

## INTERNATIONAL FINANCIAL REPORTING STANDARDS

### IFRS – What does it all mean?

If you have been following the latest buzz in the accounting world, you have no doubt heard of “International Financial Reporting Standards”. They are more affectionately known as IFRS and they are coming to Canada!

IFRS are accounting standards designed by the International Accounting Standards Board (IASB).

The Canadian Accounting Standards Board (AcSB) has announced its decision to replace Canadian Generally Accepted Accounting Principles (GAAP) with (IFRS) for fiscal years beginning on or after January 1, 2011 for all Canadian publicly accountable enterprises, generally understood to include:

- a) publicly listed companies
- b) enterprises with fiduciary responsibilities, such as banks, insurance companies, credit unions, securities firms, mutual funds and investment banks; and
- c) Crown corporations and other government business enterprises.

If you determine that you are not a publicly accountable enterprise, you should not assume that you will not have to ever worry about IFRS. If you are a private company (PC) or a not-for-profit organization (NPO), the mandatory changeover date does not apply to your organization. However the AcSB is still in the process of working out an appropriate financial reporting framework for these two groups. The outcome of this process may or may not require PCs and NPOs to adopt all or part of IFRS and we will keep you abreast of any development in this area.

However, PCs and NPOs will have the option of voluntarily adopting IFRS even if the decision is that IFRS are not applicable to these groups.

Ultimately, preparers of financial statements may be pleasantly surprised at how much current Canadian GAAP and IFRS have in common. They are based on essentially identical conceptual frameworks, cover many of the same topics and, in many cases, arrive at similar conclusions.

Nonetheless, preparers (and users) of financial information should not be deluded into thinking that it will be a quick transition from GAAP to IFRS. Although publicly accountable enterprises will be required to prepare their interim and annual financial statements in accordance with IFRS for fiscal years beginning on or after January 1, 2011, comparative statements will also have to comply with IFRS. Accordingly, it is not too early to start getting to know IFRS, so that you can begin selecting the post-changeover accounting policies for your entity, as well as identifying any systems changes that may be required to collect the necessary data.

The change to IFRS will affect more than just the financial reporting process, and it is important that the entire organization be involved in assessing its implications. Many areas of the business may be affected, including lending agreements, debt covenants, and bonus-based remuneration plans. Certain systems used to record and analyze financial transactions and related company-specific infrastructure may need to be modified. There may also be tax implications as a result of certain changes.

So, the question bears asking is why would you want to adopt IFRS if you were not required to? These changes are part of a world-wide shift, intended to facilitate global capital flows and bring greater clarity and consistency to financial reporting in the global marketplace. Over 100 countries including countries of the European Union adopted IFRS in 2005. India and China will be adopting IFRS on about the same timeline as Canada, and Japan, Brazil, Korea and Israel are also gearing up for the change. If you want your financial statements to be comparable to such entities, then you may choose to adopt IFRS.

*Meanwhile, in the United States ...*

In the US, the Financial Accounting Standards Board (FASB) has engaged in an active effort to seek convergence of U.S. GAAP with IFRS. In 2002, the IASB and FASB jointly pledged to use their best efforts to “make their existing financial reporting standards fully compatible as soon as is practicable.”

FASB and the IASB have already made progress under their convergence project which often resulted in choosing between the U.S. GAAP approach and the IFRS approach. One of their goals for 2008 is to make significant progress in areas where they jointly believe current accounting practices under both sets of standards need improvement.

The Securities and Exchange Commission has been supportive of convergence noting its commitment to eliminate prior to 2009 the requirement that foreign private issuers reconcile to U.S. GAAP financial statements prepared using IFRS.

### *This 'n That at Logan Katz...*

We are still in the process of preparing our 2008-09 breakfast seminar program and again would welcome any suggestions you may have for speakers or topics. Our breakfast seminar series is developed to provide small-business owner-managers, management of not-for-profit entities, and other individuals who have interest with valuable information that can help them in their day-to-day professional and business lives.

Our first seminar will take place on Thursday, September 18th, when our guest speaker will be Jean-Luc Boissonneault from Free Form Fitness, to discuss “The Business Athlete”.

More information regarding this seminar will follow at a later date.

**Questions or comments?**  
**Email us at**  
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