

RISK ADVISORY SERVICES

IFRS: PREPARING FOR THE CONVERSION PROCESS

THE CANADIAN ACCOUNTING STANDARDS BOARD RECENTLY CONFIRMED JANUARY 1, 2011 AS THE DATE IFRS WILL REPLACE CURRENT CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (CANADIAN GAAP) FOR PUBLICLY ACCOUNTABLE ENTERPRISES.

Over the next three years, public companies will need to prove the IFRS conversion process has indeed been implemented. Outlined below is a summary of the IFRS changeover process as broken down by key dates:

2008 – For all interim and annual periods of the financial year ending December 31, 2008 (other than investment fund issuers)

Public enterprises converting to IFRS should disclose key elements and a timeline of its IFRS conversion plan in its interim MD&A. Details pertaining to the changeover process must be disclosed no later than in its annual MD&A. Key elements of an issuer's plan may address the impact of IFRS.

At a minimum, the CSA Staff Notice has outlined the following areas that they expect issuers to address in their MD&A regarding IFRS conversion in the annual MD&A as at December 31, 2008 (at the latest) as well as status of these key elements and the impact of IFRS on the following:

- accounting policies, including choices among policies permitted under IFRS, and implementation decisions such as whether certain changes will be applied on a retrospective or a prospective basis,
- information technology and data systems,
- internal control over financial reporting,
- disclosure controls and procedures, including investor relations and external communications plans,
- financial reporting expertise, including training requirements, and

- business activities, such as foreign currency and hedging activities, as well as matters that may be influenced by GAAP measures such as debt covenants, capital requirements and compensation arrangements.

2009 – For all interim and annual periods of the financial year ending December 31, 2009 (other than investment fund issuers)

At this time, issuer's are required by the CSA to provide a general IFRS progress update in relation to its IFRS plan in both its interim and annual MD&A disclosures. Furthermore, issuer's are encouraged to discuss future preparations and plans which will be implemented in addition to identifying major differences between the issuer's current accounting policies and those expected or required to be applied in preparing IFRS financial statements.

The purpose of disclosing this information, even if it is only narrative in nature, is to provide prospective and current investors with a basic understanding of the company's financial statements and how the changeover of to IFRS will impact it. *

2010 – For all interim and annual periods of the financial year ending December 31, 2010 (other than investment fund issuers)

One year prior to the implementation of IFRS, issuer's must disclose an updated discussion of changeover preparations currently underway in both its interim and annual MD&A discussions. The issuer's discussion of



CONTACT BDO

National

Sam Khoury
416 369 6030
skhoury@bdo.ca

Central Canada

Carlo Mariglia
416 369 3078
cmariglia@bdo.ca

David Knott
416 815 3016
dknott@bdo.ca

changes relating to accounting policies should include decisions about accounting policy choices available under IFRS 1 First-time Adoption of International Financial Reporting Standards and other individual IFRS standards that are relevant to the issuer.

IFRS 1 requires disclosure of comparative and reconciliation information in the interim and annual financial statements of the year beginning on an issuer's changeover date. Therefore, an issuer will need to prepare quantified information about the impact of IFRS on each line item presented in the financial statements for the interim and annual periods of the year preceding changeover.

Conversion to IFRS by investment fund issuers

An investment fund should discuss the changeover to IFRS for each fund or fund family in either the Management Report of Fund Performance (MRFP) or the notes to the financial statements. In the year before changeover, disclosure should include quantitative impact of the changeover to IFRS. Consistent with Instructions for the MRFP, disclosure should be clear and concise, focusing on specific material information, risks and uncertainties to enable readers to better assess the impact on the investment fund.

How BDO can help

There's little doubt that conversion to IFRS will be a huge undertaking for any public company. This new accounting standard has the potential to materially affect an issuer's reported financial position, results of operations, as well as certain business functions. But, with the guidance and skill of a knowledgeable third party, your company's transition to IFRS can be smooth and pain-free. BDO can assist your organization in rolling out an IFRS plan that will compliment your organization's Business Process Enhancement (BPE) and Enterprise Risk Management (ERM) Processes. Your investors – both current and potential – as well as market participants and insiders, will need accurate, meaningful information about your financial position; especially in the lead up to full conversion to IFRS. 2011 is much closer than you think and the future of financial reporting will be legally required.

