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Accounting Update 2006

Accounting Standards Board Strategic Plan

In January 2006 the Accounting Standards Board (AcSB) approved a new plan to pursue separate strategies for publicly accountable enterprises, non-publicly accountable enterprises and not-for-profit organizations. The strategic plan is based on the board's philosophy of "one size does not necessarily fit all."

Publicly Accountable Enterprise Strategy

The current definition of Publicly Accountable Enterprises, as found in Section 1300 *Differential Reporting*, includes the following types of entities:

- Public enterprises;
- Co-operative business enterprises;
- Regulated financial institutions and regulated financial institution holding companies;
- Rate-regulated enterprises; and
- Government business enterprises and government business-type organizations.

The AcSB will consider whether there is a need to refine the definition of a Publicly Accountable Enterprise and will confirm the definition early in the implementation period of the plan.

The strategy encompasses full convergence with International Financial Reporting Standards (IFRS), which will take place over a transitional period. At the changeover date – slated not to occur before 2011 – Canadian Generally Accepted Accounting Principles (GAAP) for Publicly Accountable Enterprises will no longer be separate and distinct from IFRS.

In July 2006, the AcSB issued the Implementation Plan for Incorporating IFRSs into Canadian GAAP. This plan's tentative implementation timeline is based on an assumed changeover date of January 1, 2011. The following timeline assumes the enterprise has a calendar year end.

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2006 – 2008	Obtain training and knowledge of IFRS
Early 2008	Progress review by the AcSB and changeover timing to be announced
2008	Access current accounting policies with reference to IFRS and develop a plan for convergence
December 31, 2008	Disclosure of the enterprises plan for convergence and what effects the enterprise anticipates will arise with the change to IFRS
December 31, 2009	Same disclosure as required in 2008, but with a greater degree of quantification of the anticipated change to IFR.
January 1, 2010	Begin collecting the comparative information which will be needed for inclusion with the 2011 financial statements (on an annual and if the enterprise reports quarterly, on a quarterly basis)
December 31, 2010	Last year of Canadian GAAP financial statements
January 1, 2011	Changeover to IFRS
March 31, 2011	For enterprises reporting quarterly, the first quarterly IFRS financial statements, with IFRS quarterly comparatives
December 31, 2011	First annual IFRS financial statements, with IFRS annual comparatives

Non-Publicly Accountable Enterprise Strategy

The non-publicly accountable enterprise strategy will encompass researching; who the financial statement users are, what are their information needs and what reporting model will satisfy these needs. Based on the results of this research, the possibility of building a completely new set of GAAP exists.

To date the AcSB's research on the information needs of the users of financial statements has consisted of interviews with the following groups:

- Lenders and creditors, including banks and credit unions;
- Others exposed to similar risks, such as leasing companies, insurance companies, and guarantors; and
- Investors, including venture capital and private equity companies and minority interests.

The interviews have covered a number of companies: the smallest company represented has five-to-ten employees and just over \$1 million in annual revenues; the largest has 750 employees and revenue of \$800 million. Input has also been received from owner-managers and practitioners.

The AcSB has emphasized that they have no predetermined view on what accounting standards for non-publicly accountable enterprises should be. They plan on completing their research on users needs and then decide whether it would be beneficial to pursue a separate or modified set of standards for non-publicly accountable enterprises.

Not-for-Profit Strategy

The not-for-profit (NPO) strategy encompasses consulting the NPO sector to determine if NPO accounting standards should be based on those applicable to publicly accountable or non-publicly accountable enterprises.

CICA Accounting Handbook Changes

Standards

Topic	Effective Date	Guidance
<p><i>Financial Instruments – Recognition and Measurement</i> <i>Section 3855</i></p>	<p>Applies to annual and interim periods in fiscal years beginning on or after October 1, 2006.</p> <p>Non-publicly accountable enterprises, may defer application of this Section to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.</p> <p>Early adoption is permitted only as of the beginning of a fiscal year ending on or after December 31, 2004, and if the entity adopts all requirements of Sections 3855, 3865 and 1530 at the same time.</p>	<p>This new Section will likely affect all entities to some degree. It prescribes when a financial instrument is to be recognized on the balance sheet and at what amount – sometimes using fair value; other times using cost-based measures. It also specifies how financial instrument gains/losses are to be recognized and presented in the financial statements.</p> <p>For additional Information on this new section see the BDO Dunwoody LLP Publication “Financial Instruments – Time to Get Ready.”</p>
<p><i>Hedges</i> <i>Section 3865</i></p>	<p>Applies to annual and interim periods in fiscal years beginning on or after October 1, 2006.</p> <p>Non-publicly accountable enterprises may defer application of this Section to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.</p> <p>Early adoption is permitted only as of the beginning of a fiscal year ending on or after December 31, 2004, and if the entity adopts all requirements of Sections 3855, 3865 and 1530 at the same time.</p>	<p>This new Section provides alternative treatments to <i>Section 3855</i> for entities that choose to designate qualifying transactions as hedges for accounting purposes. It builds on existing <i>Accounting Guideline AcG-13, Hedging Relationships, and Section 1650, Foreign Currency Translation</i>, by specifying how hedge accounting is applied and what disclosures are necessary.</p> <p>For additional Information on this new section see the BDO Dunwoody LLP Publication “Financial Instruments – Time to Get Ready.”</p>
<p><i>Comprehensive Income</i> <i>Section 1530</i></p>	<p>Applies to annual and interim periods in fiscal years beginning on or after October 1, 2006.</p> <p>Non-publicly accountable enterprises, may defer application of this Section to interim, and annual financial statements relating to fiscal years beginning on or after October 1, 2007.</p> <p>Early adoption is permitted only as of the beginning of a fiscal year ending on or after December 31, 2004, and if the entity adopts all requirements of Sections 3855, 3865 and 1530 at the same time.</p>	<p>This Section introduces a new requirement to temporarily present certain gains/losses outside of net income.</p> <p>For additional Information on this new section see the BDO Dunwoody LLP Publication “Financial Instruments – Time to Get Ready.”</p>

Topic	Effective Date	Guidance
<p>Financial Instruments – Disclosure and Presentation <i>Section 3861</i></p>	<p>Applies to annual and interim periods in fiscal years beginning on or after October 1, 2006.</p> <p>Non-publicly accountable enterprises may defer application of this Section to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.</p> <p>Early adoption is permitted only as of the beginning of a fiscal year ending on or after December 31, 2004, and if the entity adopts all requirements of Sections 3855, 3865 and 1530 at the same time.</p>	<p>This Section replaces Section 3860, <i>Financial Instruments – Disclosure and Presentation</i>, and establishes standards for presentation of financial instruments and non-financial derivatives. Further, it identifies the information that should be disclosed about them in the notes to the financial statements.</p>
<p>Equity <i>Section 3251</i></p>	<p>Applies to annual and interim periods in fiscal years beginning on or after October 1, 2006.</p> <p>Non-publicly accountable enterprises may defer application of this Section to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.</p> <p>Early adoption is permitted only as of the beginning of a fiscal year ending on or after December 31, 2004, and if the entity adopts all requirements of Sections 3855, 3865 and 1530 at the same time.</p>	<p>This Section, which replaces Section 3250 <i>Surplus</i>, establishes standards for the presentation of equity and changes in equity during the reporting period. The main feature of this Section is a requirement for an enterprise to present separately each of the changes in equity during the period, including comprehensive income, as well as components of equity at the end of the period.</p>
<p>Non-monetary Transactions <i>Section 3831</i></p>	<p>Applies on a prospective basis to all non-monetary transactions initiated in periods beginning on or after January 1, 2006.</p> <p>Early adoption is permitted for non-monetary transactions initiated in periods beginning on or after July 1, 2005.</p> <p>Retroactive application is prohibited.</p>	<p>This Section, which replaces Section 3830 <i>Non-monetary Transactions</i>, require that all non-monetary transactions be measured at fair value unless:</p> <ul style="list-style-type: none"> - The transaction lacks commercial substance; - The transaction is an exchange of a product or property held for sale in the ordinary course of business for a product or property to be sold in the same line of business to facilitate sales to customers other than the parties to the exchange; - Neither the fair value of the assets received nor the fair value of the assets given up is reliably measurable; or, - The transaction is a non-monetary, non-reciprocal transfer to owners that represents a spin-off or other form of restructuring or liquidation.

Topic	Effective Date	Guidance
<p>Accounting Changes <i>Section 1506</i></p>	<p>This Section, which replaces the former Section 1506, is applicable to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2007. Earlier adoption is encouraged.</p>	<p>This Section establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates, and correction of errors. It adopts the relevant parts IAS 8, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>. The main features of the new Section are:</p> <ul style="list-style-type: none"> - Voluntary changes in accounting policy are only made if they result in the financial statements provides more reliable and more relevant information; - Changes in accounting policy are applied retrospectively unless doing so is – or the change in accounting policy is – made on initial application of a primary source of GAAP in accordance with specific transitional provisions in that primary source of GAAP. A change in accounting estimate is generally recognized prospectively; - Material prior period errors are corrected retrospectively; and, - New disclosures are required in respect of changes in accounting policies, changes in accounting estimates, and correction of errors, including disclosure of when an entity has not applied a new standard that has been issued but is not yet effective.

Emerging Issues Committee Abstract

Topic	Effective Date	Guidance
<p><i>The Effect of Contingently Convertible Instruments on Diluted Earnings per Share</i> EIC – 155</p>	<p>To be applied retroactively with restatements, to all financial statements for interim and annual reporting periods beginning on or after October 1, 2005.</p> <p>Early adoption is encouraged.</p>	<p>This Abstract addresses when contingently convertible instruments should be included in diluted earnings per share. For purposes of the Abstract, contingently convertible instruments include those based on a market price trigger or multiple contingencies with a market price condition. The Committee concluded that the effect of contingently convertible instruments should be included in the computation of diluted earnings per share (if dilutive) regardless of whether the market price trigger has been met.</p>
<p><i>Accounting for Consideration by a Vendor to a Customer (Including a Reseller of the Vendor's Products)</i> EIC – 156</p>	<p>To be applied retroactively with restatement of prior periods, to all interim and annual financial statements for fiscal years beginning on or after January 1, 2006.</p> <p>Early adoption is encouraged.</p>	<p>This Abstract addresses whether consideration given by a vendor to a customer is a reduction in the vendor's revenue or an expense, as well as when the amount should be recognized by the vendor and related measurement issues.</p> <p>The Committee concluded that cash consideration (including a sales incentive) given by a vendor to a customer is presumed to be a reduction of the selling prices of the vendor's products or services and, therefore, should be classified as a reduction of revenue when recognized in the vendor's income statement, unless both of the following conditions are met:</p> <ul style="list-style-type: none"> - The vendor receives an identifiable benefit that is sufficiently separable from the recipient's purchase of the vendor's products; and - The vendor can reasonably estimate the fair value of the benefit identified under condition above. <p>The EIC also provides guidance on the measurement and recognition of such consideration.</p>

Topic	Effective Date	Guidance
<p>Implicit Variable Interests under AcG-15 EIC - 157</p>	<p>For entities to which AcG-15, <i>Consolidation of Variable Interest Entities</i> has been applied, this Abstract should be applied to the first interim period or annual fiscal period subsequent to October 17, 2005.</p>	<p>The Committee reached a consensus that the reporting enterprise should consider whether it holds an implicit interest in a variable interest entity (VIE). Implicit interests in a VIE arise when a related party also holds an interest in a VIE.</p> <p>The determination of whether an implicit variable interest exists should be based on whether the reporting enterprise may absorb variability of the VIE or potential VIE.</p>
<p>Accounting for Convertible Debt Instruments EIC 158</p>	<p>Applies prospectively to convertible debt instruments issued after October 17, 2005.</p>	<p>The Abstract is intended as guidance on the application of <i>Section 3860.20A</i>. The situation discussed is where an entity issues a debt instrument that is convertible into a fixed number of common shares. Upon conversion, the issuer is either required or has the option to satisfy all or part of the obligation in cash. Additionally, the Abstract considers variants of this instrument.</p> <p>The Committee concluded that if the issuer is required to satisfy the conversion obligation in cash, the instrument should be treated entirely as a liability and be accounted for similarly to an indexed debt obligation.</p> <p>If the issuer has the option to satisfy the obligation in shares or in cash, the Committee concluded that the instrument is a compound financial instrument that contains both a liability element and an equity element. Note: This EIC is not applicable if the enterprise has adopted Section 3861.</p>

Topic	Effective Date	Guidance
<p>Conditional Asset Retirement Obligations</p> <p><i>EIC 159</i></p>	<p>To be applied retroactively, with restatement of prior periods to all financial statements for interim and annual reporting periods ending after March 31, 2006.</p> <p>Earlier adoption encouraged.</p>	<p>When discussing conditional asset retirement obligations, the EIC is referring to uncertainty about the timing and/or method of settlement, not when the asset retirement activity is conditional.</p> <p>The Committee concluded an entity should recognize a liability for the fair value of a conditional asset retirement obligation if the fair value can be reasonably estimated. The Abstract provides guidance on what constitutes sufficient information to reasonably estimate the fair value of a conditional asset retirement obligation.</p> <p>If sufficient information is not available at the time the liability is incurred, a liability should be recognized initially in the period in which sufficient information becomes available.</p>

Topic	Effective Date	Guidance
<p>Exchangeable Securities Issued By Subsidiaries of Income Trusts <i>EIC 151 amendment</i></p>	<p>This Abstract was amended December 6, 2005 to provide detailed guidance on the second and third issues.</p> <p>Amendments to be applied retroactively, with restatement of prior periods to all financial statements for interim and annual reporting periods beginning on or after January 1, 2006.</p> <p>Earlier adoption is encouraged.</p>	<p>The Committee concluded that exchangeable securities should be measured as follows if presented as unitholders' equity or non-controlling interest:</p> <ul style="list-style-type: none"> - If the trust, when it acquired the subsidiary, met the requirements of EIC-145, <i>Basis of Accounting For Assets Acquired Upon the Formation of an Income Trust</i>, for use of the exchange amount, the exchangeable securities should be measured at the exchange amount.; or, - If the trust accounted for the acquisition of the subsidiary at carrying value, the exchangeable securities should be measured in a manner consistent with the carrying value in the subsidiary's financial statements. <p>If the exchangeable securities are presented as debt, the parent should measure them consistent with the accounting for debt.</p> <p>The Committee also concluded that the conversion of exchangeable securities should be accounted for as follows:</p> <ul style="list-style-type: none"> - If the non-controlling interest was originally recorded at exchange amount, the conversion should be accounted for as a "rollover" at that value; - If the non-controlling interest was originally recorded in a manner consistent with carrying value, the conversion should be accounted for using step-acquisition accounting.
<p>Stripping Costs Incurred in the Production Phase of a Mining Operation <i>EIC 160</i></p>	<p>To be applied to stripping costs incurred in fiscal years beginning on or after July 1, 2006, and may be applied retroactively.</p> <p>Earlier adoption encouraged.</p>	<p>The Committee concluded that If the stripping activity provides access to sources of reserves which will be produced in future years, the stripping costs should be capitalized, and the capitalized stripping costs should be amortized in a rational and systematic manner over the reserves that directly benefit from the specific stripping activity.</p> <p>The EIC also addresses the disclosure requirements related to such stripping costs.</p>

Topic	Effective Date	Guidance
<p><i>Discontinued Operations</i> EIC 161</p>	<p>The Abstract may be applied prospectively and should be applied to all disposal transactions initiated after the date of issue of this Abstract. Disposal transactions initiated within an enterprise's fiscal year that includes the date of the Abstract may be reclassified to reflect the consensuses. If an entity decides to apply the accounting treatment in this Abstract retroactively, all prior period financial statements issued after the date of issue of this Abstract should be restated.</p> <p>The Abstract was issued on April 12, 2006.</p>	<p>This EIC replaces EIC 45, <i>Discontinued Operations</i>. The EIC deals with the allocation of interest expense and general overhead to discontinued operations. Interest on debt that is to be assumed by the buyer and debt that is required to be repaid as a result of the disposal should be allocated to discontinued operations. Interest on other consolidated debt that is not directly attributable to or related to other operations of the enterprise is permitted, but not required, to be allocated to discontinued operations. General overhead may not be allocated to discontinued operations.</p> <p>The EIC also states that discontinued operations' accounting should not be adopted when the enterprise has no substantial continuing operations after the disposal.</p>
<p><i>Stock Based Compensation for Employees Eligible to Retire before the Vesting Date</i> EIC 162</p>	<p>To be applied retroactively, with restatement of prior periods to all stock-based compensation awards accounted for in accordance with Section 3870, <i>Stock-Based Compensation and other Stock-Based Payments</i> in financial statements issued for interim and annual periods ending on or after December 31, 2006.</p> <p>Earlier adoption encouraged.</p>	<p>The Abstract addresses how compensation cost for awards that allow an employee to continue vesting after retirement should be accounted for.</p> <p>In the case of an employee who is eligible to retire at the grant date, the compensation cost should be recognized on the grant date.</p> <p>For an employee who will become eligible to retire during the vesting period, the compensation should be recognized over the period from the grant date to the date the employee becomes eligible to retire.</p>
<p><i>Determining the Variability to be Considered in Applying AcG-15</i> EIC 163</p>	<p>To be applied prospectively to all entities with which the enterprise first becomes involved and to all entities previously required to be analyzed under AcG-15 <i>Consolidation of Variable Interest Entities</i> when a reconsideration event occurs beginning the first day of the first interim or annual reporting period beginning on January 1, 2007.</p> <p>Early adoption is encouraged.</p>	<p>At issue is the type of variability that should be considered in identifying variable interests (i.e., risks of fluctuations in cash flows, fair values of assets, both, or risks that the VIE was designed to bear). The EIC supports the "by design" approach under which the determination of whether an interest is variable requires a thorough understanding of the design of the potential VIE.</p>

Topic	Effective Date	Guidance
<p><i>Income Taxes Arising from Partnership Income</i></p> <p>D59</p>	<p>Issued for comment in July 2006.</p> <p>Proposed to be applied retroactively, with restatement of prior periods, to all financial statements for interim and annual periods issued after the date of issue of this Abstract.</p>	<p>The proposed Abstract deals with situations where an entity may earn income from an interest in a partnership that has a different financial year end than the entity's. The Abstract proposes the following accounting treatment in such situations:</p> <ul style="list-style-type: none"> - Income tax liability for the income earned by the partnership in the entity's current financial year, but that will be included in its tax return for the subsequent year, is a future income tax liability; - Classification of the future tax liability is based on the classification of the liabilities and assets to which the future income tax liability relates; - Future income tax liability would not be affected by taxable deductions that will arise in the period in which the taxes will be paid; and, - Currently available tax deductions of the entity related to long-term assets should not be presented as current even if they will offset the tax payable in the next period in respect of the current period's partnership income;
<p><i>Measurement of an Item Transferred to a Related Party that is a Variable Interest Entity</i></p> <p>D61</p>	<p>Issued for comment in September 2006.</p> <p>Proposed to be applied on a prospective basis to financial statements issued for interim and annual periods beginning after the date of issue of this Abstract. The consensus may also be applied retrospectively – with restatement of prior periods – to all transfers from the date at which the enterprise adopted AcG-15 <i>Consolidation of Variable Interest Entities</i>.</p>	<p>The proposed abstract deals with situations where an entity transfers an item to a related party that is a variable interest entity (VIE) for which the transferor remains the primary beneficiary and the transferor does not have voting control or joint control over the VIE before or after the transfer.</p> <p>The Abstract proposes that the nature of the relationship of the transferor to the transferred item has not changed. The transferor still controls the transferred item through the VIE. Therefore the transferred item should not be remeasured on the transfer.</p>

Exposure Drafts

Topic	Effective Date	Guidance
<p><i>Business Combinations</i> <i>Section 1582</i></p>	<p>Issued August 2005 to replace <i>Section 1581</i>.</p> <p>The AcSB expects that final standards on business combinations and non-controlling interests will be issued in the second half of 2007.</p>	<p>Proposes to require the purchase 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 (normally expensed). Assets acquired and liabilities assumed would similarly be measured at fair value, with a few exceptions such as future tax assets and liabilities. A non-controlling interest (NCI) would be measured at the acquisition date at the NCI's proportional interest in the amount of net assets acquired (including goodwill) as recorded by the acquirer.</p>
<p><i>Internally Developed Intangible Assets</i> <i>Section 1000</i> <i>Section 3062</i></p>	<p>The Exposure Draft was issued in December 2005. However, the AcSB is considering modifying the project to achieve a closer alignment with International Financial Reporting Standard IAS 38, <i>Intangible Assets</i>. As a result, the effective date of proposed changes will not be prior to the latter part of 2007.</p>	<p>The Exposure Draft proposes the removal from Section 1000 <i>Financial Statement Concepts</i> of material interpreted by some as permitting the recognition of assets that would not otherwise meet this section's definition and recognition criteria. As a result the proposals reject the existing practice of deferring certain costs.</p> <p><i>EIC-27 Revenues and Expenditures during the Pre-Operating Period</i> currently permits the recognition of items that do not meet the definition and recognition criteria for assets. It is expected that the Abstract will be withdrawn at the same time that the proposed Handbook amendments become effective.</p> <p>The Exposure Draft also proposes the addition to Section 3062 <i>Goodwill and Other Intangible Assets</i> of criteria consistent with the asset recognition criteria in Section 1000 be applied when an enterprise develops intangible assets internally.</p>

Topic	Effective Date	Guidance
<p>Financial Instrument Disclosures and Capital Disclosures</p> <p>Section 3862</p> <p>Section 3863</p> <p>Section 1535</p>	<p>Issued April 2006 to replace Section 3861.</p> <p>The AcSB plans to issue the three new standards described in this Exposure Draft in the fourth quarter of 2006. The Exposure Draft proposes that the Sections apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The proposed section may be adopted at the same time as Section 3855, <i>Financial Instruments – Recognition and Measurement</i>; Section 3865, <i>Hedges</i>; and Section 1530, <i>Comprehensive Income</i>.</p>	<p>The Exposure Draft proposes the adoption of the financial instrument disclosure and presentation requirements of IFRS 7, <i>Financial Instruments: Disclosures</i>, and the capital disclosure portion of IAS 1, <i>Presentation of Financial Statements</i>. The adoption of these proposals is consistent with the AcSB's strategic plan.</p> <p>The proposed 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 management personnel. <p>The proposed Section 1535 would require the disclosure of information about an entity's objectives, policies and processes for managing capital. It would apply to all entities, not just those with financial instruments.</p>

Topic	Effective Date	Guidance
<p>Inventories <i>Section 3031</i></p>	<p>Issued June 2006 to replace Section 3030.</p> <p>The AcSB expects to issue a final standard in the first quarter of 2007 that will be effective for interim and annual financial statements for fiscal years beginning on or after July 1, 2007, with earlier application encouraged.</p>	<p>The Exposure Draft is based on IAS 2, <i>Inventories</i>. The adoption of these proposals is consistent with the AcSB's strategic plan.</p> <p>The key feature of the exposure draft 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 eliminates 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.

Topic	Effective Date	Guidance
<p>Going Concern <i>Section 1400</i></p>	<p>Issued in August 2006 to amend Section 1400.</p> <p>The AcSB expects to issue the final handbook material in the first quarter of 2007 with an effective date for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.</p>	<p>The Exposure Draft proposes adopting the going concern paragraphs from IAS 1. The adoption of this proposal is consistent with the AcSB's strategic plan.</p> <p>The Exposure Draft proposes the following:</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. - 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.

Public Sector Accounting Handbook Changes Standards

Topic	Effective Date	Guidance
<p>Segment Disclosures <i>Section PS 2700</i></p>	<p>This Section applies to all governments for fiscal years beginning on or after April 1, 2007. Earlier adoption is encouraged.</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. 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.

Topic	Effective Date	Guidance
<p><i>Tangible Capital Assets</i> <i>Section PS 3150</i></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>

Public Sector Guidelines

Topic	Effective Date	Guidance
<p><i>Including Results of Organizations and Partnerships Applying Fair Value Measurement</i> PSG-6</p>	<p>This Guideline applies to all governments for the first fiscal year that government organizations and government partnerships included in the governments' financial statements have adopted:</p> <p>(a) <i>Comprehensive Income</i>, CICA Handbook – Accounting Section 1530;</p> <p>(b) <i>Financial Instruments — Recognition And Measurement</i>, CICA Handbook – Accounting Section 3855; and</p> <p>(c) <i>Hedges</i>, CICA Handbook – Accounting Section 3865.</p>	<p>The purpose of this Guideline is to provide guidance on the reporting of government organizations and government partnerships in a government's summary financial statements that are in accordance with the new CICA Handbook Financial Instrument Sections.</p> <p>The Guideline requires fair value adjustments to be reflected in the government financial statements as a component of the investment. Other comprehensive income, however, would not be reflected in the income from the investment, but would be reported separately following the difference between revenue and expenses on the statement of activities.</p>
<p><i>Tangible Capital Assets of Local Governments</i> PSG-7</p>	<p>This Guideline applies to local governments for fiscal years beginning on or after January 1, 2007.</p> <p>Earlier adoption is encouraged.</p>	<p>This Guideline requires disclosure of information on tangible capital assets by major category including:</p> <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. <p>It is not expected that local governments will have all of this information by December 31, 2007. They are, however, expected to provide disclosure for the categories where they do have this information, as well as disclose those categories excluded from the disclosure.</p>

Statements of Recommended Practice

Topic	Effective Date	Guidance
<p>Public Performance Reporting SORP-2</p>		<p>This Statement of Recommended Practice provides recommended practices for reporting performance information in a public performance report of a government or a government organization. Sound public performance reporting can be a powerful tool in promoting better understanding of and debate about how resources were used, what was achieved in comparison to what was planned, and how to improve performance. In turn, this understanding and discussion can contribute to better governance and accountability, stronger management, more informed decisions, and greater public trust and confidence.</p> <p>The guidance provides a common approach and language that needs to be communicated to users, can contribute the enhanced level of confidence in the information being reported and can help ensure that the information is reliable and valid, relevant, fair, comparable, consistent and understandable.</p>

Exposure Drafts

Topic	Effective Date	Guidance
<p>Reporting Model Sections PS 1000, 1100 and 1200</p>	<p>In conjunction with Section PS 3150 <i>Tangible Capital Assets</i>, the revised Sections PS 1000, 1100 and 1200 are expected to apply to local governments for fiscal years beginning on or after January 1, 2009.</p>	<p>Existing Sections PS 1000, 1100 and 1200 are applicable to federal, provincial and territorial governments. The revised Sections are intended to 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 which 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. - 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.

Topic	Effective Date	Guidance
<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. 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>