

# IFRS® STANDARDS—APPLICATION AROUND THE WORLD



## JURISDICTIONAL PROFILE: **Canada**

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This Profile provides information about the application of IFRS Standards in Canada. IFRS Standards are developed and issued in the public interest by the International Accounting Standards Board (the Board). The Board is the standard-setting body of the IFRS® Foundation, an independent, private sector, not-for-profit organisation.

This Profile has been prepared by the IFRS Foundation based on information from various sources. The starting point was the answers provided by standard-setting and other relevant bodies in response to a survey that the Foundation conducted on the application of IFRS Standards around the world between August and December 2012. The Foundation drafted the profile and invited the respondents to the survey and others (including regulators and international audit firms) to review the drafts, and their comments are reflected.

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### RELEVANT JURISDICTIONAL AUTHORITY

Organisation	Canadian Accounting Standards Board (AcSB)
Role of the organisation	<p>The AcSB is the recognised standard-setting body for financial reporting standards in Canada. In that capacity, it promulgates the standards that constitute generally accepted accounting principles in Canada (Canadian GAAP). The AcSB endorses individual new and amended IFRS Standards for adoption in Canada as Canadian GAAP for publicly accountable enterprises.</p> <p><a href="#"><u>National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards</u></a> promulgated by the Provincial securities regulators prescribes the accounting standards that must be used by companies whose securities trade in a public market in Canada. With a few exceptions, financial statements of such companies must be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises (IFRS Standards) and must disclose:</p> <ul style="list-style-type: none"> <li>• in the case of annual financial statements, an unreserved statement of compliance with IFRS Standards, and</li> <li>• in the case of an interim financial report, an unreserved statement of</li> </ul>

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## COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards?

Yes.

Has the jurisdiction made a public commitment towards IFRS Standards as that single set of high quality global accounting standards?

Yes.

What is the jurisdiction's status of adoption?

Canada adopted IFRS Standards for most 'publicly accountable enterprises' for financial years beginning on or after 1 January 2011. As of 2015, Canadian GAAP for all publicly accountable enterprises is IFRS Standards, although regulators provide an option for those filing in the United States and for rate-regulated companies to apply US GAAP, rather than Canadian GAAP.

Additional comments provided on the adoption status?

'Publicly accountable enterprises' are entities, other than not-for-profit organisations, that have issued, or are in the process of issuing, debt or equity instruments that are, or will be, outstanding and traded in a public market or hold assets in a fiduciary capacity for a broad group of outsiders as one of their primary businesses.

Mandatory adoption of IFRS Standards had been deferred by the AcSB for investment companies and segregated accounts of life insurance enterprises until 2014 and for entities with rate-regulated activities until 2015. Those deferrals were provided to give time for the Board to complete projects affecting those entities.

Following issuance of IFRS 10 *Consolidated Financial Statements*, the AcSB withdrew the deferrals for investment companies and segregated accounts of life insurance companies, and full IFRS Standards were required, for interim and annual financial statements relating to annual periods beginning on or after January 1, 2014.

Similarly, following issuance of IFRS 14 *Regulatory Deferral Accounts*, the AcSB withdrew the deferral for entities with rate-regulated activities, and full IFRS Standards were required, for interim and annual financial statements relating to annual periods beginning on or after January 1, 2015. The Canadian Securities Administrators provided an option for those registered with the United States Securities and Exchange Commission to apply US GAAP, rather than Canadian GAAP. However, in 2015 the Canadian Securities Administrators concluded that rate-regulated entities that are not registered with the US SEC may ask their Principal Provincial Regulator for an extension of their exemption from the requirement adopt IFRS Standards until 2019. To date, 23 Canadian rate-regulated entities have requested, and been granted, relief to use US GAAP until 2019.

Consequently, as of 2015 Canadian GAAP for all publicly accountable enterprises is IFRS Standards, although regulators provide options for (a) those

filing in the United States to apply US GAAP, rather than Canadian GAAP and (b) rate-regulated entities not filing in the United States to apply US GAAP until 2019.

#### July 2013 review of transition costs from Canadian GAAP to IFRS Standards

In July 2013, Financial Executives International (FEI) Canada published the findings of its research into the costs borne by Canadian companies in their transition from Canadian GAAP to IFRS. Overall, the study found that 'the majority of respondents to an online survey on the costs of transition to International Financial Reporting Standards (IFRS) in Canada said that overall, the costs were significant but manageable, and broadly in line with those planned for and expected'.

The report of the study may be found under 'IFRS' on the [Thought Leadership, Research Studies](#) section of FEI Canada's website.

If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Standards in the jurisdiction.

Not applicable.

## EXTENT OF IFRS APPLICATION

### *For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:*

Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Standards in their consolidated financial statements?

Yes.

If YES, are IFRS Standards REQUIRED or PERMITTED?

Required for most domestic companies whose securities are publicly traded and permitted for the others.

Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones?

IFRS Standards are required for all publicly accountable entities, except that Canadian securities regulators provide an option for publicly accountable entities whose securities are publicly traded in the United States and for rate-regulated companies to use US GAAP.

Are IFRS Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market?

Yes.

For instance, are IFRS Standards required or permitted in separate company financial statements of companies whose securities trade in a public market?

Required if separate company financial statements are published by a company whose securities trade in a public market; however such financial statements are not required and are rarely published.

For instance, are IFRS Standards required or permitted for companies whose securities do not trade in a public market?

Canadian private enterprises and not-for-profit organisations are permitted a free choice of adopting IFRS Standards or separate sets of Canadian standards developed specifically for those types of entities. When they choose to adopt IFRS Standards, there is no requirement to reconcile to the domestic standards.

If the jurisdiction currently does NOT require or permit the use of IFRS Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Standards for such companies in the future?

Not applicable.

***For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:***

Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Standards in their consolidated financial statements?	<p>IFRS Standards are required for foreign companies whose securities trade in a public market in Canada except as follows:</p> <ul style="list-style-type: none"> <li>• A non-Canadian company whose securities trade in a public market in Canada that is also a US SEC issuer has the option of applying US GAAP.</li> <li>• A non-Canadian company whose securities trade in a public market in Canada that is also a US SEC foreign issuer and that has 10% or less of its securities owned by residents of Canada may use accounting principles that meet the requirements for SEC Foreign Private Issuers, as defined for SEC purposes, provided the financial statements include a reconciliation to US GAAP.</li> <li>• Foreign issuers from jurisdictions designated by the Canadian Securities Regulators may use the accounting principles of their home jurisdiction without reconciliation to IFRS Standards.</li> </ul>
If YES, are IFRS Standards REQUIRED or PERMITTED in such cases?	Required in some cases, permitted in others, as described above.
Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones?	See details above.

**IFRS ENDORSEMENT**

Which IFRS Standards are required or permitted for domestic companies?	<p>IFRS Standards as issued by the Board, ie standards and amendments are adopted/endorsed as and when issued by the Board.</p> <p>The AcSB's standards and the regulations applicable to public companies and financial institutions mandate the use of 'IFRS as issued by the IASB'.</p>
The auditor's report and/or the basis of presentation footnotes states that financial statements have been prepared in conformity with:	<p>IFRS Standards.</p> <p>The regulatory requirement is to disclose compliance with 'IFRS' without the additional qualifier 'as issued by the IASB'. The regulation defines 'IFRS' as 'the standards and interpretations adopted by the International Accounting Standards Board, as amended from time to time' so, in Canada, 'IFRS' doesn't need the additional qualifying language. However, entities are not prohibited from adding the additional words 'as issued by the IASB'.</p>
Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Standards and the jurisdiction's GAAP)?	<p>Yes.</p> <p>Although Canadian GAAP for publicly accountable entities is IFRS Standards as issued by the Board, entities are permitted to disclose that they are in compliance with Canadian GAAP in addition to disclosing compliance with IFRS Standards.</p>
Are IFRS Standards incorporated into law or regulations?	Not individually, but IFRS Standards are authoritative without individual adoption because Canadian securities regulations require use of IFRS Standards. In effect, individual IFRS Standards are incorporated into Canadian

	securities regulations by reference.
If yes, how does that process work?	Not applicable.
If no, how do IFRS Standards become a requirement in the jurisdiction?	<p>The adoption of IFRS Standards was achieved by incorporating the standards into Part I of the CPA Canada Handbook–Accounting and making them part of Canadian GAAP. This process accorded IFRS recognition under the laws and regulations that govern financial reporting by Canadian entities. IFRS Standards were recognised simultaneously through the regulations and policies of the market and prudential regulators.</p> <p>The texts of the IFRS Standards are not incorporated into the texts of Canadian law and regulations; the standards are incorporated by reference into various laws automatically, either by direct reference to IFRS Standards or by way of a reference to the CPA Canada Handbook–Accounting. The texts of the IFRS are copied only into Part I of the CPA Canada Handbook–Accounting.</p>
Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Standards (including Interpretations) in place?	Yes.
If yes, what is the process?	<p>The AcSB's initial adoption of IFRS Standards and ongoing endorsement of new and amended IFRS Standards subsequently relies in part on the strength of the IFRS Foundation's Constitution and governance. It also relies on the quality of the Board's due process and its diligence in applying due process.</p> <p>Accordingly, the AcSB reviews changes to the Constitution, governance and due process, including commenting on proposals for improvements. The AcSB monitors the ongoing application of due process in each Board project and each IFRIC project and participates in that process in accordance with the 2006 <i>Statement of Best Practice: Working Relationships between the IASB Board and other Accounting Standard-Setters</i>.</p> <p>The AcSB encourages its stakeholders to participate in the Board's process for developing new and amended standards and facilitates direct contact with Board representatives through outreach activities. From these various activities, the AcSB gathers evidence as to the quality of the way in which the Board develops standards and, accordingly, the extent to which the AcSB can rely on the standards being of the highest quality.</p> <p>The initial adoption of IFRS Standards by the AcSB involved multi-year strategic planning and transition processes (see the strategic plan for 2006-2011). The processes culminated in three omnibus exposure drafts in 2008-2009 that exposed all of the then issued IFRS Standards.</p> <p>Subsequent to initial adoption, the AcSB issues its own 'wraparound exposure draft' for every exposure draft and draft interpretation issued by the Board and IFRIC. The wraparound exposure draft directs Canadian stakeholders to comment directly to the Board but also asks one question on which the AcSB solicits stakeholder input: 'The proposed standard has been developed by the IASB Board for application by entities around the world. Assuming the Exposure Draft proposals are approved by the IASB Board, do you believe that there are aspects of the proposed standard that make some or all of it inappropriate for Canadian entities, even though it is appropriate for entities in the rest of the world? If so, please specify which aspects and what circumstances make the accounting requirements proposed in the Exposure Draft inappropriate for Canadian entities.'</p> <p>As soon as possible following the Board's approval of a new or amended standard, the AcSB reviews the final steps in the Board's due process, including</p>

the review by the IFRS Foundation's Due Process Oversight Committee. It also considers the responses to its own wraparound exposure draft. The AcSB then approves the new material by written ballot, translates the text into French and publishes the English and French texts into the CPA Canada Handbook—accounting.

If no, how do new or amended IFRS Standards become a requirement in the jurisdiction?

Not applicable.

Has the jurisdiction eliminated any accounting policy options permitted by IFRS Standards and/or made any modifications to any IFRS Standards?

No.

If yes, what are the changes?

Not applicable.

Other comments regarding the use of IFRS Standards in the jurisdiction?

IFRS Standards are made available to the public by copying their texts into the CPA Canada Handbook – Accounting. The CPA Canada Handbook—Accounting is available free of charge to members of CPA Canada by way of a password-protected website ('Knotia'). The Handbook is available to anyone, for a charge, in the form of a Folio data base version on disk or as an annually printed bound volume. IFRS are also freely available to the general public in Canada in the form of the unaccompanied standards on an open website (the same as the unaccompanied standards on the IFRS Foundation's website), through a licensing arrangement with the IFRS Foundation.

## TRANSLATION OF IFRS STANDARDS

Are IFRS Standards translated into the local language?

Yes, they are translated into French, and the translation is co-ordinated by the IFRS Foundation.

If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Standards?

Translations into French are prepared by the professional translators of CPA Canada's Language Services Department in Montreal. The drafts are reviewed by bilingual professional accountants and passed through the IFRS Foundation's translation department and review committee before being finalised. All updates to standards, as well as exposure drafts, are translated as soon as possible after their issuance by the Board in English. The English text cannot be endorsed and issued by the AcSB without first being translated. Canadian law and the AcSB's policy effectively require that IFRS Standards be translated and issued on a timely basis to permit their adoption in practice by the effective date set by the Board.

## APPLICATION OF THE IFRS FOR SMEs STANDARD

Has the jurisdiction adopted the *IFRS for SMEs* Standard for at least some SMEs?

No.

If no, is the adoption of the *IFRS for SMEs* Standard under consideration?

No.

Did the jurisdiction make any modifications to the *IFRS for SMEs* Standard?

Not applicable.

If the jurisdiction has made any modifications, what are those modifications?

Not applicable.

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Which SMEs use the *IFRS for SMEs* Standard in the jurisdiction, and are they required or permitted to do so?

Not applicable.

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For those SMEs that are not required to use the *IFRS for SMEs* Standard, what other accounting framework do they use?

The AcSB has developed a separate financial reporting framework for private enterprises. Private enterprises may also choose Canadian GAAP for publicly accountable enterprises (ie IFRS Standards).

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Other comments regarding use of the *IFRS for SMEs* Standard?

Adoption of the *IFRS for SMEs* Standard has been considered but rejected. Constituents in the private enterprise sector in Canada preferred made-in-Canada standards tailored to their needs.

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