

2017 Changes to Part I – AcSB Due Process Activities

Foreword

During 2017, 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 2017.

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 led it to conclude as it did on the technical issues relating to the standard. This document does not replicate that information.

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INTRODUCTION

- During 2017, 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). This document summarizes the endorsement activities carried out by the AcSB 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
- Nothing in this document is to be taken as overriding 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.

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 *IFRS for 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 a national standard setter, 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 carried out by the IASB 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) periodic updates from the AcSB staff, who monitors the IASB's activities throughout the project's life; and
 - (b) reports back from the AcSB Chair and Director on their participation in international meetings with the IASB and other standard setters.
- The Board discusses the IASB's tentative and final decisions about the project 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 AcSB influences IFRS Standards development by raising awareness, providing opportunities for stakeholders to make their views known, responding to documents for comment on the IASB's proposals and leveraging round tables and other discussions.
- 10 Once the IASB issues a new or amended standard, AcSB members receive copies, as well as accompanying material helpful to understand the standard, such as the IASB's basis for conclusions document, implementation guidance and illustrative examples. Building on knowledge gained from the activities described above, members familiarize themselves with the requirements of the new or amended standard through self-study and a review of additional information the AcSB staff provides. Additional information includes a précis of the standard and summaries of:
- (a) the comments made by Canadians and the Board 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.
- 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

- 11 The IASB issues IFRS Standards according to its own rigorous due process. To be able 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, staff may read its meeting agenda papers, monitor its meeting discussions, review other project-related material on its website and discuss issues with IASB members and staff.

- (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 Due Process Oversight 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.
- 12 When asking the Board to vote on whether a new or amended IFRS Standard should be endorsed and incorporated into Part I, the staff provides their assessment of whether there are any indications that the IASB has not met its due process requirements.
- 13 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**
- 14 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.
- 15 The Board 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.
- The AcSB 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.
- 16 The AcSB reviews all input, including responses to its wraparound exposure draft, to identify any unique 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. Any concerns raised by stakeholders are considered based on what is in the Canadian public interest.
- 17 The AcSB considers the information obtained through these three steps to decide whether there is any 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 AcSB endorses the standard for incorporation into Part I where, in its judgment, no such reason exists.
- 18 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 consultations with stakeholders and its IFRS Discussion Group, 6 as well as participation in IASB post-implementation reviews of new standards.

DOCUMENTING ENDORSEMENT ACTIVITIES

- 19 The AcSB issues a due process summary to communicate the actions taken and the considerations that Board members deemed significant in reaching their decisions 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.
- 20 This document does not reproduce the various summaries and other documentation used by the AcSB to gain an understanding of each new or amended IFRS Standard incorporated into Part I. IASB material used by staff to facilitate that understanding (e.g., IASB Updates, documents for comment, project summaries and feedback statements) is available on the IASB's website, as are some of the sources of the information contained in the AcSB staff summaries listed in paragraph 10 (e.g., comment letters from Canadians and the AcSB). Instead, this document focuses on Steps 2 and 3 of the Board's due process and the activities it has performed in coming to a conclusion to endorse and incorporate each new or amended IFRS Standard into Canadian GAAP.

2017 CHANGES TO PART I

- 21 During 2017, 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 because the IASB considered the points raised as part of its due process.

APPENDIX

New or amended IFRS Standards incorporated into Part I in 2017

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	
IFRS 4 <i>Insurance Contracts</i> (amendments regarding applying IFRS 9 <i>Financial Instruments</i> with IFRS 4 <i>Insurance Contracts</i>)				
September 2016	<p>At its October 2015 meeting, the Due Process Oversight Committee approved a shorter than normal comment period for the IASB's Exposure Draft, based on the urgency of the issues raised in the document and the fact that proposals would affect a limited range of entities.</p> <p>The Committee's May 2016 meeting report notes that it was satisfied that all the due process requirements had been met for this project.</p>	AcSB Exposure Draft issued January 2016 – 2 responses. Response summary and other information demonstrating the completion of Step 3 reviewed by the AcSB as part of the October 2016 balloting material.	User Advisory Council (November 2015) Insurance Accounting Task Force (December 2015, January 2016) Stakeholder consultations	January 2017
IFRS 9 <i>Financial Instruments</i> (amendments regarding prepayment features with negative compensation)				
October 2017	<p>At its January 2017 meeting, the Due Process Oversight Committee approved a shorter than normal comment period for the IASB's Exposure Draft, based on the urgency of the issues raised in the document and the fact that the matter was narrow in scope. The IASB's May 2017 Agenda Paper to the Committee provided an update on the due process activities for the IASB's standard-setting activities, including this project. The Committee's May 2017 meeting report notes that it was satisfied that all the due process requirements had been met for all projects.</p> <p>At its meeting of November 2017, the Committee discussed a complaint alleging a breach of due process. The complaint related to the IASB's decision to include a discussion of why standard-setting action was not required on a matter unrelated to these amendments (i.e., the accounting, under IFRS 9, for modifications and exchanges of financial liabilities that do not result in derecognition) in the Basis of Conclusions for these amendments. The AcSB had previously raised similar concerns to the IASB, which the IASB considered as part of its redeliberations before concluding that due process requirements had been met. The Committee's November 2017</p>	AcSB Exposure Draft issued April 2017 – no responses. Information demonstrating the completion of Step 3 reviewed by the AcSB as part of the October 2017 balloting material.	Stakeholder consultations	November 2017

	meeting report notes that it was satisfied that all the due process requirements had been met for this project. 7			
IAS 28 <i>Investments in Associates and Joint Ventures</i> (amendments regarding long-term interests in associates and joint ventures)				
October 2017	The IASB's September 2017 report to the Due Process Oversight Committee notes that all due process requirements had been met for this project. The Committee's November 2017 meeting report notes that it was satisfied that all the due process requirements had been met for all projects.	AcSB Exposure Draft issued February 2017 – no responses. Information demonstrating the completion of Step 3 reviewed by the AcSB as part of the October 2017 balloting material.		November 2017
IAS 40 <i>Investment Property</i> (amendments regarding transfers of investment property)				
December 2016	At its October 2016 meeting, the Due Process Oversight Committee discussed an Agenda Paper that provided an update on the due process activities for the IASB's standard-setting activities, including this project. The update notes that the IASB confirmed that it was satisfied that it had complied with all due process steps. The Committee's October 2016 meeting report notes that it was satisfied that all the due process requirements had been 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 January 2017 balloting material.	Stakeholder consultations	March 2017
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i> (new)				
December 2016	At its October 2016 meeting, the Due Process Oversight Committee discussed an agenda paper that provided an update on the due process activities for the IASB's standard-setting activities, including this project. The update notes that the IASB confirmed that it was satisfied that it had complied with all due process steps. The Committee's October 2016 meeting report notes that it was satisfied that all the due process requirements had been met for all projects.	AcSB Exposure Draft issued November 2015 – 1 response. Response summary and other information demonstrating the completion of Step 3 reviewed by the AcSB as part of the January 2017 balloting material.	Stakeholder consultations	March 2017
IFRIC 23 <i>Uncertainty over Income Tax Treatments</i> (new)				
June 2017	The IASB's May 2017 Agenda Paper to the Due Process Oversight Committee provided an update on the due process activities for the IASB's standard-setting activities, including this project. The Committee's November 2017 meeting report notes that it was satisfied that all the due process requirements had been met for all projects.	AcSB Exposure Draft issued November 2015 – 1 response. Response summary and other information demonstrating the completion of Step 3 reviewed by the AcSB as part of the July 2017 balloting material.	IFRS Discussion Group (December 2015) User Advisory Council (December 2015)	September 2017

Annual Improvements to IFRS Standards (2014–2016 Cycle) (i.e., narrow-scope amendments clarifying or correcting particular aspects of existing IFRS Standards) affecting: IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> ; IFRS 12 <i>Disclosure of Interests in Other Entities</i> ; and IAS 28 <i>Investments in Associates and Joint Ventures</i>				
December 2016	At its October 2016 meeting, the Due Process Oversight Committee discussed an Agenda Paper that provided an update on the due process activities for the IASB's standard-setting activities, including this project. The update notes that the IASB confirmed that it was satisfied that it had complied with all due process steps. The Committee's October 2016 meeting report notes that it was satisfied that all the due process requirements had been met for all projects.	AcSB Exposure Draft issued December 2015 – 1 response. Response summary and other information demonstrating the completion of Step 3 reviewed by the AcSB as part of the January 2017 balloting material.		March 2017

Footnotes

1. The AcSB Due Process Handbook describes the AcSB'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 AcSB is doing so in phases, beginning with non-authoritative material relating to complex standards that have taken or will take effect soon. As of March 2018, all non-authoritative material the IASB issued to accompany IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* 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 designed by the IASB to meet the needs and capabilities of small and medium-sized entities. The AcSB decided against endorsing the *IFRS for 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 10(a)-(b), 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 AcSB.
7. The AcSB is satisfied that the IASB considered the concerns expressed about the accounting for modifications and exchanges of financial liabilities that do not result in derecognition, and the approach to include a discussion on this matter in the Basis for Conclusions for these unrelated amendments. However, as the accounting discussed and confirmed in the Basis for Conclusions is likely to change Canadian practice in this area, the Board took steps to promote awareness of the change. The IFRS Discussion Group discussed it and related application issues at its meetings of May 30, 2017, and January 10, 2018, the AcSB Chair spoke to it in webinars and presentations, and other mechanisms, including the Board's website, were used to communicate the change.

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