

Private Enterprise Advisory Committee

Meeting notes

December 13, 2011

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

Opening Balance Sheet

The Committee noted that questions continue on whether the opening balance sheet can be included in the notes to the financial statements. Committee members agreed that “presents”, as used in *First-time Adoption*, paragraph 1500.04, requires presentation of the opening balance sheet on the face of the balance sheet.

Fair Value Measurement

The Committee discussed, and agreed with, the AcSB’s tentative decision to defer the adoption of a standard on fair value measurement into Part II of the CICA Handbook – Accounting. The AcSB will review practice under IFRS 13 once that standard has been in place for some time and then reconsider the need for a corresponding standard for private enterprises.

Process for modifying standards to incorporate IFRS

The Committee reviewed and provided its recommendations on a draft process to determine if and how the accounting requirements in a new or revised International Financial Reporting Standard (IFRS) should be incorporated into accounting standards for private enterprises. The Committee agreed that a key criterion is whether the accounting in the IFRS significantly improves accounting standards for private enterprises. It was noted that making a change to accounting standards for private enterprises simply to be consistent with IFRSs should not be a driving factor.

When a change to IFRSs is incorporated into accounting standards for private enterprises, the preferred approach is to amend the existing standard in Part II, as opposed to inserting a modified version of the IFRS.

Joint Arrangements

The Committee agreed that Section 3055, *Interests in Joint Ventures*, should be modified to incorporate the key elements of IFRS 11 *Joint Arrangements*. The Committee agreed to recommend a simplification to the accounting in IFRS 11. This would permit a private enterprise to use equity method accounting for all interests in a joint arrangement structured in a separate vehicle. Requiring private enterprises to consider the various factors that might result in the interest not qualifying for equity method accounting was considered to fail a cost/benefit test. Further discussions will be held at a future meeting.

2012 Annual Improvements

The Committee discussed a number of potential issues to be addressed as part of the 2012 annual improvements process. The Committee agreed upon recommended wording for a number of

these issues. It is expected that the 2012 annual improvements will be exposed for comment early in the second quarter of 2012.

Consolidation

The Committee reconfirmed that applying Accounting Guideline AcG-15, *Consolidation of Variable Interest Entities*, is a significant problem in practice. Consistent with its earlier discussion on incorporation of IFRSs, the Committee agreed that requirements for consolidating variable interest type arrangements should be incorporated into existing consolidation standards, rather than replacing the existing standards with a new standard based on IFRS 10 *Consolidated Financial Statements*. The Committee requested staff to develop this approach for discussion at a future meeting.