Comparison of IFRSs and Canadian GAAP

as of July 31, 2008

Introduction

This comparison has been prepared by the staff of the Accounting Standards Board (AcSB) and has not been approved by the AcSB. The AcSB has adopted a strategy to replace Canadian standards in the CICA Handbook – Accounting (Handbook) with International Financial Reporting Standards (IFRSs) for publicly accountable enterprises by January 1, 2011. Other enterprises might also elect to adopt IFRSs. To assist those affected by this strategy in becoming familiar with differences between Canadian standards and IFRSs, the attached document provides a preliminary comparison between the more significant aspects of IFRSs and Canadian standards in the Handbook. The comparison is not comprehensive and does not attempt to cover all the similarities and differences between the two sets of standards. The comparison is intended to help users obtain an overview of IFRSs to assist in determining which standards are most likely to affect their future transactions. Once the user determines from the comparison which individual IFRSs have the greatest impact, they should consult the text of IFRSs themselves to understand fully the implications of applying and preparing financial statements in accordance with IFRSs. This comparison should not be used for preparing financial statements.

IFRSs include International Financial Reporting Standards (IFRSs) 1 to 8, International Accounting Standards (IAS) 1 to 41, and all pronouncements issued by the International Financial Reporting Interpretations Committee (IFRIC) and by IFRIC's predecessor the Standing Interpretations Committee (SIC). This comparison includes all IFRSs as well as all Handbook Sections and Guidelines issued as at July 31, 2008. Effective dates of some standards and interpretations might be after July 31, 2008. IFRSs are designed primarily to apply to profit-oriented enterprises, so IFRSs do not have corresponding standards for the Handbook Sections on not-for-profit organizations (NFPOs).

This comparison will be updated periodically. It is generally organized in the order of the IFRS numbering, with Handbook Sections with no IFRS equivalent included at the end. Abstracts of Issues Discussed by the Emerging Issues Committee (EIC Abstracts) are included when significant.

IFRSs and Canadian standards are based on conceptual frameworks that are substantially the same. With some exceptions, they cover much the same topics and reach similar conclusions on many issues. The style and form of IFRSs are generally quite similar to Canadian standards. They are laid out in the same way as Handbook Sections, highlight the principles and use similar language. Individual IFRSs and Handbook Sections are of similar length and depth of detail. The complete sets of standards are also similar in length.

Both the International Accounting Standards Board (IASB) and AcSB have active standard-setting projects in process. The AcSB intends to adopt converged standards agreed to by the IASB and the US Financial Accounting Standards Board (FASB) as those standards are adopted by the IASB. The AcSB will also consider adopting other new IFRSs, when those new IFRSs do not conflict with US requirements. However, as Canada approaches 2011, the AcSB may consider providing for any new standards adopted to have a mandatory effective date of January 1, 2011, with optional early adoption. The AcSB will adopt the remainder of IFRSs on January 1, 2011 for publicly accountable enterprises. The comparison notes at the top of each section under "Current Developments" whether there is a project in process that could affect an enterprise's transition to IFRSs. If users are affected by the standard in question, they are advised to review the project pages on the web sites of the appropriate standard setter to determine the progress of the project and the affect of any revised standard. For further information on project timetables, see the AcSB staff paper on "Which IFRSs Are Expected to Apply for Canadian Changeover in 2011"The term "converged" has been used in this comparison when no conflict results from applying Canadian standards and IFRSs (i.e., an entity could apply both sets of standards at the same time. However, in some instances, an entity may choose to apply more restrictive alternatives or additional disclosure requirements in one or the other set of standards). There will inevitably be differences at a more detailed level, as a result of different levels of guidance and different ways of expressing similar ideas.

This comparison has been updated from the March 31, 2007 version. Highlights of the changes since that comparison can be found at the end of the document. The following table of concordance relates each International Financial Reporting Standard and Interpretation issued as of July 31, 2008 to corresponding CICA Handbook – Accounting material. Material no longer effective as of July 31, 2008, and hence to be withdrawn, is not included.,

	International Financial Reporting Standards	Handbook Sections	Accounting Guidelines	EIC Abstracts
IAS 1	Presentation of Financial Statements	1000, 1300, 1400, 1505,1508,1510, 1520, 1530, 1535, 3000, 3020, 3210, 3240,3251, 3260, 3480		59, 122, 170
IAS 2	Inventories	3031		
—	IAS 3 has been superseded by IAS 27 and IAS 28	—		
—	IAS 4 has been superseded by IAS 36 and IAS 38	—		
—	IAS 5 has been superseded by IAS 1	—		
—	IAS 6 has been superseded by IAS 15	—		
IAS 7	Cash Flow Statements	1540, 1651		34, 47
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1100, 1506, 3480, 3610		
—	IAS 9 has been superseded by IAS 38			
IAS 10	Events After the Reporting Period	3820		
IAS 11	Construction Contracts	1505, 1508, 3031, 3400		65, 78
IAS 12	Income Taxes	1300, 3465		120, 136, 146, 167, 170
—	IAS 13 has been superseded by IAS 1	—		
—	IAS 14 has been superseded by IFRS 8	—		—
—	IAS 15 has been withdrawn	—		
IAS 16	Property, Plant and Equipment	1400, 1506, 1520, 3061, 3280, 3831		, 86, 126
IAS 17	Leases	1520, 3065		19, 21, 25, 30, 46, 52, 61, 85, 97, 150
IAS 18	Revenue	3400	2, 4	65, 123, 141, 142, 143, 156
IAS 19	Employee Benefits	3461		134
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1520, 3800		
IAS 21	The Effects of Changes in Foreign Exchange Rates	1651		130
—	IAS 22 has been superseded by IFRS 3	—		
IAS 23	Borrowing Costs	1505, 3061,3850		12

	International Financial Reporting Standards	Handbook Sections	Accounting Guidelines	EIC Abstracts
IAS 24	Related Party Disclosures	3840		79, 83
—	IAS 25 has been superseded by IAS 39 and IAS 40	—		
IAS 26	Accounting and Reporting by Retirement Benefit Plans	4100		116, 168
IAS 27	Consolidated and Separate Financial Statements	1300, 1590, 1600, 3051	15	157
IAS 28	Investments in Associates	1300, 3051	18	8, 165
IAS 29	Financial Reporting in Hyperinflationary Economies	1651		
	IAS 30 has been superseded by IFRS 7			
IAS 31	Interests in Joint Ventures	1300, 3055,3831	18	38
IAS 32	Financial Instruments: Presentation	1300, 3861 or 3863		50, 70, 74, 75, 94, 96, 148, 149, 164
IAS 33	Earnings per Share	3500		10, 40, 50, 155, 170
IAS 34	Interim Financial Reporting	1505, 1751, 3461, 3870		
—	IAS 35 has been superseded by IFRS 5	—		
IAS 36	Impairment of Assets	1581, 3025, 3051, 3061, 3064, 3063, 4211		61, 64, 126, 129, 133, 136, 152, 164
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1000, 1508, 3110, 3280, 3290, 3475	14	91, 134, 135, 159
IAS 38	Intangible Assets	1581,3061,3064		55, 86, 118
IAS 39	Financial Instruments: Recognition and Measurement	1300, 1651, 3025, 3855, 3865	12, 14, 18	39, 88, 96, 101, 164, 166, 169
IAS 40	Investment Property	3061		
IAS 41	Agriculture	—		
IFRS 1	First-time Adoption of International Financial Reporting Standards	—		
IFRS 2	Share-based Payment	3870		127, 132, 162
IFRS 3	Business Combinations	1300, 1581, 1600, 3064		10, 14, 42, 55, 64, 66, 73, 94, 114, 119, 124, 125, 127, 137, 140, 152, 154
IFRS 4	Insurance Contracts)	4211	3,8,9	
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	3475		135, 153, 161
IFRS 6	Exploration for and Evaluation of Mineral Resources	3061, 3063	11,16	126, 160
IFRS 7	Financial Instruments — Disclosures	3861 or 3862		
IFRS 8	Operating Segments	1701		115

	Interpretations of International Financial Reporting Standards	Handbook Sections	Accounting Guidelines	EIC Abstracts
SIC-7	Introduction of the Euro (IAS 21)	—		
SIC-10	Government Assistance — No Specific Relation to Operating Activities (IAS 20)	3800		
SIC-12	Consolidation — Special Purpose Entities (IAS 27)	—	15	157, 163
SIC-13	Jointly Controlled Entities — Non-Monetary Contributions by Venturers (IAS 31)	3055, 3831		
SIC-15	Operating Leases — Incentives (IAS 17)	3065		21
SIC-21	Income Taxes — Recovery of Revalued Non-Depreciable Assets (IAS 12, IAS 16)	3061, 3465		
SIC-25	Income Taxes — Changes in the Tax Status of an Entity or its Shareholders (IAS 12)	3465		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease (IAS 1, IAS 17, IAS 18)	3065, 3400		
SIC-29	Service Concession Arrangements: Disclosures (IAS 1)	1505, 3061, 3065, 3280, 3290		
SIC-31	Revenue — Barter Transactions Involving Advertising Services (IAS 18)	3400		
SIC-32	Intangible Assets — Web Site Costs (IAS 38)	3061, 3064		86, 118
IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities (IAS 1, IAS 8, IAS 16, IAS 23, IAS 36, IAS 37)	3110		
IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments (IAS 32, IAS 39)	3861 or 3863		
	IFRIC-3 has been withdrawn	—		
IFRIC-4	Determining whether an Arrangement Contains a Lease (IAS 8, IAS 16, IAS 17, IAS 38)	3065		150
IFRIC-5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (IAS 8, IAS 27, IAS 28, IAS 31, IAS 37, IAS 39)	—		
IFRIC-6	Liabilities Arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment (IAS 8, IAS 37)	—		
IFRIC-7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	1651		
IFRIC-8	Scope of IFRS 2	3870		
IFRIC-9	Reassessment of Embedded Derivatives (IAS 39)	3855		
IFRIC-10	Interim Financial Reporting and Impairment (IAS 39, IFRS 1)	1751, 3064, 3855		
IFRIC-11	Group and Treasury Share Transactions (IFRS 2)	3870		
IFRIC-12	Service Concession Arrangements	1400, 3061, 3065, 3280, 3400, 3800, 3855		

	Interpretations of International Financial Reporting Standards	Handbook Sections	Accounting Guidelines	EIC Abstracts
IFRIC-13	Customer Loyalty Programmes (IAS 8, IAS 18, IAS 37)	—		
IFRIC-14	IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	3461		
IFRIC-15	Agreements for Construction of Real Estate	3400		
IFRIC-16	Hedges of a Net Investment in a Foreign Operation (IAS 8, IAS 21, IAS 39)	1651, 3865		

FRAMEWORK FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

Current developments: The IASB has a project to develop a revised conceptual framework.

Scope

IFRS	Canadian GAAP
The IASB Framework applies to general purpose financial statements of commercial, industrial and business reporting entities, whether in the private or public sectors.	FINANCIAL STATEMENT CONCEPTS, Section 1000, also applies to not-for-profit organizations. Separate accounting standards apply to most public sector entities.

Objective of financial statements

IFRS	Canadian GAAP
The objective of financial statements is to provide information about the financial position, performance and changes in financial position of an entity that is useful to a wide range of users in making economic decisions. Financial statements also show the results of the stewardship of management, or the accountability of management for the resources entrusted to it.	The objective of financial statements is to communicate information that is useful to investors, members, contributors, creditors and other users in making their resource allocation decisions and/or assessing management stewardship.

Underlying assumptions

IFRS	Canadian GAAP
Financial statements are prepared on the accrual basis such that the effects of transactions and other events are recognized when they occur and are reported in the periods to which they relate. Financial statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future.	Items recognized in financial statements are accounted for in accordance with the accrual basis of accounting. Financial statements are prepared on the assumption that the entity is a going concern, meaning that it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of operations.

Qualitative characteristics of financial statements

IFRS	Canadian GAAP
Four principal qualitative characteristics are: — understandability; — relevance; — reliability; and — comparability.	Section 1000 cites the same four principal qualitative characteristics.

Elements of financial statements

Assets

An asset is a resource controlled by the enterprise as a result of past events and from which future economic benefits are expected to flow to the enterprise.	Assets are economic resources controlled by an entity as a result of past transactions or events and from which future economic benefits may be obtained.

Liabilities

A liability is a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits.	Liabilities are obligations of an entity arising from past transactions or events, the settlement of which may result in the transfer or use of assets, provision of services or other yielding of economic benefits in the future.

Equity/net assets

Equity is the residual interest in the assets of the enterprise after deducting all its liabilities.	Equity is the ownership interest in the assets of a profit-oriented enterprise after deducting its liabilities. While equity of a profit-oriented enterprise in total is a residual, it includes specific categories of items, for example, types of share capital, contributed surplus and retained earnings. In the case of a non-profit organization, net assets, sometimes referred to as equity or fund balances, is the residual interest in its assets after deducting its liabilities. Net assets may include specific categories of items that may be either restricted or unrestricted as to their use.

Income/revenues/gains

Income is increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants.	Revenues are increases in economic resources, either by way of inflows or enhancements of assets or reductions of liabilities, resulting from the ordinary activities of an entity. Gains are increases in equity/net assets from peripheral or incidental transactions and events affecting an entity and from all other transactions, events and circumstances affecting the entity, except those that result from revenues or equity/net assets contributions.

Expenses/losses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.	Expenses are decreases in economic resources, either by way of outflows or reductions of assets or incurrence of liabilities, resulting from an entity's ordinary revenue-generating or service delivery activities. Losses are decreases in equity/net assets from peripheral or incidental transactions and events affecting an entity and from all other transactions, events and circumstances affecting the entity, except those that result from expenses or distributions of equity/net assets.

Recognition

An item that meets the definition of an element should be recognized if: — it is probable that any future economic benefit associated with the item will flow to or from the enterprise; and — the item has a cost or value that can be measured with reliability.	The recognition criteria are as follows: — for items involving obtaining or giving up future economic benefits, it is probable that such benefits will be obtained or given up; and — the item has an appropriate basis of measurement and a reasonable estimate can be made of the amount involved.

Measurement

The Framework cites four measurement bases: — historical cost; — current costs; — realizable value; — present value; It notes that historical cost is the most commonly adopted basis, usually combined with other bases.	Section 1000 states that financial statements are prepared primarily using the historic cost basis of accounting. However, other bases are used in limited circumstances, including: — replacement cost; — realizable value; and — present value.

Capital and capital maintenance

The IASB Framework describes concepts of financial and physical capital maintenance without prescribing that a particular concept should apply.	Section 1000 specifies that financial statements are prepared with capital maintenance measured in financial terms.

IAS 1, PRESENTATION OF FINANCIAL STATEMENTS

Current developments: The IASB has a joint project with the FASB to establish a common standard for the presentation of financial information in financial statements.

Components of financial statements

A complete set of financial statements comprises a balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and explanatory notes, including a summary of significant accounting policies. It also includes a statement of financial position as at the beginning of the earliest comparative period if an entity retrospectively applies an accounting policy, retrospectively restates items, or reclassifies items.

Comprehensive income is presented in either a single statement of comprehensive income or in two statements (an income statement and a statement of comprehensive income beginning with profit or loss and displaying components of other comprehensive income).

GENERAL STANDARDS OF FINANCIAL STATEMENT PRESENTATION, Section 1400, and COMPREHENSIVE INCOME, Section 1530, are converged, except that a statement of retained earnings is required, and comprehensive income is also permitted to be presented in the statement of changes in equity. Under ACCOUNTING CHANGES, Section 1506, an entity is not required to present a balance sheet as at the beginning of the earliest comparative period when it retrospectively applies an accounting policy, retrospectively restates items, or reclassifies items.

Fair presentation

Financial statements should present fairly the financial position, financial performance and cash flows of an entity.

Section 1400 is converged with IAS 1.

The application of IFRS, with additional disclosure when necessary, is presumed to result in financial statements that achieve fair presentation.

Section 1400 states: "A fair presentation in accordance with generally accepted accounting principles is achieved by:

— applying GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, Section 1100;

— - providing sufficient information about transactions or events having an effect on the entity's financial position, results of operations and cash flows for the periods presented that are of such size, nature and incidence that their disclosure is necessary to understand that effect; and

— - providing information in a manner that is clear and understandable."

In the extremely rare circumstances when compliance with an IFRS requirement would be so misleading as to conflict with the objective of financial statements set out in the Conceptual Framework, an entity should depart from that requirement when required or permitted by the relevant regulatory framework, and should make specified disclosures.	The Handbook contains no corresponding requirements.

Going concern

An assessment of the ability to continue as a going concern should be made each time a financial statement is prepared. Material uncertainties that cast doubt on the ability to continue as a going concern should be disclosed.	Section 1400 is converged with IAS 1.

Materiality

Each material class of similar items is presented separately. Materiality is determined by the potential of the information to influence economic decisions made by users of the financial statements.	FINANCIAL STATEMENT CONCEPTS, Section 1000, is converged with IAS 1.

Comparative information

Comparative information for prior periods is disclosed unless a standard or interpretation permits or requires otherwise.	Section 1400 is converged, except that comparative information may not need to be provided in rare circumstances when it is not meaningful, .

Classification of assets and liabilities

Current and non-current assets and liabilities are to be presented as separate classification in the statement of financial position , except when presentation based on liquidity provides information that is reliable and more relevant. Current assets and current liabilities are generally expected to be realized, sold, consumed or settled in the entity's normal operating cycle, held primarily for the purpose of being traded, expected to be realized or settled twelve months after the balance sheet date, or are cash or cash equivalents. A financial liability for which the entity does not have an unconditional right to defer its	CURRENT ASSETS AND CURRENT LIABILITIES, Section 1510, is less comprehensive than IAS 1. Section 1510 states that the segregation of assets and liabilities between current and non-current may not be appropriate in financial statements of enterprises in certain industries. "Balance Sheet Classification of Callable Debt Obligations and Debt Obligations Expected to be Refinanced," EIC-122, requires that such an obligation be classified as a current liability unless the debtor expects to refinance it and such intent is supported by post-balance sheet events. "Long-Term Debt with Covenant

settlement for at least twelve months after the balance sheet date is classified as a current liability, even if an agreement to refinance on a long-term basis is completed after the balance sheet date and before the financial statements are authorized for issue.	Violations," EIC-59, also allows for long-term classification if certain terms are met subsequent to the balance sheet date.

Items presented on the face of the financial statements

IAS 1 specifies items to be presented on the face of the financial statements. Although IAS 1 does not prescribe the order or format to present items on the financial statements, it does require items that are sufficiently different in nature or function to be presented separately.	The Handbook does not require disclosure of provisions and biological assets as balance sheet line items. Otherwise, requirements are converged with IAS 1. INCOME STATEMENT, Section 1520, is more specific as to the items to be distinguished in the income statement.

Share capital

IAS 1 specifies disclosures about share capital and reserves.	SHARE CAPITAL, Section 3240, and RESERVES, Section 3260, are converged with IAS 1, except that reserves are more broadly defined in IAS 1 and the IASB Framework, because under those standards, reserves could include capital maintenance adjustments. The Handbook does not require disclosure of shares of the entity held by subsidiaries or associates or disclosure of the nature and purpose of each reserve within owner's equity.

Other comprehensive income

IAS 1 requires the disclosure of: — adjustments to reclassify amounts previously recognized in other comprehensive income to profit or loss in the current period; and — the amount of income tax relating to each component of other comprehensive income (including reclassification adjustments).	Section 1530 is converged with IAS 1.

Disclosure of accounting policies

IAS 1 requires disclosure of the following: — the measurement basis(es) used for statement preparation; — each specific policy that is necessary for a proper understanding of the financial statements; and	DISCLOSURE OF ACCOUNTING POLICIES, Section 1505, indicates that those policies significant to an enterprise's operations should be identified and described. Minimum disclosure calls for: — policies selected alternatives; and

— judgments, other than estimates, made in the process of applying accounting policies, that have the most effect on the financial statements.	— policies peculiar to an industry, even if they are predominantly followed in that industry. No disclosure is required of judgments made in the process of applying accounting policies.

Estimation uncertainty

Explanation is required of key sources of estimation uncertainty that have a significant risk of causing a material adjustment within the next financial year.	MEASUREMENT UNCERTAINTY, Section 1508, is converged with IAS 1, except that IAS 1 does not allow for an exemption on the disclosure of the recognized amount of the item subject to measurement uncertainty when that disclosure would have a significant adverse effect on the entity.

Extraordinary items

IAS 1 prohibits disclosure of "extraordinary items" in financial statements.	EXTRAORDINARY ITEMS, Section 3480, provides for presentation of extraordinary items that are not expected to occur frequently over several years, do not typify the normal business activities of the entity, and do not depend primarily on decisions or determinations by management or owners.

Disclosure items

IAS 1 requires disclosure of the following regarding capital: — qualitative information about an entity's objectives, policies and processes for managing capital, including what it considers capital; — summary quantitative data about what the entity manages as capital; — any changes in the above from the previous period; — whether the entity has complied with any externally-imposed capital requirements and, if not, the consequences of such non-compliance. This information is to be based on information provided internally to the entity's "key management personnel."	CAPITAL DISCLOSURES, Section 1535, is converged with IAS 1 on disclosures about capital.

IAS 1 requires other disclosures of the following; — information about the classification of puttable financial instruments (see IAS 32 below); — dividends per share, declared or proposed; and — domicile and legal form of entity, address of registered office, country of incorporation, nature of activities, name of parent and ultimate parent of group, and information on the length of the entity's life when it is limited, if these items are not disclosed elsewhere in information published with the financial statements.	The Handbook does not require these disclosures.

IAS 2, INVENTORIES

Current developments: None.

Scope

IAS 2 excludes work in progress on construction contracts, financial instruments, biological assets and agricultural produce at the point of harvest.	INVENTORIES, Section 3031, does not contain corresponding scope exceptions. However, financial instruments would be accounted for in accordance with FINANCIAL INSTRUMENTS — RECOGNITION AND MEASUREMENT, Section 3855, and contracts accounted for using the percentage of completion method should be accounted for in accordance with REVENUE, Section 3400. In addition, there is a scope exclusion for contributions not recognized by not-for-profit organizations.

Basis of measurement

Inventories are measured at the lower of cost and net realizable value, the latter being defined as selling price less the estimated costs of completion and costs necessary to make the sale. Replacement cost is prohibited.	Section 3031 is converged with IAS 2.
The measurement requirements of IAS 2 do not apply to: — producers of agricultural and forest products, agricultural produce after harvest, and minerals and mineral products, to the extent that they are measured at net realizable value in accordance with well-established practices in those industries; and — commodity broker-traders who measure their inventories at fair value less costs to sell.	Section 3031 has corresponding scope exceptions for measurement, except that there is additional guidance for not-for-profit organizations.

Cost

Cost of inventory includes costs of purchase and production or conversion. Cost does not include wastage, administrative overheads that are not production costs, and selling costs. Borrowing costs are not usually included.	Section 3031 is converged with IAS 2.

IAS 2 provides extensive and specific guidance concerning the allocation of overhead and other costs to inventory.	Section 3031 is converged with IAS 2.

Costing techniques when specific costs cannot be attributed to identified items of inventory

Consistent use, by type of inventory, of either first in, first out (FIFO) or average cost is required. Last in, first out (LIFO) is not permitted.	Section 3031 is converged with IAS 2.

Impairments

Inventory impairments are reversed if the reason for impairment no longer exists. The reversal is limited to the amount of the original write-down.	Section 3031 is converged with IAS 2.

Disclosure

IAS 2 requires disclosure of: — the accounting policies adopted in measuring inventories, including the cost formula used; — the carrying amounts of inventories by classification; — the carrying amounts of inventories carried at fair value less costs to sell; — the amount of write-downs recognized as expense in the period; — reversals of write-downs during the period, with a description of the related circumstances or events; and — the carrying amounts of inventories pledged as security for liabilities.	Section 3031 is converged with IAS 2, except that Section 3031 requires disclosure of the carrying amount of the inventories of producers of agricultural and forest products, of agricultural produce after harvest, and of minerals and mineral products, to the extent that they are measured at net realizable value in accordance with well-established practices in those industries.

IAS 7, CASH FLOW STATEMENTS

Current developments: The IASB has a joint project with the FASB to establish a common standard for the presentation of cash flow statements.

Presentation of a cash flow statement

A cash flow statement is required as part of the financial statements.	CASH FLOW STATEMENTS, Section 1540, requires a cash flow statement for all enterprises, except pension plans, not-for-profit organizations and certain investment funds. IAS 7 has no scope exceptions.

Format of cash flow statement

The cash flow statement provides information about changes in cash and cash equivalents. Non-cash transactions are excluded. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. There must be insignificant risk of changes in their value.	Section 1540 is converged with IAS 7, except that IAS allows some equity investments (i.e., preferred shares acquired within a short period of their maturity and with a specified redemption date) to be classified as cash equivalents.
Cash flows are classified by activities: operating, investing and financing. — Operating activities are the principal revenue-producing activities of the entity, and all activities that are not investing or financing. — Investing activities are the acquisition and disposal of long-term assets and investments that are not cash equivalents. — Financing activities are changes in the equity capital and borrowings of the entity.	Section 1540 is converged with IAS 7.
Cash flows from operating activities may be presented using one of two methods: — the direct method — gross cash receipts and gross cash payments are shown; or — the indirect method — net profit or loss is adjusted to determine operating cash flow. The direct method is encouraged.	Section 1540 is converged with IAS 7.

Presentation of interest and dividends

IFRS	Canadian GAAP
Cash flows from interest and dividends received and paid are classified in a consistent manner as operating, investing or financing activities.	Section 1540 requires that cash flows from interest and dividends received and paid and included in the determination of net income be classified as cash flows from operating activities. Interest and dividends not included in the determination of net income are classified according to their nature. Dividends and interest paid and charged to retained earnings are presented separately as cash flows used in financing activities. Cash flows from dividends paid by subsidiaries to non-controlling interests are presented separately as cash flows used in financing activities.

Presentation of cash flow per share information

IFRS	Canadian GAAP
IAS 7 does not deal with cash flow per share information.	Section 1540 prohibits the disclosure of cash flow amounts per share in financial statements, except for dividends or similar cash distributions to owners.

Classification of amortization of premiums and discounts on interest-bearing instruments

IFRS	Canadian GAAP
IAS 7 does not deal with classification of amortization of premiums and discounts on interest-bearing instruments.	Section 1540 and "Interest Discount or Premium in the Cash Flow Statement," EIC-47, contain specific guidance on the classification of amortization of premiums and discounts on interest-bearing instruments.

IAS 8, ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

Current developments: The AcSB issued an Exposure Draft proposing that the disclosure requirements in Section 1506 for issued but not yet effective GAAP, not be applied to the complete replacement of GAAP as will be the case when IFRSs are adopted in Canada.

Selection of accounting policies

IFRS	Canadian GAAP
Accounting policies must comply with all IFRSs and Interpretations. In the absence of an applicable IFRS or Interpretation, management uses judgment to select a policy, referring to IFRSs and Interpretations dealing with similar issues, and the IASB Framework. Management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to the extent that they do not conflict with IFRSs, Interpretations or the IASB Framework.	GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, Section 1100, requires that an entity apply all primary sources of GAAP. When the primary sources of GAAP do not deal with a particular situation, or additional guidance is needed, an entity adopts accounting polices that are consistent with primary sources of GAAP and are developed through the exercise of professional judgment and the application of concepts in FINANCIAL STATEMENT CONCEPTS, Section 1000.
Accounting policies must be applied consistently to similar transactions and events.	Consistent application to similar transactions and events is not explicitly required.

Changes in accounting policies

IFRS	Canadian GAAP
A change in accounting policy is made only if the change is required by an IFRS or Interpretation or results in reliable and more relevant information.	ACCOUNTING CHANGES, Section 1506, is converged with IAS 8.
A change in accounting policy is applied retrospectively — that is, as if the new policy had always been applied — unless the provisions of an IFRS or Interpretation require otherwise or it is impracticable to determine either the period-specific effects or cumulative effect of the change.	

Changes in accounting estimates

IFRS	Canadian GAAP
A change in an accounting estimate is recognized prospectively in the period of change and future periods as applicable. Prior period amounts are not adjusted.	Section 1506 is converged with IAS 8, except that other primary sources of GAAP also describe and explain prospective application, where permitted or required.

Errors

Errors are corrected retrospectively, except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error. Prior period amounts are restated as if the error never occurred.	Section 1506 requires retroactive restatement, but does not provide an exception for impracticability.

Disclosure — changes in accounting policies

IAS 8 requires disclosure of the nature and reason for a change in accounting policy and to the extent practicable the amount of the adjustment to the current period, to earnings per share and to prior periods. IAS 8 requires disclosure of new IFRSs or Interpretations that have been issued but are not yet effective, together with information about the effect on the entity, if known.	Section 1506 is converged with IAS 8.

Disclosure — changes in accounting estimates

IAS 8 requires disclosure of the nature and amount of a change in accounting estimate, except that it may be impracticable to disclose the effect on future periods.	Section 1506 is converged with IAS 8.

Disclosure — errors

IAS 8 requires disclosure of the nature and, to the extent practicable, the amount of the adjustment to the current period, to earnings per share and to prior periods.	Section 1506 is converged with IAS 8.

IAS 10, EVENTS AFTER THE REPORTING PERIOD

Current developments: None

Extent of subsequent events period

An entity considers events occurring between the end of the reporting period and the date the financial statements are authorized for issue.	SUBSEQUENT EVENTS, Section 3820, requires an entity to consider events occurring between the date of the financial statements and the date of their completion.

Adjusting events

An entity adjusts the amounts recognized in its financial statements to reflect adjusting events after the end of the reporting period (those that provide evidence of conditions that existed at the end of the reporting period).	Section 3820 requires financial statements to be adjusted when events occurring between the date of the financial statements and the date of completion provide additional evidence relating to conditions that existed at the date of the financial statements.

Non-adjusting events

IAS 10 requires an entity not to adjust amounts recognized in financial statements to reflect non-adjusting events after the end of the reporting period. Rather, if such events are material, an entity should disclose the nature of the event and an estimate of its financial effect, or state that such an estimate cannot be made.	Section 3820 requires that financial statements not be adjusted for, but that disclosure be made of, non-adjusting events that cause significant changes to assets or liabilities in the subsequent period, or will, or may, have a significant effect on the future operations of the entity.

Disclosure of authorization for issue

An entity discloses the date when the financial statements were authorized for issue and who gave that authorization. If the entity's owners or others have the power to amend the financial statements after issuance, the entity should disclose that fact.	Section 3820 contains no corresponding requirement.

Disclosure of new information

IAS 10 requires updating of disclosure about conditions at the end of the reporting period in light of new information.	Section 3820 contains no corresponding requirement.

Pro forma information

IFRS	Canadian GAAP
IAS 10 contains no corresponding requirement.	Section 3820 indicates that a practical method of disclosing the effects of a subsequent event that has a pervasive effect on the future activities of an entity may be to provide supplementary pro forma financial information.

Dividends after the end of the reporting period

IFRS	Canadian GAAP
IAS 10 requires that an entity not recognize dividends declared to equity holders after the end of the reporting period as a liability at the end of the reporting period but that such dividends should be disclosed in the notes, in accordance with IAS 1, "Presentation of Financial Statements."	Section 3820 contains no corresponding explicit requirement. Canadian GAAP would not recognize dividends declared after the end of the reporting period as a liability at the end of the reporting period.

Going concern

IFRS	Canadian GAAP
IAS 10 requires that an entity not prepare its financial statements on a going concern basis if management determines after the end of the reporting period either that it intends to liquidate the entity or to cease trading, or that it has no realistic alternative but to do so.	Section 3820 indicates that the effect of subsequent events may be so pervasive that the viability of the whole or a part of the business of the entity is brought into question and may indicate a need to consider the proper use of the going concern assumption.

IAS 11, CONSTRUCTION CONTRACTS

Current developments: The IASB has a joint project with the FASB to develop new standards for revenue recognition.

Scope

IFRS	Canadian GAAP
IAS 11 sets out the accounting treatment of revenue and costs associated with construction contracts.	There is no Handbook Section directly comparable to IAS 11, but REVENUE, Section 3400, deals with revenue from construction contracts. Section 3400 is less detailed than IAS 11.

Income recognition

IFRS	Canadian GAAP
Each construction contract is assessed at each balance sheet date. When the outcome of the contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion (percentage of completion method). Costs incurred that relate to future activity on the contract are recognized as an asset if it is probable they will be recovered. If not, they are recognized as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, all contract costs are recognized as an expense when incurred. Revenue is recognized to the extent that costs incurred are recoverable (cost recovery method). Consequently, no profit is recognized until contract completion, or the outcome can be estimated reliably. Any expected loss is recognized as an expense immediately. Completed contract method is prohibited.	Performance is determined using either the percentage of completion or the completed contract method, whichever relates the revenue to the completed work. Performance is regarded as achieved when reasonable assurance exists regarding the measurement of the consideration that will be derived from rendering the service or performing the contract. The completed contract method is only appropriate when performance consists of execution of a single act or when the entity cannot reasonably estimate the extent of progress towards completion. No revenue or expense is recognized until such time as the entity has reasonable assurance concerning the measurement of the revenue earned. The percentage of completion method is used when performance consists of the execution of more than one act, and revenue would be recognized proportionally by reference to the performance of each act.

Combining or segmenting contracts

IFRS	Canadian GAAP
Several contracts to construct a single asset or a combination of closely interrelated or interdependent assets are combined and, conversely, a single contract to construct several assets is segmented when specified criteria are met.	Section 3400 contains no corresponding requirement.

Disclosure

IAS 11 requires disclosure of:

- the amount of contract revenue recognized in the period;
- the method used to determine contract revenue and stage of completion;
- the aggregate amount of costs incurred and recognized profits (less recognized losses) to date;
- the amount of retentions; and
- the excess of accumulated costs over related billings (or vice versa) designated as due from or to customers.

"Construction Contractors — Revenue Recognition When the Percentage of Completion Method is Applicable," EIC-78, requires disclosure of the nature and extent of any measurement uncertainty associated with revenue and income on a contract in accordance with MEASUREMENT UNCERTAINTY, Section 1508.

The method used to determine contract revenue and income must be disclosed in the accounting policy note disclosure in accordance with DISCLOSURE OF ACCOUNTING POLICIES, Section 1505.

IFRIC-15 – Agreements for the Construction of Real Estate

IFRIC-15 deals with the determination of whether an agreement for the construction of real estate is within the scope of IAS 11 or IAS 18, "Revenue." When the agreement allows the buyer to specify major structural elements of the design of real estate before construction begins and/or specify changes once construction is in progress, then IAS 11 applies.

There is no need for corresponding guidance in Canadian GAAP, since only Section 3400 applies.

IAS 12, INCOME TAXES

Current developments: The IASB has a joint project with FASB to converge aspects of IAS 12 and US GAAP. The AcSB has commenced a project to converge with the proposed revisions to IAS 12.

Scope

IFRS	Canadian GAAP
IAS 12 deals with how to account for the current and future tax consequences of: — transactions and events of the current period recognized in the financial statements; — the future recovery of the carrying amount of assets on the balance sheet; and — the future settlement of the carrying amount of liabilities on the balance sheet.	INCOME TAXES, Section 3465, deals with similar topics. In addition, it discusses the accounting for some aspects of the Canadian tax system, including the treatment of refundable taxes, alternative minimum tax, tax related to distributions, and rate regulated enterprises.

Current and deferred/future income taxes

IFRS	Canadian GAAP
Current tax is the amount of income tax payable (or recoverable) in respect of taxable profit (or loss) for the period. Deferred tax relates to differences between the carrying amount of assets and liabilities on the balance sheet, and the tax base of assets and liabilities.	Section 3465 uses the terms current income taxes and future income taxes in the same manner as IAS 12 uses current tax and deferred tax.

Recognition of deferred/future tax liabilities

IFRS	Canadian GAAP
Deferred tax liabilities are recognized in full (with limited exceptions).	Section 3465 is converged with IAS 12.

Recognition of deferred/future tax assets

IFRS	Canadian GAAP
A deferred tax asset is recognized if it is probable that sufficient future taxable profit will be available to recover the asset.	Section 3465 limits the amount of a future income tax asset recognized to the amount that is more likely than not to be realized.

Measurement of deferred/future taxes

IFRS	Canadian GAAP
Deferred tax is measured at tax rates expected to apply when the deferred tax asset (liability) is realized (settled), based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are not discounted.	Section 3465 is converged with IAS 12. "Determination of Substantively Enacted Tax Rates under CICA 3465," EIC-111, discusses the determination of substantively enacted tax rates in accordance with Section 3465.

Intraperiod tax allocations

IFRS	Canadian GAAP
IAS 12 requires that, where practical, deferred taxes that are related to items that have been charged to equity in the same or different periods be charged directly to equity in a manner consistent with the underlying transaction.	Section 3465, requires that income taxes be recognized in a manner consistent with the underlying transaction when the transaction occurs within the same period as the income tax effects are being recognized. However, when the income taxes are being recognized in a subsequent period, they are generally charged to the income statement.

Temporary differences arising on initial recognition of an asset or liability (other than in a business combination)

IFRS	Canadian GAAP
IAS 12 does not permit the recognition of a deferred tax liability on taxable temporary differences that may arise on initial recognition of specified assets or liabilities (except if the transaction is a business combination or if the transaction affects accounting profits or taxable profit (loss)).	In accordance with Section 3465, when an asset is acquired other than in a business combination and the tax basis of that asset is less than its cost, the cost of future income taxes recognized at the time of acquisition is added to the cost of the asset. When an asset is acquired other than in a business combination and the tax basis of that asset is greater than its cost, the benefit related to future income taxes recognized at the time of acquisition is deducted from the cost of the asset.

Temporary differences arising on transfer of a non-monetary asset remaining within the group

IFRS	Canadian GAAP
IAS 12 recognizes the deferred tax liability on taxable temporary differences that may arise when non-monetary assets are transferred between related companies.	In accordance with Section 3465, when an asset is transferred between enterprises within a consolidated group, a future income tax balance should not be recognized in the consolidated financial statements for a temporary difference arising between the tax basis of the asset in the buyer's jurisdiction and the cost of the asset as recognized in the consolidated financial statements.

Temporary differences arising on investments in subsidiaries, associates and interests in joint ventures

IFRS	Canadian GAAP
IAS 12 recognizes a deferred tax liability for taxable temporary differences relating to investments in subsidiaries, branches, and associates and joint ventures, except when the parent, investor or venturer is able to control the timing of the reversal of the temporary difference and it is probable that the temporary	Section 3465 is converged with IAS 12.

difference will not reverse in the foreseeable future.	

Temporary differences arising on translation of a non-monetary asset in a foreign operation

IAS 12 recognizes a deferred tax liability or asset for temporary differences that arise on translation of non-monetary assets that are remeasured from the local currency to the functional currency using historical rates and result from changes in exchange rates and indexing for tax purposes;	Section 3465 does not permit the recognition of future income tax assets or liabilities on temporary differences that arise on translation of non-monetary assets or liabilities in an integrated foreign operation that are remeasured from historical exchange rates to the current exchange rates.

Previously unrecognized deferred/future income tax asset acquired in a business combination

IAS 12 requires the recognition of the acquiree's deferred tax assets, not previously recognized, as part of identifiable assets acquired and liabilities assumed on acquisition, if it is probable that it will be realized as a result of the business combination. However, for the acquirer, IAS 12 requires the deferred tax assets arising as a result of the business combination to be recorded separately from the identifiable assets acquired and liabilities assumed that were recognized on acquisition. When a deferred tax asset of the acquiree is not recognized at the date of a business combination but is subsequently recognized within the measurement period, the resulting deferred income tax recovery is applied to any goodwill recognized on acquisition and any excess over the goodwill is recognized in the income statement. If it is recognized after the measurement period, it is recognized in the income statement.	Section 3465 requires for the recognition of future income tax assets of both the acquirer and acquiree as part of the purchase price allocation when they are more likely than not to be realized as a result of a business combination. In accordance with Section 3465, a future income tax asset not recognized as an identifiable asset at the date of acquisition should, when subsequently recognized, is applied first to reduce to zero any unamortized goodwill related to the acquisition, then to reduce to zero any unamortized intangible assets related to the acquisition, and then to reduce income tax expense. BUSINESS COMBINATIONS, Section 1581, does not distinguish a measurement period.

Presentation of deferred/future income tax assets and liabilities

IAS 12 does not permit deferred tax assets and liabilities to be classified as current assets or current liabilities.	Section 3465 indicates that the classification of future income tax assets and liabilities is based on the classification of the underlying asset or liability. When there is no related asset or liability, the classification is based on the date that the temporary difference is expected to reverse.

Income tax consequences of dividends

The income tax consequences of dividends are recognized when a liability to pay out the dividend is recognized. The amount proposed or declared before the financial statements were authorized for issue, but not recognized as a liability in the financial statements should be disclosed.	Section 3465 requires that taxes related to distributions or future distributions be given the same accounting treatment as the distributions. Section 3465 also requires that refundable taxes be accrued with respect to all related elements of income recognized in the period, whether the taxes with respect to such amounts are payable currently or in the future. These are treated as advance distributions to shareholders and charged to retained earnings.

Income tax consequences of stock-based compensation

IAS 12 requires an estimate of the tax deduction the authorities will permit in future periods, if the amount is not known at the end of the period. In accordance with IFRS 2, "Share-based Payment," the deferred tax asset is capped, based on the intrinsic value of the award at the date of measurement. The tax deduction allowed in net income for the period is limited to the amount of the related cumulative remuneration expense, with any excess being recognized directly in equity.	Section 3465 does not address the treatment of deductible stock-based compensation.

Disclosures

IAS 12 does not address the issue of income taxed directly to its owners.	Section 3465 requires that an enterprise that is not subject to income taxes because its income is taxed directly to its owners disclose that fact. A public enterprise, life insurance enterprise, deposit taking institution or co-operative business enterprise that is not subject to income taxes because its income is taxed directly to its owners should disclose the net difference between the tax bases and the reported amounts of the enterprise's assets and liabilities.
The aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures for which deferred tax liabilities have not been recognized should be disclosed.	Section 3465 indicates that when a future income tax liability for taxable temporary differences related to investments in subsidiaries and interests in joint ventures is not recognized, it is desirable to disclose the amount of the temporary differences and, where practicable, the amount of the future income taxes.

IAS 12 requires, in certain circumstances, disclosure of the nature of the evidence supporting recognition of a deferred tax asset.	Section 3465 does not require such disclosure.

SIC-21, Income Taxes — Recovery of Revalued Non-Depreciable Assets

SIC-21 applies to investment properties that are carried at revalued amount in accordance with IAS 40, "Investment Property," but would be considered non-depreciable if IAS 16, "Property, Plant and Equipment," were to be applied. The issue is how to interpret the term "recovery" in relation to an asset that is not depreciated and is revalued in accordance with IAS 16. The consensus is that the deferred tax liability or asset that arises from revaluation of a non-depreciable asset in accordance with IAS 16 should be measured on the basis of the tax consequences that would follow from recovery of the carrying amount of that asset through sale, regardless of the basis of measuring the carrying amount of that asset.	This issue is not covered in the Handbook because the Handbook does not allow revaluations.

SIC-25, Income Taxes — Changes in the Tax Status of an Entity or its Shareholders

SIC-25 indicates that a change in the tax status of an entity or its shareholders does not give rise to increases or decreases in amounts recognized directly in equity. The current and deferred tax consequences of a change in tax status should be included in profit or loss for the period, unless those consequences relate to transactions and events that result in a direct credit or charge to the recognized amount of equity, in which case they should be charged or credited directly to equity.	Paragraph 3465.68 requires that when changes in future income tax assets and liabilities are directly related to the shareholders' actions or the injection of new equity they be recorded as capital transactions. When the effects of changes in tax status relate to the enterprise's actions or decisions, the result is included in income tax expense.

IAS 16, PROPERTY, PLANT AND EQUIPMENT

Current Developments: None

Recognition and initial measurement

IFRS	Canadian GAAP
An item of property, plant and equipment is to be recognized as an asset if, and only if, probable future economic benefits will flow to the entity and the cost of the item can be measured reliably. Initial measurement is to be at cost. Repairs and maintenance costs are expensed, and replacement of a component(s) would be included in the cost of the asset and the item replaced would be derecognized.	PROPERTY, PLANT AND EQUIPMENT, Section 3061, is converged with IAS 16 in regards to recognition and initial measurement.

Deferred payment

IFRS	Canadian GAAP
When payment for an item of property, plant and equipment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognized as interest expense over the credit term, unless such interest is capitalized in accordance with IAS 23, "Borrowing Costs."	Section 3061 does not deal with deferred payment for an asset.

Initial operating losses

IFRS	Canadian GAAP
Initial operating losses, such as those incurred while demand for the item's output builds up, are not included in the carrying amount of an item of property, plant and equipment. Income and related expense of incidental operations are recognized in net income.	In accordance with Section 3061, net revenue or expense derived from property, plant and equipment prior to substantial completion and readiness for use is included in the cost.

Non-monetary transactions

IFRS	Canadian GAAP
An entity measures an item of property, plant and equipment acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets, at fair value unless the exchange transaction lacks commercial substance.	NON-MONETARY TRANSACTIONS, Section 3831, is converged with IAS 16.

Measurement subsequent to initial recognition

IFRS	Canadian GAAP
Each class of property, plant and equipment may be carried either on the cost basis (costs less accumulated depreciation and any accumulated impairment losses), or at revalued	Section 3061 requires an entity to carry property, plant and equipment on the cost basis subsequent to their initial recognition. Revaluation is prohibited.

amounts (fair value), less depreciation. When revaluation is used, it must be applied to entire classes of assets and should be frequent enough to keep their net carrying values close to fair value.	

Depreciation

The annual charge to income for depreciation is based on an allocation of the cost of an asset less its residual value over the useful life of the asset, including any idle period.	Annual depreciation is based on the greater of: — an allocation of the cost of an asset less its residual value over the useful life of the asset; and — an allocation of the cost less salvage value over the life of the asset.

Determination of estimated residual value

Estimated residual value is not increased for changes in prices — that is, it is the amount the entity estimates that it would receive currently for the asset if it were already of the age and in the condition expected at the end of its useful life — except when assets are carried at revalued amounts.	Section 3061 defines residual value, but does not contain guidance on the effect of changes in prices.

Change in depreciation method

A change in depreciation method is accounted for prospectively as a change in an accounting estimate, in accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" (i.e., the carrying amount should be adjusted in the period of change).	ACCOUNTING CHANGES, Section 1506, is converged with IAS 8 in requiring a change in depreciation method be accounted for prospectively.

Computation of net recoverable amount

IAS 16 neither requires nor proscribes discounting. Recoverable amount is defined in IAS 16 as the higher of an asset's fair value less costs to sell and its value in use.	Section 3061 proscribes discounting. Net recoverable amount is defined in Section 3061 as the estimated future net cash flow from the use of the property, plant or equipment, together with its residual value.

Disposals

When an item of property, plant and equipment is disposed of, the gain or loss on disposal is included in the income statement. The gain or loss is determined as the difference between the net disposal proceeds, if any, and the carrying	Section 3061 is converged with IAS 16.

amount of the asset. Gains should not be classified as revenues.	
Assets that are rented and subsequently sold routinely will be transferred to inventories at their carrying amount when they cease to be rented and are held for sale. Proceeds from the sale of such assets are recognized in accordance with IAS 18, "Revenue."	Canadian GAAP does not specifically address this.

Disclosure

IAS 16 requires disclosure of: — a reconciliation of the carrying amount for each class of property, plant and equipment at the beginning and end of the period, including additions, disposals, write-downs and depreciation;	Section 3061 does not require such a reconciliation.
— contractual commitments for the acquisition of property, plant and equipment;	CONTRACTUAL OBLIGATIONS, Section 3280, requires disclosure of commitments for the acquisition of property, plant and equipment only when the commitments are significant obligations of the following type: commitments of a high speculative risk not inherent in the nature of the business; commitments to expenditures abnormal to the usual business operations; commitments to issue shares; and commitments for certain expenditures for an extended period into the future.
— the measurement basis for each class of property (cost or revaluation); and	Section 3061 does not require disclosure of the measurement basis unless property, plant or equipment was recorded at appraised value, in which case the basis of valuation and the date of the appraisal should be disclosed. Appraisals were proscribed after December 1, 1990.
— the existence and amounts of restrictions on title to assets.	GENERAL STANDARDS OF FINANCIAL STATEMENT PRESENTATION, Section 1400, requires disclosure of the carrying value of assets pledged as security against liabilities, when practical.

IAS 17, LEASES

Current developments: The IASB has a joint project with the FASB to develop new standards for lease accounting.

Classification

A lease is classified as a finance lease if it transfers substantially all the risks and rewards relating to ownership. All other leases are operating leases.	LEASES, Section 3065, is converged with IAS 17, but capital (finance) leases from the point of the lessor are sub-categorized as sales-type leases and direct financing leases

Leases involving land and buildings

The land and building elements of a lease are considered separately for the purpose of lease classification.	Section 3065 is converged with IAS 17.

The lessee's carrying amount at inception of a capital (finance) lease

The carrying amount should be the fair value of a leased property at commencement of the lease or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Any initial direct costs of the lessee are added to the amount recognized as an asset.	The carrying amount would be the present value of the minimum lease payments at the beginning of the lease term, excluding the portion thereof relating to executory costs.

Determining the present value of minimum lease payments

IAS 17 specifies use of the interest rate implicit in the lease when it is practicably determinable; otherwise, the lessee's incremental borrowing rate is used.	Section 3065 specifies the use of the lower of the interest rate implicit in the lease and the lessee's incremental borrowing rate.

Operating leases

Lease payments by a lessee under an operating lease are recognized as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the users' benefits. Rental revenue from an operating lease is recognized by a lessor as income over the term of the lease. The leased asset remains on the balance sheet of the lessor.	Section 3065 is converged with IAS 17.

Capital (finance) leases

IFRS	Canadian GAAP
The lessee recognizes a finance lease as an asset and liability on its balance sheet. Lease payments are apportioned between a reduction in the lease liability and interest expense. Conversely, the lessor recognizes a receivable, and apportions receipts between a reduction in the receivable and interest income.	Section 3065 is converged with IAS 17.

Calculation of revenue and cost of sales by a lessor under a finance/sales-type leases

IFRS	Canadian GAAP
Sale revenue is the lower of the fair value of the asset and the present value of the minimum lease payments accruing to the lessor computed at a market rate of interest. The cost of sale is the cost, or the lessor's carrying amount if different, of the leased property less the present value of the unguaranteed residual value.	Sale revenue is the present value of minimum lease payments (net of executory costs), computed at the interest rate implicit in the lease. The cost of sale is the lessor's carrying amount of the asset prior to the lease transaction reduced by the present value of the unguaranteed residual value to the lessor, computed at the interest rate implicit in the lease.

Sale and leaseback transactions resulting in an operating lease

IFRS	Canadian GAAP
IAS 17 requires immediate recognition of losses and gains on such transactions unless: — the sale price is below fair value and a loss is compensated for by future lease payments below market price, in which case the loss is deferred and amortized over the expected useful life of the asset in proportion to the lease payments; or — the sale price is above fair value, in which case the excess is deferred and amortized over the expected useful life of the asset.	Section 3065 requires deferral and amortization of all losses and gains on such transactions, except that, consistent with IAS 17, a loss must be recognized immediately if the fair value of the leased asset is less than its carrying amount. However, "Accounting for Sales with Leasebacks," EIC-25, permits immediate recognition of a gain when the seller leases back only a minor portion of the property sold. When the seller leases back more than a minor portion but less than substantially all of the property sold, the gain deferred and amortized is the amount allocable to the portion of the property covered by the leaseback agreement.

Participation by a third party

IFRS	Canadian GAAP
This issue is not covered under IFRS.	Section 3065 requires an assignment of lease payments due under an operating lease or a sale of property that is already, or that is intended to be, subject to an operating lease to be accounted for as a loan whenever the assignor

IFRS	Canadian GAAP
	or seller retains substantial risks of ownership in connection with the leased property.

Disclosure

IFRS	Canadian GAAP
IAS 17 requires disclosure of: — a lessor's gross investment and unearned income from finance leases; — a lessor's operating lease assets by class, when significant; and — for lessees, the renewal of purchase options, contingent rentals and other contingencies.	Section 3065 requires disclosure of: — a lessee's amortization and interest expense related to capital leases; and — a lessor's net investment in direct financing and sales-type leases. Disclosure of renewal or purchase options, contingent rentals and other contingencies is desirable in accordance with Section 3065.

SIC-15, Operating Leases — Incentives

IFRS	Canadian GAAP
SIC-15 deals with how incentives in an operating lease should be recognized in the financial statements of both the lessee and the lessor. The consensus is that the lessor should recognize the aggregate cost of incentives as a reduction of rental income, and the lessee as a reduction of rental expense, over the lease term, usually on a straight-line basis.	"Accounting for Lease Inducements by the Lessee," EIC-21, is converged with SIC-15 in regards to recognition of such inducements by the lessee. There is no specific coverage regarding recognition by the lessor.

SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease

IFRS	Canadian GAAP
SIC-27 deals with a number of issues that arise when an entity enters into a transaction or series of structured transactions with an unrelated party(ies) that involves the legal form of a lease. It notes that the form of each arrangement and its terms and conditions can vary significantly. The consensus is that the accounting should reflect the substance of the arrangement, and that all aspects and implications of an arrangement should be evaluated to determine that substance, with weight given to those aspects and implications that have an economic effect. A number of specified disclosures are included in the interpretation.	This issue is not covered in the Handbook.

IFRIC-4, Determining Whether an Arrangement Contains a Lease

IFRS	Canadian GAAP
IFRIC-4 provides guidance for determining whether certain arrangements that an entity enters into that do not take the legal form of a lease but convey the right to use an asset in return for a payment, or series of payments, are, or contain, leases. Determining whether an arrangement is, or contains, a lease should be based on the substance of the arrangement and requires an assessment of whether: — fulfilment of the arrangement is dependent on the use of a specific asset or assets; and — the arrangement conveys a right to use the asset.	“Determining Whether an Arrangement Contains a Lease,” EIC-150, is converged with IFRIC-4.

IAS 18, REVENUE

Current developments: The IASB has a joint project with the FASB to develop new standards for revenue recognition.

Scope

IAS 18 exempts insurance contracts that are within the scope of IFRS 4, "Insurance Contracts," and does not deal with construction contracts (which are covered by IAS 11, "Construction Contracts").	REVENUE, Section 3400, does not contain the exemptions referred to in IAS 18.
Revenues from changes in the fair value and disposal of financial assets and liabilities, changes in the value of other current costs, biological assets, agricultural produce and extraction of mineral ores are also excluded.	The subject matters referred to in IAS 18 are not mentioned in Section 3400.

Conditions for recognizing revenue from the sale of goods and the rendering of services

Revenue is recognized when it is probable that benefits will flow to the entity and these benefits can be measured reliably.	Section 3400 contains criteria for revenue recognition that would in most cases result in a similar outcome to that arrived at in accordance with the criteria in IAS 18.

Revenue from the rendering of services, including construction contracts (see also IAS 11, "Construction Contracts")

When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue should be recognized only to the extent of the expenses recognized that are recoverable.	Section 3400 contains no similar provision. However, it indicates that ultimate collection should be reasonably assured and when there is uncertainty as to ultimate collection it may be appropriate to recognize revenue only as cash is received.

Application guidance

IAS 18 provides more extensive and detailed application guidance than REVENUE, Section 3400.	The additional guidance provided in IAS 18 is consistent with the requirements of Section 3400. In addition, interpretive guidance on the application of Section 3400 is provided in "Revenue Recognition," EIC-141. ACCOUNTING GUIDELINE AcG-2, Franchise Fee Revenue, and ACCOUNTING GUIDELINE AcG-4, Fees and Costs Associated with Lending Activities, provides more detailed guidance than IAS 18.

Measurement of revenue

Revenue should be measured at the fair value of the consideration received or receivable.	Section 3400 does not address the measurement of revenue.

Disclosure

IAS 18 requires disclosure of: — the accounting policies adopted for the recognition of revenue, including the methods adopted to determine the stage of completion of transactions involving the rendering of services; — separate disclosure of revenue from sale of goods, rendering of services, interest, royalties and dividends; and — the amount of revenue from exchanges of goods or services included in each significant category of revenue.	Section 3400 notes that disclosure of the basis of revenue recognition may be required by DISCLOSURE OF ACCOUNTING POLICIES, Section 1505. EIC-141 also indicates that an enterprise should always disclose its revenue recognition policies and that, if it has different policies for different types of revenue transactions or sales transactions have multiple elements, the policy for each material type of transaction or element should be disclosed. Section 3400 also notes that, for enterprises that do not provide segment disclosures, disclosure of revenue by major sources, such as sale of goods, services rendered, and use by others of enterprise resources, may provide useful information.

SIC-31, Revenue — Barter Transactions Involving Advertising Services

SIC-31 deals with the situation where an entity (seller) enters into a barter transaction to provide advertising services in exchange for receiving advertising services from its customer, and the circumstances under which a seller can reliably measure revenue at the fair value of advertising services received or provided. The consensus is that such revenue cannot be measured reliably at the fair value of advertising services received, but can be reliably measured at fair value of advertising services provided by reference only to certain specified non-barter transactions.	This issue is not explicitly covered in the Handbook.

IFRIC-12, Service Concession Arrangements

IFRIC-12 deals with the situation where an entity (the concession operator) enters into an arrangement with another entity (the concession provider) to provide services that give the public access to major economic and social facilities. It sets out the general principles on recognizing and measuring the obligations and related rights in service concession arrangements. Requirements for disclosing information about service concession arrangements are in SIC-29, Service Concession Arrangements: Disclosures.	This issue is not covered explicitly in the Handbook.

IAS 19, EMPLOYEE BENEFITS

Current developments: The IASB has a joint project with the FASB to develop new standards for employee benefits.

Scope

Both IAS 19 and EMPLOYEE FUTURE BENEFITS, Section 3461, deal with accounting for and disclosure of broad categories of employee benefits, including short-term employee benefits, pension benefits, post-employment benefits, retirement benefits other than pensions, termination benefits, compensated absences, and equity compensation benefits.

IAS 19 applies to short-term employee benefits, which are excluded from Section 3461. IAS 19 focuses on whether the employee benefits are short-term or long-term.	Section 3461 does not apply to benefits provided to employees by an entity during their active employment. Section 3461 focuses on whether the benefits earned by active employees are expected to be provided to them when they are no longer providing active service.

Short-term employee benefits

Short-term employee benefits are recognized as an expense as the employee provides services. A liability is recognized for unpaid short-term benefits.	Section 3461 does not apply to benefits provided to employees by an entity during their active employment.

Profit sharing and bonus plans

An entity recognizes the expected cost of profit sharing and bonus payments as short-term employee benefits when, and only when; — the enterprise has a present legal or constructive obligation to make such payments as a result of past events; and — a reliable estimate of the obligation can be made. A present obligation exists when, and only when, the enterprise has no realistic alternative but to make the payments.	Section 3461 does not deal with this issue. In practice, such benefits are normally recognized as expenses in the period in which the service has been rendered if the payment is probable and the amount can be reliably estimated.

Defined contribution plans

Recognition and measurement

Contributions payable to a defined contribution plan are recognized as an expense as the employee provides services.	Section 3461 is converged with IAS 19.

Past service costs

IAS 19 does not state how to account for past service costs related to defined contribution plans.	The cost of contributions arising from a plan initiation or amendment of a defined contribution plan is recognized in a rational and systematic manner over the period during which the entity expects to realize economic benefits from the plan initiation or amendment. This period may be the average remaining service period of active employees expected to receive benefits under the plan. In some circumstances, however, a shorter period may be appropriate.

Disclosures

IAS 19 requires that the amount recognized as an expense for defined contribution plans be disclosed.	In addition to disclosing the cost recognized for the period, Section 3461 requires a description of the nature and effect of each significant change during the period affecting the comparability of the expenses for the current and prior periods. It also requires disclosure of the total cash amount initially recognized in the period as paid or payable for that period for employee future benefits.

Defined benefit plans

Recognition and measurement

The net of the defined benefit obligation, based on actuarial assumptions, and the fair value of the plan assets are recognized as an asset or liability, as appropriate. An entity is required to determine the present value of its defined benefit obligation using the projected unit credit method, a member of the accrued benefit method family — a distinct unit of benefit is assigned to each year of credited service.	Section 3461 is converged with IAS 19. Both utilize the accrued benefit method family in determining the present value of the defined benefit obligation, except that Section 3461 requires an entity to use either the projected benefit method prorated on services (also known as the project unit credit method) or the accumulated benefit method, depending on whether future salary levels or cost escalation affect the amount of employee future benefits.

Actuarial gains and losses

Changes in actuarial assumptions and unexpected changes in the fair value of plan assets result in actuarial gains or losses. Such gains and losses within a 10 percent corridor of the obligation or asset value need not be immediately recognized; however, an entity may adopt an accounting policy to recognize such changes directly in equity.	Section 3461 is converged with the present requirements of IAS 19, except that no choice is permitted to recognize actuarial gains and losses directly in equity.

The period used for calculating the minimum amortization of actuarial gains and losses is the average remaining service period of employees participating in that plan regardless of whether the majority of participants were active or inactive.	The period used for calculating the minimum amortization is the average remaining service period of active employees expected to receive benefits under the plan. When all or almost all of the employees are no longer active, however, an entity should base the amortization on the average remaining life expectancy of the former employees.

Past service costs

Past service costs are recognized as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of or changes to a defined benefit plan, past service costs are expensed immediately.	Past service costs are amortized by assigning an equal amount to each remaining service period up to the full eligibility date of each employee active at the date of the plan initiation or amendment, who was not yet fully eligible for benefits at that date. As for actuarial gains and losses, when all, or almost all, of the employees are no longer active, an entity should amortize past service costs on a straight-line basis over the average remaining life expectancy of the former employees.

Expected return on plan assets

The expected return on plan assets is based on market expectations, at the beginning of the period, for returns over the entire life of the related obligation. There is also a limitation on recognition of subsequent actuarial gains (losses) and past service cost (but not negative past service cost). A right to reimbursement is recognized as a separate asset.	The expected return on plan assets should be based on the expected long-term rate of return on plan assets and the fair value, or a market-related value, of plan assets. There is no limitation on the recognition of subsequent actuarial gains (losses) or past service cost. Section 3461 does not address a right to reimbursement.

Actuarial assumptions

The measurement of post-employment benefits linked to variables such as the level of state retirement benefits or state medical care reflects expected changes in such variables, based on past history and other reliable evidence.	Future changes in laws concerning medical costs covered by government programs and future changes in the plans of other providers are not anticipated unless these changes have been enacted.

Measurement date of plan assets and of defined benefit obligation

An enterprise should determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.	The measurement date of the defined benefit obligation and plan assets should be as of the date of the financial statements. Section 3461, however, permits the use of a date not more than three months prior to the date of the financial statements, provided the entity adopts this practice consistently from year to year. Thus, the amounts reported in the financial statements and notes to the financial statements may be as of an earlier date in accordance with Section 3461.

Limit on the amount of an accrued benefit asset

Unlike Section 3461, the unamortized transitional asset or liability is not considered in calculating the upper limit on the amount to be recognized as an accrued benefit asset.	The determination of the valuation allowance that sets the upper limit on the amount to be recognized as an accrued benefit asset takes into account the unamortized transitional asset or obligation.
A change in the limit is recognized in profit or loss, unless an entity adopts a policy of recognizing actuarial gains and losses in the period in which they occur in other comprehensive income. For such entities, any adjustments arising from the limit are also recognized in other comprehensive income.	Section 3461 is converged with IAS 19 except that it does not permit recognition in other comprehensive income.
IAS 19 requires that a gain (loss) arising from a change in the limit is not recognized solely as a result of an actuarial loss (gain) or a past service cost in the current period.	Section 3461 contains no similar restriction.
IFRIC-14, IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, addresses when an economic benefit is considered available and how a minimum funding requirement affects the calculation of available economic benefits.	Section 3461 is converged with IFRIC-14, except that it does not address the affects of a minimum funding requirement on the measurement of the accrued benefit asset (liability).

Entities with two or more plans

When an entity has more than one defined benefit plan, the entity should account for each material plan separately.	Section 3461 requires that an entity that has two or more defined benefit plans account for each separately measured plan or aggregation of plans. For this purpose, each funded benefit plan is a separately measured plan. Unfunded benefit plans may be aggregated for measurement purposes only when: — they provide different benefits to the same group of employees and their beneficiaries;

	or — they provide the same benefits to different groups of employees and their beneficiaries.

Disclosures

There are differences in the specificity of disclosure requirements between IAS 19 and Section 3461.

Settlements and curtailments

Measurement of plan settlements

Any unrecognised actuarial gains or losses and any unrecognized past service costs related to the settlement, as well as the related part of the transitional liability, are included in determining the settlement gain or loss.	The settlement gain or loss only includes any unamortized actuarial gain or loss at the date of settlement plus any unamortized transitional asset at the date of settlement. An unamortized transitional obligation at the date of settlement is assumed to be past service costs. Any unamortized past service costs continue to be amortized after the settlement and are not included in the calculation of the settlement gain or loss. For defined benefit plans other than pension plans, any gain arising from a settlement is reduced by any unamortized transitional obligation, with only the excess recognized in income in the period in which the settlement occurs. Thus, to the extent that any unamortized past service costs or any unamortized transitional obligations exist that are related to the settlement, different measurements would result from the application of these standards.

Recognition of a curtailment

Gains or losses on the curtailment are recognized when the curtailment occurs. A curtailment occurs when an enterprise either is demonstrably committed to make a significant reduction in the number of employees covered by a plan or amends the terms of a defined benefit plan so that a significant element of future service by current employees will no longer qualify for benefits, or will qualify only for reduced benefits.	A curtailment loss is recognized in income when it is probable that a curtailment will occur and the net effects are reasonably estimable. A curtailment gain is recognized in income when an event giving rise to a curtailment has occurred. The curtailment gain could be recognized later in accordance with Section 3461 than in accordance with IAS 19 under some circumstances, for example, when an enterprise is committed to a material reduction of employees and terminates their employment at a later date.

Measurement of a curtailment

IFRS	Canadian GAAP
IAS 19 treats the measurement of a curtailment in the same manner as the measurement of a settlement (see above). It does not provide guidance on how to treat any remaining unrecognized transition assets (most likely since there would not be a transition asset in accordance with IAS 19).	For purposes of calculating a curtailment gain or loss, any unamortized transitional asset should be treated as an unamortized actuarial gain and should be combined with the unamortized actuarial gain or loss arising subsequent to the date as of which the transitional asset was determined. Thus, a gain or loss recognized related to the curtailment could differ depending on whether IAS 19 or Section 3461 was followed.

Multiemployer plans

IFRS	Canadian GAAP
Multiemployer plans with defined benefit plan characteristics are accounted for and disclosed as defined benefit plans. When sufficient information is not available to use defined benefit accounting for a multiemployer plan that is a defined benefit plan, however, an entity should account for the plan as if it were a defined contribution plan. For such plans, the entity should disclose: — the fact that the plan is a defined benefit plan; and — the reason why sufficient information is not available to enable the enterprise to account for the plan as a defined benefit plan. To the extent that a surplus or deficit in the plan may affect the amount of future contributions, the entity should disclose: — any available information about that surplus or deficit; — the basis used to determine that surplus or deficit; and — the implications, if any, for the enterprise.	Although, a multiemployer plan may have the characteristics of a defined benefit plan, sufficient information is normally not available to follow defined benefit plan accounting. In such circumstances, a multiemployer plan is accounted for following the recommendations on defined contribution plan accounting. For such plans, the entity should disclose: — the cost recognized for the period; and — a description of the nature and effect of each significant change during the period affecting comparability, including a change in the rate of employer contributions, a business combination or a divestiture.

Other long-term employee benefits

IFRS	Canadian GAAP
Other long-term employee benefits (long-term compensated absences and long-term disability benefits) are accounted for in a similar manner to that used for pension and post-employment benefits plans, except that all actuarial gains and losses as well as all past service costs are	An entity is allowed a choice of either delayed or immediate recognition. The selected method of recognition must be applied consistently from year to year.

recognized immediately with no delayed recognition component.	

Termination benefits

Recognition and measurement

Termination benefits arise only on termination, rather than during employment. An enterprise should recognize termination benefits as a liability and an expense when, and only when, the enterprise is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. IAS 19 provides specific criteria to determine when a demonstrable commitment exists. IAS 19 provides that voluntary redundancy should be based on the number of employees expected to accept the offer.	Section 3461 distinguishes between two different types of termination benefits: — Contractual termination benefits are recognized as an expense and a liability when it is probable that employees will be entitled to benefits and the amount can be reasonably estimated. — Special termination benefits for involuntary terminations are recognized as a liability and an expense when management approves and commits the entity to a plan of termination (as well as when specific conditions are met). "Accounting for Severance and Termination Benefits," EIC-134, provides greater detail including additional guidance on accumulating and vesting severance benefits. This Abstract also explains that voluntary employee severance is provided only when the employee accepts the terms of the offer.

IAS 20, ACCOUNTING FOR GOVERNMENT GRANTS AND GOVERNMENT ASSISTANCE

Current developments: None.

Recognition and statement presentation

Government grants are recognized once it is clear that the entity will comply with any specified conditions and that the grants will be received. Grants are recognized as income on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate. If there are no future related costs, a grant is recognized as income when receivable. Grants should not be credited directly to equity. A grant related to assets is either set up as deferred income or deducted from the carrying amount of the asset. The grant is then recognized as income over the life of the asset by reducing deferred income over that period or by way of depreciation.

ACCOUNTING FOR GOVERNMENT ASSISTANCE, Section 3800, is converged with IAS 20, except that it does not contain any definition of, or guidance, on non-monetary government assistance.

Loans with below-market rates of interest provided by governments are recognized in accordance with IAS 39, "Financial Instruments: Recognition and Measurement."

FINANCIAL INSTRUMENTS — RECOGNITION AND MEASUREMENT, Section 3855, is converged with IAS 39.

Repayment of a government grant related to an asset

IAS 20 requires immediate income statement recognition of the additional depreciation expense on the asset that would have been recognized in prior periods in the absence of the grant.

Section 3800, requires prospective recognition of the additional depreciation expense.

Disclosure

IAS 20 does not require certain disclosures required by Section 3800. IAS 20 requires disclosure of:

- accounting policies adopted for Government grants;
- nature and extent of recognized government grants, and other government assistance; and
- unfulfilled conditions and contingencies attaching to recognized government assistance.

Section 3800 requires disclosure of:

- the amount of government assistance received or receivable in the current period and whether the amounts were credited direct to income, deferred credit or fixed assets, the relevant terms and conditions applicable to the assistance and the amount of any contingent liability for repayment;
- the amount of any contingent liability for assistance received in prior periods for which repayment exists and the terms and conditions applicable;

	— the amount of government assistance relating to future periods that has been deferred, as well as the period of deferral and the basis of amortization; and — the unforgiven balance of a forgivable loan with the terms and conditions relating to forgiveness.

SIC-10, Government Assistance — No Specific Relation to Operating Activities

SIC-10 considers whether government assistance aimed at encouragement or support of business activities in certain regions or industry sectors, even though it may not be specifically related to the operating activities of the entity, is a government grant within the scope of IAS 20. The consensus was that it is, and that such grants should therefore not be credited directly to equity.	The requirements in Section 3800 would apply in this situation.

IAS 21, THE EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

Current developments: None.

Scope

IFRS	Canadian GAAP
IAS 21 applies to translating an entity's results and financial position into a presentation currency.	FOREIGN CURRENCY TRANSLATION, Section 1651, is converged with IAS 21 but refers to "reporting currency" which is assumed to be synonymous with "presentation currency".

Approach taken

IFRS	Canadian GAAP
IAS 21 takes a "functional currency" approach whereby each entity, whether a stand-alone entity, an entity with foreign operations (such as a parent) or a foreign operation (such as a subsidiary) determines its functional currency (the currency of the primary economic environment in which the entity operates). The results and financial position of any individual entity within the reporting entity are then translated in accordance with the standard.	Section 1651 considers foreign currency translation from the perspective of three specific types of activities: foreign currency transactions of the reporting enterprise, integrated foreign operations (foreign operations which are financially or operationally interdependent with the reporting enterprise) and self-sustaining foreign operations that are financially or operationally independent of the reporting enterprise.

Reporting foreign currency transactions in the functional currency

IFRS	Canadian GAAP
IAS 21 requires a foreign currency transaction to be translated at the spot exchange rate at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated at the spot exchange rate at the balance sheet date (the closing rate). Non-monetary items measured in terms of historical cost in a foreign currency are translated at the exchange rate at the date of the transaction, and those measured at fair value at the date when the fair value was determined.	Section 1651 is converged with IAS 21 in regards to foreign currency transactions, monetary items and non-monetary items measured at historical cost. It does not cover non-monetary items measured at fair value; instead, it covers non-monetary assets carried at market, and requires such items to be translated at the exchange rate in effect at the balance sheet date.

Exchange differences

IAS 21 requires exchange gains and losses on monetary items to be recognized in income for the period in which they arise. Application of hedge accounting, however, requires a different treatment for some exchange differences. Exchange differences related to a foreign operation are recognized initially as a separate component of equity and recognized in profit or loss on disposal of the net investment.	Section 1651 is converged with IAS 21.

Translation of goodwill and fair value adjustments arising on the acquisition of a foreign entity

IAS 21 requires goodwill and fair value adjustments arising on the acquisition of a foreign entity to be treated as assets and liabilities of the foreign operation. Thus, they are expressed in the functional currency of the foreign entity and translated at the current rate.	Section 1651 is converged with IAS 21.

Translation of financial statements of a foreign entity that reports in the currency of a hyperinflationary economy

The financial statements of a foreign entity that reports in the currency of a hyperinflationary economy are restated in accordance with IAS 29, "Financial Reporting in Hyperinflationary Economies," before translation into the reporting currency of the reporting enterprise. IAS 21 discusses circumstances in which an economy ceases to be hyperinflationary.	Section 1651 requires the use of the temporal method. It does not discuss the circumstances in which an economy ceases to be hyperinflationary.

Reduction in net investment in a self-sustaining foreign operation

A pro rata portion of the exchange gains and losses accumulated separately in equity are recognized in income upon disposal of an investment in a self-sustaining foreign operation. Only a dividend constituting a return of the investment is considered a disposal.	Dividends paid by a self-sustaining foreign operation are considered a reduction in the net investment, giving rise to income recognition of a portion of the accumulated exchange gains and losses.

Restatement of comparative amounts when the presentation currency differs from the functional currency

When the presentation currency differs from the entity's functional currency, IAS 21 requires comparative amounts to be translated in a manner consistent to that required for current period amounts. For an entity whose functional currency is not the currency of a hyperinflationary economy, the statement of comprehensive income is translated at exchange rates at the dates of the transactions (last years comparatives are translated at last year's average rate) and the assets and liabilities at last year's closing rate.

"Translation Method When the Reporting Currency Differs from the Measurement Currency or There is a Change in the Reporting Currency," EIC-130, requires that comparative amounts for a previous period be restated. The income statement and the cash flow statement items for each year (or period) are translated into the reporting currency using the rates in effect at the date of the transactions, and assets and liabilities are translated using the exchange rate in effect at the end of that period.

Classification of future (deferred) income taxes for translation purposes

IAS 21 does not discuss the translation of deferred income taxes.

Section 1651 classifies future income taxes as a monetary item that should be translated at the current exchange rate.

Disclosure

IAS 21 requires disclosure of:

— exchange gains and losses included in net income for the period, except for those arising on financial instruments measured at fair value through profit or loss in accordance with IAS 39, "Financial Instruments: Recognition and Measurement";

— a reconciliation of the opening and closing balance of the separate translation component of equity;

— the functional currency, when it is not the presentation currency, and the reason for using a different presentation currency; and

— the reason for a change in the functional currency of either the reporting entity or a significant foreign operation.

Section 1651 requires disclosure of exchange gains and losses included in net income for the period.

SIC-7, Introduction of the Euro

SIC-7 deals with the application of IAS 21 to the changeover from the national currencies of the participating members states of the European Union (EU) to the Euro. It states that the requirements of IAS 21 should be strictly applied to the changeover.	Not covered, since this issue is specific to members of the EU.

IAS 23, BORROWING COSTS

Current developments: None.

IAS 23 establishes requirements concerning recognition and disclosure of borrowing costs (interest and other costs incurred in connection with borrowing). IAS 23 requires borrowing costs directly attributable to the acquisition, construction or production of an asset that takes a substantial amount of time to get ready for its intended use or sale to be capitalized, with all other types of borrowing costs being expensed.

There are no corresponding recognition standards in the Handbook. The disclosure requirements in DISCLOSURE OF ACCOUNTING POLICIES, Section 1505, and INTEREST CAPITALIZED — DISCLOSURE CONSIDERATIONS, Section 3850, are consistent with IAS 23. Limited guidance on the recognition, measurement and capitalization of borrowing costs in relation to property plant and equipment is found in PROPERTY, PLANT AND EQUIPMENT, Section 3061, and converges with IAS 23.

IAS 24, RELATED PARTY DISCLOSURES

Current developments: The IASB has a project to revise aspects of the related party standard. .

Scope

IFRS	Canadian GAAP
IAS 24 does not contain the scope exceptions found in RELATED PARTY TRANSACTIONS, Section 3840.	RELATED PARTY TRANSACTIONS, Section 3840, does not apply to management compensation arrangements, expense allowances and other similar payments to individuals in the normal course of operations.

Measurement

IFRS	Canadian GAAP
IAS 24 does not deal with the measurement of related party transactions.	Section 3840 contains requirements for measuring related party transactions.

Disclosure

IFRS	Canadian GAAP
When there is a transaction between related parties, IAS 24 requires disclosure of the nature of the relationship and details of the transactions and outstanding balances (by category of related party).	Disclosure requirements are converged with IAS 24, except as noted below.
IAS 24 requires disclosure of control relationships even when there have been no transactions between the related parties.	Section 3840 does not require disclosure of control relationships when there have been no transactions between the related parties.
IAS 24 requires disclosure of key management personnel compensation in total and for certain specific categories.	As noted above, compensation arrangements are not within the scope of Section 3840.
IAS 24 requires the following additional disclosures relating to outstanding balances between related parties: — any guarantees given or received; — provisions for bad and doubtful debts; and — expense recognized in the period in respect of such provisions.	Section 3840 requires that contractual obligations with, and contingencies involving, related parties must be separately disclosed.
IAS 24 requires disclosure of the name of an entity's parent and its ultimate controlling entity/individual.	Section 3840 does not require disclosure of the name of an entity's parent and its ultimate controlling entity/individual.

IAS 26, ACCOUNTING AND REPORTING BY RETIREMENT BENEFIT PLANS

Current developments: The AcSB decided that on adoption of IFRSs, GAAP financial statements for pension plans should continue to be prepared in accordance with Section 4100, rather than IAS 26. The AcSB is reviewing Section 4100 to determine whether any modifications will be required as a result of adopting IFRSs.

Basis of accounting

IAS 26 does not specify the basis of accounting that should be used.

PENSION PLANS, Section 4100, specifies that pension plan financial statements should be prepared using the accrual basis of accounting.

Pension plan financial statements

IAS 26 calls for different statements and different information, depending on whether the plan is defined benefit or defined contribution. For example, a defined benefit plan is not required to provide information on pension obligations on the face of the financial statements.

Section 4100 indicates that pension plan financial statements (defined contribution and defined benefit) should include:

— a statement of net assets available for benefits;

— a statement of changes in net assets available for benefits; and

— information with respect to pension obligations.

The information to be included in these statements is also prescribed.

Plan investments

Plan investments are carried at fair value.

Section 4100 is converged with IAS 26.

Actuarial valuation method

IAS 26 permits valuation of defined benefit plans either with or without salary projection and does not specify any basis for prorating the effect of salary projection.

Section 4100 requires the pension obligation of a defined benefit plan to be determined using salary projection prorated on services.

Disclosure

IFRS	Canadian GAAP
IAS 26 requires disclosure of — a summary of significant accounting policies; — a description of the plan and the effect of any changes during the period; and — a description of the funding policy, where applicable.	Section 4100 requires disclosure of: — a summary description of the plan; — the funding policy and any changes therein during the period; — a description of how fair values have been determined; — details of investments in the plan sponsor or in related parties of the plan sponsor; and — the effective date of the actuarial valuation and the name of the actuary who performed the valuation.
IAS 26 requires disclosure of: — the actuarial valuation basis used for defined benefit plans, along with the effect of any actuarial assumptions that have had a significant effect on the actuarial present value of promised retirement benefits; — a breakdown of the actuarial present value of promised retirement benefits into vested and non-vested amounts; and — an explanation of the relationship between the actuarial present value of promised retirement benefits and the net assets available for benefits.	The Handbook does not contain corresponding requirements.

IAS 27, CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Current developments: The IASB has a joint project with FASB to develop a new consolidation standard. The AcSB has commenced a project to converge with the proposed revised IAS 27 and will consider allowing early adoption prior to 2011.

Presentation of consolidated financial statements

IAS 27 requires a parent to present consolidated financial statements in which it consolidates its investments in subsidiaries (entities under the parent's control), except in prescribed circumstances.

SUBSIDIARIES, Section 1590, requires consolidation of all subsidiaries (entities under the parent's control). The basis of control in Section 1590 is assessed on the entity's continuing ability to make strategic policy decisions versus IAS 27 which assesses control at a point in time.

A parent that is a wholly owned or a partially owned subsidiary of another entity need not present consolidated financial statements if, and only if:

— its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements;

— the parent's debt or equity instruments are not publicly traded;

— the parent did not file, or is not in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of publicly issuing any class of instruments; and

— the ultimate or any intermediate parent publicly issue statements that comply with IFRSs.

Section 1590 permits enterprises that qualify under DIFFERENTIAL REPORTING, Section 1300, (i.e., non-publicly accountable enterprises whose owners unanimously consent to the application of differential reporting options) to elect to use either the equity method or the cost method to account for subsidiaries that would otherwise be consolidated. All subsidiaries should be accounted for using the same method. The basis used must be disclosed. Where this election is used, the financial statements should be described as being prepared on a non-consolidated basis, and each statement should be labelled accordingly.

Separate financial statements

When an entity prepares separate financial statements, investments classified as held for sale should be accounted for in accordance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations," rather than IAS 27. Other investments are accounted for in accordance with IAS 39 or at cost.

A subsidiary meeting the criteria to be classified as held for sale in accordance with LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS, Section 3475, is still consolidated but is accounted for in accordance with that Section rather than Section 1590. This treatment is converged with

Summarized financial information of subsidiaries, either individually or in groups, that are not consolidated, including the amounts of total assets, total liabilities, revenues and profit or loss, is to be disclosed.	that in IFRS 5.

Discrepancy between the reporting dates of a parent and its subsidiary

IAS 27 limits the discrepancy to no more than three months.	CONSOLIDATED FINANCIAL STATEMENTS, Section 1600, contains no corresponding requirement although it does address the issue of non-coterminous fiscal periods.

Intercompany gains and losses

IAS 27 requires elimination of all intragroup (intercompany in AcSB terminology) balances, transactions, income and expenses in full.	Section 1600 requires elimination of unrealized intercompany gains or losses and adjustment of applicable income taxes within the consolidated group even when there is a non-controlling interest. However, when the unrealized intercompany gain or loss is in the subsidiary company with a non-controlling interest, the gain or loss is eliminated proportionately between the parent and non-controlling interest in that company's income.

Consolidated statement of financial position presentation of non-controlling interests

Non-controlling interests are presented within equity, separately from the equity of the owners of the parent.	Non-controlling interests in subsidiary companies are shown separately from shareholders' equity.

Consolidated statement of comprehensive income presentation of non-controlling interests

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.	Non-controlling interests in income or loss before discontinued operations and extraordinary items are shown separately. When losses applicable to the non-controlling interest exceed the non-controlling interest in the common shares of the subsidiary, the excess and any further losses should be allocated only to the parent's interest.

Accounting policies

Uniform accounting policies are used for like transactions and other events in similar circumstances.	Section 1600 does not contain specific guidance on whether uniform accounting policies should be used in the preparation of consolidated financial statements. However, FOREIGN CURRENCY TRANSLATION, Section 1651, requires that financial statements of foreign operations be adjusted to conform to Canadian GAAP when incorporating them into the financial statements of the reporting enterprise.

Dilution gains and losses

IAS 27 requires a change in a parent's ownership interest, when it does not result in the loss of control, to be accounted for as an equity transaction.	Section 1600 requires recognition of gains and losses resulting from dilution of the parent's interest in a subsidiary in the income statement. .

SIC-12, Consolidation — Special Purpose Entities

IAS 27 does not specifically mention special purpose entities, but SIC-12 requires consolidation if entity controlled — generally following the same principles as for other entities in determining whether control exists. SIC-12 applies the concept of risk and rewards when the existence of control is not apparent and requires consolidation by the party who it is determined has the majority of rewards or residual risk.	ACCOUNTING GUIDELINE AcG-15, Consolidation of Variable Interest Entities, requires consolidation of VIEs that have insufficient levels of equity at risk and are not "qualifying SPEs". "Control" (on a basis other than ownership of voting interests) must exist.

Disclosure

IAS 27 requires disclosure of: — a listing of significant subsidiaries including the name, country and proportions of ownership and voting power held; the effects of acquisitions and disposals during the period on an entity's financial position at the reporting date and its results for the reporting period, with corresponding amounts for the previous period; — the nature and extent of any significant restrictions on the ability of subsidiaries to transfer funds to the parent; — a schedule of the effects of any changes in a parent's ownership interest in a	There are no corresponding Handbook requirements for such disclosures.

subsidiary that do not result in the loss of control; and — the gain or loss recognized if control of a subsidiary is lost.	

IAS 28, INVESTMENTS IN ASSOCIATES

Current developments: None.

Accounting for investments in associates

IAS 28 requires that investments in an associate (an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture) be accounted for using the equity method, with certain specified exceptions:

— Venture capital organizations, mutual funds, unit trusts and similar entities may classify associates as "held for trading" and measure them at fair value with changes in fair value in profit or loss.

— Investments classified as "held for sale" are accounted for in accordance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations."

— A wholly owned subsidiary whose securities are not publicly traded, and whose parent publishes IFRS compliant financial statements, need not use the equity method for associates.

INVESTMENTS, Section 3051, requires an investment in an investee over which there is significant influence to be accounted for using the equity method. In principle, Section 3051 is converged with IAS 28, but with the following exceptions:

— Section 3051 contains an exception for investments held by investment companies accounted for in accordance with ACCOUNTING GUIDELINE AcG-18, Investment Companies.

— Long-term investments "held for sale" are accounted for in accordance with Section 3051; however, the resultant accounting would be very similar.

Investor's share of the losses of an associate

IAS 28 requires the recording of losses in an associate to the extent of the investor's interest in the associate. An interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the investor's net investment in the associate.

"Recognition of an Equity Accounted Investee's Losses in Excess of the Investment," EIC-8, requires that the investor's portion of the losses in an investee be recorded unless it is unlikely that the investor will participate in those losses. If any of the following three conditions are present:

— investor has guaranteed obligations of the investee; or

— the investor is otherwise committed to provide further financial support for the investee; or

— the investee seems assured of imminently returning to profitability; the investor should continue to record it's share of the investee's losses.

Impairment losses

IAS 28 states that after application of the equity method, and after the recognition of any share of losses up to its interest in the associate, if there is an indication that an investment in an associate may be impaired, the recoverable amount should be estimated. The recoverable amount is measured as the higher of fair value less costs to sell and value in use as defined in IAS 36, "Impairment of Assets." The impairment loss recognized is not allocated to any asset that is part of the carrying amount of the investment in the associate.	Under Section 3051, when there has been a loss in value of an investment that is other than a temporary decline, the investment should be written down to recognize the loss. The Section is silent on the method of measuring the investment value. No part of the impairment write-down of an investment accounted for by the equity method is presented in the income statement as a goodwill impairment loss as would be required under GOODWILL AND INTANGIBLE ASSETS, Section 3064
While providing accounting guidance regarding separate financial statements of the investor, IAS 28 does not mandate which entities should produce them for public use.	Section 3051 and SUBSIDIARIES, Section 1590, provide accounting guidance relating only to separate (non-consolidated) financial statements for those enterprises that qualify under DIFFERENTIAL REPORTING, Section 1300. The preparation of non-consolidated financial statements in other situations cannot be described as being in accordance with generally accepted accounting principles.

Measurement in the separate (non-consolidated) financial statements of an investor

IAS 28 refers to the corresponding paragraphs in IAS 27, "Consolidated and Separate Financial Statements," for measurement. IAS 27 permits an investor to measure investments in associates at cost or in accordance with IAS 39, "Financial Instruments: Recognition and Measurement." Investments in associates accounted for in accordance with IAS 39 in the consolidated financial statements are accounted for in the same way in the investors' separate financial statements.	When preparing non-consolidated financial statements in the circumstances indicated in Section 3051, an enterprise that qualifies in accordance with Section 1300 may elect to use the cost method to account for an investment that would otherwise be accounted for by the equity method.

Disclosure

IAS 28 requires disclosure of: — the fair value of investments in associates for which there are published price quotations; — summarized financial information of associates, including the aggregated amounts of assets, liabilities, revenues and profit or loss; — the reasons for any departures from the 20 percent guideline for significant influence; — unrecognized share of losses of an associate, if an investor has discontinued recognition thereof; and — the fact that an associate is not accounted for by the equity method, and summarized information, either individually or in groups, relating thereto.	Section 3051 requires disclosure of: — the basis of valuation; and — any difference between the cost and the underlying net book value of the investee's assets at the date of purchase, as well as the accounting treatment of the difference.

IAS 29, FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES

Current developments: None.

Overview

IAS 29 applies to any entity whose functional currency is the currency of a hyperinflationary economy. IAS 29 requires financial statements to be expressed in units of the functional currency current as at the balance sheet date. Restatement to current units of currency is made using the change in a general price index. The gain or loss on the net monetary position is included in profit or loss for the period.

There is no Handbook Section corresponding to IAS 29. FOREIGN CURRENCY TRANSLATION, Section 1651, states that where the economic environment of a foreign operation is highly inflationary relative to that of the reporting enterprise, financial statements are translated in a manner similar to that required for integrated foreign operations, rather than self-sustaining foreign operations.

IAS 31, INTERESTS IN JOINT VENTURES

Current developments: The IASB has a project to revise IAS 31 for the recording of jointly controlled entities. The AcSB has commenced a project to converge with the proposed revised IAS 31 and will consider allowing early adoption prior to 2011.

Scope

IFRS	Canadian GAAP
IAS 31 does not apply to venturers' interests in jointly controlled entities held by venture capital organizations, or mutual funds, unit trusts, and similar entities including investment-linked insurance funds that upon initial recognition are designated as at fair value through profit or loss or are classified as held for trading and accounted for in accordance with IAS 39, "Financial Instruments: Recognition and Measurement."	INTERESTS IN JOINT VENTURES, Section 3055, provides no such exceptions. ACCOUNTING GUIDELINE AcG-18, Investment Companies, may apply when the joint venture is itself an investment company, but normally an interest in a joint venture would not qualify for treatment under AcG-18. An enterprise that qualifies under DIFFERENTIAL REPORTING, Section 1300, however, may elect to use either the equity method or the cost method for its interests in joint ventures that would otherwise be accounted for using the proportionate consolidation method.

Method of accounting for jointly controlled entities

IFRS	Canadian GAAP
IAS 31 requires either the equity method or the proportionate consolidation method to be applied to interests in jointly controlled entities other than:	Section 3055 requires the proportionate consolidation method. It does not permit the equity method for interests in joint ventures.
— venture capital organizations, mutual funds, unit trusts and similar entities, which may classify jointly controlled entities as "held for trading" and measure them at fair value with changes in fair value in profit or loss;	Section 3055 does not contain similar exceptions to IAS 31.
— investments classified as "held for sale", which are accounted for in accordance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations"; and	The accounting for investments held for sale would be very similar under Section 3055 to that under IFRS 5.
— a wholly-owned subsidiary whose securities are not publicly traded, and whose parent publishes IFRS-compliant financial statements.	

Venturer's gain on assets contributed to a joint venture

Recognition of a portion of any gain should reflect the substance of the transaction. While the assets are retained by the joint venture, the venturer recognizes only that portion of the gain or loss attributable to the interests of the other venturers provided it has transferred the significant risks and rewards of ownership. The full amount of any loss is recognized when there is evidence of a reduction in net realizable value or an impairment loss.	Similar to IAS 31, when a venturer transfers assets to a joint venture and receives in exchange an interest in the joint venture, any loss should be charged to income at the time of the transfer to the extent of the interests of the other non-related venturers. However, when the contributing venturer receives cash or other assets that do not represent a claim on the assets of the joint venture, only that portion of the gain that relates to the amount of cash received or the fair value of the other assets received should be taken to income at the time of the transfer. Any remaining portion of the gain should be deferred and amortized to income in a rational and systematic manner over the life of the contributed asset.

Disclosure

IAS 31 does not require an entity to disclose the information required by INTERESTS IN JOINT VENTURES, Section 3055, in respect of interests in jointly controlled operations or assets, and requires disclosure of the first three items required by Section 3055 only in respect of an interest in a jointly controlled entity not accounted for by the separate line item format (versus format that combines similar items) under proportionate consolidation.	Section 3055 requires disclosure of the total amount and major components of each of the following related to an interest in a joint venture: — current and long-term assets; — current and long-term liabilities; — revenues and expenses; — net income; — cash flows from operating activities; — cash flows from financing activities; and — cash flows from investing activities.
IAS 31 requires disclosure of a listing and description of interests in significant joint ventures.	The disclosure required by IAS 31 is described in Section 3055 as desirable.

SIC-13, Jointly Controlled Entities — Non-Monetary Contributions by Venturers

SIC-13 requires gains and losses on non-monetary assets transferred to a jointly controlled entity to be recognized in profit or loss for the portion attributable to the equity interests of the other ventures.

Unrealized gains or losses on non-monetary assets contributed to jointly controlled entities should be eliminated from the underlying assets under the proportionate consolidation method or from the investment under the equity method. Such unrealized gains or losses should not be presented as deferred gains or losses on the venturer's consolidated balance sheet. The portion of a gain or loss attributable to the equity interests of the other venturers should be recognized, except when the significant risks and rewards of ownership of the contributed non-monetary asset(s) have not been transferred to the jointly controlled entity, the gain or loss cannot be measured reliably, or the contribution transaction lacks commercial substance.

When joint venturers are not related parties prior to the transfer to a joint venture of non-monetary assets, the transaction will be measured at fair value if the transfer has commercial substance and is reliably measurable. When venturers are related, Section 3055 records the transaction in accordance with RELATED PARTY TRANSACTIONS, Section 3840. NON-MONETARY TRANSACTIONS, Section 3831, refers to Section 3055, which states that any loss or gain should be recognized only to the extent of the interests of the other non-related venturers. Section 3831 is silent on the treatment of unrealized gains and losses.

IAS 32, FINANCIAL INSTRUMENTS: PRESENTATION

Current Developments: The IASB has a project to consider the distinction between financial instruments with characteristics of liabilities and those of equity.

Scope

IFRS	Canadian GAAP
IAS 32 generally applies to the same items as Section 3863, but does not apply to obligations arising under insurance contracts.	FINANCIAL INSTRUMENTS — PRESENTATION, Section 3863, does not include the scope exceptions in IAS 32 concerning insurance contracts.
In addition to financial instruments, IAS 32 applies to certain commodity-based contracts.	Section 3863 is converged with IAS 32, except that IAS 32 includes in the definition of financial instruments contracts that will or may be settled in the entity's own equity instruments and are non-derivatives for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments or derivatives that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Classification of financial instruments

IFRS	Canadian GAAP
The classification between financial liability and equity depends on whether there is an obligation to deliver cash (or some other financial asset). When a transaction may be settled by issuing shares, classification depends on whether the number of shares is fixed or variable. A compound financial instrument, such as convertible debt, is split into liability and equity components. A puttable instrument is classified as an equity instrument when specified criteria are met and can be reclassified if established criteria are met.	Section 3863 is converged with IAS 32, except for some financial instruments, such as mutual fund units, partnership interests and certain types of shares in co-operative organizations that provide for payments to the holder of a pro-rata share of the residual equity of the issuer. These are classified as equity when they do not impose an obligation on the issuer to deliver or exchange any specific amount of financial assets in advance of redemption based on otherwise certain events (such as death of the holder). Section 3863 does not have the same criteria for puttable instruments to be classified as equity, nor does Section 3863 allow the reclassification of puttable instruments.
In accordance with IAS 32 when the settlement of a financial instrument is triggered by the occurrence or non-occurrence of uncertain	An exception exists for certain preferred shares issued by entities qualifying for differential reporting in accordance with specified tax

future events that are beyond the control of both the issuer and the holder of the instrument then the instrument would be classified as a financial liability of the issuer unless the requirement for cash settlement is not genuine or cash settlement would only be required in the event of liquidation of the issuer.	planning arrangements. "Presentation of a Financial Instrument Labelled as a Share When a Future Event or Circumstance May Affect the Issuer's Obligations," EIC-70, requires an entity to consider the definition of a liability and equity in Section 3863 to assess the substance of the contractual arrangement, including the probability of the triggering event or circumstance occurring or failing to occur in the future. The financial instrument would be classified as a financial liability on initial recognition only if, at that date, it is probable that the instrument will be settled in accordance with its terms by delivery of cash or other financial assets to the holder. Otherwise, the instrument should be presented as equity.

Initial measurement of a compound financial instrument

The liability component of a compound instrument is measured on initial recognition by measuring any financial asset or financial liability components at fair value and applying the residual amount to equity.	Section 3863 permits an additional option, to use the relative-fair-value method.

Offsetting

Financial assets and financial liabilities are offset only when the entity has a legally enforceable right to set off, and intends either to settle on a net basis or to realize the asset and the liability simultaneously.	Section 3863 is converged with IAS 32.

Disclosures

IAS 1, "Presentation of Financial Statements," requires disclosures of the following: — when an entity has reclassified between financial liabilities and equity either a puttable financial instrument classified as equity or an instrument that requires it to deliver to another party a pro rata share of its net assets on liquidation and that has been classified as equity, the amounts reclassified into and out of each category, and why and when the reclassification occurred; and — for puttable financial instruments classified as equity, summary quantitative data about	The Handbook does not require these disclosures.

the amount so classified, an entity's objectives, policies and processes for managing its obligation to repurchase or redeem the instruments when required to do so by the holders, and expected cash outflow on repurchase or redemption and how this was determined.	

IAS 33, EARNINGS PER SHARE

Current developments: The IASB has a project to amend IAS 33 for changes to the treasury stock method. The AcSB has commenced a project to converge with the proposed revised IAS 31 and the revisions will be effective at the same time as required by the IASB.

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Scope

IAS 33 applies to enterprises whose ordinary shares or potential ordinary shares are publicly traded and those in the process of issuing such shares in a public securities market. Enterprises that are not required to present such information but choose to do so, however, must follow the requirements of IAS 33. An entity is required to present both basic earnings per share and diluted earnings per share.	The application of EARNINGS PER SHARE, Section 3500, is converged with IAS 33.
When both consolidated and separate financial statements are prepared, the information called for by the standard need be presented only on the basis of consolidated information. Earnings per share information based on the separate financial statements should not be presented in the consolidated financial statements.	Section 3500 applies only to consolidated information when an entity presents both consolidated and non-consolidated financial statements.

Earnings per share

IAS 33 calculates basic earnings per share by dividing by the weighted average number of ordinary shares outstanding during the period. Ordinary shares that will be issued upon the conversion of a mandatorily convertible instrument are included in the calculation of basic earnings per share from the date the contract is entered into.	Section 3500 is converged with IAS 33.

Diluted earnings per share

Dilution is a reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, options or warrants are exercised, or ordinary shares are issued upon the satisfaction of specified conditions.	In determining year-to-date diluted earnings per share using the treasury stock method for options, warrants and their equivalents, Section 3500 requires the denominator to be calculated by taking the weighted average of the number of incremental shares included in each interim diluted earning per share computation. This

	difference is expected to be eliminated in the AcSB's improvements to Section 3500.

Written put options

IAS 33 requirements are similar to those in Section 3500.	Section 3500 requires that the reverse treasury stock method be applied for contracts that require the reporting enterprise to repurchase its own stock, such as written put options.

Contracts that may be settled in shares or cash

All such contracts are potentially ordinary shares of the enterprise and their dilutive effects should be included in calculating diluted earnings per share. For contracts that may be settled in ordinary shares or cash at the holder's option, the more dilutive of cash settlement and share settlement is used in calculating diluted earnings per share.	Section 3500 indicates that the presumption that shares will be used to settle the contract may be overcome if past experience or stated policy provides a reasonable basis for believing that the contract will be settled partially or wholly in cash. This difference is expected to be eliminated in the AcSB's present improvements to Section 3500. As in IAS 33, if the counterparty to the contract controls the means of settlement, the more dilutive of cash settlement and share settlement should be presumed.

Employee stock options

Employee share options with fixed or determinable terms and non-vested shares are treated as options in the computation of diluted earnings per share, although they may be contingent on vesting. Performance-based employee stock options are treated as contingently issuable shares.	Section 3500 is converged with IAS 33.

Presentation of earnings per share information

IAS 33 requires presentation of per share information for net income and for continuing operations, for both basic and diluted earnings per share, even if the amounts are negative. An entity that reports a discontinued operation should disclose the basic and diluted per share amounts for the discontinued operation.	In addition to requiring presentation of per share information for net income, Section 3500 requires presentation of per share information for income before discontinued operations and extraordinary items. An enterprise that reports a discontinued operation or an extraordinary item in a period should also disclose per share amounts for those line items. Disclosure of other income per share amounts is prohibited, except as specifically provided by another Handbook Section. Cash flow per share disclosure is also prohibited by CASH FLOW STATEMENTS, Section 1540.

Basic and diluted earnings per share information should be disclosed on in the statement of comprehensive income with equal prominence.	Section 3500 requires that basic and diluted earnings per share be shown on the face of the income statement with equal prominence for both net income and income before extraordinary items and discontinued operations. Other earnings per share figures should be shown either on the face of the income statement or in the notes to the financial statements.

Disclosures

IAS 33 requires disclosure of instruments that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the period(s) presented.	Section 3500 also requires disclosure of potential common shares that were excluded from the diluted earnings per share computation because of their anti-dilutive effect.

IAS 34, INTERIM FINANCIAL REPORTING

Current developments: None.

Application

IAS 34 does not specify which entities must publish an interim report, how frequently or how soon after the end of an interim period. In the judgment of the IASB, those matters should be decided by governments, securities regulators, stock exchanges and accountancy bodies. It encourages publicly traded entities to provide interim reports at least as of the end of the first half of their financial year and no later than 60 days after the end of the interim period.

INTERIM FINANCIAL STATEMENTS, Section 1751, similarly does not mandate which entities are required to prepare interim financial statements, nor does it specify, or even suggest, how frequently or how soon after the end of an interim period they should be made available.

Disclosure of compliance with IFRSs

If an enterprise's interim financial report is in accordance with IAS 34, that fact should be disclosed.

If the disclosures in the interim financial statements do not conform in all respects with the requirements of generally accepted accounting principles for annual financial statements, a statement to that effect should be included. That statement should also indicate that the interim financial statements should be read in conjunction with the most recent annual financial statements.

Financial statement requirements

IAS 34 requires either a complete or condensed set of financial statements.

Section 1751 makes no reference to condensed form. Minimum inclusions are headings and subtotals included in the most recent annual financial statements, the line items required for annual reporting purposes by other Handbook Sections and the disclosures required by Section 1751.

Cash flow statement

IAS 34 only requires a cash flow statement cumulatively for the financial year to date with cumulative comparable amounts for the immediately preceding financial year.

Section 1751 requires a cash flow statement for the current interim period, with comparable amounts for the corresponding period in the immediately preceding financial year, as well as the cumulative amounts for both the current and previous year.

Minimum disclosure

IAS 34 requires disclosures that are generally similar to those required by Section 1751, although the amount of detail required may vary. However, the following disclosures are not specifically mentioned in Section 1751:

— nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence;

— issuances, repurchases and repayments of debt and equity securities; and

— dividends paid (aggregate or per share) separately for ordinary shares and other shares.

Section 1751 requires disclosures that are generally similar to those required by IAS 34, although the amount of detail required may vary. However, the following disclosures are not specifically mentioned in IAS 34:

— where disclosures do not conform in all respects to the requirements of GAAP for annual financial statements, a statement to that effect, along with the fact that the interim financial statements should be read in conjunction with the most recent annual financial statements;

— changes in guarantees since the end of the most recently completed fiscal year;

— where the fair value-based method of accounting for stock-based compensation has not been applied, the *pro forma* net income and earnings per share disclosures required by STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS, Section 3870; and

— the total benefit cost determined by EMPLOYEE FUTURE BENEFITS, Section 3461.

Segment disclosures

IAS 34 requires disclosure for each reportable segment of:

— revenues from external customers;

— inter-segment revenues;

— a measure of segment profit or loss;

— total assets that have materially changed from the amount disclosed in the most recent annual financial statements;

— a description of differences from the most recent annual financial statements in the basis of segmentation or in the basis of measuring segment profit or loss; and

— a reconciliation of the total of the reportable segments' measures of profit or loss to the enterprise's income or loss before discontinued operations.

Section 1751 requires the same disclosure for each reportable segment, except that reconciliation is also required of the total of the reportable segments’ measures of net income to the enterprise’s income or loss before discontinued operations and extraordinary items.

The information should normally be reported on a fiscal year-to-date basis. Anything material to an understanding of the current interim period, however, should also be disclosed.	The information should be provided for the current interim period and cumulatively, together with comparative information for the preceding fiscal year.

Disclosures of changes in estimates in the final interim period

IAS 34 requires an enterprise to disclose in its annual financial statements the nature and amount of a significant change in estimate made in the final interim period of a fiscal year when the enterprise does not publish separate financial statements for that interim period.	Section 1751 contains no corresponding requirement.

Variances from inventory standard cost systems

IAS 34 does not permit any deferral of inventory cost variances, including variances expected to be absorbed by year end.	Section 1751 permits the deferral at an interim period end of purchase price variances or volume or capacity cost variances that are planned and expected to be absorbed by year end. Other variances are recognized in income at interim period ends.

Future income tax assets

IAS 34, Appendix B, treats the initial recognition of a previously unrecognized income tax asset brought forward from a prior year as an adjustment to the estimated average annual effective income tax rate used in determining interim period tax expense (i.e., it is a measurement adjustment that spreads the effect of the previously unrecognized tax asset over the remainder of the current fiscal year).	Section 1751, Appendix B, treats such initial recognition as a separate item in the computation of tax expense or benefit for the interim period in which the tax asset is recognized when the benefit relates to a specific category of income that is presented separately, such as a capital gain classified as an extraordinary item, or it is expected to be realized in future fiscal years and not the current fiscal year (i.e., it generally only affects the rate used for calculating interim period tax expense to the extent that realization is expected in the current fiscal year).

IAS 36, IMPAIRMENT OF ASSETS

Current developments: None.

Scope

IAS 36 prescribes the accounting and disclosure for impairment of all assets except inventories, deferred tax assets, assets arising from construction contracts, assets arising from employee benefits and most financial assets (although it covers investments in subsidiaries, associates and joint ventures), investment property measured at fair value, biological assets measured at fair value less estimated point-of-sale costs, deferred acquisition costs and intangible assets within the scope of IFRS 4, "Insurance Contracts," and non-current assets (or disposal groups classified as held for sale in accordance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations."

IMPAIRMENT OF LONG-LIVED ASSETS, Section 3063, applies to non-monetary long-lived assets, including property, plant and equipment, intangible assets with finite useful lives, deferred pre-operating costs and long-term prepaid assets, and is therefore narrower in scope than IAS 36.

GOODWILL AND INTANGIBLE ASSETS, Section 3064, prescribes standards for impairment of goodwill and indefinite life intangible assets.

INVESTMENTS, Section 3051, provides recognition standards for a loss in value of an investment.

LIFE INSURANCE ENTERPRISES — SPECIFIC ITEMS, Section 4211, provides specific guidance on decline in value of portfolios held by a life insurance enterprise.

Indication of impairment

The recoverable amount of an asset is estimated whenever there is an indication that the asset may be impaired. The assessment of whether the asset may be impaired is done at each reporting date.

The recoverable amount of intangible assets with indefinite useful lives, intangible assets not yet available for use and goodwill acquired in a business combination must be assessed each year.

Sections 3051, 3063, 3064 and 4211 are converged with IAS 36, except that Sections 3051, 3063 and 4211 do not require evaluation at the end of every reporting date — only whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Recognition and measurement of impairment loss

An impairment loss is recognized when the carrying amount of an asset, or group of assets, exceeds the recoverable amount. The carrying value of the asset is reduced to its recoverable amount and a corresponding impairment loss is recognized in the income statement for assets carried at cost and treated as a revaluation decrease for assets carried at revalued amounts.

Under Section 3063, an impairment loss is recognized when the carrying amount of a long-lived asset is not recoverable (i.e., undiscounted future cash flows are less than carrying amount). It is measured as the amount by which the carrying amount exceeds its fair value. The adjusted carrying amount becomes the new cost basis.

The recoverable amount is defined as the higher of the fair value less costs to sell and the value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset or a cash-generating unit in an arm's length transaction between knowledgeable and willing parties. The value in use is the present value of the future cash flows expected to be derived from the continuing use of an asset and from its ultimate disposal or from a cash-generating unit.	Under Sections 3051 and 4211, an impairment loss is recognized when there has been a significant or prolonged decline in value below carrying amount.

Measurement of impairment loss – goodwill and indefinite life intangibles

Goodwill and indefinite life intangibles are included in the cash-generating unit or group of cash-generating units that represents the lowest level at which goodwill is monitored for internal management purposes, but not larger than a business or geographical segment. The cash-generating unit is the lowest level of assets and liabilities for which identifiable cash inflows are largely independent of the cash inflows of other assets or groups of assets and liabilities.	Under Section 3064, for an intangible asset that is not subject to amortization the impairment test consists of a comparison of the fair value of the intangible asset with its carrying amount. When the carrying amount of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to the excess.
An impairment loss is recognized, if and only if, the carrying amount of the cash-generating unit to which the goodwill has been allocated exceeds the recoverable amount of the cash-generating unit. The impairment loss should be allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and secondly to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.	A goodwill impairment loss is recognized when the carrying amount of the goodwill of a reporting unit exceeds the fair value of the goodwill. The reporting unit may not result in assessment at as low a level as the cash-generating unit utilized in IAS 36. A two-step impairment test is used to identify a potential goodwill impairment and measure the amount of a goodwill impairment loss to be recognized, if any. — The fair value of a reporting unit should be compared with its carrying amount, including goodwill, in order to identify a potential impairment. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. — When the carrying amount of a reporting unit exceeds its fair value, the fair value of the reporting unit's goodwill is compared with its carrying amount to measure the

	amount of the impairment loss, if any. When the carrying amount of reporting unit goodwill exceeds the fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

Estimating cash flows and measuring recoverable amount

IAS 36 provides extensive guidance for estimating cash flows and on the composition of such estimates. There is also extensive guidance on measuring the recoverable amount of an asset or a cash-generating unit.	Section 3063 also provides extensive guidance on estimating the future cash flows for determining the net recoverable amount of a long-lived asset or asset group. Sections 3064 and BUSINESS COMBINATIONS, Section 1581, provide guidance on estimating cash flows and the composition of such estimates for testing goodwill and indefinite life intangible assets for impairment.

Reversal of an impairment loss

IAS 36 requires the reversal of an impairment loss for an individual asset other than goodwill, or a cash-generating unit, if and only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss relating to goodwill is prohibited.	Sections 3051, 3063 and 3064 do not permit the reversal of an impairment loss or a write-down if the fair value increases.

Disclosure

IAS 36 requires extensive disclosures on the amounts, nature and circumstances relating to impairment losses and any reversal, as well as on the estimates used to measure recoverable amounts.	Section 3063 requires the following disclosures in the period in which an impairment loss for a long-lived asset, including property, plant and equipment, is recognized: — a description of the impaired asset and the facts and circumstances leading to the impairment; — if not separately presented on the income statement, the amount of the impairment loss and the caption in the income statement that includes that loss; — the method(s) for determining the fair value of the impaired asset; and — if applicable, the segment in which the impaired asset is reported. Section 3064 contains corresponding, and somewhat more detailed, disclosures for intangible assets and goodwill.

	Section 3064 requires that no part of the impairment write-down of an investment accounted for by the equity method be presented in the income statement as a goodwill impairment loss, as would be required in accordance with IAS 36.

IAS 37, PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Current developments: The IASB has a project to improve the treatment of provisions, contingent assets and contingent liabilities.

Provisions

IAS 37 defines a "provision" as a liability of uncertain timing or amount. This liability may be a legal obligation or a constructive obligation. This does not include those resulting from financial instruments carried at fair value, those resulting from executory contracts, except where the contract is onerous, and those arising in insurance entities from contracts with policy holders.

The Handbook does not define a provision. FINANCIAL STATEMENT CONCEPTS, Section 1000, defines a "liability" as an obligation arising from past transactions or events, the settlement of which may result in the transfer or use of assets, provision of services or other yielding of economic benefits in the future.

Recognition

For a provision to be recognized, the following characteristics are required:

— there must be a present obligation (legal or constructive) as a result of a past event, or, it must at least be more likely than not that a present obligation exists;

— it is probable that an outflow of economic resources embodying economic benefits will be required to settle the obligation; and

— a reliable estimate can be made of the amount of the obligation.

Section 1000 indicates that liabilities have three essential characteristics:

— they embody a duty or responsibility to others that entails settlement;

— the duty or responsibility obligates the entity leaving it little or no discretion to avoid it; and

— the transaction or event obligating the entity has already occurred. A liability does not have to be a legal one; it can also be based on an equitable obligation, as well as a legal or constructive obligation.

Measurement of provisions

The amount recognized as a provision should be the current best estimate of expenditures required to settle the present obligation at the balance sheet date. If the provision being measured involves a large population of items, IAS 37 requires the use of the "expected value" method in estimating the settlement value of a provision. This method weights all possible outcomes by their associated probabilities. When each point in the range is equally likely, the midpoint is used. When the effect of the time value of money is material the amount of the provision should be the present value of the expenditures expected to be required to settle the obligation.

Measurement of provisions is not specifically addressed, other than in Section 1000.

Present value

The present value of the amount of a provision is recognized. The increase in the carrying amount of a provision due to the passage of time is recognized as an interest expense.	Section 1000 acknowledges that present value is used in certain specific situations (for example, estimating the cost of pension benefits), but does not discuss its application to liabilities in general or to contingent liabilities.

Restructuring

A constructive obligation arises only when an enterprise has a detailed formal plan and has either started its implementation or announced its main features before the balance sheet date to those affected by it in a manner sufficiently specific to raise a valid expectation that the entity will carry out the restructuring. A management or board decision before the balance sheet date alone, does not give rise to a constructive obligation.	"Accounting for Costs Associated with Exit and Disposal Activities (Including Costs Incurred in a Restructuring)," EIC-135, states that only present obligations to others are liabilities. An obligation becomes a present obligation when a transaction or event occurs that leaves an entity little or no discretion to avoid the future transfer or use of assets to settle the liability. The liability cannot be recognized until the fair value can be reasonably estimated. An exit or disposal plan, by itself, does not create a present obligation to others for costs expected to be incurred under the plan; thus, an entity's commitment to an exit or disposal plan, by itself, is not the requisite past transaction or event for recognition of a liability.

Asset retirement obligations

IAS 37 also covers, by its nature, asset retirement obligations. It also applies to a constructive obligation, where the event creates valid expectations that the entity will discharge the obligation, as well as a legal obligation. The amount recognized should be the best estimate of the expenditure required to settle the obligation at the balance sheet date. Present value should be used where the effect of the time value of money is material. The discount rate (or rates) utilized should be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. Provisions should be reviewed at each balance sheet date and adjusted to reflect the current best estimate.	ASSET RETIREMENT OBLIGATIONS, Section 3110, applies to legal obligations associated with the retirement of a tangible long-lived asset. Such an obligation is to be initially measured at fair value in the period in which the obligation is incurred, unless it cannot be reliably measured at that date. Changes in the obligation resulting from the passage of time and for downward revisions due to a change in the timing or amount of the original estimate should be subsequently recognized and measured utilizing the interest rate that is the credit-adjusted risk-free rate that was applied when the liability was initially measured. The interest rate for upward revisions due to the timing or amount of the original estimate is the current credit-adjusted risk-free rate.

Contingencies

The term "contingent" is used for liabilities and assets that are not recognized because their existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. The term "contingent liability" is also used for liabilities that do not meet the recognition criteria for a provision. Contingent liabilities are not recognized on the balance sheet — they are disclosed in the notes. Contingent assets are not recognized on the balance sheet. When the inflow of benefits is virtually certain they are recognized as assets; they are disclosed only when the inflow of benefits is probable.

CONTINGENCIES Section 3290, defines "contingency" as "an existing condition or situation involving uncertainty as to possible gain or loss to an enterprise that will ultimately be resolved when one or more future events occur or fail to occur." The appropriate accounting treatment will depend on whether the contingency is likely and can be reasonably estimated (in which case a contingent loss will be recognized), unlikely or cannot be reasonably estimated, or is not determinable (in which case note disclosure is provided). Contingent gains are disclosed when they are likely, but are not recognized.

Disclosures

IAS 37 requires extensive disclosures for each class of provisions including descriptive information and reconciliation between beginning and ending balances. Disclosure for provisions and contingent liabilities include an indication of the uncertainties relating to the amount or timing of any outflow. IAS 37 permits the omission of most of the disclosures in those extremely rare situations where they are expected to prejudice seriously the enterprise's position in a dispute.

The Handbook has no general disclosure requirements for "liabilities" that are similar to those called for in IAS 37. Disclosures of contingencies are also less extensive than those required by IAS 37. MEASUREMENT UNCERTAINTY, Section 1508, requires disclosure of measurement uncertainty for items recognized in the financial statements other than contingencies. When making disclosures about a measurement uncertainty arising from an item other than a contingency, the entity may omit the disclosure of the recognized amount if it would have a significant adverse effect on the entity. Unlike IAS 37, there is no exception concerning all of the other disclosures for contingencies and liabilities.

IAS 38, INTANGIBLE ASSETS

Current Developments: None

Scope

IFRS	Canadian GAAP
IAS 38 is a comprehensive standard on intangible assets, which are defined as identifiable non-monetary assets without physical substance. It addresses acquired and internally generated intangible assets including research and development costs. It does not apply to specific types of intangible assets that are dealt with by other IFRSs, such as goodwill arising on a business combination.	These issues are covered in GOODWILL AND INTANGIBLE ASSETS, Section 3064

Recognition

IFRS	Canadian GAAP
IAS 38 requires that expenditure for an intangible item be recognized as expense unless the item meets the definition of an intangible asset and it is probable that there will be future economic benefits from the asset, and the cost of the asset can be reliably measured. Internally generated goodwill is not recognized as an asset. Other internally generated intangible assets are classified into a research phase (expensed) and a development stage (recognized as an intangible asset if certain criteria are met).	Section 3064 is converged with IAS 38.

Measurement subsequent to initial recognition

IFRS	Canadian GAAP
IAS 38 allows periodic fair value revaluation as an alternative treatment for intangible assets that have an active market.	Section 3064 requires that intangible assets be measured at cost, and does not permit any alternative treatment.

Amortization period

IFRS	Canadian GAAP
IAS 38 requires amortization of an intangible asset with a finite useful life over its useful life. An intangible asset with an indefinite useful life should not be amortized, and is subject to an annual impairment test. In accordance with IAS 36, "Impairment of Assets," the useful life of such an asset should be reviewed each period to determine whether an indefinite useful life assessment is still supportable. If an indefinite useful life assessment is no longer supportable, then the change in the useful life	Section 3064 is converged with IAS 38. Amortization is required of an intangible asset over its useful life, unless that life is determined to be indefinite, in which case it is tested for impairment at least annually and should not be amortized until its life is no longer deemed to be indefinite. If it is determined that the useful life of the intangible is no longer indefinite, it should be amortized over its remaining useful life.

assessment should be accounted for as a change in an accounting estimate in accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors."	

Impairment of intangible assets

To determine whether an intangible asset is impaired, an entity applies IAS 36 (i.e., assessment at each reporting date) and, for intangible assets with an indefinite future life or not yet available for use, annually tests for impairment by comparing the carrying amount with the recoverable amount (see IAS 36 for definition).	Similar to IAS 38, IMPAIRMENT OF LONG-LIVED ASSETS, Section 3063, requires that an intangible asset subject to amortization be reviewed for impairment in accordance with the provisions of PROPERTY, PLANT AND EQUIPMENT, Section 3061, which calls for an estimate of the net recoverable amount only when conditions indicate that the estimated future net cash flow from a capital asset may be less than its net carrying amount less related accumulated provision for future removal and site restoration costs and future income taxes. An intangible asset not subject to amortization should be tested for impairment at least annually, based on a comparison of its fair value with its carrying amount.

Allocating the cost of purchase to goodwill and other intangible assets

In accordance with IFRS 3, "Business Combinations," if an intangible asset is acquired in a business combination, the cost of that asset is its fair value at the acquisition date, which reflects expectations about the probability that future economic benefits embodied in the asset will flow to the entity. Consequently, such an asset will be recognized separately from goodwill, irrespective of whether the asset had been recognized by the acquiree before the business combination.	Similarly, BUSINESS COMBINATIONS, Section 1581, requires an intangible asset acquired in a business combination to be recognized apart from goodwill when the asset results from contractual or other legal rights, or is capable of being separated from the acquired enterprise and sold, transferred, licensed, rented or exchanged. Otherwise it is included in the amount recognized as goodwill.

Disclosures

IAS 38 contains extensive disclosures for each class of intangible assets. It also requires that internally generated intangible assets be distinguished from other intangible assets and requires separate disclosures for intangible assets carried at revalued amounts.	Section 3064 does not require as detailed disclosures as IAS 38, but does require detailed disclosures about impairment losses on indefinite life intangible assets.

SIC-32, Intangible Assets — Web Site Costs

SIC-32 deals with the situation where an entity incurs internal expenditure on the development and operation of its own website for internal or external access, and considers:

- whether the website is an internally generated intangible asset that is subject to the requirements of IAS 38; and
- the appropriate accounting treatment of such expenditure.

The consensus is that it is subject to the requirements of IAS 38 and can be recognized as an intangible asset only if those requirements are met. The accounting treatment set out in IAS 38 would apply.

"Accounting for Costs to be Incurred to Develop a Web Site," EIC-118, deals with accounting for website development costs at various stages. The type of costs and their treatment in EIC-118 is similar to SIC-32. (EIC 118 does not apply when an entity has adopted Section 3064.) Costs incurred at the planning stage should be expensed as incurred; those incurred in the website application and infrastructure development stage generally should be capitalized and accounted for in accordance with Section 3061 and Section 3064; costs incurred to develop graphics should be capitalized and accounted for in accordance with Section 3064; costs related to conversion from old to new systems should be expensed as incurred; costs incurred at the operational stage that involve providing additional functions or features should be accounted for as, in effect, new software and capitalized if they meet the definition of a betterment.

IAS 39, FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT

Current developments: The IASB and AcSB are considering several possible changes to IAS 39.

Overview

IFRS	Canadian GAAP
IAS 39 establishes principles for recognizing and measuring financial assets and financial liabilities and some contracts to buy or sell non-financial items.	FINANCIAL INSTRUMENTS — RECOGNITION AND MEASUREMENT, Section 3855, and HEDGES, Section 3865, are substantially converged with IAS 39.

Non-financial contracts

IFRS	Canadian GAAP
Certain contracts to buy or sell non-financial items are included within the scope of IAS 39, unless they are in accordance with the entity's purchase sale or usage requirements. IAS 39 does not require documentation.	Certain contracts to buy or sell non-financial items are also included within the scope of Section 3855, unless they are in accordance with the entity's documented purchase sale or usage requirements. Section 3855 also provides additional accounting policy choices for non-publicly accountable enterprises and not-for-profit organizations.

Embedded derivatives

IFRS	Canadian GAAP
IAS 39 requires embedded derivatives to be separated from their host contracts, except when the entire contract is measured at fair value through profit or loss or the embedded derivative is closely related to the host contract.	Section 3855 is converged with IAS 39, except for a scope exception for non-publicly accountable enterprises and not-for-profit organizations.
Multiple embedded derivatives in a single host contract are accounted for separately from each other if readily separable and independent of each other.	Multiple embedded derivatives in a single host contract are generally separated as a single compound derivative.
In specified circumstances, embedded foreign currency derivatives denominated in a currency commonly used to buy or sell non-financial items in the economic environment where the transaction takes place are not separated from the host contract.	In specified circumstances, an entity may elect an accounting policy to account for embedded foreign currency derivatives denominated in a currency commonly used to buy or sell non-financial items in the economic environment where the transaction takes place separately from the host contract or as a single instrument.
No special transition rules exist.	An entity may choose to select the beginning of a fiscal year ending no later than March 31, 2004 as its transition date for embedded derivatives.

Recognition

In accordance with IAS 39, all financial assets and financial liabilities should be recognized on the balance sheet, including all derivatives.	Section 3855 is converged with IAS 39.

Derecognition of financial assets

IAS 39 requires that an entity remove a financial asset from its balance sheet when: — its contractual rights to the asset's cash flows expire; — it has transferred the asset and substantially all the risks and rewards of ownership; or — it has transferred the asset and has retained some substantial risks and rewards of ownership, but the other party may sell the asset. The risks and rewards retained are recognized as an asset.	ACCOUNTING GUIDELINE AcG-12, Transfers of Receivables, addresses derecognition of certain financial instruments However, it has a more limited scope than IAS 39. AcG-12 applies an approach that focuses on legal isolation and surrender of control. There is no partial derecognition.

Derecognition of financial liabilities

IAS 39 requires that an entity remove a financial liability from its balance sheet when its obligation is extinguished.	Section 3855 is converged with IAS 39, except for the treatment of costs or fees incurred.

Initial measurement

IAS 39 requires that a financial asset or financial liability is measured initially at fair value.	Section 3855 is converged with IAS 39, except that financial instruments exchanged or issued in related party transactions are first measured using RELATED PARTY TRANSACTIONS, Section 3840, (for which there is no counterpart in IFRSs). This can produce measurement results that differ from IAS 39 in some circumstances.
Directly attributable transaction costs in respect of an asset or liability not at fair value through profit or loss are added to the initial carrying amount.	Section 3855 allows a choice of accounting policy for transaction costs on financial assets and financial liabilities classified other than as held for trading. "Accounting Policy Choice for Transaction Costs," EIC-166, requires the same accounting policy choice for transaction costs on similar financial instruments classified as other than held for trading.

Subsequent measurement

Subsequent measurement, in accordance with IAS 39, depends on the category of financial instrument:

Measured at amortized cost:

— investments held to maturity;
— loans and receivables, other than those quoted in an active market unless classified as held to maturity; and
— financial liabilities that are not held for trading or designated at fair value.

Measured at fair value:

— financial assets and financial liabilities held for trading, including all derivatives — all changes in fair value are reported in profit or loss; (upon initial recognition an entity may designate any financial asset or financial liability as fair value through profit or loss, with certain additional restrictions to those in Section 3855); and
— financial assets available for sale — changes in fair value are reported in a separate component of equity until realized from sale or impairment, when they are transferred to profit or loss; (non-quoted equity instruments whose fair value cannot be reliably measured are measured at cost). Foreign exchange gains and losses are recognized immediately in net income.

Subsequent measurement, in accordance with Section 3855, depends on the category of financial instrument:

Measured at amortized cost:

— investments held to maturity;
— loans and receivables, other than debt securities unless classified as held to maturity; and
— financial liabilities that are not held for trading or designated at fair value.

Measured at fair value:

— financial assets and financial liabilities held for trading, including all derivatives — all changes in fair value are reported in net income; (upon initial recognition an entity may designate any financial asset or financial liability as at fair value through net income, except for those whose fair value cannot be reliably measured or that were transferred in a related party transaction that was not classified as held for trading before the transaction); and
— financial assets available for sale — changes in fair value, including foreign exchange gains and losses, are reported in other comprehensive income until realized from sale or impairment, when they are transferred to net income; (non-quoted equity instruments are measured at cost).

Impairment

Financial assets classified as other than at fair value through profit or loss are tested for impairment. Impairment losses on financial instruments carried at amortized cost or debt instruments classified as available for sale are reversed if the reversal related objectively to an event after the initial recognition of the impairment.

Financial assets classified as other than at fair value through net income are tested for impairment. Section 3855 does not permit reversal of impairment losses.

IMPAIRED LOANS, Section 3025, contains requirements similar to those in IAS 39, except that IAS 39 provides greater detail on the assessment of impairment in a portfolio of loans.

Hedge accounting

IFRS	Canadian GAAP
IAS 39 specifies designation, documentation and hedge accounting requirements for fair value hedges, cash flows hedges and hedges of a net investment.	Section 3865 specifies very similar designation, documentation and hedge accounting requirements to those in IAS 39 for fair value hedges, cash flows hedges and hedges of a net investment.
Fair value hedge accounting for a portfolio hedge of interest rate risk is permitted.	Fair value hedge accounting for a portfolio hedge of interest rate risk is not permitted.
IAS 39 does not allow the use of "shortcuts".	"Shortcuts" to avoid the need for ongoing testing of ineffectiveness may be used if the "critical terms" of the hedged and hedging items match for both interest rate and cross-currency swaps that meet specified criteria.

IAS 40, INVESTMENT PROPERTY

Current developments: None.

Scope

IAS 40 defines investment property as property (land and/or building or part of a building) held (by the owner or by the lessee under a finance lease) or being constructed or developed to earn rentals and/or for capital appreciation. It is not owner-occupied and is not used in the production or supply of goods or services or for administrative purposes, or sale in the ordinary course of business. A property interest held by a lessee under an operating lease may be classified and accounted for as investment property if, and only if, the property would otherwise meet the definition of an investment property and the lessee uses the fair value model set out in IAS 40 for the asset recognized.	Assets that are held for rental to others fall within the definition of property, plant and equipment set out in PROPERTY, PLANT AND EQUIPMENT, Section 3061.

Measurement of investment property after initial recognition

IAS 40 permits an enterprise to choose either the fair value model set out in the Standard (i.e., annual valuation with changes in fair value recognized in profit or loss) or the cost model set out in IAS 16, "Property, Plant and Equipment" (i.e., at cost less any accumulated depreciation and any accumulated impairment losses). When the cost model is chosen, fair value is disclosed (or, when fair value cannot be reliably determined, the reason why this is not possible should be disclosed, along with a description of the investment property and, if possible, the range of estimates in which fair value is highly likely to lie). The model chosen should be applied to all investment property. Investment property under construction or development can be measured at cost until construction or development is completed, if fair value cannot be reliably measured.	Section 3061 requires that such property be carried on the cost basis (i.e., at cost less accumulated depreciation and any provision for impairment).

Reclassifications of investment property

A change from one model to the other should only be made if the change will result in a more appropriate presentation. This is deemed	Since Section 3061 requires that such property be carried on the cost basis, this is not an issue.

unlikely if switching from the fair value model to the cost method.	

Transfers to, or from, investment property

IAS 40 requires property transferred to be recorded as follows: — For investment property carried at fair value transferred to owner-occupied property or inventories, the property's deemed cost for subsequent accounting under IAS 16 or IAS 2, "Inventories," will be its fair value at the date of change in use. — For owner-occupied property that becomes investment property that will be carried at fair value, IAS 16 will be applied up to the date of the change in use. Any difference between carrying amount and fair value would be treated in the same way as a revaluation under IAS 16.	Since Section 3061 requires that such property be carried on the cost basis, this is not an issue.

Disclosure

IAS 40 includes a number of disclosure requirements that directly or indirectly relate to the option of recording investment property at fair value, as well as those that specifically relate to the model (fair value or cost) adopted.	Since Section 3061 requires that such property be carried on the cost basis, disclosures relating to the fair value model are not an issue.
When the cost model is used, IAS 40 requires disclosure of the fair value of the investment property, as well as a detailed reconciliation of the carrying amount of investment property at the beginning and end of the period.	Section 3061 contains no corresponding requirement.

IAS 41, AGRICULTURE

Current developments: None.

Overview

IAS 41 prescribes the accounting treatment for biological assets during the period of growth, degeneration, production and procreation, and for the initial measurement of agricultural produce at the point of harvest. It requires measurement at fair value less estimated costs to sell from initial recognition of biological assets up to the point of harvest, other than when fair value cannot be measured at initial recognition. It does not deal with processing of agricultural produce after harvest.

IAS 41 requires that biological assets and agricultural produce at the point of harvest be measured at fair value less estimated costs to sell. Biological assets that are attached to land are measured separately from the land.

IAS 41 also covers government grants relating to biological assets measured at fair value.

There is no Handbook Section corresponding to IAS 41. INVENTORIES, Section 3031, does not apply to the measurement of inventories of agricultural and forest products, agricultural produce after harvest and mineral and mineral products. If they are measured at net realizable value in accordance with well-established practices, then changes in value are recognized in net income. The disclosure requirements in Section 3031 do apply to these inventories and for inventories of living animals and plants (biological assets) and the harvested product of biological assets.

IFRS 1, FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Current developments: The IASB is considering proposals presented by the AcSB staff in May 2008 to amend IFRS 1 in several areas including exemptions that should assist enterprises recording oil and gas assets using full cost accounting and operations subject to rate-regulation.

Overview

IFRS 1 deals with the manner in which an entity applies IFRSs when it adopts them as its basis of accounting for the first time. It grants limited exemptions to the normal basis of application in accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors," in specified areas and prohibits retrospective application in some areas where that would require judgments by management about past conditions after the outcome of a particular transaction is already known. It requires disclosures explaining how the transition from previous GAAP to IFRSs affected reported financial position, financial performance and cash flows. Exemptions are provided from disclosing information about changes in accounting policies in accordance with IAS 8 in the period of adopting IFRSs.

There is no Handbook Section corresponding to IFRS 1.

IFRS 2, SHARE-BASED PAYMENT

Current developments: None.

Scope

IFRS 2 applies to all share-based payment transactions, including those that are equity-settled and cash-settled and transactions in which the entity receives or acquires goods or services and the terms of the arrangements provide either the entity or the supplier with a choice of whether the entity settles the transaction in cash or by issuing equity instruments (unless acquired as part of the net assets acquired in a business combination). It does not apply to share-based payment transactions in which goods or services are received or acquired under a contract to buy or sell a non-financial item that can be settled net in cash or another financial instrument or by exchanging financial instruments, as referred to in IAS 32, "Financial Instruments: Presentation," and IAS 39, "Financial Instruments: Recognition and Measurement." IFRS 2 has no exception for the recognition of an expense when there is a discount for employees under a share purchase plan.

STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS, Section 3870, applies to stock-based compensation and other stock-based payments made in exchange for goods and services. It applies to transactions, including non-reciprocal transactions, in which an entity grants shares of common stock, stock options, or other equity instruments, or incurs liabilities based on the price of common stock or other equity instruments. It does not apply to equity instruments granted as part of a purchase consideration in a business combination, or to related party transactions other than stock-based compensation with a principal shareholder. Section 3870 has an exception for the recognition of an expense when an employee share purchase plan provides a discount to employees that does not exceed the per share amount of share issuance costs that would have been incurred to raise a significant amount of capital by a public offering and is not extended to other holders of the same class of shares.

Equity-settled share-based payment transactions

Measurement

Equity-settled share-based payment transactions are measured at the fair value of the goods or services received, unless that cannot be estimated reliably, in which case the fair value of the equity instruments granted is used.

Section 3870 generally permits measurement to be at the fair value of the goods or services received, or at the fair value of the equity instruments granted, whichever is more reliably measurable. When measuring stock options for private companies, Section 3870, unlike IFRS 2, does not require that volatility of the stock over the expected life of the stock option be considered.

Employees and others providing similar services

An entity should measure the fair value of the services received by reference to the fair value of the equity instruments granted because, typically, it is not possible to estimate reliably the fair value of the services received.	Equity instruments awarded to employees and the cost of the services received are measured and recognized based on the fair value of the equity instruments.

Transactions with parties other than employees

With respect to such transactions, there is a rebuttable presumption that the fair value of the goods and services can be estimated reliably	Such transactions should be accounted for based on the fair value of the consideration received or the fair value of the equity instruments, or liabilities incurred, whichever is more reliably measurable.

Transactions in which services are received

If the equity instruments granted vest immediately, in the absence of evidence to the contrary, the entity should presume that the services rendered have been received, and should recognize them in full. If they do not vest until the counterparty completes a specified period of service, the entity should presume that the services will be received in the future and account for them as they are rendered during the vesting period.	For services received from non-employees, the equity instruments should be measured at the earliest of the date at which the counterparty's performance is complete, the date at which a commitment for performance by the counterparty to earn the equity instruments is reached, or the date at which the equity instruments are granted if they are fully vested and non-forfeitable at that date.
If the options vest in instalments, each tranche is to be considered a separate award with the compensation cost amortized accordingly. If there is a change in the requisite service period, the cumulative effect is recorded in the current period.	If an award vests in instalments and the fair value of the award is determined based on different expected lives for the options that vest each year, the instalments should be viewed as separate awards.
The entity is required to estimate the number of equity instruments expected to vest and to revise that estimate, if necessary. The entity is not allowed to accrue compensation as if all instruments will be granted and adjust for forfeitures as they occur, which is an alternative in accordance with Section 3870.	Compensation for a stock-based award to employees should be recognized over the period in which the related services are rendered. Unless defined as an earlier or shorter period, the service period is presumed to extend from the grant date to the date that the award is vested. Expense recognition can never occur before the grant date, even when the grant is subject to shareholder approval and the employee has begun service prior to receiving the approval for the grant. Awards for past services are recognized in the period in which they are granted. Changes to requisite service periods are recognized prospectively from the date of change to the revised date of the requisite service period.

Modifications, cancellations and settlements

No adjustment should be made to the grant date fair value of equity instruments granted for services received because of any modifications to the terms and conditions, cancellations, and settlements, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at the grant date. In the case of cancellation or settlement during the vesting period, amounts that would have been recognized for services received over the remaining period will be recognized immediately. Any payment made to the employee on cancellation or settlement should be accounted for as the repurchase of an equity interest, except to the extent that it exceeds the fair value of the equity instruments granted, in which case the excess should be recognized as an expense. However, if there is a liability component, the fair value of the component should be remeasured on the date of cancellation or settlement and any payment recorded as an extinguishment of debt. Any new equity instruments granted as replacement for the cancelled equity instruments should be accounted for in the same way as a modification of the original grant of equity instruments. If an entity or counterparty can choose whether to meet a non-vesting condition, the entity shall treat the entity's or the counterparty's failure to meet the non-vesting condition during the vesting period as a cancellation.

A modification of the terms of an award that makes it more valuable should be treated as if it were an exchange of an original award for a new award, and the incremental value recorded as an additional cost. For settlements comprising the repurchase of equity instruments that have vested, the repurchase amount should be charged to equity, provided the amount paid does not exceed the value of the instruments repurchased (in which case the excess should be recognized as a cost). The settlement of a non-vested award for cash effectively vests the award and any excess not yet recognized should be recognized at the repurchase date. Previously recognized compensation cost is not reversed if a vested employee stock option expires unexercised.

Cash-settled share-based transactions

For such transactions, the goods and services acquired and the liability incurred are measured at the fair value of the liability. The liability is remeasured at its fair value at each reporting date and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

For such transactions, compensation cost should be measured at the amount by which the quoted market value of the shares covered by the grant exceeds the option price or value specified, by reference to a market price or otherwise, subject to any appreciation limits under the plan. Compensation cost accrued during the service period should not be adjusted below zero. The offsetting adjustment should be charged or credited to compensation cost in the period in which changes in market value occur.

Share-based transactions with choice of settlement in cash or equity instruments

In such a situation, the entity should account for the transaction as a cash-settled share-based payment transaction if it has incurred a liability to settle in cash or other assets, or as an equity-settled share-based payment transaction if no such liability has been incurred. It covers both the situation where the entity has the choice of settlement and the situation where the entity itself has the right of settlement. If the counterparty has the choice of settlement, the transaction must be accounted for as a compound instrument.	The accounting must reflect the substantive terms of the arrangement. If the choice is the employee's, the entity generally incurs a liability; if the choice is the entity's, it generally qualifies as an equity instrument unless the entity normally settles in cash.

Disclosures

IFRS 2 calls for disclosures that enable users to understand the nature and extent of share-based payment arrangements that existed during the period: how the fair value of the goods and services received, or the fair value of the equity instruments granted, during the period was determined, and the effects of share-based transactions on the entity's profit or loss for the period and on its financial position. It sets out some specific disclosure requirements to reflect the above, but also states that if the information required to be disclosed does not satisfy the general requirements set out above, additional information as is necessary to satisfy them should be disclosed.	Section 3870 also calls for detailed disclosure, but it is not as extensive as that called for by IFRS 2. For example, it does not call for information on how fair value was measured for equity instruments, other than share options, issued during the period, Further, it does not call for additional information beyond the specific disclosures required in the Section.

IFRS 3, BUSINESS COMBINATIONS

Current developments: The AcSB has approved, but not yet issued, a new standard that is converged with the recently revised IFRS 3 issued by the IASB in January 2008. The AcSB will consider allowing early adoption prior to 2011.

Scope

IFRS	Canadian GAAP
IFRS 3 applies to transactions or other events when the assets acquired and liabilities assumed constitute a business. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. A business consists of inputs and processes applied to those inputs, but outputs are not required for an integrated set to qualify as a business. IFRS 3 does not apply to: — a combination of entities or businesses under common control; — business combinations that result in the formation of a joint venture; or — the acquisition of assets or a group of assets that does not constitute a business.	BUSINESS COMBINATIONS, Section 1581, applies when an enterprise acquires net assets that constitute a business or equity interests of an enterprise and obtains control. "Definition of a Business," EIC 124, notes that a business is a self-sustaining integrated set of activities and assets conducted and managed for the purposes of providing a return to investors. A transferred set of activities and assets fails the definition of a business if it excludes one or more of inputs, process applied to those inputs and outputs. Section 1581 does not apply to: —a transfer of assets or an exchange of equity interests between enterprises under common control; or —joint ventures, unless a joint venture enters into a transaction that meets the definition of a business combination. .

Method

IFRS	Canadian GAAP
All business combinations are accounted for by applying the acquisition method (i.e., by recognizing the acquiree's identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquiree at their fair values as at the acquisition date, and also recognizing goodwill or gain from a bargain purchase price.) An acquisition can occur without the transfer of consideration such as when the acquiree repurchases a sufficient number of its own shares for an existing investor to obtain control.	Section 1581 accounts for business combinations using the purchase method. The purchase method does not address a change in control resulting from the acquiree repurchasing its own shares.

Cost of the business combination

The cost of a business combination is the fair value, at the acquisition date, of assets transferred, liabilities incurred (including contingent consideration), and equity instruments issued by the acquirer in exchange for control of the acquiree. Acquisition-related costs, such as finder's fees and legal fees, are expensed .Shares issued as consideration are measured based on fair value at the acquisition date.	The cost of a business combination should be determined by the fair value of the consideration given or the acquirer's share of the fair value of the net assets or equity instruments acquired, whichever is the more reliably measurable. Direct costs, ones that would not be incurred without the business combination, are recognized as costs of the business combination. In business combinations effected by using the issuance of shares, the fair value of the shares is based on their market price over a reasonable period before and after the date the terms of the business combination are agreed to and announced.
The acquirer would recognize liabilities for terminating or reducing the activities of the acquiree as part of allocating the cost of the combination only when the acquiree has, at the acquisition date, an existing liability for such restructuring cost. No restructuring cost of the acquirer would be recognized.	Certain restructuring activities of the acquirer may qualify for recognition on acquisition as a liability if specified criteria in "Liability Recognition for Costs Incurred on Purchase Business Combinations," EIC-114, are met.
When the initial accounting for a business combination can only be determined provisionally, those values should be used and adjustments to those values should be recognized on a retrospective basis, if new information becomes available within the "measurement period" that ends on the earlier of the date the necessary information is obtained about the facts and circumstances at the date of acquisition or one year from the acquisition date, after which all adjustments are recognized in net income.	"Adjustments to the Purchase Equation Subsequent to the Acquisition Date," EIC-14, states that initial allocations will require adjustment subsequently and should be allowed. EIC-14 does not impose a time limit for the completion of the allocation process but does note that only in the most unusual circumstances should the period extend beyond one year.

Costs of registering and issuing shares as consideration for an acquisition

Costs to issue debt or shares are recognized in accordance with IAS 32, "Financial Instruments: Presentation," and IAS 39, "Financial Instruments: Recognition and Measurement.".	Such costs are treated as a capital transaction.

Contingent consideration

If part of the purchase consideration is contingent on a future event, IFRS 3 requires the fair value at the acquisition date to be included as part of the cost.	Section 1581 requires that when the amount of any contingent consideration can be reasonably estimated at the date of acquisition and the outcome of the contingency can be determined beyond a reasonable doubt, the contingent consideration should be recognized at that date as part of the cost of the purchase. Otherwise, the additional cost is not recognized until the contingency is resolved or the amount is determinable. The contingency should be disclosed.

Acquisition in stages

In a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss.	CONSOLIDATED FINANCIAL STATEMENTS, Section 1600, requires a parent's investment in a subsidiary acquired in two or more purchases to be accounted for as a step-by-step purchase. Each acquisition is accounted for at its cost and is not remeasured when the acquirer purchases an additional interest.

Measurement of minority (non-controlling) interests

The acquirer recognizes the acquiree's assets, liabilities and contingent liabilities that meet the recognition criteria set out in the standard at their fair values at the acquisition date, and has the option of measuring any minority interest in the acquiree at the minority's proportionate share of either the fair value of the business or the fair value of the acquiree's identifiable assets.	Section 1600 requires non-controlling interests to be reflected in terms of carrying values recorded in the accounting records of the subsidiary company.

Bargain purchase

If the net of the assets acquired and the liabilities assumed exceed the consideration transferred, the excess is recognized in net income.

If such an excess arises, the identification and measurement of the related identifiable assets, liabilities and contingent liabilities, and the measurement of the cost of the combination should be reassessed, and any excess remaining after that reassessment should be recognized immediately in profit or loss.

Disclosures are required describing the reasons why the transaction resulted in a gain.

Section 1581 requires that the excess of the fair value of acquired net assets over the cost of the purchase be allocated as a pro rata reduction of the amounts assigned to all of the acquired assets, except financial assets (other than investments accounted for by the equity method), assets to be disposed of by sale, future income tax assets, prepaid assets relating to employee future benefit plans, and any other current assets, to the extent the excess is eliminated. Any remaining excess should be presented as an extraordinary gain.

Amortization period and method for goodwill

Goodwill acquired in a business combination should not be amortized. Instead, it should be tested for impairment annually, or more frequently if there is evidence of impairment, in accordance with IAS 36, "Impairment of Assets."

Similarly, GOODWILL AND INTANGIBLE ASSETS, Section 3064, does not permit amortization of goodwill. It is tested for impairment at a level of reporting referred to as a reporting unit. A goodwill impairment loss should be recognized when the fair value of goodwill is less than its carrying amount. Such loss is not reversible if the fair value subsequently increases.

Disclosure

IFRS 3 requires disclosures that enable users to evaluate the nature and financial effect of business combinations that were effected during the period or after the balance sheet date but before the financial statements were authorized for issue. Many of the disclosures correspond to those required by Section 1581. Additional disclosures required by IFRS 3 include:

- the acquisition date;
- a description of, and the amount of contingent consideration or indemnified assets recognized at the acquisition date and an estimate of the range of outcomes ;
- the amount of the acquiree's profit or loss

Section 1581 requires many, but not all of the disclosures required by IFRS 3 for business combinations completed during the period and, to the extent practical, those completed after the balance sheet date but before the financial statements are completed. Additional disclosures required by Section 1581 include:

- information relating to any purchase price allocation that has not been finalized;
- contingent payments, options or commitments specified in the acquisition agreement and the accounting treatment that will be followed should any such

since the acquisition date included in the consolidated statement of comprehensive income, unless considered impractical, in which case that fact and an explanation should be disclosed;	contingency occur;
— amounts recognized at the acquisition date for each major class of the assets acquired, and liabilities assumed;	— a condensed balance sheet disclosing the amount assigned to each major class of assets acquired and liabilities assumed; and
— a description of the nature, timing and uncertainties of contingent liabilities recognized and, if not recognized because fair value cannot be reliably measured, disclosure of the nature of the liability, an estimate of its financial effect and the reason it cannot be reliably measured;	— the total amount assigned and the amount assigned to any major intangible asset class, separately for intangible assets subject to amortization and those not subject to amortization.
— a qualitative description of the factors that make up the goodwill recognized, including any intangible assets that did not qualify for separate recognition, the amount of any excess (bargain purchase option or negative goodwill) recognized in profit or loss and the reason the transaction resulted in a gain; and	
— the total amount of goodwill that is expected to be deductible for tax purposes.	
IFRS 3 requires disclosure of specific information to enable users to evaluate the financial effects of adjustments recognized in the current reporting period that relate to business combinations that occurred in the current or previous reporting periods.	Section 1581 does not require such disclosure.
IAS 36 requires disclosure of specific information to enable users to evaluate changes in the carrying amount of goodwill in the period.	Section 3064 also requires disclosure of information relating to changes in the carrying amount of goodwill, but not to the degree required in IFRS 3.

IFRS 4, INSURANCE CONTRACTS

Current developments: The AcSB intends to issue an exposure draft concurrently with that of the IASB in phase 2 of its project on Insurance Contracts.

Scope

IFRS 4 applies to insurance (including reinsurance) contracts that an entity issues and reinsurance contracts that it holds, and financial instruments that an entity issues with a discretionary participation feature. It does not address other aspects of accounting by insurers, such as financial assets held and financial liabilities issued by insurers, except for a transitional provision on redesignation of financial assets.

IFRS 4 exempts an insurer temporarily from some requirements of other IFRSs. It also:

— precludes recognition of catastrophe and equalization provisions;

— requires an entity to assess the adequacy of its insurance liabilities based on current estimates of future cash flows, and recognize any deficiency in profit or loss;

— precludes offsetting of insurance liabilities against related reinsurance assets; and

— precludes presentation of discretionary participation features separately from liabilities and equity.

LIFE INSURANCE ENTERPRISES — SPECIFIC ITEMS, Section 4211, ACCOUNTING GUIDELINE AcG-3, Financial Reporting by Property and Casualty Insurance Companies, ACCOUNTING GUIDELINE AcG-8, Actuarial Liabilities of Life Insurance Enterprises — Disclosure, and ACCOUNTING GUIDELINE AcG-9, Financial Reporting by Life Insurance Enterprises, deal more extensively with aspects of accounting by insurance enterprises than IFRS 4.

Disclosure

IFRS 4 requires disclosure of:

— information that identifies and explains the amounts in the insurer's financial statements arising from insurance contracts.

— information that helps users understand the amount, timing and uncertainty of future cash flows from insurance contracts.

Section 4211 requires detailed disclosure on life insurance investments including nature and significance of reinsurance and retrocession transactions and, for stock life insurance companies, that all disclosures separately detail the income derived from participating and non-participating business.

IFRS 5, NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Current developments: The IASB has a project to amend the definition of a discontinued operation to agree with that of an operating segment in IFRS 8. The AcSB plans to issue an exposure draft in a similar time frame to the IASB and will consider allowing early adoption prior to 2011.

Scope

IFRS 5 specifies the accounting for non-current assets (disposal groups) held for sale and the presentation and disclosure of discontinued operations. The measurement provisions do not apply to assets covered by other specified IFRSs.	The scope of DISPOSAL OF LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS, Section 3475, is converged with IFRS 5, except that Section 3475 scope is non-monetary long-lived assets versus non-current assets.

Assets held for sale

Non-current assets are classified as current assets when they are held for sale. A non-current asset is regarded as held for sale if its carrying amount will be recovered principally through a sale transaction, rather than through continuing use. When the entity is committed to a sale that results in a loss of control but maintains a non-controlling interest after the sale, all the assets and liabilities of the subsidiary are classified as held for sale. The asset must be available for immediate sale in its present condition, and the sale must be highly probable — requiring management commitment to sell, active marketing at a reasonable price, and the expectation of a sale within one year.	Section 3475 is converged with IFRS 5, except that reclassification to a current asset is only allowed when the enterprise has sold the assets prior to the date of completion of the financial statements and the proceeds of the sale will be realized within a year of the date of the balance sheet, or within the normal operating cycle if that is longer than a year.
Assets that are to be exchanged may be classified as held for sale when the exchange has commercial substance.	Section 3475 is converged with IFRS 5.
Assets that are to be abandoned are not classified as held for sale.	Section 3475 is converged with IFRS 5.
Assets held for sale are no longer depreciated. They are measured at the lower of fair value less costs to sell and carrying amount.	Section 3475 is converged with IFRS 5.

Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of or is	The first part of the definition in Section 3475 is converged with IFRS 5. However, the second

classified as held for sale. It may be a major line of business or geographical area of operations, or a subsidiary that was acquired exclusively for resale.	part is less restrictive, specifying that it may be a reportable segment, operating segment, reporting unit, subsidiary, asset group, or operation without long-lived or other assets.
Discontinued operations are presented separately in the statement of comprehensive income and the cash flow statement.	Section 3475 requires separate presentation in the income statement, but does not require disclosure of information on cash flows from discontinuing operations. Section 3475 requires presentation of pre-tax profits on the face of the income statement, which is not required by IFRS 5 (although it is not precluded).
Results of the statement of comprehensive income for prior periods are restated to segregate continuing and discontinuing assets and liabilities.	Section 3475 contains no similar requirement.

Disclosure

Disclosure consists of the following: — revenue, expenses and pre-tax profit; — gain or loss recognized on measurement to fair value, less costs to sell; — description of asset, and facts and circumstances leading to disposal; — segment in which the asset is reported under; and — net cash flows attributable to the operating, investing and financing activities of discontinued operations which is not required by Section 3475.	Disclosure consists of the following: — revenue and pretax profit or loss; — gain or loss on disposal and the caption in the income statement that it is included in, if not presented separately on the income statement; — gain or loss from an increase or write-down to fair value less cost to sell and the caption in the income statement that it is included in, if not presented separately on the income statement; — description of asset, and facts and circumstances leading to disposal if long-lived asset was disposed of other than by sale; — if a long-lived asset is disposed of by sale or is classified as held for sale, the expected manner and timing of the disposal and if not separately presented on the face of the balance sheet, the carrying amount(s) of the major classes of assets and liabilities included as part of a disposal group; and — if applicable, the segment in which the long-lived asset is reported under SEGMENT DISCLOSURES, Section 1701.

IFRS 6, Exploration for and Evaluation of Mineral Resources

Current Developments: The IASB has a research project in process.

Scope

IFRS 6 specifies the financial reporting for the expenditures incurred in exploration for and evaluation of mineral resources. It does not address the development or production phases of mineral resources. The IASB Framework and other sections would provide guidance for the development and production phases. Mineral resources include both oil and gas and mining.

ACCOUNTING GUIDELINE AcG-16, Oil and Gas Accounting — Full Cost, provides guidance on accounting for exploration and development costs by oil and gas companies that use full cost accounting. IMPAIRMENT OF LONG-LIVED ASSETS, Section 3063, applies to oil and gas companies that use the successful efforts method of accounting.

IFRS 6 temporarily exempts an entity from applying paragraphs 11 and 12 of IAS 8, "Accountng Policies, Changes in Accounting Estimates and Errors," (sources of authoritative requirements and guidance that management is required to consider in developing an accounting policy for an item if no IFRSs apply specifically to that item) to exploration and evaluation assets. Further, IFRS 6 varies the facts and circumstances under which exploration and evaluation assets must be tested for impairment from those in IAS 36, "Impairment of Assets," but requires that impairment be measured in accordance with that standard once it is identified.

PROPERTY, PLANT AND EQUIPMENT, Section 3061, IMPAIRMENT OF LONG-LIVED ASSETS, Section 3063, and "Accounting by Mining Enterprises for Exploration Costs," EIC-126, provide guidance on accounting for expenditures related to mining properties. ACCOUNTING GUIDELINE AcG-11, Enterprises in the Development Stage, provides guidance for both oil and gas and mining.

Recognition

The entity is to determine a policy specifying which expenditures are recognized as exploration and evaluation assets. The guideline for the development of the accounting policy is the degree to which expenditures can be associated with finding specific mineral resources.

An entity should classify exploration and evaluation assets as tangible or intangible according to the nature of the assets acquired.

Section 3061 allows exploration cost for a mining property to be recognized as an asset if the entity considers that such costs have the characteristics of property, plant and equipment. EIC-126 clarifies that an entity is not precluded from capitalizing exploration expense if the mineral reserves are not established objectively.

AcG-16 provides that all costs associated with property acquisition, exploration and development activities should be capitalized. Internal costs capitalized should be limited to those that can be directly identified with acquisition, exploration and development activities and exclude any costs related to production (lifting costs), general corporate

	overhead, and similar activities. These are similar to examples in IFRS 6 of what qualifies for exploration expense on unproved properties in the oil and gas industry. Exploration and evaluation costs are included in the definitions of oil and gas and of mineral properties, which are tangible properties in accordance with Section 3061.

Measurement

Exploration and evaluation assets are measured at cost.	Section 3061 requires all items capitalized as property plant and equipment, including capitalized exploration and evaluation costs, to be initially measured at cost.
After recognition, an entity applies either the cost model or revaluation model (IAS 16, "Property, Plant and Equipment," or IAS 38, "Intangible Assets") to the assets.	Revaluation is not permitted.
An entity classifies exploration and evaluation assets as tangible or intangible according to the nature of the assets acquired.	Exploration and evaluation costs are included in the definitions of oil and gas and of mineral properties, which are tangible properties in Section 3061.

Impairment

One or more of the following facts and circumstances suggest that the carrying amount exceeds the recoverable amount and that the asset should be tested for impairment: — exploration rights have expired or will expire; — no further substantive expenditures for exploration are budgeted or planned: — there has been no discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities; and — the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale. If the facts or circumstances suggest the carrying amount exceeds the recoverable amount the asset is tested for impairment in accordance with IAS 36, "Impairment of Assets," except that impairment may be tested for a group of cash-generating units rather than	Section 3063 discusses the process of testing for impairment of long-lived assets and the application to capitalized exploration and evaluation costs. AcG-11 addresses impairment in enterprises in the development stage. AcG-11 discusses the process of testing for impairment of long-lived assets and identifies the following as being relevant to recognizing when capitalized exploration and evaluation costs might be impaired: — unfavourable changes in the property or project economics; — an inability to access the site; — environmental restrictions on development; — an inability to create an efficient distribution mechanism; and — political instability of the region in which the property is located. AcG-16 impairment is tested at the cost centre

for a single cash-generating unit.	level. There should be one, and only one, cost centre for each country in which an enterprise has oil and gas activities.

Disclosure

An entity should disclose its accounting policies and the amounts of assets, liabilities, income and expense, and operating and investing cash flows arising from the exploration for and evaluation of mineral resources.	Section 3061 has no specific disclosure requirements for mining properties or oil and gas properties. AcG-11 provides guidance for entities in the development stage. AcG-16 requires disclosure, when planned principal operations in a cost centre have not commenced, of: — the fact that the activities in the cost centre are considered to be in the preproduction stage; — that all costs, net of revenues, have been capitalized; — the major uncertainties affecting recovery of costs; and — for each cost centre, net costs to date with respect to unproved properties, proved properties and other costs.

IFRS 7, FINANCIAL INSTRUMENTS: DISCLOSURE

Current developments: The IASB has a project to develop enhanced disclosures for liquidity and fair market value.

Scope

IFRS 7 applies to the same items as Section 3862, including pension obligations under defined benefit pension plans, but does not apply to obligations arising under insurance contracts that are addressed in IFRS 4, "Insurance Contracts."	FINANCIAL INSTRUMENTS — DISCLOSURES, Section 3862, and FINANCIAL INSTRUMENTS — DISCLOSURE AND PRESENTATION, Section 3861, are converged with IFRS 7, except that they do not include the scope exception in IFRS 7 concerning insurance contracts. For insurance contracts not applying Section 3862, Section 3861 can be applied. Regardless of the choice made between Section 3862 or 3861 for insurance contracts, ACCOUNTING GUIDELINE AcG-8, Actuarial Liabilities of Life Insurance Enterprises — Disclosure, also applies. Sections 3861 and 3862 do not apply to pension obligations of defined benefit pension plans. Section 3862 is converged with IFRS 7, except that IFRS 7 includes in the definition of financial instruments contracts that will or may be settled in the entity's own equity instruments and are non-derivatives for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments or derivatives that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Significance of financial instruments

For financial statement items, IFRS 7 requires detailed disclosure of the significance of financial instruments for the entity's financial position and performance.	Section 3862 is converged with IFRS 7.
For financial liabilities and loans and receivables at fair value, IFRS 7 requires the	Section 3862 is converged with IFRS 7 for financial liabilities and loans and receivables

disclosure of the amount of any change in the fair value due to credit risk change. Disclosure of the method used to determine the change in fair value due to credit risk is required. If the entity does not believe the method faithfully represents the fair value of the financial assets and liabilities the reasoning, and any factors contributing to this conclusion must be disclosed. For loans and receivables, disclosure of the maximum exposure to credit risk and the amount by which that risk is offset is required.	classified as held for trading.
For financial assets transferred but not qualifying for derecognition, IFRS 7 requires disclosure of the nature and carrying amount of those assets and an explanation of the risk and rewards of ownership that are still attributable to the entity.	Qualification for derecognition is determined by ACCOUNTING GUIDELINE AcG-12, Transfers of Receivables, for purposes of Section 3862. AcG-12 applies an approach that focuses on legal isolation and surrender of control. There is no partial derecognition; therefore, the assets requiring disclosure may be more limited than those under IFRS 7. Section 3862 otherwise requires similar disclosure.
For assets pledged as collateral, IFRS 7 requires disclosure of the carrying amount of the financial asset pledged and the terms and conditions of the pledge. When an entity holds collateral, required disclosure includes the fair value of the collateral held, sold or repledged and any obligation by the entity to repay the collateral.	Section 3862 is converged with IFRS 7, except that, unlike IFRS 7, Section 3862 does not require reallocation of financial assets pledged as collateral when the transferee of the financial assets has the right to sell or pledge the transferred assets and, therefore, disclosure of such a situation under Canadian GAAP will not occur.
When there has been a default during the period of principal, interest, sinking fund or redemption of terms of a loan payable, IFRS 7 requires disclosure of any remedy or renegotiation of the terms of the loan before the financial statements are "authorised for issue".	Section 3862 is converged with IFRS 7 on the treatment of defaults, except that the cut-off for the remedy or renegotiation of the loan is to the date the financial statements are "completed".
IFRS 7 requires a description of each type of hedge, the nature of the risks being hedged and the financial instruments designated as hedging instruments.	HEDGES, Section 3865, disclosure requirements for hedging transactions are more detailed than IFRS 7, including: — a description of the entity's risk management policy for each type of hedge including the objectives and strategies of holding derivatives, non-derivative financial assets and liabilities in the context of the entity's overall risk management profile; — detailed descriptions of the allocations of gains or losses within the financial

	statements; and — the estimated net amount of existing gains and losses reported in accumulated other comprehensive income that is expected to be reclassified to net income within the next twelve months.
When an entity does not measure its financial assets or liabilities at fair value, IFRS 7 requires disclosure of fair value information if it can be reliably measured.	Section 3862 reflects differences between IFRSs and Canadian GAAP relative to the test to determine whether a financial instrument should be measured at cost, rather than fair value. (The test under IFRSs is whether there is a quoted market price in an active market, i.e., whether fair value can be reliably measured. FINANCIAL INSTRUMENTS — RECOGNITION AND MEASUREMENT, Section 3855, test looks to the availability of a quoted market price in an active market in the case of equity instruments, and to the ability to reliably measure fair value in the case of derivatives linked to and required to be settled by delivery of equity instruments of another entity.) Section 3862 also reflects differences between IFRSs and Canadian GAAP relative to related party transactions and does not require fair value disclosures for certain financial instruments transferred or originated in a related party transaction. Entities qualifying for differential reporting are permitted not to provide certain fair value disclosures when fair values are not readily obtainable.

Risk disclosures

IFRS 7 requires disclosure of the nature and extent of risks arising from financial instruments that the entity is exposed to at the reporting date. The disclosures include qualitative descriptions of management’s objectives and policies and process for managing risks, and quantitative disclosures of the amount of exposure to the risk based on information provided internally to key management.	Section 3862 is converged with IFRS 7, except that Section 3862 has a scope exception for non-publicly accountable enterprises from the required disclosures relating to market risk.

Disclosures — insurance contracts

IFRS 7 does not address insurance contracts and IFRS 4 is not converged with Section 3861.	Section 3861 will remain in effect for disclosures about insurance contracts after FINANCIAL INSTRUMENTS – PRESENTATION, Section 3863 becomes effective for those enterprises that choose to use Section 3861. Section 3861 is not converged with IFRS 7.

IFRS 8, OPERATING SEGMENTS

Current developments: None.

Scope

IFRS	Canadian GAAP
IFRS 8 applies only to listed entities and those in the process of listing.	SEGMENT DISCLOSURES, Section 1701, applies to listed entities (including those in the process of preparing for a public offering), co-operative business enterprises, deposit-taking institutions and life insurance enterprises.

Definition of segment

IFRS	Canadian GAAP
The definition of segment is based on the "management approach" (i.e., the way that management organizes the components within the enterprise for making operating decisions and assessing performance).	Section 1701 is converged with IFRS 8.

Segment accounting policies

IFRS	Canadian GAAP
Enterprises should report segment information on the basis established for reporting to the chief operating decision maker, disclose the basis adopted and provide a reconciliation to consolidated profit or loss before income taxes and discontinued operations.	Section 1701 is converged with IFRS 8, except that IFRSs do not recognize extraordinary items and Section 1701 requires reconciliation to extraordinary items.

Segment revenue, segment expense, segment assets and segment liabilities

IFRS	Canadian GAAP
Segment results and segment assets are determined on the basis established for reporting to the chief operating decision maker.	Section 1701 is converged with IFRS 8, except that IFRS 8 requires disclosure of segment liabilities. Section 1701 does not require the disclosure of segment liabilities but it does not preclude it.

Information about a major customer

IFRS	Canadian GAAP
IFRS 8 requires disclosure of the extent of reliance on major customers, (i.e., those comprising 10 percent or more of an enterprise's total revenues). The total revenues from each such customer and the segment(s) affected should also be disclosed.	Section 1701 is converged with IFRS 8.

Vertically integrated segments

IFRS 8 requires separate disclosure of vertically integrated segments if that is how they are managed.	Section 1701 is converged with IFRS 8.

Segment disclosure

IFRS 8 requires the following disclosures by segment: interest revenue, interest expense, unusual items, and income tax benefit or expense.	Section 1701 is converged with IFRS 8, except that Section 1701 also requires the disclosure of extraordinary items.

Canadian standards with no corresponding IFRS

A number of sources of Canadian generally accepted accounting principles (GAAP) have no corresponding requirements in IFRSs. The following summarizes those Accounting Handbook Sections and Accounting Guidelines that have no corresponding requirements in IFRSs. However, there are also other primary sources of GAAP such as Abstracts of Issues Discussed by the Emerging Issues Committee (EIC Abstracts), Background Information and Basis for Conclusions documents and Implementation Guides authorized by the AcSB, which establish additional aspects of Canadian GAAP, not addressed in IFRSs. These are not dealt with in this document. However, the table of concordance at the beginning of this comparison identifies which EIC Abstracts relate to topics addressed in particular IFRSs.

For publicly accountable enterprises, it is the AcSB's intention to eliminate all of these standards on convergence with IFRSs. IFRSs, as issued by the IASB, will be Canadian GAAP for publicly accountable enterprises.

For private companies, a modified form of existing Canadian GAAP will be maintained. The strategy for not-for-profit organizations is still being assessed.

SECTION 1300, DIFFERENTIAL REPORTING

Current Developments: The IASB issued an Exposure Draft proposing an IFRS for Small and Medium-sized Entities (SMEs)]. The AcSB has created an Advisory Committee to develop Canadian financial reporting standards for private enterprises that use the existing Canadian GAAP as a base.

Section 1300 establishes the principles for the use of differential reporting options by certain profit-oriented enterprises in financial statements prepared in accordance with generally accepted accounting principles. The main features are:

— A profit-oriented enterprise qualifies for differential reporting when it is a non-publicly accountable enterprise and its owners (voting and non-voting) unanimously consent.

— A qualifying enterprise should select which of the differential reporting options set out in a standard, Accounting Guideline or Abstract of Issue Discussed by the Emerging Issues Committee to apply in preparing its financial statements.

— The selection of the differential reporting options establishes the basis for preparing a qualifying enterprise's financial statements within generally accepted accounting principles and should be consented to in writing by all of the owners prior to the

There is no corresponding IFRS. However, the IASB is presently undertaking a project to consider accounting for small and medium-sized enterprises.

date of completion of the financial statements. — When a qualifying enterprise applies differential reporting options, it should disclose in its summary of accounting policies the fact that its financial statements have been prepared in accordance with differential reporting requirements and identify in the financial statements the differential reporting options it has applied.	

SECTION 1625, COMPREHENSIVE REVALUATION OF ASSETS AND LIABILITIES

Current developments: None.

Section 1625 establishes accounting standards for the comprehensive revaluation of assets and liabilities. The main features are:

- The prohibition of revaluations unless one of the following conditions is met:
  - all or virtually all of the equity interests have been acquired, in one or more transactions between unrelated parties, by an acquirer who controls the enterprise after the transaction or transactions; or
  - an enterprise has been subject to a financial reorganization, and the same party does not control the enterprise before or after the reorganization.

  In either case, the new costs need to be reasonably determinable.
- When the conditions for a comprehensive revaluation are met as a result of a financial reorganization, a revaluation of assets and liabilities is required. The revaluation is optional, however, when the conditions are met as a result of the acquisition of an enterprise.

There is no corresponding IFRS that explicitly addresses this topic.

SECTION 1800, UNINCORPORATED ENTERPRISES

Current developments: None.

Section 1800 establishes disclosure standards for businesses that are not entities separate from their owners. The main features are:

— requirements to disclose:

— the name under which the business is conducted and the name(s) of the owners;

— the fact that the business is unincorporated and that the statements do not include all the assets, liabilities, revenues and expenses of the owners;

— information about salaries, interest or similar items accruing to owners; and

— a statement setting out details of changes in owners' equity.

No provision for income taxes is made in the financial statements of the business when income is taxed directly to the owners.

There is no corresponding IFRS.

SECTION 3805, INVESTMENT TAX CREDITS

Current developments: None.

Canadian GAAP	IFRS
Section 3805 establishes the accounting for investment tax credits — government assistance related to specific qualifying expenditures that are prescribed by tax legislation and that are received as a reduction in income taxes or by other means. The main features are: — Investment tax credits are accounted for using the cost reduction approach (i.e., in a manner similar to government grants) recognized in income on the same basis as the related expenditures are charged to income — either deducted from the related expenditures, or set up as deferred credits and amortized to net income on the same basis as the related expenditures. — Investment tax credits are accrued when the enterprise has made the qualifying expenditures, provided there is reasonable assurance that the credits will be realized.	There is no corresponding IFRS.

SECTION 3841, ECONOMIC DEPENDENCE

Current developments: None.

Section 3841 requires disclosure and explanation of economic dependence when the ongoing operations of a reporting enterprise depend on a significant volume of business with another party.	There is no corresponding IFRS.

SECTION 4250, FUTURE-ORIENTED FINANCIAL INFORMATION

Current developments: None.

Section 4250 establishes standards for measurement, presentation and disclosure of future-oriented financial information when presented for external users of financial information in the format of general purpose financial statements or in such special purpose format as agreed by the parties. The main features are:

- use of assumptions appropriate in the circumstances;
- limitation of the future period to that for which information can be reasonably estimated;
- use of accounting policies expected to be used in preparing historical financial statements for the future period, except when otherwise agreed for special purpose future-oriented financial information;
- presentation of at least an income statement; and
- disclosure of:
  - a cautionary note that actual results may vary from information presented;
  - the fact that information is a forecast or projection;
  - the effective date of assumptions, the extent to which actual financial results are incorporated and whether the entity intends to update the information;
  - significant assumptions;
  - changes in accounting policies; and
  - the identity of intended users, purpose of preparation and caution that may not be appropriate for other purposes.

There is no corresponding IFRS.

4400 SERIES, NOT-FOR-PROFIT ORGANIZATIONS

Current developments: The AcSB is considering its strategy for not-for-profit organizations.

Seven Handbook Sections apply only to not-for-profit organizations. All other Sections of the Handbook also apply to not-for-profit organizations, unless otherwise stated. FINANCIAL STATEMENT PRESENTATION BY NOT-FOR-PROFIT ORGANIZATIONS, Section 4400 Section 4400 establishes presentation and disclosure standards for financial statements of not-for-profit organizations. Section 4400 incorporates the concept of fund accounting, including the prescribed method of presenting inter-fund transfers. Section 4400 defines "'residual" element in the statement of financial position as "net assets" rather than equity. Externally restricted resources are disclosed as "deferred contributions" that are presented in the statement of financial position outside of net assets. CONTRIBUTIONS — REVENUE RECOGNITION, Section 4410 Section 4410 establishes standards for the recognition, measurement, presentation and disclosure of contributions, and related investment income, by not-for-profit organizations. Not-for-profit organizations are required to follow either the deferral method or the restricted fund method of accounting for contributions. The restricted fund method prescribes the accounting treatment for restricted funds, endowment funds and general funds.	IFRSs do not explicitly address not-for-profit organizations.
Section 4410 requires all not-for-profit organizations to measure contributions at fair value. It allows an enterprise to choose to recognize contributions of materials and services.	Under IAS 16, "Property, Plant and Equipment," for non-monetary transactions, organizations are not allowed to choose whether to recognize a transaction.

CONTRIBUTIONS RECEIVABLE, Section 4420	
Section 4420 establishes standards for the recognition and disclosure of contributions receivable, including pledges and bequests, by not-for-profit organizations. Not-for-profit organizations are required to recognize contributions receivable when the amount to be received can be reasonably estimated and collection is reasonably assured. Disclosure of the amount of pledges and bequests recognized as assets and the amount recognized as revenue is required.	The difficulty in determining whether an organization can or will control access to the benefit of a pledge may result in the transaction not meeting the definition of an asset under IFRSs.
CAPITAL ASSETS HELD BY NOT-FOR-PROFIT ORGANIZATIONS, Section 4430	
Section 4430 establishes standards for the recognition, measurement, presentation and disclosure of capital assets by not-for-profit organizations. Small not-for-profit organizations may limit the application of Section 4430 to certain required disclosures about capital assets if the total average annual revenue recognized in the statement of operations in the current and preceding periods is less than $500,000.	IFRSs do not allow an exception from applying a standard based on a size test and therefore not recognizing the assets.
COLLECTIONS HELD BY NOT-FOR-PROFIT ORGANIZATIONS, Section 4440	
Section 4440 establishes disclosure standards for collections such as works of art, historical treasures, or similar assets, held by not-for-profit organizations. The collections are excluded from the scope of Section 4430. Capitalization of collections is not precluded, but it is not required. Not-for-profit organizations are required to disclose a description of the collection and the accounting policies followed along with certain information about changes in the collection.	IAS 16, “Property, Plant and Equipment,” requires capitalization of such assets.

REPORTING CONTROLLED AND RELATED ENTITIES BY NOT-FOR-PROFIT ORGANIZATIONS, Section 4450	
Section 4450 establishes standards for the presentation and disclosure of controlled, jointly controlled, significantly influenced and other related entities in the financial statements of not-for-profit organizations (NFPOs). Section 4450 permits NFPO's to either consolidate a controlled NFPO or provide prescribed disclosures. When the NFPO controls a for-profit enterprise, the NFPO can either consolidate the enterprise or equity account for its investment with prescribed disclosures.	IFRSs require consolidation based on control within the business context.
DISCLOSURE OF RELATED PARTY TRANSACTIONS BY NOT-FOR-PROFIT ORGANIZATIONS, Section 4460	Application of IAS 24, "Related Party Disclosures," is likely to be similar to Section 4460.
The requirements of Section 4460 are essentially the same as the disclosure requirements of RELATED PARTY TRANSACTIONS, Section 3840, except that Section 4460 contains the concept of "economic interest" for purposes of establishing a related party relationship.	

ACCOUNTING GUIDELINE AcG-7, THE MANAGEMENT REPORT

Current developments: None.

AcG-7 provides guidance on the minimum content of a management report that acknowledges management's responsibility for financial information.	There is no corresponding IFRS.

ACCOUNTING GUIDELINE AcG-18, INVESTMENT COMPANIES

Current developments: None.

AcG-18 provides guidance on the determination of whether an enterprise is an investment company, the measurement by an investment company of its investments, and when a parent company of, or equity method investor in, an investment company should account for the investment company's investments in a manner consistent with the accounting by the investment company. The main features are:

— An investment company accounts for all of its investments at fair value, with changes in fair value included in net income for the period in which the change occurred.

— The parent company of, or equity method investor in, an investment company accounts for the investment company's investments at fair value only if the investment company is a separate legal entity whose primary business activity for the period is investing, or the investment company is an individual class of securities of a mutual fund corporation.

AcG-18 also specifies certain disclosures.

IFRSs contain no exception from consolidation for investments of an investment company.

By using the fair value option available in accordance with IAS 39 (see above), the same measurement could be achieved. IAS 27, "Consolidated and Separate Statements," permits an investor to measure investments in associates at cost or in accordance with IAS 39, "Financial Instruments: Recognition and Measurement." IFRSs do not address the accounting in a parent company or equity method investor.

ACCOUNTING GUIDELINE AcG-19, DISCLOSURES BY ENTITIES SUBJECT TO RATE-REGULATION

Current developments: None

AcG-19 requires disclosures by entities subject to rate regulation to better inform financial statement users about the existence, nature and effects of all forms of rate regulation. The required disclosures fall into the following categories:

— General information facilitating an understanding of the nature and economic effects of rate regulation —This includes a description of the nature and extent of the rate-regulated operations, the identity of the rate-setting authority, the type of regulation in effect, and the process by which the entity's rates are approved. This information is required even when rate regulation has not affected the manner in which an entity accounts for transactions and events.

— Additional information when rate regulation has caused an entity to account for a transaction or event differently than it would in the absence of rate regulation — This includes the specific financial statement items affected, how each item has been reflected in the financial statements and how it would have been reflected in the absence of rate regulation. Additional details are required when a separate asset or liability has been recognized solely as a result of the effects of rate regulation.

AcG-19 does not address recognition and measurement issues associated with the accounting for rate-regulated operations, and applies regardless of the accounting policies selected by an entity for its rate-regulated operations.

IFRSs do not specifically address rate-regulated operations and, therefore, include no corresponding disclosure requirements.