



IFRS Presentation and Disclosures Canadian Insurance Accountants Association

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This presentation ...

- Focuses on:
 - 2011 year-end IFRS presentation and disclosure requirements, and not on CGAAP vs. IFRS accounting differences
 - OSFI / FSCO regulated P&C insurers
- Includes example IFRS presentation and disclosures from public companies
 - All sample disclosures are publicly-available
- References to IFRS and IAS section requirements have been provided, in most cases, in red font.
- Is not meant to be a comprehensive discussion of all IFRS presentation and disclosure issues that will impact your organization

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IFRS 1

First-time Adoption of International Financial Reporting Standards



IFRS 1 - Requirements

- Entity's first year-end IFRS financial statements shall include **at least:**
 - 3 statements of financial position
 - Opening IFRS statement of financial position at date of transition to IFRS, current year-end, comparative year-end.
 - 2 statements of comprehensive income
 - 2 separate income statements (if presented separately)
 - 2 statements of cash flows
 - 2 statements of changes in equity
- (IFRS 1.21)*
- Note disclosures:
 - Statement of Financial Position disclosure – 3 sets of figures consistent with above
 - Comparative information disclosed for income statement related disclosures

IFRS 1 – Reconciliations and Disclosures

- At year-end, required to reconcile the following:

	Jan 1, 2010	Dec 31, 2010
Equity	X	X
Comprehensive Income		X

- Cash Flows: disclose material differences *(IFRS 1.25)*
- Impairment:
 - IAS 36 disclosures are required if, upon transition, an impairment loss is:
 - recognized, or
 - reversed *(IFRS 1.24(c))*
- Errors: Corrections of errors must be disclosed separately *(IFRS 1.26)*
- Disclosures for certain exemptions *(IFRS 1.29–31B)*

IFRS 1 – Reconciliations and Disclosures (continued)

Equity Reconciliation:

Reviewed equity reconciliations in Q1 2011 financial statements of 10 Canadian insurance companies:

- 6 reconciled Cdn GAAP equity to IFRS equity

See EGI Financial Q1 financial statements, page 15 for this type of reconciliation

- 4 provided a statement of financial position reconciliation

See Fairfax Q1 2011 financial statements, page 56 for this type of reconciliation

IFRS 1 – Reconciliations and Disclosures (continued)

Total Comprehensive Income Reconciliation:

Reviewed total comprehensive income reconciliations in Q1 2011 financial statements of 10 Canadian insurance companies:

- 7 reconciled Cdn GAAP total comprehensive income to IFRS total comprehensive income

See EGI Financial Q1 financial statements, page 15 for this type of reconciliation

- 3 provided a reconciliation of the statement of comprehensive income

See Intact Q1 2011 financial statements, page 38 for this type of reconciliation

IFRS 1 – Reconciliations and Disclosures (continued)

Cash Flow Disclosures:

- Reviewed cash flow disclosures in Q1 2011 financial statements of 10 Canadian insurance companies:

- Type of disclosure:

- Qualitative: 7

See Desjardins Q1 financial statements, Note 4, page 62 for qualitative disclosure

- Reconciliation: 1

See E-L Financial Q1 financial statements, page 47

- None: 2

- Material adjustments:

- Some identified: 5

- None identified: 5

IFRS 1 – Reconciliations and Disclosures (continued)

Impairment Disclosures:

- Sun Life and Fairfax included transition impairment disclosures in their Q1 2011 financial statements

Sun Life goodwill impairment disclosures, found in Note 2.B.iv on p. 47 & 48 of the Q1 2011 financial statements, have been included in the handouts for your reference

IFRS 1 - OSC Report on Q1 2011 Filings

Three Main Filing Deficiencies:

1. Missing IFRS 1 reconciliations
 - Required Q1 2011 reconciliations:

Equity	Total comprehensive income
January 1, 2010	Year ended December 31, 2010
March 31, 2010	3 months ended March 31, 2010
December 31, 2010	

(IFRS 1.24 & 32)

2. Missing opening IFRS statement of financial position
 - Require opening statement of financial position as at the transition date in the face of the FS *(IFRS 1.6)*
3. Missing statement of changes in equity
 - Require statement of changes in equity for the 3-month comparative period ended March 31, 2010 *(IAS 34.20(c))*

IFRS 1 – Exemptions and Exceptions

- Except for the **elective exemptions** and **mandatory exceptions**, an entity's first IFRS statement of financial position shall:
 - Recognize all assets and liabilities required by IFRS;
 - Not recognize items as assets or liabilities if not permitted by IFRS;
 - Reclassify items that are recognized as a different type of asset, liability or component of equity by IFRS; and
 - Apply IFRS in measuring all recognized assets and liabilities.

(IFRS 1.10)

IFRS 1 – Exemptions and Exceptions (continued)

IFRS 1 Exemptions – 10 Canadian insurance companies:

Company	Bus Com	Emp'ee Benefits	CTA	Designation of FI's	Share-Based Pymts	Insurance Contracts	Deemed Cost	Leases	Borrowing Costs
Manulife	Yes		Yes		Yes				
SunLife	Yes	Yes	Yes	Yes	Yes				Yes
GWL	Yes	Yes	Yes	Yes			Yes		
IA	Yes	Yes	Yes	Yes	Yes		Yes		
E-L Financial	Yes	Yes		Yes		Yes	Yes		
Desjardins		Yes							
Intact	Yes	Yes							
Fairfax	Yes	Yes	Yes						
EGI Financial	Yes		Yes	Yes		Yes			
Westaim	Yes				Yes	Yes		Yes	
	9	7	6	5	4	3	3	1	1

- Taken from Q1 2011 financial statements
- None of the other exemptions were taken

IFRS 1 – Exemptions and Exceptions (continued)

- Disclosures required for:
 - Designation of financial assets / liabilities:
 - Fair value of financial assets / liabilities designated into each category
 - Classification & carrying amount in the previous financial statements
 - Deemed Cost - for each line item in the opening statement of financial position:
 - Aggregate fair values
 - Aggregate adjustment to the previous GAAP carrying amounts

See Note 3 of Great-West Life Q1 2011 financial statements, p. 43 - 45

IFRS 1 – Exemptions and Exceptions (continued)

- Deemed cost for investment in subsidiaries, joint ventures, and associates:
 - Aggregate deemed cost for investments for which:
 - Deemed cost is the previous GAAP carrying amount
 - Deemed cost is fair value
 - Aggregate adjustment to the previous GAAP carrying amounts

IFRS 1 – Test your knowledge ...

Question #1

Reconciliations must be provided for the following upon transition to IFRS:

- A. Net income
- B. Equity
- C. Total comprehensive income
- D. Cash flows
- E. A & B
- F. B & C
- G. All of the above

IFRS 1 – Test your knowledge ...

Question #2

For an insurer with a calendar year-end that only prepares year-end financial statements, equity must be reconciled for the following period(s):

- A. December 31, 2010
- B. January 1, 2010
- C. December 31, 2011
- D. A & B
- E. B & C
- F. All of the above

IFRS 4 Insurance Contracts Disclosures



IFRS 4 – Disclosures

Overview:

- Objective is to better understand the risk exposures
- Describe the business through management's eyes
- Two types of disclosures required under IFRS 4:
 - 1. Explanation of recognized amounts**

Information that identifies and explains amounts arising from insurance contracts
 - 2. Nature of risk arising from insurance contracts**

Information that enables users of financial statements to evaluate nature and extent of risks arising from insurance contracts (i.e. the amount, timing and uncertainty of cash flows)

(IFRS 4.36-39A)

IFRS 4 – Explanation of Recognized Amounts

Required disclosures:

- Accounting policies for insurance contracts
- Recognized amounts for insurance contracts and related assets, liabilities, income and expenses
- IFRS 4 requires gross presentation. Offsetting not permitted for:
 - Reinsurance assets against the related insurance liabilities
 - Income or expense from reinsurance contracts against the expense or income from the related insurance contracts

(IFRS 4.14(d))

- Cedants shall disclose:
 - Gains and losses recognized in profit or loss on buying reinsurance
 - If gains and losses are deferred and amortized, must disclose the amortization for the period and the remaining unamortized balance at the beginning and end of period.

(IFRS 4.37(a),(b))

IFRS 4 – Explanation of Recognized Amounts (continued)

Required disclosures:

- Disclose the process used to determine the assumptions that have the greatest effect on the measurement of the recognized amounts.
- When practical, given quantified disclosure of those assumptions.

(IFRS 4.37(c))

See Westaim Q1 2011 financial statements, Note 13, Pages 52 and 53

IFRS 4 – Explanation of Recognized Amounts (continued)

Required disclosures:

- The effect of changes in assumptions used to measure insurance assets and insurance liabilities, showing separately the effect of each change that has a material effect on the financial statements

(IFRS 4.37(d))

See Aviva 2010 financial statements, Note 43, Page 264

IFRS 4 – Explanation of Recognized Amounts (continued)

Required disclosures:

- Reconciliations of changes in insurance liabilities, reinsurance assets and, if any, related deferred acquisition costs

(IFRS 4.37(e))

See AXA 2010 financial statements, Note 14.3, Page 323

IFRS 4 – Nature and Extent of Risks

Required disclosures:

- Insurer's objectives in managing risks arising from insurance contracts and its policies and processes for mitigating those risks *(IFRS 4.39(a))*

See Westaim Q1 2011 financial statements, Note 24, Pages 64 and 65

- Disclosure may include:
 - Structure and organization of risk management function
 - Scope and nature of risk reporting or measurement systems
 - Processes for accepting, measuring, monitoring and controlling insurance risks
 - Extent to which insurance risks are assessed and managed
 - Methods to limit / transfer risk exposures
 - Asset and liability management techniques

IFRS 4 – Nature and Extent of Risks (continued)

Required disclosures:

- Information about insurance risk (before and after reinsurance):
 1. Sensitivity analysis
 2. Concentrations of insurance risk
 3. Claims development

(IFRS 4.39(c))

IFRS 4 – Nature and Extent of Risks (continued)

1. Sensitivity Analysis:

Paragraph 39A of IFRS 4 permits two alternative approaches for sensitivity analysis disclosure:

- i. Quantitative disclosure of effects on profit or loss and equity; or
- ii. Qualitative disclosure and information about terms and conditions of insurance contracts.

(IFRS 4.39(c)(i); 39A(a),(b))

An insurer may provide quantitative sensitivity analysis for some insurance risks and provide qualitative information about sensitivity and information about terms and conditions for other insurance risks. *(IFRS 4 – IG 52A)*

IFRS 4 – Nature and Extent of Risks (continued)

- **Quantitative sensitivity analysis** – must disclose:
 - Impact on P&L and equity of reasonably possible changes in the relevant risk variable
 - Methods and assumptions
 - Changes from the prior year

(IFRS 4.39A(a))

See Aviva 2010 financial statements, Note 57, Page 300

- **Qualitative sensitivity analysis** – must disclose:
 - Terms and conditions of insurance contracts that have a material effect on the amount, timing, and uncertainty of future cash flows

(IFRS 4.39A(b))

IFRS 4 - Nature and Extent of Risks (continued)

2. Concentrations of Insurance Risk:

- Must disclose:
 - Concentrations
 - Description of how management determines concentrations
 - Shared characteristic that identifies each concentration

(IFRS 4.39(c)(ii))

See Westaim Q1 2011 financial statements, Note 24, Pages 64 and 65

IFRS 4 - Nature and Extent of Risks (continued)

3. Claims Development:

- Must disclose:
 - Actual claims compared with previous estimates
 - Go back to earliest material claim for which there is still uncertainty about the amount and timing of the claims payments, but need not go back more than 10 years
 - Can elect to disclose 5 years upon adoption of IFRS
 - No need to disclose when uncertainty is typically resolved within one year

(IFRS 4. 39(c)(iii))

See Aviva 2010 financial statements, Note 39, Pages 256 and 257

IFRS 4 - Nature and Extent of Risks (continued)

Required disclosures:

- Information about insurance contracts required by IFRS 7:
 1. Credit risk
 2. Liquidity risk
 3. Market risk(with some exceptions)
- Information about exposures to market risk arising from embedded derivatives contained in a host insurance contract if the insurer is not required to, and does not, measure the embedded derivative at fair value

(IFRS 4.39(d))

(IFRS 4.39(e))

IFRS 4 - Nature and Extent of Risks (continued)

1. Credit risk:

Must disclose:

- Maximum exposure to credit risk without taking into account any collateral held and other credit enhancements
- Description of the collateral held and other credit enhancements
- Credit quality of financial assets that are neither past due nor impaired
- Aging of financial assets that are past due but not impaired
- Impaired assets, including factors the entity considered in determining that they were impaired

(IFRS 7.36-38)

IFRS 4 - Nature and Extent of Risks (continued)

2. Liquidity risk:

Must disclose:

- Maturity analysis for financial liabilities
- Description of management of liquidity risk

(IFRS 7.39)

3. Market risk:

Must disclose:

- Sensitivity analysis to each type of market risk
- Methods and assumptions used
- Changes from the previous period in methods and assumptions used and reasons for such changes

(IFRS 7.40-42)

IFRS 4 – Test your knowledge ...

Question #3

Which of the following disclosures must be made both gross and net of reinsurance?

- A. Concentrations
- B. Sensitivity analysis
- C. Claims development
- D. All of the above

IFRS 4 – Test your knowledge ...

Question #4

Reconciliations are required for which of the following?

- A. Reinsurance assets
- B. DPAAE
- C. Unpaid claims and adjustment expenses
- D. All of the above

IFRS 4 – Test your knowledge ...

Question #5

A quantitative sensitivity analysis will always result in better disclosure.

- A. True
- B. False

IAS 1 Presentation of Financial Statements



IAS 1 - Presentation of financial statements

Components of Financial Statements include:

- Statement of Financial Position
- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Cash Flows
- Notes, comprising a summary of significant accounting policies and other explanatory information

(IAS 1.10)

The following covers **some** of the differences between IAS 1 and Canadian GAAP.

IAS 1 - Estimation uncertainty and judgments

Consideration	Canadian GAAP	IFRS
Estimation uncertainty	<ul style="list-style-type: none"> • Substantially converged 	<ul style="list-style-type: none"> • Requires disclosure of key assumptions and key sources of estimation uncertainties that have a significant risk of causing a material adjustment within the next financial year <p><i>(IAS 1.125)</i></p>
Judgments	<ul style="list-style-type: none"> • Canadian GAAP does not require separate disclosure of judgments 	<ul style="list-style-type: none"> • Requires disclosure of judgments, apart from those involving estimates, that management has made <p><i>(IAS 1.122)</i></p>

IAS 1 – Estimation uncertainty & judgments (continued)

- Estimation uncertainty - examples:

- Determination of allowance for doubtful accounts / provision for uncollectible reinsurance recoverables
- Determination of discount rates, expected return on assets and other assumptions applicable to employee future benefits
- Determination of useful lives of property, plant and equipment and finite life intangible assets
- Impairment of goodwill and valuation of intangible assets
- Recoverability of deferred tax assets
- Uncertain tax positions
- Valuation of financial instruments
- Valuation of investment properties, property, plant and equipment
- Valuation of claims liabilities

See Aviva 2010 financial statements, page 171

IAS 1 – Estimation uncertainty & judgments (continued)

- Judgments – examples:

- Accounting policy for investment properties and property, plant and equipment
- Classification of financial instruments
- Classification of leases
- Determination of control for the purpose of consolidation
- Determination of functional currency
- Degree of componentization
- Determination of whether particular arrangements are sales or financing
- Determination of development costs eligible for capitalization
- Identification of cash generating units
- Product classification

See Aviva 2010 financial statements, page 171

IAS 1 – Statement of financial position

At a minimum, the SFP must include the following line items: *(IAS 1.54)*

a) Property, plant and equipment	j) Held for sale assets
b) Investment property	k) Trade and other payables
c) Intangible assets	l) Provisions
d) Financial assets	m) Financial liabilities
e) Investments accounted for using the equity method	n) Current tax assets & liabilities
f) Biological assets	o) Deferred tax assets & liabilities
g) Inventories	p) Liabilities in disposal groups classified as held for sale
h) Trade and other receivables	q) Non-controlling interests, presented within equity
i) Cash and cash equivalents	r) Issued capital and reserves attributable to owners of the parent

IAS 1 – Statement of financial position (continued)

- Separate disclosures are required if a line item combines items that are expected to be recovered or settled:
 - Within 12 months
 - After 12 months

(IAS 1.61)

See Notes 13 & 14 of Fairfax's Q1 2011 financial statements, page 29

IAS 1 – Statement of financial position (continued)

Consideration	Canadian GAAP	IFRS
Statement of financial position presented at the beginning of the earliest comparative period	<ul style="list-style-type: none"> No such requirement 	<ul style="list-style-type: none"> Statement of financial position is presented as at the beginning of the earliest comparative period when: <ul style="list-style-type: none"> - Accounting policy is applied retrospectively; - Retrospective restatements; - Reclassifications <p><i>(IAS 1.39)</i></p> <p>Note: Also required in the first year of adoption under IFRS 1</p>

IAS 1 – Statement of comprehensive income

- IAS 1 permits:
 - One statement: statement of comprehensive income
 - Two statements: income statement and statement of comprehensive income
- (IAS 1.81)*

Single statement presentation - 4	Two statement presentation - 9
EGI Financial, Intact, E-L Financial, Aviva	Manulife, SLF, GWL, Fairfax, Industrial Alliance, Westaim, Desjardins, AXA, RSA

(From Q1 2011 financial statements, except Aviva, AXA and RSA (Y/E 2010))

EGI Financial Q1 2011 F/S, page 2, example of single statement presentation

RSA 2010 annual F/S, pages 74 and 75, example of two statement presentation

IAS 1 – Statement of comprehensive income (continued)

Consideration	Canadian GAAP	IFRS
Extraordinary items	<ul style="list-style-type: none"> Recognizes concept of 'extraordinary items' Requires that 'extraordinary items' be reported separately in the income statement 	<ul style="list-style-type: none"> No concept of 'extraordinary items' Not permitted to present any items of income or expense as 'extraordinary items' in the Statement of Comprehensive Income (or a separate income statement) and the notes <p><i>(IAS 1.87)</i></p>

IAS 1 – Statement of changes in equity

- IAS 1 requires reconciliations of each component of OCI, but a total of AOCI is not required *(IAS 1.106A, BC106(b))*
 - Can be displayed in the statement of changes in equity or notes *(IAS 1.BC74A)*
 - Total AOCI is required under CGAAP
- Components include:
 - Each class of contributed equity
 - Retained earnings
 - Each class of OCI*(IAS 1.108)*

See RSA 2010 F/S, page 75 - consolidated statement of changes in equity

IAS 1 – Other presentation & disclosure items

Offsetting :

- Offsetting assets & liabilities or income & expenses is generally not permitted, unless:
 - Offsetting reflects the substance of a transaction / event
 - Detracts from users' ability to understand a transaction / event or assess future cash flows
 - i.e. measuring assets net of valuation allowances
 - Gains & losses arise from a group of similar transactions (but must present separately if material)
 - i.e. f/x gains/losses and gains/losses on HFT trading assets

(IAS 1.32-35)

IAS 1 – Other presentation & disclosure items (continued)

Offsetting (continued):

- Financial assets / liabilities: IAS 32 has additional requirements:
 - Entity must currently have a legally enforceable right to set off the recognized amounts; and
 - Entity intends to settle on a net basis or to realize the asset and settle liability simultaneously.

(IAS 32.42)

- An unreserved statement of compliance with IFRS must be disclosed when the financial statements comply with IFRS *(IAS 1.16)*

IAS 1 – Other presentation & disclosure items (continued)

Consideration	Canadian GAAP	IFRS
Nature of entity	<ul style="list-style-type: none"> No similar guidance 	<ul style="list-style-type: none"> Requires disclosure, if not disclosed elsewhere in information published with the financial statements, of: <ul style="list-style-type: none"> the domicile and legal form of the entity; country of incorporation and the address of its registered office (or principal place of business, if different from the registered office); a description of the nature of the entity's operations and its principal activities; and the name of the parent and the ultimate parent of the group. <p><i>(IAS 1.138)</i></p>

IAS 1 – Test your knowledge ...

Question #6

Financial statement preparers have a choice as to the ordering of statements and notes in the financial statements.

- A. True
- B. False

IAS 1 – Test your knowledge ...

Question #7

An explicit and unreserved statement of compliance with IFRS should be made in all annual and interim financial statements.

- A. True
- B. False

Other Selected Presentation and Disclosure Considerations



Selected Topics

1. IFRS 7, Financial Instruments: Disclosures
2. IAS 7, Cash Flow Statements
3. IAS 12, Income Taxes
4. IAS 24, Related Party Disclosures
5. IAS 36, Impairment of Assets
6. IAS 37, Provisions, Contingent Liabilities and Contingent Assets

IFRS 7 – Financial Instruments: Disclosures

- Some common disclosure deficiencies to be avoided:
 - Fair value hierarchy: transfers between levels must be disclosed and reasons for the transfers (IFRS 7.27B(b), (c)(iv))
 - Level 3 sensitivity disclosures: If changing one or more of the inputs to reasonably possible alternative assumptions would change the fair values significantly (IFRS 7.27B(e))

Industrial Alliance Q1 2011 F/S, Note 12, Page 42, bottom of the page

IAS 7 – Statement of Cash Flows

- **Format of statement of cash flows:**

- Direct
- Indirect

(IAS 7.18)

- **Foreign currency cash flows:**

The effect of exchange rate changes on C&CE held or due in a foreign currency is reported in the SCF in order to reconcile C&CE at the beginning and end of the period, and is presented separately from cash flows from operating, investing and financing activities. *(IAS 7.28)*

See RSA 2010 annual F/S, Page 77 – example of a direct method SCF

IAS 7 – Statement of Cash Flows (continued)

Consideration	Canadian GAAP	IFRS
Restricted cash	<ul style="list-style-type: none"> • Not part of C&CE 	<ul style="list-style-type: none"> • Is included in C&CE provided it meets the definition of C&CE • Disclosure of significant C&CE balances not available for use by the group is required <p><i>(IAS 7.48)</i></p>
Equity investments	<ul style="list-style-type: none"> • Not part of C&CE 	<ul style="list-style-type: none"> • Excluded from C&CE unless they are, in substance, cash equivalents (i.e. preferred shares acquired within a short period of their maturity and with a specified redemption date) <p><i>(IAS 7.7)</i></p>

IAS 7 – Statement of Cash Flows (continued)

Type of cash flow	Canadian GAAP	IFRS (IAS 7:31-34)
Interest received	<ul style="list-style-type: none"> Operating, if included in net income Classified according to their nature 	<ul style="list-style-type: none"> Normally operating
Interest paid	<ul style="list-style-type: none"> Operating, if included in net income Financing, if charged to retained earnings 	<ul style="list-style-type: none"> Normally operating
Dividends received	<ul style="list-style-type: none"> Operating, if included in net income Classified according to their nature 	<ul style="list-style-type: none"> Normally operating
Dividends paid	<ul style="list-style-type: none"> Operating, if included in net income Financing, if charged to retained earnings 	<ul style="list-style-type: none"> Financing or operating

* Classification should be consistent period-over-period

IAS 7 – Statement of Cash Flows (continued)

The following summarizes the classification of interest and dividends paid and received by a selection of 10 Canadian insurance companies' Q1 2011 financial statements:

Classification	Interest Paid	Interest Received	Dividends Paid *	Dividends Received
Operating	9	10		10
Investing				
Financing	1		8	

* It appears that two of the companies reviewed did not pay dividends during Q1 2011.

IAS 12 – Income Taxes

Terminology:

“Deferred” rather than “future” tax assets and liabilities

Offsetting:

IAS 12 requires deferred tax assets (DTA's) and deferred tax liabilities (DTL's) to be offset if, and only, if:

- There is a legally enforceable right to set off current tax assets against current tax liabilities; AND
- Levied by the same tax authority on either
 - the same taxable entity OR
 - different entities which intend to settle the tax assets and liabilities on a net basis or realize the assets and settle the liabilities simultaneously

(IAS 12.74)

More difficult to net DTA's and DTL's across entities under IFRS

IAS 12 – Income Taxes (continued)

Disclosures:

IAS 12 requires additional disclosures:

- The impact on profit/loss of each type of temporary difference must be disclosed when not apparent from the statement of financial position changes (IAS 12.81(g)(i))
- Amount of temporary differences associated with investments in subsidiaries, branches, associates and joint ventures for which DTL's have not been recognized (IAS 12.81(f))

See Aviva's 2010 annual F/S, Note 13(a)(v), Page 211 for an example

IAS 24 – Related Party Disclosures

Definition (IAS 24:9):

The IFRS and CICA definitions of related parties are **not** identical.

- IAS 24 includes a post-employment benefit plan for the benefit of an entity's employees, or of any entity that is a related party of the entity
 - CGAAP is silent on post-employment benefit plans
- IAS 24 includes children of a person who is a key management personnel or who controls, jointly controls, or has significant influence over an entity, and children of that person's domestic partner, in related parties
 - CGAAP only includes dependent family members in related parties
- IAS 24: two entities significantly influenced by the same entity are **not** related parties
 - In CGAAP two entities significantly influenced by the same entity are related parties

Need to reassess the determination of related parties under IFRS

IAS 24 – Related Party Disclosures (continued)

Other differences:

- IAS 24 requires disclosure of key management personnel compensation in specified categories:
 - Short-term employee benefits, post-employment benefits, other long-term benefits, termination benefits; and share-based payment

(IAS 24.16)

See RSA 2010 annual F/S Note 32, Page 135, for an example

- Key management personnel - definition:
 - Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity
- (IAS 24.9)
- Could be a person not employed by the entity (i.e. key management personnel of the parent)

IAS 24 – Related Party Disclosures (continued)

Other differences (continued):

- IAS 24 requires disclosure of:
 - Name of parent and ultimate controlling party, if different; and
 - Name of the next most senior parent which produces public financial statements, if neither the parent nor the ultimate controlling party do
(IAS 24.13)

IAS 36 – Impairment of Assets

- Conceptual differences between IAS 36 and CGAAP create additional presentation and disclosure requirements

Conceptual difference	Additional P&D Requirements
<p>Recoverable amount</p> <p>Recoverable amount is equal to the <i>greater</i> of fair value less cost to sell and value in use</p>	<p>For each individually material impairment loss/reversal:</p> <ul style="list-style-type: none"> – An indication of the basis of recoverable amount – If fair value less cost to sell - the basis used to determine FV – If value in use - the discount rate used in the current and previous estimate, and the growth rates assumed for cash flows <i>(IAS 36.130 (e)-(g))</i>
<p>Impairment losses and reversals</p> <p>IAS 36 requires impairment losses to be reversed on all assets except goodwill when certain conditions are met</p>	<ul style="list-style-type: none"> – Amount of impairment and reversal recognized in the P&L, and the line item in which this is included <i>(IAS 36.129(a),(b))</i> – Amount of impairment and reversal recognized in OCI for revalued assets, and the line item in which this is included <i>(IAS 36.129(c),(d))</i> – Impairments and reversals by reportable segment <i>(IAS 36.129)</i> – Other disclosures

See SLF Q1 2011 F/S, Note 2.B.iv, Pages 47 and 48, for an example

IAS 36 – Impairment of Assets (continued)

Conceptual difference	Additional P&D Requirements
<p>Goodwill and indefinite life intangibles</p> <p>G/W is allocated to CGUs. CGUs containing G/W or indefinite life intangibles must be tested for impairment annually.</p>	<p>Amount of unallocated goodwill and why it remains unallocated (IAS 36.133)</p> <p>For each CGU that contains goodwill or indefinite life intangibles in an amount significant to total goodwill and intangibles, disclose:</p> <ul style="list-style-type: none"> – Carrying amount of goodwill and indefinite life intangibles allocated to the CGU – Basis of the CGU's recoverable amount <ul style="list-style-type: none"> – If fair value less cost to sell ("FVLCTS") – methodology used to determine FVLCTS; if not from an observable market price, a description of each key assumption, management's approach to determining the value of each key assumption – If value in use - a description of each key assumption, management's approach to determining the value of each key assumption, the period of projected cash flows based on budgets/forecasts, the growth rate used to extrapolate cash flows, the discount rate applied – Plus additional disclosures if a key assumption could cause the recoverable amount to be less than the carrying amount, triggering impairment. – Other disclosures. (IAS 36.134)

See RSA 2010 annual F/S, Note 8, Pages 107 and 108, for an example

IAS 37 – Provisions and Contingencies

Disclosures:

Requirements under IAS 37 are more extensive than those under CGAAP.

- Reconciliation of opening and closing provision balance (IAS 37.84)
- For each class of provision:
 - Description of nature (consistent with CGAAP)
 - Amount and timing of outflows
 - Uncertainties in amount and timing of outflows
 - Major assumptions about future events (if applicable)
 - Amount of expected reimbursement, and the amount of any such asset recognized

(IAS 37.85)

See Westaim's Q1 2011 F/S, Note 14, Pages 54 and 55, for an example

Other IAS's – Test your knowledge ...

Question #8

Compensation must be shown separately for each person defined as key management personnel of an entity.

- A. True
- B. False

Other IAS's – Test your knowledge ...

Question #9

Under IAS 7, which of the following must be presented or disclosed separately?

- A. Cash flows from interest received and paid
- B. Cash flows from income taxes
- C. Investing and financing transactions not involving cash and cash equivalents
- D. Restricted cash
- E. Effect of exchange rate changes on foreign currency cash and cash equivalent balances
- F. All of the above

Deloitte IFRS Resources

Deloitte has established eminence and thought leadership in the IFRS area as demonstrated by the content on IASPlus. You can find links to many Deloitte IFRS-related publications at www.iasplus.com/dttpubs/pubs.htm. In addition to IASPlus, Deloitte has a range of tools and publications to assist in implementing and reporting under IFRS.

These include:

Tools and/or publication	Description
IFRS Shifting Gears Newsletter (a continuation of IFRS Countdown)	A monthly eNewsletter on transition to IFRS https://www.corpgov.deloitte.com/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/CanEng/Page%20Copy/Deloitte%20Periodicals/Countdown/Countdown%202008%20Archives.html
IFRS website	The conversion to IFRS is a multi-year process that requires considerable planning and preparation. Deloitte's IFRS site can help your company on the conversion journey. https://www.corpgov.deloitte.com/site/CanEng/menuitem.c0baad3ced37bd86a3740fc7027ea1a0/
IAS Plus Newsletter	Quarterly newsletter on recent developments in IFRSs and accounting updates for individual countries. Special editions for important developments. To subscribe, visit: www.iasplus.com
IFRS in Your Pocket 2010	A guide that details information about the IASB, use of IFRS around the world, IASB projects, summaries of IFRS standards and other useful IASB-related information: http://www.iasplus.com/dttpubs/pocket2010.pdf
iGAAP – IFRS for Canada, 3rd edition	A comprehensive reference book on the convergence of Canadian GAAP with IFRS: http://www.cch.ca/product.aspx?WebID=2424
Presentation and Disclosure Checklist	Checklist incorporating all of the presentation and disclosure requirements of Standards: http://www.iasplus.com/fs/2010ifrschecklist.pdf
Model Financial Statements	Model financial statements illustrating the presentation and disclosure requirements of IFRS: http://www.iasplus.com/fs/2010modelfs.pdf
IFRS Guides	A collection of guides on specific standards: http://iasplus.com/dttpubs/
Deloitte IFRS Courses	High quality IFRS e-learning modules, available online for free: https://www.deloittelearning.com/IFRSCatalog.aspx

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