July 2013

Technical Bulletin

Collins Barrow

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This technical bulletin covers the various developments from April to June 2013.

Acknowledgement: The content of the Technical Bulletin has been summarized or reproduced from the CPA Canada, CICA, IASB, IAASB, IFRIC, AcSB, PSAB, AASB press releases, updates, publications, meeting summaries and other publications referenced within the bulletin.

Summary of acronyms used in this bulletin is included at the end.

To discuss implementation or interpretation issues with respect to these or any other accounting or assurance matters, please contact your local Collins Barrow service provider.

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1. ACCOUNTING

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Incorporating IFRSs into Canadian GAAP - Amendments to the Preface to the CICA Handbook – Accounting and Introduction to Part I

The amendments issued by the AcSB clarify that newly issued, amended or revised IFRSs are not part of Canadian GAAP until AcSB has issued them in Part I of the Handbook.

Pronouncement effective for annual periods beginning on or after July 1, 2012

IAS 1 Presentation of Financial Statements

This standard was amended to require companies to group items presented within Other Comprehensive Income based on whether they may be subsequently reclassified to profit or loss. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged.

Pronouncements effective for annual periods beginning on or after January 1, 2013

IFRS 1 First-time Adoption of International Financial Reporting Standards

Amendment provides relief for first-time adopters from the retrospective application of IFRSs when accounting for loans received from governments at a below-market rate of interest.

IFRS 7 Financial Instruments: Disclosures

Amendment provides additional information about offsetting of financial assets and financial liabilities.

IFRS 10 - Consolidated Financial Statements

This new standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. A new definition of 'control' has been established. IFRS 10 replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 - Joint Arrangements

This new standard establishes the principles for joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method whereas for a joint operation the venture will be accounted for using the proportionate consolidation method. IFRS 11 replaces IAS 31 Interest in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers.

IFRS 12 - Disclosure of Interests in Other Entities

This new standard lists the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.

Transition Guidance - Amendments to IFRS 10, IFRS 11 and IFRS 12

Amendments clarify the transition guidance in IFRS 10 Consolidated Financial Statements and also provide additional transition relief in IFRS 10, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.

IFRS 13 Fair Value Measurement

This new standard defines fair value, sets out in a single standard a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements.

IAS 19 Employee Benefits

Amended standard eliminates options to defer the recognition of gains and losses in defined benefit plans, requires remeasurement of a defined benefit plan's assets and liabilities to be presented in other comprehensive income and increases the disclosure.

IAS 27 Separate Financial Statements

Amended standard incorporates requirements regarding separate financial statements, previously in IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures. In addition, requirements relating to consolidated financial statements have been removed and included in the new standard IFRS 10 Consolidated Financial Statements.

IAS 28 Investments in Associates and Joint Ventures

Amended standard incorporates accounting for joint ventures, as the equity method is now applicable to both joint ventures and associates.

Annual Improvements 2009-2011 Cycle

Annual improvements process is comprised of minor revisions, clarifications or corrections to the standards, by compiling amendments to a number of standards into one exposure draft (ED) rather than issuing a separate ED for each issue. Issuance of new standards is not included in the annual improvement process.

IFRS 1 First-time Adoption of International Financial Reporting Standards	guidance added to permit the repeat application of IFRS 1 and clarification added on the borrowing costs exemption relating to costs capitalized on qualifying assets before the transition to IFRSs
IAS 1 Presentation of Financial Statements	requirements for providing comparative information in financial statements are clarified
IAS 16 Property, Plant and Equipment	classification requirement for servicing equipment clarified
IAS 32 Financial Instruments: Presentation	income tax consequences of distributions to holders of an equity instrument and of transaction costs of an equity transaction clarified
IAS 34 Interim Financial Reporting	requirements on segment information for total assets and liabilities for each reportable segment clarified

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

This new interpretation applies to all types of natural resources that are extracted using the surface mining activity process. IFRIC 20 permits capitalization of stripping costs if all of the three criteria are met: probability of economic benefit, identifiability of ore body and measurability of stripping costs. IFRIC 20 provides a more detailed cost allocation guidance based on a relevant production measure that allows allocation between inventory produced and the stripping activity asset. IFRIC 20 may represent a change in accounting practice for some Canadian mining entities.

Pronouncements effective for annual periods beginning on or after January 1, 2014

Investment Companies and Segregated Accounts of Life Insurance Enterprises

Mandatory date for first-time adoption of IFRS by investment companies and segregated accounts of life insurance enterprises - fiscal years beginning on or after January 1, 2014.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

Amendment to IFRS 10 introduces an exception for investment entities to the principle that all subsidiaries are consolidated. Amendments define investment entities and require them to measure subsidiaries at fair value through profit or loss. In addition, IFRS 12 has been amended to include disclosure requirements for investment entities. IAS 27 has been amended to require investment entities to measure investments in subsidiaries at fair value through profit or loss when separate financial statements are presented.

IAS 32 Financial Instruments: Presentation

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32): amendment addresses inconsistencies identified in applying some of the offsetting criteria.

Pronouncements effective for annual periods beginning on or after January 1, 2015

Entities with rate-regulated activities

Mandatory date for first-time adoption of IFRS by entities with rate-regulated activities - fiscal years beginning on or after January 1, 2015.

IFRS 9 Financial Instruments

This new standard replaces the requirements in IAS 39 Financial Instruments: Recognition and Measurement for classification and measurement of financial assets.

IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7): amendment defers the effective date of IFRS 9 and provides additional disclosures about its initial adoption.

Recently Issued Documents for Comment

Regulatory Deferral Accounts

This exposure draft (ED) was issued by the IASB in April 2013, with the objective of enhancing the comparability of financial reporting by reducing barriers to the adoption of IFRS by entities with rate-regulated activities until guidance is developed through the comprehensive Rate-regulated Activities project. If the proposals are accepted, the IASB will issue an interim Standard.

The long-term objective of the Rate-regulated Activities project is to develop a Discussion Paper to consider whether rate regulation creates assets or liabilities in addition to those already recognized in accordance with IFRS for non-rate-regulated activities. If so, the project will also consider how such assets and liabilities should be accounted for and whether (and how) IFRS should be amended.

The requirements of some national accounting standard-setting bodies permit or require entities that are subject to certain types of rate regulation to capitalize and defer expenditures (or income) that would otherwise be recognised as expenses (or income) in the statement of profit or loss and other comprehensive income by non-rate-regulated entities. These amounts are often referred to as 'regulatory deferral' (or 'variance') accounts.

The IASB recognises that discontinuing the recognition of regulatory deferral account balances before the completion of the comprehensive Rate-regulated Activities project could be a significant barrier to the adoption of IFRS for those entities for which regulatory deferral account balances represent a significant proportion of net assets. The IASB is, therefore, proposing to allow those entities that currently recognise regulatory deferral account balances in accordance with their current GAAP to continue to do so when making the transition to IFRS.

In addition, the interim standard will require entities to present regulatory deferral account balances as separate line items in the statement of financial position and to present movements in those account balances as a separate line item in the statement of profit or loss and other comprehensive income. As well, the standard will require specific disclosures to identify clearly the nature of, and risks associated with, the rate regulation that has resulted in the recognition of regulatory deferral account balances in accordance with the interim Standard.

Comment period ends on September 4, 2013. IASB plans to issue the Discussion Paper in the fourth quarter of 2013.

For a snapshot summary of the ED and a copy of the ED, refer to:

http://www.ifrs.org/Alerts/Publication/Pages/ED-Regulatory-Deferral-Account-Apr-13.aspx

Leases

This revised ED was issued by the IASB in May 2013, outlining proposed changes to the accounting for leases. The proposal aims to improve the quality and comparability of financial reporting by providing greater transparency about leverage, the assets an organisation uses in its operations and the risks to which it is exposed from entering into leasing transactions.

Under the proposals in this ED, a lessee would report assets and liabilities for all leases of more than 12 months on its balance sheet. This would provide a more faithful representation of the financial position of the lessee and, together with enhanced disclosures, greater transparency about the lessee's leverage. The proposals require lease assets and liabilities to be measured on a discounted basis. This information is useful to users of financial statements because it provides information about future cash outflows arising from leases, which is comparable with information provided about other financial liabilities that are reported on an entity's balance sheet and measured on a discounted basis.

The proposals would also require a lessor to account for its residual interest in underlying assets separately from its receivables from lessees. The lessor would be required to provide information about how it manages its exposure to that residual interest.

Comment period ends on September 13, 2013.

Insurance Contracts

This revised ED was issued by the IASB in June 2013. The revised ED builds upon proposals published in 2010, and reflects feedback received during the extensive public consultation period that followed the publication of those proposals. The revised proposals aim to provide a consistent basis for accounting for insurance contracts and to make it easier for users of financial statements to understand how insurance contracts affect an entity's financial position, financial performance and cash flows. Comment period ends on October 25, 2013.

Agriculture: Bearer Plants

This ED was issued by the IASB in June 2013, with the objective of including bearer plants within the scope of IAS 16 Property, Plant and Equipment. Bearer plants are a class of biological assets that, once mature, are held by an entity solely to grow produce over their productive life. Examples include grape vines, rubber trees and oil palms. Once mature, bearer plants do not undergo significant biological transformation and their operation is similar to that of manufacturing. Consequently, the ED proposes that bearer plants are accounted for by IAS 16 instead of IAS 41, thus permitting the use of either a cost model or a revaluation model. The produce growing on the bearer plants would remain under the fair value model in IAS 41. Comment period ends on October 28, 2013.

Current Status of Document Previously Issued for Comment

Major Projects – Exposure Drafts

IFRS 9 Financial Instruments (replacement of IAS 39)	
Classification and Measurement: Limited Amendments to IFRS 9 (2010) (Proposed amendments to IFRS 9 (2010))	Comment period closed on March 28, 2013. Currently in deliberations.
Financial Instruments: Expected Credit Losses	Comment period closed on July 5, 2013.
Hedge Accounting	Deliberations completed.
Revenue Recognition	Comment period closed on March 13, 2012. Currently in deliberations.

Other Exposure Drafts

Recoverable Amount Disclosures for Non-Financial Assets (Proposed Amendments to IAS 36)	The IASB has issued amendments to IAS 36 Impairment of Assets in June 2013, effective for annual periods beginning on or after January 1, 2014. The standard was amended to modify certain disclosure requirements about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. These amendments have not yet been issued by the AcSB in Part I of the Handbook.
Annual Improvements to IFRS (2010 – 2012 Cycle)	Comment period closed on September 5, 2012. Currently in deliberations.
Annual Improvements to IFRS (2011-2013 Cycle)	Comment period closed on February 18, 2013. Currently in deliberations.
Equity Method: Share of Other Net Asset Changes (Proposed amendments to IAS 28: Investments in Associates and Joint Ventures)	Comment period closed on March 22, 2013. Currently in deliberations.
Novation of Derivatives and Continuation of Hedge Accounting (Proposed amendments to IAS 39 and IFRS 9)	The IASB has issued amendments to IAS 39 Financial Instruments: Recognition and Measurement, effective for annual periods beginning on or after January 1, 2014. The standard was amended to allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree

	to replace their original counterparty with a new one). Similar relief will be included in IFRS 9 Financial Instruments. These amendments have not yet been issued by the AcSB in Part I of the Handbook.
Clarification of Acceptable Methods of Depreciation and Amortization (Proposed amendment to IAS 16 and IAS 38)	Comment period closed on April 2, 2013. Currently in deliberations.
Acquisition of an Interest in a Joint Operation (Proposed amendment to IFRS 11)	Comment period closed on April 23, 2013. Currently in deliberations.
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Proposed amendments to IFRS10 and IAS28)	Comment period closed on April 23, 2013. Currently in deliberations.
Defined Benefit Plans: Employee Contributions (Proposed amendments to IAS 19)	Comment period ends on July 25, 2013.

Other Documents	
Levies Charged by Public Authorities on Entities that Operate in a Specific Market	The IASB has issued IFRIC 21 Levies on the accounting for levies imposed by governments. The Interpretation clarifies the obligating event that gives rise to a liability to pay a levy. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. This Interpretation has not yet been issued by the AcSB in Part I of the Handbook.
Put Options Written on Non-controlling Interests	Comment period for this draft interpretation closed on October 1, 2012. Currently in deliberations.

Disclosure Overload?

The IASB published a Feedback Statement summarizing the discussion at the Disclosure Forum it hosted in January 2013.

The public forum was intended to foster dialogue between preparers, auditors, regulators, users of financial statements and the IASB on how to improve the usefulness and clarity of financial disclosures.

Based on the discussions and recommendations made at the forum, the IASB intends to take action in three main areas:

- Amendments to IAS 1: The IASB will make narrow scope amendments to IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports.
- Materiality: The IASB will seek to develop educational material on materiality with input from an advisory group.
- Separate project on disclosure: The IASB will consider as part of its research agenda the broader challenges associated with disclosure effectiveness.

For more information and the full text of the Feedback Statement, refer to:

http://www.ifrs.org/Alerts/PressRelease/Pages/IASB-publishes-Feedback-Statement-on-Disclosure-Forum.aspx

Questions? Issues?

Here are some resources that will assist in the application of the standards.

CICA Reporting Alerts and Related Resources

CICA issues Reporting Alerts which are aimed at assisting smaller public companies in determining the impact of new and revised standards on their business. Reporting Alerts provide a summary of the standard, highlight significant items, summarize key changes and address common questions.

The following Alerts have been published:

Issue 001; November 2011	To consolidate, or not to consolidate, that is the question (IFRS 10)

Issue 002; June 2012	Joint ventures redefined (IFRS 11)
Issue 003; June 2012	Helping users understand your interest in other entities (IFRS 12)
Issue 004; June 2012	One-stop shopping for fair value measurement (what is fair value and how is it calculated) (IFRS 13)
Issue 005; June 2012	IFRIC 20: Accounting for stripping costs in the production phase of a surface mine
Issue 006; June 2012	Round-up alert – high level summary of amendments and new standards for which a separate alert has not been prepared
Issue 007; July 2012	Easier than you may have feared – Amendments to IFRS 10, IFRS 11 and IFRS 12
Issue 008; August 2012	Annual Improvements Alert – addresses the following topics: • Starting again for the first time (IFRS 1) • Clarification on capitalization (IFRS 1) • Controlling the comparatives (IAS 1) • Sparing us the spare parts (IAS 16) • Now a less taxing read (IAS 32) • Aligning with the annuals (IAS 34)
Issue 009; March 2013	Third statement of financial position - when a new standard is adopted requiring retrospective application (e.g. IFRS 11 Joint Arrangements)

These Alerts are accessible on:

http://www.cica.ca/focus-on-practice-areas/reporting-and-capital-markets/ifrs-reporting-alerts-and-resources/index.aspx

Additional resources, such as *Your Questions Answered* publication comprising answers to questions submitted during the CICA webinars on IFRS 10, IFRS 11 and IFRS 13, can also be accessed through this link.

Viewpoints

This series discusses views of the Oil and Gas Task Force and the Mining Task Force on IFRS application issues relevant to junior oil and gas companies and junior mining companies, respectively.

The Oil and Gas Task Force was created by The Canadian Association of Petroleum Producers (CAPP), the Explorers and Producers Association of Canada (EPAC) and the CPA Canada.

The Mining Task Force was created by the Prospectors and Developers Association of Canada (PDAC) and the CPA Canada.

Some of the recent issues being addressed in these publications include:

- asset acquisition versus business combination (Oil and Gas)
- redevelopment of an inactive mine by an existing owner (Mining)
- impairment of exploration and evaluation assets (Mining)

For further publications, refer to:

http://www.cica.ca/applying-the-standards/financial-reporting/international-financial-reporting-standards/item71142.aspx (Mining), and

http://www.cica.ca/applying-the-standards/financial-reporting/international-financial-reporting-standards/item71144.aspx (Oil and Gas)

Teaching Materials

As part of its Education Initiative, IFRS Foundation is publishing free-to-download Framework-based teaching materials. Materials that have recently been made available by the IFRS Foundation cover property, plant and equipment and other non-financial assets. The following topics will be covered by future issues: liabilities, business combinations and consolidations. Other topics will follow. To access the materials, go to:

http://www.ifrs.org/Alerts/Publication/Pages/IFRS-Foundation-publishes-free-teaching-material.aspx

IFRS Discussion Group Meeting Topics

A new resource has been added to the Financial Reporting & Assurance Standards Canada website, which allows for topics and issues discussed by the IFRS Discussion Group to be searched and sorted. Find out whether the Group has discussed an issue that you face in applying IFRSs and get the meeting report extract and audio webcast for each issue you find. To access the database, go to:

http://www.frascanada.ca/international-financial-reporting-standards/ifrs-discussion-group/search-past-meeting-topics/item66541.aspx

ACCOUNTING STANDARDS FOR PRIVATE ENTERPRISES (ASPE)

Pronouncements effective for annual periods beginning on or after January 1, 2013

2012 Annual Improvements

Annual improvements process is comprised of minor revisions, clarifications or corrections to the standards, by compiling amendments to a number of standards into one exposure draft (ED) rather than issuing a separate ED for each issue. Issuance of new standards is not included in the annual improvement process.

Income Statement, Section 1520	inconsistencies between Section 1520 and other standards in Part II of the Handbook are eliminated
Business Combinations, Section 1582	cost of issuing debt securities are to be recognized in accordance with Section 3856
Subsidiaries, Section 1590	acquisition costs for subsidiaries accounted for using the cost or equity methods are to be expensed, except for costs to issue debt or equity securities
	contingent consideration is to be measured at fair value at the date of acquisition and accounted for as part of the investment in the subsidiary
Foreign Currency Translation, Section 1651	inconsistency with Section 1602 is eliminated
	accounting for foreign exchange gains and losses accumulated in a separate component of shareholders' equity for different scenarios involving a full or partial reduction in an entity's interest in a foreign operation is clarified
Investments, Section 3051	gains and losses resulting from the dilution of an entity's interest in an investee accounted for using the equity method are required to be recognized in income, which is consistent with the accounting for a gain or loss arising from the sale of a portion of an investment

Pronouncements effective for annual periods beginning on or after January 1, 2014

Employee Future Benefits, Section 3462

The new standard replaces Section 3461 Employee Future Benefits. The new standard requires immediate recognition of all gains and losses arising from defined benefit plans as they are incurred, thus eliminating the deferral and amortization accounting. The new standard also requires for the plan obligations and plan assets to be measured at the balance sheet date. In addition, past service costs are now recognized in the current period for defined contribution plans.

Disposal of Long-lived Assets and Discontinued Operations, Section 3475

This standard was amended to modify the definition of a discontinued operation by creating a higher threshold for a disposal to be classified as a discontinued operation, thus resulting in fewer disposals qualifying as discontinued operations in practice.

Current Status of Document Previously Issued for Comment

2013 Annual Improvements	Comment period for this exposure draft closed on June 1, 2013. Currently in deliberations.

ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS (ASNPO)

Recently Issued Documents for Comment

Improvements to Not-for-Profit Standards

The Statement of Principles was issued by the AcSB and PSAB in April 2013 and presents key principles that each Board expects to include in future exposure drafts, aimed at revising ASNPO and PSA Handbook including the PS 4200 series of Sections in order to improve the existing standards for financial reporting by not-for-profit organizations (NFPOs).

The revisions would apply to private and public sector NFPOs that use the not-for-profit standards as their primary source of generally accepted accounting principles. The revisions would not apply to private sector not-for-profit organizations applying IFRS and public sector not-for-profit organizations applying the PSA Handbook excluding the PS 4200 series of Sections.

The main features affecting both private and public sector NFPOs are as follows:

- A contribution would be recognized as an asset, when the NFPO has control of the contribution, would exercise that control if necessary and can reasonably estimate the amount to be received. A contribution would be revenue, except when the contribution gives rise to an obligation that meets the definition of a liability. The proposals replace the deferral and restricted fund methods and would affect the recognition of contributions by NFPOs in both the private and public sectors. The proposals could also have a significant impact on the accounting for contribution pledges and endowment contributions.
- A capital asset would be recognized by an NFPO on its statement of financial position regardless of the size of the NFPO, thereby removing the size exemption currently available for NFPOs in both the private and public sectors.

Main features affecting private sector NFPOs only are as follows:

- The accounting for tangible capital assets by a private sector NFPO would follow the standards for private enterprises in Part II of the CICA Handbook – Accounting. The proposals would add guidance on accounting for partial write-downs for both tangible and intangible capital assets.
- Collections of works of arts and historical treasures would be accounted for at either cost or nominal value in the statement of financial position.
- Controlled NFPOs would be consolidated, subject to an exclusion for a large number of individually immaterial organizations, and controlled profit-oriented enterprises would be accounted for by the equity method.
- Financial statement presentation by a private sector NFPO would follow the standards in Part II. The proposals would require expenses to be presented by both function and object (nature) rather than on one of the two bases.

Main features affecting public sector (or government) NFPOs only are as follows:

- The accounting for tangible capital assets and controlled and related entities, and financial statement presentation by a public sector NFPO would follow the standards in the PSA Handbook currently followed by governments and other government organizations. The proposals would remove the current options available for reporting controlled and related entities by a public sector NFPO. The proposals would require a public sector NFPO to show the "net debt" indicator, statements of change in net debt and remeasurement gains and losses, and budget information in their financial statements.
- Intangibles, works of arts and historical treasures (including collections), and economic interests would continue to be accounted for and presented on a basis consistent with the guidance currently in the PS 4200 series of Sections until PSAB can give further consideration to these matters.

Comment period ends on September 15, 2013.

Full text of the Statement of Principles is available on:

http://www.frascanada.ca/standards-for-not-for-profit-organizations/documents-for-comment/item73780.pdf

Reporting Employee Future Benefits by Not-for-Profit Organizations

This exposure draft was issued by the AcSB in June 2013, with the objective of introducing a standard for not-for-profit organizations on accounting for employee future benefits that is based on Employee Future Benefits, Section 3462, except for requirements relating to recognition and presentation of remeasurements and other items, which are different. Section 3462 is a new ASPE standard that is effective for annual periods beginning on or after January 1, 2014 (refer to ASPE section above).

This new standard will require remeasurements and other items to be recognized directly in net assets in the statement of financial position, rather than in the statement of operations, and to be presented as a separately identified item in the statement of changes in net assets. In addition, remeasurements and other items would not be reclassified from net assets to the statement of operations in a subsequent period. Retrospective application would generally be similar to the requirements in Section 3462 with additional guidance related to the different recognition and presentation of remeasurements and other items. All other requirements in Section 3462 would be applicable to not-for-profit organizations.

Comment period ends on August 27, 2013.

PUBLIC SECTOR ACCOUNTING (PSA)

PS 2125 First-time Adoption by Government Organizations

This standard was amended in May 2013 to clarify transitional requirements when government organizations adopt new standards in the same period they transition to public sector accounting standards.

Pronouncement effective for fiscal years beginning on or after March 1, 2013

PS 3450 Financial Instruments

Amendment to the standard clarifies requirements relating to externally restricted assets that are financial instruments.

Pronouncement effective for fiscal years beginning on or after April 1, 2014

PS 3260 Liability for Contaminated Sites

The new standard establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites.

Pronouncement effective for fiscal years beginning on or after April 1, 2015 – governments only

Financial Statement Presentation, Section PS 1201

This section revises and replaces Financial Statement Presentation, Section PS 1200. The new standard introduces a new statement for reporting of remeasurement gains and losses.

Foreign currency translation, Section PS 2601

This section revises and replaces Foreign Currency Translations, Section PS 2600. Definition of currency risk is aligned with the new Financial Instruments Section, PS 3450. The new standard also removes certain previously available exceptions to measurement of items on initial recognition. The deferral and amortization of foreign exchange gains and losses relating to long-term foreign currency denominated monetary items, hedge accounting and presentation of items as synthetic instruments are removed. In addition, the new statement of remeasurement gains and losses introduced in Section PS 1201 is used to reflect exchange gains and losses until the period of settlement, rather than reflecting them in the statement of operations.

Portfolio investments, Section PS 3041

This section replaces Section PS 3040, Portfolio Investments. In addition, Section PS 3030 is withdrawn as the distinction between temporary and portfolio investments is removed with the issue of Section PS 3041. The scope in the new standard is expanded to include interests in pooled investment funds and requirement for application of cost method is removed. The new standard is also aligned with the new Financial Instrument Section, PS 3450.

Financial instruments, Section PS 3450

This new Section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. The standard introduces two measurement categories: fair value and cost or amortized cost. The statement of remeasurement gains and losses will reflect gains and losses arising on fair value remeasurement until an item is derecognized. The standard also introduces new disclosure requirements of items reported and the nature and extent of risks arising from financial instruments.

Recently Issued Documents for Comment

Improvements to Not-for-Profit Standards

The Statement of Principles was issued by the AcSB and PSAB in April 2013 and presents key principles that each Board expects to include in future exposure drafts, aimed at revising ASNPO and PSA Handbook including the PS 4200 series of Sections in order to improve the existing standards for financial reporting by not-for-profit organizations (NFPOs). Refer to ASNPO section for a summary of the Statement of Principles.

Related Party Transactions
This re-exposure draft, issued by the PSAB in June 2013, proposes to issue a new section on related party transactions. The section would apply to all governments and government organizations. The new section will include a definition of related parties and standards for reporting transactions with them. Guidance is provided on the recognition, measurement and disclosure of related party transactions. Comment period ends on September 4, 2013.

Current Status of Document Previously Issued for Comment

Introduction to Public Sector Accounting Standards	Comment period for this exposure draft closed on May 3, 2013. Currently in deliberations.
Restructurings	Comment period for this statement of principles closed on May 17, 2013. Currently in deliberations.
Concepts Underlying Financial Performance	Comment period for the second consultation paper closed on January 31, 2013. Currently in deliberations.

2. ASSURANCE

Pronouncements effective for audits of financial statements for periods ending on or after December 15, 2013

CAS 315 – Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment
This standard replaces the existing CAS 315 and incorporates changes resulting from revisions to CAS 610. Changes include more guidance on when to apply CAS 610 and matters that the auditor needs to consider when making inquiries and obtaining understanding of internal audit function.

CAS 610 - Using the Work of Internal Auditors
This standard replaces the existing CAS 610. It establishes a strengthened judgment-based framework for use by the external auditor in deciding whether and, if so, to what extent, to use the work of the internal audit function.

In February 2013, the AASB approved changes to CAS 610. These changes deal with the auditor's use of direct assistance from internal auditors and mirror the changes made by the IAASB in finalizing ISA 610, and are effective for periods ending on or after December 15, 2014.

Pronouncement effective for assurance reports covering periods ending on or after September 30, 2013

CSAE 3410 – Assurance Engagements on Greenhouse Gas Statements
This new standard deals with assurance engagements to report on an entity's greenhouse gas statement, and was adopted from the ISAE 3410 issued by the IAASB.

Pronouncements effective April 1, 2013

Section 7150 - Auditor's Consent to the Use of a Report of the Auditor Included in an Offering Document
Section 7150 replaces sections 7110 and 7115, and AuG-30. Section 7150 sets out the auditor's responsibilities when a subsequent event is identified in circumstances when the audited financial statements were prepared in accordance with a financial reporting framework that does not allow dual dating. In addition, the new standard requires only one consent letter to be provided by auditors in connection with certain offering documents filed with a Canadian securities regulator. The new standard also sets out new wording for the auditor's consent.

Section 7200 – Auditor Assistance to Underwriters and Others
Amendments issued to provide guidance to the auditor when responding to inquiries from underwriters regarding the auditor's consent letter addressed to Canadian securities regulators.

Section 7500 – Auditor's Consent to the Use of the Auditor's Report in Connection with Designated Documents
Amendments issued to eliminate material related to offering documents.

Current Status of Document Previously Issued for Comment

The Auditor's Responsibilities Relating to Other Information in Documents Containing or Accompanying Audited Financial Statements and the Auditor's Report Thereon

Comment period for this exposure draft issued by the IAASB closed on March 14, 2013. Currently in deliberations.

Improving the Auditor's Report

Comment period for this Invitation to Comment issued by the IAASB closed on October 8, 2012. Currently in deliberations, exposure draft being developed.

Independence Standards

Comment period for this ED prepared by the Independence Task Force (ITF) of the Public Trust Committee of the CICA in February 2013, closed on May 31, 2013. Currently in deliberations, with the goal of the Rule and Council Interpretations being recommended for adoption for assurance engagements commencing after December 15, 2014.

One of the more significant changes proposed by the ITF is to eliminate the reporting issuer threshold currently in place which allows for the more restrictive independence requirements to be applied only to audits of reporting issuers with either market capitalization or total assets in excess of $10 million.

The ED proposes eliminating this threshold exemption for fiscal years commencing after December 15, 2018, which would provide an appropriate period of time for entities to obtain alternative service providers for such services as accounting and tax assistance, if required. During the transitional period, the proposals would require the firm to inform the audit committee of the entity of any relationships and conditions that exist that would not be permitted if the more stringent non-threshold independence requirements were to apply.

A Framework for Audit Quality

Comment period for this consultation paper issued by the IAASB closed on May 15, 2013.

The objectives of the framework are to:

- Raise awareness of the key elements of audit quality,
- Encourage key stakeholders to explore ways to improve audit quality and
- Facilitate greater dialogue between key stakeholders on the topic.

Reporting Implications of New Auditing and Accounting Standards

This guide is published by CPA Canada, and has been developed by the Task Force on Audit Reporting Implications of the New Canadian Auditing Standards. The purpose of this guide is to promote consistency in the form and content of practitioners' reports by providing guidance with respect to commonly occurring circumstances. Issue No. 9 was issued in April 2013.

This guide can be accessed through:

http://www.frascanada.ca/canadian-auditing-standards/resources/reference-material/item50999.pdf

Enhancing Audit Quality

The initiative from the Canadian Public Accountability Board (CPAB) and CICA, entitled Enhancing Audit Quality (EAQ), was introduced in June 2012. This initiative is aimed at providing a Canadian perspective to the international discussion on audit quality. It is expected that this process will be completed in 2013. Three committees have been set up, focusing on:

- The role of the audit committee
- Auditor reporting
- Auditor independence

Discussion papers on auditor reporting and auditor independence have been issued in the fall of 2012. Discussion paper on the role of the audit committees was issued in January 2013.

Summary of responses to each of the discussion papers, along with the conclusions of each committee have been published in April and May 2013.

Below are highlights from the Conclusions and Recommendations report.

Audit Firm Independence and Assessment of Alternative Approaches

The single most contentious issue addressed in this report is that of the potential threat of the lack of audit firm independence from a systemic and institutional perspective. Regulators have suggested a number of remedies ranging from subjecting audit firms to term limits to calling for mandatory retendering of audits.

The Auditor Independence Working Group and the Audit Committee Working Group concluded that:

- The mandatory rotation of audit firms or mandatory retendering of the audit would not contribute to the enhancement of audit quality.
- Having the audit committee perform a periodic comprehensive review of the audit firm at least every five years, resulting in a recommendation to retain or replace the audit firm, is the preferred approach to address any institutional familiarity threats potentially created by audit firm tenure and to focus on audit quality.
- A report summarizing the results, findings and conclusions of the comprehensive review should be included in an entity's public disclosures in the year the comprehensive review is carried out.

Enhancing the Role of Audit Committees in Overseeing External Auditors

The Audit Committee Working Group concluded that, to contribute to the enhancement of audit quality, audit committees should every year:

- monitor the effectiveness of the financial reporting environment;
- oversee the annual work of the auditors;
- review the audit plan;
- consider the impact of business risks on the audit plan;
- assess the reasonableness of the audit fee;
- monitor the execution of the audit plan, with emphasis on the more complex and risky areas of the audit;
- review and evaluate the audit findings; and
- conduct an annual assessment of the performance of the external auditors.

Both the Auditor Independence Working Group and The Audit Committee Working Group concluded that the audit committee's responsibilities for an annual assessment of the external auditors be augmented by a comprehensive review of the audit firm every five years.

Communication of CPAB Inspection Results

The EAQ initiative recommends that CPAB, in conjunction with audit firm and audit committee representatives, develop a protocol for increasing the information made available to audit committees.

Auditor Reporting Model

The Auditor Reporting Working Group concluded that:

- Proposals that would improve the auditor reporting model include:
  - the provision, under certain conditions, of auditor commentary (more recently truncated to focus on key audit matters);
  - the inclusion of a clearer explanation of the auditor's responsibility for information other than financial statements included in annual reports; and
  - the inclusion of a clearer description of the responsibilities of those involved in the financial reporting process.
- Proposals for the auditor to report on a corporation's going concern would increase the expectation gap and that the issue is as much a financial reporting issue as an audit quality issue.
- That an element of differential audit reporting might be appropriate, particularly if proposals on audit commentary become requirements, but that reporting issuers participating in the capital markets need to have the same auditor's report.

The Audit Committee Working Group concluded that the audit committees' responsibilities should not extend to providing additional commentary to the public about the financial statements or the audit. It believes such reporting could potentially lead to generic template wording that would not contribute to increasing audit quality.

Refer to the following link for the discussions papers from each of the working groups, summaries of responses and conclusions and the overall conclusions and recommendations report:

http://www.cica.ca/enhancing-audit-quality-canadian-perspective/item64401.aspx

Auditing and Assurance Standards Practice Notes

Auditing and assurance practice notes issued by the AASB may include:

- Canadian Auditing Practice Notes (CAPNs);
- Canadian Review Engagement Practice Notes (CREPNs);
- Canadian Assurance Engagement Practice Notes (CAEPNs); and
- Canadian Related Services Practice Notes (CRSPNs).

Practice Notes are non-authoritative material. They are not part of the Canadian Standards on Quality Control, Canadian Auditing Standards, or Other Canadian Standards issued by the Auditing and Assurance Standards Board in the CICA Handbook – Assurance. Practice Notes do not impose additional requirements on practitioners beyond those included in the standards, nor do they change the practitioner's responsibility to comply with all standards relevant to an audit, assurance or related services engagement.

Practice Notes provide practical assistance to practitioners, and may be of use to firms in developing their training programs and internal guidance. For example, depending on the nature of the topic(s) covered, a CAPN may assist a financial statement auditor in:

- obtaining an understanding of the circumstances of the entity, and in making judgments about the identification and assessment of risks of material misstatement;
- making judgments about how to respond to assessed risks, including selection of procedures that may be appropriate in the circumstances; or
- addressing reporting considerations, including forming an opinion on the financial statements and communicating with those charged with governance.

The following practice notes have been published

CAPN 1000 Special Considerations in Auditing Financial Instruments	The purpose of this CAPN is to provide background information about financial instruments and discussion of audit considerations relating to financial instruments.

To access practice notes, refer to:

http://www.frascanada.ca/canadian-auditing-standards/resources/practice-notes/item71515.aspx

3. PRACTICE NOTES, PUBLICATIONS

International Integrated Reporting <IR> Framework

This Consultation Draft has been developed by the International Integrated Reporting Council (IIRC) and was issued for comment in April 2013, with comment period ending on July 15, 2013.

The IIRC is a global coalition of regulators, investors, companies, standard setters, the accounting profession and non-government organizations. Together, this coalition shares the view that corporate reporting needs to evolve to provide a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term. The International Integrated Reporting Framework is being developed to meet this need and provide a foundation for the future.

The fundamental concepts centre on:

- The various capitals (financial, manufactured, intellectual, human, social and relationship, and natural) that an organization uses and affects
- The organization's business model
- The creation of value over time.

<IR> is a process that results in communication by an organization, most visibly a periodic integrated report, about value creation over time.

An integrated report is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term.

The purpose of the Framework is to assist organizations with the process of <IR>. In particular, the Framework establishes Guiding Principles and Content Elements that govern the overall content of an integrated report, helping organizations determine how best to express their unique value creation story in a meaningful and transparent way. The Framework does not, however, set benchmarks for such things as the quality of an organization's strategy or the level of its performance. Assessing these things is the role of the intended report users based on the information in an organization's integrated report.

The Framework is intended primarily for application by private sector, for-profit companies of any size but it can also be applied, adapted as necessary, by public sector and not-for-profit organizations.

To access the Consultation Draft, refer to:

http://www.theiirc.org/wp-content/uploads/Consultation-Draft/Consultation-Draft-of-the-InternationalIRFramework.pdf

Recent Collins Barrow Publications

Farm Alert – June 2013

- Leasing Farm Assets

NPO Alert – April 2013

- Charitable Remainder Trust

Capitalize (Public Markets Update) – January 2012

- Payments to non-resident directors
- Important changes ahead for TSX Venture issuers under proposed changes
- 10 key IFRS transitional issues facing junior issuers

Collins Barrow publications can be found on:

http://www.collinsbarrow.com/en/cbn/publications/

CPA Canada Update

Refer to **http://cpacanada.ca/** for the latest national and provincial developments.

ACRONYMS USED
AASB – Auditing and Assurance Standards Board
AcSB – Accounting Standards Board
GAAP – Generally Accepted Accounting Standards
IAASB – International Auditing and Assurance Standards Board
IASB – International Accounting Standards Board
IFRIC – International Financial Reporting Interpretations Committee
CICA – Canadian Institute of Chartered Accountants
CMA – Certified Management Accountants
CPA – Chartered Professional Accountants
CPAB – Canadian Public Accountability Board
CSA – Canadian Securities Administrators
PSAB – Public Sector Accounting Board