

7. Will private enterprises eventually be required to adopt IFRSs?

There are no plans to adopt an IFRS-based approach to financial reporting standards for private enterprises. A separate and distinct Canadian set of standards will exist as long as there is a legitimate need for such a system. There will be a comprehensive evaluation of accounting standards for private enterprises approximately five years after adoption, to assess the effectiveness of the standards in continuing to meet the evolving needs of private enterprises.

8. How can I learn more?

As the recognized leaders in providing guidance and education in applying standards, Chartered Accountants are uniquely positioned to support the business community in managing the transition to accounting standards for private enterprises. The Chartered Accountants of Canada website provides a full range of information and learning opportunities.

www.cica.ca/PE

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New accounting standards developed specifically for Canadian private enterprises have been published. These new standards will be effective for years beginning on or after January 1, 2011. Early adoption is permitted.

New Accounting Standards for Private Enterprises: What does it mean to you?

After extensive cross-Canada consultation, the Accounting Standards Board has issued new “made-in-Canada” financial reporting standards designed specifically for private enterprises. These robust new accounting standards address the needs of the users and the fact that private enterprises generally have limited resources to apply complex accounting standards.

Private enterprises have a decision to make: to adopt these new standards, or to adopt International Financial Reporting Standards (IFRSs). Discuss which option best meets your needs with your Chartered Accountant.

Questions you may be asking:

1. Why is Canada adopting new accounting standards for private enterprises?

Stakeholders have long pushed for standards that better reflect the specific needs of private enterprises and their financial statement users. The Accounting Standards Board, working with stakeholders, created standards that are simplified, yet meet the needs of this sector. In essence, these new standards are based on the existing CICA Handbook – Accounting, with improvements to address past complexities.

2. What companies are affected by the change to new accounting standards?

All private enterprises that currently follow Canadian GAAP will be required to adopt either the new standards or IFRSs. Private enterprises that do not currently file Canadian GAAP compliant financial statements may want to consider the benefits of adopting these new private enterprise accounting standards and producing GAAP financial statements.

3. What are the major differences between new private enterprise accounting standards and existing Canadian GAAP?

Notable changes include simplification in areas that were identified as being overly complex, such as financial instruments, asset retirement obligations, employee future benefits, income taxes, stock-based compensation, investments and joint ventures. The new standards also significantly reduce the burden of note disclosure requirements.

A new section (Section 1500, First-time Adoption) requires private enterprises to adopt the standards retrospectively, and provides alternatives for specific situations where retrospective application may be difficult or costly.

4. When do the new accounting standards for private enterprises come into effect?

The new standards come into effect for years beginning on or after January 1, 2011. The existing standards may continue to be used by private enterprises with calendar year-ends until 2011 or until fiscal 2012 for those with non-calendar year-ends. The standards are available for early adoption beginning with 2009 calendar year-end financial reporting.

5. Are there advantages to early adoption?

Enterprises that have transactions or issues that would benefit from the less complex accounting standards or reduced disclosures may be interested in considering early adoption. For example, an organization may benefit from simplifications related to financial instruments, defined benefit plans, or other areas.

6. Can I adopt some of the new private enterprise standards and some IFRSs?

Combining the two sets of standards is not an option; an enterprise cannot create a hybrid of different sets of standards and still call the result GAAP. A choice must be made to follow either IFRSs or the new accounting standards for private enterprises.

