

INSIGHT INFORMATION

GENERAL COUNSEL COMPLIANCE AND CONTROLS CONGRESS

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CRITICAL DEVELOPMENTS IN FINANCIAL REPORTING

by

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ACCOUNTING STANDARDS BOARD OF CANADA (AcSB)

- Independent body having authority to develop and establish standards and guidance governing financial accounting and reporting in Canada, to serve public interest
- Objectives:
 - bring objectivity to consideration of issues
 - respect ability of stakeholders to exercise professional judgment
 - meet at least six times a year for full Board meetings of one or two days each
 - has responsibility for Emerging Issues Committee (EIC)

CANADIAN ACCOUNTING STANDARDS BOARD

1. Require Canadian “publicly accountable enterprise” (including one planning to issue securities in public market) to apply International Financial Reporting Standards (IFRS) effective 2011
2. In 2008, publicly-accountable enterprises may disclose plans for convergence
3. Stated policy: to comply with International Accounting Standards Board (IASB)

EMERGING ISSUES COMMITTEE (EIC)

- AcSB's standing committee authorized to issue "Abstracts of Issues Discussed"
- Provides timely guidance on new and emerging accounting issues, more quickly than by regular consultative due-process of standard-setting
- EIC Draft Abstract → Public Comment → EIC Decision posted on CICA website

ACCOUNTING STANDARDS OVERSIGHT COUNCIL (AcSOC)

- Established in 2000 by CICA to serve public interest
- Oversees activities of AcSB
- Appoints members of AcSB and provides AcSB with strategic direction and priorities

AcSB PROCEDURES (DUE PROCESS)

- Follows rigorous consultative procedure in development and issuance of GAAP
- Exposure Drafts released for public comment only on written approval by two-thirds of all members of AcSB
- Record of documents issued for comment included in *CAmagazine* and posted on AcSB website
- Analyzes and considers all comments in response to each Exposure Draft

AcSB INTERNATIONAL ACTIVITIES

- Strategy to adopt IFRS for public companies
- Details found in AcSB's Strategic Plan, "Accounting Standards in Canada: New Directions" (acsbcanada.org)

IFSB

(iasb.org)

- Developed by International Accounting Standards Board (London)
- Include former International Accounting Standards
- Require assets, liabilities and equity instruments to be measured at "Fair Value"
- Canadian subsidiaries: IFRS Standard 1, "First-time Adoption of International Financial Reporting Standards"

IFRS

- Conceptual framework substantially same as for Canadian standards (GAAP)
- Cover many of same topics
- Reach same conclusions on many issues
- Structured same way as *CICA Handbook (Accounting)*
- GAAP principles highlighted in similar language
- Of similar style, length and detail as *CICA Handbook*

IFRS

Entire series of pronouncements issued by IASB, comprising IFRS 1 to 8 and IAS (Revised) 1 to 40:

1. Standards and interpretations approved by IASB
2. International Accounting Standards (IAS) issued by IASC between 1973 to 2001, still in effect unless replaced by IFRS

IFRS

FRAMEWORK FOR PREPARATION AND PRESENTATION AND FINANCIAL STATEMENTS

- IAS — standards issued before 2001
- IFRS — standards issued after 2001
- SIC — interpretations of accounting standards, giving specific guidance on unclear issues
- IFRIC — newer interpretations, issued after 2001

IFRS

OBJECTIVES FOR "FAIR VALUE"

- a. Establish simple source of guidance for all Fair Value measurements required by IFRS
- b. Clarify definition of Fair Value and relevant guidance
- c. Enhance disclosures regarding Fair Value

“FAIR VALUE” MEASUREMENT CRITERIA

CICA and FASB set following hierarchy for Fair Value Measurement:

- 1. Quoted market prices in an active market**
- 2. Recent transactions for similar assets**
- 3. Other valuation techniques**

(See CICA Handbook 1581 and U.S. Financial Accounting Standard 157)

FAIRNESS OPINIONS

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Appendix B to Standard No. 110

- Fairness Opinion not generally required by securities regulations or policies
- Apply to non-arm's length transactions subject to securities regulations or policies (e.g., OSC Rule 61-501 and AMF Q-27)

FAIRNESS OPINIONS

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The Fairness Opinion should provide principal reasons supporting opinion conclusion in sufficient detail to allow reader to understand basis of Fairness Opinion and to form a reasoned view on opinion conclusion.

FAIRNESS OPINIONS

INVESTMENT DEALERS ASSOCIATION

SECTION 29.21

- **Defined as:**

“A report of a Valuer that contains the Valuer’s opinion as to the fairness, from a financial point of view, of a transaction.”

- **Information disclosure requirements:
Paragraphs 1. to 15.**