

October 2013

Technical Bulletin



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 Collins Barrow

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This technical bulletin covers the various developments from July to September 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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Collins Barrow regularly publishes Technical Bulletin for the general interest of its clients and friends to highlight the continually changing accounting and assurance standards, and the interpretations thereof, in Canada. Since this is not intended to be a complete reproduction or summarization of the standard or document reviewed, we recommend that you refer to the original document(s) discussed in this Bulletin and/or discuss the matter with your professional advisor before acting upon any of the matters discussed herein.

1. ACCOUNTING

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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.

<i>IFRS 1 First-time Adoption of International Financial Reporting Standards</i>	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
<i>IAS 1 Presentation of Financial Statements</i>	requirements for providing comparative information in financial statements are clarified
<i>IAS 16 Property, Plant and Equipment</i>	classification requirement for servicing equipment clarified
<i>IAS 32 Financial Instruments: Presentation</i>	income tax consequences of distributions to holders of an equity instrument and of transaction costs of an equity transaction clarified
<i>IAS 34 Interim Financial Reporting</i>	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.

IFRIC 21 Levies
 This new interpretation provides guidance on the accounting for levies imposed by governments. The Interpretation clarifies the obligating event that gives rise to a liability to pay a levy.

IAS 36 Impairment of Assets
 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.

IAS 39 Financial Instruments
 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.

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*Conceptual Framework*

This Discussion Paper was published by the IASB in July 2013, as a first step towards issuing a revised Conceptual Framework.

The Conceptual Framework sets out the concepts that underlie the preparation and presentation of financial statements. It identifies principles for the IASB to use when it develops and revises its IFRS. The Framework can also be consulted by the preparers when deciding on how to account for transactions that are not covered by IFRS, although this is a fairly rare occurrence.

Comment period ends on January 14, 2014. Subsequently, an Exposure Draft will be developed by the IASB for a revised Conceptual Framework, expected to be published in 2014.

The IASB wants to improve the Conceptual Framework because:

- some important areas are not covered. For example, it provides very little guidance on measurement, presentation and disclosure.
- some parts are out of date and fail to reflect the current thinking of the IASB. Some other parts are unclear and less helpful than they could be.

The IASB is focusing on those areas that have caused problems in practice or that needed updating to reflect concepts developed by the IASB in other projects. These include:

- definitions of assets and liabilities;
- recognition and derecognition of assets and liabilities;
- measurement;

- equity;
- profit or loss and other comprehensive income (OCI); and
- presentation and disclosure.

For a snapshot summary and complete text of the Discussion Paper, refer to:

<http://www.ifrs.org/Alerts/ProjectUpdate/Pages/IASB-publishes-a-Discussion-Paper-on-the-Conceptual-Framework.aspx>

Current Status of Documents Previously Issued for Comment*Major Projects – Exposure Drafts*

<i>IFRS 9 Financial Instruments (replacement of IAS 39)</i>	
<i>Classification and Measurement: Limited Amendments to IFRS 9 (2010) (Proposed amendments to IFRS 9 (2010))</i>	Comment period closed on March 28, 2013. Currently in deliberations. Amendments expected to be issued by the IASB in the 1 st half of 2014.
<i>Financial Instruments: Expected Credit Losses</i>	Comment period closed on July 5, 2013. The new requirements are expected to be issued by the IASB in the 1 st half of 2014.
<i>Hedge Accounting</i>	Deliberations completed. Final standard expected to be issued by the IASB in Q4 of 2013.
<i>Insurance Contracts</i>	Comment period ends on October 25, 2013.
<i>Leases</i>	Comment period ended on September 13, 2013.
<i>Regulatory Deferral Accounts</i>	Comment period for the exposure draft on the interim standard ended on September 4, 2013.
<i>Revenue Recognition</i>	Comment period closed on March 13, 2012. The draft of the final standard is being developed, anticipated to be issued by the IASB in Q4 of 2013.

Other Exposure Drafts

Annual Improvements to IFRS (2010 – 2012 Cycle) Comment period closed on September 5, 2012. Amendments are expected to be issued by the IASB and AcSB in Q4 of 2013. The effective date for the amendments is expected to be July 1, 2014.

Annual Improvements to IFRS (2011-2013 Cycle) Comment period closed on February 18, 2013. Currently in deliberations. Amendments are expected to be issued by the IASB in Q4 of 2013.

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. Amendments are expected to be issued by the IASB in Q4 of 2013.

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. Amendments are expected to be issued by the IASB and in Q4 of 2013.

Acquisition of an Interest in a Joint Operation (Proposed amendment to IFRS 11) Comment period closed on April 23, 2013. Currently in deliberations. Amendments expected to be issued by the IASB in Q4 of 2013.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Proposed amendments to IFRS 10 and IAS 28) Comment period closed on April 23, 2013. Currently in deliberations. Amendments are expected to be issued by the IASB in Q4 of 2013.

Defined Benefit Plans: Employee Contributions (Proposed amendments to IAS 19) Comment period closed on July 25, 2013. Amendments are expected to be issued by the IASB in Q4 of 2013. Proposed effective date will be July 1, 2014.

Agriculture: Bearer Plants (Proposed amendments to IAS 41) Comment period ends on October 28, 2013.

Other Documents

Put Options Written on Non-controlling Interests Comment period for this draft interpretation closed on October 1, 2012. In light of comments received, the IASB expects to issue an exposure draft for amendments to IAS 32 in Q1 of 2014.

Post-implementation Review

Post-implementation Reviews are conducted by the IASB normally two years after the global application of a new Standard or a significant amendment to an existing Standard. The purpose of the review is to consider whether the new Standard is functioning as anticipated, has achieved its objectives and improved financial reporting.

IFRS 8

Report and Feedback Statement on Post-implementation Review of IFRS 8 Operating Segments was published by the IASB in July 2013.

Findings highlights:

The IASB concluded that the benefits of applying IFRS 8 were largely as expected and that overall the standard achieved its objectives and has improved financial reporting.

The use of the management perspective did make communication by management with investors easier and the incremental costs of the implementation of IFRS 8 were low. Preparers generally think that the standard works well. Auditors, accounting firms, standard setters and regulators generally support the standard, but have made some suggestions to improve its application. Views on IFRS 8 received from investors were mixed. Some investors have concerns about the information provided when segment information is disclosed in accordance with IFRS 8.

The IASB determined that no revision to the principles on which the standard is based is required, because the evidence provided does not suggest that there are any significant failings in the standard. However, there are some issues that could be considered for improvement by the IASB. These were identified as implementation guidance and improved disclosures. These issues will be researched and considered at future IASB meetings.

The full text of the Report and Feedback Statement is available on:

<http://www.ifrs.org/Current-Projects/IASB-Projects/PIR/IFRS-8/Documents/PIR-IFRS-8-Operating-Segments-July-2013.pdf>

IFRS 3

The IASB initiated the post-implementation review of IFRS 3 in July 2013. The review is aimed at:

- identifying areas in which implementation problems or unexpected costs were encountered,
- reviewing academic and other studies about the application of the standard, and
- analyzing public comments about experience in applying the standard and the experience of investors and others in using the results it produces.

Offering Documents and Dual Dating

The IFRS Interpretation Committee was asked to clarify whether IAS 10 Events after the Reporting Period permits only one date of authorisation for issue when a set of financial statements is reissued in connection with an offering document.

The Interpretations Committee noted that IAS 10 does not address the presentation of re-issued financial statements in an offering document when the originally issued financial statements have not been withdrawn, but the re-issued financial statements are provided either as supplementary information or a re-presentation of the original financial statements in an offering document in accordance with regulatory requirements.

The IFRS Discussion Group (established by the AcSB) noted that these comments are helpful because they provide clarity in that IAS 10 is not applicable and that dual dating is not precluded. Group members observed that the final agenda decision by the Interpretations Committee not to add the issue to its agenda represented a change in direction from the previously held global view that dual dating was not permitted under IFRSs.

The Interpretation Committee's agenda decision can be accessed through:

<http://www.ifrs.org/Current-Projects/IASB-Projects/IAS-10/Pages/IAS-10.aspx>

The IFRS Discussion Group's discussion can be accessed through:

<http://www.frascanada.ca/international-financial-reporting-standards/ifrs-discussion-group/item75366.pdf>

Disclosure Initiative

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 undertake the following projects:

- Short-term projects:
 - 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.
- Medium-term projects:
 - Research project on presentation and disclosure in IFRS: The IASB will explore whether IAS 1, IAS 7 Statement of Cash Flows and IAS 8 Accounting Policies, Changes in Estimates and Errors should be replaced with a single Standard on presentation and disclosure, in effect creating a disclosure framework for IFRS. This research project will incorporate a review of the work previously done on the Financial Statement Presentation (FSP) project.
 - Standards-level review of disclosure: The IASB will begin a research project to review disclosure in existing Standards to identify and assess conflicts, duplication and overlaps.

For more information, refer to:

<http://www.ifrs.org/Current-Projects/IASB-Projects/Disclosure-Initiative/Pages/Disclosure-Initiative.aspx>

Current or Non-Current?

The IASB, at its last meeting in September 2013, discussed the issue referred to the Interpretation Committee with respect to classification of liabilities as current or non-current in accordance with IAS 1.

IAS 1 requires that liabilities are classified as current when, among other criteria, the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Elsewhere, the standard requires that an entity classifies a liability as non-current if it expects, and has the discretion, to refinance or roll over an obligation for at least twelve months after the reporting period. Guidance was requested on how these two separate criteria — not having an unconditional right and having the expectation and discretion — relate to each other.

Additional guidance was proposed in 2010-2012 cycle of annual improvements, however, after considering comments received, IASB removed this item from the annual improvements and decided to reconsider the issue. At the September 2013 meeting, IASB decided that in order to clarify the standard, a more general approach should be developed, based on an assessment of the arrangement(s) in existence at the reporting date. This clarification would be introduced through a narrow-focus amendment to IAS1.

Stay tuned...

Questions? Issues?

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

CICA Reporting Alerts

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.

Recently published Alerts:

July 2013 Leases: How proposed changes to the accounting for leases may affect your business

Alerts are accessible on:

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

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:

- Recognition of corporate social responsibility provisions under IAS 37 (Mining)
- Business combinations: acquisition of control without a majority of the voting rights (Oil and Gas)
- IAS 36 Impairment of Assets – fair value disclosures (Oil and Gas)

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)

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.

Recently Issued Documents for Comment

Consolidations

This ED was issued by the AcSB in August 2013. The AcSB proposes to replace the existing Section 1590 in Part II of the Handbook with a new Section 1591. The new standard would include guidance requiring the use of judgement in determining when control is obtained through means other than equity interest. AcG-15, Consolidation of Variable Interest Entities, will be withdrawn. The proposals are based on the concepts in IFRS 10 Consolidated Financial Statements. The guidance in Section 1590 on accounting for subsidiaries controlled through equity interests is being retained. Proposed revisions to the guidance on equity interests are limited, to minimize the extent of change private enterprises need to consider.

Comment period ends on November 11, 2013. The AcSB plans to issue the final standard in the second half of 2014, with the effective date of no earlier than fiscal years beginning on January 1, 2016.

Joint Arrangements and Investments

This ED was issued by the AcSB in August 2013. The AcSB proposes to replace existing Section 3055, Interests in Joint Ventures, in Part II of the Handbook with Section 3056, Interest in Joint Arrangements, as well as to amend Section 3051, Investments. The proposals reduce the accounting policy options for joint arrangements so that the accounting more faithfully represents the nature of the investment. The proposals are consistent with the key concepts in IFRS 11 Joint Arrangements. The proposed amendments to Section 3051 would apply to all investments accounted for using

the equity method, including an interest in the net assets of a jointly controlled enterprise. A not-for-profit organization would apply amended Section 3051 when it has significant influence over a profit-oriented enterprise. Section 3056 would not apply to not-for-profit organizations.

Comment period ends on November 11, 2013. The AcSB plans to issue the final standard in the second half of 2014, with the effective date of no earlier than fiscal years beginning on January 1, 2016.

Current Status of Document Previously Issued for Comment

<i>2013 Annual Improvements</i>	Comment period for this exposure draft closed on June 1, 2013. Currently in deliberations.
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ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS (ASNPO)

Current Status of Documents Previously Issued for Comment

<i>Improvements to Not-for-Profit Standards (Statement of Principles)</i>	<p>Statement of Principles 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).</p> <p>Comment period has been extended to December 15, 2013.</p> <p>Full text of the Statement of Principles is available on:</p> <p>http://www.frascanada.ca/standards-for-not-for-profit-organizations/documents-for-comment/item73780.pdf</p>
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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.

Comment period ended 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

(except for government organizations that applied CICA Handbook – Accounting prior to adoption of the CICA Public Sector Accounting Handbook, for

which these pronouncements apply to fiscal years beginning on or after April 1, 2012)*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*Revenue*

This Statement of Principles was issued by the PSAB in August 2013.

Subject to comments received, the PSAB plans to expose a new section on revenue. Main features of the Statement of Principles are:

- The focus is on two main areas of revenue: exchange transactions and unilateral (non-exchange) transactions.
- The presence of performance obligations for the public sector entity receiving the revenue is the distinguishing feature of an exchange transaction.
- Performance obligations are enforceable promises to provide goods or services.
- An exchange transaction is evaluated to identify which goods or services are distinct and accounted for as a separate performance obligation.
- Revenue from an exchange transaction is recognized as the public sector entity satisfies a performance obligation.
- Unilateral revenues are recognized when there is the authority and a past event that gives rise to a claim of economic resources.
- When applying PSAB's general recognition criteria, revenue is not reduced when collectability (associated with credit risk) is uncertain.

Comment period ends on February 3, 2014.

Complete text of the Statement of Principles is available on:

<http://www.frascanada.ca/standards-for-public-sector-entities/documents-for-comment/item75759.pdf>

Assets, Contingent Assets and Contractual Rights

This Statement of Principles was issued by the PSAB in August 2013.

Subject to comments received, the PSAB plans to expose three proposed new Sections on assets, contingent assets and contractual rights. Main features of the Statement of Principles are:

- Additional guidance on the definition of assets is provided.
- Disclosure of assets that are not recognized is required.
- Contingent assets are defined.
- Disclosure of contingent assets is required when the occurrence of the confirming future event is likely.
- Contractual rights are defined.
- Disclosure of contractual rights is required.

Comment period ends on November 29, 2013.

Complete text of the Statement of Principles is available on:

<http://www.frascanada.ca/standards-for-public-sector-entities/documents-for-comment/item75732.pdf>

Current Status of Documents Previously Issued for Comment

<i>Introduction to Public Sector Accounting Standards</i>	Comment period for this exposure draft closed on May 3, 2013. Currently in deliberations.
<i>Restructurings</i>	Comment period for this statement of principles closed on May 17, 2013. Currently in deliberations.
<i>Concepts Underlying Financial Performance</i>	Comment period for the second consultation paper closed on January 31, 2013. Currently in deliberations.
<i>Related Party Transactions</i>	Comment period for this re-exposure draft closed on September 4, 2013. Proposed effective date is fiscal years beginning on or after April 1, 2016.
<i>Improvements to Not-for-Profit Standards (Statement of Principles)</i>	Statement of Principles 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).

Comment period has been extended to December 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>

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.

Recently Issued Documents for Comment

Engagements to Review Historical Financial Statements

This ED was issued by the AASB in June 2013, with the objective of issuing a new Canadian Standard on Review Engagements (CSRE) 2400, Engagements to Review Historical Financial Statements, which will replace Sections 8200 and 8500, as well as Assurance and Related Services Guidelines AuG-20 and AuG-47.

Proposed CSRE 2400 has been drafted using the international standard ISRE 2400, Engagements to Review Historical Financial Statements, revised by the IAASB in September 2012, as its base and has been amended primarily to:

- reflect good practices related to matters that the AASB believes are already being widely applied by Canadian practitioners;
- clarify, when necessary, assurance concepts, principles, or other matters related to the performance of review engagements in the Canadian environment to make the CSRE self-standing (i.e., so that practitioners performing these engagements would need to refer to CASs only in rare circumstances); and
- reflect the approach that a practitioner would follow in performing a review engagement in the Canadian environment.

The proposed amendments include:

- added requirements, and supporting application and other explanatory material;
- use of wording that may be more familiar to Canadian stakeholders; and
- changes to the order of certain paragraphs.

Currently, Section 8100, General Review Standards, covers all review engagements except auditor reviews of interim financial statements in the circumstances

described in Section 7050, Auditor Review of Interim Financial Statements, and reviews of future-oriented financial statements. The standards covering specific types of review engagements (Sections 8200 and 8500 and Section 8600, Reviews of Compliance With Agreements and Regulations) each state: "It is important that this Section be read in conjunction with Section 8100."

Proposed CSRE 2400 covers reviews of historical financial statements, including other historical financial information. Matters within the scope of Section 8600 would not be covered by CSRE 2400. However, Section 8600 needs to be read in conjunction with Section 8100. Therefore, the AASB is proposing to retain Sections 8100 and 8600. However, Section 8100 would be amended so that reviews of historical financial statements and other historical financial information would no longer be within its scope. This construct would be temporary as the AASB has two projects underway that would eventually revise or replace Sections 8100 and 8600.

Key differences between proposed CSRE 2400 and ISRE 2400 are summarized in the ED. Refer to the following link for the full text of the ED:

<http://www.frascanada.ca/assurance-and-related-services-standards/documents-for-comment/item74902.pdf>

AASB's 2011 Invitation to Comment on the IAASB's ED of proposed ISRE 2400 (Revised) included a comparison of key aspects of proposed ISRE 2400 (Revised) and the 8000 Series. Refer to the following link for the full text of the 2011 Invitation to Comment:

<http://www.frascanada.ca/assurance-and-related-services-standards/documents-for-comment/item47907.pdf>

Proposed CSRE 2400 would be effective for reviews of historical financial statements for periods ending on or after December 14, 2015.

Comment period ends on December 11, 2013.

Reporting on Audited Financial Statements: Proposed New and Revised International Standards on Auditing (ISAs)

This ED was issued by the IAASB in July 2013, with a goal of improving the auditor's report on audited financial

statements. This ED is the culmination of the IAASB's deliberations on the topic of auditor reporting, which were informed by international research, public consultation (including the responses to the IAASB's June 2012 Invitation to Comment: Improving the Auditor's Report), and stakeholder outreach.

The primary beneficiaries of the changes are expected to be investors, analysts and other users of the auditor's report and the audited financial statements.

Key enhancements are identified as follows:

- Prominent placement of the auditor's opinion and other entity-specific information in the auditor's report.
- Auditor reporting on "Key Audit Matters", required for audits of financial statements of listed entities. Key audit matters are those matters that, in the auditor's judgment, were of most significance in the audit of the current period financial statements.
- Auditor reporting on going concern, including a conclusion on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and a statement as to whether a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern has been identified.
- Auditor reporting on other information (to be finalized as part of the separate project to revise ISA 720, The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements).
- An explicit statement that the auditor is independent of the entity and has fulfilled the auditor's other relevant ethical responsibilities, with disclosure of the source(s) of those requirements.
- Disclosure of the name of the engagement partner, required for audits of financial statements of listed entities, unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant security threat to the individual.
- Improved description of the responsibilities of the auditor and key features of the audit (together with provision for certain components of this

description to be relocated to an appendix to the auditor's report, or for reference to be made to such description on the website of an appropriate authority).

An illustration of the proposed auditor's report for a listed entity is included in the 'At a Glance' summary of the ED.

Comment period ends on November 22, 2013. Proposed standards are expected to be finalized in 2014.

At a Glance publication providing an overview of the proposal is accessible through:

<https://www.ifac.org/publications-resources/glance-exposure-draft-reporting-audited-financial-statements-proposed-new-and>

The complete exposure draft and other related documents are available through:

<https://www.ifac.org/publications-resources/reporting-audited-financial-statements-proposed-new-and-revised-international>

Reports on Supplementary Matters Arising from an Audit or a Review Engagement

This ED was issued by the AASB in August 2013, with a goal of issuing a new Canadian Standard for Related Services (CSRS) 4460, Reports on Supplementary Matters Arising from an Audit or a Review Engagement.

In the past few years, there has been an increasing trend by various third parties, including regulators, to place responsibility on the public accountant to report on matters beyond the scope of the audit or review of the financial statements. This trend applies to audits of a wide range of entities including school boards, municipalities, not-for-profit organizations and financial institutions. Such reporting responsibilities may include completing a questionnaire or reporting instances of non-compliance with regulations or funding arrangements. There are also requests for the public accountant to report separately on detailed schedules of information underlying financial statement items without performing an audit or a review with respect to these detailed schedules.

The terminology “supplementary matters arising from an audit or review engagement” is proposed since the term “derivative report” is often misunderstood. Further, derivative reporting is based on the premise that no procedures in addition to those carried out in the normal course of the assurance engagement would be performed. The new CSRS would require the public accountant to perform some additional procedures to support the public accountant's report under this standard.

It is in the public interest that public accountants accept and perform these engagements in a consistent manner. Further, any communication issued by a public accountant should have an appropriate basis, and be drafted in a way that clearly communicates the extent of the public accountant's association with the supplementary matter. The proposed standard is intended to achieve those objectives.

Comment period ends on November 29, 2013. The proposed CSRS 4460 would be effective for public accountants' reports dated on or after April 1, 2015. AuG-4 and AuG-13 will be withdrawn.

Current Status of Documents 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.

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.

Enhancing Audit Quality (EAQ)

Conclusions and recommendations report has been issued in May 2013 by CPAB and CICA. Among the recommendations, the EAQ report called for specific steps that audit committees and audit firms should take to enhance audit quality. These included performing a comprehensive review of the external audit firm at least once every five years; conducting annual assessments of the external audit firm; and providing increased transparency to audit committees on the CPAB's inspections.

CPA Canada is now launching projects to address two of the recommendations. Working with a group of experienced audit committees (through the Institute of Corporate Directors), CPA Canada will further develop guidance on the annual assessment of audit firms, based on the initial guidance provided in the EAQ final report. CPA Canada will also develop new guidance and tools to assist audit committees when undertaking a periodic comprehensive review of

an audit firm, including guidance on the preparation and content of the audit committee's public report on the review.

The third project will be addressed by CPAB who, with audit firm and audit committee representatives will develop a protocol for increasing the information made available to audit committees.

Final documents are expected to be released in 2014.

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.

The following practice notes have been published

<i>CAPN 1000 Special Considerations in Auditing Financial Instruments</i>	The purpose of this CAPN is to provide background information about financial instruments and discussion of audit considerations relating to financial instruments.
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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. 10 was issued in June 2013.

This guide can be accessed through:

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

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

To access practice notes, refer to:

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

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