

2018 Changes to Part I – AcSB Due Process – Endorsement Activities

Foreword

During 2018, the Accounting Standards Board (AcSB) endorsed and incorporated into Part I of the CPA Canada Handbook – Accounting (Handbook) new or amended IFRS[®] Standards issued by the International Accounting Standards Board (IASB).

The AcSB has approved for publication this document summarizing the endorsement activities it carried out as part of its due process in support of the changes made to the IFRS Standards in Part I during 2018. This document does not reference IFRS 17 *Insurance Contracts*. Due to the extensive outreach that the AcSB did before the endorsement of IFRS 17, a separate document, the AcSB Due Process – Endorsement Activities, was completed and issued into the Handbook in August 2018.

The IASB[®] Basis for Conclusions document for each IFRS Standard includes the IASB's rationale for developing or amending the standard, as well as the factors and considerations that informed its conclusions on the related technical issues. While the AcSB considered this information as part of its endorsement activities, this document does not replicate the information in the IASB's Basis for Conclusions.

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INTRODUCTION

- 1 During 2018, the Accounting Standards Board (AcSB) approved and incorporated into Part I of the CPA Canada Handbook – Accounting (Handbook) new or amended IFRS[®] Standards issued by the International Accounting Standards Board (IASB). Due to the extensive outreach that the Board did before the endorsement of IFRS 17 *Insurance Contracts*, a separate document, the AcSB Due Process – Endorsement Activities, was completed and issued into the Handbook in August 2018. This document summarizes the endorsement activities the Board carried out as part of its due process. A separate document speaks more generally to the due process the Board follows in setting financial reporting standards, including the due process specifically related to IFRS Standards. 1
- 2 Nothing in this document overrides the requirements of the Handbook.
- 3 As part of its due process, the IASB issues a basis for conclusions for each new or amended IFRS Standard that sets out its considerations in reaching its conclusions (including its technical decisions) on that standard. Stakeholders can refer to the IASB[®] Basis for Conclusions 2 to understand the considerations for the changes to the IFRS Standards summarized in this document. The AcSB took into account these considerations as part of its endorsement activities.

BACKGROUND

IFRS Standards as an element of Canadian GAAP

- 4 Part I consists of IFRS Standards 3 except for the *IFRS for SMEs*[®] Standard. 4 For purposes of this document, any reference to IFRS Standards is exclusive of the SMEs Standard. The Preface to the Handbook sets out the categories of Canadian financial reporting entities required or permitted to apply IFRS Standards.
- 5 Part I contains IFRS Standards in effect for annual periods beginning on January 1 each year. IFRS Standards issued but not yet effective on a mandatory basis are provided in a separate section. Part I is updated to incorporate new or amended IFRS Standards that the AcSB has endorsed and incorporated into Canadian GAAP after completing its due process activities. To ensure the completeness of Part I, AcSB endorsement activities are completed as soon as possible after the IASB issues a new or amended standard.

THE AcSB'S DUE PROCESS – ENDORSING IFRS STANDARDS

- 6 Newly issued new or amended IFRS Standards are not part of Canadian GAAP until the AcSB has endorsed and incorporated them into Part I of the Handbook. As the national standard setter for Canada, the Board has the authority to incorporate new or amended IFRS Standards into Canadian GAAP and does so only after performing its endorsement activities.
- 7 The AcSB's endorsement activities consist of both assessing the due process activities the IASB undertook and applying its own due process. Specifically, it performs the following three steps before reaching a conclusion on whether a new or amended IFRS Standard is appropriate for application in Canada, and whether the Board should endorse and incorporate it into the Handbook:

Step 1: Gain an understanding of the new or amended IFRS Standard

- 8 AcSB members learn about new guidance from the IASB long before a final new or amended IFRS Standard is issued. They are made aware of new IASB projects and the IASB's preliminary views on issues significant to Canada through:
- (a) updates from the AcSB staff, who monitors the IASB's activities throughout the project's life; and
 - (b) reports from the AcSB Chair and Director on their participation in international meetings with the IASB and other standard setters.
- The AcSB deliberates the topics that are the subject of the IASB's projects during AcSB meetings, discussing the IASB's tentative and final decisions as appropriate given the topic, and the extent and significance of the proposed changes.
- 9 By maintaining a strong global presence on the international stage, the AcSB goes beyond simply understanding new or amended IFRS Standards, to actually influencing their development. The Board influences IFRS Standards development by:
- (a) raising awareness to its stakeholders;
 - (b) providing opportunities for stakeholders to make their views known;
 - (c) responding to documents for comment on the IASB's proposals; and
 - (d) leveraging round tables and other discussions.
- 10 Once the IASB issues a new or amended standard, AcSB members receive copies. AcSB members also receive accompanying material helpful to understand the standard (e.g., the IASB's Basis for Conclusions, implementation guidance and illustrative examples). Building on knowledge gained from these activities, members familiarize themselves with the

requirements of the new or amended standard through self-study and a review of additional information the Board staff provides. Depending on the nature and complexity of the new or amended standard, the Board's review occurs as part of its formal deliberations, or it is performed offline (i.e., outside Board meetings).

- 11 The staff provides additional information, including a précis of the standard and summaries of:

- (a) comments made by Canadians and the AcSB on the relevant IASB exposure draft;
- (b) key changes the IASB made to the proposals in its exposure draft; 5 and
- (c) possible challenges to Canadians in applying the new or amended standard.

The staff also informs members, in general terms, on the degree to which the new or amended standard produces common financial reporting outcomes with U.S. GAAP.

Step 2: Assess the IASB's due process in developing the new or amended IFRS Standard

- 12 The IASB issues IFRS Standards according to its own rigorous due process. To rely on the IASB's due process, the AcSB has put in place procedures to fulfill its responsibilities under its Terms of Reference. On a project-by-project basis, the AcSB staff does the following:

- (a) Monitors the IASB's activities to ensure that the IASB is following its due process. For example, the staff may:
 - (i) read its meeting agenda papers;
 - (ii) monitor its meeting discussions;
 - (iii) review other project-related material on its website; and
 - (iv) discuss issues with IASB members and staff highlighting for the Board the results of these activities.
- (b) Reviews documentation on the IASB's and the IFRS Foundation Due Process Oversight Committee's assessment of whether the IASB has met its due process for the project. In most cases, the Committee's meeting reports include a direct statement on whether the IASB has complied with due process.
- (c) Raises to the Board any potential areas of concern.

- 13 When asking the AcSB to vote on whether a new or amended IFRS Standard should be endorsed and incorporated into Part I, the staff provides its assessment of whether there are any indications that the IASB has not met its due process requirements.

- 14 When casting their vote, each AcSB member is required to record whether they are satisfied that the IASB has followed its due process appropriately.

Step 3: Evaluate whether the requirements of the new or amended IFRS Standard are appropriate for application in Canada

- 15 The AcSB's due process requires that it obtain stakeholders' views on proposed changes to Canadian GAAP. For Part I, the Board meets this requirement, in part, by publishing its own "wraparound" exposure draft of the IASB's exposure draft of the proposed IFRS Standard. In its exposure draft, the AcSB notes that the IASB has followed due process in developing the proposals and asks stakeholders for input on whether the proposed new or amended standard is appropriate for application in Canada.

- 16 The AcSB considers the need for additional outreach depending on the topic, and the extent and significance of the proposed changes. Additional outreach may include the following:

- (a) Seeking input from its advisory committees.
- (b) Holding public round tables on the IASB's proposals.
- (c) Performing other outreach activities, including meetings with affected stakeholder groups or individuals.
- (d) Leveraging its international network to provide opportunities for Canadian stakeholders to meet face to face with IASB members and staff to discuss key issues.

The Board may decide such additional activities are necessary when, for example, it judges the proposals to be particularly complex or controversial based on stakeholder input received to date.

- 17 The AcSB reviews all stakeholder input, including responses to its wraparound exposure draft, and considers these concerns based on what is in the Canadian public interest. The Board identifies any Canadian circumstances that could affect its conclusion on whether a new or amended IFRS Standard is appropriate for application in Canada and should be endorsed and incorporated into the Handbook.

- 18 The AcSB considers the information obtained through these three steps to decide whether there is a compelling reason why a standard that the IASB developed and adopted in accordance with its due process would not be suitable for application in Canada. The Board endorses the standard for incorporation into Part I where, in its judgment, no such reason exists.

- 19 The AcSB monitors new or amended standards after they are incorporated into Part I to ensure that no issues arise, calling into question their suitability in Canada. It does this through:
- (a) consultations with stakeholders;
 - (b) its IFRS Discussion Group 6;
 - (c) its Insurance Transition Resource Group (for IFRS 17) 7; and
 - (d) participation in IASB post-implementation reviews of new standards.

DOCUMENTING ENDORSEMENT ACTIVITIES

- 20 The AcSB issues a due process summary to communicate the actions taken and the considerations that Board members deemed significant in deciding to endorse and incorporate into Canadian GAAP new and amended IFRS Standards. The Board may decide to issue a single (omnibus) document for all changes to Part I resulting from the endorsement and incorporation of new and amended IFRS Standards during a year.
- 21 Due process summaries that the AcSB issues do not reproduce the documentation it used to understand each new or amended IFRS Standard incorporated into Part I. IASB material AcSB staff used to facilitate that understanding is available on the IASB's website. This includes:
- (a) IASB Updates;
 - (b) documents for comment;
 - (c) project summaries;
 - (d) feedback statements; and
 - (e) comment letters from Canadians and the AcSB (see paragraph 11).

Instead, the Board's due process summaries focus on Steps 2 and 3 of its due process and the activities it has performed in deciding to endorse and incorporate each new or amended IFRS Standard into Canadian GAAP.

2018 CHANGES TO PART I

- 22 During 2018, the AcSB made changes to Part I to incorporate new or amended IFRS Standards the IASB issued. The Appendix summarizes the Board's endorsement activities for each change. Responses to its wraparound exposure drafts that simply reproduce the respondent's comment letter to the IASB are not reflected in the Appendix. The IASB considered the points raised as part of its due process.

APPENDIX

New or amended IFRS Standards incorporated into Part I in 2018

Summary of AcSB due process – endorsement activities by standard

Date issued by the IASB	Step 2: Assess the IASB's due process in developing the new or amended IFRS Standard	Step 3: Evaluate whether the requirements of the new or amended IFRS Standard are appropriate for application in Canada		Date issued in Part I
	AcSB review of IASB due process compliance	AcSB Exposure Draft corresponding to IASB Exposure Draft	Other outreach activities	
IAS 19 <i>Employee Benefits</i> (amendments regarding plan amendment, curtailment or settlement)				
February 2018	At its November 2017 meeting, the IFRS Foundation's Due Process Oversight Committee discussed a paper updating the due process for the IASB's standard-setting activities, including these amendments. The update reported that, at its September 2017 meeting, the IASB confirmed that it was satisfied it had complied with that all due process steps. The Committee's November	AcSB Exposure Draft issued June 2015 – no responses. Information demonstrating the completion of Step 3 reviewed by the AcSB as part of the March 2018 balloting material.	Additional outreach was done with stakeholders that have expertise in employee benefits, including individuals representing audit firms and benefit consulting firms.	April 2018

	2017 notes confirmed that it was satisfied that all due process requirements were met for all projects.			
Annual Improvements to IFRS Standards (2015–2017 Cycle) (i.e., narrow-scope amendments clarifying or correcting particular aspects of existing IFRS Standards) affecting: IFRS 3 <i>Business Combinations</i> , IFRS 11 <i>Joint Arrangements</i> , IAS 12 <i>Income Taxes</i> and IAS 23 <i>Borrowing Costs</i> .				
December 2017	At its November 2017 meeting, the IFRS Foundation's Due Process Oversight Committee discussed a paper that updated the due process for the IASB's standard-setting activities, including these amendments. The update reported that, at its September 2017 meeting, the IASB confirmed that it was satisfied that it had complied with all due process steps. The Committee's November 2017 notes confirmed that it was satisfied that all due process requirements were met for all projects.	AcSB Exposure Draft issued December 2015 – no responses. Information demonstrating the completion of Step 3 reviewed by the AcSB as part of the February 2018 balloting material.	Due to the nature of the amendments, targeted outreach was performed with audit firm stakeholders.	April 2018
The <i>Conceptual Framework for Financial Reporting</i> (not a standard; however the <i>Framework</i> is included in Part I and went through similar due process steps as other amendments).				
March 2018	At its May 2017 meeting, the IFRS Foundation's Due Process Oversight Committee received a presentation on the due process steps completed in the Conceptual Framework project. It demonstrated that the IASB had complied with the requirements of its Due Process Handbook through the work done to complete the project. The Committee's May 2017 notes confirmed that it was satisfied that all due process requirements were met.	AcSB Exposure Draft issued August 2015 – no responses. Information demonstrating the completion of Step 3 reviewed by the AcSB as part of the August 2018 balloting material.	Conceptual Framework Discussion Group (Multiple meetings from May 2015- November 2015), User Advisory Council (June 2015) Academic Advisory Council (June 2015).	October 2018
IFRS 3 (Definition of a Business)				
October 2018	At its November 2017 meeting, the IFRS Foundation's Due Process Oversight Committee discussed a paper that updated the due process for the IASB's standard-setting activities, including these amendments. The update reported that, at its October 2017 meeting, the IASB confirmed that it was satisfied that it had complied with all due process steps. The Committee's November 2017 notes confirmed that it was satisfied that all due process requirements were met for all projects.	AcSB Exposure Draft issued June 2016 – 1 response. Response summary and other information demonstrating the completion of Step 3 reviewed by the AcSB as part of the October 2018 balloting material.	IFRS Discussion Group (September 2016).	December 2018

Footnotes

1. The AcSB Due Process Manual describes the Board's process for endorsing IFRS Standards.
2. The AcSB has undertaken to add to Part I certain basis for conclusions documents and other non-authoritative material issued by the IASB to accompany a particular IFRS Standard. The Board is doing so in phases, beginning with non-authoritative material relating to complex standards that have taken or will take effect soon. As of June 2019, all non-authoritative material the IASB issued to accompany IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers*, IFRS 16 *Leases*, IFRS 17 *Insurance Contracts* and *The Conceptual Framework for Financial Reporting* has been added.
3. The term "IFRS Standards" includes IFRS Standards as issued by the IASB, International Accounting Standards (IAS[®] Standards) as issued by the IASB's predecessor, the Board of the International Accounting Standards Committee, and adopted by the IASB upon its inception, and Interpretations developed by the IFRS Interpretations Committee (previously named the International Financial Reporting Interpretations Committee (IFRIC) or its predecessor, the Standing Interpretations Committee (SIC)).
4. The *IFRS for SMEs* Standard is a self-contained standard the IASB designed to meet the needs and capabilities of small and medium-sized entities. The AcSB decided against endorsing the *SMEs* Standard for application by private enterprises. Instead, the Board developed the accounting standards for private enterprises set out in Part II of the Handbook.
5. The IASB redeliberates its proposals in accordance with its due process after considering comments received from the public, including those from Canadians. As part of its redeliberation process, the IASB considers whether changes to its proposals are necessary, and where changes are made, whether re-exposure is necessary. As a result of the summaries described in paragraphs 11(a)-(c), the AcSB knows about the key issues Canadians raised and the results of IASB redeliberations pertaining to those issues.
6. The IFRS Discussion Group is chaired by an AcSB member, who provides feedback directly to the Board.
7. The Insurance Transition Resource Group is chaired by an AcSB member, who provides feedback directly to the Board.

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