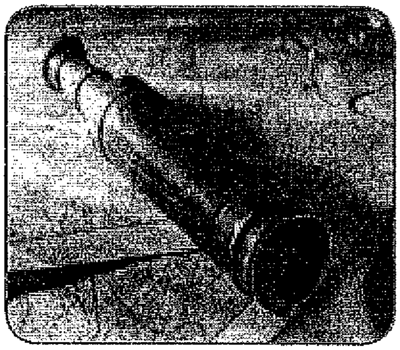
2006–2011: Training and education—ongoing

Training and education will be necessary throughout the changeover period. Canada has the benefit of adopting IFRS after the EU, Australia and other countries. In these countries some training materials are already available. These include courses and background research at the university level, preparatory courses for professional designations, and retraining resources for those who are already in the workforce.

Getting there from here—our plan

The AcSB will continue to work to represent the Canadian perspective and to minimize the burden of changeover for Canadian public companies.

- We will monitor closely the acceptance and quality of IFRS in the global capital markets.
- We will strongly support the joint efforts of the International Accounting Standards Board and US Financial Accounting Standards Board and will consult with both Boards on ways to ease convergence. Both Boards are working together closely, and the differences between IFRS and US GAAP can be expected to diminish.
- We will liaise with regulators, who are very much involved in the global convergence of accounting standards. In August of this year, the SEC and the Committee of European Securities Regulators issued a joint work plan to reconcile regulatory requirements for companies reporting under IFRS.
- We will continue to look for guidance from Canada's Accounting Standards Oversight Council.
- We will have the benefit of the advice of a new advisory committee on the technical aspects of the changeover. The technical advisory committee has begun its meetings. These are open to the public.



For specific details on all ongoing activities, please see our web site. We will revise and update the *Implementation Plan* and other information posted there as circumstances warrant. Comments are welcome.

We will publish for comment the complete set of IFRS in advance of implementation to see if additional guidance is required to deal with any circumstances particularly prevalent in Canadian public companies. At this time, however, we think it is very unlikely that we will change the strategic direction.

We are very aware that changes in accounting standards place a burden on all involved—preparers, auditors and users. Many are already stretched. We will work to ease the burden.

Financial reporting changes for other entities

Following the "One size does not necessarily fit all" philosophy, accounting standards for public companies may, or may not, be suitable for other entities.

We are assessing the extent to which IFRS may be useful for private enterprises and not-for-profit organizations.

For more information:

On the web: http://www.acsbcanada.org , http://www.iasb.org

Or email: Paul.Cherry@cica.ca or Peter.Martin@cica.ca

Further *Bulletins* in this series will present more information on aspects of change involved in the transition to international financial reporting standards for publicly accountable enterprises and changes in the accounting standards for private companies and not-for-profit organizations. The series is available at www.acsbcanada.org/index.cfm/ci_id/33030/la_id/1.htm.

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BULLETIN #4
JANUARY 2007

Canadian Accounting Standards

CANADA'S MOVE TO INTERNATIONAL FINANCIAL REPORTING STANDARDS: FREQUENTLY ASKED QUESTIONS

This year, in connection with the review of the year-end financial reporting from 2006, boards of Canadian public companies should ask about their responsibilities as Canada moves towards adopting International Financial Reporting Standards (IFRS). Management should be prepared to answer. Accountants should be prepared to advise.

Who will move to IFRS?

IFRS will be the accounting standard for Canadian publicly accountable enterprises. These are publicly-listed companies and other enterprises, such as banks, insurance companies and credit unions, that have a fiduciary responsibility for other people's money.

When?

IFRS is on schedule in Canada. The major changeover is expected to occur in 2011. The Canadian Accounting Standards Board (AcSB) intends to announce the exact changeover date by March 31, 2008. Our regulatory and taxation authorities are very well aware of the move to convergence and the reasons for it. After the changeover, it is likely that the financial statements will continue for several years to describe the basis of reporting as "Canadian GAAP." This will probably be necessary because of various statutory and regulatory requirements. However, the objective is that Canadian GAAP be substantially the same as IFRS in 2011.

Publicly accountable enterprises should start to assess the impact now.

By the end of 2008, these enterprises should be in a position to disclose their plans for convergence.

Many things need to be accomplished before full changeover. A consideration is the timing of a number of joint projects being undertaken by the international and US accounting standard-setters that may well be completed shortly after the changeover date. Examples are work on variable interest entities, impairment, and revenue recognition. We see no point in requiring Canadian companies to comply with an IFRS that will be modified a year or so later. Information on the potential impact on the standards now in the CICA Handbook is available on our website.

Some publicly accountable enterprises would like the CICA Handbook adoption of IFRS later. Or, maybe never. Others, mainly SEC registrants, might prefer a faster crossover (see below).

On balance, the original agenda of the AcSB currently seems about right. The approximate five-year adjustment period is meant to provide breathing time for all and allow orderly implementation.

What about Canadian companies listed in the US and Canadian companies with foreign parents?

The Canadian Securities Administrators (CSA) now allow an exception for Canadian companies listed on a US stock exchange and who therefore must file reports with the US Securities and Exchange Commission (SEC). They may use Canadian GAAP, in which case the SEC requires a reconciliation to US GAAP, or use US GAAP and eliminate the reconciliation.

Some Canadian companies interlisted in the United States are interested in early adoption of IFRS to avoid reconciliations.

The SEC is considering removing the requirement for reconciliations by non-US companies, but only when their basis of reporting is full IFRS. At this time, the SEC has examined IFRS financial statements filed by a number of foreign issuers and does not report significant difficulties. Those difficulties have tended to focus on presentation and disclosure rather than recognition and measurement, i.e. less fundamental matters.

However, in order for Canadian SEC registrants to take advantage of this potential relief, it seems that the CSA would have to permit a third basis of reporting, namely IFRS without reference to Canadian GAAP. Other companies with parents currently reporting under IFRS—say, in Europe—would also be interested in the CSA's allowing full IFRS reporting as an option under Canadian GAAP.

Where do we start?

Few Canadian companies have done any formal preparation for IFRS adoption so far. There has been some initial thinking but little detailed planning.

Start now on education and training so that those responsible for the accounts of publicly accountable enterprises can plan efficiently for implementation.

Transition through temporary measures, such as spread sheets, will not benefit the organization as a whole. Requirements for senior management certification on internal controls and financial reporting will make such approaches risky. A review of accounting policies, procedures and systems can also highlight existing deficiencies and lead to better controls and reporting under IFRS. A thorough rethink may benefit the organizational process.

Information for comparative reporting will need to be collected on the new basis before transition.

If planning is done ahead of time, effectiveness should be higher and costs should be lower. (See below.)

Where can we learn?

In other parts of the world, many countries are now effectively two years into reporting under IFRS.

An extensive survey has been conducted by Mazars, an international audit and accounting organization with a strong base in Europe, operating in 58 countries.

According to the survey, the countries in the European Union, along with many other countries that began reporting under IFRS last year, are moving ahead as expected. There are, of course, areas of uncertainty and some controversy. However, most respondents said that they would not favour abandoning IFRS for either previous national GAAP or new European standards.

Most respondents said that IFRS bring accounting practices closer to economic substance. They also, however, commented on the amount of work needed to apply them.

At the World Congress of Accountants in November 2006, we heard sound advice from other countries. Australia, for example, initially made various modifications to IFRS for use in their markets (which bear a resemblance to Canada's), but has recently decided to revert to the standards as developed for worldwide use.

Australia found:

- Modifying IFRS adds unnecessary complexity without bringing significant benefits.
- Start early and learn on the job, invest resources and don't underestimate the time required.
- The move to IFRS can have real impacts on dividend policy, tax, and lending covenants.
- The benefits outweigh the costs. There is greater access to international capital markets and improved financial reporting.

Many respondents reported that they are challenged by a lack of resources and capacity at both the operational and financial levels.

Who is responsible for what at this stage?

Management, boards and accountants of publicly accountable enterprises should ask questions, plan and do the research into the impact on their internal systems and external reporting. Details of transition will vary according to the particular circumstances of individual companies.

Companies should consider the consequences for financial statement-based calculations such as those in debt covenants or profit-sharing calculations. Companies should also inform investors and markets about their plans and the potential impact on the information external users will receive.

We are coming to a turning point in financial accounting and reporting.

We ask you to stay tuned into what is developing at the International Accounting Standards Board, because it will affect us all. The AcSB very much welcomes comments. Please see links below.

At the same time that Canadian accounting standards are moving to IFRS for publicly accountable enterprises, standards for private companies and not-for-profit organizations will change. Future *Bulletins* will keep you advised.

DATE FOR YOUR DIARY: IFRS Conference: June 11-12, 2007, Holiday Inn on King, Toronto
Hear the latest on the AcSB's plans to adopt IFRS in Canada and learn about the challenges and opportunities in adopting IFRS including the experience of European adopters. Information is available at www.conferences.cica.ca/ifrs/About.cfm

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For more information:
On the web: www.acsbcanada.org / www.iasb.org
The Implementaton Plan: www.cica.ca/index.cfm/ci_id/32735/la_id/1/document/1/re_id/0
Or email: Paul.Cherry@cica.ca *or* Peter.Martin@cica.ca

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BULLETIN #5
SEPTEMBER 2007

Canadian Accounting Standards

Adopting IFRSs: Next Steps — Ours and Yours

Progress is definitely on track for the adoption of International Financial Reporting Standards (IFRSs) by Canadian publicly accountable enterprises, starting January 1, 2011.

As with any complicated journey, progress reports and check points are needed. This Bulletin #5 covers the next steps for Canada's Accounting Standards Board (AcSB) and points to the advance planning decisions that publicly accountable enterprises should take. Planning in many cases will be industry-specific.

Boards of directors and senior management will need to monitor their planning — strategic and operational — for the changeover.

Who's affected?

Canadian adoption of IFRSs is directed to publicly accountable enterprises: listed companies and other organizations that are responsible to large or diverse groups of stakeholders. These include financial institutions (listed and non-listed), securities dealers and many co-operative enterprises. As a rule of thumb, if you think your business is publicly accountable, consider that it is.

The AcSB is exploring the benefits of a different strategy for private businesses, in light of their usually limited accountability. However, private companies can adopt IFRSs if they choose to. This may, for example, be useful for private companies that are subsidiaries of listed companies or are considering going public.

The needs of not-for-profit organizations will also be addressed separately.

Our progress to date on IFRSs

Canada's standard-setters have been working with the IASB and its predecessors for many years. The AcSB's strategic plan to adopt IFRSs in Canada was published in 2006.

In March 2007, we issued the updated *Implementation Plan for Incorporating IFRSs into Canadian GAAP*. This includes a chart on the convergence of individual accounting standards.

(Web links to this and other major documents are listed at the end of this *Bulletin*.)

Throughout the transitional period, the AcSB is monitoring, among other things, Canada's progress, IASB activities, acceptance of IFRSs and any difficulties with their implementation in the international community.

An important consideration is the readiness of the Canadian investor and business communities to deal with IFRSs and the resulting changes in capital market communications. We have been in contact with a number of industry associations and groups.

Looking at the position of public companies as a whole, we will also assess the preparedness of professional disciplinary and inspection systems, education programs, and market regulation. The AcSB has been consulting with the Canadian Securities Administrators and other regulators.

The Accounting Standards Oversight Council, an independent body responsible for seeing that the AcSB's work serves the public interest, will be an integral part of the process. The Council has already invited enterprises to present the challenges they anticipate during the transition period and the factors that the AcSB should be monitoring to gauge Canada's state of readiness. Further information is available on the Council's website.

We will issue a report on these activities early in 2008, which will indicate if it is necessary to fine-tune Canada's strategy and timing.

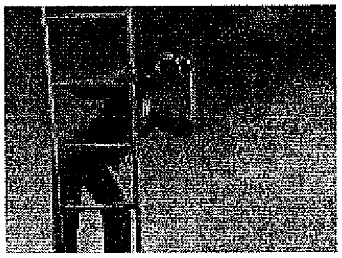
You are asked to check our web site as information becomes available and to give us, and others, your insights.

The destination: Full adoption of IFRSs

Subject to the progress review, we anticipate at this point that Canadian GAAP will be the same as IFRSs for years beginning on or after January 1, 2011.

There are a number of reasons for across-the-board adoption.

- IFRSs will reduce the cost of and enhance the access to capital. This is particularly important for Canada. Many countries worldwide have now adopted IFRSs, and the large emerging economies of China and India, as well as Japan, have signalled very clearly that they are on track to do so. In the US, the Securities and Exchange Commission has issued a proposed rule change to accept filings from foreign issuers that comply fully with IFRSs, without the need for reconciliation to US GAAP, and is even considering the possibility of allowing US companies to choose to adopt IFRSs.
- It will be more efficient for preparers, regulators, auditors and users if they do not have to cross-check for variations that a standard-setter might want to incorporate into IFRSs. Indeed, the experience of some countries that have already adopted IFRSs but incorporated their own minor differences, indicates that the results were not worth the expense and trouble.
- IFRSs offer considerable relief on first-time adoption of IFRSs, provided those entities comply with the entire body of standards.



Making your own progress checklist

Plan early and check the plan often.

What will affect you?

The *Implementation Plan for Incorporating IFRSs into Canadian GAAP*, referred to earlier, is an excellent place to start.

An aid—and a challenge—for many will be the Omnibus Exposure Draft, expected to be issued in the first half of 2008 as a step in incorporating IFRSs into the Canadian *Handbook*. We emphasize that this will be a very large document. The bulk of it is technical standards. To make it manageable, we recommend that you use it selectively and zero in on the proposed changes that will have the greatest impact on your particular operations.

The changes will not necessarily be dramatic. However, as we have said before, the devil is in the details.

The transition will be, to an extent, phased. Leading up to 2011, the AcSB is preparing to make a very few changes to current Canadian GAAP to minimize differences from globally accepted standards. These include treatment of inventories, business combinations, and possibly joint ventures. IFRSs will continue to be a living body of work and some standards will still be under development at the end of 2010. These include leases, revenue and employee benefits. Some IFRSs, such as those for impairments and securitizations, will be very different from current Canadian requirements.

Make your choices and assess the impact

IFRSs will provide accounting choices that differ from those in Canadian GAAP. These will require your judgment calls. So your organization needs to:

- identify which IFRSs it will be subject to,
- assess what choices are available within those standards,
- determine the effect of those choices on your financial statements, and
- establish what new or different data will be required.

You may find that your debt covenants or bonus calculations are affected by which options you choose.

Boards and management will need to make both strategic and technical decisions that will serve the users of their financial information in the long term. They should ensure that the enterprise has the technical analysis to back up the judgment calls and their outcomes. The AcSB and other organizations are making technical resources available.

Short-term fixes will not serve and will very likely put excessive strain on financial reporting systems. Your organization needs to plan far enough ahead to ensure necessary system changes are embedded when they are needed. Leaving system changes for later and, say, relying on temporary spreadsheets may throw up difficulties in signing off on your internal controls.

Those responsible for overall financial reporting should ask for reports and checklists on company-specific issues, readiness and progress on a regular basis.

Communications with investors

Management, through its own communications and investor relations, should help users understand an enterprise's particular adoption of IFRSs and the results. More narrative disclosure may be helpful.

For competitive and strategic reasons, boards should vet and perhaps help shape this information. There needs to be a consistent approach to the message from the senior group, now and up to the 2011 reports.

AcSB CNC

For more information:

Accounting Standards in Canada: New Directions (www.acsb.org/index.cfm/ci_id/30520/la_id/1.htm)

Implementation Plan for Incorporating IFRSs into Canadian GAAP
(www.cica.ca/index.cfm/ci_id/32735/la_id/1.htm)

AcSB On the web: www.acsbcanada.org – www.iasb.org

You can email us at:
Paul.Cherry@cica.ca *or* Peter.Martin@cica.ca

Further *Bulletins* in this series are available at www.acsbcanada.org/index.cfm/ci_id/33030/la_id/1.htm.

IFRS Advisory Committee
Reports on Public Meetings

The AcSB established the IFRS Advisory Committee to provide support on technical issues arising during the transition to IFRS.

The IFRS Advisory Committee meets 5-6 times each year and publishes reports on those meetings. The Committee's reports are provided under this tab.

Because of its role, the reports of the IFRS Advisory Committee tend to be highly technical in nature. For convenience, sections of the Committee's reports that are considered relevant to Newfoundland Power have been highlighted.

Newfoundland Power observes the following:

(i) The AcSB's Strategic Plan specifies that IFRS must be adopted by "publicly accountable enterprises" ("PAEs"). The definition of a PAE has not yet been determined. It was noted that some rate-regulated enterprises may not be included in some of the PAE definitions being contemplated. (See reports for August 16, 2006 and November 3, 2006.)

(ii) It was determined that there might be merit in recommending to the International Accounting Standards Board that the disclosure requirements of Accounting Guideline AcG-19, *Disclosures by Entities Subject to Rate Regulation,* be incorporated into IFRS. If the International Accounting Standards Board disagrees, it was recommended that AcG-19 be discontinued at the date of changeover to IFRS. (See report for December 18, 2006.)

(iii) It has be recognized that utilities are "wondering what is going to happen to present accounting for rate-regulated activities at changeover" to IFRS. The committee of the International Accounting Standards Board responsible for reviewing matters of this type has rejected reviewing the application of IFRS to rate-regulated enterprises, i.e., it has decided not to put this matter on its agenda. The AcSB raised this matter directly with the International Accounting Standards Board in March 2007 and has offered to make AcSB staff available to the International Accounting Standards Board to conduct research on this topic. (See report for May 3, 2007.)

(iv) It was noted that the AcSB still has not made a decision on exactly what it is that will have to be adopted at changeover, i.e., full IFRS with no exceptions or something less. It was recognized that the purpose of the progress review report was to announce the changeover date, but that "*what*" will be adopted (full IFRS or other) needs to be determined before the "*when*" is announced". Likewise, it was requested that Canadian Securities Administrators be allowed to consider the results of the progress review before any specific changeover date is decided and announced. (See report for May 3, 2007.)

(v) Rate-regulated enterprises are being encouraged to canvass their counterparts to determine if they have common IFRS issues. Ongoing activities regarding the application of IFRS to rate-regulated operations include forthcoming discussion by national accounting standard setters and others. (See report for September 13, 2007.)

IFRS Advisory Committee

Report on Public Meeting
August 16, 2006

CHAIRPERSON::	Ian Hague	
ATTENDEES:	*Voting*	*Non Voting*
	A. CAPISCIOLTO	B. BARRINGTON
	C. GRINDLEY	J. CARCHRAE
	R. HUSSEY	P. CHERRY
	S. LEGER	P. MARTIN
	I. MACINNIS	P. O'MALLEY
	K. PARSONS	
	E. SPIEKMAN	
	P. WALTERS	
	S. WOO	
	M. CHARBONNEAU (FOR J. SALOMAN)	
Regrets:	*Voting*	
	K. BROOKS	
	M. PAHAPILL	
Secretary:	K. McCardle	

The initial meeting of the IFRS Advisory Committee (IAC) was held in Toronto on August 16, 2006. The meeting was held in public, as future meetings of the Committee will be.

In his opening remarks, IAC Chair Ian Hague commented on the supporting role that the IAC would play for the Accounting Standards Board (AcSB) in converging Canadian GAAP for publicly accountable enterprises (PAEs) with International Financial Reporting Standards (IFRSs) and ensuring effective implementation by Canadian enterprises.

The Chair and AcSB staff provided an overview of the AcSB's current strategy for PAEs. The Committee noted recent developments in the implementation of IFRSs, including a recent meeting of AcSB representatives with the Chair and senior staff of the International Accounting Standards Board (IASB) to discuss Canada's plans for converging with IFRSs and seek insight from their experience.

Implementation Plan

The IAC discussed the AcSB's recently published "Implementation Plan for Incorporating IFRSs into Canadian GAAP," to ensure members were familiar with the issues discussed in that document. Committee members provided preliminary comments on planning matters related to the IAC's role as identified in the document. Discussions covered the following topics:

PAE Definition
The AcSB has agreed that its IFRS convergence strategy will apply to PAEs, but the boundaries of that definition have not yet been confirmed. The AcSB does not intend to preclude anyone else from reporting under IFRSs. It was noted that some non-public companies provide information to regulators for purposes such as assessment of capital requirements, and that the relevant regulators will need to consider whether such enterprises should comply with IFRSs regardless of whether they meet whatever definition of a PAE is adopted by the AcSB. IAC members suggested that the term "publicly accountable enterprise" should be defined in a manner consistent with the plain meaning of the words.

Committee members noted that a size test to determine whether an enterprise qualified as a PAE was discussed in the early stage of developing the AcSB's strategy, but past research had concluded that size should not be a factor due to the arbitrary nature of size cut-offs. Tricia O'Malley, a member of the IASB, noted that the IASB considered a size test for the application of its forthcoming standard on small and medium-sized enterprises, but concluded that this was a public policy issue for individual jurisdictions and not an issue for the IASB. She noted that what matters to the IASB is whether the financial statements are prepared in accordance with IFRSs in full, not whether an enterprise applying IFRSs is a PAE or any other type of an entity.

Regulatory Issues
The IAC noted that AcSB representatives have discussed the IFRS convergence strategy for PAEs with various regulators, and that the AcSB believes the regulators support the strategy.

Disclosure
The IAC discussed the AcSB's intention to require enterprises to disclose as early as 2008 their assessment of the effects of adopting IFRSs. In response to a question about whether this timing would make it difficult for many enterprises to be ready in time, AcSB staff explained that a disclosure requirement had been imposed in other jurisdictions with positive results: it appeared to encourage early preparation and precondition the markets to accept the changeover. The Committee noted that requiring early disclosure of the impact of adopting IFRSs would be similar to existing requirements for publicly traded companies under Canadian Securities Administrators (CSA) rules and regulations for MD&A to include a discussion of the impact of new accounting standards not yet adopted. It was noted that for reporting issuers, this is an

area in which appropriate disclosure requirements will need to be established together with the CSA. However, the AcSB will need to consider what is necessary for non-reporting issuers. The AcSB will co-ordinate with the CSA to avoid any duplication or inconsistency of requirements.

The Implementation Plan discusses the current CSA rules permitting Canadian enterprises registered with the US Securities and Exchange Commission (SEC) to file their financial statements in accordance with US GAAP. A Committee member questioned whether a non-SEC registrant could file in accordance with US GAAP. AcSB staff commented that such choices are provided by regulators and legislators, not the AcSB. In addition, if the capital markets are moving to global standards, then regulators might not apply the same reasoning today that they utilized when deciding to allow the US GAAP option for SEC registrants.

Progress Review
Some Committee members questioned why the progress review would consider "the ability of the IASB to continue to develop high-quality standards, including the functioning of its partnership with the [US Financial Accounting Standards Board (FASB)]" (see paragraph 7(b) of the Implementation Plan). This statement, and some other references in the Implementation Plan, left some IAC members with the impression that there might still be uncertainty as to whether the AcSB would proceed with the Strategic Plan. The AcSB's intentions in this regard were clarified — the AcSB was emphasizing the importance of the FASB in the relationship and not indicating that there was uncertainty about converging with IFRSs. The progress review will assess whether affected parties are ready.

Convergence Experience
The IAC discussed the experience of Australia and the European Union (EU) in adopting IFRSs, relative to the AcSB's plan. Questions were raised as to the quality of the financial statements produced in the first year of IFRS convergence, particularly in view of the shorter transitional periods provided in Australia and the EU. The consensus was that it is too early to assess the quality of implementation of IFRSs in Australia and the EU, as much of the analysis is just starting.

The IAC noted that the International Organization of Securities Commissions (IOSCO) and the Committee of European Securities Regulators (CESR) are both developing databases to enable their members to share their decisions on IFRS implementation issues, which should promote greater consistency in regulatory decision making. IOSCO also intends to review, on a regular basis, fact patterns entered in the database to identify areas of potential difficulty in interpretation that may be appropriate for referral to either the International Financial Reporting Interpretations Committee (IFRIC) or the IASB itself for clarification.

Convergence Experience: Education
An IAC member felt that the Implementation Plan overstated the availability of educational products from other jurisdictions that had already converted to IFRS. Another member's experience in adapting to IFRSs from Canadian GAAP was that a number of similarities exist between the two systems at a high level, but that there are more differences at a more detailed level. Several members who had worked in consulting on IFRSs agreed that differences may also arise from the interpretations by practitioners in applying IFRSs. .

Magnitude of Change
Some IAC members questioned the description of the classification "converged" in the high-level comparison of IFRSs to Canadian GAAP. Their opinion was that at a detailed level, some of the standards do not appear to be "converged". AcSB staff noted that the comparison is meant as a guide to encourage constituents to review their enterprises' specific issues by reference to the detail of IFRSs.

The Committee also noted that Canada will need to decide how to address certain existing standards, such as those for life insurance enterprises, for which there is unlikely to be a substantive counterpart in IFRSs at the projected changeover date.

How the IASB Works

Staff reviewed the main elements of the structure of the IASB, and the Committee discussed several aspects of the IASB's operations and their relevance to the advisory role of the IAC. Pat Walters, until recently a member of the IFRIC, provided insight into the responsibilities, influences and limitations of that Committee. John Carchrae, a member of the Standards Advisory Council (SAC), provided insight into how that group contributes to the IASB's operations.

The IAC noted that it usually takes three meetings for the IFRIC to issue a final Interpretation (IFRIC meets a maximum of six times a year). Members discussed whether national standard setters would be willing to wait for interpretations from IFRIC, in view of the time necessary for due process, and whether this could be an issue for how well global standards worked. A member observed that co-operation between IFRIC and the FASB's Emerging Issues Task Force (EITF) appears to be improving, which should enhance the consistency of interpretations coming from these two organizations. Ian Hague explained that the AcSB, through the EIC, monitors IFRIC activity and that AcSB staff respond to IFRIC drafts issued for comment. It was noted that during the transitional period, the IAC may be able to lend the expertise of its members to assist the EIC. It was also noted that the IAC might identify issues with IFRSs that require referral to IFRIC.

IASB Work Plan

The Committee discussed the IASB work plan. Tricia O'Malley highlighted the Memorandum of Understanding between the IASB and FASB, and its influence on the IASB's work plan and, accordingly, the AcSB's activities. She pointed out that the SEC had recently agreed that it would not require the IASB and FASB to have identical standards in order to consider modifying the current reconciliation requirement. Agreement on the main principles would be required so that financial reporting generally results in consistent trends.

IAC Terms of Reference

The IAC discussed some of the responsibilities it anticipated taking on. Ian Hague introduced the detailed "Comparison of IFRSs to Canadian GAAP" prepared by AcSB staff, and asked the Committee to consider how it could contribute to the maintenance, regular updating and publication of this document. The members discussed the logistics of reviewing the entire document and voting on its contents versus reviewing individual sections of the document as updated by AcSB staff, and providing them with advice and assistance. The latter option would leave the authority for publication with the AcSB staff.

Members expressed concern that if the IAC had the authority to publish the document, it might mislead constituents in applying the GAAP hierarchy in Section 1100, *Generally Accepted Accounting Principles*. The comparison document is only meant as a guide on a best efforts basis, not as part of the GAAP hierarchy. Members also cautioned against inadvertently interpreting IFRSs. Ian Hague explained that the original comparison did try to avoid interpretation but he hoped that the broad range of IAC members' experience would help to improve the comparison going forward. It was suggested that the comparison document make reference to IFRS Basis for Conclusions documents wherever possible, as that material provides the reasoning behind the standards and is very helpful. Members discussed whether there should be a mechanism to receive comments from constituents on the detailed comparison, similar to the approach taken with the Implementation Plan. The IAC agreed that it should participate in the detailed comparison but the basis of that involvement should be finalized as the Committee proceeds with the project.

The second responsibility discussed by the IAC was its involvement in responding to documents issued for comment by the IASB. Members questioned whether their own perspectives should be presented or whether Canadian constituents would be canvassed for their views. Tricia O'Malley noted that it is very helpful for the IASB to receive responses directly from constituents and not summarized versions of the constituents' comments compiled by the national standard setter. The IASB benefits from receiving separate responses from the points of view of standard setters and constituents. It was noted that Canadian constituents subscribing to the AcSB website would receive notification of the issue of IASB documents for comment. IAC members considered the implications of various viewpoints being brought to its discussions and how differences would be resolved. Ian Hague clarified that the IAC is to provide advice to the AcSB; therefore a consensus within the Committee is not required.

The Committee decided not to reach conclusions on its Terms of Reference until it had been operating for some time and had a better sense of the work involved.

The public portion of the meeting concluded at this point. The remainder of the meeting dealt with administrative issues such as future meeting dates, contact information and a demonstration of software for distributing meeting materials to members.

Future meeting dates:

November 3, 2006

December 18, 2006

May 3, 2007

June 28, 2007

IFRS Advisory Committee

Report on Public Meeting
November 3, 2006

The IFRS Advisory Committee (IAC) held its second meeting in Toronto on November 3, 2006.

Defining Publicly Accountable Enterprises

The "Implementation Plan for Incorporating International Financial Reporting Standards (IFRSs) into Canadian GAAP" states:

> "The Strategic Plan specifies that IFRSs are to be adopted as Canadian GAAP for publicly accountable enterprises (PAE's). The term "publicly accountable enterprises" is used in the Strategic Plan substantially in accordance with the terminology and definitions in DIFFERENTIAL REPORTING, Section 1300 of the CICA Handbook – Accounting (Handbook). Accordingly, it encompasses public companies and some other classes of enterprises that have relatively large or diverse classes of financial statement users. For purposes of implementing the Strategic Plan, the definition of a PAE has not been confirmed at this point. The AcSB will consider whether there is a need to refine this definition for purposes of the Strategic Plan, and will confirm a definition early in the implementation period."

The IAC noted the following matters:

- It would be preferable to define what constitutes a "publicly accountable enterprise" rather than a "non-publicly accountable enterprise" and to include the definition in a location that would be used by publicly accountable enterprises (rather than in Section 1300).
- It is not essential to converge with the IASB's definition of publicly accountable entities in its draft exposure draft on "Small- and Medium-sized Entities." The IASB definition includes an entity holding assets in a fiduciary capacity for a broad group of outsiders; however, that would not necessarily include all co-operative organizations.
- The IASB's phrase "in the process of filing" should be excluded from the definition of publicly accountable entities. IAC members thought these filing decisions should be left to the securities regulators since this is their jurisdiction.
- Many rate-regulated enterprises will be required to file financial statements with a securities commission, but some might not be included in a definition that requires filing as a criterion for being publicly accountable. However, there would be nothing to stop jurisdictions in which rate-regulated operations operate from requiring all such enterprises to report using IFRSs.
- Some non-public companies provide information to regulators for purposes such as assessment of capital requirements. The relevant regulators can consider whether such enterprises should comply with IFRSs, regardless of whether they meet whatever definition of a PAE is adopted by the AcSB.

- A size test to determine whether an enterprise qualifies as a PAE was discussed in the early stage of developing the AcSB's strategy, but past research had concluded that size should not be a factor due to the arbitrary nature of size cut-offs. The IASB also considered a size test for the application of its forthcoming standard on small- and medium-sized entities, but concluded that this was a public policy issue for individual jurisdictions and not an issue for them.

Modifications to IFRSs Upon Adoption

The IAC discussed whether there would be any circumstance in which modifications to IFRSs on adoption into Canadian GAAP would be allowed. The discussion assumed that no modification that would result in a conflict with IFRSs would be made.

The IAC noted the following matters:

- Options should not be removed and additional disclosures should occur only in very rare circumstances.
- Modifications to IFRSs could jeopardize SEC consideration of removal of the reconciliation requirements for Canadian companies, since it seems unlikely the SEC will want to evaluate the adequacy of various versions of IFRSs — they are likely to evaluate full IFRSs only.
- If an IFRS directs enterprises to follow national practice and there are existing Canadian standards that address the issue, those standards would be maintained, subject to review and elimination of any materials that might conflict with IFRSs.
- A central organization within Canada to address issues or problems that arise in practice in Canada in the application of IFRSs might be beneficial. Issues that are not 'unique' to Canada should be resolved by the International Financial Reporting Interpretations Committee (IFRIC). However, in some instances, guidance might be needed more quickly than could be delivered by the IFRIC, in which case temporary Canadian guidance might be necessary.
- Guidance that describes a specific Canadian jurisdictional process, such as that found in EIC-111, "Determination of Substantively Enacted Tax Rates," and its effect on the application of IFRSs, would be appropriate. Care will be needed to ensure that any such guidance deals only with situations that would not arise elsewhere.
- Additional guidance might be added to IFRSs to deal with issues unique to not-for-profit organizations, but additional sector-specific guidance is not needed for any other type of enterprise.
- The status of Canadian standards with no counterpart in IFRSs will be considered further by the IAC at its next meeting.

Update of the Detailed IFRS Canadian GAAP Comparison

The IAC agreed on procedures for updating the detailed comparison between IFRSs and Canadian GAAP. The IAC agreed to review the introductory language explaining the status of the comparison and also provided advice on updates to the comparison to reflect recent standards in Section 3862, *Financial Instruments — Disclosures* and Section 1506, *Accounting Changes*.

IASB Documents for Comment

The IAC agreed on an approach to providing input to responses to IASB documents for comment prepared by the AcSB or AcSB staff. In some cases, input from IAC members will need to be solicited outside meetings. The IAC will also consider receiving briefings from AcSB or IASB staff on documents to be issued for comment.

IFRS Education

Although the AcSB is not the organization to provide education in IFRSs, it does have a commitment to assist affected parties in dealing with the challenges of the transition to IFRSs. IAC discussed the methods available to ensure the appropriate bodies take the necessary steps to provide suitable and timely education for constituents.

The IAC noted the following matters:

- The need to consider long-term education needs, as well as immediate re-training in IFRSs.
- Training cannot be postponed, since requirements for disclosures concerning the effects of IFRSs will be mandatory in the near future — disclosures that will be subject to scrutiny in light of requirements for management certification of financial reports.
- There is a limit to the amount of structured training that can be provided. Once initial familiarization is complete, a preliminary assessment of the challenge in a particular entity's context would be the next most useful step.
- Europe's experience differs from that expected in Canada. This is in part because of the joint projects between the FASB and the IASB that the AcSB will be adopting throughout the next five years and also because Canadian enterprises have a different starting point from that of European companies. There will be no need to spend time and effort studying certain current standards when a joint project is underway and a revised standard is anticipated well before Canada's transition to IFRSs (for example, International Financial Reporting Standard IFRS 3, *Business Combinations*).
- Often, constituents will find their current understanding of Canadian standards will help them to learn IFRSs.

Other matters

A regular agenda item will be scheduled to consider members' experiences regarding which Canadian standards are the most challenging to convert to IFRSs.

In addition, the Chair and staff of the AcSB provided an update on recent activities of the IASB and the AcSB.

IFRS Advisory Committee

Report on Public Meeting
December 18, 2006

The IFRS Advisory Committee (IAC) held its third meeting in Toronto on December 18, 2006.

Observations on IFRS Implementation

IAC members discussed issues they have encountered with respect to implementing International Financial Reporting Standards (IFRSs), and with individuals' understanding of the AcSB's strategy for publicly accountable enterprises.

IAC members noted the following matters:

- There are Canadian subsidiaries that are, or will be preparing IFRS financial information for their foreign parent company because the parent is required to file consolidated IFRS-compliant financial statements. International Financial Reporting Standard IFRS 1, *First-time Adoption of International Financial Reporting Standards*, provides companies with certain options when converting to IFRSs for the first time. When companies have only been preparing a reporting package under IFRSs for consolidation purposes without preparing a complete set of financial statements, as defined in International Financial Reporting Standard IAS 1, *Presentation of Financial Statements* (see IFRS 1.3c), they would have applied IFRS 1 for purposes of their reporting to the foreign parent. This would have occurred at the time that the foreign parent first prepared a complete set of financial statements in accordance with IFRSs. However, they would be required to apply IFRS 1 for Canadian reporting purposes the first time they prepare IFRS-compliant financial statements for the Canadian entity. This might result in Canadian subsidiaries having different amounts in reported Canadian financial statements from the amounts that they report to their foreign parent in the first year of Canadian IFRS reporting and in subsequent years.
- The degree of complexity of International Financial Reporting Standard IAS 39, *Financial Instruments: Recognition and Measurement*, was noted. Even though the AcSB has adopted Section 3855, *Financial Instruments— Recognition and Measurement*, and related standards, there was concern with the amount of work that might be required in this area at the Canadian changeover to IFRSs. Of particular concern was how to identify the effects of differences in detail between IAS 39 and the equivalent Canadian standards.
- It would be useful to highlight the standards that constituents need to prioritize in their education of IFRSs, as well as those IFRSs that are likely to change before the Canadian changeover. It was noted that the CICA is developing an IFRS conference for June 11-12, 2007, which is expected to include an opportunity to learn from the experiences of companies that have recently adopted IFRSs and to discuss issues likely to arise with the Canadian changeover. Members suggested that this would be

an excellent opportunity for discussion of the challenges of moving to IFRSs and would be of particular importance to those public companies and practitioners lacking the resources of the larger audit firms.

- Guidance focused on challenges with transition likely to be encountered by particular industries would be useful. It was noted that the AcSB intends to address industry-specific issues in their series of bulletins and the June IFRS conference is planning workshops by industry.

- The "progress review" leading to establishing the date for changeover to IFRSs is expected to be complete, with a definitive changeover date announced by March 31, 2008. Entities are also keen to know what pre-convergence disclosure may be required, as that will be one of the first tangible effects of the strategy. It was noted that it would be desirable for any disclosures to be required in a manner that does not lend itself to "boilerplate" notes in financial statements. The Canadian Securities Administrators are currently considering what regulatory requirements may need to be developed.

Modifications to IFRS on Adoption

The IAC discussed several Canadian standards which do not have direct IFRS equivalents, to determine if they should be retained after the changeover to IFRSs. The discussion noted a distinction between standards that relate to general purpose financial statements and those that relate more broadly to other aspects of financial reporting, such as Section 4250, *Future-Oriented Financial Information* and Accounting Guideline AcG-7, *The Management Report*. It was suggested that the AcSB consider the need for maintaining such pronouncements separately from its IFRS adoption strategy.

The IAC noted the following matters:

- Regarding Section 1625, *Comprehensive Revaluation of Assets and Liabilities*, IFRSs do not specifically allow use of push-down accounting or comprehensive revaluations. The IAC recommended withdrawal of Section 1625 on changeover to IFRSs.

- Section 3610, *Capital Transactions*, is addressed by IAS 1, *Presentation of Financial Statements*, and therefore should be withdrawn at changeover to IFRSs.

- Section 3841, *Economic Dependence*, has no counterpart in IFRSs and therefore should be withdrawn at changeover to IFRSs.

- Accounting Guideline AcG-19, *Disclosure by Entities Subject to Rate Regulation*, provides useful information. IFRSs do not specifically address rate-regulated operations. It was noted that within AcG-19 there are two different types of disclosure; one is independent of the accounting treatments actually adopted ('other reporting') and the other is related to the accounting treatments. It was suggested that there might be merit in recommending to the IASB that similar disclosures be incorporated into IFRSs. If such disclosures are not required by IFRSs by the time of the Canadian changeover, then IAC recommended deletion of AcG-19 at that time.

Update of the Detailed IFRS/Canadian GAAP Comparison

The IAC reviewed revisions to the detailed IFRS/Canadian GAAP Comparison, incorporating pronouncements issued by the IASB and the AcSB between April 1, 2005 and December 31, 2006. The IAC provided suggestions to rewrite the introduction to the document as a result of their concern that the comparison is being unduly relied upon as more than an introduction to IFRSs. IAC stressed that users of the comparison must consult the actual IFRS standards and in no way should the comparison be relied upon to prepare financial statements. It is anticipated that the revised comparison will be posted to the AcSB website in the first quarter of 2007.

IASB Fair Value Measurement Discussion Paper

An education session was provided to IAC members on the recently issued IASB Discussion Paper regarding Fair Value Measurement. Jon Nelson, a Practice Fellow of the IASB, responsible for this project joined the discussion by telephone. IAC members will provide input to the AcSB staff on their views regarding the IASB proposals over the next month or so, to assist the AcSB staff in preparing a comment letter to the IASB.

Other matters

Future meeting dates were confirmed as follows:

May 3, 2007

June 28, 2007

September 13, 2007

December 7, 2007

In addition, the Chair and staff of the AcSB provided an update on recent activities of the IASB and the AcSB.

IFRS Advisory Committee
Report on Public Meeting
May 3, 2007

The IFRS Advisory Committee (IAC) met in Toronto on May 3, 2007. The Chair and AcSB staff provided an update on recent activities of the IASB and the AcSB.

Observations on IFRS Implementation

IAC members discussed issues they have been encountering with the implementation of IFRSs and with individuals' understanding of the AcSB's strategy for publicly accountable enterprises.

IAC members noted the following matters:

- In spite of the US Securities and Exchange Commission's (SEC) recent announcement strengthening its commitment to the removal by 2009 or earlier of the reconciliation requirement for foreign issuers filing financial statements with the SEC, there has been little demand for Canada to converge with IFRSs sooner. It was speculated that some demand might develop from enterprises first accessing the US market between 2009 and 2011.
- Relative to US-based companies, there are a greater number of Canadian companies who conduct business in jurisdictions outside their home country, so there might be a greater demand by these Canadian companies to adopt IFRSs instead of US GAAP. Some of this group might like to adopt IFRSs sooner, rather than later.
- Accounting for derecognition of financial assets is going to be a big challenge for some Canadian companies on convergence. An amended IFRS on this topic seems unlikely by the changeover date.
- The Emerging Issues Committee (EIC) is still issuing Abstracts and constituents are asking what its role will be from now until changeover, and beyond. The EIC is reviewing existing Abstracts to determine which are in conflict with IFRSs, which are addressed by current IFRSs, and which should be put forward to the International Financial Reporting Interpretations Committee (IFRIC) for its consideration. The EIC is also discussing whether, on adoption of IFRSs in Canada, an enterprise could continue to follow accounting practice based on the withdrawn Abstract.
- IFRSs do not address rate-regulated activities explicitly, so constituents are wondering what is going to happen to present accounting for rate-regulated activities at changeover. It was noted that an AcSB Exposure Draft, "Rate-regulated Enterpises," has been issued and comments are due by June 30, 2007. IFRIC has rejected reviewing the application of IFRSs to rate-regulated enterprises. The issue was raised at the March 2007 National Standards Setters meeting, with the AcSB offering to make staff available to the IASB for research work on the topic.
- Constituents are asking whether private companies that are subsidiaries of public companies will be permitted to report in accordance with IFRSs after changeover. It

appears that they might not understand that private companies will be permitted to adopt IFRSs if they wish to.

- Clarity on whether a company is a publicly accountable enterprise (PAE) is being sought. The AcSB is still fine tuning the definition. On May 29th, the AcSB will be considering whether co-operatives should be included within the PAE definition.
- Constituents are wondering whether dual accounting records will have to be maintained for the comparative period prior to changeover.
- Constituents would like to know what disclosures are likely to be required for 2008 and 2009 regarding the effects of adopting IFRSs. In particular, they are interested in the quantitative disclosures contemplated for 2009. The Canadian Securities Administrators are presently considering what would be the most effective disclosure for users. The AcSB will consider disclosures for PAEs that do not file with a regulator, later in 2007.
- Some companies with a non-calendar year end are wondering when they will have to start collecting comparative data. The AcSB plans to announce the specific changeover date by March 31, 2008, following completion of the progress review.

Progress Review

IAC discussed the AcSB's plan for reviewing Canada's progress towards convergence with IFRSs. The progress review is not meant to develop a new strategy or significantly revise the AcSB's strategy to converge with IFRSs for publicly accountable enterprise. The progress review is meant to support the timing selected for the definitive changeover date. The AcSB plans to announce the changeover date by March 31, 2008 and the progress review will be completed prior to the announcement.

In response to a staff request for reactions to the draft plan for the progress review, IAC members suggested several additional sources to consult, including the IFRS desks of major CA firms, global analysts to obtain views on IFRS convergence by other countries, and the AcSB's user advisory committee for feedback on transitional problems. It was also suggested that the IASB's work program in the last couple of years be analyzed and assessment made of its progress.

Members were concerned that the plan for the progress review was very ambitious and suggested it be reviewed to determine if enough resources were available to carry it out and meet the expectations implied in it. Members agreed to provide assistance where they could, including a generous offer to engage students in an MBA class at the University of Windsor, Odette School of Business to undertake some research. IAC discussed that the objective was to announce <u>when</u> the changeover will occur, but emphasized that <u>what</u> will be adopted (full IFRSs or other) also needs to be determined before the <u>when</u> is announced.

It was requested that the Canadian Securities Administrators (CSA) be allowed to consider the results of the progress review before any specific changeover date is decided upon and announced. The plans for the progress review, as modified to take account of

IAC suggestions, will be presented to the Accounting Standards Oversight Council at their meeting on May 31st-June 1st, 2007.

Possible Limitations of Options Available in IFRS 1

The IAC discussed the implications of the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards, in Canada*. The standard provides guidance on how to make the transition from local GAAP to IFRSs. The standard requires retrospective application of the IFRSs in existence at an enterprises' transition balance sheet date. IFRS 1 provides some optional exemptions when retrospective treatment could involve costs in excess of the benefits and some mandatory exceptions when hindsight might influence management reporting.

IAC was asked to comment on whether some of the options in IFRS 1 should be modified for Canadian application, because Canada's standard-setting environment is better developed than some of those for which IFRS 1 was originally designed to apply. The removal of options would not create a conflict with IFRSs and therefore enterprises would still be able to claim full compliance with IFRSs. IAC members cautioned the AcSB to carefully consider the removal of exemptions that currently provide relief from retrospective treatment. The Committee also suggested that the IASB be approached to consider adding guidance to IFRS 1 that addresses conversions from local GAAPs that are partially converged with IFRSs. It was suggested that a general principle to be applied in reviewing the options would be to assess whether applying each IFRS 1 exemption would undo previous high-quality financial reporting. It was noted that the market would recognize any abuse of the options to make financial reports appear more favourable and penalize companies for such actions. The AcSB plans to consider this topic further on May 29th, in light of IAC's advice.

Oil & Gas Accounting—Full Cost, AcG-16 versus IFRS 6 at convergence

AcG-16, *Oil & Gas Accounting — Full Cost*, is not compatible with IFRS 6, *Exploration for and Evaluation of Mineral Resources*, in a number of key respects, including the accounting for dry holes and the unit of account (Canada's geographic cost centre versus the international concept of "cash generating unit"). A group of national standard setters, including Canada, is conducting research on accounting for extractive industries at the request of the IASB. It is unlikely that a final standard will be developed and issued by the time Canada changes over to IFRSs.

Oil and gas is a significant industry in Canada, and IAC was asked to provide comments and suggestions to the AcSB on possible options to consider at changeover for this industry. Options suggested ranged from withdrawal of AcG-16 and adoption of IFRS 6, to the development of Canadian guidance interpreting IFRS. Other views expressed by IAC members included the idea that the AcSB should consider delaying the changeover to IFRSs until the IASB issues a final standard, due to the significance of the oil and gas industry in Canada. Alternatively, the AcSB might advise the IASB that IFRS 6 does not achieve its stated objective of avoiding major changes in GAAP because Canadian companies reporting on a full-cost basis will experience a major change.

Of the options considered, the most favoured was to maintain AcG-16, but make its application optional, thus avoiding imposing an IFRS conflict. Presumably any Canadian company who was a US filer and prepared financial statements under IFRSs at changeover, except that they chose this option to retain full cost accounting, would still have to provide a US GAAP reconciliation. Companies might ask the SEC to be exempt from the reconciliation requirement if the use of full cost (in accordance with US GAAP) was the only deviation from IFRS — it is not known how the SEC would respond to such a request. The AcSB plans to consider this topic further on May 29th, in light of IAC's advice and further staff research.

In considering how to avoid imposing two significant changes (i.e., one on transition to IFRSs and one on adoption of the final extractive standard) some members wondered if the IASB could indicate the direction of the final standard. This might enable the AcSB to not require a significant change on adoption of IFRSs that would then be changed again by the final extractive standard. However, it was noted that this project is still in the early stages, with a discussion document expected in 2008; this document may well be controversial and the shape of the final standard may not be clear for some time. The IAC also noted that if AcG-16 was not carried forward some companies might prefer to adopt US GAAP which permits full cost accounting. The CSA has not determined whether this will be permitted post-IFRS adoption and it currently is only permitted for US filers.

Transition to IFRSs – Work in Process at Changeover Date and Possible Criteria for Relief

There will likely be several large projects in process at the IASB at the time Canada changes over to IFRSs. This could impose one change at changeover and a second change shortly after Canada's adoption of IFRSs, when an IASB project reaches completion. IAC members noted that there will always be some significant IASB projects in process and warned that if an option were to be provided for entities not to adopt particular IFRSs for which work is in progress at the transition date, there is a risk that there will be continued lobbying to delay adoption of subsequent IFRSs. This could significantly delay the mandatory full adoption of IFRSs and reduce comparability for an extended period of time. If the changeover date were to be delayed because of particular projects, it is likely that there will be other projects that would pose the same problem at any revised changeover date. Contrary to the favoured option under the above discussion on AcG-16, the Committee was not enthusiastic about adjusting IFRSs in any way on adoption. The Committee did suggest the AcSB make a policy decision on whether they would develop non-authoritative guidance. Some members also noted that the practical consequences of adopting an IFRS and shortly thereafter adopting a significantly amended version of that same IFRS could be considerable, and should be carefully taken into account in considering the best course of action of this topic.

There was strong support for the AcSB to decide soon on what it is that will be adopted at changeover (e.g., full IFRSs with no exceptions or something less then full IFRSs). The AcSB plans to consider this topic further on May 29th, in light of IAC's advice.

IASB Joint Venture Project

An education session was provided to IAC members on the IASB's Joint Venture project, on which an exposure draft is expected in the third quarter of 2007. IAC members provided input to AcSB staff on their views regarding the effect of the IASB proposals on Canadian joint ventures. They suggested the AcSB provide the IASB with examples of Canadian oil and gas industry joint venture structures for the IASB's information and consideration. IAC members contributed further examples of industries that utilize joint venture structures in Canada. Some felt that proportionate consolidation provides better information than the equity method of accounting and there was discussion of whether additional disclosures could compensate for the loss of information provide by the proportionate consolidation method. Some members noted that the term "proportionate consolidation" does not properly apply to some circumstances in which it is used in practice.

Other Matters

Future meeting dates were confirmed as follows:

September 13, 2007

December 7, 2007

IFRS Advisory Committee
Report on Public Meeting
September 13, 2007

The IFRS Advisory Committee (IAC) met in Toronto on September 13, 2007. The Chair and AcSB staff provided an update on recent activities of the IASB and the AcSB.

Progress Review

IAC members were provided with an update of some of the Canadian education initiatives on IFRSs that IAC member, Pat Walters, has been involved in. Members were pleased to hear of the education initiatives being taken. These include one-day and three-day intensive workshops on IFRSs. One member suggested that one of the AcSB's bulletins target what companies could be doing for in-house training on IFRSs.

Members were asked to comment on their observations of the state of preparedness of their clients, constituents and organizations. The general consensus was that awareness had definitely risen in Canada since the spring. There is more discussion of IFRSs, but there is still concern that many enterprises have yet to take action. Some felt that once the AcSB has issued an omnibus exposure draft (Omnibus ED) of existing IFRSs and the progress review confirms the changeover date (expected to be for annual periods beginning on or after January 1, 2011), more targeted action by companies will be seen. The Committee noted that adoption of IFRSs in an environment that also requires certification of disclosures in issuers' annual and interim filings will be a particular challenge for Canadian entities.

IAC members indicated that audit committee members should make the planning for IFRSs a top priority in their enquiries of management. Paul Cherry noted that the AcSB had targeted communications to directors and audit committees since the AcSB strategy was launched, and that would continue. Members made suggestions to communicate with CFOs through various organizations, including the Canadian Securities Administrators, Financial Executives International, Toronto Stock Exchange, and the Corporate Directors' Institute. Members volunteered to pursue such communications within their organizations and contacts. Mr. Cherry commented that it would be appropriate to communicate again with CFOs and audit committees once the Omnibus ED is issued and the progress review has confirmed the changeover date, to encourage them to promote planning for transition to IFRSs within their organizations. It was suggested that value could be added by the development of a "20 Questions for Audit Committees" publication.

Members agreed that Canada seems to be doing a better job of planning for transition than other countries who have adopted IFRSs. While there is still concern over smaller, listed companies being ready, delaying the changeover date was not considered to be of assistance to these companies.

Omnibus Exposure Draft

AcSB staff updated the IAC on the proposed approach to the Omnibus ED to adopt IFRSs into Canadian GAAP. The AcSB expects that the Omnibus ED will focus on the 2007 bound volume of IFRSs, and will be issued in the first quarter of 2008. The Omnibus ED will contain a preamble that will include, amongst other matters, an explanation of the AcSB's approach to adopting standards during the transitional period leading up to the final changeover. Also, the preamble will include suggestions as to how constituents might approach a review of the standards. Due to the fact that the IFRSs being exposed have already been through the IASB's rigorous due process, comments will be limited to whether any of the standards might create inappropriate results in Canada compared to the rest of the world and, as a result, require additional application guidance or other modification. The Omnibus ED would also solicit comments as to whether there are any special transitional issues for Canadian enterprises for which the AcSB should be approaching the IASB for adjustments to IFRS 1, *First-time Adoption of International Financial Reporting Standards*. Comments will not be sought on the general appropriateness of the standards themselves.

IAC members agreed with the timing of issuing the Omnibus ED as a means of making Canadians aware that IFRSs are coming soon and will be Canada's GAAP for publicly accountable enterprises by 2011, and that any issues need to be addressed now and not in 2011.

Members noted that the AcSB's biggest challenge will be stressing in the preamble that this is the Canadian stakeholders' opportunity for a fatal flaw review to determine whether the IFRSs will create any unique issues upon application within Canada.

Members noted a number of matters they thought should be highlighted in the preamble including:

- the importance of IFRS 1;
- the usefulness of the comparisons of IFRSs and Canadian GAAP developed by AcSB staff as a way for readers of the Omnibus ED to focus their review of IFRSs (although it was stressed that people should use the comparisons only as a guide and not in place of reading the actual IFRSs);
- the withdrawal of existing Canadian standards;
- the wind-up of the Emerging Issues Committee; and
- a clear statement that although the Omnibus ED is requesting comments on fatal flaws in the application of IFRSs in the Canadian environment, this is not a sign that enterprises can delay the implementation of IFRSs.

IAC members questioned how the adoption by the AcSB of the contents of the Omnibus ED would be treated under the requirements of Section 1506, *Accounting Changes*, which requires disclosure of the effect of issued, but not yet effective, standards. The Chair noted that this would be discussed by the AcSB prior to the release of the Omnibus ED.

Observations on IFRS Implementation

IAC members discussed issues they have been encountering with the implementation of IFRSs and with stakeholders' understanding of the AcSB's strategy for publicly accountable enterprises.

Paul Cherry updated the members on discussions with the oil and gas and mining industries. These industries are focusing on the specific aspects of IFRSs of concern to them and canvassing their counterparts worldwide to determine if they have common issues. Rate-regulated operations are being encouraged to take a similar approach.

IAC members noted the following matters:

- Ongoing activities to consider the application of IFRSs to rate-regulated operations, including forthcoming discussion by national accounting standard setters and the E.U. Roundtable for the Consistent Application of IFRSs.
- The desire for finalization of the definition of a "publicly accountable enterprise." The Chair noted that this will be exposed in the Omnibus ED.
- The desire to resolve whether early adoption will be permitted. John Carchrae noted that the Canadian Securities Administrators (CSA) will be issuing a concept release before the end of the year that would discuss the pros and cons of early adoption. Comments would be expected early in 2008.
- The desire to know whether the CSA will continue to allow Canadian companies who are cross-listed on US securities markets to continue to prepare financial statements using US GAAP. John Carchrae noted that this will also be discussed within the above-noted concept release.
- The desire to know what disclosures of the effects of IFRSs on individual enterprises are likely to be required in the lead-up to the changeover date, and when. John Carchrae noted that the CSA will probably issue a staff notice early in 2008. However, the staff notice is not likely to be issued before the AcSB confirms the changeover date (expected to take place by March 2008).
- Some questions are arising regarding the application of IFRS 1. These include the transition requirements for derecognition of financial instruments and for embedded derivatives.
- Some are considering whether the same accounting can be achieved for related party transactions under Canada's existing guidance on recognition and measurement of these types of transactions as would be achieved under IFRSs. For related parties, IFRSs have disclosure requirements but no special recognition and measurement requirements.

Pension Plans

IAC discussed whether the AcSB should adopt IAS 26, *Pension Plans*, when Canadian GAAP adopts IFRSs. Like Section 4100, IAS 26 applies to pension plan reporting; not to pension funds. Pension funds are explicitly included in the definition of a publicly accountable enterprise and, as such, would be expected to apply IFRSs if they report on a fund basis. AcSB staff noted that IAS 26 is an old standard that some countries had not adopted when they converged with IFRSs. In Australia's case they did not adopt IAS 26, stressing that pension plans are not affected by global capital requirements and that pensions have country-specific social constraints.

Members were concerned that not adopting IAS 26 might cause some to request exemptions for other types of enterprises. IAC members suggested that the provincial regulators of pensions in Canada be contacted before further discussion by the AcSB.

IASB Annual Improvements Project

Throughout the year, the IASB collects minor improvements or clarifications required to IFRSs and publishes a single exposure draft to address the issues. AcSB staff asked IAC members to comment on whether any of the proposed amendments in the forthcoming 2007 exposure draft would significantly affect Canadians. IAC members discussed whether any or all of the proposed changes should be adopted in Canada prior to the changeover to IFRSs expected in 2011.

IAC members noted that most of the proposed changes were clarifications, but that the suggested change to make investment property under construction subject to IAS 40, *Investment Property*, instead of IAS 16, *Property, Plant and Equipment*, with fair value changes going straight to income, was more significant.

Members suggested that the AcSB consider a working presumption that it will adopt any changes identified in the annual improvements to standards issued by the IASB that the AcSB has already adopted as Canadian GAAP. In an effort to reduce overload on constituents, mandatory adoption of the changes might be deferred until the changeover date. On the other hand, if changes are not adopted into those standards already in Canadian GAAP, keeping track of the changes not made, up to changeover, could be time-consuming and confusing. Changes that are purely to correct mistakes made in the original drafting should be corrected as soon as possible.

It was noted that the changes to IAS 39, *Financial Instruments: Recognition and Measurement*, relating to the definition of a derivative were being adopted by the AcSB before the IASB, as the equivalent language was being misinterpreted by some.

Other Matters

IAC members received an educational session on the IASB's Discussion Paper, "Preliminary Views on Insurance Contracts." The session focused on the possible impact of the IASB's preliminary views on other business sectors, other than insurance.

IAC members also reviewed a list of major changes that might affect specific industries on adoption of IFRSs. Several adjustments to the lists were suggested.

Future meeting dates were confirmed as follows:

December 7, 2007
January 31, 2008
April 10, 2008
August 28, 2008
November 27, 2008

Progress Review Plan

The AcSB's Implementation Plan for incorporating IFRS into Canadian GAAP provides that, throughout the tentative 2006-2011 transition period, the ACSB will monitor Canada's progress in implementing the IFRS convergence strategy and the readiness of the investor and business communities.

The Implementation Plans calls for a progress review in late 2007. Upon completion of the progress review, the AcSB expects to be in a position to confirm the timing of the changeover to IFRS.

The AcSB anticipates releasing its progress review report in February 2008, enabling it to confirm (or vary), no later than March 31, 2008, the expected IFRS transition date of January 1, 2011.

The AcSB has released its plan for conducting the progress review. The progress review plan is provided under this tab.

AcSB Publicly Accountable Enterprises Strategy

Progress Review — Steps to IFRS Incorporation into Canadian GAAP

Introduction

The AcSB's Implementation Plan for Incorporating IFRSs into Canadian GAAP, as of March 31, 2007, (the "IFRS Implementation Plan") notes that, throughout the transitional period, the AcSB will monitor Canada's progress in implementing the IFRS convergence strategy and the readiness of the investor and business communities. The AcSB closely monitors IASB activities continuously, as well as keeping close touch with those involved with the international standards setting process, including other national standards setters and securities regulators. The AcSB also monitors research, reports and other literature relevant to the development and acceptance of a single set of globally converged financial reporting standards. From these activities, the AcSB believes that its strategy remains appropriate. The AcSB is on track for adoption of IFRSs as Canadian GAAP for publicly accountable enterprises in 2011. The AcSB announced in May 2007 that, subject to results of the 'progress review', the changeover to IFRSs should be mandatory for fiscal years beginning on or after January 1, 2011.

The IFRS Implementation Plan calls for a "progress review" within 24 months of the publication of the Strategic Plan. This progress review will identify and assess any new information or new issues that would affect the implementation of the strategy, in order to fine tune and finalize the AcSB's plans. Upon completion of the progress review, the AcSB expects to be in a position to confirm the timing of the changeover. Many stakeholders have urged the AcSB to do this as soon as possible, in order that they may finalize their plans to implement their transition to IFRSs with confidence in what the AcSB will do.

The progress review will include consultation with the Accounting Standards Oversight Council (AcSOC). The AcSB expects to discuss a preliminary report on its progress review with AcSOC in October, 2007. AcSOC has asked for interested parties to make presentations to it on the AcSB's plans at that time. The AcSB anticipates presenting a final report in February 2008, enabling it to confirm (or vary), no later than March 31, 2008, the expected transition date of January 1, 2011.

This document sets out in more detail the nature and extent of the progress review. As with the IFRS Implementation Plan, the AcSB welcomes and encourages comments on these planned activities. Comments may be submitted at any time to ed.accounting@cica.ca.

Scope of the Review and Criteria for the Assessment

The main purpose of the progress review is to assess whether there is any new evidence suggesting that the proposed timing for adoption of IFRSs is not appropriate. The intention is not to develop a new or significantly revised strategy, nor to provide an opportunity for those who disagree with the IFRS convergence strategy to reiterate their views. The AcSB would only consider the possibility of a change in strategic direction in the unlikely event that there was a fundamental change in circumstances that negated the rationale for the strategy.

The progress review will seek to identify any possible impediments to changing over to IFRSs in accordance with the original plan. The following factors will be the subject of the progress review.

(a) Progress in Canada in addressing IFRS implementation issues, including efforts by individual affected enterprises to plan and carry out necessary changes — This is the principal issue to be addressed. In this regard:
- particular attention will be paid to the circumstances of smaller publicly accountable enterprises; and
- an assessment will be made of preparedness in various processes that presently support Canadian GAAP, such as professional disciplinary and inspection systems, market regulation systems and education programs.

(b) Any significant difficulties encountered in the initial adoption or ongoing application of IFRSs in the European Union, Australia and other countries — In assessing the experience of other major markets in the initial adoption of IFRSs, the focus will be on:
- common questions and problems encountered;
- whether there was any significant market disruption; and
- what insights they might have, with the benefit of hindsight.

(c) The ability of the IASB to continue to develop high-quality standards that are accepted as contributing to the improved functioning of global capital markets — This assessment will place particular emphasis on the functioning of the IASB's partnership with the FASB and the ability of the IASB and its Interpretations Committee to address issues effectively and manage their priorities and workloads on a timely basis.

In all cases, the focus will be on information and issues arising since the implementation plan was developed, such as any unforeseen problems in the transition to IFRSs, and any new IFRSs issued that have created unforeseen difficulties that might cause a delay in implementation. In many cases, an absence of information or problems is evidence of support for proceeding as originally provided for in the Strategic Plan.

The AcSB will seek out information and will make available on its web site (www.acsbcanada.org) reports on the information that it has reviewed as it proceeds with the progress review. Constituents will then be in a position to evaluate whether the information consulted is complete — and if not, draw to the AcSB's attention any information that might appear to be relevant, but missing from, the AcSB's analysis.

Further details regarding the information-gathering process is provided in the Appendix to this document. Anyone interested in meeting with the project staff, or otherwise participating in the progress review, should contact Karen McCardle at 416-204-3465 or karen.mccardle@cica.ca.

Appendix

Lines of Enquiry (items are listed in no particular order)

The following is not an all-inclusive list, nor will every listed line of enquiry be pursued if there is sufficient evidence from other sources to conclude on the timing of the transition as envisioned by the progress review.

(a) Is sufficient progress being made in Canada in establishing the infrastructure for IFRS implementation?

The following will be consulted:

- Regulators, including the Canadian Securities Administrators and Office of the Superintendent of Financial Institutions, regarding their assessment of the impact on the markets that they regulate.
- Financial analysts, including the AcSB's User Advisory Council.
- Results of any surveys made by third parties of Canadian publicly accountable enterprises' awareness and preparedness for IFRSs.
- Major industry groups such as real estate, oil and gas and extractive, financial services, retail and technology (i.e., biotechnology, software, etc.).
- Financial statement preparer groups, such as the Financial Executives Institute.
- Smaller PAEs.
- Major accounting firms in Canada.
- Accountancy bodies, including CICA, CGA, CMA, and ACCA.
- Academics, including the AcSB's Academic Advisory Council, and those developing primary and continuing professional education.
- AcSB's IFRS Advisory Committee.

(b) Were there any significant difficulties encountered in the initial adoption or ongoing application of IFRSs in the European Union, Australia and other countries that the AcSB should consider in determining the timing of implementing the strategy for PAEs?

The following will be considered:

- Studies completed by professional firms, regulators, other market participants and academics.
- Results of the European Commission's Internal Market Directorate-General study of the implementation across Europe of IFRSs, being conducted by the Institute of Chartered Accountants of England and Wales (expected in mid 2007).
- General business media reporting.
- Representative groups of preparers.
- National standard setters and regulators in major capital markets.

- IFRS desks of major accounting firms and senior IASB staff.
- Financial analysts, including their experience when countries limited IFRS options or added modifications on adoption.

(c) *Does the IASB continue to develop high-quality standards that are accepted as contributing to the improved functioning of global capital markets?*

The following will be considered:

- Commentaries about the quality of IFRSs in the world-wide media to consider whether any valid, pervasive concerns are arising.
- Whether the standards and interpretations are being unduly influenced by particular political or other special interests.
- IASB/FASB convergence activities and external commentary on those activities to assess the prospects for continued co-operation.
- Whether the Trustees' oversight role continues functioning effectively, in accordance with the IASB Constitution, including the prospects for ongoing funding of the IASB's work.
- Whether there is any imminent fundamental change in circumstances that could affect the strategic direction.
- The basis of adoption by countries in major capital markets that have adopted IFRSs, including whether they have adopted IFRSs "as is" or whether they have made modifications or provided interpretations in addition to those of the International Financial Reporting Interpretations Committee (IFRIC).
- The acceptance in major capital markets of information provided in financial statements prepared using IFRSs. For example, the acceptance of financial statements prepared in accordance with IFRSs for listing in the US and other major capital markets.
- Securities regulators' experience with issuers' financial reporting in accordance with IFRSs, as reflected in speeches by senior securities regulator' staff and any formal reports issued by those bodies, etc. The SEC proposal to remove its GAAP reconciliation requirement lends support to the acceptance of IASB standards, but its removal is not a prerequisite to proceeding with the IFRS convergence strategy.
- Literature regarding effects of the switch to IFRSs on global capital markets (commentaries by standard setters, investment dealers, rating agencies, etc., surveys and reports by major accounting firms, and research studies by academics).

International Accounting Standards Board
Clarification Letter
Regulatory Assets and Liabilities

Background

The International Financial Reporting Interpretations Committee ("IFRIC") is a committee of the International Accounting Standards Board.

The International Accounting Standards Board creates the accounting standards that collectively comprise IFRS. IFRIC issues guidance on how IFRS are to be interpreted and applied in certain situations.

In order to obtain guidance on how IFRS are to be applied to rate regulated operations, the matter would have to be addressed by IFRIC. This necessarily requires that the matter be added to IFRIC's agenda of projects.

In August 2005, IFRIC issued a statement that it would not be adding to its agenda a requested project to provide guidance on accounting for rate-regulated entities under IFRS.

As a consequence IFRIC's agenda decision, there is concern that it is not possible to recognize regulatory assets and liabilities under IFRS.

To address this concern, the International Accounting Standards Board issued a letter to the AcSB on October 4, 2007 which clarifies the matter.[1] A copy of the clarification letter is provided under this tab.

Clarification Letter

The clarification letter represents the views of certain directors and staff of the International Accounting Standards Board. It is not an official position of that Board or IFRIC.

The letter clarifies that:

(i) The IFRIC agenda decision does not preclude the recognition of regulatory assets and liabilities.
(ii) Regulatory assets and liabilities can be recognized if they qualify as "normal GAAP" assets and liabilities under the IFRS framework.
(iii) The criteria for recognizing regulatory assets and liabilities under US GAAP are not fully consistent with IFRS criteria for the recognition of "normal GAAP" assets and liabilities.

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1 The clarification letter was posted on the AcSB's website on October 23, 2007.

Practically, this results in a "catch-22" situation. On one hand, IFRIC has decided not to issue guidance on recognizing regulatory assets and liabilities. Instead, regulatory assets and liabilities must be evaluated in the context of the overall IFRS framework and "normal GAAP" standards.

On the other hand, in the absence of guidance, it is not clear how the IFRS framework and "normal GAAP" standards should be applied.

Additionally, unless US GAAP for rate regulated enterprises is converged with IFRS, Canadian utilities may not be able to look to US GAAP for guidance under IFRS.

Concluding

The clarification letter merely *describes* the uncertainty surrounding the recognition of regulatory assets and liabilities under IFRS. It does nothing to *mitigate* this uncertainty.

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International Accounting Standards Board®

4 October 2007

Mr Paul Cherry
Chair
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Dear Mr Cherry

Rate-regulated Entities

The IASB has recently received a number of enquiries from Canadian companies regarding the application of IFRSs to rate-regulated entities. These questions are obviously being prompted by the Accounting Standards Board's (AcSB) strategy to adopt IFRSs as Canadian GAAP for publicly accountable entities. We agree that the most effective way to communicate with Canadian constituents on this issue is through the AcSB rather than responding to companies individually. Therefore, this letter sets out our understanding of the basis for the current concerns and perceptions in Canada about the application of IFRSs to rate-regulated entities and our understanding of the facts of the existing situation.

The Canadian constituents are directly or indirectly requesting clarification of the agenda decision by the IFRIC reported in the August 2005 issue of IFRIC Update. It appears some are concerned that, as a consequence of that agenda decision, it is not possible to recognise assets and liabilities arising from rate regulation (regulatory assets and liabilities) in accordance with IFRSs.

The comments that follow represent the views of the IASB directors and staff who were consulted on this question and are not an official position of the IASB, or of the IFRIC.

Background

The IFRIC published its tentative agenda decision in the June 2005 issue of IFRIC *Update*. This tentative decision was finalised in August 2005. The final agenda decision as published in IFRIC *Update* in August 2005 is attached. You will note that, in its final agenda decision, the IFRIC re-affirmed its decision not to take a project on regulatory assets onto its agenda. However, it did make some changes to the draft wording that was published in June 2005.

The way the IFRIC reached agenda decisions in 2005 was different from the way it operates today. In 2005, the IFRIC had an Agenda Committee which discussed whether items met the criteria to be placed on the IFRIC agenda. This committee met in private and made recommendations to the IFRIC based on its discussions. The IFRIC held formal public meetings in which it decided whether to support the Agenda Committee's recommendations. Because the Agenda Committee operated in private, no information was published to support its recommendations. The only information published relating to these decisions appeared in IFRIC *Update*. It is therefore difficult to provide much background information or support for the wording in IFRIC *Update* at that time.

Comments

However, even though background material is not available, we can make the following comments on the IFRIC agenda decision.

- The IFRIC was not specifically asked whether IFRS permitted the recognition of regulatory assets and liabilities. Rather, the IFRIC was asked whether US SFAS 71 *Accounting for the Effects of Certain Types of Regulation* could be applied under the hierarchy in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for selection of an accounting policy in the absence of specific guidance in IFRSs. In response to this question, the IFRIC noted that, because SFAS 71 is a US standard, it was not clear whether applying it would always result in accounting that was consistent with all of the relevant IFRSs.

- The IFRIC had discussed the possible recognition of regulatory assets as part of its project on service concessions. As a result of its consideration of the issues at that time, the IFRIC concluded 'that entities applying IFRSs should recognise only assets that qualified for recognition in accordance with the IASB's *Framework for the Preparation and Presentation of Financial Statements* and relevant accounting standards, such as IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*.' In other words, the IFRIC thought that an entity should recognise regulatory assets to the extent that they meet the criteria to be recognised as assets in accordance with existing IFRSs. Whether the assets are labelled as 'regulatory' should not affect their recognition.

- The IFRIC therefore concluded that any Interpretation would do little more than inform constituents that, when deciding how to account for regulatory assets, they should consider existing accounting standards. Because there appeared to be nothing to be gained from producing such an Interpretation, the IFRIC decided not to take the issue onto its agenda.

In summary, the IFRIC agenda decision does not preclude the recognition of regulatory assets and liabilities. It does require entities to apply existing standards, including the *Framework*, carefully to items it is considering recognising and does not permit the automatic application of the requirements of SFAS 71.

I hope that this is of some assistance. Should you have any further queries, please do not hesitate to contact me.

Yours sincerely

PO'Malley

Patricia O'Malley
IFRIC Coordinator

Attachment – Extract from August 2005 IFRIC Update

The following explanations are provided for information only, and do not change existing IFRS requirements. Interpretations of the IFRIC are determined only after extensive deliberation and due process, including a formal vote by written ballot. IFRIC Interpretations become final only if a majority of the IASB does not object to their issue.

IAS 38 Regulatory asset

The IFRIC considered a request for guidance for operations subject to price regulation. The request concerned situations in which a regulatory agreement allowed the entity to increase its prices in future years to recover outflows of economic resources during the current or previous years. The IFRIC was asked whether US SFAS 71 Accounting for the Effects of Certain Types of Regulation could be applied under the hierarchy in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors for selection of an accounting policy in the absence of specific guidance in IFRSs.

The IFRIC observed that it had previously discussed whether a regulatory asset should be recognised in the context of service concession arrangements, either as deferred costs or as an intangible asset to reflect an expectation that the entity will recover these costs as part of the price charged in future periods. It had concluded that entities applying IFRSs should recognise only assets that qualified for recognition in accordance with the IASB's Framework for the Preparation and Presentation of Financial Statements and relevant accounting standards, such as IAS 11 Construction Contracts, IAS 18 Revenue, IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets.

The IFRIC had noted that SFAS 71 required entities to recognise regulatory assets when certain conditions were met. However, the IFRIC had concluded that the recognition criteria in SFAS 71 were not fully consistent with recognition criteria in IFRSs, and would require the recognition of assets under certain circumstances which would not meet the recognition criteria of relevant IFRSs. Thus the requirements of SFAS 71 were not indicative of the requirements of IFRSs.

Since it already had concluded that the special regulatory asset model of SFAS 71 could not be used without modification, the IFRIC noted that expenses incurred in performing price-regulated activities should be recognised in accordance with applicable IFRSs and decided not to add a project on regulatory assets to its agenda.

Newfoundland Power
IFRS Transition Plan

Overview

The transition to IFRS may be a fairly complex matter. It represents the most fundamental change in accounting standards in Canadian history. It will affect approximately 4500 publicly reporting entities, including Newfoundland Power.

While the future treatment of regulatory assets and liabilities is a central concern for Newfoundland Power, the IFRS transition involves a review of all of the current Canadian accounting standards that affect the Company.

The Accounting Standards Board will issue further exposure drafts during the transition process as it modifies Canadian accounting standards to conform to IFRS. This process is expected to be ongoing through 2011.

To be ready for all of this, Newfoundland Power is:

(i) monitoring AcSB activity and pronouncements on an ongoing basis;

(ii) assessing differences between Canadian GAAP and IFRS which are likely to impact the Company;

(iii) consulting with accounting advisors and experts; and

(iv) working with industry associations, such as the Canadian Electricity Association, and the Fortis regulated utilities to share information and assess impacts.

2008 IFRS Transition Plan

Newfoundland Power has prepared a 2008 IFRS transition plan. A copy is provided under this tab.

Appendix A of Grant Thornton's October 17, 2007 Supplementary Report on Newfoundland Power's 2008 GRA outlines the AcSB's tentative timeline and milestones for IFRS adoption. A copy is provided under this tab.

The AcSB's tentative timeline has a 2008 objective of "Possible disclosure of an enterprises' plan for convergence and what effects the enterprise anticipates will arise with the change to IFRS".

Newfoundland Power's 2008 IFRS transition plan is designed to meet this objective, notwithstanding the uncertainty surrounding the treatment of regulatory assets and liabilities under IFRS.

The internal milestones in the plan are arranged on a quarterly basis. This enables timely reporting on progress to the Company's Audit and Risk Committee and Board of Directors.

For 2008, the goal is the year-end disclosure of the Company's IFRS convergence plan. This plan is expected to disclose broad anticipated enterprise effects and the corresponding approach to address those effects.

The Company does not expect sufficient clarity in overall accounting standards to be available at that time to enable disclosure of more detailed effects.

IFRS Transition Plan
2008

March 31, 2008	**Complete comprehensive review of differences between IFRS and Canadian GAAP.** **Complete preliminary assessment of impacts on external financial statements.**
June 30, 2008	**Assess Accounting Standards Board final review report on IFRS progress, timelines, and proposed 2011 implementation.** **Complete preliminary assessment of potential regulatory impacts of IFRS transition for Newfoundland Power.**
September 30, 2008	**Develop enterprises plan for IFRS related disclosure for 2008 year-end.** **Review IFRS related disclosures with Auditors.**
December 31, 2008	**Complete 2008 year-end IFRS related disclosures.**

Board of Commissioners of Public Utilities
Newfoundland Power Inc.
2008 General Rate Application
Financial Consultants Supplementary Report

Grant Thornton

Contents

Introduction and scope	1
Observations and findings	
2008 Forecast Revisions	3
Employee Future Benefits	4
Timetable of Post Hearing Events	6
Conclusion	6
Appendix A - International Financial Reporting Standards	A - 1
Appendix B - Timetable of Post Hearing Events	B - 1

APPENDIX A

International Financial Reporting Standards

In January 2006, the AcSB adopted its Strategic Plan. In this document, the AcSB noted "that it is timely for publicly accountable Canadian enterprises to adopt globally accepted, high-quality accounting standards by converging Canadian GAAP with International Financial Reporting Standards (IFRSs) over a transitional period. At the end of that period, a separate and distinct Canadian GAAP will cease to exist as a basis of financial reporting for publicly accountable enterprises".

In May 2007, the AcSB published an updated version of its 'Implementation Plan for Incorporating IFRSs in Canadian GAAP'. This document provided a tentative timeline of key events for reporting enterprises in adopting IFRS (timelines were based on the current assumptions in the Strategic Plan and an assumed changeover of January 1, 2011). Key dates included in this document which impact Newfoundland Power include the following:

- December 31, 2008 - Possible disclosure of an enterprise's plan for convergence and what effects the enterprise anticipates will arise with the change to IFRS.

- December 31, 2009 - Same disclosure as in 2008, but with a greater degree of quantification of the effects of the change to IFRS.

- January 1, 2010 - First year for collection of comparative information for inclusion with 2011 financial statements under new IFRS-based requirements. Opening balance sheet for 2010 on IFRS basis required.

- December 31, 2010 - Last year-end for reporting under existing Canadian GAAP.

- January 1, 2011 - First year reporting under new IFRS-based standards. Opening balance sheet for 2011 on IFRS basis required.

- March 31, 2011 - Enterprises issuing interim financial statements prepare their first IFRS based statements for the three months ended March 31, 2011.

- December 31, 2011 - End of first annual reporting period in accordance with new IFRS-based requirements including IFRS-based comparatives for 2010.