



# Strategic Opportunities in Canada's Transition to IFRS

November 5, 2009

# Objectives

- Strategic opportunity
- Roadmap of key steps in transition to IFRS
- Readiness on transition date
- Areas of focus for audit committees and senior management
- Resources and tools
- CPAB's expectations of audit firms

# Strategic Opportunity

- Improve financial reporting
- Choices made today will impact future financial reporting
- Perform an effective diagnostic
- Streamline accounting and reporting processes
- Bulk of work may reside in a few areas (focus on key areas)

# Strategic Opportunity

- If wait too long, may limit IFRS options in certain areas
- Opportunity for audit committees to become more engaged on choices made by management and ensure that these choices make sense
- Opportunity to benchmark within industry

# Lessons Learned

## from Europe / Australia / Other Countries

- Planning is essential
- Consult / communicate
- Do not underestimate disclosures

# Opportunities for Improved Disclosures

***“IFRS implementation will provide an excellent opportunity for companies to undertake a ‘big picture’ review of their financial reporting, to make sure it is providing the right information needed for good decision making.”*** CICA Guide to IFRS in Canada

- ‘Tell the story’ in your own way
- Involve your auditor early in the process
- Be aware of expanded IFRS disclosures in the MD&A for 2009 and 2010 (CSA Staff Notice 52-320)

# IFRS Transition - Key Steps 1

- Systematic approach
- Impacts entire organization
- Identify key accounting policies and other choices
- Understanding IFRS 1 is key

# First Time Adoption Considerations

- IFRS 1 choices:
  - Fair value as deemed cost
  - Property, plant and equipment
  - Business combinations
  - Employee benefits
  - FX translation

# Readiness on Transition Date

- Some actions must be taken prior to your IFRS transition date (January 1, 2010 for calendar year companies)
  - Elections or designations
    - Hedge accounting
    - Financial instruments classification
  
- Consider involvement of specialists near transition date
  - Fair values
  - Goodwill impairment
  - Provisions

# IFRS Transition - Key Steps 2

- Identify key financial reporting differences
- Engage audit committee early in the process
- Perform peer assessments / benchmarking
- Focus on high impact areas

# High Impact Standards by Industry

Manufacturing	Retail	Technology	Real Estate	Resources
Property, plant & equipment	Leases	Revenue recognition	Property, plant & equipment	Exploration & Evaluation
Impairment of assets	Customer loyalty arrangements	Impairment of assets	Investment properties	Property, plant and equipment
Provisions		Share based payments	Borrowing costs	Share based payments
Leases				Joint venture arrangements

# IFRS Transition - Key Steps 3

- Map out financial statements
- Assess effect on IT systems and need for additional information under IFRS (short cuts may prove costly)
- Assess effect on internal controls
- Engage IFRS advisors and auditors early in the process
  - Ongoing dialogue between management, the audit committee and IFRS advisors is critical for a smooth transition
- Documentation

# Standards in Transition

- Evaluate the effect of standards that will change before December 31, 2011
- Monitor standards that will change in 2011 or later – consider early adoption, where permitted and beneficial
- Examples of standards that are expected to change include:
  - Consolidation
  - Joint ventures
  - Financial instruments
  - Provisions

# Information Requirements

- Watch out for additional information requirements for accounting or disclosures
- Do your systems provide the required information?
- Reduce complexity and improve internal controls
- Automation of processes will enhance operational effectiveness
- Dual reporting for 2010 and reconciliations in 2011

# Expectations of Audit Firms

- Technical competence in IFRS
- Timely dialogue with clients
- Capacity issues
- Develop consultation networks
- First time adoption of IFRS creates heightened audit risk
- Auditors should identify risks and ensure audit is responsive to those risks
- Documentation

# Resources & Tools

- IASB website ([www.iasb.org](http://www.iasb.org))
- CICA Standards in Transition website ([www.cica.ca/IFRS](http://www.cica.ca/IFRS))
- IFRS Discussion Group
- Major firms – newsletters, publications, training materials, IFRS disclosure checklists
- Industry resources
- CICA Assurance Task Force

# Independence Considerations For Auditors of Public Companies

- **Can provide the following services:**
  - Project management advice and consultation
  - Perform analysis of accounting policy and disclosure differences
  - Provide options for client consideration
  - Identify system and process impacts
  - Provide advice on interpretation and application of IFRS

# Independence Considerations For Auditors of Public Companies

- **Can provide the following services:**
  - Assist in determination of training requirements, and develop and deliver IFRS training
  - Peer group benchmarking
- **Cannot function in the role of management**
- **Work should not create a self-review threat**

# Audit Committees & Senior Management- Areas of Focus

- Increase knowledge of IFRS
- Key areas of judgment and choices - apply appropriate scrutiny
- Ensure higher impact areas are identified early and adequate resources assigned
- Level of assurance required for Opening Balance Sheet contained in first interim IFRS filing in 2011
- Level of assurance required for interim filings in 2011
- Ongoing and timely dialogue with stakeholders
- Monitor IASB developments

**CANADIAN PUBLIC ACCOUNTABILITY BOARD  
CONSEIL CANADIEN SUR LA REDDITION DE COMPTES**



[www.cpab-ccrc.ca](http://www.cpab-ccrc.ca)



[www.acsbcanada.org](http://www.acsbcanada.org)

# Disclaimer

**The views expressed by all our presenters are their own views and do not necessarily reflect the views of CPAB or AcSB.**