

Accounting Standards Board

Annual Report *2010-2011*



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Report from the Accounting Standards Board Chair

Where we've been

As the new Accounting Standards Board (AcSB) Chair, I am very pleased to report that the AcSB effectively completed its 2006-2011 Strategic Plan — which proposed significant changes in strategic direction for financial reporting in Canada. In addition, the Board met all its annual plan objectives, with the report that follows describing in detail the considerable achievements of the AcSB in its 2010-2011 operating year.



Having succeeded Tricia O'Malley as Chair half-way through 2010-2011 operating year, I cannot take considerable credit for these achievements, other than having participated as an AcSB member since 2006. Thus, I would like to pay tribute to the outstanding work done by my predecessors, Paul Cherry, Chair of the AcSB from 2001-2009 and Tricia O'Malley, Chair of the AcSB in 2000-2001 and 2009-2010. It was under their leadership and with the support of the Accounting Standards Oversight Council (AcSOC) that the AcSB developed and implemented the 2006-2011 Strategic Plan.

This report puts the final check mark in the “done” column for every major initiative in the previous five-year strategic plan. We now must move forward to monitor and supervise the changes to Canadian accounting as they are implemented by preparers, auditors and regulators.

Where we're going

The AcSB has now turned its mind to the future. After consultation with stakeholders and AcSOC, we developed a new Strategic Plan for 2011-2014. With AcSOC's support, this new strategic plan focuses on “bedding down” in practice the changes made to accounting standards for publicly accountable enterprise, private enterprises and pension plans, which are mandatorily effective for 2011, and accounting standards for not-for-profit organizations, mandatorily effective for 2012.

During the three-year period covered by this new strategic plan, we will make every effort to provide stakeholders with as much respite as possible from “standards fatigue”. However, when it comes to International Financial Reporting Standards, the extent of change during this period will be dictated by the International Accounting Standards Board. We already know that for Canadian publicly accountable enterprises there will be a second wave of changes to understand and implement.

With thanks to ...

As you know, these accomplishments did not happen of their own accord. The AcSB has been supported by an impressive network of volunteers who serve on our committees and task forces. Several of the committees and task forces that helped us with the development and implementation of our 2006-2011 strategy have completed their objectives and disbanded, and we thank the members for their efforts. New committees and task forces have been formed to help the AcSB move forward with the new strategy, already meeting and carrying out their tasks.

I also wish to recognize the members of AcSOC, an essential sounding board for the AcSB, who perform a critical governance function by ensuring that the AcSB's activities serve the public interest. In particular, I would like to thank Doug Hyndman, who acted as Chair of AcSOC during the critical implementation and development years of the 2006-2011 Strategic Plan. Denis Desautels has now taken over to oversee the implementation of the final phases of that plan, and the development and approval of our 2011-2014 Strategic Plan.

Last but not least, I would like to thank the members of the AcSB and its staff for all of the time and effort they put into completing our 2006-2011 Strategic Plan. The completed Annual Plan for 2010-2011 required the AcSB and staff to work relentlessly to address the many stakeholder issues and concerns to ensure successful implementation.

Gord Fowler, FCA

Chair

Accounting Standards Board

July 18, 2011

Overview

This report summarizes the activities of the Accounting Standards Board (AcSB) for its operating year ended March 31, 2011. For information on recent activities, refer to the AcSB's website at www.acsbcanada.org.

Overall, the AcSB had a successful year in 2010-2011, meeting all of the objectives in its Annual Plan and achieving the last milestones to fulfill the objectives in its 2006-2011 Strategic Plan. As discussed in more detail in the following sections of this report, the AcSB:

- decided on the future direction for setting standards for not-for-profit organizations and issued a set of standards suited to the needs of that sector — Part III of the CICA Handbook – Accounting;
- provided support to stakeholders engaged in the transition to International Financial Reporting Standards (IFRSs) for publicly accountable enterprises;
- supported the International Accounting Standards Board (IASB) in developing new and revised IFRSs during a period of rapid and pervasive change to standards following a period of global economic turmoil;
- facilitated the communication of Canadian issues to the IASB, including views on matters of governance, and the participation of Canadian entities in the IASB's projects and activities;
- began work to update and improve the separate sets of standards for private enterprises and, jointly with the Public Sector Accounting Board (PSAB), not-for-profit organizations;
- completed revisions to its structure and processes, and refocused its resources and ongoing communications programs to reflect its new strategic directions; and
- developed a new Strategic Plan for the three-year period 2011-2014.

Completing the 2006-2011 Strategic Plan

As a result of completing the objectives in the 2006-2011 Strategic Plan, the AcSB has brought about a revolution in Canadian financial reporting over the past five years. With the support of its stakeholders, it has implemented the principle that a single set of accounting standards is not necessarily suitable for every class of reporting entity. It has replaced the old set of Canadian-made standards (retained as Part V of the CICA Handbook – Accounting) with the following separate sets of standards, each designed to meet the particular needs of different classes of reporting entity:

- Part I, International Financial Reporting Standards, is geared to the increasingly global scale of capital markets and provides Canadian publicly accountable enterprises with a vehicle for participating in those markets; and
- Parts II, III and IV, the accounting standards for Canadian private enterprises, not-for-profit organizations and pension plans, respectively, are each tailored to the particular circumstances of those classes of reporting entity.

While carrying out the changes to the standards, the AcSB has paid careful attention to the limits on stakeholders' capacity to absorb change of this magnitude and provided assistance to affected parties wherever possible.

The changes to Canadian generally accepted accounting principles (GAAP) have not been without challenges but the AcSB has no reason to change the decisions it made in 2004-2005 when developing its strategies. This report signals an end to that period of change as the AcSB begins implementing a new strategic plan and introduces a period of consolidation in standard-setting.

IFRS adoption strategy

The AcSB continued to monitor issues that might affect the continued suitability of its 2006 decision to adopt IFRSs for Canadian publicly accountable enterprises and permit IFRSs for most other reporting entities. Many enterprises have just issued their first set of IFRS financial statements or are preparing to do so. As a result, any change of strategy now would be a very serious matter. However, the AcSB remains sensitive to the importance of monitoring the effects of its strategy and the need to fine-tune some of its implications. The focus of the AcSB's activities in 2010-2011 shifted towards fulfilling its ongoing role of contributing to the improvement of IFRSs during a particularly active period for the IASB.

Reviewing the IFRS strategy

Support for the AcSB's strategy remains strong, as stakeholders in the publicly accountable enterprise sector recognize the importance of Canada joining most of the rest of the world's developed economies in adopting IFRSs. The importance of achieving a common financial reporting basis worldwide has prompted the G20 leaders to include that objective in their program on economic reform.

The AcSB has continued to monitor developments that may affect its strategy. These include developments that might alter the analysis in the 2007-2008 progress review, which preceded the decision to fix the January 1, 2011 IFRS changeover date. To date, circumstances confirm that the AcSB's 2008 conclusions on this strategy stand. By 2010, Canada was well past the point at which it could reasonably halt the changeover. In part, the focus put on adopting IFRSs has meant that the AcSB has not maintained existing Canadian standards to a world-class level of quality.

The AcSB continued to monitor stakeholder views on the timing of the changeover to IFRSs and took action to address specific concerns. While some stakeholders wish they could have had more time to complete their preparations, it is widely accepted that reporting entities have had the necessary time. There has been no shortage of resources to aid stakeholders to prepare, including educational materials, consultants, systems providers and practice aids.

The AcSB made specific exceptions to the general changeover date to deal with problems for certain limited classes of reporting entity, as discussed in more detail below under "Deferrals of the mandatory changeover to IFRSs for certain entities".

Some larger Canadian public companies that are registered with the US Securities and Exchange Commission are taking advantage of the option made available to them by the Canadian Securities Administrators to adopt US GAAP instead of IFRSs in 2011. In the near term, the result will be some loss of comparability amongst Canadian entities but increased comparability with other entities. Those effects will diminish over time as US GAAP and IFRSs converge, and could disappear if the United States decides to adopt IFRSs.

Monitoring Canadian preparedness

Surveys of preparedness by several stakeholder organizations and discussions with stakeholders indicated that larger reporting entities would be ready in time. The surveys showed a clear pattern of progress over time towards adopting IFRSs and the typical variation in the extent of preparedness across the population at any point in time. However, the extent of effort required also varied considerably from one entity or industry to another.

Based on direct discussions with financial managers, auditors, consultants, academics and others, as well as indirect evidence such as stakeholder surveys, the AcSB believes that affected entities were generally as prepared as reasonably possible for the 2011 changeover. Financial statement users have also been familiarizing themselves with IFRSs and taking steps to be ready to work with information reported on an IFRS basis. The recent first quarter reporting in 2011 has demonstrated that financial market participants were generally well prepared.

As the AcSB had originally anticipated, awareness of the implications of the changeover and the extent of preparedness are lower amongst smaller public companies. Considerable efforts continue to be made by the AcSB, the securities regulators, accounting firms and the Canadian Public Accountability Board to ensure public companies are aware of their obligations. On the basis of discussions with stakeholders, the AcSB is confident all actions necessary were completed to address the issue. Nonetheless, the AcSB anticipates the possibility of some problems in practice during 2011 amongst smaller public companies.

Monitoring foreign developments

The AcSB's strategy to adopt IFRSs has always been independent of US developments but Canadians nonetheless pay considerable attention to those developments. Accordingly, the AcSB has continued to monitor them. Discussion of proposals to permit or require US public companies to adopt IFRSs in place of US GAAP continues. The global

financial crisis and the G20 leaders' programs to address its causes have fueled discussion of the issue. However, views remain divided in the US on the need to permit or require US enterprises to adopt IFRSs. While the issues remain under discussion, in February 2010 the US Securities and Exchange Commission reaffirmed its support for a single set of high-quality global accounting standards. Its staff is currently developing a proposed work plan for dealing with IFRS adoption issues as a basis for making a policy decision. The work plan is slated for completion in 2011 but the timing of a policy decision is uncertain. The US Financial Accounting Standards Board (FASB) continued to work jointly with the IASB during 2010-2011 to carry out the work program they agreed to in their 2006 Memorandum of Understanding. The two Boards have also collaborated on some issues not covered by the Memorandum of Understanding. As usual, there have been technical challenges in the joint projects but, more significantly, some divergent views between the FASB and the IASB on significant technical issues within individual projects. Most notably, the Boards have been unable to agree on a common basis for standards on financial instruments, even though they continue efforts to minimize their differences. The G20 programs and global opinion have put increasing pressure on the FASB and the IASB to come to a common standard in each of their joint projects. The two Boards each modified their work programs several times during 2010 and 2011 to accommodate changing circumstances, and have continued meeting jointly on an increasingly frequent basis in an effort to accelerate progress on the projects considered important to global markets and potential US adoption of IFRSs.

A number of other countries have continued IFRS adoption programs with changeover dates similar to Canada's, including Brazil, Argentina, Chile, South Korea, Israel and Mexico. Most significantly, Japan, the world's second largest capital market, has embarked on a program of convergence with IFRSs and already permits their adoption.

Relations with government and regulatory authorities

The AcSB has sought the views of various federal and provincial government departments and regulatory agencies throughout the development and implementation of the IFRS adoption strategy. Dealing with the aftermath of the recent global financial crisis has raised the profile of financial reporting issues overall.

The government agencies most directly involved in financial market regulation and, specifically, the basis of reporting by market participants, are the Canadian Securities Administrators and the Office of the Superintendent of Financial Institutions. The AcSB has been in close contact with both organizations at all levels throughout the development and implementation of its IFRS strategy. Both organizations have now modified their regulations, policies, reporting requirements and other matters connected with financial reporting to require the use of IFRSs in the regulated capital markets from 2011 on.

Monitoring practice during the transition

The AcSB has monitored Canadian reporting practices under pre-changeover standards to address any urgent issues that might have needed action prior to the first-time adoption of IFRSs in Canada. No such issues have come to the AcSB's attention since the changes to financial instruments standards in mid-2009.

Importing IFRSs into Canada

The task of importing IFRSs into Canada initially was completed in 2009-2010 with their introduction into Part I of the CICA Handbook – Accounting. However, the task of importing IFRSs has now become an ongoing one as the standards are improved. The AcSB remains engaged in standard setting for Canadian publicly accountable enterprises despite having ceded the development and decision making to the IASB.

The AcSB retains the final say on what constitutes GAAP in Canada for all business enterprises. Although the process has become relatively perfunctory, the AcSB has continued to issue its own exposure drafts in respect of every proposed change to IFRSs. Those exposure drafts help communicate proposed changes to Canadian stakeholders but also ask stakeholders for their input on whether there are unique Canadian circumstances that might make a proposed IFRS inappropriate for Canadian entities. To date, no one has cited circumstances that would justify a departure from IFRSs. The AcSB discusses all changes to IFRSs in light of any input received from its stakeholders. Following a review of responses received, the AcSB adopts the changes to IFRSs into Part I of the CICA Handbook – Accounting.

Deferrals of the mandatory changeover to IFRSs for certain entities

Due to emerging circumstances, the AcSB decided during 2010-2011 that it was necessary to defer the mandatory adoption of IFRSs by:

- investment companies;
- the segregated funds of life insurance enterprises; and
- Canadian entities with rate-regulated activities.

The possibility of such deferrals was contemplated under the 2006-2011 Strategic Plan.

Investment companies and the segregated funds of life insurance enterprises

Investment companies and the segregated funds of life insurance enterprises were faced with precisely the situation the AcSB foresaw might arise: the possibility of entities having to change from a pre-changeover practice to something different under IFRSs and very soon thereafter switching back as a result of a change to IFRSs. The specific issue for investment companies and the segregated funds of life insurance enterprises relates to the consolidation of controlled investees by these entities. They were exempt under pre-changeover Canadian GAAP and would continue to be so under proposals currently under development by the IASB and the FASB. However, the existing IFRS would require consolidation, involving a very considerable amount of work and substantial cost for affected entities.

To deal with the difficult situation facing investment companies and the segregated funds of life insurance enterprises, the AcSB consulted with interested stakeholders. Following exposure, in September 2010 it decided to defer the date of mandatory adoption of IFRSs by these entities by one year, based on the IASB's plan for completing its current project on investment companies. The AcSB subsequently decided to extend the mandatory changeover date for an additional year due to delays in the IASB's project for reasons unrelated to that topic (see the discussion under "Contributing to the IASB's work program"). The AcSB now expects the IASB to complete its project in 2012 but will continue to monitor developments.

Rate-regulated activities

A problem also arose in connection with Canadian entities with rate-regulated activities. At present, IFRSs do not address the possible effects of rate regulation on financial reporting. This is a significant issue in several major Canadian industries to which the AcSB attached top priority. At the urging of Canada and several other countries, and with input from the AcSB, the IASB began a project on this topic in late 2008. It issued an exposure draft in 2009 but received very mixed responses that raised some fundamental concerns. AcSB representatives spent considerable time developing advice for the IASB project team to resolve the concerns. The IASB continued the project into 2010 but, due to its heavy workload and increasing focus on completing joint projects with the FASB, work slowed. The AcSB developed a proposal to grandfather existing Canadian practices under IFRSs while the IASB reconsidered the key issues. However, this proposal was not accepted and the IASB deactivated its project in September 2010. Canadian entities with rate-regulated activities were left uncertain about which of their current practices would be permitted, required or precluded under IFRSs and whether a possible reactivation of the IASB's project could lead to further significant changes in the foreseeable future.

To address these circumstances, the AcSB first issued an exposure draft in July 2010 proposing a two-year deferral of the IFRS changeover for rate-regulated entities. The proposal was based on the expectation that it would take an additional two years for the IASB to complete its project and for enterprises to prepare to apply the new standard. However, after considering the IASB's September 2010 decision to deactivate its project, the AcSB concluded that there was no prospect of the IASB completing a standard in the foreseeable future. It decided that its original rationale of providing a deferral to allow time to adopt a new standard was no longer valid. However, the AcSB provided affected entities with an additional year to prepare to adopt IFRSs in view of the IASB's project delay and the resulting uncertainty as to whether it would provide a standard on the effects of regulation.

The AcSB thinks the IASB should address the uncertainties and divergent views concerning the financial reporting implications of rate regulation and will encourage the reactivation of the IASB's project. Until then, the IASB has indicated that Canadian entities with rate-regulated activities should account for the effects of regulation on the same basis as entities in other countries that have adopted IFRSs.

The AcSB recognizes that enterprises in rate-regulated industries are unhappy with this outcome. The AcSB Chair and staff put considerable effort into assisting affected enterprises and the IASB project team to achieve a final resolution, to no avail. Some in the affected industries proposed that the AcSB exempt them from IFRSs, or make some other accommodation. However, after consultation with stakeholders and the Accounting Standards Oversight Council, the AcSB is not persuaded that it should abandon its original strategy. The AcSB continues to monitor developments in the rate-regulated industries.

The AcSB was asked by a few entities in other industries whether it would consider deferring the application of IFRSs to those industries or exempting them altogether. However, none of those requests fit the circumstances contemplated by the 2006-2011 Strategic Plan. The AcSB thinks that the benefits of a single set of high-quality, globally accepted standards outweigh the concerns underlying the requests it has received.

Canadian participation in the development of IFRSs

During 2010-2011, the AcSB and its staff have gradually reoriented their activities to coincide further with those carried on by the standard-setting bodies in countries that have previously adopted IFRSs, such as the European Union countries, Australia and some Asian countries. In 2006, together with all other major national standard setters, the AcSB subscribed to the "Statement of Best Practices: Working Relationships between the IASB and other Accounting Standard-Setters." This Memorandum of Understanding commits the participants to undertake a number of activities in support of the IASB and the application of IFRSs.

Contributing to the IASB's work program

The AcSB has devoted a considerable amount of agenda time and staff resources to support the IASB's very ambitious and active program during 2010-2011. At certain times during the year, the IASB's work plan listed 27 separate standard-setting projects underway, not including a research project and a project to produce non-authoritative guidance on management commentaries. The number of active projects decreased over the course of 2010-2011 as the IASB and the FASB concentrated their efforts on completing a limited number of key projects.

The most significant driver of the IASB's activity in 2010-2011 was dealing with the effects of the global financial crisis in collaboration with the FASB. It pushed forward at a very fast pace to address the concerns of the G20 leaders and various regulatory bodies about deficiencies in current standards that are considered to have systemic effects. The other significant driver of the IASB's activity is completing the joint projects in its Memorandum of Understanding with the FASB, which are considered to be necessary preconditions to the possible US adoption of IFRSs.

Responses to the IASB

The AcSB's work involved constant monitoring of IASB activities as the IASB published meeting papers prepared by its staff, met to deliberate issues in public, issued meeting reports and updated website materials, carried out consultations through roundtable and committee meetings, made presentations, published reports and issued proposals inviting public comment. The AcSB's policy is to respond to every formal invitation to comment issued by the IASB and its Interpretations Committee. The AcSB developed 27 responses to such invitations to comment during 2010-2011, including several additional informal requests from the IASB staff for input. It also responded to three invitations to comment issued by the IFRS Foundation Trustees. At the end of the year, four additional comment letters were in preparation.

Developing an exposure draft comment letter on a major topic is a project in itself for the AcSB. The process for responding to each IASB exposure draft is planned to suit the topic and the circumstances. In addition to issuing its own “wraparound” exposure draft and carrying out activities to advise its stakeholders of the IASB’s proposals, the AcSB consults with affected parties. From the information received and based on its own analysis, the AcSB formulates its comments to the IASB. Those comments reflect the views of the AcSB and do not purport to present the views of other Canadians, who are encouraged to provide their own views directly to the IASB.

Amongst other matters, the AcSB comments on concerns it may have on the IASB’s adherence to its due process. The AcSB’s continued adoption of IFRSs rests in part on whether the IASB is diligent in applying its required processes for developing standards.

The exposure draft response that required the most effort related to the IASB’s proposals on insurance contracts. As with most Canadian stakeholders having an interest in the insurance industry, the AcSB had substantial reservations about one major element of the IASB’s proposals (the type of discount rate to apply to future contractual cash flows). The AcSB undertook a number of consultations with stakeholders and also arranged for several meetings between stakeholders and IASB representatives, culminating in a meeting between the chief executive officers of the four largest Canadian life insurers, and the Chairman and several members of the IASB. To assist in resolving the issue, the AcSB developed a proposed alternative approach. The final outcome has yet to be determined but the AcSB and affected stakeholders continue to monitor the IASB’s ongoing deliberations and provide further input to the IASB project team.

Significant efforts were required to complete the AcSB’s comment letters on major IASB projects dealing with revenue, leases, financial instruments (impairment, hedging and offsetting), post-employment benefits and effective dates and transition methods. In addition, the AcSB has spent considerable time developing comments to the IFRS Foundation Trustees on their strategic review and review of the IFRS Interpretations Committee.

The AcSB understands from discussion with the IASB members and staff that its comment letters are well received. AcSB input is referred to in IASB agenda papers and a number of the AcSB’s recommendations are taken up by the IASB in finalizing standards.

Research

The AcSB has contributed to the IASB’s research activities by serving as one member of a small group of national standard setters that developed a discussion paper on extractive activities. The discussion paper was issued in April 2010 after several years’ work, following which AcSB representatives undertook a number of consultations with Canadian stakeholders as well as other communications activities in Canada and internationally.

National Standards Setters group

The AcSB is also an active member of the National Standards Setters group, which provides collective advice to the IASB and also undertakes research activities. Former AcSB Chair, Tricia O’Malley, was elected Chairman of the National Standard Setters in 2010 and the AcSB has taken on the responsibility of providing the secretariat for the group.

Under the aegis of the National Standard Setters group, the AcSB staff is working to support the project to improve the IASB’s conceptual framework by developing a major paper on measurement issues and doing research on “unit of account” issues.

IFRS Discussion Group

The AcSB has become increasingly involved in addressing IFRS interpretation and implementation issues as the transition towards first-time adoption has progressed. The AcSB’s IFRS Discussion Group is now well established as a forum for stakeholders to discuss issues that the AcSB may raise with the IFRS Interpretations Committee. In

its four meetings in 2010-2011, the Group discussed 22 issues. The discussions resulted in letters to IASB standards project teams on two issues and five were forwarded to the Committee and discussed, resulting in the following actions:

- No interpretation was issued on two issues but the reasons for not taking any further action were published.
- The other three issues were discussed by the Committee as possible additions to the IASB's Annual Improvements project. Two of these three issues resulted in proposed amendments to IFRSs.

The only proposed interpretation on the Committee's agenda that progressed to the exposure stage during 2010-2011 involved an issue proposed by the AcSB dealing with stripping costs in open-pit mining.

The AcSB has begun applying a new policy of responding not only to draft interpretations issued by the IFRS Interpretations Committee, but also to draft agenda decisions issued for comment. The AcSB staff responded to 11 proposed agenda decisions formally and is in close contact with IASB counterparts to raise and discuss issues informally on an ongoing basis.

Communications

The AcSB's various communication activities have been focused, in part, on promoting global standards and IFRSs. The AcSB has provided a conduit for two-way communications between its stakeholders and the IASB in various ways, designed to help Canadian stakeholders understand IFRSs and participate in their development and implementation.

- It publishes various materials on its website, including news articles and its own "wraparounds" for all IASB exposure drafts, requests for views and similar documents.
- It encourages stakeholders to respond directly to all IASB requests for input and also promotes exchanges of views on proposals through roundtable meetings.
- It arranged several roundtable meetings to allow the IASB project teams to communicate directly with Canadians.

Globalization and the effect on Canadian accounting

Some have expressed concern that the AcSB's strategy of adopting IFRSs may have the effect of marginalizing the Canadian accounting profession, as issues are increasingly dealt with on a global basis. Globalization is happening at a practice level as well as in standard setting and interpretation. Some degree of change is inevitable but Canadians remain active participants within the IASB, the major accounting firms, financial analysts' organizations, market regulators, industry associations, academe and the professional organizations. The AcSB will continue to take steps to ensure Canada remains well represented internationally.

Strategy for private enterprises

During 2009-2010, the AcSB and its advisory committee devoted significant time and effort to establishing a separate set of standards for private enterprises, culminating in the introduction in December 2009 of Part II of the CICA Handbook – Accounting, Accounting Standards for Private Enterprises. During 2010-2011, the AcSB turned its attention to building the infrastructure for maintaining and improving those standards. The AcSB also monitored the work of stakeholders in first-time adoption of the new standards. As expected, the AcSB's activities were less intensive in 2010-2011 than the effort required to develop the standards.

The new standards for private enterprises have been well received by stakeholders in that sector. The AcSB understands that some private enterprises, relatively fewer than anticipated and mostly smaller enterprises with simple business activities, have already adopted the standards. Many more, particularly larger enterprises with more complex activities, are preparing to adopt in 2011. The AcSB has continued its communications activities to inform affected stakeholders of the new standards.

In preparing for first-time adoption, some enterprises and their accounting advisors raised issues with the new standards, including minor internal inconsistencies or lack of clarity in the text and transitional problems. The AcSB considers these issues as they arise. One issue involving the first-time adoption of the standards applicable to employee pension plans was resolved through an amendment to the standards in February 2011.

Private Enterprise Advisory Committee

The AcSB took an important step in creating its Private Enterprise Advisory Committee in 2010-2011. This new Committee was given a mandate to advise the AcSB on changes to the standards, including undertaking development work on projects approved by the AcSB.

The Committee met four times and began the work of developing necessary changes to the standards for private enterprises. The basis for change is a demonstrated improvement to financial reporting in the private enterprise sector, based on a cost/benefit analysis specific to the sector. The Committee will consider whether changes to IFRSs, possibly with some modifications, might be suitable for adoption in the private enterprise sector.

Improvements process

The AcSB decided that major improvements to the standards for private enterprises will be bundled together and issued no more frequently than every two years. The first set of major improvements will be issued in 2013 and will be effective no earlier than years beginning on or after January 1, 2014. By that time, the standards will have been in use for three years without significant change. The AcSB agreed with the recommendation from the Committee concerning six topics that should be addressed in this first set of major improvements.

Some stakeholders have proposed changes to the standards to address issues relating to hedge accounting and certain other more minor issues that have come to light as they have worked to prepare for first-time adoption. To address them, the AcSB discussed the issues and approved an exposure draft. This “annual improvements” process, which is modeled on a similar IASB process, is expected to continue in future years in order to address minor concerns as they arise.

Strategy for not-for-profit organizations

The AcSB completed the last major milestone in its 2006-2011 Strategic Plan by deciding on the strategic direction to set standards for the not-for-profit sector. Building on work done in the preceding years, the AcSB exposed its proposal for the new strategic direction in the period March-July 2010. The proposals were broadly supported by stakeholders. Following a review of comments received through correspondence and public meetings, the AcSB approved the strategy in September 2010.

Part III of the CICA Handbook – Accounting containing standards specific to not-for-profit organizations was issued in December 2010. Those standards were mostly carried forward from the previous set of standards for the sector. For issues not dealt with by those standards, an organization looks to the standards for private enterprises. Not-for-profit organizations have until 2012 to adopt the new set of standards or, alternatively, IFRSs.

Collaboration with the PSAB

As a result of the various changes made to private sector standards by the AcSB and the more advanced state of development of standards for public sector entities, the PSAB has revisited its past strategy of referring certain categories of public sector entities to the AcSB’s standards. Accordingly, not-for-profit organizations in the public sector must apply the standards for that sector. However, PSAB has adopted, with certain minor modifications, the AcSB’s standards that are specific to not-for-profit organizations as its own standards to maintain consistency between similar private and public sector entities.

The two Boards have agreed to work jointly to improve the existing standards. The process began with the appointment of a jointly sponsored task force, which has already held two meetings and agreed on a work plan for dealing with an initial group of issues.

As a result of PSAB's decision concerning not-for-profit organizations in the public sector, the AcSB considered whether the Handbook should permit private sector not-for-profit organizations to have a third choice of using Public Sector Accounting Standards, in order to permit similar organizations in both the public and private sectors to use the same accounting standards. After discussion, the AcSB decided not to permit that choice for the time being. The AcSB plans to monitor adoption of Part III of the Handbook by private sector not-for-profit organizations to evaluate whether there is widespread demand for this third option.

Standard-setting capability

The AcSB has maintained its full capacity to act as a standard setter even though it has ceded most of that role for publicly accountable enterprises to the IASB, other than its residual oversight responsibility. It has retained full responsibility for setting standards for Canadian private enterprises and not-for-profit organizations.

The AcSB has put in place new committees to assist it in furthering progress to its long-term objectives under its separate strategies for publicly accountable enterprises, private enterprises and not-for-profit organizations. Old committees carried over from the previous strategic direction of the AcSB or ad hoc groups created solely to assist with the transition to new strategies were disbanded with thanks to their members as their mandate was completed or withdrawn.

As a result, the AcSB's committee infrastructure was rationalized and tailored to its new strategies. The change began in 2009-2010 with the creation of the IFRS Discussion Group and continued in 2010-2011 with the creation of the Private Enterprises Advisory Committee and the Joint Not-for-Profit Task Force.

The AcSB also reviewed its resources and processes to ensure it retains the ability to carry out its mandate. Some processes have been modified to fit better with the AcSB's ongoing activities, particularly with respect to the IFRS strategy. The AcSB had sufficient volunteer, staff and financial resources to carry out its work according to its plans for 2010-2011 even while dealing with some unexpected developments. It remains fully resourced to fulfill its long-term plans for all categories of reporting entity within its mandate.

Communications

The AcSB continued with its extensive program of communications with stakeholders, building incrementally on the programs developed in previous years. With the assistance of its staff communications manager, the AcSB was able to extend its "reach" by making connections with additional stakeholder groups while maintaining existing connections.

The AcSB's website is a cornerstone of its communications programs. The number of visitors to the AcSB's website increased over previous years, partly due to an expanded network of links with other websites. The AcSB continues to attract stakeholders to webinars, with registrations numbering in the hundreds and thousands for each individual webinar and totaling over 10,000 for the year.

The emphasis on communications activities has been on making stakeholders aware of the fundamental changes made to Canadian GAAP over the past few years, the reasons for the changes and the implications for financial reporting practices. Key messages are disseminated through a variety of communication means, including webinars, presentations in conferences and courses, liaison meetings with other organizations and the website. The AcSB was also able to attract more media attention to assist in spreading its key messages.

Coordination with IASB

The AcSB has coordinated its activities with the IASB's to communicate the considerable ongoing changes to IFRSs to affected stakeholders. The AcSB has taken advantage of improvements in the IASB's outreach programs and facilitated direct contacts between IASB project teams and Canadian stakeholders through face-to-face and conference call meetings. Similarly, the AcSB increased use of the communications channels of the professional accounting bodies to reach practitioners who serve the private enterprise sector.

Development of a new strategic plan

The strategic plan under which all of the major new approaches to setting standards were decided and implemented covered the five years ending March 31, 2011. The last of the major objectives of the 2010-2011 Annual Plan was to develop a new strategic plan to be in place by April 1, 2011.

The AcSB followed normal due process to develop a new plan, including several discussions in AcSB meetings, consultations with the Accounting Standards Oversight Council and exposure of proposed standards for public comment. The 2011-2014 Strategic Plan was completed and adopted by the AcSB in its March 2011 meeting. The new plan adopted the theme of "bedding down" in practice the results of the changes made under the preceding plan. It has been well received by stakeholders who want as much respite as possible from "standards fatigue" (the more recent and aptly descriptive term replacing "standards overload").

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