

ASSURANCE & ACCOUNTING

Financial Reporting for Public Companies: What You Need to Know—Q4, 2016 Update

Don't have much time, but need to keep informed on financial reporting issues for Canadian reporting issuers? This publication provides a quick overview of the top issues over the past quarter to help you ensure your company's continuous disclosure obligations are met. For additional details, view our Public Company Financial Reporting Quarterly Update: Q4 2016 webinar [here](#).

In this edition:

- [Women on boards and in executive officer positions](#)
- [OSC Financial Reporting Bulletin](#)
- [Whistleblower programs](#)
- [Standards effective for December 31, 2016 year-ends](#)
- [IFRS Interpretation Committee agenda decisions](#)
- [IFRS Discussion Group update](#)



Women on Boards and in Executive Officer Positions

The [Canadian Securities Administrators](#) (CSA) conducted a second survey this year to review the corporate governance disclosures resulting from the [NI 58-101](#) requirements for non-venture issuers to disclose certain information regarding women on boards and in executive officer positions, with their findings detailed in [Staff Notice 58-308](#).

	2015	2016
Total board seats occupied by women	11%	12%
Issuers with at least one woman on the board	49%	55%
over \$10 billion market capitalization	21%	23%
over \$1 billion market capitalization	16%	18%



This time around the CSA also compared the results of this review against those from their survey last year. In general, their findings showed an improvement in the number of women on the boards of non-venture issuers. The improvement was represented across all size categories of issuers, however, they noted that there remains important variations by industry. The survey also indicated that a number of issuers did not provide complete disclosure with respect to certain requirements of the regulations.

The CSA plans to continue to evaluate and report whether meaningful disclosure is provided regarding the representation of women on boards and in executive officer positions and to measure the impact of the regulations.

OSC Financial Reporting Bulletin

Our second focus for this quarter is the [Ontario Securities Commission's](#) (OSC) Financial Reporting Bulletin, [Staff Notice 52-723](#). This Bulletin is released regularly by the OSC to highlight their observations on various financial reporting topics relevant to reporting issuers that prepare financial statements in accordance with IFRS in order to assist issuers in preparing future financial reports. Their areas of focus in the current Bulletin are as follows:

- Disclosure effectiveness
- Going concern
- Non-GAAP financial measures
- Fair value measurements
- Considerations for implementation of IFRS 9, IFRS 15, and IFRS 16

Disclosure Effectiveness

In this Bulletin, the OSC encourages issuers to have a fresh look at their disclosures in light of the recent amendments to IAS 1, Presentation of Financial Statements, as a means to reduce 'disclosure overload'. Issuers should consider whether their disclosures are insightful to the business, providing clear, concise, entity-specific and current information as well as to consider whether that information may be obscured by irrelevant or otherwise immaterial information.

Going Concern

The OSC's observations in the area of going concern related to the quality of disclosures varied, with some reporting issuers providing generic and boilerplate information about the material uncertainties that cast significant doubt on the entity's ability to continue as a going concern. Issuers should consider whether their going concern disclosure communicates significant going concern risks, relevant management judgments applied and mitigating factors.

Non-GAAP Measures

We've covered non-GAAP measures in some detail in our [Q3 2016 webinar](#) and thus won't go into a lot of detail again. In brief, the OSC continues to express concerns that non-GAAP measures are often provided disproportionate prominence compared to GAAP measures; a large number of non-GAAP measures are being applied in MD&A; and non-GAAP measures are often not reconciled to the most directly comparable GAAP measures.

Fair Value Measurements

In their review of disclosures by reporting issuers, the OSC focused primarily on fair value measurement disclosures in the financial statements of real estate and investment fund reporting issuers as issuers in these industries typically measure a substantial portion of their assets at fair value.

The OSC observed that, in general, reporting issuers in the real estate industry complied with the requirement to disclose, among other things, the extent to which the fair value of an investment property was independently valued and, if there had been no such valuation, disclosure of that fact. They observed that many reporting issuers used a combination of internal and independent external valuations.

With respect to investment fund issuers, the OSC observed that the more useful disclosures included information on the percentage of the investment portfolio that was independently valued, whether the composition of properties independently valued were reflective of the composition of the overall investment portfolio and whether the issuer had a policy for how often each property is independently valued.

Included in the Bulletin is a reminder to management that the use of an independent external valuator does not reduce management's ultimate responsibility for the fair value measurements and related disclosures and that they must understand the methodologies and assumptions used for each valuation and determine whether the assumptions are reasonable and consistent with the principles of IFRS 13, Fair Value Measurement.

Considerations for Implementation of IFRS 9, IFRS 15, and IFRS 16

The Bulletin warns issuers to not underestimate the extent to which IFRS 9, 15 and 16 may impact their financial reporting process. For some entities, this may encompass a significant change in the way information is gathered and summarized long before the preparation of the financial statements, thus requiring extensive changes to their accounting systems and processes.

Due to the potential complexities involved management, audit committees, and auditors of issuers should be discussing the transition to these new standards early and the OSC expects audit committees to closely monitor implementation as part of their responsibilities over financial reporting.

Whistleblower Programs

In June 2016, the Autorité des Marchés Financiers (AMF) announced the implementation of a whistleblower program. The program has been developed further to a thorough analysis of similar programs available in Canada and around the World. The goal is to collect information about violations under the laws and regulations administered by the AMF.

Wrongdoing is generally reported by employees and subcontractors who hold strategic information that is not readily available. As such, their reports allow authorities to respond more quickly, uncover wrongdoing that might not have been detected otherwise, minimize the impacts on victims and, ideally, prevent further wrongdoing.

The AMF's Whistleblower Program clearly identifies the type of information being sought as well as the anti-reprisal measures and incentives put in place to encourage whistleblowers.

Standards Effective for December 31, 2016 Year Ends

With yearend financial reporting looming, a reminder that a number of new standards and amendments to existing standards became effective for companies with December 31, 2016 year ends. The list below provides the name of the standard impacted with a link to our publication on the change:

- [IFRS 5 Non-current Assets Held for Sale and Discontinued Operations](#)
- [IFRS 7 Financial Instruments: Disclosures](#)
- [IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets](#)
- [IAS 41 Agriculture](#)
- [IAS 27 Separate Financial Statements](#)
- [IAS 19 Employee Benefits](#)
- [IAS 34 Interim Financial Reporting](#)
- [IAS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Interests in Associates and Joint Ventures](#)
- [IAS 1 Presentation of Financial Statements](#)

IFRS Interpretation Committee Agenda Decisions

The [IFRS Interpretations Committee](#) (IFRIC) held a meeting in November during which two agenda decisions were finalized.

- Expected manner of recovery of intangible assets with indefinite useful lives (IAS 12)
- Written put options over non-controlling interests to be settled buy a variable number of the parent's shares (IAS 32)

Should either of these items impact your company's financial reporting, please refer to our webinar [here](#) for full details.

IFRS Discussion Group Update

The IFRS Discussion Group (IDG) meetings, while not technically authoritative, often provide useful insight into IFRS financial reporting issues. Several of the topics discussed at their September 2016 meeting are particularly relevant to our public company client base, including the following:

- Technical feasibility and commercial viability (IFRS 6)
- Abandonment of a mineral property (IFRS 5)
- Transaction price allocation (IAS 39 and IFRS 9)
- Fixed for fixed criteria (IAS 32)

Should any of these items impact your company's financial reporting, please refer to our webinar [here](#) for full details.

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