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Technical BULLETIN

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July 2015

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This technical bulletin covers various developments from April to June 2015.

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A 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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July 2015

1. Accounting

International Financial Reporting Standards (IFRS)

Pronouncements effective for annual periods beginning on or after January 1, 2014	
Investment Companies and Segregated Accounts of Life Insurance Enterprises	Mandatory date of adoption of IFRS - January 1, 2014
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	Consolidation exception
IAS 32 Financial Instruments: Presentation	Offsetting criteria amendment
IAS 36 Impairment of Assets	Impaired assets disclosure requirements amendment
IAS 39 Financial Instruments	Hedge accounting and novation of derivatives amendment
IFRIC 21 Levies	New interpretation - guidance on the accounting for levies imposed by governments

Pronouncements effective for annual periods beginning on or after July 1, 2014	
IAS 19 Employee Benefits	Accounting for contributions to defined benefit plans amendment

In addition, the 2010-2012 Cycle and the 2011-2013 Cycle of Annual Improvements are also effective, representing narrow scope amendments to various standards.

Pronouncement 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.

Pronouncements effective for annual periods beginning on or after January 1, 2016

IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures

These standards were amended to eliminate an inconsistency between IFRS 10 and IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. Subsequent to the amendments, a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not) and a partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures

These standards were amended to clarify the application of the requirement for investment entities to measure subsidiaries at fair value instead of consolidating them.

IFRS 11 Joint Arrangements

Amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.

IFRS 14 - Regulatory Deferral Accounts

This interim standard permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the Standard. Earlier application is permitted.

IAS 1 Presentation of Financial Statements

Amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

Amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

IAS 16 Property, Plant and Equipment and IAS 41 Agriculture

These standards were amended to require bearer plants to be accounted for in the same way as property, plant and equipment in IAS 16 because their operation is similar to that of manufacturing. Bearer plants are used solely to grow produce over several periods. At the end of their productive lives they are usually scrapped. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. The amendments include bearer plants within the scope of IAS 16 instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

IAS 27 Separate Financial Statements

The standard was amended to allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Annual Improvements 2012-2014 Cycle	
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	Amendment stating that the same classification, presentation and measurements requirements continue to apply if there is a reclassification from being held for distribution to being held for sale or vice versa.
IFRS 7 Financial Instruments: Disclosures	Clarification regarding servicing contracts and assessment of 'continuing involvement.' Clarification on applicability of disclosure requirements in amendments to IFRS7 regarding Offsetting Financial Assets and Financial Liabilities.
IAS 19 Employee Benefits	Clarification regarding the currency of bonds used in the estimate of the discount rate for post-employment benefit obligations.
IAS 34 Interim Financial Reporting	Additional requirement to cross-reference the information disclosed 'elsewhere in the interim financial report.'

Pronouncement effective for annual periods beginning on or after January 1, 2017

IFRS 15 Revenue from Contracts with Customers

The IASB and AcSB propose to defer the effective date of this standard by one year, as discussed below under "*Effective Date of IFRS 15*."

The core principle of the new standard is for companies to recognize revenue, to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled, in exchange for those goods or services. The new standard contains enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improves guidance for multiple-element arrangements. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue—Barter Transactions Involving Advertising Services.

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Pronouncement effective for annual periods beginning on or after January 1, 2018

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 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. IFRS 9 also incorporates requirements for financial liabilities, most of which were carried forward unchanged from IAS 39. Certain changes were made to the fair value option for financial liabilities to address the issue of own credit risk. IFRS 9 removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. Requirements related to hedge accounting, representing a new hedge accounting model, have been added to IFRS 9. The new model represents a substantial overhaul of hedge accounting, which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. In addition, a single, forward-looking expected loss impairment model is introduced, which will require more timely recognition of expected credit losses.

Recent publications and activity

Cost vs. Fair Value
When measuring an asset or a liability, different measurement models are available: historical cost and current value, which include fair value. The Conceptual Framework, proposed revisions to which have been published by the IASB in May 2015, is retaining the mixed measurement model. In a recent speech, Hans Hoogervorst, Chairman of the IASB, commented: "The dichotomy between historical cost and fair value is not as stark as one would expect. Historical cost needs a degree of current measurement to maintain its relevance, is not free from subjective updating requirements and it is not necessarily stable. It is also open to abuse. All the vulnerabilities that are often attributed to fair value accounting can be equally applicable to historical cost accounting." Hoogervorst concluded that both historical cost and current value (including fair value) have advantages and shortcomings and that therefore neither should be the overall preferred measurement model.

Comment period for the Conceptual Framework for Financial Reporting Exposure Draft ends on October 26, 2015. Click here to access the ED. Click here to access the related ED on Updating References, aimed at providing transition to the proposed revised Conceptual Framework.

Post-Implementation Review of Business Combination Standards
The review identified the following issues which will be further explored through the research projects to be undertaken by the IASB. These projects will focus on:

a. The effectiveness and complexity of testing goodwill for impairment;
b. The subsequent accounting for goodwill;
c. Challenges in applying the definition of a business; and
d. Identification and fair value measurement of intangible assets such as customer relationships and brand names.

Can two joint arrangements with similar features be classified differently?
Yes. The Interpretations Committee recently discussed a circumstance in which two joint arrangements would be classified differently when they have similar features, apart from the fact that one is structured through a separate vehicle and the other is not. This can occur because:

a. The legal form of a joint arrangement structured through a separate vehicle must be overridden by other contractual arrangements or specific other facts and circumstances for the joint arrangement to be classified as a joint operation; but
b. A joint arrangement that is not structured through a separate vehicle is classified as a joint operation.

Recently issued documents for comment

Effective Date of IFRS 15 (Proposed amendments to IFRS 15)
The IASB issued an ED in May 2015, proposing to defer the effective date by one year, to January 1, 2018. The main reason for the proposed deferral of the effective date is that the IASB is planning to issue an Exposure Draft of targeted amendments to the Standard, which will include clarifying some of its requirements and adding illustrative examples to aid implementation. Comment period ended on July 3, 2015.

Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan (Proposed amendments to IAS 19 Employee Benefits and IFRIC 14 IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements)
When a defined benefit plan is amended, curtailed or settled during a reporting period, the entity needs to update the assumptions about its obligation and fair value of its plan assets to calculate costs related to these changes. The proposed amendments to IAS 19 specify that the entity is required to use the updated information to determine current service cost and net interest for the period followed by these changes. The proposed amendments to IFRIC 14 address how the powers of other parties, such as the Trustees of the plan, affect an entity's right to a refund of a surplus from the plan. Comment period ends on October 19, 2015.

Current status of documents previously issued for comment

Insurance Contracts ED issued by the IASB in June 2013. Currently in deliberations.	Project aimed at improving comparability through a coherent, principles-based framework and one accounting model for all types of insurance contracts and increase transparency.
Leases The IASB expects to issue the new standard in the second half of 2015.	The objective of the project is to develop a new standard that establishes the principles that entities would apply to report useful information about the amount, timing and uncertainty of cash flows arising from a lease. To meet that objective, a lessee should recognise assets and liabilities arising from a lease.
Recognition of Deferred Tax Assets for Unrealised Losses (Proposed amendments to IAS 12) ED issued by the IASB in August 2014. Currently in deliberations.	ED clarifies how to account for deferred tax assets related to debt instruments measured at fair value.
Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value (Proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13) ED issued by the IASB in September 2014. Currently in deliberations.	ED clarifies that an entity should measure the fair value of quoted investments and quoted CGUs as the product of the quoted price for the individual financial instruments that make up the investments held by the entity and the quantity of financial instruments. Currently in deliberations.

Current status of documents previously issued for comment

Reporting the Financial Effects of Rate Regulation Discussion Paper issued by the IASB in September 2014. Currently in discussions.	This DP considers the common features of rate regulation and explores which of them, if any, creates a combination of rights and obligations that is distinguishable from the rights and obligations arising from activities that are not rate-regulated.
Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging Discussion Paper issued by the IASB in April 2014. Currently in deliberations.	The DP explores a possible approach (portfolio revaluation approach) to better reflect dynamic risk management activities in entities' financial statements.
Disclosure Initiative (Proposed amendments to IAS 7) ED issued by the IASB in December 2014. Comment period closed on April 17, 2015. Currently in deliberations.	Amendments proposed in this ED will require companies to provide a reconciliation between the opening and closing balances of liabilities and assets related to their financing activities and other non-cash changes (such as the effects of foreign exchange and changes in fair values), as well as disclose restrictions that affect management's decisions on how to use cash and cash equivalent balances.
Classification and Measurement of Share-based Payment Transactions (Proposed amendments to IFRS 2) ED issued by the IASB in November 2014. Currently in deliberations.	The ED addresses the effects of vesting conditions on the measurement of a cash-settled share-based payment, classification of share-based payment transactions with net settlement features and accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Current status of documents previously issued for comment

Classification of Liabilities (Proposed amendments to IAS 1) ED issued by the IASB in February 2015. Comment period closed on June 10, 2015. Currently in deliberations.	The goal is to improve presentation in financial statements by clarifying the criteria for the classification of a liability as either current or non-current, specifically clarifying that the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period and making clear the link between the settlement of the liability and the outflow of resources from the entity.

Questions?

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

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. Recent issue: Accounting for Decommissioning Liabilities Assumed in a Business Combination (Mining, April 2015)

IFRS Discussion Group Meeting Topics
Established by the AcSB, the IFRS Discussion Group implements and maintains a regular public forum to discuss issues that arise in Canada when applying IFRS. The Financial Reporting & Assurance Standards Canada website 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.

Accounting Standards for Private Enterprises (ASPE)

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

Employee Future Benefits, Section 3462 New standard, replaces Section 3461	Requires immediate recognition of all gains and losses arising from defined benefit plans as they are incurred, thus eliminating the deferral and amortization accounting; requires for the plan obligations and plan assets to be measured at the balance sheet date, and requires past service costs to be recognized in the current period for defined contribution plans.
Disposal of Long-lived Assets and Discontinued Operations, Section 3475	Modification to 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.

In addition, the 2013 Annual Improvements are also effective, representing narrow scope amendments to various standards.

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

2014 Annual Improvements	Amendments to Section 3856 to clarify the accounting for a hedging item, when a reporting period ends between the date the hedged transaction occurs and the date the hedging item matures, and to clarify that disclosure of the carrying amount of impaired financial assets is required for financial assets other than current trade receivables.

Pronouncements effective for annual periods beginning on or after January 1, 2016

Subsidiaries, Section 1591
This new Section, which replaces Section 1590, Subsidiaries and AcG-15, Consolidation of Variable Interest Entities, requires the use of judgment to determine when control is obtained through means other than equity interests. The guidance on accounting for subsidiaries controlled through equity interests has been brought forward from the previous standard unchanged.

Investments, Section 3051
This Section has been amended to clarify that investments subject to significant influence, and certain other non-financial instrument investments, are included in the scope of the standard, whereas other investments (such as subsidiaries and interests in joint arrangements) are excluded.

Interests in Joint Arrangements, Section 3056
This new standard, which replaces Section 3055, Interest in Joint Ventures, specifies the accounting by an investor for an interest in a joint arrangement, according to whether it is an interest in jointly controlled operations or jointly controlled assets, or a jointly controlled enterprise. The option to account for all types of joint arrangements using the proportionate consolidation method, cost method or equity method is eliminated.

Current status of documents previously issued for comment

Redeemable Preferred Shares Issued in a Tax Planning Arrangement Amendment to Section 3856 Financial Instruments; ED issued by the AcSB in October 2014. Currently in deliberations. In the ED, the proposed effective date was fiscal years beginning on or after January 1, 2016. However, due to the time needed to consider issues and comments raised during the comment period, the AcSB has decided that the effective date of any such change will be no earlier than January 1, 2018.	Amendment to remove the current exemption of classifying redeemable preferred shares issued in a tax planning arrangement as equity resulting in such shares being presented as liabilities, which would be more consistent with other financial liabilities.

Current status of documents previously issued for comment

Post-Implementation Review: Section 3856 Financial Instruments Request for Information, issued by the AcSB in October 2014. Currently in deliberations.	This RFI intends to assess whether the standard provides useful financial information, whether there are unexpected costs or challenges in applying the requirements and whether there are interpretation challenges that may result in inconsistent application.
2015 Annual Improvements The amendments are expected to be issued in Q4 of 2015 and be effective for years beginning on or after January 1, 2016.	Amendment to Section 1582 - clarification that disclosure of the amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed, (which is required when the subsidiary is consolidated), should also be required when a business combination is achieved through the acquisition of an asset or group of assets. Amendments to Sections 3051 and 3065 - clarification that disclosure of the amount of any impairment loss or reversal of a previously recognized impairment loss is required. Amendment to Section 3462 - clarification that the option to use a funding valuation can only be applied by entities that have at least one funded defined benefit plan.

Questions?

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

CPA Canada Reporting Alerts for ASPE
CPA Canada issues Reporting Alerts aimed at assisting 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 alert has recently been issued: Section 1591, Subsidiaries.

Private Enterprise Advisory Committee
Established by the AcSB in 2010, the Committee assists the AcSB in maintaining and improving accounting standards for private enterprises and advises on the need for non-authoritative guidance about the standards. At the request of the AcSB, the Committee may also undertake research into the financial reporting needs of private enterprises.
Click here to access recent meeting notes.

Accounting Standards for Not-for-Profit Organizations (ASNPO)

Pronouncement effective for annual periods beginning on or after January 1, 2014	
Reporting Employee Future Benefits by Not-for-Profit Organizations, Section 3463 New Section - Guidance for defined benefit plans on the recognition and presentation of remeasurements and other items that differ from the guidance in Employee Future Benefits, Section 3462 in Part II of the Handbook.	Remeasurements and other items are recognized directly in net assets in the statement of financial position rather than in the statement of operations, and presented as a separately identified line item in the statement of changes in net assets. Remeasurements and other items are not reclassified to the statement of operations in a subsequent period.

Current status of document previously issued for comment	
Improvements to Not-for-Profit Standards Statement of Principles Issued by the AcSB and PSAB in April 2013. Currently in deliberations.	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).

Public Sector Accounting (PSA)

Pronouncement effective for fiscal years beginning on or after April 1, 2014	
PS 3260 Liability for Contaminated Sites New Standard	Establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites.

Pronouncements effective for fiscal years beginning on or after April 1, 2016
(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.

Pronouncements effective for fiscal years beginning on or after April 1, 2017

Related Party Disclosures, Section PS 2200
This new Section defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions, and the relationship underlying them, is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements.

Inter-entity Transactions, Section PS 3420
This new Section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity, from both a provider and recipient perspective.

Assets, Section PS 3210
This new Section provides guidance for applying the definition of assets set out in Section PS 1000, and establishes general disclosure standards for assets. Disclosure of information about the major categories of assets that are not recognized is required. When an asset is not recognized because a reasonable estimate of the amount involved cannot be made, the reason(s) for this should be disclosed.

Contingent assets, Section PS 3320
This new Section defines and establishes disclosure standards on contingent assets. Disclosure of information about contingent assets is required when the occurrence of the confirming future event is likely.

Contractual rights, Section PS 3380
This new Section defines and establishes disclosure standards on contractual rights. Disclosure of information about contractual rights is required including description about their nature and extent and the timing.

Pronouncements effective for fiscal years beginning on or after April 1, 2018

Restructuring transactions, Section PS 3430
This new Section defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. The main features of the new Section are:

- A restructuring transaction is a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities, without consideration based primarily on the fair value of the individual assets and individual liabilities transferred.
- The net effect of a restructuring transaction should be recognized as revenue or as an expense by entities involved.
- A recipient should recognize individual assets and liabilities received in a restructuring transaction at their carrying amount, with applicable adjustments at the restructuring date.
- A transferor and a recipient should not restate their financial position or results of operations.
- A transferor and a recipient should disclose sufficient information to enable users to assess the nature and financial effects of a restructuring transaction on their financial position and operations.

Current status of documents previously issued for comment	
Retirement Obligations Statement of Principles Issued by PSAB in August 2014. Currently in deliberations	Subject to comments received, the PSAB proposes to expose a new section on retirement obligations associated with tangible capital assets controlled by a public sector entity.
Revenue Statement of Principles Issued by the PSAB in August 2013. Currently in deliberations.	PSAB proposes, subject to comments received, to expose a new Section on revenue. The Statement of Principles proposes definitions and principles applying to a broad range of revenues public sector entities report on. The proposals apply to exchange transactions involving a sale of goods or services and also cover other forms of revenue that do not involve an exchange, such as fines and penalties.
Improvements to Not-for-Profit Standards Statement of Principles Issued by the AcSB and PSAB in April 2013. Currently in deliberations.	Presents key principles that each Board expects to include in future exposure drafts, aimed at revising the 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).
Financial Instruments: Transition ED issued by the PSAB in October 2014. Comment period closed on January 15, 2015. Currently in deliberations.	Proposes to clarify aspects of the Section's scope of application, specifically, the receivables and payables that the Section does not apply to, and add transitional provisions and new guidance relating to certain specialized forms of agreements.

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Current status of documents previously issued for comment	
Post-Implementation Review: Section PS 3410, Government Transfers Request for Information, issued by PSAB in November 2014. Comment period closed on May 15, 2015. Currently in deliberations.	Now that stakeholders have had an opportunity to work through the issues related to Section PS 3410, PSAB is looking for comments on how those issues were dealt. Undertaking this post-implementation review will help PSAB assess any implementation challenges encountered by stakeholders, and the nature, extent and cause of any ongoing issues.
Conceptual Framework Fundamentals and the Reporting Model Consultation Paper 3, issued by the PSAB in March 2015. Comment period ends August 31, 2015.	Proposes a new reporting model and draft principles on public sector characteristics, financial statement objectives, qualitative characteristics, elements, recognition, measurement and presentation.

PSA Discussion Group Meeting Topics
Established by the PSAB, the PSA Discussion Group provides a public forum for discussion of issues arising on the application of the PSA Handbook. Summaries of topics and discussions from past meetings are available on the Financial Reporting & Assurance Standards Canada website.

Technical BULLETIN

July 2015

2. Assurance

New pronouncements	
Section 7060, Auditor Review of Interim Financial Statements Effective for reviews of interim financial statements for interim periods of fiscal years beginning on or after December 15, 2014.	Replaces Section 7050 and contains requirements relating to agreeing to engagement terms, inquiries relating to fraud, procedures related to going concern, identification of risks of material misstatement and addressing those risks, determination of materiality and accumulation and evaluation of misstatements, communication with audit committee, management representations, addressing misstatements and misrepresentations in interim MD&A.
CSRS 4460 - Reports on Supplementary Matters Arising from an Audit or a Review Engagement Effective for reports dated on or after April 1, 2016. CPA Canada Resources: Implementation tool (April 2015) Audit and assurance alert (October 2014) Client briefing (February 2015)	Addresses matters beyond the scope of the audit or review of financial statements that come to the attention of the practitioner when performing the audit or review. Includes requirements related to acceptance of engagement, performing the engagement and reporting.

New pronouncements	
Revisions to Independence Standards Effective for assurance engagements in respect of reporting periods commencing after December 15, 2014.	Changes made in order that the Rules be no less stringent than the requirements of the Code of Ethics for Professional Accountants (Code) issued by the International Ethics Standards Board for Accountants, unless it is determined that a particular provision is either not in the public interest or it is prohibited by law or regulation.
CSAE 3000, Attestation Engagements Other than Audits or Reviews of Historical Financial Information and CSAE 3001, Direct Engagements Effective for attestation and direct engagements where the assurance report is dated on or after June 30, 2017	Replace Sections 5025, 5030, 5049 and 5050. CSAE 3000 is adopted from ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information. CSAE 3000 contains Canadian amendments to address differences between ISAE 3000 and the applicable Canadian assurance standards. These differences include narrowing the scope of CSAE 3000 to address attestation engagements only, references to relevant ethical requirements and terminology. CSAE 3001 sets out requirements related to planning, performing and reporting on direct engagements. Differences in wording between CSAE 3000 and CSAE 3001 relate only to differences between the performance of an attestation engagement and the performance of a direct engagement.

New pronouncements

Section 7170, Auditor's Consent to the Use of the Auditor's Report Included in a Business Acquisition Report Effective for an auditor's consent to the use of the auditor's report in a business acquisition report issued on or after June 1, 2016.	Replaces section 7500. Section 7170 sets out new requirements relating to the auditor's responsibilities in responding to requests to consent to the use of the auditor's report on the audited financial statements of the acquired business that are to be included in a business acquisition report issued by the acquirer and the format and content of the auditor's consent.

Recently issued document for comment

Engagements to Review Historical Financial Statements
A revised ED was issued by the AASB in May 5, 2015 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. The first ED was issued in June 2013, with AASB deciding to issue a re-exposure draft based on substantial feedback that was received subsequent to its issue. Proposed CSRE 2400 continues to be based on ISRE 2400 issued by the IAASB in September 2012.

Key changes in the re-exposure draft:

- Removal of prohibition from using proposed CSRE 2400 for review engagements undertaken by an entity's auditor to report on interim financial statements, except when the auditor of an entity reviews interim financial statements in the circumstances described in Section 7060, Auditor Review of Interim Financial Statements.
- Removal of some Canadian guidance added to the ED to address concern that it inappropriately implied that an evaluation of control risk would be required.
- Amendments to some paragraphs and removal of certain Canadian guidance to address concerns that references to "risk" in a review engagement is problematic on the grounds that it is generally associated with the work effort undertaken in an audit engagement; and it would be inappropriate for the CSRE to imply that the practitioner is required to perform a risk assessment, and identify and document those risks of material misstatement related to each assertion underlying financial statement items and disclosures.
- Paragraphs added to address the practitioner's responsibility to obtain sufficient appropriate evidence about the opening balances in an initial review engagement.
- Paragraphs added to address possible modifications to the practitioner's report.
- Changes made to avoid the implication that a review engagement entails gathering evidence similar to that obtained in an audit.

The concept of limited assurance was retained. Proposed CSRE 2400 would be effective for reviews of financial statements for periods ending on or after December 14, 2017, with earlier application not permitted. Comment period ends on July 10, 2015.

In the works…

IAASB has commenced work on a number of projects that are expected to result in recommendations or guidance on the following topics:

- How to more effectively respond to issues related to professional skepticism.
- In a group audit, responsibilities of the engagement partner in circumstances where the engagement partner is not located where the majority of the audit work is performed.
- Data analytics – developments in audit data analytics and the most effective way for IAASB to respond.
- Integrated Reporting – exploring emerging developments, demand for assurance and whether there is a need for an international standard or guidance.

AASB is developing a standard, to be issued in the clarify format, that would replace the current standards related to audits and reviews of compliance with agreements and regulations (Sections 5800, 5815 and 8600).

Current status of documents previously issued for comment

New and Revised Auditor Reporting Standards and Related Conforming Amendments IAASB issued new and revised standards in January 2015 AASB intends to adopt the standards with limited amendments AASB issued an invitation to comment in June 2015 to obtain input on implementation challenges in Canada	IAASB issued new ISA 701, Communicating Key Audit Matters in the Independent Auditor's Report, and revised ISA 700, 705, 706, 570 and 260, along with some conforming amendments to other ISAs. New section to communicate key audit matters and disclosure of the name of the engagement partner are mandatory for audits of listed entities. Enhanced reporting ongoing concern, affirmative statement about the auditor's

Current status of documents previously issued for comment

Final standards are expected to be issued by the AASB in Q1 of 2016 The AASB has tentatively decided to set effective dates as follows: • CASs other than CAS 701 – for audits of financial statements for periods ending on or after December 15, 2017 • CAS 701 – for audits of financial statements of TSX-listed entities for periods ending on or after December 15, 2017 and for audits of financial statements of other entities for periods ending on or after December 15, 2018	independence, enhanced description of the responsibilities of the auditor and key feature of an audit and change in order of the opinion and basis for opinion sections are mandatory for all audits. The AASB's invitation to comment notes that the AASB concluded that auditors of entities listed on the four recognized stock exchanges in Canada should apply the requirements of the new auditor reporting standards for listed entities. The definition of listed entity will not be amended by the AASB.
Addressing Disclosures in the Audit of Financial Statements ED issued by the IAASB in May 2014. The AASB issued a related Canadian exposure draft in June 2014 and proposed no Canadian amendments to the proposed revised ISAs. Final amendments are expected to be issued by the AASB in Q1 of 2016.	ED aims to clarify expectations of auditors when auditing financial statement disclosures. The changes clarify the concept of disclosures as an integral part of the financial statements and emphasize the need for auditor consideration of disclosures earlier in the audit process. Strengthened requirements and new guidance focuses on requiring the auditor to understand relevant aspects of the information system relating to information disclosed in the financial statements, identifying and assessing the risks of material misstatements in quantitative and qualitative disclosures, obtaining sufficient appropriate audit evidence relating to disclosures, and evaluating the overall presentation of the financial statements, including their relevance and understandability.

Current status of documents previously issued for comment

The Auditor's Responsibilities Relating to Other Information Revised ISA 720 issued by the IAASB in April 2015 AASB will be issuing an exposure draft in Q3 of 2015 relating to adoption issues in Canada, designed to clarify the scope of application of CAS 720, with final Handbook material to be issued in Q1 of 2016 Effective date is expected to be aligned with the effective date of the CASs impacted by the new and revised auditor reporting standards	Specifies responsibilities of auditors relating to the range of other information in documents containing audited financial information. The scope of other information is broadened and clarified and is linked to the concept of an "annual report". Improves transparency by requiring auditors to articulate in their reports their responsibilities under the revised ISA 720 and the outcome of their work.
Joint Policy Statement Concerning Communications with Law Firms Regarding Claims and Possible Claims in Connection with the Preparation and Audit of Financial Statements ("Statement") ED was issued by the AASB and the Canadian Bar Association (CBA) in November 2014. Comment period closed on April 6, 2015. Currently in deliberations. Revised statement is expected to be effective for inquiry letters dated on or after December 1, 2016.	The new Statement will replace the existing Statement, with the same title, and Assurance and Related Services Guideline, AuG-46, Communication with Law Firms under New Accounting and Auditing Standards (often known to lawyers as the "Interim Guidance").

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Current status of documents previously issued for comment	
Auditor's Consent to the Use of a Report of the Auditor Included in an Offering Document ED was issued by the AASB in March 2015. Comment period ended on May 1, 2015. Currently in deliberations.	The primary objective of the proposed amendments is to address the requirements of stock exchanges (recognized by securities regulatory authorities in Canada) for the auditor's consent to include certain statements. Consent to the stock exchange is issued separately from that issued to the securities regulator. This means that addressing the auditor's consent to both Canadian securities regulators and the stock exchange would not be appropriate.
Association - Canadian Standard on Association (CSOA) ED was issued by the AASB in March 2015. Comment period closed on July 10, 2015.	The fundamental principles underlying proposed CSOA 5000 are consistent with those underlying Section 5020 which is being replaced, however, certain aspects may differ significantly from some practitioners' interpretations of Section 5020, including: scope; use of the practitioner's name or communication in connection with accompanying information; use of the practitioner's communication in another language; becoming aware of information to which the practitioner had attached a communication that has been subsequently issued without the practitioner's communication; and issuing consent if the practitioner has expressed an adverse conclusion or disclaimed a conclusion.

Current status of documents previously issued for comment	
Changes for Reporting on Special Purpose Financial Statements ED was issued by the IAASB in January 2015 and by the AASB in March 2015 (with no Canadian amendments) Comment period closed on April 22, 2015. Currently in deliberations.	Amendments proposed to CAS 800 and CAS 805 to provide guidance on how the enhancements to the auditor's report issued by the IAASB in January 2015 would apply in audits of special purpose financial statements.
Proposed Revisions to Independence Standards Issued by the Independence Task Force (ITF) of CPA Canada's Public Trust Committee Comment period closed on May 15, 2015. Revisions are expected to be applicable for assurance engagements commencing after December 15, 2016	Revisions address recent amendments issued by the International Ethics Standards Board for Accountants (IESBA) in relation to breaches of the Code of Ethics for Professional Accountants (Code) and approach related to the impact that contingent fees charged to an assurance client have on independence.

July 2015

Questions?

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. This publication was last updated in April 2014 (Issue No. 12).

Auditing estimates – what your client wants to know

CPA Canada Audit Client Briefing published in May 2015 can assist management in facilitating an effective and efficient audit process with respect to accounting estimates.

ACRONYMS USED

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

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