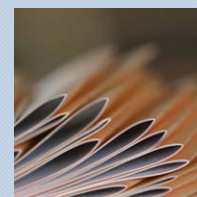


Accounting Update 2008

December 17, 2008



Accounting Standards Board Strategic Plan

The Accounting Standards Board (AcSB) continues to implement its strategic plan, which is based on the “One size does not necessarily fit all” attitude. The plan pursues separate strategies for publicly accountable enterprises (PAEs), non-publicly accountable enterprises (NPAEs) and not-for-profit organizations (NPOs).

Publicly Accountable Enterprises

The publicly accountable enterprise strategy will encompass full convergence with International Financial Reporting Standards (IFRS). At the changeover date, Canadian GAAP for publicly accountable enterprises will no longer be separate and distinct from IFRS. The changeover date has been confirmed as January 1, 2011.

The Adopting IFRSs in Canada Exposure Draft was issued in April 2008. This exposure draft exposed the entire 2007 Bound Volume of IFRS. In addition the exposure draft addresses a number of issues related to the adoption of IFRS in Canada. One of the issues addressed was the definition of publicly accountable enterprises. As a result of comments received on the definition of publicly accountable enterprises, the AcSB made some revisions to its IFRS strategy. These were detailed in its September 23-24, 2008 Decision Summary:

- A PAE should be described as a profit-oriented entity that has issued (or is in the process of issuing) debt or equity securities that are (or will be) outstanding and traded in a public market, or holds assets in a fiduciary capacity for a broad group of outsiders;
- An entity is not considered to have a fiduciary responsibility when it holds and manages financial resources entrusted to it by outsiders for reasons that are incidental to its primary business;

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- Pension plans should continue to apply Section 4100, Pension Plans, after the adoption of IFRSs by PAEs. The AcSB observed that pension fund financial statements prepared solely for regulatory purposes (or, for example, for inclusion in the consolidated financial statements of its parent) are not general purpose financial statements and, therefore, are unaffected by the AcSB's IFRS strategy unless a pension fund decides otherwise; and
 - NPOs do not fall within the definition, even if such an organization happens to meet one or more of the criteria for a profit-oriented enterprise to be considered a PAE.

The AcSB will be issuing a second Exposure Draft of IFRSs as a follow up to its first Exposure Draft, Adopting IFRSs in Canada. This second exposure draft will expose all changes made by the IASB to the IFRSs contained in the IASBs 2007 Bound Volume, and deal with any carry-forward items from the first Exposure Draft. The AcSB currently expects to issue the second Exposure Draft by the end of 2008, with a view to incorporating the IFRSs exposed in both omnibus Exposure Drafts into the Handbook no earlier than the second quarter of 2009.

Non-Publicly Accountable Enterprises

The non-publicly accountable enterprise strategy is being deliberated and a framework for private company GAAP is expected in 2009. An exposure draft on the proposed framework for private company GAAP is expected in the first quarter of 2009. If the views of the respondents are favourable, then it is expected that the private company standards will be issued in the second half of 2009. The private company standards will be available for use by all private enterprises and will be based on the existing CICA Handbook. The new private company framework will focus on excluding those existing standards that are irrelevant for this sector, modifying contentious standards based on cost/benefit considerations, and including disclosure requirements that are in line with the needs of the limited users of financial statements in this sector. Private enterprises will not be precluded from adopting IFRSs.

Not-for-Profit Organizations

The not-for-profit organization (NPO) strategy will involve consulting the NPO sector to determine if NPO accounting standards should be based on those applicable to publicly accountable or non-publicly accountable enterprises. We do expect an invitation to comment on the various NPO frameworks being considered by the AcSB to be issued by the end of 2008.

Financial Instruments Update

The Accounting Standards Board (AcSB) has recently announced some significant changes to the adoption of the new financial instruments standards. In particular, these changes impact Non-Publicly Accountable Enterprises, certain co-operative businesses and rate regulated enterprises and Not-for-Profit Organizations.

- There have been no changes to the adoption of the financial instrument and related standards for most Publicly Accountable Enterprises (PAE).
- Non-Publicly Accountable Enterprises (NPAE) as defined in Section 1300, Differential Reporting, are not required to apply the current financial instrument and related standards. NPAEs are still required to adopt Section 1535, Capital Disclosures. However, if an NPAE does not have any external capital requirements, no additional disclosures will be required. Therefore, in the interim before the private company framework is in effect, NPAEs will continue to apply Section 3860, Financial Instruments - Presentation and Disclosure. This decision was made as a new private company framework is expected to be issued in 2009 and it would not make sense for private companies to adopt the financial instruments and related standards and then changeover to a new framework shortly thereafter.

- Co-operative business enterprises and rate-regulated enterprises that are not public enterprises, as defined in Section 1300, will not be required to apply Sections 3862, Financial Instruments - Disclosures and Section 3863, Financial Instruments - Presentation. They would continue to apply Section 3861, Financial Instruments - Presentation and Disclosure. However, if a co-operative business or rate-regulated enterprise is considered publicly accountable for any other reason then they would have to adopt Sections 3862 and 3863.
- Not-for-profit organizations may defer adoption of Sections 3862 and 3863 until interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. In the meantime, they would continue to apply Section 3861 for financial instrument presentation and disclosures.

The table below illustrates the points discussed above. The checked boxes represent the standards that each type of organization is required to adopt as of now.

	1530	1535	1651	3051	3251	3855	3860	3861	3862	3863	3865
PAE	✓	✓	✓	✓	✓	✓			✓	✓	✓
NPAE		✓					✓				
Certain Co-ops and Rate Regulated Enterprises	✓	✓	✓	✓	✓	✓		✓			✓
NPO	✓*	✓	✓	✓	✓	✓		✓			✓

*While NPOs are excluded from the application of Section 1530 – Comprehensive Income, the requirements of Section 4450.45 essentially requires similar treatment.

CICA Accounting Handbook Changes

Standards

Topic	Effective Date	Guidance
<p>Generally Accepted Accounting Principles <i>Section 1100</i></p>	<p>The amendments to Section 1100 apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009.</p>	<p>Section 1100, Generally Accepted Accounting Principles was amended to remove the temporary exemption relating to the application of Section 1100 to the recognition and measurement of assets and liabilities arising from rate regulation and a disclosure requirement related to this exemption. The GAAP hierarchy set out in Section 1100 will now apply equally to rate-regulated enterprises and all other entities unchanged but has been moved to the transitional provisions area of the Section.</p>
<p>Going Concern <i>Section 1400</i></p>	<p>Section 1400, General Standards for Financial Statement Presentation was amended in May 2007.</p> <p>The effective date of these amendments is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.</p>	<p>This standard adopts the going concern paragraphs from <i>IAS 1, Presentation of Financial Statements</i>. The adoption of this is consistent with the AcSB's strategic plan.</p> <p>The following amendments were made:</p> <ul style="list-style-type: none"> • Management is required to make an assessment of an entity's ability to continue as a going concern; • In making its assessment, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the balance sheet date; • Financial statements must be prepared on a going concern basis unless management intends either to liquidate the entity, to cease trading or cease operations, or has no realistic alternative but to do so; • Disclosure is required of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern; and • When financial statements are not prepared on a going concern basis, that fact must be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern.

Topic	Effective Date	Guidance
<p>Capital Disclosures Section 1535</p>	<p>This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.</p> <p>Non-Publicly Accountable Enterprises that do not have any external capital requirements would require no additional disclosures.</p>	<p>This standard is in line with the capital disclosure portion of <i>IAS 1, Presentation of Financial Statements</i>.</p> <p>Section 1535 requires the qualitative and quantitative disclosure of information about an entity's objectives, policies and processes for managing capital. It applies to all entities, not just those with financial instruments.</p> <p>For additional information on this new section see the BDO Dunwoody LLP Publication "A Guide to Section 3862 – Financial Instruments – Disclosures & 1535 – Capital Disclosures".</p>
<p>Inventories Section 3031</p>	<p>In May 2007, the AcSB issued <i>Section 3031</i> which supersedes <i>Section 3030, Inventories</i>.</p> <p>This new standard will apply to fiscal years beginning on or after January 1, 2008 with earlier application encouraged.</p>	<p>This new section is based on <i>IAS 2, Inventories</i>. The key features of the new section include:</p> <ul style="list-style-type: none"> • Measurement of inventories at the lower of cost and net realizable value; • Guidance on the determination of cost, including allocation of overheads and other costs to inventory; • Allocation of fixed production overhead based on normal capacity levels, with unallocated overhead expensed as incurred; • Cost of inventories of items that are not ordinarily interchangeable, and goods or services produced and segregated for specific projects, assigned by using a specific identification of their individual costs; • Consistent use (by type of inventory with similar nature and use) of either first-in, first-out (FIFO) or weighted average cost formula to measure the cost of other inventories and eliminate the use of last-in, last out (LIFO) formula; and • Reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. <p>For additional Information on this new section see the BDO Dunwoody LLP Publication "Section 3031 – New Guidance on the Measurement and Disclosure of Inventories.</p>

Topic	Effective Date	Guidance
<p>Goodwill and Intangible Assets</p> <p><i>Section 3064</i></p> <p>Financial Statement Concepts</p> <p><i>Section 1000</i></p>	<p>Section 3064 and the amendments to Section 1000 are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. Section 3064 supersedes Sections 3062 and 3450. Earlier adoption is encouraged.</p>	<p>The amendments to Section 1000 focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.</p> <p>Section 3064 incorporates guidance to clarify the recognition of intangible assets, address and recognition and measurement of internally developed intangible assets.</p> <p>As a result of this new Section, the guidance contained in EIC 27 is no longer applicable and AcG 11 was amended to replace guidance on deferral of pre-operating costs with guidance on costs qualifying for recognition as intangible assets.</p> <p>For additional Information on this new section see the BDO Dunwoody LLP Publication "Asset Recognition."</p>
<p>Cash Flow Statements</p> <p><i>Section 1540</i></p>	<p>The amendments to Section 1540 apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. Earlier adoption is encouraged.</p>	<p>This section has been amended to include not-for-profit organizations within its scope.</p>
<p>Interim Financial Statements</p> <p><i>Section 1751</i></p>	<p>The amendments to Section 1751 apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. Earlier adoption is encouraged.</p>	<p>This section has been amended to include not-for-profit organizations within its scope.</p>
<p>Income Taxes</p> <p><i>Section 3465</i></p>	<p>The amendments to Section 3465 are effective for fiscal years beginning on or after January 1, 2009.</p>	<p>Entities in the rate-regulated sector were previously exempt from the requirement to recognize future income taxes. Section 3465, Income Taxes, was amended to require rate-regulated enterprises to recognize future income tax liabilities and assets in accordance with the standard.</p> <p>As well, a regulatory asset or liability should be recognized for the amount of future income taxes expected to be included in future approved rates charges to customers and recovered from or returned to future customers. These should be presented on a gross basis in the financial statements.</p> <p>Consequential amendments were made to Accounting Guideline AcG-19, Disclosures by Entities Subject to Rate Regulation, as a result of these changes.</p>

Topic	Effective Date	Guidance
<p>Financial Instruments – Recognition and Measurement <i>Section 3855</i></p>	<p>The amendments to this section apply to reclassifications made on or after July 1, 2008. Any reclassifications made on or after November 1, 2008 take effect from the date of reclassification. However, any reclassification before November 1, 2008 can take effect from July 1, 2008 or a subsequent date. Any reclassification as a result of this amendment should not be made retrospectively to reporting periods ended before July 1, 2008.</p> <p>An entity should not reclassify financial assets in accordance with this amendment retrospectively in periods reported on previously issued financial statements prepared in accordance with generally accepted accounting principles.</p>	<p>The amendments to this section permit an entity to reclassify non-derivative financial assets (other than those designated as held for trading upon initial recognition) out of the held for trading category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future.</p> <p>The circumstances in which such reclassifications are permitted are expected to be rare.</p> <p>As a result of this amendment to Section 3855, there are increased disclosure requirements for the transfer of such assets. These disclosures are in Section 3862 Financial Instruments – Disclosures and in Section 3861 Financial Instruments – Disclosure and Presentation.</p>
<p>Financial Instrument Presentation and Disclosures <i>Section 3862</i> <i>Section 3863</i></p>	<p>In October 2006, the AcSB approved a set of disclosure and presentation requirements for financial instruments that replace <i>Section 3861, Financial Instruments – Disclosure and Presentation</i>. The existing requirements on presentation of financial instruments have been carried forward unchanged to <i>Section 3863, Financial Instruments – Presentation</i>.</p> <p>This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007 for Publicly Accountable Enterprises.</p> <p>Non-Publicly Accountable Enterprises and certain co-operative business enterprises and rate regulated enterprises are not required to follow these standards.</p> <p>Not-for-Profit Organizations may defer the adoption of these standards until interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008.</p>	<p>The new standards are in line with the financial instrument disclosure and presentation requirements of <i>IFRS 7, Financial Instruments: Disclosures</i>.</p> <p>Sections 3862 and 3863 comprise a complete set of disclosure and presentation requirements for financial instruments. They will carry forward unchanged the presentation requirements from Section 3861, however, with much more extensive disclosure requirements. Section 3862 will require the disclosure of</p> <ul style="list-style-type: none"> • The significance of financial instruments for an entity's financial position and performance; and • Qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The qualitative disclosures would describe management's objectives, policies and processes for managing those risks. The quantitative disclosures would provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key

		<p>management personnel.</p> <p>For additional Information on this new section see the BDO Dunwoody LLP Publication “A Guide to Section 3862 – Financial Instruments – Disclosures & 1535 – Capital Disclosures”.</p>
<p>Financial Statement Presentation by Not-for-Profit Organizations 4400</p>	<p>The amendments apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. Earlier adoption is encouraged.</p>	<p>This section has been amended to:</p> <ul style="list-style-type: none"> • Eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization to present such an amount as a category of internally restricted net assets when it chooses to do so; • Clarify that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions; • Make Cash Flow Statements, Section 1540, applicable to not-for-profit organizations; and • Make Interim Financial Statements, Section 1751, applicable to not-for-profit organizations that prepare interim financial statements in accordance with GAAP.
<p>Capital assets Held by Not-for-Profit Organizations, 4430</p>	<p>The amendments to this section apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. Earlier adoption is encouraged.</p>	<p>This section has been amended to provide additional guidance with respect to the appropriate use of the exemption from recognizing capital assets for smaller entities.</p>
<p>Disclosure of Related Party Transactions by Not-for-Profit Organizations 4460</p>	<p>The amendments to this section apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. Earlier adoption is encouraged.</p>	<p>This section has been amended to make the language in Section 4460 consistent with Related Party Transactions, Section 3840.</p>
<p>Disclosure of Allocated Expenses by Not-for-Profit Organizations, 4470</p>	<p>The amendments to this section apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. Earlier adoption is encouraged.</p>	<p>This new section establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. The main features of the new section are:</p> <ul style="list-style-type: none"> • A requirement for an entity that allocates its fundraising and general support expenses to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated and the basis on which

		such allocations have been made; and <ul style="list-style-type: none">• A requirement for an entity to disclose the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.
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Emerging Issues Committee Abstract

Topic	Effective Date	Guidance
<p><i>Impact of Refundable Taxes on Future Income Tax Calculations</i></p> <p><i>EIC 104</i></p> <p><i>Amendments</i></p>	<p>This abstract was amended to be applied retrospectively to the date of adoption of Section 3855.</p>	<p>This abstract was amended as a result of the issuance of Section 3855. The main points of the amendment are:</p> <ul style="list-style-type: none"> • If it is more likely than not that a temporary difference will attract Part I or IV tax when the difference reverses, the refundable tax should be included in the tax rate at which the future tax liability is calculated. • The refundable portion should be charged to retained earnings or recorded as a future tax asset when it is more likely than not that: <ul style="list-style-type: none"> – Such taxes will be paid; and – Sufficient dividends will be declared and paid that will cause the refundable taxes to be recovered. • When it is not more likely than not, then the refundable portion should be charged to net income or OCI.
<p><i>Reporting Revenue Gross as a Principal versus Net as an Agent for Not-for-Profit Organizations</i></p> <p><i>EIC 123</i></p> <p><i>Amendments</i></p>	<p>The amendments should be applied by not-for-profit organizations to all financial statements for fiscal years beginning on or after January 1, 2009. If application of the accounting treatment in this abstract causes a change in the presentation of revenue of an entity, all comparative figures should be restated so that revenue information is presented on a consistent basis in the financial statements.</p>	<p>This Abstract was to expand its scope to include not-for-profit organizations and add illustrative examples. The illustrative examples discuss the following scenarios:</p> <ul style="list-style-type: none"> • A not-for-profit organization receives funding to undertake a specific research project whereby the organization contracts with a scientist to perform the research; • A not-for-profit organization engages in a number of fundraising activities, which include a fundraising telethon, a telephone campaign, a direct mail campaign, special events and a lottery. The organization uses an outside fundraising consultant to conduct the telethon and uses the organization's own staff and volunteers in the telethon and the telephone campaign; and • A not-for-profit organization is given the net proceeds from an event held by others to benefit the organization without having any control over, or responsibility for, the gross amounts of revenues or expenses involved.

Topic	Effective Date	Guidance
<p><i>Future Income Tax Liabilities – Income Trusts and Other Specified Investment Flow-Throughs</i></p> <p><i>EIC 167</i></p>	<p>The EIC should be applied to interim and annual financial statements issued after October 1, 2007, the date of this abstract. Application should be retrospective with restatement of prior periods commencing with the period that includes the date of substantive enactment of the changes to the Income Tax Act.</p>	<p>This abstract was a result of the changes to the Income Tax Act introduced in 2007. Previously, a tax deduction was permitted by the trust for distributions paid to the trust’s unitholders. The changes impose an income tax on income trusts. The EIC concludes the following:</p> <ul style="list-style-type: none"> • Future income tax assets or liabilities should be recognized as of the date of substantial enactment; • The future income tax asset or liability should be recognized as an income tax expense; • The future income tax asset or liability should be measured using income tax rates that at the balance sheet are expected to apply when the temporary differences reverse and would be rates enacted (or substantively enacted at the balance sheet date); and • Disclosure of a description of the implications of the tax changes on the entity’s tax status and in the year in which the tax changes are enacted and the impact of the change on future tax assets and liabilities.
<p><i>Accounting by Pension Plans for Transaction Costs</i></p> <p><i>EIC 168</i></p>	<p>The EIC should be applied retrospectively, without restatement of prior periods, for all annual reporting periods ending on or after December 31, 2007.</p>	<p>Pension Plans, Section 4100 requires that pension plans measure investment assets at fair value at the date of the statement of net assets available for benefits. The issue is whether transaction costs should be included in the fair value measurement of pension plan investment assets. The Committee reached a consensus that pension plans should not include transaction costs in the fair value of investments either on initial recognition or on subsequent remeasurement.</p> <p>Transaction costs should be included in the statement of changes in net assets in the period incurred.</p>
<p><i>Determining Whether a Contract is Routinely Denominated in a Single Currency</i></p> <p><i>EIC 169</i></p>	<p>The accounting treatment in this abstract should be applied retrospectively to embedded foreign currency derivatives in host contracts that are not financial instruments accounted for in accordance with <i>Section 3855 – Financial Instruments, Recognition and Measurement</i> in financial statements issued for interim and annual periods ending on or after March 15, 2008.</p>	<p>The abstract concludes that “routinely denominated in commercial transactions around the world” should be interpreted to mean that a large majority of similar transactions all around the world, not just in one local area, are based on a particular currency.</p> <p>The abstract also discusses factors that should be considered in determining whether there is a currency in which a goods or service is routinely denominated around the world. Factors considered</p>

		<p>include:</p> <ul style="list-style-type: none"> • The existence of a “convenience translation” mechanism; • The existence of an organized commodity exchange where a commodity is traded in a single currency; and • The existence of global pricing forums.
<p>Conversion of an Unincorporated Entity to an Incorporated Entity <i>EIC 170</i></p>	<p>The accounting in this abstract should be applied prospectively from the date of issue which was April 2, 2008.</p>	<p>This abstract was in response to an expectation that a number of income trusts and other specified investment flow-throughs will convert to a corporate structure as a result of changes to the Income Tax Act enacted in 2007.</p> <p>This abstract deals with the following issues when an unincorporated entity converts to an incorporated entity:</p> <ul style="list-style-type: none"> • A conversion transaction that is not a business combination; • A conversion transaction that results in the redemption of ownership interests; • Treatment of changes in tax balances; • Treatment of transaction costs; • Presentation of comparative statements; • Treatment of a retained earnings balance; • Treatment of post-conversion dividends; and • Changes in contractual arrangements.
<p>Future Income Tax Consequences of Exchangeable Interests in an Income Trust or Specified Investment Flow-Through <i>EIC 171</i></p>	<p>The accounting in this abstract should be applied to interim and annual financial statements issued after August 28, 2008. Application should be retrospective with restatement of prior periods commencing with the period that includes the date of substantive enactment of the changes to the Income Tax Act.</p>	<p>A common income trust structure has an income trust controlling a business conducted by a limited partnership. The limited partnership also has other partners who have the right to exchange their partnership interest for units of the income trust.</p> <p>This abstract provides the following guidance for this scenario:</p> <ul style="list-style-type: none"> • Future income taxes related to the temporary differences associated with the assets and liabilities attributable to the exchangeable interests should not be recorded prior to the conversion of the exchangeable interests; • When the exchangeable interest is presented either as a liability, as part of unit holders’ equity, or as a non-controlling interest and initially

		<p>recorded at the exchange amount, the future income taxes should be accounted for as a capital transaction at the time of conversion; and</p> <ul style="list-style-type: none"> • For exchangeable interests presented as a non-controlling interest and initially recorded in a manner consistent with the carrying value in the subsidiary's financial statements, the additional future income taxes would be accounted for, at the time of conversion, as part of the cost of the step acquisition.
<p><i>Income Statement Presentation of a Tax Loss Carryforward Recognized Following an Unrealized Gain Recorded in Other Comprehensive Income</i> <i>EIC 172</i></p>	<p>The accounting treatment in this abstract should be applied retrospectively, with restatement of prior periods from the date of adoption of <i>Section 3855 – Financial Instruments Recognition and Measurement</i>, for all interim and annual reporting periods ending on or after September 30, 2008. Earlier adoption is encouraged.</p>	<p>This abstract concludes that the tax benefit from the recognition of previously unrecognized tax loss carryforwards, consequent to the recording of unrealized gains on available-for-sale financial assets in other comprehensive income, should be recognized in net income.</p>

Exposure Drafts

Topic	Effective Date	Guidance
<p>Business Combinations and Non-Controlling Interests</p> <p>Section 1582</p> <p>Section 1601</p> <p>Section 1602</p>	<p>These new sections are expected to replace <i>Section 1581, Business Combinations</i>, and <i>Section 1600, Consolidated Financial Statements</i>. The three new sections would be effective for years beginning on or after January 1, 2011 with earlier adoption permitted. Entities planning business combinations for the year beginning on or after January 1, 2010 should adopt these new standards in or before that year to avoid restatement on transition to IFRSs in 2011.</p>	<p>The exposure draft proposes to require the acquisition method of accounting, but includes significant measurement changes. The fundamental principle is that all business combinations be accounted for at fair value at the acquisition date. Specifically, the acquisition would be measured at the fair value of the acquired business as a whole even if less than 100 per cent was acquired. The fair value of the acquired business will usually be based on the fair value of the consideration, which includes contingent consideration, but excludes transaction costs. Assets acquired and liabilities assumed would similarly be measured at fair value, with a few exceptions, such as future tax assets and liabilities. For each business combination, any non-controlling interest in the acquiree is measured either at fair value including goodwill; or at the non-controlling interest's proportionate share of the fair value of acquiree's identifiable net assets.</p>
<p>Financial Instruments: Embedded Prepayment Options</p> <p>Section 3855</p>	<p>This exposure draft is still outstanding.</p>	<p>The exposure draft proposes to consider a prepayment option embedded in a host debt instrument for which the exercise price compensates the lender for loss of interest by reducing the economic loss from reinvestment risk to be closely related to the host debt instrument.</p>
<p>Joint Arrangements</p> <p>Section 3055</p>	<p>This exposure draft is still outstanding.</p>	<p>The exposure draft proposes to require the use of the equity method of accounting for interests in joint ventures. The existing option of proportionate consolidation for jointly controlled entities will be removed. Currently, Section 3055, <i>Interests in Joint Ventures</i>, requires these entities to be accounted for using proportionate consolidation. There is no proposal to change to the accounting for jointly controlled operations or jointly controlled assets.</p> <p>Therefore, there will be increased importance on the definitions of different categories of joint ventures. Depending on how an item is defined will determine whether the equity or proportionate consolidation method of accounting is appropriate.</p>

Topic	Effective Date	Guidance
<p>Conceptual Framework — Objective, Qualitative Characteristics and Constraints</p> <p><i>Section 1000</i></p>	<p>The comments on this exposure draft were requested by October 31, 2008.</p>	<p>This exposure draft proposes to incorporate proposed changes to the existing IASB Framework into Canadian GAAP for publicly accountable enterprises, private enterprises and not-for-profit organizations. The objective of this project is to develop a common conceptual framework that is both complete and internally consistent.</p> <p>This exposure draft deals with the following topics:</p> <ul style="list-style-type: none"> • Extend scope to include general purpose financial reporting; • Include present and potential capital providers who include equity investors, lenders and other creditors as users of the financial statements; • Defines the objective to encompass all decisions that primary users make in their capacity as capital providers, including resource allocation decisions and decisions to protect and enhance their investments; • Focuses and defines both fundamental and enhancing characteristics; and • Refines the definition of faithful representation.
<p>Simplifying Earnings per Share</p> <p><i>Section 3500</i></p>	<p>The AcSB intends that the proposed new standard on EPS would become effective in Canada at the same time as required by the IASB, which is expected to be prior to the complete changeover to IFRSs. It is expected that the IASB will issue a final standard in 2009.</p> <p>Comments on this exposure draft are due by December 5, 2008</p>	<p>The AcSB decided, consistent with its strategy of adopting IFRSs for publicly accountable enterprises, to issue a standard on earnings per share that is fully converged with IAS 33, Earnings per Share, including proposed amendments.</p> <p>The key areas covered in this exposure draft are:</p> <ul style="list-style-type: none"> • To determine which instruments are included in the calculation of basic EPS; • Guidance on the inclusion of warrants and their equivalents in the diluted EPS calculation; • Clarification on ordinary shares relating to forward contracts to sell an entity's own shares in the diluted EPS calculation; and • Guidance on the definition of a participating instrument in relation to

		the diluted EPS calculation.
Topic	Effective Date	Guidance
<p><i>Improving Disclosures about Financial Instruments</i> <i>Section 3862</i></p>	<p>This exposure draft proposes that the amendments be effective for interim and annual financial statements relating to fiscal years beginning on or after July 1, 2009.</p> <p>The amendments proposed would apply to publicly accountable enterprises, and those private enterprises, co-operative business enterprises, rate-regulated enterprises and NPOs that choose to apply Section 3862.</p>	<p>This exposure draft is in line with the IASB's recent issuance of its exposure draft for amendments to IFRS 7 – Financial Instrument Disclosures.</p> <p>The proposals are to enhance disclosures about fair value measurements, including the relative reliability of the inputs used in those measurements, and about the liquidity risk, of financial instruments.</p>

Public Sector Accounting Handbook Changes

Standards

Topic	Effective Date	Guidance
<p>Amendment to Introduction</p>	<p>This will be adopted consistent with IFRS adoption for publicly accountable enterprises.</p>	<p>These amendments state that when preparing financial statements for their own purposes, government business enterprises and government business-type organizations should follow the CICA Handbook – Accounting for publicly accountable enterprises, and thus, adopt the full IFRS standards in line with the AcSB’s strategic plan.</p>
<p>Reporting Model <i>Sections PS 1000, 1100 and 1200</i></p>	<p>In conjunction with Section PS 3150 Tangible Capital Assets, the revised Sections PS 1000, 1100 and 1200 will apply to local governments for fiscal years beginning on or after January 1, 2009.</p>	<p>The revised Sections PS 1000, 1100 and 1200 will apply to all levels of government. As a result, local governments will be required to:</p> <ul style="list-style-type: none"> • Prepare a statement of financial position that presents both net debt/net financial assets and accumulated surplus/deficit calculated on a full accrual basis of accounting. When reporting the accumulated surplus/deficit, it will be presented as a single line item; • Prepare a statement of operations which reports the annual surplus/deficit as the difference between revenues and expenses; • Prepare a statement of changes in net debt, which highlights the effects of capital spending on net debt; • Prepare a statement of cash flows, which provides for a new capital category and allows either the direct or the indirect method to be used; • Present current year budget figures on the statement of operations and the statement of changes in net debt on a basis consistent with that used for actual results; and • Funds and reserves are not permitted to be presented on the face of the financial statements. If the government chooses, they may be disclosed in the notes or schedules to the financial statements. <p>For additional Information on this new section see the BDO Dunwoody LLP Publication “Government Financial Reporting Model - Time to Get Ready”.</p>

Topic	Effective Date	Guidance
<p>Segment Disclosures Section PS 2700</p>	<p>This section applies to all governments for fiscal years beginning on or after April 1, 2007.</p>	<p>This section establishes standards on how to define and disclose segments in a government's summary financial statements.</p> <p>A segment is a distinguishable activity or group of activities of which it is appropriate to report financial information.</p> <p>Possible segmentation bases include:</p> <ul style="list-style-type: none"> • Functional classification of activities; • Service line; or • Accountability and control activities. <p>The required disclosures include:</p> <ul style="list-style-type: none"> • Basis of identifying segments, nature of segments, activities they encompass and method of allocation to the segment; • Segment expenses by major object; • Segment revenue by source and type; • Aggregate surplus/deficit of entities accounted for using the modified equity method for each segment; and • Reconciliation of amounts reported in segments to the amounts reported in the statement of operations.
<p>Tangible Capital Assets Section PS 3150</p>	<p>This section applies to local governments for fiscal years beginning on or after January 1, 2009.</p> <p>Earlier adoption is encouraged.</p>	<p>This section establishes standards on how to account for and report tangible capital assets in government financial statements. Tangible capital assets are a significant economic resource managed by governments and a key component in the delivery of many government programs. Tangible capital assets include such diverse items as roads, buildings, vehicles, equipment, land, water and other utility systems, aircraft, computer hardware and software, dams, canals, and bridges. The section requires all tangible capital assets to be recognized on the statement of financial position and the related depreciation is to be recognized as an expense of the statement of operations.</p> <p>For additional information on this new section see the BDO Dunwoody LLP Publication "Tangible Capital Assets - Time to Get Ready".</p>

Public Sector Guidelines

Topic	Effective Date	Guidance
<i>Tangible Capital Assets of Local Governments</i> <i>PSG-7</i>	This guideline applies to local governments for fiscal years beginning on or after January 1, 2007. Earlier adoption is encouraged.	This guideline requires disclosure of information on tangible capital assets by major category including: <ul style="list-style-type: none">• Cost at beginning and end of period;• Additions, disposals and write downs;• Accumulated amortization at beginning and end of period; and• Amortization for the period. It is not expected that local governments will have all of this information. However, they are expected to provide disclosure for the categories where they do have this information, as well as disclose those categories excluded from the disclosure.

Exposure Drafts

<p>Government Transfers <i>Section PS 3410</i></p>	<p>The proposed amendments to Section PS 3410 – and the other consequential amendments – are proposed to apply to all governments for fiscal years beginning on or after January 1, 2009.</p>	<p>The proposed amendments require government transfers to be recognized as revenue or expenses when the transfer has been authorized and any eligibility criteria have been met.</p> <p>Therefore, a transaction that meets the definition of a government transfer for a transferring government cannot also meet the definition of an asset and, therefore, it should not be recognized and reported as an asset.</p> <p>In the case of a government that receives resources through a transfer, the transfer increases the net assets of that government. How or when this funding is to be applied by the recipient is irrelevant to the accounting for the transfer. Transfer terms may impose an obligation on a transfer recipient to use the transferred resources as agreed, but that obligation does not meet the definition of a liability. Therefore, the government transfer should not be deferred to match the related expenditures.</p> <p>As a result of these proposals, volatility in annual results related to the provision or receipt of transfers may occur.</p>
<p>Tax Revenue</p>	<p>These proposals will apply to fiscal years beginning on or after January 1, 2012. Earlier adoption is encouraged.</p>	<p>The proposals address general recognition, measurement, reporting and disclosure principles of all types of tax revenues.</p>