



Adopting IFRSs in Canada

April 2008

**COMMENTS MUST BE RECEIVED BY
JULY 31, 2008**

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 the website at www.acsbcanada.org 10 days after the comment deadline, unless confidentiality is requested.

**To be considered, comments must be received by
July 31, 2008, 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 incorporate the International Financial Reporting Standards (IFRSs¹) set out in this omnibus Exposure Draft into the CICA Handbook – Accounting (Handbook). The Handbook will be updated as necessary thereafter so that, at any point in time, it includes the full body of IFRSs then in effect. Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, IFRSs will replace current Canadian GAAP for most publicly accountable enterprises.

At the same time, the AcSB proposes to amend ACCOUNTING CHANGES, Section 1506, to accommodate the adoption of IFRSs in Canada by providing relief in respect of the requirement to disclose information about new primary sources of GAAP that have been issued but are not yet effective.

Background

In January 2006, the AcSB adopted a Strategic Plan calling for the adoption of IFRSs by publicly accountable enterprises in Canada, after a specified transition period.² The AcSB has recently confirmed January 1, 2011 as the changeover date (i.e., the date IFRSs will replace current Canadian standards and interpretations as GAAP for this category of reporting entity). As a result, except as noted in “Scope” below, publicly accountable enterprises are required to prepare their financial statements in accordance with IFRSs for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Some may choose to adopt IFRSs earlier (see “Early adoption of IFRSs” below).

This Exposure Draft is an important part of the AcSB’s plan for incorporating IFRSs into the Handbook so that they are available in Canada when needed.³ It follows AcSB due process by exposing all accounting standards proposed for inclusion in the Handbook, and makes possible the early adoption of IFRSs by Canadian entities. It also allows entities to become familiar with IFRSs and begin the selection of their post-changeover accounting policies.

Proposals

Scope

The AcSB proposes that all Canadian reporting entities, except the following, be required to apply IFRSs after January 1, 2011:

- (a) Private enterprises, that is, profit-oriented entities that:
 - (i) have not issued (and are not in the process of issuing) debt or equity instruments in a public market; and

¹ The term “IFRSs” refers to standards approved by the International Accounting Standards Board (IASB) or its predecessor body, the International Accounting Standards Committee, as well as interpretations originated by the IASB’s interpretations committee, the International Financial Reporting Interpretations Committee (IFRIC) or its predecessor body, the Standing Interpretations Committee.

² The AcSB’s Strategic Plan is available on the AcSB’s website at www.cica.ca/multimedia/Download_Library/Standards/Accounting/English/e_NewDirections.pdf.

³ The AcSB’s Implementation Plan for Incorporating IFRSs into Canadian GAAP is available on the AcSB’s website at www.acsbcanada.org/download.cfm?ci_id=32735&la_id=1&re_id=0.

- (ii) do not hold assets in a fiduciary capacity for a broad group of outsiders. Entities with fiduciary responsibility, such as banks, credit unions, insurance companies, securities brokers/dealers, mutual funds, and investment banks, stand ready to hold and manage financial resources entrusted to them by clients, customers or members not involved in the management of the entity.
- (b) Not-for-profit organizations, as defined in FINANCIAL STATEMENT PRESENTATION BY NOT-FOR-PROFIT ORGANIZATIONS, Section 4400.
- (c) Public sector entities to which the standards contained in the CICA Public Sector Accounting Handbook apply. The Introduction to the CICA Public Sector Accounting Handbook states that for purposes of their financial reporting, government business enterprises and government business-type organizations are deemed to be publicly accountable enterprises and should adhere to the standards applicable to publicly accountable enterprises in the CICA Handbook – Accounting, unless otherwise directed to specific public sector standards. Accordingly, the changeover to IFRSs applies to these two categories of public sector entity.

Entities required to apply IFRSs after January 1, 2011 are collectively referred to in this Exposure Draft as “publicly accountable enterprises.”

The AcSB proposes that, upon the adoption of IFRSs by publicly accountable enterprises, pension plans continue to prepare their financial statements in accordance with PENSION PLANS, Section 4100, rather than IAS 26, “Accounting and Reporting by Retirement Benefit Plans.”⁴ To the extent that aspects of financial reporting by pension plans are not addressed by Section 4100, plans currently consult other primary sources of Canadian GAAP. After the changeover to IFRSs, they would look instead to IFRSs other than IAS 26 for additional guidance. The AcSB will consider whether any modifications to Section 4100 are necessary for compatibility with IFRSs. The AcSB will also encourage the IASB to undertake a project to update and improve IAS 26, with a view to eventually replacing Section 4100 with an improved version of IAS 26.

The AcSB continues to deliberate the appropriate financial reporting models for private enterprises and not-for-profit organizations, and expects to be in a position to indicate the directions its discussions are taking later in 2008. In the absence of final decisions in these areas, entities in these two categories of reporting entity are permitted to adopt IFRSs, once they have been included in the Handbook, but are not required to do so (this could eventually change for some entities). Accordingly, such entities may wish to respond to this Exposure Draft.

The Handbook in effect after the changeover to IFRSs will include a preface that, among other things, directs the various categories of reporting entity in Canada to the guidance that applies to them.

Incorporation of IFRSs into Canadian GAAP

The IFRSs included in this Exposure Draft are all those found in the International Accounting Standards Board’s 2007 Bound Volume of International Financial Reporting Standards, that is, all IFRSs in effect at January 1, 2007. These standards are being provided for exposure purposes in both English and French. To view the standards, [click here](#). The AcSB proposes, subject to comments received on this

⁴ The ability to continue to follow Section 4100 would not extend to an entity that holds or manages the assets of a pension fund, but is not itself a pension plan.

Exposure Draft, to incorporate these IFRSs into the Handbook. They will serve as a benchmark reference of the standards and interpretations to be adopted at the changeover date. The IASB may change IFRSs both before the changeover date and afterwards, in which case the AcSB will issue corresponding exposure drafts to incorporate the changes into Canadian GAAP.⁵ This will ensure that, at any point in time, the most current version of IFRSs is available for use by Canadian entities.

The AcSB intends to bring the IFRSs into the Handbook in full and without modification. To do otherwise would result in multiple and possibly conflicting versions of IFRSs globally, if enough other national standard setters did the same. This would defeat the purpose of global convergence, which is to move toward a single set of high-quality accounting standards for use throughout the world. This rationale is reflected in the US Securities and Exchange Commission's (SEC) November 2007 announcement of the elimination of the requirement for foreign private issuers to reconcile their IFRS financial statements to US GAAP.⁶ The SEC has specified that the reconciliation requirement is being waived only for financial statements prepared using IFRSs as issued by the IASB so as "to encourage the development of IFRS as a uniform global standard, not a divergent set of standards applied differently in every nation." Further, International Financial Reporting Standard IFRS 1, "First-time Adoption of International Financial Reporting Standards," which provides transitional guidance and relief for entities adopting IFRSs for the first time, applies only when an entity is in a position to make an explicit and unreserved statement of compliance with IFRSs. For this reason, the AcSB believes it is important that Canadian GAAP for publicly accountable enterprises be the same as IFRSs.

The AcSB will deviate from this guiding principle only if there are compelling arguments as to why a standard or interpretation would lead to inappropriate results if applied in Canada, even though IFRSs have been developed for use, and are being used, on a worldwide basis. This Exposure Draft asks stakeholders to perform a fatal flaw review of the IFRSs being exposed, and to inform the AcSB of any that they consider inappropriate for application in Canada. The Appendix to these Highlights provides the AcSB's suggested approach to performing this review given the volume of material and other factors to be considered, including the degree to which IFRSs are expected to change before 2011.

The AcSB is not soliciting suggestions as to how an individual standard or interpretation might be improved. Such suggestions are more appropriately made to the IASB, and this may be done at any time. Instead, the AcSB asks that stakeholders review the IFRSs from a more fundamental perspective and form an opinion, in each case, as to whether the standard or interpretation can be applied as written, or one or more of its requirements would produce inappropriate results in Canada (even when this is not the case elsewhere in the world). Potential problems identified by respondents should exclude those that might be addressed through the addition of special transitional provisions (see "IFRS 1" below).

The Bound Volume also includes introductory material, a preface, bases for conclusions for individual IFRSs, non-authoritative application or implementation

⁵ This may involve the issuance of one or more omnibus exposure drafts after this one, in order to reduce the number and frequency of exposure documents necessary to incorporate into the Handbook all of the changes made to IFRSs subsequent to the 2007 Bound Volume.

⁶ The Final Rule Release dealing with the removal of the reconciliation requirement is available on the SEC's website at www.sec.gov/rules/final/2007/33-8879.pdf.

guidance and illustrative examples, and the IASB's conceptual framework, "Framework for the Preparation and Presentation of Financial Statements" (the Framework). With the exception of the Framework, respondents are not asked to comment on this additional material. However, they may wish to review it just the same, as it assists in understanding the IFRSs being exposed. It also provides an insight into how the IASB operates that is useful to Canadian entities in preparing for the future. Because the Framework provides the fundamental underpinnings of the IFRSs being exposed, respondents are asked to treat it as if it were a standard for purposes of this Exposure Draft.

Early adoption of IFRSs

Some Canadian publicly accountable enterprises, such as those with parent companies already reporting in accordance with IFRSs, may wish to adopt IFRSs in advance of the mandatory changeover date. The desire to adopt early is also likely to be affected by the aforementioned elimination of the SEC requirement to reconcile financial statements prepared in accordance with IFRSs to US GAAP.

The AcSB's process for incorporating IFRSs into Canadian GAAP allows for the possibility of their early adoption. Entities subject to the requirements of regulators such as the Canadian Securities Administrators (CSA) and the Office of the Superintendent of Financial Institutions will need to abide by the decisions of these regulators concerning early adoption.⁷ Entities choosing to adopt the standards early would be required to adopt the full set of IFRSs rather than individual standards or interpretations.

Replacement of current Canadian GAAP for publicly accountable enterprises

IFRSs will replace current Canadian GAAP for publicly accountable enterprises at the changeover date. Therefore, at that date, all current Handbook material will cease to apply to this category of reporting entity, with the exceptions noted in the "Scope" section of these Highlights. The AcSB may determine that some guidance in addition to IFRSs is necessary after the changeover date because of unique Canadian circumstances, or the need to supplement the guidance found in a limited number of IFRSs in order to make them workable in Canada. Such IFRSs might include IFRS 4, "Insurance Contracts" (which, with some exceptions, allows an entity to temporarily continue following the accounting policies that it was using when it first applied the requirements of this standard), and IAS 12, "Income Taxes" (which refers to tax laws that are "substantively enacted," but does not currently provide guidance on the meaning of this term). This Exposure Draft asks stakeholders to identify any guidance in current Canadian GAAP that they think will continue to be necessary after the changeover date, other than guidance relating to insurance contracts, and to issues addressed by the AcSB's Emerging Issues Committee Abstracts of Issues Discussed (EIC Abstracts), which are discussed below.

Canadian GAAP and IFRSs include interpretations developed by the Emerging Issues Committee and the IASB's International Financial Reporting Interpretations Committee, as well as its predecessor body, the Standing Interpretations Committee, respectively. The AcSB has decided that it will generally not issue application or interpretative guidance on IASB standards. Further, all current EIC Abstracts will

⁷ On February 13, 2008, the CSA issued, for public comment, a Concept Paper proposing that listed companies be permitted to adopt IFRSs for financial years beginning on or after January 1, 2009. The Concept Paper is available on the Ontario Securities Commission's website at www.osc.gov.on.ca/Regulation/Rulemaking/Current/Part5/csa_20080215_52-402_cp-fin-rpt.jsp.

cease to apply to publicly accountable enterprises at the changeover date.⁸ A task force has been struck to determine if any issues addressed in the EIC Abstracts should either be referred to IFRIC or be the subject of guidance issued by the AcSB because the issue is affected by specific Canadian legal, tax, regulatory or other circumstances that do not apply in other countries and, therefore, are unlikely to be addressed by the IASB. The aforementioned issue of when changes in tax legislation are considered substantively enacted in Canada might fall into the latter category. The recommendations of the task force are being posted on the AcSB's website on an ongoing basis, and will be subject to comment by stakeholders at a future date before the AcSB takes any action on them.

IFRS 1

IFRS 1 provides transitional guidance and relief for entities adopting IFRSs for the first time. Therefore, it has an important role to play in the initial adoption of IFRSs by Canadian publicly accountable enterprises.

In general, IFRS 1 requires an entity to comply with each IFRS effective at the reporting date for the entity's first IFRS financial statements (i.e., the first annual financial statements in which the entity adopts IFRSs, by an explicit and unreserved statement in those financial statements of compliance with IFRSs). In accordance with IFRS 1, an entity is required to do the following in its opening IFRS balance sheet (i.e., the balance sheet prepared at the beginning of the earliest comparative period presented in the entity's first IFRS financial statements):

- (a) recognize all assets and liabilities that IFRSs require to be recognized;
- (b) not recognize items as assets or liabilities if IFRSs do not permit such recognition;
- (c) reclassify items when, in accordance with the GAAP previously followed by the entity, these items have been presented differently from how they would be presented in accordance with IFRSs; and
- (d) apply IFRSs in measuring all recognized assets and liabilities.

IFRS 1 provides limited exemptions from these requirements in specified areas when the cost of complying with the requirements is likely to exceed the resulting benefits to users of financial statements. IFRS 1 generally requires retrospective application of IFRSs on first-time adoption, but prohibits such application in some areas, particularly when retrospective application would require judgments by management about past conditions after the outcome of a particular transaction is already known.

Additional transitional relief may be necessary to deal more effectively with the circumstances of Canadian first-time adopters. The AcSB considered developing a Canadian version of IFRS 1 to be used along with, or in place of, the international standard. However, it decided against this approach because it would prevent Canadian entities from claiming full compliance with IFRSs. As mentioned, full compliance is required in order to take advantage of the transitional relief provided by IFRS 1 for first-time adopters. The AcSB rejected the staggered adoption of IFRSs by Canadian entities over time for the same reason.

Instead, the AcSB decided to approach the IASB with a request to amend IFRS 1 in order to make it more useful to Canadian entities and entities in other countries adopting IFRSs for the first time in or around 2011. This matter is time sensitive, given the need to have any required transitional relief in place by the Canadian

⁸ This change does not affect private enterprises or not-for-profit organizations, pending determination by the AcSB of the appropriate financial reporting models for those entities.

changeover date, and the IASB due process involved in effecting amendments to IFRS 1. Accordingly, in December 2007, AcSB staff posted to the AcSB's website an invitation to stakeholders to submit suggestions for possible modifications to IFRS 1.⁹ Those considered to have merit were included in a written proposal to the IASB, and are being deliberated. This Exposure Draft provides an opportunity for stakeholders to inform the AcSB of any amendments to IFRS 1 they think are warranted, beyond those already proposed by AcSB staff.¹⁰

The AcSB also considered, but rejected, restricting the ability of Canadian entities to apply the full range of options included in IFRS 1 upon transition to IFRSs. Certain of these options are better suited to entities following a national GAAP that is substantially less well developed than Canadian GAAP. However, the AcSB wished to avoid the possibility of Canadian entities being at a disadvantage compared with their counterparts in other jurisdictions with no such restriction.

Disclosures about IFRSs not yet effective in Canada

ACCOUNTING CHANGES, paragraph 1506.30, requires that an entity disclose information relating to a new primary source of GAAP that has been issued but is not yet effective and that the entity has not applied. The AcSB intended this requirement to apply to a change in individual accounting standards, and not to the wholesale replacement of GAAP, as will occur at the changeover date. This Exposure Draft includes a proposal to amend the scope of Section 1506 in order to make clear this intention.

The AcSB notes that the CSA plans to issue guidance on "market grooming" disclosures (i.e., disclosures intended to provide financial statement users with a general understanding of the future effects of adopting IFRSs). These disclosures are not expected to form part of an entity's financial statements.

Plans for finalizing the proposals

The AcSB expects to incorporate the IFRSs in this Exposure Draft into the Handbook early in 2009, and to expose by then any changes made by the IASB affecting the body of IFRSs to be in effect at January 1, 2009.

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

Comments requested

The AcSB welcomes comments on the following questions:

1. Do you agree with the AcSB's proposals regarding the entities to which IFRSs will, or will not, apply after the changeover date? If not, what entities would you suggest the AcSB include or exclude from the scope of IFRSs at the changeover date? (See "Scope" above.)

⁹ See Adoption of International Financial Reporting Standards: IFRS 1 on the AcSB's website at www.acsbcanda.org/4/1/9/9/5/index1.shtml.

¹⁰ The amendments to IFRS 1 proposed by AcSB staff are described in Agenda Paper 5 for the IASB meeting of March 12, 2008. The Agenda Paper is available on the IASB's website at www.iasb.org/NR/rdonlyres/C499A1E5-C10B-4418-B074-6A29DC66826A/0/IFRS10803b05obs.pdf.

2. The standards and interpretations included in this Exposure Draft have been developed by the IASB for universal application. Do you think that, regardless of this fact, one or more of these standards and interpretations contain requirements that would lead to inappropriate results if they were applied in Canada? If so, please specify each such requirement and the aspects or circumstances that make it inappropriate for Canadian entities, together with a proposed alternative requirement with supporting rationale. (See “Incorporation of IFRSs into Canadian GAAP” above.)
3. In general, the AcSB will not issue application or interpretative guidance on IASB standards. Do you think that such guidance is necessary for any of the IFRSs being exposed, even though it appears unnecessary elsewhere in the world? If so, please specify the standard, the specific issue giving rise to the need for application or interpretative guidance, and the nature of the guidance needed. (See “Replacement of current Canadian GAAP for publicly accountable enterprises” above.)
4. At the changeover date, current Handbook guidance will cease to apply to most publicly accountable enterprises and will be replaced by IFRSs, unless the AcSB determines that specified current guidance continues to be necessary. The AcSB may determine that some guidance in addition to IFRSs is necessary after the changeover to IFRSs because of unique Canadian circumstances, or the need to supplement the guidance found in a limited number of IFRSs in order to make them workable in Canada. Can you identify current guidance that is necessary in Canada after the changeover date, even when it appears not to be needed elsewhere in the world (excluding standards relating to insurance contracts, and EIC Abstracts, which are being considered separately from the proposals in this Exposure Draft)? If so, please specify the Section(s) or Accounting Guideline(s) and the Canadian circumstances that make such guidance necessary exclusively in Canada. (See “Replacement of current Canadian GAAP for publicly accountable enterprises” above.)
5. Are amendments to IFRS 1 needed to provide special transitional provisions for the adoption by Canadian entities of any of the IFRSs being exposed? If so, please specify each such IFRS, the transitional provision required and why you believe it is necessary.¹¹ (See “IFRS 1” above.)
6. Does the possibility of voluntary early adoption of IFRSs by Canadian entities raise issues that you think the AcSB should be aware of? If so, please explain these issues. (See “Early adoption of IFRSs” above.)
7. Do you agree that Canadian entities should not be required to provide the disclosures required by paragraph 1506.30 for the IFRSs exposed in this Exposure Draft and any other IFRSs incorporated into the Handbook in advance of the changeover date? If so, do you agree that the AcSB’s proposed changes to Section 1506 achieve the desired result? (See “Disclosures about IFRSs not yet effective in Canada” above.)

¹¹ Stakeholders need not repeat information already provided in response to AcSB staff’s December 2007 invitation to submit suggestions for possible modifications to IFRS 1. Footnote 10 directs readers to the IASB Agenda Paper containing the proposals brought forward to the IASB on behalf of AcSB constituents.

APPENDIX

A SUGGESTED APPROACH TO THE REVIEW OF IFRSs

This Exposure Draft includes the 37 standards and 22 interpretations found in the IASB's 2007 Bound Volume of International Financial Reporting Standards. The AcSB acknowledges the significant effort involved in reviewing this volume of material in any detail. At the same time, it points out that the difference between these IFRSs and Canadian GAAP and, as a result, the review effort likely required, is not as great as some stakeholders might expect. The AcSB has recently developed new Handbook Sections intended to replicate the guidance found in particular IFRSs. For many years before this, the AcSB worked more generally towards the elimination of differences between international standards and Canadian GAAP. The result is that a number of Canadian standards, or parts of them, are substantially converged with their IFRS counterparts. This will become evident to stakeholders as they perform their review of IFRSs. The AcSB recommends the following approach to this review as a means of minimizing the effort involved, while responding fully to the questions posed in the Exposure Draft and gaining familiarity with IFRSs in preparation for the changeover.

1. Consult the AcSB's summary and more detailed comparisons of IFRSs and Canadian GAAP.¹ These comparisons are not intended, and are not sufficiently comprehensive, to act as a substitute for a review of the actual IFRSs. However, they will assist stakeholders in understanding the key differences between IFRSs and Canadian GAAP, and in identifying the standards that they should focus on. Also helpful in this regard are publications of the major accounting firms, and professional accounting bodies, on IFRSs and the changeover in general, as well as publications that focus on IFRSs of particular relevance to specific industries. Such publications are generally available on the organizations' websites.

Stakeholders are reminded that neither of the AcSB's two comparisons considers disclosure requirements of IFRSs. Stakeholders are advised to review the disclosure requirements of the IFRSs they determine are most important to them.

2. Having identified the IFRSs to focus on, review the individual standards, keeping in mind the following:
 - (a) Of the 37 standards in the 2007 Bound Volume, only 11 are expected to have changed by January 1, 2011. The next section of this Appendix identifies these IFRSs and categorizes them according to whether the changes are substantial (six IFRSs fall into this category) or are confined to narrow aspects of the standard's requirements (there are five such IFRSs). Of the six IFRSs with substantial changes, two (IFRS 3 and IAS 27) are already available in their final form.

This leaves 26 standards expected to remain largely unchanged until 2011. Stakeholders can, initially, focus their review on these standards, and on those expected to be amended only in respect of narrow aspects of their requirements. Canadian publicly accountable enterprises may further wish to begin planning immediately for the adoption of these standards.

¹ The AcSB's summary and more detailed comparisons of IFRSs and Canadian GAAP are available on the AcSB's website at www.acsbcanada.org/download.cfm?ci_id=32785&la_id=1&re_id=0 and www.acsbcanada.org/download.cfm?ci_id=41263&la_id=1&re_id=0, respectively.

- (b) Some IFRSs, or certain of their requirements, have, in effect, already been incorporated into Canadian GAAP. The following IFRSs, or parts of them, have essentially been replicated in the Handbook through the development of, or amendments to, the Handbook Sections noted in the parentheses:
- IFRS 7, “Financial Instruments: Disclosures” (FINANCIAL INSTRUMENTS — DISCLOSURES, Section 3862)
 - Capital disclosure requirements of IAS 1, “Presentation of Financial Statements” (CAPITAL DISCLOSURES, Section 1535)
 - IAS 2, “Inventories” (INVENTORIES, Section 3031)
 - IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors” (ACCOUNTING CHANGES, Section 1506)
 - Some requirements of IAS 38, “Intangible Assets” (GOODWILL AND INTANGIBLE ASSETS, Section 3064)

Canadian GAAP is also largely converged with certain aspects of other IFRSs, including IAS 32, “Financial Instruments: Presentation,” and IAS 39, “Financial Instruments: Recognition and Measurement,” in that these standards served as the model for the development of corresponding Handbook Sections (FINANCIAL INSTRUMENTS — DISCLOSURE AND PRESENTATION, Section 3860, which was replaced by FINANCIAL INSTRUMENTS — DISCLOSURE AND PRESENTATION, Section 3861, and FINANCIAL INSTRUMENTS — RECOGNITION AND MEASUREMENT, Section 3855, in the case of IAS 32 and IAS 39, respectively).

Familiarity with the Handbook Sections noted will reduce the time required to review these IFRSs. However, stakeholders should not assume that these Canadian standards are identical to their IFRS counterparts (or parts of them). The Background Information and Basis for Conclusions for each of the Sections, as well as the AcSB’s detailed IFRS/Canadian GAAP comparison, describe any areas of difference.

IFRS changes since publication of the 2007 Bound Volume

The following IFRSs have either changed from the version found in the 2007 Bound Volume, or are expected to change before 2011.² Beneath the description of each standard, or group of standards, is background information on the reason for the change, as well as current best estimates of publication dates for the final standards and when the new requirements are expected to be incorporated into Canadian GAAP. This information is based on the IASB’s current plans, as communicated in its current work programme. As such, it is subject to change as the IASB adjusts its plans. More details on the IASB projects in each area, including Exposure Drafts issued and the project’s status, are available on the IASB’s website at [IASB Work Plan](#).

Changes to an entire standard

- IFRS 3, “Business Combinations”
- IAS 27, “Consolidated and Separate Financial Statements”

As a result of the joint project of the IASB and the US Financial Accounting Standards Board (FASB) on business combinations, the IASB published a revised version of IFRS 3 and an amended version of IAS 27 in January 2008. The new requirements come into effect on July 1, 2009, although early adoption is permitted.

² This summary does not include consequential amendments resulting from the issuance of new IFRSs, amendments resulting from the IASB’s annual improvements project, or editorial corrections.

The changes made to the IFRSs are described on the IASB's website. The AcSB expects to incorporate the new standards into Canadian GAAP in 2008, and to have them take effect in 2011.

- IAS 12, "Income Taxes"

The IASB plans to amend IAS 12 as a result of its joint project with the FASB on this topic. A final standard is currently expected in 2009. The AcSB expects to incorporate amended IAS 12 into Canadian GAAP in 2009, and to have it take effect in 2011.

- IAS 31, "Interests in Joint Ventures"

As part of the IASB's short-term project with the FASB to reduce differences between IFRSs and US GAAP, the IASB intends to issue a new standard that would improve the reporting of joint arrangement activities (including joint ventures, joint assets and joint operations). A final standard is currently expected in 2008. The AcSB expects to incorporate this standard into Canadian GAAP in 2008, and to have it take effect in 2011.

- IAS 33, "Earnings per Share"

The IASB is considering amendments to IAS 33 to maintain convergence with the equivalent US standard, Statement of Financial Accounting Standards No. 128, "Earnings per Share," which the FASB is amending. The AcSB expects to incorporate amended IAS 33 into Canadian GAAP in 2009, and to have it take effect in 2010.

- IAS 37, "Provisions, Contingent Liabilities and Contingent Assets"

The IASB's current project on liabilities will amend IAS 37 in order to converge with US GAAP pertaining to restructuring costs and termination benefits, and improve the requirements relating to the identification and recognition of liabilities. A final standard is currently expected in 2009. The AcSB expects to incorporate this standard into Canadian GAAP on changeover to IFRSs.

Changes to narrow aspects of a standard

- IFRS 1, "First-time Adoption of International Financial Reporting Standards"

The IASB intends to amend IFRS 1 to address the determination of the cost of investment in a subsidiary on adoption of IFRSs. Further amendments to this standard may be required before 2011, including any proposed by AcSB staff that the IASB agrees should be made. Stakeholders should pay close attention to IFRS 1 during their review of the IFRSs being exposed, in order to identify any additional transitional relief required by Canadian entities when adopting IFRSs (beyond any already communicated to AcSB staff).

- IFRS 2, "Share-based Payment"

In January 2008, the IASB amended those parts of IFRS 2 dealing with vesting conditions and cancellations. The IASB also proposes to amend IFRS 2 to clarify its application to group cash-settled share-based payment arrangements. The AcSB expects to incorporate these new requirements into Canadian GAAP on changeover to IFRSs.

- IAS 24, “Related Party Disclosures”

The IASB intends to amend those parts of IAS 24 dealing with state-controlled entities and the definition of a related party. A final standard is currently expected in 2008. The AcSB expects to incorporate the new requirements into Canadian GAAP on changeover to IFRSs.

- IAS 32, “Financial Instruments: Presentation”

In February 2008, the IASB amended those parts of IAS 32 dealing with the classification of financial instruments puttable at fair value and obligations arising on liquidation. The AcSB expects to incorporate the new requirements into Canadian GAAP on changeover to IFRSs.

- IAS 39, “Financial Instruments: Recognition and Measurement”

The IASB intends to amend those parts of IAS 39 dealing with what can be designated as a hedged item in a hedge accounting relationship. Final amendments are currently expected in 2008. The AcSB expects to incorporate the new requirements into Canadian GAAP on changeover to IFRSs.

Adopting IFRSs in Canada

ACCOUNTING CHANGES (AMENDMENT TO SECTION 1506)

PROPOSAL

ACCOUNTING CHANGES, Section 1506, would be amended by adding the text denoted by underline, as indicated below.

SCOPE

.03 ► *This Section shall be applied in accounting for changes in accounting policies, changes in accounting estimates and corrections of prior period errors. This Section shall be applied to a change in individual accounting policies but not to the complete replacement of an entity's primary basis of accounting.*