

# Scaling the Standards

April 2023

# Presenter

---



**Armand Capisciolto, FCPA, FCA**  
AcSB Interim Chair

# Agenda

---

- Purpose and scope of consultation paper
- What is scalability?
- Potential scalability solutions identified so far
- How to respond

# Purpose of this consultation paper

# Current financial reporting landscape in Canada



International Financial Reporting Standards (IFRS<sup>®</sup> Accounting Standards) for publicly accountable enterprises



Accounting standards for private enterprises (ASPE)



Accounting standards for not-for-profit organizations (NFPOs)



Accounting standards for pension plans

**Private enterprises**  
can choose:



**OR**



-----  
**NFPOs** can choose:

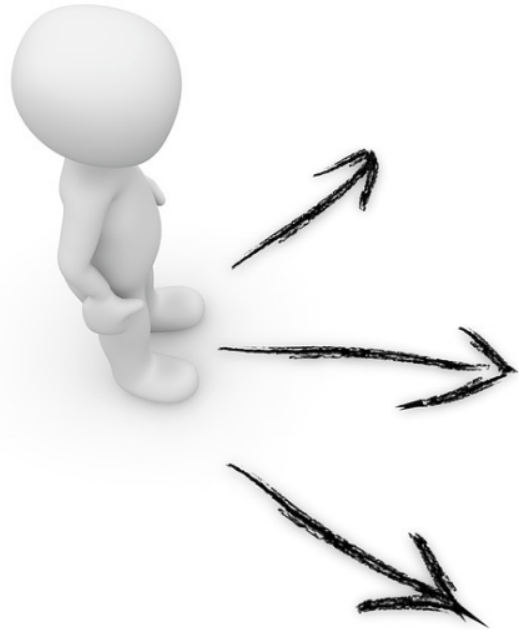


**OR**



# Since the establishment of the four parts of the Handbook

---



- Extensive changes to IFRS Accounting Standards
- Changes to the reporting needs of entities and their stakeholders
- Increasing diversity in size and complexity of entities within each category

# Issues raised by stakeholders

---

“For large private entities and NFPOs, Parts II and III do not sufficiently meet the information needs of users.”

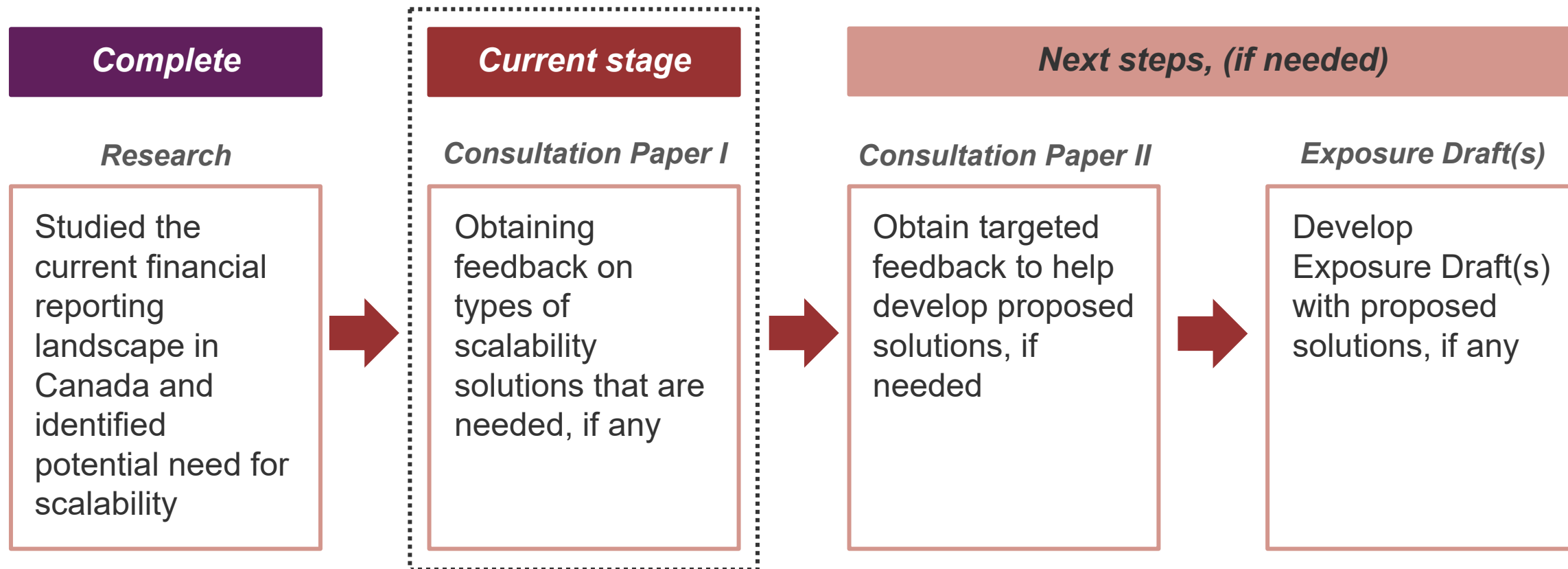
“IFRS Standards are too complex or onerous for some entities to apply.”

“For some smaller entities, Parts II and III are too complex.”

“Private entities and NFPOs do not typically choose to apply a financial reporting framework in the Handbook unless it is explicitly required.”

**Stakeholders need a scaled approach**

# Project status





# What is scalability?

# What is scalability?

---

Scaling the standards refers to changing the existing frameworks in the Handbook to better meet the needs of stakeholders in entities of all sizes.

Scaling the standards could include:

- Providing entities with choices within existing domestic standards that are dependent on an entity's size; and/or
- Adding more parts to the Handbook.

# Scalability in other jurisdictions

---



- In contemplating potential solutions, the AcSB considered ways that other jurisdictions around the globe introduced aspects of scalability into their financial reporting frameworks.
- The Board's [Scalability in Other Jurisdictions](#) research is available.
  - Provides a summary on scalability initiatives implemented in other jurisdictions, including the applicability of each framework to different types of entities and tiering that exists within each framework.

# Potential scalability solutions identified so far

# 1. Simplified recognition and measurement in selected standards

---

## Why the AcSB is considering this solution

- Some entities find Parts II or III too onerous to apply
- For some entities the requirements in Parts II or III are unnecessary to meet their stakeholders' needs
- Some users of Parts II or III financial statements have the ability to obtain additional information from management

## What this solution means

- Differential reporting options selected on a topic-by-topic basis for entities that meet certain criteria, such as size thresholds
- No impact on existing accounting policy choices within Parts II and III

## 2. Reduced disclosure requirements

---

### Why the AcSB is considering this solution

- Reduced disclosure requirements might help entities apply Part II or III without reducing overall usefulness of financial statements
- Maintain comparability of primary financial statements

### What this solution means

- Reduced disclosure requirements for entities that meet certain criteria
- No change to recognition and measurement requirements

# 3. Intermediary framework option between IFRS and Parts II and III

## Why the AcSB is considering this solution

- For some entities, IFRS Standards are too onerous to apply, but Parts II and III do not meet the information needs of their financial statement users
- Some entities adopt IFRS in anticipation of future liquidity events (IPOs, mergers, etc.)

## What this solution means

- This solution might retain recognition and measurement requirements in IFRS but with reduced disclosure requirements
- This solution might also modify some recognition and measurement requirements in IFRS to make the framework less onerous
- Entities can prepare to eventually adopt IFRS without the full rigour of such standards in the near term

# 4. Introduction of a new framework for small entities

---

## Why the AcSB is considering this solution

- Private entities and NFPOs do not typically choose to apply a financial reporting framework in the Handbook unless required by law or regulation, or as a condition for financing
- A simplified accounting framework might increase usefulness of financial statements and comparability
- Help entities comply with new assurance standard on compilations

## What this solution means

- Standardization of reporting practice from the current variations of tax basis, cash basis and modified accrual basis
- Limited disclosure requirements



# How to respond

# How to respond

---

Options	When	How
Response letter	Respond by July 31, 2023 deadline	Submit your response letter to <a href="#">this link</a>
Virtual Roundtables	English: May 26, 2023 and July 27, 2023 French: June 1, 2023	Click one of the following links to register: <a href="#">English</a> <a href="#">French</a>
Connect survey	Respond by July 31, 2023 deadline	Access the survey link <a href="#">here</a>
Contact AcSB staff	Reach out by July 31, 2023 deadline	See staff contacts on next slide

# Staff contacts

---

Staff Contact	Phone	Email
<b>Jamie Goodman</b> <i>Principal</i>	(416) 204-3294	<a href="mailto:jgoodman@acsbcanada.ca">jgoodman@acsbcanada.ca</a>
<b>Matthew Bishop</b> <i>Principal</i>	(647) 264-7070	<a href="mailto:mbishop@acsbcanada.ca">mbishop@acsbcanada.ca</a>

# AcSB Domestic Standards Work Plan

# Related Party Business Combinations (Part II)

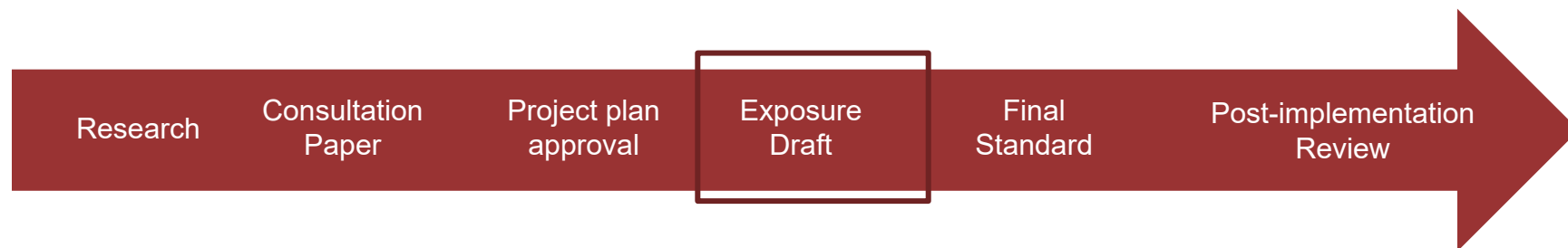
---

- Exposure Draft issued in November 2022 and closed for comment on January 31, 2023
- The proposals would:
  - clarify that business combinations under common control do not meet the carrying amount criteria would be accounted for using Section 1582, *Business Combinations*;
  - provide an option to retroactively restate comparatives when a business combination under common control occurs; and
  - clarify that financial instruments acquired in a common control combination should be measured in accordance with Section 3840, *Related Party Transactions*.

# Related Party Business Combinations (continued)

---

- Project Status
  - AcSB deliberating feedback received from outreach activities and comment letters
- Refer to the [project webpage](#) for updates on this project



# Contributions – Revenue Recognition and Related Matters (Part III)

---

- In 2020, the AcSB issued a Consultation Paper on Contributions and Related Matters
  - Current guidance for NFPOs provides an accounting policy choice for recognizing revenue from restricted contributions
  - This accounting policy choice adds complexity to NFPO financial statements and results in a lack of comparability across organizations



# Contributions – Revenue Recognition and Related Matters (continued)

---

- In response to feedback on the Consultation Paper, the Board decided to proceed with a standard-setting project.
- On March 31, the AcSB issued an Exposure Draft that proposes:
  - a single approach for recognizing revenue from restricted contributions;
  - specific guidance on special types of contributions; and
  - amendments to the current guidance on financial statement disclosure and presentation by NFPOs.



# Contributions – Revenue Recognition and Related Matters (continued)

---

- Want to learn more about the Exposure Draft proposals?
  - Read our In Brief
  - Attend our [webinar](#) in English or French
- The [Exposure Draft](#) is open for comment until September 30, 2023.  
We want to hear from you!
  - Write a response letter
  - Participate in our survey
  - Attend an in-person or virtual roundtable event
  - Survey links, roundtable dates and registration information will be posted on the [project page](#).

# Revenue – Upfront non-refundable fees or payments (Parts II and III)

---

- Stakeholders raised application challenges relating to the amendments for upfront non-refundable fees
  - Decision-usefulness of deferring upfront non-refundable fees for life memberships
  - Cost associated with estimating and tracking life membership
- AcSB considered feedback and decided more time is needed to research concerns
  - Effective date of amendments to January 1, 2025



# Other research projects

---



Insurance contracts with cash surrender value (Parts II and III)



Reporting Controlled and Related Entities by NFPOs (Part III)



Standards for Pension Plans (Part IV)

# Recently issued or amended domestic standards

# Key standards and amendments – recently issued

---

Topic	Effective Date
AcG – 20, Customer’s Accounting for Cloud Computing Arrangements	January 1, 2024
Accounting Standards for Pension Plans – Amendments to Section 4600, <i>Pension Plans</i>	January 1, 2024
Amendments to Section 3400, <i>Revenue</i> – relating to upfront non-refundable fees or payments	January 1, 2025

# Stay up to date

---

## The Standard

Inside Canada's financial reporting and assurance standard-setting activities

Bi-weekly enewsletter [fracanada.ca/subscribe](https://fracanada.ca/subscribe)

- Tailor your subscription

Follow us on social media

 [FRAStandardsCanada](https://www.facebook.com/FRAStandardsCanada)

 [@FRASCanada](https://twitter.com/@FRASCanada)

 [Accounting Standards Board \(AcSB\)](https://www.linkedin.com/company/AccountingStandardsBoard(AcSB))

# Post-webinar quiz

---



<https://forms.office.com/Pages/ResponsePage.aspx?id=blbjOZWKkEiKFLYFTHUmNPRy00T2rFFJglTNjPNv8rpUN0YxTEhSUzBCOEkyTU80RTdNMVhMODNEOC4u>

# Questions

---







For more information, visit [Accounting Standards Board \(frascanada.ca\)](https://www.frascanada.ca)