



Deloitte's digest
An overview of
standard-setting activities



April 30, 2012

At a time when it has become a difficult task to keep up to date with the recent developments in standard-setting activities, the Deloitte Digest presents a useful single source of reference for current financial reporting developments.

Table of Contents

Summary by standard	1
Abbreviations, a list of most commonly used acronyms	13
Additional resources	14
Contacts, our experts network is available for your questions	15

Summary by standard

From time to time, standard-setters and regulators issue new rules and standards that affect your financial reporting. This document briefly describes these pronouncements and other regulatory and professional developments and indicates their effective date, transition application and entities affected.

At the time of publication, the external links included in this page were active. However, if the documents on the hosting site have been subsequently modified, moved or archived, these external links may no longer work. If you need to locate a specific document and/or external site listed on this page that is no longer active, please contact us.

Table of contents

Summary by standard	1
Proposed standards.....	2
AcSB Annual Improvements (2012)	3
AcSB Section 3462, Employee Future Benefits ^{UPDATED}	5
Projects	7
AcSB Agriculture.....	8
AcSB Consolidations ^{UPDATED}	9
AcSB Joint Arrangements ^{UPDATED}	11
Abbreviations, a list of most commonly used acronyms	13
Additional resources	14
Contacts, our experts network is available for your questions	15

Proposed standards



AcSB Annual Improvements (2012)

Comment period ends on June 1, 2012

Proposed standard: The proposed amendments affect the following 5 standards: Section 1520, *Income Statement*; Section 1582, *Business Combinations*; Section 1590, *Subsidiaries*; Section 1651, *Foreign Currency Translation*; and Section 3051, *Investments*.

Proposed effective date: The AcSB expects to issue the final Handbook amendments in the fourth quarter of 2012. The amendments will be effective for years beginning on or after January 1, 2013. Earlier application will be permitted.

Published by: AcSB

Last updated: March 2012

Applicable to: Private enterprises (and to not-for-profit organizations applying the standards in Part III; it will also apply to certain pension plans applying the standards in Part IV).

Recent activities:

On March 8, 2012, the AcSB issued for comment an ED of Annual Improvements (2012) to its Private Enterprise Standards. These amendments would also apply to not-for-profit organizations using the accounting standards in Part III.

In summary

Main features of the proposals

The following summarizes the proposed amendments:

Income Statement, Section 1520

Section 1520 identifies the items to be presented separately in the income statement as well as items that may be either presented separately in the income statement or disclosed in the notes to the financial statements. Section 1520 is a compilation of the requirements of other standards; it does not include any additional requirements. The proposed amendment eliminates inconsistencies between Section 1520 and other standards in Part II of the Handbook.

Business Combinations, Section 1582

Section 1582 requires acquisition-related costs to be expensed, with the exception of the costs to issue equity securities that are recognized in accordance with Section 3610, *Capital Transactions*. A business acquisition may be financed through the issuance of debt or equity securities. The proposed amendment extends the exception to the general requirement to expense acquisition costs to the cost of issuing debt securities, and requires those costs to be recognized in accordance with Section 3856, *Financial Instruments*.

Subsidiaries, Section 1590

Section 1590 provides an accounting policy choice for an entity to consolidate its subsidiaries or to account for them using either the cost or equity methods. There is no guidance on the accounting for acquisition costs or contingent consideration when the entity's subsidiaries are accounted for using the cost or equity methods. The AcSB decided that the initial accounting for a subsidiary should be the same, regardless of which accounting policy choice is selected for subsequent periods. Consequently, the proposed amendments require accounting for acquisition costs and contingent consideration for subsidiaries accounted for using the cost or equity methods that is consistent with the requirements in Section 1582. The proposals require acquisition costs for subsidiaries accounted for using the cost or equity methods to be expensed, except for costs to issue debt or equity securities. The proposals also require contingent consideration to be measured at fair value at the date of acquisition and accounted for as part of

the investment in the subsidiary. In subsequent periods, contingent consideration is also measured on the same basis as required in Section 1582.

Foreign Currency Translation, Section 1651

The proposed amendments to Section 1651, *Foreign Currency Translation*, remove an inconsistency with Section 1602, *Non-controlling Interests*, when an entity's interest in a self-sustaining foreign operation changes. Section 1602 requires a change in a parent's interest in a consolidated subsidiary that does not result in a loss of control to be accounted for as an equity transaction. However, Section 1651 requires an appropriate part of the foreign exchange gains and losses accumulated in a separate component of shareholders' equity to be included in net income when there is a reduction in the net investment. The proposed amendments also clarify the accounting for foreign exchange gains and losses accumulated in a separate component of shareholders' equity for different scenarios involving a full or partial reduction in an entity's interest in a foreign operation.

Investments, Section 3051

Section 3051 does not provide guidance on the accounting for dilution gains and losses that result, for example, when an investee issues additional shares to third parties. The proposed amendment would require gains and losses resulting from the dilution of an entity's interest in an investee accounted for using the equity method to be recognized in income. This is consistent with the accounting for a gain or loss arising from the sale of a portion of an investment.

Available resources and links

- [Exposure Draft](#)

AcSB Section 3462, Employee Future Benefits ^{UPDATED}

Comment period ends on May 25, 2012

Proposed standard: A new Section 3462, *Employee Future Benefits*, to replace the existing Section 3461, *Employee Future Benefits*

Proposed effective date: The AcSB plans to issue the final standard in a package with other major improvements to accounting standards for private enterprises in late 2013. The effective date of the standards included in these improvements would be no earlier than fiscal years beginning on January 1, 2014.

Published by: AcSB

Last updated: April 2012

Applicable to: Private enterprises (and to not-for-profit organizations applying the standards in Part III; it will also apply to certain pension plans applying the standards in Part IV).

Recent activities:

In April 2012, the AcSB Staff issued a FAQ in respect of this ED.

On January 24, 2012, the IASB has issued an exposure draft which proposes to replace Section 3461, *Employee Future Benefits*, with a new Section 3462, *Employee Future Benefits*, as part of its first major improvements to accounting standards for private enterprises.

In summary

The main features of the changes proposed are as follows:

- Recognition
 - The defined benefit liability (asset) would be recognized in the balance sheet. This amount is the defined benefit obligation less the fair value of plan assets, if any, adjusted for any valuation allowance in the case of a net asset. Deferral of a portion of actuarial gains and losses and past service costs, and their amortization in future periods, would not be permitted. Consequently, all changes from remeasuring the defined benefit liability (asset) would be recognized immediately in income.
- Measurement
 - A defined benefit obligation for which an appropriate funding valuation has been prepared would be measured using either that funding valuation or a separate valuation for accounting purposes. The same accounting policy choice would be applied to all such plans.
 - Plan assets and the defined benefit obligation would be measured as at the balance sheet date, instead of within a three-month measurement date window prior to the balance sheet date as permitted under the current “deferral and amortization approach”. (Measurement of the obligation may take place at an earlier date and then be updated to reflect the obligation at the balance sheet date.)
 - The expected rate of return on plan assets is not included in the proposals as a result of eliminating the “deferral and amortization approach”. The actual return on plan assets would be included in the determination of defined benefit cost for the period. Administration costs for the management of plan assets would be deducted from the actual return on plan assets.
 - The present value of economic benefits for purposes of the limit on the carrying amount of a defined benefit asset would be calculated using the discount rate for measuring the

obligation, instead of the expected rate of return on plan assets.

- Disclosure
 - Disclosure of remeasurements and other items would be required, unless these were separately presented on the face of the income statement. Remeasurements are actuarial gains and losses, the difference between the return on plan assets and the return calculated using the discount rate used to determine the plan obligation, and the effect of any valuation allowance for a defined benefit asset. Other items consist of past service costs, and gains and losses arising from settlements and curtailments.
 - Disclosure would also be required of the effective date of the most recent actuarial valuation as well as whether a funding or accounting valuation was used, and any change in the actuarial method used in determining the defined benefit obligation.
- Transitional provisions
 - Retrospective application would be required in accordance with Section 1506, *Accounting Changes*. However, benefit costs capitalized as part of the cost of assets in prior years would not have to be restated. Specific proposals to simplify transition are provided for a change in the measurement date for plan assets and the defined benefit obligation.
- Consequential amendments
 - Consequential amendments to other requirements in Section 3461 and to other Sections in Parts II and III of the Handbook have been included in the proposals

Available resources and links

- [Exposure Draft](#)
- [AcSB Staff FAQ \(April 2012\)](#)
- [AcSB Project Summary](#)

Projects



AcSB Agriculture

Proposed changes: This is part of the AcSB's Major Improvements Project 2011-2013. The purpose of this part of the project is to develop an accounting standard for agricultural activities.

Next steps: The AcSB plans to issue a discussion paper in late 2012. The final new standard will be issued as part of a package in late 2013. It is expected that the effective date of the new standard will be no earlier than fiscal years beginning on January 1, 2014.

Published by: AcSB

Last updated: March 2012

Applicable to: Private enterprises

Recent activities

At the March 20-21, 2012 meeting of the AcSB this project was discussed, including an intention to issue a discussion paper for comment in late 2012.

At its March 2011 meeting, the AcSB agreed to include this project in its first major improvements to Part II of the Handbook.

In summary

Background

When accounting standards for private enterprises set out in Part II of the Handbook were being developed, stakeholders noted that one important topic not addressed in Canadian GAAP was accounting for agricultural activity. Agriculture is a significant industry in Canada. Because of the lack of accounting standards addressing the unique aspects of agriculture, there is diversity in accounting practices. The AcSB noted stakeholders' concern on this issue, but recognized that it would not be possible to develop a new standard on this topic in the timeframe for issuing new accounting standards for private enterprises.

Activities to Date

The AcSB's Private Enterprise Advisory Committee reviewed whether there were areas not adequately addressed by accounting standards for private enterprises. The Committee felt that there is a significant need for standards on agricultural activity. At its March 2011 meeting, the AcSB agreed to include this project in its first major improvements to Part II of the Handbook.

Next Steps

The AcSB staff is commencing a project to develop standards for agricultural activities. The process will include a review of current practices, relevant accounting standards in other jurisdictions and consultations with financial statement users, preparers and advisors in the agriculture sector. The Private Enterprise Advisory Committee will be consulted on an ongoing basis.

The AcSB plans to issue an exposure draft on this topic in 2012. The final standard will be issued as part of major improvements to Part II in late 2013. It is expected that the effective date of the standards will be no earlier than fiscal years beginning on or after January 1, 2014.

Available resources and links

- [AcSB Decision Summary \(March 2011\)](#)
- [AcSB Project Summary](#)

AcSB Consolidations ^{UPDATED}

Proposed changes: This is part of the AcSB's Major Improvements Project 2011-2013. The purpose of this part of the project is to amend the guidance in Part II of the CICA Handbook – Accounting with respect to consolidation (including of variable interest entities) to be consistent with the recent IASB standard, IFRS 10, *Consolidated Financial Statements*.

Next steps: The AcSB plans to issue an exposure draft on this topic in Q4, 2012. The final new standard will be issued as part of a package in late 2013. It is expected that the effective date of the new standard will be no earlier than fiscal years beginning on January 1, 2014.

Published by: AcSB

Last updated: April 2012

Applicable to: Private enterprises

Recent activities

Per the AcSB website in April 2012, an ED is planned to be issued in Q4, 2012.

At its meeting on March 20-21, 2012, the AcSB noted that it agreed with the Private Enterprise Committee's assessment that AcG-15, *Consolidation of Variable Interest Entities*, often requires significant effort to apply and is inconsistent with the more recent guidance in IFRS 10, *Consolidated Financial Statements*. To address these concerns, the AcSB tentatively decided to develop guidance in Section 1590, *Subsidiaries*, on how to determine whether an enterprise controls another entity through a mechanism other than voting rights. That guidance would be based on the language in the IASB's IFRSs for SMEs and consistent with the principles in IFRS 10. The AcSB asked staff to work with the Private Enterprise Committee to develop this draft guidance.

On January 24, 2012, the AcSB has issued a questionnaire that seeks feedback from preparers, practitioners, advisors and users to assist with its Consolidation project for private enterprises. Completed questionnaires are requested by January 30, 2012.

At its March 2011 meeting, the AcSB agreed to include this project in its first major improvements to Part II of the Handbook.

In summary

Background

In developing accounting standards for private enterprises the AcSB recognized that the accounting for variable interest entities often required significant effort to determine whether an enterprise had a variable interest in another entity and, if so, whether to consolidate that entity. As discussed in the Background Information and Basis for Conclusions for accounting standards for private enterprises, the AcSB noted that an international project on consolidations was underway. The AcSB also noted that the issue was not a pervasive concern to all private enterprises, that an enterprise could avoid this issue by preparing non-consolidated financial statements. Consequently it decided to retain AcG-15, *Consolidation of Variable Interest Entities*, in the initial set of accounting standards for private enterprises and consider whether private enterprise standards should include similar guidance to that in the international standard once that was finalized.

The International Accounting Standards Board (IASB) is expected to issue a new International Financial Reporting Standard (IFRS) on consolidations in the second quarter of 2011. This new IFRS will include a single approach to consolidation of controlled entities that is less complex to apply to variable interest entities.

Activities to Date

The AcSB's Private Enterprise Advisory Committee has reviewed the IASB's proposals for determining which entities should be included in consolidated financial statements. Accounting standards for private enterprises provide accounting policy options that do not require consolidation of controlled entities. Nevertheless, some lenders and other users of financial statements require financial statements to be prepared on a consolidated basis. The Committee thought that the forthcoming IFRS would improve consolidation accounting by private enterprises, particularly with regard to variable interest entities. Therefore, it recommended to the AcSB that a similar standard be included in accounting standards for private enterprises. At its March 2011 meeting, the AcSB agreed to include this project in its first major improvements to Part II of the Handbook.

Next Steps

In consultation with the Committee, the AcSB staff will review the final IFRS, once it is issued, to determine if any simplifications or other modifications should be considered to make the standard more useful for private enterprises.

The AcSB plans to issue an exposure draft on this topic in 2012. The final standard will be issued as part of major improvements to Part II in late 2013. It is expected that the effective date of the standards will be no earlier than fiscal years beginning on or after January 1, 2014.

Available resources and links

- [AcSB Decision Summary \(March 2012\)](#)
- [AcSB Questionnaire \(January 2012\)](#)
- [AcSB Decision Summary \(March 2011\)](#)
- [AcSB Project Summary](#)

AcSB Joint Arrangements ^{UPDATED}

Proposed changes: This is part of the AcSB's Major Improvements Project 2011-2013. The purpose of this part of the project is to consider amending Section 3055, *Interests in Joint Ventures*, in the light of IFRS 11, *Joint Arrangements*.

Next steps: The AcSB plans to issue an exposure draft on this topic in Q4, 2012. The final standard will be issued as part of major improvements to Part II in late 2013. It is expected that the effective date of the standards will be no earlier than fiscal years beginning on or after January 1, 2014.

Published by: AcSB

Last updated: April 2012

Applicable to: Private enterprises

Recent activities

Per the AcSB website in April 2012, an ED is planned to be issued in Q4, 2012.

At its meeting on March 20-21, 2012, the AcSB continued its discussion of recommendations from its Private Enterprise Committee and agreed that an enterprise should account for its interest in a joint venture in accordance with its rights and obligations arising from the joint arrangement, consistent with the principles in IFRS 11, *Joint Arrangements*.

At its meeting on November 8, 2011, the AcSB tentatively decided that an entity should account for its interest in a joint arrangement according to the nature of its interest in the assets and liabilities of that joint arrangement. If the joint arrangement consists of jointly controlled assets or jointly controlled operations, the entity should account separately for its interest in each of the assets and liabilities of the joint arrangement. An interest in a jointly controlled enterprise should be accounted for as a single asset using either the cost or the equity method. The AcSB requested the staff to seek the input of the Private Enterprise Advisory Committee on how this tentative decision can be implemented in the standards for private enterprises.

At its July 2011 meeting, the AcSB agreed to include this project in its first major improvements to Part II of the Handbook.

In summary

Background

Section 3055, *Interests in Joint Ventures*, in Part II of the CICA Handbook – Accounting permits an entity to make an accounting policy choice to use cost, the equity accounting method or proportionate consolidation in accounting for interests in joint ventures. This accounting policy choice is the continuation of a differential reporting option that has been in the pre-changeover standards in Part V of the Handbook for several years and was not reconsidered when accounting standards for private enterprises were first developed.

The use of proportionate consolidation to account for an interest in a jointly controlled enterprise results in the venturer's balance sheet including individual assets that it does not control and liabilities for which it has no direct obligation. The cash flow statement includes cash inflows and outflows to which the venturer does not have direct access. The use of either equity method accounting or cost for an interest in a jointly controlled asset or a jointly controlled operation results in information about individual assets and liabilities and cash flows of the venturer not being recorded in its financial statements.

Activities to Date

In May 2011, the IASB issued IFRS 11 *Joint Arrangements*. The AcSB's Private Enterprise Advisory Committee reviewed IFRS 11 and agreed that this addresses the issues noted above and would be a suitable basis for an accounting standard for private enterprises. At its July 2011 meeting, the AcSB agreed to include a project to replace Section 3055 in its first major improvements to Part II of the Handbook.

Next Steps

In consultation with the Committee, the AcSB staff will review IFRS 11 to determine if any simplifications or other modifications should be considered to make the standard more useful for private enterprises.

The AcSB plans to issue an exposure draft on this topic in 2012. The final standard will be issued as part of major improvements to Part II in late 2013. It is expected that the effective date of the standards will be no earlier than fiscal years beginning on or after January 1, 2014.

Available resources and links

- [AcSB Decision Summary \(March 2012\)](#)
- [AcSB Decision Summary \(November 2011\)](#)
- [AcSB Decision Summary \(July 2011\)](#)
- [AcSB Project Summary](#)

Abbreviations, a list of most commonly used acronyms

AASB	Auditing and Assurance Standards Board
AASOC	Auditing and Assurance Standards Oversight Council
AcSB	Accounting Standards Board
ASC	Alberta Securities Commission
AMF	Autorité des marchés financiers
BCSC	British Columbia Securities Commission
CAS	Canadian Auditing Standard
CPRB	Canadian Performance Reporting Board
CSA	Canadian Securities Administrators
DP	Discussion Paper
ED	Exposure Draft
EIC	Emerging Issues Committee
FAQ	Frequently Asked Questions
FRE	Federally Regulated Entities
OSC	Ontario Securities Commission
OSFI	Office of the Superintendent of Financial Institutions Canada
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IAASB	International Auditing and Assurance Standards Board
IASC	International Accounting Standards Committee
IFAC	International Federation of Accountants
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
IIROC	Investment Industry Regulatory Organization of Canada
IPSASB	International Public Sector Accounting Standards Board
ISA	International Standard on Auditing
ITC	Invitation to Comment
PSAB	Public Sector Accounting Board
SOP	Statement of Principles

Additional resources

The following Deloitte resources will assist you in maintaining your financial literacy throughout the year. To obtain more information about any of these resources, please communicate with your Deloitte partner or one of our contacts listed at the end of the publication.

Thought Leadership

Centre for Corporate Governance

This Web site is specifically designed to help board members with their responsibilities. It provides the latest information on regulatory and legislative developments, accounting and financial reporting, board roles and responsibilities, and best practices.

(www.CorpGov.Deloitte.ca)

Deloitte IFRS e-Learning Program for Directors™

This learning program provides the flexibility of individual self-study, with the option of group sessions facilitated by a Deloitte IFRS professional.

(http://www.corpgov.deloitte.com/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/CanEng/Page%20Copy/Financial%20Reporting/IFRS/IFRS_eLearningForDirectors.pdf)

Financial Reporting Assessment Tools

Comprehensive assessment tools to help management and Directors determine whether or not their organizations' financial statements and other financial filings meet all of the continuous disclosure obligations.

(<http://www.corpgov.deloitte.com/site/CanEng/self-assessments-tools-and-other-resources/financial-reporting-tools/>)

Periodicals

IFRS in Focus

We publish *IFRS in Focus* newsletters at the time of release of new and revised Standards and Interpretations, Exposure Drafts and discussion documents, including summaries of the documents and consideration of the principal amendments/proposals.

(<http://www.iasplus.com/en/tag-types/global-publications/ifrs-in-focus-newsletters>)

DeloitteLINK

A weekly e-newsletter that helps you stay on top of standard-setting initiatives.

(<http://www.corpgov.deloitte.com/site/CanEng/deloitte-periodicals/deloittelink/>)

Deloitte Update

Our new live webcast series featuring our professionals discussing critical issues that affect your business.

(<http://www.corpgov.deloitte.com/site/CanEng/financial-reporting/deloitte-update/>)

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This document serves merely as a summary; for more detailed information, readers should consult the original document. No measures should be taken without prior consultation with your professional advisor.

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