

Private Enterprise Advisory Committee

Meeting notes

June 15, 2010

(These notes are a summary of the discussions in the Advisory Committee meeting. These notes have been prepared by AcSB staff and have not been approved by the Advisory Committee.)

Administrative Matters

This was the inaugural meeting of the Advisory Committee. Accordingly, members devoted a significant amount of time to administrative and organizational issues, including planning for future meetings.

Members discussed draft terms of reference and operating procedures for the Advisory Committee. The AcSB will be asked approve the terms of reference and ratify the operating procedures at a future AcSB meeting.

The Advisory Committee discussed communications activities, noting that a webinar discussing first-time adoption issues should be held in the third quarter of 2010. The Advisory Committee also noted the importance of communicating the future direction the AcSB intends to follow in maintaining and improving the accounting standards for private enterprises.

The AcSB has issued an Exposure Draft, “Accounting for Not-for-Profit Organizations” that proposes that not-for-profit organizations would use the standards in Part II of the Handbook together with additional standards that address the unique circumstances of those organizations. The Advisory Committee agreed that, assuming these proposals are adopted, it should consider the implications for not-for-profit organizations of any proposed changes to the standards in Part II of the Handbook.

IASB Workplan

As part of its processes to ensure that the accounting standards for private enterprises continue to provide high-quality standards that meet the needs of private enterprises, the Advisory Committee will review all changes to International Financial Reporting Standards (IFRSs). The Committee will recommend to the AcSB whether or not an IFRS should be incorporated into the accounting standards for private enterprises. This might involve modifying the IFRS to meet the cost-benefit criteria for private enterprise reporting. The Advisory Committee reviewed the International Accounting Standards Board (IASB) Workplan and considered which projects should be discussed in the short term. Members agreed to develop guidelines to help the AcSB decide which changes in IFRSs should be given priority.

Members agreed that the IASB’s Consolidations, Fair value measurement, Discontinued operations and Employee future benefits projects should be discussed in the near future.

Implementation Guidance

Members discussed the need for detailed non-authoritative implementation guidance in respect of the accounting standards for private enterprises. Members noted that the CICA is planning on updating its “Guide to Canadian Financial Reporting” and tailoring it for the private enterprise standards. The various



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accounting organizations have established training programs and are currently developing implementation guidance. On this basis, the Advisory Committee does not recommend that AcSB staff develop detailed, non-authoritative implementation guidance.

Timing and Updates to the Standards

Members discussed the process for updating accounting standards for private enterprises. The Advisory Committee recommended that there should be a process for both major and minor updates to the standards. Major updates should be made approximately every two years and minor updates should be made annually. The first major update should be targeted for publication near the end of 2012 and be applicable for 2014 calendar year-end reporting.

The recommendations of the Advisory Committee on these issues will be taken to a future AcSB meeting.

Selected Technical Issues

The purpose of this agenda item was to solicit members' preliminary feedback on selected technical issues. These issues and the discussion were as follows:

Subsequent Events

Staff noted that the new Canadian Auditing Standards are inconsistent with the requirements in the private enterprise accounting standards for assessing subsequent events. Members noted that this was a major issue and recommended that the accounting standards be changed as soon as possible. The Advisory Committee recommendation will be presented to a future AcSB meeting. Members will discuss how the accounting standards for private enterprises should be modified at the August 2010 meeting.

Leases

Members provided preliminary feedback with respect to issues that private enterprises might face under the proposals in the IASB's upcoming exposure draft. These proposals would remove the distinction between capital and operating leases and require all leases to be reported on the balance sheet.

User members noted that, in general, current practice among lenders is to recast reported financial statement information to reflect significant operating leases as capital leases. Currently, this is done with rough calculations and, accordingly, there is inconsistency in this analysis. From a user perspective, treating all leases as capital leases would be valuable.

Members agreed that the distinction between operating and capital leases is inconsistent with the conceptual framework. Members did not believe that private enterprises would face any significant issues in accounting for leases under the proposed model. Members noted that the information to calculate the capitalized amounts was readily available to private enterprises and that the benefits of this approach would outweigh the costs.

A more detailed analysis of lease accounting will be undertaken at a future Advisory Committee meeting.

Agriculture

Members discussed whether there is a need for a Canadian standard on agriculture. Members agreed that there is a strong need for a standard on agriculture because there is inconsistent practice in respect of accounting in this sector. Members agreed to continue discussions on this topic at future meetings.