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International Financial Reporting Standards (IFRS) Update

On April 7, 2008, after much discussion and hype, the Accounting Standards Board (AcSB) issued its omnibus Exposure Draft (ED) on the implementation of the International Financial Reporting Standards (IFRS) in Canada.

The ED contains by reference the entire body of IFRS as it existed on January 1, 2007, amounting to over 2,400 pages. This consists of 37 standards--8 IFRS and 29 International Accounting Standards (IAS); as well as the 22 International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) interpretations.

This bulletin is intended to give direction that will allow CMAs to educate themselves about IFRS to the degree they desire. To view the AcSB's Exposure Draft on "*Adopting IFRSs in Canada*" [click here](#).

As had been well publicized beforehand, the ED proposes that all Canadian reporting entities, **except the following**, be required to apply IFRS 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,
 - (ii) do not hold assets in a fiduciary capacity for a broad group of outsiders. (Entities that hold and manage financial resources entrusted to them in a fiduciary capacity, such as banks, credit unions, insurance companies, securities brokers/dealers, mutual funds, and investment banks will need to adopt IFRS.)
- (b) Not-for-profit organizations, as defined in "*Financial Statement Presentation by Not-for-Profit Organizations*", CICA Accounting Handbook Section 4400.
- (c) Public sector entities to which the standards contained in the CICA Public Sector Accounting Handbook apply, except for government business enterprises and government business-type organizations. (This means that Crown Corporations and the like will be adopting IFRS.)

The entities that IFRS will apply to are collectively known as **publicly accountable enterprises**.

The AcSB has recently decided to develop a separate set of GAAP accounting standards for **private enterprises** based on the existing CICA Handbook – Accounting. The AcSB is fast-tracking this project with the expectation that it will be completed by the end of 2008.

The AcSB also continues to deliberate on the future basis for setting standards for the **not-for-profit** sector and has indicated that the initiative to establish a new set of standards applicable to private enterprises may result in standards that could be beneficially applied by many, perhaps the majority of, not-for-profit organizations. It is also considering whether the existing CICA Handbook Section 4400 might be retained with the cross-references changed to IFRS.

The decisions of the AcSB to date will be summarized in next week's bulletin entitled "*Financial Reporting Standards for Private Enterprises*".

CMA Canada members are encouraged to download the "*Readers Guide to Adopting IFRSs in Canada*" before the ED itself. The guide is a good overview of what stays the same, what IFRS standards are already incorporated into Canadian GAAP, and what IFRS standards are expected to change before the 2011 implementation date. Members should also read the comments of Ron Salole, VP Standards CICA, in the article entitled "*Don't Stress over the Introduction of IFRS*".

Also consider reading the article entitled "*Global Standards*" in the April 2008 Edition of [CAmagazine](#) that deals with the issues related to the implementation of IFRS including "dos and don'ts." It also provides a number of links to various sources of information and guidance.

Some good information including comparisons of IFRS to Canadian GAAP and links are also available on the main [CICA/AcSB IFRS website](#).

The International Accounting Standards Board website provides an overview of each of the standards as they currently exist. It is located at <http://www.iasb.org>.

Deloitte has some very good IFRS material on their website. [Click here](#) to view their *Countdown* eNewsletter.

Deloitte International also has a concise guide to IFRS entitled "*IFRS in Your Pocket*" that can be obtained at: <http://www.iasplus.com/dttdpubs/pocket2007.pdf>.

The Finance Group, an independent organization, has some good information including succinct bulletins on their website: <http://www.ifrsincanada.com/>.

The Canadian Financial Executives Research Foundation has prepared a report on IFRS readiness in Canada which is available at: <http://www.feicanada.org/files/cferf-IFRS-report%20Final.pdf>.

CMA Management Magazine published an article in 2007 that compares IFRS at the time to Canadian GAAP: <http://www.managementmag.com/7/9/7/1/index1.shtml>. Watch for additional upcoming articles.

While many entities may not be ultimately subject to IFRS, it is in every CMA's best interest to have a good understanding of IFRS and what its impact will be. For those entities that will be impacted by IFRS adoption, that may want to adopt IFRS for strategic reasons or for their external accountants, knowledge is critical to be able to assess the requirements and commence the implementation process. Practitioners may also have the potential for significant incremental revenue generation through consulting services.