IFRS compared to Canadian GAAP: An overview

Third Edition 2010

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IFRS compared to Canadian GAAP: An overview

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Managing the transition to IFRS

The Canadian Accounting Standards Board (AcSB) has confirmed that Canadian generally accepted accounting principles (Canadian GAAP) will cease to exist for all publicly accountable enterprises. For fiscal periods beginning on or after January 1, 2011, publicly traded companies and certain other "publicly accountable enterprises" (e.g., organisations holding assets in a fiduciary capacity for large or diverse groups of users) will be required to adopt International Financial Reporting Standards (IFRSs) for their interim and annual financial statements.

Canadian enterprises are able to learn from those enterprises in Europe, Australia and other countries that went through this transition to IFRS in 2005 or thereafter. Generally, these enterprises found that they underestimated the magnitude of effort required to convert—it was more than just an accounting exercise! Canadian enterprises that are well underway in their conversion efforts are quickly gaining an appreciation of the magnitude of their conversion efforts.

Enterprises will understand that IFRSs represent a complete change in the language of financial reporting for publicly accountable entities. Enterprises will need to embed IFRSs into their organisations at a transactional level so that IFRSs become "business as usual". Canadian enterprises can look to the experiences of their peers around the world to identify an appropriate project methodology to manage the impacts IFRSs will have, not only to their financial reporting, but also to their business, systems and processes.

A necessary first step in managing this transition is developing an understanding of the effect IFRSs will have on the organisation—which standards will have the most impact on the entity's reported financial results and which will be the most challenging to implement. A good place to start is by understanding differences between the sets of standards, which is the aim of this publication.

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However, enterprises also need to understand that IFRSs are not static. The IASB's ambitious work programme, particularly in light of its joint work programme with the US Financial Accounting Standards Board (FASB) to converge IFRSs and US GAAP, has resulted in changes to IFRSs since the second edition of this publication. As it is expected that the large majority of Canadian publicly accountable enterprises will begin reporting under IFRSs in 2011, this publication is prepared on the basis of IFRSs that will be effective in 2011 (for further information, see "About this publication" on the next page).

Significant additional changes are expected to be made to IFRSs in the future as the IASB and FASB continue to work together to develop a number of major common standards by a target date of the end of June 2011. While a number of IASB projects are expected to produce new IFRS standards in the near future, it has signalled that major projects completed in 2010 would not likely be mandatorily effective prior to January 1, 2012.

About this publication

Content

The purpose of this publication is to assist you in gaining a high-level understanding of the significant differences between IFRSs and Canadian GAAP. This publication does not discuss every possible difference; rather, it is a high-level summary of those differences that we have encountered most frequently in practice, resulting from either a difference in emphasis or specific application guidance. The focus of this publication is on recognition, measurement and presentation, rather than on disclosure; therefore, disclosure differences generally are not discussed. However, areas that are disclosure-based, such as related party transactions and segment reporting, are included.

A brief summary of the key provisions of IFRSs is included on the left side. On the right, Canadian GAAP is compared to IFRSs, highlighting similarities and differences. This summary provides a quick overview for easy reference, but it is not detailed enough to allow a full understanding of the significant differences.

While we have highlighted what we regard as significant differences, we recognise that the significance of any difference will vary by entity. Some differences that appear major may not be relevant to your business; on the other hand, a seemingly minor difference may cause you significant additional work.

This publication does not include the specific views that KPMG has developed in the absence of specific guidance under IFRSs or Canadian GAAP, since others may have applied their judgement in developing different guidance. In some cases, we noted what we would expect in practice; in other cases, we note simply that practice varies or may vary.

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This publication addresses the types of businesses and activities that IFRSs address, other than IAS 26 *Accounting and Reporting by Retirement Benefit Plans*. So, for example, biological assets are included in the publication, but accounting for not-for-profit entities is not.

This publication focuses on the preparation of consolidated financial statements prepared on a going concern basis. Separate (i.e., unconsolidated) financial statements are not addressed.

The requirements of IFRSs are discussed on the basis that the entity has adopted IFRSs already. The special transitional rules that will apply in the period that an entity changes its GAAP to IFRSs are not discussed. In such cases, the entity should refer to IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

Reporting date and reporting period

A number of terms are used to describe the end of an entity's financial year, including reporting date, balance sheet date, year end and financial year end. In accounting literature, these terms are generally used interchangeably and have the same meaning. Throughout this publication, we refer to the "reporting date". Similarly, we refer to the "reporting period" rather than the fiscal year.

Occasionally, we refer to the "annual reporting date" or the "annual reporting period" in order to emphasise the annual nature of the underlying requirement; for example, under IFRSs, we refer to the residual value of intangible assets with finite useful lives being reviewed at least at each annual reporting date. However, this example is not meant to imply that other references should be interpreted as applying to both the annual and the interim reporting date or period. The requirements for interim reporting are discussed in 5.9 *Interim financial reporting*, where we refer to the "interim reporting date" and the "interim reporting period".

Effective date

Canadian publicly accountable entities will be required to adopt IFRSs for their fiscal years beginning on or after January 1, 2011, and, for a calendar year-end entity, its first IFRS annual and interim financial statements are required to be prepared in compliance with all active standards and interpretations as at December 31, 2011. For this reason, the IFRS standards and interpretations included in this publication are those that have been issued at February 28, 2010, that *will be mandatorily effective* for a calendar year-end company's annual reporting for the year ended December 31, 2011. Accordingly, IFRS 9 *Financial Instruments*, which was issued in November 2009, but not mandatorily effective until 2013, is not addressed in this publication.

Certain standards and interpretations that are not currently effective are, therefore, included in this publication, and an existing user of IFRSs with a calendar year end would not be required to apply certain of the standards and interpretations addressed in this publication in its 2010 financial statements. For example, revised IAS 24 *Related Party Disclosures (revised 2009)*, which was issued in November 2009, is included in this publication (see 5.5), but is effective only for annual financial statements for periods beginning on or after January 1, 2011. Other standards and interpretations, or amendments thereto, that are currently not mandatorily effective for 2010 calendar year ends but are discussed in this publication include:

- August 2009 amendments to IAS 32, *Financial Instruments: Presentation*
- November 2009 amendments to IFRIC 14, *Prepayments of a Minimum Funding Requirement*
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*, issued in November 2009.

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Certain Canadian accounting standards have been issued, but become mandatorily effective only for fiscal years beginning on or after January 1, 2011. Given that Canadian publicly accountable entities may have not adopted such standard prior to changeover to IFRSs, this publication excludes Canadian standards issued, but not mandatorily effective prior to January 1, 2011. Such new standards include the following:

- HB 1582 *Business Combinations*
- HB 1601 *Consolidated Financial Statements*
- HB 1602 *Non-controlling Interests*
- EIC 175 *Multiple Deliverable Revenue Arrangements.*

Other ways KPMG member firms' professionals can help

A range of IFRS and Canadian GAAP publications can assist you further, including;

- *Preparing your stakeholders for IFRS*
- *The Effects of IFRS on Information Systems*
- *Managing the Transition to IFRS: Positioning for Success*
- *Managing the Transition to IFRS: Moving forward*
- *Managing the Transition to IFRS: Clearing the Path*
- *Accounting for Business Combinations and Non-controlling Interests*
- *Illustrative Financial Statements* for interim and annual reporting under IFRSs.

Further information is available at www.kpmg.ca/ifrs and www.kpmgifrg.com.

In addition, *IFRS Briefing*, a Canadian IFRS newsletter, is our way of keeping Canadian clients informed about IFRS news and developments occurring internationally and in Canada. These publications provide commentary on how IFRS will affect Canadian publicly accountable enterprises. To subscribe to *IFRS Briefing*, please get in touch with your KPMG contact or visit www.kpmg.ca/en/ms/ifrs/tools_ifrsbriefing.html.

For access to an extensive range of accounting, auditing and financial reporting guidance and literature, visit KPMG's Accounting Research Online. This web-based subscription service is a valuable tool for anyone who wants to stay informed in today's dynamic environment. For a free 15-day trial subscription, go to www.aro.kpmg.com and register today.

For further assistance with the analysis and interpretation of the differences between IFRSs and Canadian GAAP, please get in touch with your KPMG contact.

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1. Background

1.1 Introduction

(IASC Foundation Constitution, Preface to IFRSs, IAS 1, IAS 8)

"IFRSs" is the term used to indicate the whole body of IASB authoritative literature.

IFRSs are designed for use by profit-oriented entities.

Any entity claiming compliance with IFRSs must comply with all standards and interpretations, including disclosure requirements, and must make a statement of explicit and unreserved compliance with IFRSs.

Both the bold- and plain-type paragraphs of IFRSs have equal authority and must be complied with.

The overriding requirement of IFRSs is for the financial statements to give a fair presentation (or true and fair view).

A true and fair override is permitted when compliance with IFRSs would be misleading, as long as the relevant regulator (if any) does not prohibit the override. However, the use of a true and fair override is very rare under IFRSs.

A hierarchy of alternative sources is specified when IFRSs do not cover a particular issue.

There are no specific standards or exemptions for rate-regulated operations.

There are no specific standards or exemptions for small and medium-sized entities.

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1. Background

1.1 Introduction

(HB 1100, HB 1300, HB 1400)

"Canadian GAAP" is the term generally used to describe the broad principles, conventions of general application, rules and procedures that comprise generally accepted accounting practices in Canada.

Unlike IFRSs, Canadian GAAP includes standards that are specific to not-for-profit organisations. These requirements are outside the scope of this publication.

Like IFRSs, any entity claiming compliance with Canadian GAAP must comply with all standards and interpretations, including disclosure requirements. However, unlike IFRSs, a statement of explicit and unreserved compliance is not required.

Like IFRSs, all paragraphs of a standard (italicised and non-italicised) must be complied with, unless stated otherwise.

Like IFRSs, the overriding requirement of Canadian GAAP is to give a fair presentation.

Unlike IFRSs, there is no concept of a true and fair view override in Canadian GAAP.

Like IFRSs, Canadian GAAP provides a hierarchy of alternative sources for transactions and events not covered by primary sources of GAAP.

Unlike IFRSs, Canadian GAAP contains certain exemptions for the recognition and measurement of certain assets and liabilities of rate-regulated operations. These exemptions are outside the scope of this publication.

Unlike IFRSs, Canadian GAAP contains certain exemptions for non-publicly accountable entities, provided that certain conditions are met. Such exemptions are outside the scope of this publication.

1.2 The Framework
(IASB Framework, IAS 8)

The IASB uses its conceptual framework as an aid to drafting new or revised IFRSs or amending existing IFRSs.

The Framework is a point of reference for preparers of financial statements in the absence of specific guidance.

IFRSs do not apply to items that are "immaterial".

Transactions should be accounted for in accordance with their substance, rather than only their legal form.

Transactions with shareholders in their capacity as shareholders are recognised directly in equity.

1.2 The Framework
(HB 1000, HB 3251)

Like IFRSs, the AcSB uses its Concepts Statements (the Framework) as an aid to drafting new or revised accounting standards.

Like IFRSs, the Framework is a point of reference for preparers of financial statements in the absence of specific guidance.

Unlike IFRS, Canadian GAAP does not explicitly state that it does not apply to items that are "immaterial". However, in practice, Canadian GAAP generally is not applied to items that are "immaterial", like IFRSs.

Like IFRSs, transactions should be accounted for in accordance with their substance, rather than only their legal form.

Like IFRSs, transactions with shareholders in their capacity as shareholders are recognised directly in equity.

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2. General issues

2.1 Form and components of financial statements

(IAS 1, IAS 27)

The components of a complete set of financial statements are: statement of financial position (balance sheet), statement of comprehensive income, statement of changes in equity, statement of cash flows, and notes comprising a summary of significant accounting policies and other explanatory information. While an income statement is not a required component of a complete set of financial statements, it is a component of the statement of comprehensive income and, therefore, is in effect presented.

An entity may present comprehensive income in either

- a single statement of comprehensive income; or
- an income statement (displaying components of profit and loss) and a separate statement of comprehensive income.

While IFRSs specify minimum disclosures to be made in the financial statements, they do not prescribe specific formats.

Comparative information is required for the preceding period only, but additional periods and information may be presented.

A statement of financial position as at the beginning of the earliest comparative period is required in certain circumstances.

An entity presents consolidated financial statements unless specific criteria are met.

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2. General issues

2.1 Form and components of financial statements

(HB 1000, HB 1300, HB 1400, HB 1505, HB 1590)

Like IFRSs, the components of a complete set of financial statements generally include a statement of financial position (balance sheet), income statement, cash flow statement, and notes comprising a summary of significant accounting policies and other explanatory information. Like IFRSs, an entity is required to present comprehensive income and its components in a statement as part of a complete set of financial statements. However, unlike IFRSs, a statement of comprehensive income is not required, and it may be presented in a statement of equity. Unlike IFRSs, Canadian GAAP does not require a statement of changes in equity; rather, a statement of retained earnings is required as part of a complete set of financial statements. However, Canadian GAAP requires disclosure of the details of the changes in equity and an entity can present additionally a statement of changes in equity, like IFRSs, or disclose the details only in the notes to the financial statements, unlike IFRSs.

An entity may present comprehensive income in either

- a single statement of comprehensive income, like IFRSs;
- an income statement (displaying components of profit and loss) and a separate statement of comprehensive income, like IFRSs; or
- a statement of equity, unlike IFRSs.

Like IFRSs, minimum disclosures are required to be made in the financial statements, but there are no prescriptive formats.

Like IFRSs, generally comparative information is required for the preceding period only, but additional periods and information may be presented.

Unlike IFRSs, a statement of financial position as at the beginning of the earliest comparative period is not required.

Like IFRSs, an entity presents consolidated financial statements unless specific criteria are met. However, these criteria differ from IFRSs.

2.2 Changes in equity

(IAS 1, IAS 8, IAS 27)

An entity must present both a statement of comprehensive income and a statement of changes in equity as part of a complete set of financial statements.

Amounts attributable to shareholders of the parent and non-controlling interests are presented separately in the statement of changes in equity.

A gain or loss may be recognised directly in equity or in other comprehensive income only when a standard or interpretation permits or requires it.

2.2 Changes in equity

(HB 1000, HB 1400, HB 1530, HB 3251, HB 3240)

Like IFRSs, an entity is required to present comprehensive income and its components in a financial statement as part of a complete set of financial statements. However, unlike IFRSs, a statement of comprehensive income is not required, and it may be presented in a statement of equity. Unlike IFRSs, Canadian GAAP does not require a statement of changes in equity; rather, a statement of retained earnings is normally required as part of a complete set of financial statements. However, Canadian GAAP requires disclosure of the details of the changes in equity and an entity can present additionally a statement of changes in equity, like IFRSs, or disclose the details only in the notes to the financial statements, unlike IFRSs.

Unlike IFRSs, non-controlling interests are not presented in equity and, therefore, are excluded from both the statement of retained earnings and, when presented, the statement of changes in equity.

Like IFRSs, a gain or loss may be recognised directly in equity or in other comprehensive income only when a standard or interpretation permits or requires it. However, the gains and losses that can be recognised as such differ from IFRSs.

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2.3 Statement of cash flows
(IAS 7)

The statement of cash flows presents cash flows during the period classified by operating, investing and financing activities.

Net cash flows from all three activities are totalled to show the change in cash and cash equivalents during the period, which then is used to reconcile opening and closing cash and cash equivalents.

Cash and cash equivalents include certain short-term investments and, in some cases, bank overdrafts.

Cash flows from operating activities may be presented using either the direct or the indirect method.

Cash flow information attributable to operating, investing and financing activities of discontinued operations is required to be disclosed.

An entity has an accounting policy choice of classifying interest and dividends received as operating or investing activities, and interest and dividends paid as operating or financing activities.

IFRSs do not contain specific guidance on the classification of capitalised interest; however, in our view, capitalised borrowing costs should not be presented as investing activities.

Foreign currency cash flows are translated at the exchange rates at the dates of the cash flows (or using averages when appropriate).

Generally, all financing and investing cash flows are reported gross. Cash flows are offset in only limited circumstances.

Cash flows arising from changes in ownership interests in a subsidiary are classified as investing activities if the transaction results in obtaining or losing control of the subsidiary; otherwise as financing activities.

Disclosure of cash flow per share information in the notes to the financial statements is not prohibited.

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2.3 Statement of cash flows
(HB 1540, EIC-47)

Like IFRSs, the statement of cash flows presents cash flows during the period classified by operating, investing and financing activities.

Like IFRSs, net cash flows from all three activities are totalled to show the change in cash and cash equivalents during the period, which then is used to reconcile opening and closing cash and cash equivalents.

Like IFRSs, cash and cash equivalents include certain short-term investments and, in some cases, bank overdrafts.

Like IFRSs, cash flows from operating activities may be presented using either the direct or the indirect method.

Unlike IFRSs, cash flow information attributable to operating, investing and financing activities of discontinued operations is not required to be disclosed.

Unlike IFRSs, interest and dividends (received and paid) included in profit or loss must be classified as operating activities, and interest and dividends paid and charged to retained earnings must be presented as financing activities.

Unlike IFRSs, capitalised interest must be classified as investing activities.

Like IFRSs, foreign currency cash flows are translated at the exchange rates at the dates of the cash flows (or using averages when appropriate).

Like IFRSs, generally all financing and investing activities are reported gross. Cash flows are offset in only limited circumstances, like IFRSs.

Unlike IFRSs, the aggregate cash flows arising from all changes in ownership interests in a subsidiary, regardless of whether the transaction results in obtaining or losing control of the subsidiary, are classified as investing activities.

Unlike IFRSs, disclosure of cash flow per share information, other than distributions paid or payable per share, is prohibited.

2.4 Basis of accounting

(IAS 1, IAS 21, IAS 29, IFRIC 7)

Financial statements are prepared on a modified historical cost basis, with a growing emphasis on fair value.

IFRSs provide guidance on determining when the economy of an entity's functional currency is hyperinflationary.

When an entity's functional currency becomes hyperinflationary, it makes price-level adjustments retrospectively.

The financial statements of a foreign operation whose functional currency is hyperinflationary are adjusted before being translated for consolidation purposes.

IFRSs do not provide specific guidance on the accounting by entities subject to a financial reorganisation, or when all or virtually all of the entity's equity interests have been acquired by a non-related party; instead, the usual requirements of IFRSs apply. In particular, "fresh start" accounting is not permitted in such circumstances.

2.4 Basis of accounting

(HB 1000, HB 1100, HB 1505, HB 1650)

Unlike IFRSs, financial statements generally are prepared on a historical cost basis, with limited use of fair values.

Unlike IFRSs, there is no guidance on determining when an economy is highly inflationary (hyperinflationary).

Unlike IFRSs, when an economy becomes highly inflationary, an entity does not make price-level adjustments.

Unlike IFRSs, the financial statements of a foreign operation in a highly inflationary environment are not adjusted and are translated using the method applicable to an integrated foreign operation (see 2.7).

Unlike IFRSs, Canadian GAAP permits a comprehensive revaluation of an entity's assets and liabilities (i.e., "fresh start" accounting) for entities subject to a financial reorganisation or when all or virtually all of the entity's equity interests have been acquired, provided certain criteria are met.

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2.5 Consolidation

(IAS 27, SIC–12, IFRIC 17)

Consolidation is based on a control model. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The ability to control is considered separately from the exercise of that control.

IFRSs are not clear regarding whether control should be assessed using a power-to-control or a *de facto* control model.

Potential voting rights that currently are exercisable or convertible are considered in assessing control.

A special purpose entity (SPE) is an entity created to accomplish a narrow and well-defined objective. SPEs are consolidated based on control. The determination of control includes an analysis of the risks and rewards associated with an SPE.

IFRSs do not have a concept of variable interest entities (VIEs).

IFRSs do not have a concept of qualifying SPEs (QSPEs).

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2.5 Consolidation

(HB 1590, HB 1600, HB 3831, AcG-15, EIC-157, EIC-163)

Consolidation is based on a controlling financial interest model, which differs in certain respects from IFRSs. For variable interest entities, consolidation is based on an analysis of the primary beneficiary, unlike IFRSs. For non-variable interest entities, consolidation of an entity is based the continuing power to govern the financial and operating policies of an entity so as to obtain benefits from its activities and be exposed to related risks, like IFRSs.

Like IFRSs, the ability to control is considered separately from the exercise of that control.

Unlike IFRSs, there is no *de facto* control model under Canadian GAAP.

Like IFRSs, potential voting rights that are presently exercisable or convertible are considered in assessing control.

Although Canadian GAAP has the concepts of variable interest entities (VIEs) and qualifying SPEs (QSPEs), which may meet the definition of an SPE under IFRSs, the control model that applies to VIEs and QSPEs differs from the control model that applies to SPEs under IFRSs. Additionally, unlike IFRSs, entities are evaluated as VIEs based on their equity investment at risk and not on whether they have a narrow and well-defined objective.

Unlike IFRSs, a VIE is any entity in which the equity at risk either (1) is insufficient to finance its own operations without additional subordinated financial support; or (2) lacks certain characteristics of a controlling financial interest. A VIE is assessed for consolidation based on an analysis of economic risks and rewards, and is consolidated by the party that absorbs a majority of the entity's expected losses or has the right to receive a majority of its expected residual returns.

Unlike IFRSs, a QSPE is an entity into which financial assets have been transferred and which meets certain strict criteria. A QSPE is not consolidated by the transferor.

Venture capital organisations, mutual funds, unit trusts and similar entities must consolidate all subsidiaries.	Unlike IFRSs, investment companies (as defined) recognise subsidiaries at fair value, rather than consolidating them, with certain limited exceptions.
All subsidiaries controlled by a parent are consolidated even if they were acquired exclusively with the intention of disposal; however, they may qualify to be classified as held for sale.	Generally, all subsidiaries are consolidated even if they were acquired exclusively with the intention of disposal, like IFRSs; however, they may qualify to be classified as held for sale, like IFRSs.
Uniform accounting policies are used throughout the group.	Unlike IFRSs, there is no explicit requirement for accounting policies to be consistent throughout the group.
A parent and its subsidiaries generally use the same reporting date when consolidated financial statements are prepared. If this is not practicable, then the difference between the reporting date of a parent and that of its subsidiaries cannot be more than three months. Adjustments must be made for the effects of significant transactions and events between the two dates.	Like IFRSs, a parent and its subsidiaries generally use the same reporting date when consolidated financial statements are prepared. If this is not practicable, unlike IFRSs, Canadian GAAP is silent with respect to the maximum difference that may exist between the reporting date of a parent and that of its subsidiaries. Also, unlike IFRSs, while an entity must disclose significant transactions and events during the intervening period. Canadian GAAP provides no guidance as to those to be disclosed versus recognised.
Non-controlling interests are recognised initially at fair value, or at the non-controlling interests' share of the amounts recognised in the acquisition accounting excluding goodwill. This election is made on a transaction-by-transaction basis.	Unlike IFRSs, non-controlling interests of non-variable interest entities are recognised initially based on the existing carrying amounts in the subsidiary's financial statements. Like IFRSs, certain non-controlling interests in VIEs are measured initially based on fair value; however, unlike IFRSs, the amounts used as the basis for the calculation differ from IFRSs in certain respects and exclude contingent liabilities.
The entity recognises a liability for the present value of the (estimated) exercise price of put options held by non-controlling interests, but there is no detailed guidance on the accounting for such put options.	Like IFRSs, there is no detailed guidance on the accounting for put options held by non-controlling interests. In practice, like IFRSs, a liability is recognised for the present value of the (estimated) exercise price of such put options.
Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interest even if this causes the non-controlling interests to be in a deficit position.	Unlike IFRSs, losses in a subsidiary may create a debit balance in non-controlling interests only if the non-controlling interest has an obligation to fund the losses.
Non-controlling interests in the statement of financial position are classified as equity but are presented separately from the parent shareholders' equity.	Unlike IFRSs, non-controlling interests in the statement of financial position (balance sheet) are classified between total liabilities and equity.

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Overview of IFRS	Overview of Canadian GAAP
Non-controlling interests in the profit or loss are presented as an allocation of the net profit or loss for the period below the statement of comprehensive income (or the income statement, when presented separately).	Unlike IFRSs, non-controlling interests in the profit or loss are presented as an item of income or expense in the income statement.
Total other comprehensive income attributable to non-controlling interests is presented as an allocation of comprehensive income for the period.	Unlike IFRSs, total other comprehensive income attributable to non-controlling interests is not presented as an allocation; rather, total other comprehensive income is net of amounts attributable to non-controlling interests.
Changes in ownership interests after control is obtained that do not result in a loss of control are accounted for as equity transactions.	Unlike IFRSs, increases in ownership interests after control is obtained are accounted for as step acquisitions using purchase accounting (see 2.6) and decreases in ownership interests that do not result in a loss of control are treated as if they were partial disposals, with any resulting dilution gain or loss recognised in profit or loss.
When control is lost, a gain or loss is recognised in profit or loss, comprising a "realised" gain or loss on the interest disposed of, and an "unrealised" gain or loss from remeasurement to fair value of any retained non-controlling equity investment in the former subsidiary.	Like IFRSs, when control is lost, a "realised" gain or loss is recognised in profit or loss in respect of the interest disposed of. Any retained non-controlling equity investment in the former subsidiary is accounted for in accordance with the applicable standards. In certain circumstances, unlike IFRSs, the retained non-controlling equity investment would not be remeasured to fair value and no "unrealised" gain or loss would be recognised in profit or loss.
Intra-group transactions are eliminated in full.	Generally, intra-group transactions are eliminated in full, like IFRSs. However, unlike IFRSs, income or expense between a primary beneficiary and a consolidated VIE is attributed entirely to the primary beneficiary.

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2.6 Business combinations
(IFRS 3, IAS 38)

All business combinations are accounted for using acquisition accounting, with limited exemptions. Acquisition accounting is applied to combinations between mutual entities and those achieved by contract alone.

A business combination is a transaction or other event in which an acquirer obtains control over one or more businesses.

A business is an operation that is capable of being conducted and managed for the purpose of providing a return to investors (or other owners, members or participants) by way of dividends, lower costs or other economic benefits. An entity in its development stage can meet the definition of a business.

In some cases, the legal acquiree is identified as the acquirer for accounting purposes (“reverse acquisition”).

The date of acquisition is the date on which control is transferred to the acquirer.

Consideration transferred is the sum of the fair values of the assets transferred, liabilities incurred to the previous owners of the acquiree, equity interests issued, the fair value of any previously-held equity interests in the acquiree, and any contingent consideration.

The fair value of equity securities issued by the acquirer is determined at the date of acquisition.

Consideration transferred does not include acquisition-related costs. Such costs are expensed as incurred unless they are debt or equity issue costs.

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2.6 Business combinations
(HB 1581, HB 1600, HB 1625, HB 3840, EIC-10, EIC-14, EIC-94, EIC-114, EIC-119, EIC-124, EIC-125, EIC-140, EIC-154)

Like IFRSs, all business combinations are accounted for using acquisition accounting (purchase method), with limited exemptions. However, unlike IFRSs, for combinations between mutual entities or those achieved by contract alone, acquisition accounting may not be appropriate.

Like IFRSs, a business combination is a transaction or other event in which an acquirer obtains control over one or more businesses.

Unlike IFRSs, a business is a self-sustaining integrated set of activities that is managed for the purpose of providing a return to investors. Unlike IFRSs, there is a presumption that an entity in its development stage does not meet the definition of a business.

Like IFRSs, in some cases, the legal acquiree is identified as the acquirer for accounting purposes (“reverse acquisition”).

Like IFRSs, the date of acquisition is the date on which control is transferred to the acquirer.

Consideration transferred (cost of acquisition) includes the sum of the fair values of the assets transferred, liabilities incurred to the previous owners of the acquiree, and equity interests issued, each of which differs in certain respects from IFRSs (see below). Also, unlike IFRSs, consideration transferred does not include the fair value of any previously-held equity interests in the acquiree.

Unlike IFRSs, the fair value of equity securities issued by the acquirer is determined by reference to their market price for a reasonable period before and after the terms of the acquisition are agreed to and announced.

Unlike IFRSs, the cost of acquisition includes direct, incremental acquisition-related costs, other than debt or equity issue costs.

Contingent consideration is recognised initially at fair value as part of the consideration transferred. Subsequent changes in the fair value of contingent consideration classified as an asset or liability generally are recognised in profit or loss. Contingent consideration classified as equity is not remeasured.

If there is no obligation on the part of the acquirer to replace the acquiree's share-based payment awards, which have been cancelled or expired, then the full fair value of the replacement awards is treated as post-combination compensation cost and no portion of the award is included in the consideration transferred. If there is an obligation to replace the acquiree's awards, then the fair value of such awards is included in the consideration transferred to the extent that they relate to past services.

The fair value of pension obligations at the date of acquisition does not reflect any formal plan of the acquirer to subsequently terminate, curtail or amend the plan.

Restructuring costs associated with the acquiree's operations are recognised on acquisition only when they represent a liability that had already been recognised by the acquiree at the acquisition date.

Any change in the assessment of the recoverability of the acquirer's deferred tax assets as a result of the business combination is recognised in profit or loss.

If additional deferred tax assets of the acquiree that were not recognised at the date of acquisition or within the measurement period (see below) are realised subsequently, then the adjustment is recognised in profit or loss.

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Unlike IFRSs, contingent consideration generally is not recognised initially as part of the consideration transferred. Rather, it is recognised as part of the cost of the acquisition when the contingency is resolved and the consideration is issued or becomes issuable. Any subsequent change in the amount of contingent consideration recognised generally is recognised as an adjustment to goodwill, unlike IFRSs.

Unlike IFRSs, the fair value of replacement share-based payment awards forms part of the cost of the acquisition if the replacement awards relate to past service, regardless of whether the acquirer was obligated to replace the acquiree's awards.

Unlike IFRSs, the fair value of pension obligations at the date of acquisition reflects any formal plan of the acquirer to subsequently terminate or curtail the plan or, in certain cases, to amend the plan.

Unlike IFRSs, certain restructuring costs associated with the acquiree's operations are recognised as assumed liabilities if specified conditions are met, even though they do not represent a liability recognised by the acquiree at the acquisition date.

Unlike IFRSs, any change in the assessment of the recoverability of the acquirer's previously unrecognised deferred (future) tax assets as a result of the business combination is recognised as a reduction of goodwill, rather than in profit or loss.

Unlike IFRSs, if additional deferred tax assets of the acquiree that were not recognised at the date of acquisition are realised subsequently, then the adjustment is recognised first against goodwill, then against intangible assets, before any adjustment is recognised as a tax recovery in profit or loss, regardless of whether or not the realisation of the deferred tax occurred in the measurement period.

The measurement principle in accounting for the identifiable assets acquired and liabilities assumed is full fair value with limited exceptions.

A contingent liability assumed that represents a “present” obligation is recognised at fair value at the acquisition date.

At the date of acquisition and subsequently, an indemnification asset is recognised as an asset at the same time and measured using the same measurement basis as the related liability (or contingent liability), subject to collectability.

Acquired non-current assets (disposal groups) classified as held for sale are recognised at fair value less costs to sell.

At the acquisition date the acquirer measures any non-controlling interests at fair value or at its proportionate interest in the values assigned to the identifiable assets acquired and liabilities assumed in the acquisition accounting.

When the sum of the fair value of the consideration transferred and the recognised amount of non-controlling interests exceeds the fair value of the identifiable assets acquired and liabilities assumed, the excess is recognised as goodwill.

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Like IFRSs, the identifiable assets acquired and liabilities assumed generally are recognised at fair value in a 100 percent acquisition. However, unlike IFRSs, contingent liabilities usually are not recognised at fair value. Also unlike IFRSs, when the acquirer's interest in the acquiree is less than 100 percent, assets and liabilities are adjusted to reflect fair values only to the extent of the acquirer's interest in the acquiree. In addition, unlike IFRSs, the value at which certain acquired non-current assets are recognised is less than fair value when the acquirer's interest in the net fair value of the assets acquired and liabilities assumed exceeds the cost of the acquisition (see below).

Unlike IFRSs, a contingent liability (contingency) assumed is recognised at fair value at acquisition date only if fair value is readily determinable. Otherwise, a contingent liability is recognised at the acquisition date only if the contingent liability is likely of occurring and can be reasonably estimated, and it is measured at management's best estimate of the settlement amount.

Unlike IFRSs, Canadian GAAP has no specific guidance with respect to indemnification assets.

Like IFRSs, non-current assets (disposal groups) classified as held for sale are recognised at fair value less costs to sell.

Unlike IFRSs, at the acquisition date the acquirer measures any non-controlling interests based on the acquiree's book values, and the values assigned to the identifiable assets acquired and liabilities assumed are adjusted to reflect fair values only to the extent of the acquirer's interest in the acquiree.

Goodwill is measured as the excess of the cost of acquisition and the acquirer's interest in net amounts assigned to identifiable assets acquired and liabilities assumed as determined at the date of acquisition, each of which differs in certain respects from IFRSs.

Any deficit is a bargain purchase, which is recognised in profit or loss immediately after reassessing the identification and measurement of the above items.

Also, unlike IFRSs, when the acquirer's interest in the net fair value of the assets acquired and liabilities assumed exceeds the cost of acquisition (negative goodwill or bargain purchase), the excess amount first is deducted proportionally from the purchase price allocated to certain acquired non-current assets until their carrying amounts are reduced to zero. In addition, when negative goodwill arises, an amount equal to the lesser of the maximum amount of contingent consideration (if any) and negative goodwill is recognised as if it were a liability, even if the general recognition criteria for contingent consideration have not been met (see above). Any remaining negative goodwill is recognised as an extraordinary gain in profit or loss.

Adjustments to provisionally determined amounts in a business combination can be made only within the measurement period, which ends as soon as the acquirer receives all of the necessary information about the facts and circumstances that existed as of the date of acquisition to identify and measure the assets and liabilities acquired. This period cannot exceed 12 months from the acquisition date. Adjustments are made retrospectively and comparatives are revised.

Like IFRSs, adjustments to provisionally determined amounts in a business combination can be made subsequent to an acquisition. Unlike IFRSs, there is no defined allocation period within which adjustments may be made; however, a period of more than one year after the date of acquisition can be justified only by very unusual circumstances. Also unlike IFRSs, when adjustments are permitted, changes to goodwill are reflected in the current financial statements and comparatives are not restated, unless the change reflects the correction of an error.

When an acquisition is achieved in stages (step acquisition), the identifiable assets and liabilities are recognised at full fair value when control is obtained, and a gain or loss is recognised in profit or loss for the difference between the fair value and the carrying amount of the previously held equity interest in the acquiree.

Unlike IFRSs, when an acquisition is achieved in stages (step acquisition), the carrying amount of the previously held equity interest in the acquiree is not remeasured to fair value and a gain or loss is not recognised in profit or loss when control is obtained. Instead, for each step acquisition, assets and liabilities are adjusted to reflect the additional proportionate amount of the fair value acquired at that date.

"Push down" accounting, whereby fair value adjustments are recognised in the financial statements of the acquiree, is not permitted under IFRSs.

Unlike IFRSs, "push down" accounting may be used in certain circumstances to revalue assets and liabilities within the acquiree's financial statements.

There is no specific guidance on accounting for common control transactions.

Unlike IFRSs, common control transactions are measured at the exchange amount in the same manner as a business combination, when there is a substantial change in ownership and the exchange amount is supported by independent evidence. When these criteria are not met, the transaction is measured at the carrying amount of the net assets transferred as recognised in the financial statements of the transferred business.

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2.7 Foreign exchange translation

(IAS 21, IAS 29)

An entity measures its assets, liabilities, revenues and expenses in its functional currency, which is the currency of the primary economic environment in which it operates.

There are various indicators to be considered in determining the appropriate functional currency of an entity. When the indicators are mixed and the functional currency is not obvious, priority should be given to certain of the indicators.

A change in functional currency is possible only when there is a change in facts and circumstances. Any change in functional currency is accounted for prospectively.

An entity may present its financial statements in a currency other than its functional currency (presentation currency).

All transactions that are not denominated in an entity's functional currency are foreign currency transactions. A foreign currency transaction is measured at the spot exchange rate on initial recognition. Monetary items are retranslated at the closing rate at subsequent reporting dates. Non-monetary items measured at fair value are retranslated at the exchange rate when the fair value was determined. Exchange differences arising on translation generally are recognised in profit or loss.

2.7 Foreign exchange translation

(HB 1651, EIC-26, EIC-130)

Unlike IFRSs, an entity is not explicitly required to assess the unit of measure (functional currency) in which it measures its own assets, liabilities, revenues and expenses; rather, it only assesses the functional currency of its foreign operations.

Like IFRSs, there are various indicators to be considered in determining the appropriate functional currency of a foreign operation and such indicators are similar to those under IFRSs. However, unlike IFRSs, when the indicators are mixed and the functional currency is not obvious, Canadian GAAP does not have a hierarchy of indicators under which certain indicators are given priority. Because the determination of the functional currency requires the exercise of judgement based on the evaluation of all relevant information, differences in functional currencies under IFRSs and Canadian GAAP may arise in practice.

Like IFRSs, a change in functional currency is possible only when there is a significant change in facts and circumstances. However, because practice is to interpret the threshold supporting a change to be very high, this may differ from practice under IFRSs. Like IFRS, any change in functional currency is accounted for prospectively.

Like IFRSs, an entity may present its financial statements in a currency other than its functional currency (reporting currency).

Like IFRSs, all transactions that are not denominated in an entity's functional currency are foreign currency transactions. Like IFRSs, a foreign currency transaction is measured at the spot exchange rate on initial recognition. Monetary items and non-monetary items remeasured at fair value are retranslated at the closing rate at subsequent reporting dates, like IFRSs. Exchange differences arising on translation generally are recognised in profit or loss, like IFRSs.

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Overview of IFRS	Overview of Canadian GAAP
There is no clear guidance on whether deferred tax should be regarded as a monetary or non-monetary item.	Unlike IFRSs, deferred (future) income taxes are monetary items.
IFRSs do not distinguish different types of foreign operations. However, the relationship between the entity and its foreign operation is a factor in determining the functional currency of the foreign operation, which is assessed separately from that of the parent.	Unlike IFRSs, there are two types of foreign operations: integrated (which have the same functional currency as the entity) and self-sustaining (which have a functional currency different from the entity).
The financial statements of foreign operations are translated for the purpose of consolidation as follows: assets and liabilities are translated at the closing rate, revenues and expenses are translated at actual rates or appropriate averages, and equity components (excluding the current year movements, which are translated at actual rates) are translated at historical rates.	Like IFRSs, the financial statements of self-sustaining foreign operations are translated for the purpose of consolidation as follows: assets and liabilities are translated at the closing rate, revenues and expenses are translated at actual rates or appropriate averages, and equity components (excluding the current year movements, which are translated at actual rates) are translated at historical rates. The financial statements of integrated foreign operations are translated using the method applicable to foreign currency transactions (see above), like IFRSs.
If the functional currency of a foreign operation is hyperinflationary, then current purchasing power adjustments are made to its financial statements prior to translation. The financial statements then are translated at the closing rate at the end of the current period.	Unlike IFRSs, purchasing power adjustments are not permitted if the functional currency of a foreign operation is highly inflationary. The financial statements of a self-sustaining foreign operation in a highly inflationary economy are not adjusted, but instead are translated using the method applicable to integrated foreign operations, unlike IFRSs.
When the reporting date of a foreign operation is prior to that of the entity, adjustments are made for significant movements in exchange rates up to the reporting date for consolidation purposes.	Unlike IFRSs, when the reporting date of a self-sustaining foreign operation is prior to that of the entity, adjustments for significant movements in exchange rates up to the reporting date for consolidation purposes are prohibited.
The cumulative exchange differences relating to a foreign operation that have been recognised previously in other comprehensive income in the foreign currency translation reserve are fully transferred to profit or loss upon disposal of that foreign operation. A "disposal" occurs when an entity's entire interest in a foreign operation is disposed of or, in the case of a partial disposal, the partial disposal results in the loss of control of a subsidiary, loss of significant influence or loss of joint control.	Like IFRSs, the cumulative exchange differences recognised in equity with respect to a foreign operation (a subsidiary, an equity method investee or a joint venture) are transferred to profit or loss when the entity's entire interest in a foreign operation is disposed of. Unlike IFRSs, any partial disposal of a foreign operation is considered to be a reduction in the net investment in the foreign operations, and would result in cumulative exchange differences previously recognised in equity being only proportionately reduced and transferred to profit or loss.

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For any partial disposal of an entity's interest in a subsidiary that includes a foreign operation that is not considered to be a disposal, as described above (i.e., the parent retains control of the subsidiary), the entity re-attributes the proportionate share of the cumulative exchange differences recognised in equity to the non-controlling interests in that foreign operation, and no amount is transferred to profit or loss. For any other partial disposal of a foreign operation (e.g., a reduction in the investment in an associate without loss of significant influence), the entity reclassifies to profit or loss only the proportionate share of the cumulative exchange differences recognised in equity.

Unlike IFRSs, any partial disposal of a foreign operation, including a partial disposal of a subsidiary, is considered to be a reduction in the net investment in the foreign operations, and the entity reclassifies the proportionate share of the cumulative amount of the exchange differences in that foreign operation as part of the dilution gain or loss recognised in profit or loss.

A payment of a dividend is not considered to be a disposal or partial disposal.

Unlike IFRSs, a reduction in net investment has occurred if dividends have been paid out of pre-acquisition profits, and the cumulative exchange differences are proportionately reduced and transferred to profit or loss. In addition, unlike IFRSs, dividends paid out of post-acquisition profits may also be considered a reduction in net investment under Canadian GAAP.

When financial statements are translated into a presentation currency other than the entity's functional currency, the entity uses the same method as for translating the financial statements of a foreign operation. There are special requirements for translation when the financial statements of the foreign operation have been restated for changes in price levels.

Like IFRSs, when financial statements are translated into a reporting currency other than the entity's functional currency, the entity uses the same method as for translating the financial statements of a self-sustaining foreign operation. Unlike IFRSs, financial statements are not restated for changes in price levels.

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2.8 Changes in accounting policies and estimates, and errors

(IAS 1, IAS 8)

An accounting policy is changed in response to a new or revised standard or interpretation, or on a voluntary basis if the new policy is more appropriate.

Generally, accounting policy changes and corrections of prior period errors are accounted for retrospectively by adjusting opening equity and restating comparatives, unless impracticable.

Changes in accounting estimates are accounted for prospectively.

When it is difficult to determine whether a change is a change in accounting policy or a change in estimate, it is treated as a change in estimate.

A statement of financial position is presented at the beginning of the earliest comparative period following the retrospective application of an accounting policy change, the correction of an error, or the reclassification of items in the financial statements. In such cases, three statements of financial position will be presented.

Comparatives are restated if the classification or presentation of items in the financial statements is changed, unless impracticable.

2.8 Changes in accounting policies and estimates, and errors

(HB 1506)

Like IFRSs, an accounting policy is changed in response to a new or revised standard or interpretation, or on a voluntary basis if the new policy is more appropriate.

Like IFRSs, generally accounting policy changes are made by adjusting opening equity and restating comparatives, unless impracticable. Corrections of prior period errors are made by restating opening equity and comparatives, like IFRSs; however, unlike IFRSs, there is no impracticability exemption.

Like IFRSs, changes in accounting estimates are accounted for prospectively.

Like IFRSs, when it is difficult to determine whether a change is a change in accounting policy or a change in estimate, it is treated as a change in estimate.

Unlike IFRSs, a statement of financial position (balance sheet) is not required to be presented at the beginning of the earliest comparative period following an accounting policy change, the correction of an error, or the reclassification of items in the financial statements.

Like IFRSs, comparatives are restated if the classification or presentation of items in the financial statements is changed, unless impracticable.

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2.9 Events after the reporting date

(IAS 1, IAS 10)

The financial statements are adjusted to reflect events that occur after the reporting date, but before the financial statements are authorised for issue, if those events provide evidence of conditions that existed at the reporting date.

The post-reporting date period is to the date that the financial statements are authorised for issue.

Financial statements are not adjusted for events that are indicative of conditions that arose after the reporting date, except when the going concern assumption no longer is appropriate.

The classification of liabilities as current or non-current is based on circumstances at the reporting date.

Dividends declared after the reporting date are not recognised as a liability in the financial statements.

2.9 Events after the reporting date

(HB 3820, EIC-50, EIC-59, EIC-122)

Like IFRSs, the financial statements are adjusted to reflect events that occur after the reporting (balance sheet) date if those events provide evidence of conditions that existed at the reporting date.

Unlike IFRSs, the post-reporting date period is to the date of completion of the financial statements, which may be earlier than the date that the financial statements are authorised for issue.

Like IFRSs, generally the financial statements are not adjusted for events that are indicative of conditions that arose after the reporting date, except when the going concern assumption is no longer appropriate.

Like IFRSs, generally the classification of liabilities as current or non-current reflects circumstances at the reporting date. However, unlike IFRSs, post-reporting date refinancings are considered in determining the classification of debt at the reporting date. Also, unlike IFRSs, liabilities payable on demand at the reporting date due to covenant violations are classified as non-current in certain circumstances (see 3.1).

Like IFRSs, dividends declared after the reporting date are not recognised as a liability in the financial statements.

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3. Statement of financial position

3.1 General

(IAS 1, IAS 32)

The statement of financial position is classified between current and non-current. An unclassified statement of financial position based on the order of liquidity is acceptable only when it provides reliable and more relevant information.

While IFRSs require certain items to be presented on the face of the statement of financial position, there is no prescribed format.

A liability that is payable on demand because certain conditions are breached is classified as current even if the holder has agreed, after the reporting date but before the financial statements are authorised for issue, not to demand repayment.

Assets and liabilities that are expected to be settled within the normal operating cycle are classified as current, even if they are due to be settled more than 12 months after the reporting date.

Deferred tax assets and liabilities must be classified as non-current.

3. Statement of financial position

3.1 General

(HB 1000, HB 1510, HB 3863, EIC-122)

Like IFRSs, generally the statement of financial position (balance sheet) is classified between current and non-current. An unclassified statement of financial position based on the order of liquidity is accepted in certain specialised industries in which it is considered to provide more relevant information.

Like IFRSs, while certain items are required to be presented on the face of the statement of financial position, there is no prescribed format.

A liability that is payable on demand because certain conditions are breached generally is classified as current, like IFRSs. However, unlike IFRSs, such a liability is classified as non-current when it is refinanced subsequent to the reporting date but prior to the financial statements being completed, or when it is due on demand as of the reporting date because of covenant violations but the lender has waived its right to demand repayment for more than 12 months after the reporting date.

Like IFRSs, assets and liabilities that are expected to be settled within the normal operating cycle are classified as current, even if they are due to be settled more than 12 months after the reporting date.

Unlike IFRSs, deferred taxes are classified as current and non-current, based on the classification of the underlying assets or liabilities to which they relate or, if there is no underlying recognised asset or liability, based on the expected reversal of the temporary difference or based on the expected timing of realisation.

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Non-current assets (disposal groups) classified as held for sale are required to be presented separately on the statement of financial position. The classification of such assets as current or non-current assets is not specified. In addition, the comparative statement of financial position is not re-presented when a non-current asset (disposal group) is classified as held for sale

Like IFRSs, non-current assets (disposal groups) classified as held for sale are required to be presented separately on the statement of financial position. However, unlike IFRSs, such assets are classified as current assets only when the entity has sold them prior to the completion of the financial statements and the proceeds will be realised in the next year. In addition, unlike IFRSs, Canadian GAAP does not specify whether the comparative statement of financial position should be re-presented when a non-current asset (disposal group) is classified as held for sale.

A financial asset and a financial liability are offset only when there is a legally enforceable right to offset and an intention to settle net or to settle both amounts simultaneously.

Like IFRSs, a financial asset and a financial liability are offset only when there is a legally enforceable right to offset and an intention to settle on a net basis or to settle both amounts simultaneously.

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3.2 Property, plant and equipment
(IAS 16, IAS 23, IFRIC 1, IFRIC 18)

Property, plant and equipment is recognised initially at cost. There is explicit guidance for property, plant and equipment contributed by a customer; cost is determined by reference to fair value upon initial recognition.

Cost includes all expenditure directly attributable to bringing the asset to the location and working condition for its intended use.

Interest and other borrowing costs are capitalised as part of the cost of a "qualifying" item of property, plant and equipment (see 4.6).

Incidental income derived from operating property, plant and equipment prior to its substantial completion and readiness for use is recognised as part of the cost of the asset provided that it is necessary to bring the asset to its intended use. Other incidental income is recognised in profit or loss.

Cost includes the estimated cost of dismantling and removing the asset and restoring the site, whether arising from a legal or constructive obligation.

Changes to an existing decommissioning or restoration obligation generally are added to or deducted from the cost of the related asset and depreciated prospectively over the asset's remaining useful life.

Property, plant and equipment is depreciated over its useful life.

An item of property, plant and equipment is depreciated even if it is idle. However, if it is held for sale (either individually or as part of a disposal group), then it is not depreciated.

3.2 Property, plant and equipment
(HB 1506, HB 3061, HB 3110, HB 3831, HB 3475)

Like IFRSs, property, plant and equipment is recognised initially at cost. Unlike IFRSs, Canadian GAAP has no explicit guidance on property, plant and equipment contributed by a customer, and differences in practice may exist.

Like IFRSs, cost includes all expenditure directly attributable to bringing the asset to the location and working condition for its intended use.

Unlike IFRSs, interest and other carrying costs may be capitalised as part of the cost of a "qualifying" item of property, plant and equipment (see 4.6).

Unlike IFRSs, incidental income or expense derived from property, plant and equipment prior to its substantial completion and readiness for use always is recognised as part of the cost of the asset.

Like IFRSs, cost includes the estimated cost of dismantling and removing the asset and restoring the site arising from legal obligations (asset retirement obligations). However, unlike IFRSs, there is no similar requirement in respect of constructive obligations.

Like IFRSs, changes to an existing asset retirement obligation are added to or deducted from the cost of the related asset and depreciated prospectively over the asset's remaining useful life. However, the application of the specific requirements for asset retirement obligations may result in differences from IFRSs (see 3.12).

Like IFRSs, property, plant and equipment is depreciated over its useful life.

Like IFRSs, property, plant and equipment is depreciated even if it is idle. However, if it is held for sale (either individually or as part of a disposal group), then it is not depreciated, like IFRSs.

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Overview of IFRS	Overview of Canadian GAAP
Depreciation of an asset is based on its cost less its residual value over its estimated useful life.	Unlike IFRSs, depreciation of an asset is based on the greater of (1) its cost less its residual value over its estimated useful life; and (2) its cost less its salvage value (estimated net realisable value at the end of its life) over its estimated life.
Estimated residual values reflect prices at the reporting date, based on the condition that the asset is expected to be in at the end of its useful life.	Unlike IFRSs, although residual value reflects an asset's estimated net realisable value at the end of its useful life, there is no explicit guidance on whether it should exclude the effect of future inflation.
Estimates of useful life and residual value, and the method of depreciation, are reviewed at least at each annual reporting date. Any changes are accounted for prospectively as changes in estimates.	Unlike IFRSs, the useful life and method of depreciation are reviewed regularly, and residual value is reviewed only when events or changes in circumstances indicate that the current estimates may no longer be appropriate. Like IFRSs, any changes are accounted for prospectively as changes in estimates.
When an item of property, plant and equipment comprises individual components for which different depreciation methods or rates are appropriate, each component is accounted for separately (component accounting).	Component accounting is required for significant separable component parts of an item of property, plant and equipment when practicable and when estimates can be made of the lives of the separate components, like IFRSs. However, unlike IFRSs, Canadian GAAP provides no guidance on the cost of a component and the replacement of components, and is less specific than IFRSs about the level at which component accounting is required.
Subsequent expenditure is capitalised only when it is probable that it will give rise to future economic benefits.	Subsequent expenditure is capitalised only when it is incurred to achieve greater future economic benefits, like IFRSs.
Property, plant and equipment may be revalued to fair value if fair value can be measured reliably. All items in the same class are revalued at the same time and revaluations are kept up to date.	Unlike IFRSs, property, plant and equipment may not be revalued to fair value.
Compensation for loss or impairment cannot be offset against the carrying amount of the asset lost or impaired.	Like IFRSs, compensation for loss or impairment cannot be offset against the carrying amount of the asset lost or impaired.
The gain or loss on disposal is the difference between the net proceeds received and the carrying amount of the asset.	Like IFRSs, the gain or loss on disposal is the difference between the net proceeds received and the carrying amount of the asset.

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3.3 Intangible assets and goodwill

(IFRS 3, IAS 38, SIC–32)

An intangible asset is an identifiable non-monetary asset without physical substance. An intangible asset is recognised when its cost is reliably measurable and it is probable that future economic benefits attributable to the asset will be realised.

An intangible asset is identifiable if it is separable or arises from contractual or legal rights.

Intangible assets are recognised initially at cost.

The initial measurement of an intangible asset depends on whether it has been acquired separately, as part of a business combination, or was generated internally.

Goodwill is recognised only in a business combination and is measured as a residual.

Acquired goodwill and other intangible assets with indefinite useful lives are not amortised, but instead are subject to impairment testing at least annually.

Intangible assets with finite useful lives are amortised over their estimated useful lives.

The residual value of an intangible asset is assumed to be zero unless specific criteria are met.

Estimates of useful life and residual value, and the method of amortisation, are reviewed at least at each annual reporting date. Any changes are accounted for prospectively as changes in estimates.

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3.3 Intangible assets and goodwill

(HB 1581, HB 3064)

Like IFRSs, an intangible asset is an identifiable non-monetary asset without physical substance. An intangible asset is recognised when its cost is reliably measurable and it is probable that future economic benefits attributable to the asset will be realised, like IFRSs.

Like IFRSs, an intangible asset is identifiable if it is separable or arises from contractual or legal rights.

Like IFRSs, intangible assets are recognised initially at cost.

Like IFRSs, the initial measurement of an intangible asset depends on whether it has been acquired separately, as part of a business combination, or was generated internally.

Like IFRSs, goodwill is recognised only in a business combination and is measured as a residual. However, the initial measurement of goodwill as a residual may differ from IFRSs (see 2.6).

Like IFRSs, acquired goodwill and other intangible assets with indefinite useful lives are not amortised, but instead are subject to impairment testing at least annually. However, the impairment test differs from IFRSs (see 3.10).

Like IFRSs, intangible assets with finite useful lives are amortised over their estimated useful lives.

Like IFRSs, the residual value of an intangible asset is assumed to be zero unless specific criteria are met.

Like IFRSs, estimates of useful life and the method of amortisation are reviewed on an annual basis. Unlike IFRSs, there is no specific requirement to periodically review the residual value; however, in practice it may be reviewed as part of the regular review of depreciation methods and useful lives. Like IFRSs, any changes are accounted for prospectively as changes in estimates (see 2.8).

Subsequent expenditure on an intangible asset is capitalised only if the definition of an intangible asset and the recognition criteria are met.

Like IFRSs, subsequent expenditure on an intangible asset is capitalised only if the definition of an intangible asset and the recognition criteria are met.

Internal research expenditure is expensed as incurred. Internal development expenditure is capitalised if specific criteria are met. These capitalisation criteria are applied to all internally developed intangible assets.

Like IFRSs, internal research expenditure is expensed as incurred. Like IFRSs, internal development expenditure is capitalised if specific criteria are met. These capitalisation criteria are applied to all internally developed intangible assets, like IFRSs.

Advertising and promotional expenditure is expensed as incurred. An expense is incurred when the entity has the right to access the goods or when it receives the service.

Like IFRSs, advertising and promotional expenditure is expensed as incurred. However, unlike IFRSs, Canadian GAAP does not explicitly address when an expense has been incurred; therefore, in practice there may be differences from IFRSs in terms of when advertising and promotional expenditure is expensed.

Intangible assets may be revalued to fair value if there is an active market.

Unlike IFRSs, intangible assets may not be revalued to fair value.

Expenditure on relocation or reorganisation is expensed as incurred.

Unlike IFRSs, certain relocation or restructuring costs following a business combination are capitalised (see 2.6). Other relocation or reorganisation expenditures are expensed as incurred, like IFRSs.

The following costs cannot be capitalised as intangible assets: internally generated goodwill, costs to develop customer lists, start-up costs and training costs.

Like IFRSs, the following costs cannot be capitalised as intangible assets: internally generated goodwill, costs to develop customer lists, start-up costs and training costs.

Other than in respect of web site development costs, there is no specific guidance on accounting for software, whether for internal or external use.

Unlike IFRSs, Canadian GAAP provides no specific guidance on accounting for web site development costs. Like IFRSs, there is no specific guidance on accounting for software, whether for internal or external use.

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3.4 Investment property
(IAS 17, IAS 40)

Investment property is property held to earn rentals or for capital appreciation or both.

Property held by a lessee under an operating lease may be classified as investment property if the rest of the definition of investment property is met and the lessee measures all of its investment property at fair value.

A portion of a dual-use property is classified as investment property only if the portion could be sold or leased out under a finance lease. Otherwise, the entire property is classified as property, plant and equipment unless only an "insignificant" portion is held for own use.

When a lessor provides ancillary services, a property is classified as investment property if such services are a relatively insignificant component of the arrangement as a whole.

Investment property is recognised initially at cost.

Subsequent to initial recognition, all investment property is measured using either the fair value model (subject to limited exceptions) or the cost model. When the fair value model is chosen, changes in fair value are recognised in profit or loss.

Disclosure of the fair value of all investment property is required, regardless of the measurement model used.

Subsequent expenditure is capitalised only when it is probable that it will give rise to future economic benefits.

Transfers to or from investment property can be made only when there has been a change in the actual use of the property; changes in intention are not relevant.

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3.4 Investment property
(HB 3061)

Unlike IFRSs, there is no specific definition of investment property under Canadian GAAP; such property is accounted for as property, plant and equipment unless it meets the specific criteria to be classified as held for sale.

Unlike IFRSs, property held by a lessee under an operating lease cannot be recognised on the statement of financial position (balance sheet).

Unlike IFRSs, there is no guidance on how to classify dual-use property. Instead, the entire property is accounted for as property, plant and equipment.

Unlike IFRSs, ancillary services provided by a lessor do not affect the treatment of a property as property, plant and equipment.

Like IFRSs, investment property is recognised initially at cost.

Unlike IFRSs, all investment property is measured using the cost model.

Unlike IFRSs, there is no requirement to disclose the fair value of investment property.

Subsequent expenditure is capitalised only when it is incurred to achieve greater future economic benefits, like IFRSs.

Unlike IFRSs, investment property is accounted for as property, plant and equipment, and there are no transfers to or from an "investment property" category.

3.5 Investments in associates and joint ventures

(IAS 28, IAS 31, SIC–13)

The definition of an associate is based on significant influence, which is the power to participate in the financial and operating policies of an entity.

There is a rebuttable presumption of significant influence if an entity holds 20 to 50 percent of the voting rights of another entity.

Potential voting rights that currently are exercisable are considered in assessing significant influence.

A joint venture is an entity, asset or operation that is subject to contractually established joint control.

Associates are accounted for using the equity method.

Jointly controlled entities may be accounted for either by proportionate consolidation or using the equity method. For jointly controlled assets, the investor accounts for its share of the jointly controlled assets, the liabilities and expenses it incurs, and its share of any income or output. Similarly, for jointly controlled operations, the investor accounts for the assets it controls, the liabilities and expenses it incurs, and its share of the income from the joint operation.

An associate's or jointly controlled entity's accounting policies should be consistent with those of its investor.

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3.5 Investments subject to significant influence and joint ventures

(HB 3051, HB 3055, EIC-8, EIC-38, EIC-165)

Significant influence is the ability to significantly influence the strategic operating, investing and financial policies of an entity, like IFRSs. However, the description "investments subject to significant influence" is used to describe what would be associates under IFRSs.

Like IFRSs, there is a rebuttable presumption of significant influence if an entity holds 20 to 50 percent of the voting rights of another entity.

Unlike IFRSs, the role of potential voting rights in assessing significant influence is not addressed explicitly in Canadian GAAP. However, because all factors are required to be considered in assessing significant influence, in effect any such voting rights would need to be evaluated to determine whether they affect the ability to exert significant influence. Any difference from IFRSs will depend on the facts and circumstances.

Like IFRSs, a joint venture is an entity, asset or operation that is subject to joint control. However, unlike IFRSs, a formal contractual arrangement is not required to establish joint control.

Like IFRSs, investments subject to significant influence are accounted for using the equity method.

Unlike IFRSs, all joint ventures arrangements, except those that are variable interest entities (see 2.5), must be accounted for using proportionate consolidation.

Unlike IFRSs, the uniformity of accounting policies is not required when accounting for investments subject to significant influence and joint ventures.

Overview of IFRS	Overview of Canadian GAAP
The reporting date of an associate or jointly controlled entity may not differ from the investor's by more than three months. Adjustments are made for the effects of significant events and transactions between the two dates.	Unlike IFRSs, Canadian GAAP does not provide guidance on the consistency of reporting periods. Canadian GAAP also does not specifically require that adjustments be made for the effects of any significant events or transactions that occur between the two reporting dates, unlike IFRSs.
When an associate or a jointly controlled entity accounted for under the equity method incurs losses, the carrying amount of the investor's interest is reduced, but not below zero. Further losses are recognised by the investor only to the extent that the investor has an obligation to fund losses.	Like IFRSs, the carrying amount of the investor's interest in an investment subject to significant influence is not reduced below zero unless the investor has an obligation to fund losses. However, unlike IFRSs, this treatment does not apply to investments subject to significant influence when a return to profitability is considered imminent.
Unrealised profits or losses on transactions with associates or jointly controlled entities are eliminated to the extent of the investor's interest in the investee.	Like IFRSs, unrealised profits or losses on transactions with jointly controlled entities, and on upstream transactions with entities subject to significant influence, are eliminated to the extent of the investor's interest in the investee. However, unlike IFRSs, 100 percent of unrealised profits and losses on downstream transactions with entities subject to significant influence are eliminated.
Equity accounting or proportionate consolidation is not applied to an investee that is acquired with a view to its subsequent disposal if the criteria are met for classification as held for sale.	Unlike IFRSs, there is no exemption from equity accounting or proportionate consolidation for an investment subject to significant influence or a joint venture that is acquired with a view to its subsequent sale.
Venture capital organisations, venture trusts and similar entities may elect to account for investments in associates and jointly controlled entities as financial assets at fair value through profit or loss.	Unlike IFRSs, there is no election available to venture capital organisations, mutual funds and unit trusts to account for investments in associates and jointly controlled entities as financial assets. However, investment companies that meet certain criteria must account for their investments subject to significant influence and jointly controlled entities at fair value, with changes in fair value recognised in profit or loss, unlike IFRSs.
There is no exemption from equity accounting or proportionate consolidation for an associate or jointly controlled entity that operates under severe long-term restrictions.	Like IFRSs, there is no exemption from equity accounting for an investment subject to significant influence that operates under severe long-term restrictions. However, unlike IFRSs, there is an exemption from the proportionate consolidation of a jointly controlled entity in these circumstances, which is accounted for as an investment subject to significant influence or as a financial instrument (see 3.6), as appropriate.
There is no guidance on how a newly formed joint venture should account for contributed assets.	Unlike IFRSs, a newly formed joint venture accounts for contributed assets based on one of the following: fair values; carrying amounts in the venturers' financial statements prior to formation; or carrying amounts in the venturers' financial statements, adjusted to include any gain recognised by the venturer in respect of the other venturers' interests in the assets contributed.

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An equity accounted investment is written down if its carrying amount is impaired.

Unlike IFRSs, an investment subject to significant influence is written down if its carrying amount is impaired only if that impairment is considered to be "other than temporary".

Upon the loss of significant influence or joint control, any retained investment is remeasured to fair value and a gain or loss is recognised in profit or loss. The fair value of the retained investment is the deemed cost for the purposes of applying the equity method or for the purposes of applying the financial instruments standards, depending on the level of influence retained.

Unlike IFRSs, upon the loss of significant influence or joint control, there is no remeasurement of any retained investment to fair value. Rather, unlike IFRSs, the investor's retained interest in the carrying amount of the net assets of the investee, adjusted for reclassification of items previously recognised in other comprehensive income for investments formerly subject to significant influence, is the deemed cost for the purposes of applying the equity method or for the purposes of applying the financial instruments standard, depending on the level of influence retained. For a financial asset formerly subject to significant influence, the investor's retained interest in the carrying of the net assets of the investee is adjusted for reclassification of items previously recognised in accumulated other comprehensive income.

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3.6 Financial instruments

(IAS 21, IAS 32, IAS 39, IFRIC 9, IFRIC 10, IFRIC 19)

A derivative is a financial instrument or other contract within the scope of the financial instrument standards:

- the value of which changes in response to an underlying variable;
- that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable; and
- that will be settled at a future date.

The definition of a derivative does not require the instrument to have a notional amount, and the lack of a notional amount does not result in an exemption from treatment of the contract as a derivative.

All derivatives are recognised on the statement of financial position and are measured at fair value.

There are a number of exemptions from the recognition and measurement requirements for financial instruments.

Subject to certain criteria, a contract to buy or sell a non-financial item is exempt from being treated as a derivative. However, this scope exemption does not apply to a derivative embedded in the contract that is not closely related to the contract.

In some cases, contracts issued by an entity that are indexed to its own equity are treated as derivatives.

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3.6 Financial instruments

(HB 3051, HB 3855, HB 3862, HB 3025, AcG-12, AcG-18, EIC-88, EIC-164, EIC-166, EIC-169, EIC-173)

Like IFRSs, a derivative is a financial instrument or other contract within the scope of the financial instrument standards:

- the value of which changes in response to an underlying variable;
- that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable; and
- that will be settled at a future date.

Unlike IFRSs, although the definition of a derivative does not require the instrument to have a notional amount, when the notional amount is not specified or otherwise determinable, the contract is not accounted for as a derivative.

Like IFRSs, all derivatives are recognised on the statement of financial position (balance sheet) and are measured at fair value.

Like IFRSs, there are a number of exemptions from the recognition and measurement requirements for financial instruments. However, unlike IFRSs, there are more exemptions, including contracts that require a payment based on specified volumes of sales or service revenues, non-exchange-traded weather derivatives and certain insurance contracts (see 5.10).

Like IFRSs, subject to certain criteria, a contract to buy or sell a non-financial item is exempt from being treated as a derivative. However, unlike IFRSs, such exemption from derivative treatment is elective, not mandatory, and must be documented before it can be applied. In addition, unlike IFRSs, when a contract that meets the definition of a derivative, but would otherwise qualify for the exemption, has pricing based on a variable that is not closely related to the item being purchased, no portion of the contract qualifies for exemption and the contract is treated as a derivative in its entirety.

Unlike IFRSs, there is no guidance on the accounting for contracts issued by an entity that are indexed to its own equity.

All financial assets are classified into “loans and receivables”, “held-to-maturity”, “fair value through profit or loss” or “available-for-sale” categories.

Financial instruments may be designated on initial recognition as measured at fair value through profit or loss only if certain criteria are met.

A puttable financial asset cannot be classified as held-to-maturity.

All financial instruments are measured initially at fair value.

Transaction costs in respect of financial instruments at fair value through profit or loss are recognised in profit or loss immediately. Transaction costs in respect of other financial instruments are included in the initial measurement of the financial instrument.

All freestanding derivatives and some embedded derivatives are recognised in the statement of financial position and measured at fair value. Unless they qualify as hedging instruments in a cash flow or net investment hedge, all changes in fair value are recognised immediately in profit or loss.

Derivatives embedded in host contracts are accounted for as stand-alone derivatives. This does not apply when the host contract is measured at fair value with changes in fair value recognised in profit or loss, or for embedded derivatives that are closely related, in economic terms, to the host contract.

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Like IFRSs, all financial assets are classified into “loans and receivables”, “held-to-maturity”, “held for trading” (fair value through profit or loss) or “available-for-sale” categories. However, there are certain differences from IFRSs with respect to designating assets into the held for trading category.

Like IFRSs, financial instruments may be designated on initial recognition as held for trading (and measured at fair value through profit or loss) only if certain criteria are met. However, these criteria are less restrictive than under IFRSs.

Unlike IFRSs, a puttable financial asset can be classified as held-to-maturity if the entity has the positive intent and ability to hold it to maturity.

Like IFRSs, financial instruments are initially measured at fair value, except that there are special rules with respect to the measurement of financial instruments originated as a result of or transferred to or from related parties, which is unlike IFRSs.

Like IFRSs, transaction costs in respect of financial instruments classified as held for trading are recognised in profit or loss immediately. Unlike IFRSs, entities are permitted to make an accounting policy choice to either include transaction costs in respect of other financial instruments in the initial measurement of the financial instrument, or recognise them in profit or loss immediately. The same accounting policy choice should be made for all similar instruments classified as other than held for trading.

Like IFRSs, all freestanding derivatives and some embedded derivatives are recognised in the statement of financial position and measured at fair value. Unless they qualify as hedging instruments in a cash flow or net investment hedge, all changes in fair value are recognised immediately in profit or loss, like IFRSs.

Like IFRSs, derivatives embedded in host contracts are accounted for as stand-alone derivatives. This does not apply when the host contract is measured at fair value with changes in fair value recognised in profit or loss, or for embedded derivatives that are closely related, in economic terms, to the host contract, like IFRSs. However, there are differences from IFRSs as to whether certain embedded derivatives are closely related to the host contract.

A foreign currency derivative embedded in a host contract that is not a financial instrument and requires payments in a foreign currency is not separated if the currency is commonly used in contracts to purchase or sell non-financial items in the economic environment in which the transaction takes place.	Unlike IFRSs, it is an accounting policy choice whether or not to separate an embedded foreign currency derivative for which the currency is commonly used in business transactions in that economic environment.
Multiple embedded derivatives in a single instrument are accounted for as a single compound derivative, unless they relate to different risks and are readily separable and independent of each other, in which case they are treated as separate derivatives.	Unlike IFRSs, multiple embedded derivatives in a single instrument must be accounted for in aggregate as a single compound derivative. However, embedded derivatives that are classified as equity are accounted for separately from those classified as assets or liabilities, like IFRSs.
Loans and receivables for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, are classified as available for sale.	Like IFRSs, loans and receivables for which the holder may not recover substantially all of its initial investment are required to be classified as available for sale.
Loans and receivables and held-to-maturity financial assets are measured at amortised cost. All other financial assets are measured at fair value, with limited exceptions.	Like IFRSs, loans and receivables and held-to-maturity financial assets are measured at amortised cost. All other financial assets generally are measured at fair value, with some limited exceptions. Certain of these exceptions differ from IFRSs. Also, unlike IFRSs, there are special rules with respect to the measurement of financial instruments originated with or transferred to or from related parties.
Available-for-sale financial assets are measured at fair value with changes therein recognised directly in other comprehensive income, except for equity securities that do not have a quoted price in an active market and whose fair value cannot be reliably measured. These are measured at cost.	Available-for-sale financial assets generally are measured at fair value with changes therein recognised directly in other comprehensive income, like IFRSs. However, unlike IFRSs, all equity securities that are not traded on an active market are measured at cost, even if fair value can be reliably measured.
Foreign exchange gains and losses attributable to available-for-sale non-monetary financial assets are recognised directly in other comprehensive income, but those related to available-for-sale monetary financial assets are recognised in profit or loss.	Unlike IFRSs, foreign exchange gains and losses attributable to both monetary and non-monetary available-for-sale financial assets are recognised directly in other comprehensive income.
Reclassifications of financial assets between different categories are permitted/required only if certain criteria are met, and may not be allowed at all without tainting implications. Certain items cannot be reclassified.	Like IFRSs, reclassifications of financial assets between the different categories are permitted/required only if certain criteria are met, and may not be allowed without tainting implications. Certain items cannot be reclassified.
Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost.	Like IFRSs, financial liabilities, other than those classified or designated as held for trading purposes (fair value through profit or loss) are measured at amortised cost. Unlike IFRSs, there are special rules with respect to the measurement of financial instruments originated with or transferred to or from related parties.

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Subsequent to initial recognition, other liabilities are measured at amortised cost except for those liabilities that are measured at fair value through profit or loss; or in certain cases that arise when a transfer of a financial asset does not qualify for derecognition and is accounted for using the continuing involvement approach; or that are financial guarantee contracts which are subsequently measured at the higher of (i) the amount determined in accordance with IAS 37 and (ii) the amount initially recognised less cumulative amortisation in accordance with IAS 18.

Like IFRSs, subsequent to initial recognition, other liabilities are measured at amortised cost except for those classified or designated as held for trading and measured at fair value through profit or loss. However, the criteria for the derecognition of transferred financial assets differ from IFRSs and, unlike IFRSs, Canadian GAAP does not exclude financial liabilities that arise from a transfer of a financial asset that does not qualify for derecognition, from being measured at amortised cost. Like IFRSs, some guarantee contracts are not accounted for under the requirements for financial instruments after initial recognition. However, Canadian GAAP provides no guidance on the measurement of such guarantees subsequent to initial recognition and, accordingly, their measurement may differ from that under IFRSs.

A financial liability is derecognised when it is extinguished, and any gain or loss on extinguishment is recognised in profit or loss. An exchange of debt instruments with substantially different terms or a substantial modification of the terms of an existing financial liability (or a part of it) is also accounted for as an extinguishment.

Like IFRSs, a financial liability is derecognised when it is extinguished, exchanged with substantially different terms or substantially modified, and any gain or loss on extinguishment is recognised in profit or loss. However, when an exchange of debt instruments or a modification of the terms of a debt instrument is accounted for as an extinguishment, an entity can elect to recognise immediately costs associated with the modification in profit or loss, like IFRSs, or to recognise them as an adjustment to the carrying amount of the liability and to amortise them over the remaining term of the modified liability, unlike IFRSs.

If a modification of a financial liability does not result in its derecognition, then any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Like IFRSs, if a modification of a financial liability does not result in its derecognition, then any fees paid to or received from the creditor are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability. However, an entity can elect to recognise immediately costs associated with the modification in profit or loss, unlike IFRSs, or to recognise them as an adjustment to the carrying amount of the liability and to amortise them over the remaining term of the modified liability, like IFRSs.

When there is objective evidence that a financial asset measured at amortised cost, or at fair value with changes recognised in other comprehensive income, may be impaired, an impairment loss is recognised. There is objective evidence that an equity instrument is impaired if there has been a "significant or prolonged" decline in its fair value below cost. The amount of any impairment loss is recognised in profit or loss.

Like IFRSs, an entity assesses whether there is objective evidence that a financial asset has been impaired. Also, like IFRSs, a "significant or prolonged" decline in the fair value below cost is considered objective evidence of impairment for equity securities. However, unlike IFRSs, while there may be objective evidence of impairment for available-for-sale financial assets (both equity and debt securities), an impairment loss is recognised only if the decline in fair value below cost is also considered to be other than temporary. Any impairment loss is recognised in profit or loss, like IFRSs.

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An impairment loss is measured for loans and receivables, and held-to-maturity financial assets as the difference between carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

If an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed and recognised in profit or loss, other than for available-for-sale equity securities for which the reversal effectively is recognised directly in other comprehensive income as a revaluation. Impairment losses in respect of financial assets carried at cost cannot be reversed.

An entity derecognises a financial asset when the contractual rights to the cash flows from that asset expire, or when the entity transfers a financial asset and the transfer qualifies for derecognition.

An entity is considered to have transferred a financial asset or, a part thereof, if the entity transfers its rights to receive the cash flows from the asset, or if it retains the rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets certain specific conditions.

Evaluating whether a transfer of a financial asset qualifies for derecognition requires consideration of whether substantially all risks and rewards and, in certain circumstances control, is transferred.

If an entity retains control of a financial asset for which some but not substantially all risks and rewards have been transferred, then the entity continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

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Like IFRSs, an impairment loss is measured for loans and receivables, and held-to-maturity financial assets as the difference between carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Canadian GAAP is consistent with IFRSs in this area.

A transfer of financial assets, or all or a portion of a financial asset, in which the transferor surrenders control over the assets, is accounted for as a sale, unlike IFRSs.

Unlike IFRSs, transfer is defined as the conveyance of a non-cash financial asset by and to someone other than the issuer of that financial asset.

Unlike IFRSs, the derecognition model for transfers of financial assets focuses on surrendering control over the transferred assets. The transferor has surrendered control over transferred assets only if certain conditions are met.

Unlike IFRSs, risks and rewards is not an explicit consideration when testing a transfer of a financial asset for derecognition; rather, derecognition is based on whether legal, actual and effective control has been achieved. However, after a transfer of a financial asset, or a portion thereof, an entity continues to recognise the financial and servicing assets it controls and derecognises the financial assets (or portions thereof) for which control has been surrendered, like IFRSs.

3.7 Hedge accounting
(IAS 39, IFRIC 16)

Hedge accounting is permitted only when strict documentation and effectiveness testing requirements are met.

The hedge accounting model applied depends on whether the hedged exposure is a fair value exposure, a cash flow exposure, or a currency exposure on a net investment in a foreign operation.

Subject to certain requirements, a component of interest rates may be designated as the hedged risk for a financial asset or liability, provided that there is a reasonable economic relationship between the component being hedged and the variable rate on which the cash flows are based.

The overall fair value of a written prepayment option in a held-to-maturity financial asset cannot be hedged.

There is no requirement for the operating unit with the foreign exchange exposure to be party to the hedging instrument.

Non-derivatives and derivatives may be combined and designated as the hedging instrument for hedges of foreign currency risk.

Any unrecognised firm commitment that is attributable to a particular risk and could affect profit or loss can be hedged.

IFRSs prohibit the use of the “shortcut” method, which assumes no ineffectiveness. In limited circumstances, the “critical terms match” approach may be used only for prospective assessments of hedge effectiveness, and not for retrospective hedge effectiveness assessment or measuring ineffectiveness.

3.7 Hedge accounting
(HB 3861, HB 3865, EIC-173)

Like IFRSs, hedge accounting is permitted only if certain requirements, including strict documentation and effectiveness testing requirements, are met.

Like IFRSs, the hedge accounting model applied depends on whether the hedged exposure is a fair value exposure, a cash flow exposure, or a foreign currency exposure on a net investment in a self-sustaining foreign operation.

Like IFRSs, a component of interest rates may be designated as the hedged risk for a financial asset or liability; however, Canadian GAAP is more restrictive than IFRSs in its definition of a component of interest rates that can be hedged. Unlike IFRSs, the risk-free rate component of the prime interest rate cannot be designated as the hedged risk even if there is a reasonable economic relationship between the risk-free rate component being hedged and the overall prime interest rate.

Unlike IFRSs, the overall fair value of a written prepayment option in a held-to-maturity financial asset can be hedged.

Unlike IFRSs, the operating unit with the foreign exchange exposure must be party to the hedging instrument, except in limited circumstances.

Unlike IFRSs, Canadian GAAP does not permit a derivative and a non-derivative to be combined and designated as the hedging instrument.

Like IFRSs, an unrecognised firm commitment that is attributable to a particular risk and could affect profit or loss can be hedged. However, unlike IFRSs, to qualify as a firm commitment, a significant disincentive for non-performance must exist and the transaction must be with an unrelated party.

Unlike IFRSs, Canadian GAAP permits, if certain conditions are met, the use of the “critical terms match” approach and the “shortcut” method for both assessing effectiveness and measuring ineffectiveness.

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Hedge accounting is discontinued prospectively if the hedged transaction is no longer highly probable; the hedging instrument expires, is sold, terminated or exercised; the hedged item is sold, settled or otherwise disposed of; or the hedge is no longer highly effective.

Like IFRSs, hedge accounting is discontinued prospectively if the hedged transaction is no longer probable; the hedging instrument expires, is sold, terminated or exercised; the hedged item is sold, settled or otherwise disposed of; or the hedge is no longer effective.

When hedge accounting is ceased for a cash flow hedge, the treatment of the cumulative gain or loss recognised in equity depends on whether the hedged transaction still is expected to occur. If the transaction is no longer expected to occur, then the amount recognised previously in equity is recognised immediately in profit or loss; otherwise, the amount recognised in equity is not recognised in profit or loss until such time as the forecast transaction impacts profit or loss.

Like IFRSs, when hedge accounting is ceased, the treatment of the cumulative gain or loss recognised in equity depends on whether the hedged transaction still is expected to occur. Unlike IFRSs, provided that the forecasted transaction is expected to occur within two months of the original time frame, the cumulative gain or loss remains in equity (in other comprehensive income) and is not recognised in profit or loss until such time as the forecasted transaction impacts profit or loss; otherwise, the gain or loss recognised in equity for the hedged transaction is recognised immediately in profit or loss.

Internal derivatives are not eligible for hedge accounting in the consolidated financial statements.

Unlike IFRSs, internal foreign currency derivatives are eligible for hedge accounting in the consolidated financial statements when certain limited conditions are met.

When hedging the foreign currency exposure of a net investment in a foreign operation, hedge accounting may be applied only to the foreign exchange differences arising between the functional currency of the foreign operation and the functional currency of any parent entity (the immediate, intermediate or ultimate parent entity) of that foreign operation. The hedging instrument need not be held by the entity holding the net investment since effectiveness is assessed on a consolidated basis.

Like IFRSs, hedge accounting may be applied only to the foreign exchange differences arising between the functional currency of the foreign operation and the functional currency of any parent entity. However, unlike IFRSs, the parent entity that holds the net investment must be party to the derivative hedging instrument, or another member of the consolidated group that has the same functional currency as the parent entity must be party to the derivative hedging instrument (provided there is no intervening subsidiary with a different functional currency).

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3.8 Inventories
(IAS 2)

Producers' inventories of agricultural and forest products, agricultural produce after harvest and mineral ores may be measured at net realisable value if this is a well-established industry practice, and commodity broker-traders' inventories may be measured at fair value less cost to sell.

Inventories are measured at the lower of cost and net realisable value.

Cost includes all direct expenditure to get inventory ready for sale, including attributable overheads.

Decommissioning and restoration costs incurred through the production of inventory are included in the cost of that inventory when initially recognised.

The cost of inventory generally is determined using specific identification, the FIFO (first-in, first-out) method or weighted average cost method. The use of the LIFO (last-in, first-out) method is prohibited.

Other cost formulas, such as the standard cost or retail method, may be used if the result approximates actual cost.

The same cost formula is applied to all inventories having a similar nature and use to the entity.

Interest that is directly attributable to the acquisition, construction or production of inventory is capitalised as part of the cost of that inventory, with certain exceptions (see 4.6).

The fair value of agricultural produce at the date of harvest, less costs to sell, is the deemed cost of the produce for the purpose of applying the inventories standard (see 3.9).

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3.8 Inventories
(HB 3031)

Like IFRSs, producers' inventories of agricultural and forest products, agricultural produce after harvest and mineral ores may be measured at net realisable value if this is a well-established industry practice, and commodity broker-traders' inventories may be measured at fair value less cost to sell.

Like IFRSs, inventories are measured at the lower of cost and net realisable value.

Like IFRSs, cost includes all direct expenditure to get inventory ready for sale, including attributable overheads.

Unlike IFRSs, decommissioning and restoration costs incurred through the production of inventory are added to the carrying amount of the related long-lived asset when initially recognised, and such amounts are only indirectly included in the cost of inventory through the inclusion of the depreciation of the related long-lived assets.

Like IFRSs, the cost of inventory may be determined using specific identification, the FIFO (first-in, first-out) method or weighted average cost method. Like IFRSs, the LIFO (last-in, first-out) method is prohibited.

Like IFRSs, other cost formulas, including standard cost and retail methods, may be used if the result approximates actual costs.

Like IFRSs, the same cost formula is applied to all inventories with a similar nature and use to the entity.

Unlike IFRSs, interest that is directly attributable to the acquisition, construction or production of inventories that require a substantial period of time to get them ready for their intended sale is capitalised only when the entity's accounting policy choice is to capitalise interest costs (see 4.6).

Unlike IFRSs, Canadian GAAP does not include specific guidance on determining cost for agricultural produce at the point of harvest.

Net realisable value is the estimated selling price less the estimated costs of completion and sale.

If the net realisable value of an item that has been written down increases subsequently, then the writedown is reversed.

Like IFRSs, net realisable value is the estimated selling price less the estimated costs of completion and sale.

Like IFRSs, if the net realisable value of an item that has been written down increases subsequently, then the writedown is reversed.

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3.9 Biological assets
(IAS 41)

Biological assets are measured at fair value less costs to sell unless it is not possible to measure fair value reliably, in which case they are measured at cost.

All gains and losses from changes in fair value are recognised in profit or loss.

Agricultural produce harvested from a biological asset is measured at fair value less costs to sell at the point of harvest. The carrying amount of such assets at the point of harvest becomes deemed cost and the inventory is accounted for subsequently at the lower of cost and net realisable value (see 3.8).

3.9 Biological assets
(HB 3031)

Unlike IFRSs, there is no specific guidance on accounting for biological assets.

Unlike IFRSs, changes in the fair value of biological assets are not recognised in profit or loss until the assets are sold.

Unlike IFRSs, there is no specific guidance on determining the cost of agricultural produce harvested from a biological asset.

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3.10 Impairment
(IAS 36, IFRIC 10)

The impairment standard deals with the impairment of a variety of non-financial assets, including property, plant and equipment; intangible assets and goodwill; investment property and biological assets carried at cost less accumulated depreciation; and investments in joint ventures and associates.

Impairment testing is required when there is an indicator of impairment.

Annual impairment testing is required for goodwill, and intangible assets that either are not yet available for use or have an indefinite useful life. This impairment test may be performed at any time during an annual reporting period provided that it is performed at the same time each year.

Whenever possible, an impairment test is performed for an individual asset. Otherwise, assets are tested for impairment in groupings called cash-generating units (CGUs). Goodwill always is tested for impairment at the level of a CGU or groups of CGUs.

A CGU is the smallest group of assets that generates cash inflows from continuing use that largely are independent of the cash inflows of other assets or groups thereof.

If an active market exists for the output from a group of assets, then that group of assets is a separate CGU even if the output is sold only to other units of the same entity.

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3.10 Impairment
(HB 3063, HB 3064)

Unlike IFRSs, Canadian GAAP does not contain a single comprehensive impairment standard for non-monetary long-lived assets. Like IFRSs, the impairment standards deal with the impairment of a variety of non-monetary long-lived assets, including property, plant and equipment; intangible assets; and goodwill. However, unlike IFRSs, different standards address the impairment of biological assets, investments in joint ventures and investments subject to significant influence (associates).

Like IFRSs, impairment testing is required when there is an indicator of impairment.

Like IFRSs, annual impairment testing is required for goodwill and intangible assets that have an indefinite useful life. This impairment test may be performed at any time during an annual reporting period provided that it is performed at the same time each year, like IFRSs. Unlike IFRSs, there is no requirement to perform an annual test of impairment for intangible assets not yet available for use.

Like IFRSs, whenever possible, an impairment test is performed for an individual asset; however, unlike IFRSs, generally an indefinite-lived intangible asset is tested for impairment as an individual asset. Otherwise, assets are tested for impairment in asset groups, unlike IFRSs. Unlike IFRSs, goodwill always is tested for impairment at the reporting unit (RU) level.

Unlike IFRSs, an asset group is the lowest level for which there are identifiable cash flows that largely are independent of the cash flows (rather than cash inflows) of other groups of assets.

Unlike IFRSs, even if an active market exists for the output from a group of assets, that group of assets is not a separate asset group unless cash flows are generated predominantly from transactions with external parties.

A portion of corporate assets is allocated to a CGU only when the allocation can be done on a reasonable and consistent basis.

Goodwill is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination from which it arose. The allocation is based on the level at which goodwill is monitored internally, restricted by the entity's identified operating segments before applying the aggregation criteria of the operating segments standard.

If a CGU or group of CGUs rather than an individual asset is tested for impairment, then goodwill is included in that impairment test to the extent that goodwill was allocated to that CGU or group of CGUs.

Estimates of future cash flows used in the value in use calculation are specific to the entity, and are not necessarily the same as the market's assessment. Cash flow forecasts should cover a maximum of five years unless a longer period can be justified. Thereafter, cash flow projections generally are extrapolated over the remaining useful life of the primary asset using a steady or declining growth rate.

The discount rate used in the value in use calculation is based on a market-related rate that reflects the current market assessment of the time value of money and the risks specific to the asset or CGU at the current date.

An impairment loss is recognised if an asset's (CGU's) carrying amount exceeds its recoverable amount. The recoverable amount is the greater of fair value less costs to sell and value in use, which is based on the net present value of future cash flows.

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Unlike IFRSs, corporate assets are tested for impairment in an asset group that includes all the assets and liabilities of that entity.

Unlike IFRSs, goodwill is allocated to RUs that are expected to benefit from the synergies of the business combination from which it arose. Unlike IFRSs, an RU is defined as an identified operating segment or one level below an identified operating segment.

Unlike IFRSs, goodwill is tested for impairment at the RU level and only after other assets have been tested for impairment if there has been an impairment indicator at the asset group level for those assets. This may result in testing goodwill for impairment at a higher level under Canadian GAAP than under IFRSs when a RU is at a higher level than a CGU or group of CGUs.

Like IFRSs, the estimates of future cash flows used in determining whether an impairment loss should be calculated for long-lived assets, other than goodwill and intangible assets, are specific to the entity. However, unlike IFRSs, Canadian GAAP specifies that cash flows should be projected for the remaining useful life of the primary asset but does not limit the cash flow forecast period.

Unlike IFRSs, the estimates of cash flows used to assess whether an impairment loss exists are not discounted.

Unlike IFRSs, other than for indefinite-lived intangible assets and goodwill, an asset (asset group) is first assessed as to whether an impairment exists based on whether the asset's (asset group's) carrying amount exceeds the undiscounted future cash flows of the asset (asset group). If an impairment exists, then the impairment loss is measured based on the excess of carrying amount over the fair value of the asset (asset group), unlike IFRSs. Also, unlike IFRSs, for an indefinite-lived intangible asset, an impairment loss is assessed based on whether the asset's carrying amount exceeds its fair value, and, if impaired, the impairment loss is measured as the excess of carrying amount over fair value. Unlike IFRSs, impairment losses are not measured based on value in use, which reflects entity-specific assumptions; rather, measurement is based on fair value, which reflects marketplace participant assumptions.

Overview of IFRS	Overview of Canadian GAAP
Goodwill is tested for impairment following the procedures outlined above.	Unlike IFRSs, goodwill is tested for impairment using a two-step process. The first step involves comparing the carrying amount of the reporting unit(s) to which it is allocated, i.e., including the allocated goodwill, to the fair value of the reporting unit(s). If the fair value is less than the carrying amount of the reporting unit(s), then, under the second step, an impairment loss is calculated. The impairment loss is measured as the difference between the implied fair value of the goodwill and its carrying amount. The implied fair value of the goodwill is determined based on the value that would be ascribed to goodwill if the reporting unit(s) were acquired in a current business combination at the date of the impairment test. The difference between the implied fair value of the goodwill and its carrying amount is the amount of the goodwill impairment loss.
If non-controlling interests are present, the carrying amount of goodwill allocated to the CGUs is grossed up for the purpose of impairment testing, unless an entity elected to measure non-controlling interests at fair value on initial recognition (see 2.6).	Unlike IFRSs, if non-controlling interests are present, the carrying amount of goodwill is not grossed up for impairment testing.
An impairment loss for a CGU is allocated first to any goodwill and then *pro rata* to other assets in the CGU. The amount of loss allocated to a particular asset may be restricted.	Unlike IFRSs, an impairment loss for an asset group is allocated on a *pro rata* basis to assets in the asset group, which excludes goodwill, corporate assets and indefinite-lived intangible assets.
An impairment loss generally is recognised in profit or loss. However, an impairment loss on a revalued asset is recognised in other comprehensive income, and presented in the revaluation reserve within equity, to the extent that it reverses a previous revaluation surplus relating to the same asset. Any excess is recognised in profit or loss.	Unlike IFRSs, impairment losses always are recognised in profit or loss because the revaluation of long-lived assets is not permitted.
Reversals of impairment are recognised, other than for impairments of goodwill. In addition, an entity is prohibited from reversing an impairment loss recognised in a previous interim period in respect of goodwill.	Unlike IFRSs, reversals of impairments are prohibited, other than for assets that qualify as held for sale. An entity is prohibited from reversing an impairment loss recognised in a previous interim period in respect of goodwill, like IFRSs, as well as in respect of long-lived assets, unlike IFRSs.

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3.11 Equity and financial liabilities

(IAS 1, IAS 27, IAS 32, IAS 39, IFRIC 17)

Instruments are classified as equity or financial liabilities in accordance with their contractual substance.

Generally, an instrument is a liability if the issuer could be contractually obliged to settle in cash or another financial instrument. However, certain puttable financial instruments are classified as equity instruments if specific conditions are met.

An instrument is a liability if it will or may be settled in a variable number of the entity's own equity instruments.

If preference shares are not redeemable at the option of the holder, then they are classified as equity, liabilities, or a combination thereof, based on an analysis of the contractual obligations inherent in the contract, including dividend rights.

Preference shares and similar instruments are evaluated to determine whether they have the characteristics of a liability. Generally, if the obligation is contingent on uncertain future events, then liability classification is required.

Under IFRSs, a contractual financial obligation is necessary in order that a financial instrument be classified as a liability. Such a contractual obligation could be established explicitly or indirectly. However, the obligation is established through the terms and conditions of the financial instrument. An economic obligation, known as economic compulsion, by itself, would not result in a financial instrument being classified as a liability.

A financial asset and a financial liability are offset only when there is a legally enforceable right to offset, and an intention to settle net or to settle both amounts simultaneously.

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3.11 Equity and financial liabilities

(HB 3240, HB 3251, HB 3610, HB 3863, EIC-70, EIC-72, EIC-74, EIC-94, EIC-96, EIC-149)

Generally, financial instruments are classified as equity or liabilities in accordance with their contractual substance, like IFRSs, although some presentation differences do arise.

Like IFRSs, an instrument is a liability if the issuer could be obliged to settle in cash or another financial instrument. Certain puttable shares (including mutual fund units) are classified as equity instruments if specific conditions are met, like IFRSs; however, such criteria differ from those under IFRSs.

Like IFRSs, an instrument that will or may be settled in a variable number of the entity's own equity instruments is a liability.

Like IFRSs, the classification of preference shares is based on an analysis of the contractual obligations inherent in the contract, including dividend rights. However, unlike IFRSs, if preference shares are not redeemable at the option of the holder, then the preference shares generally are classified as equity.

Like IFRSs, preference shares and similar instruments must be evaluated to determine whether they have the characteristics of a liability. However, unlike IFRSs, if the obligation is contingent on uncertain future events, beyond the control of both the issuer and the holder, then classification is based on an assessment, at the date of issue, of the probability of the triggering event occurring.

Like IFRSs, a contractual obligation can be established explicitly or indirectly through its terms and conditions, and requires a financial instrument to be classified as a liability. Unlike IFRSs, an economic obligation, known as economic compulsion, by itself would result in a financial instrument being classified as a liability.

Like IFRSs, a financial asset and a financial liability are offset only when there is a legally enforceable right to offset, and an intention to settle net or to settle both amounts simultaneously.

Overview of IFRS	Overview of Canadian GAAP
Compound instruments that have both liability and equity characteristics are split into these components upon initial recognition. The carrying amount of the compound instrument is allocated between its debt and equity components so that the liability is recognised at its fair value and the equity component as the residual.	Like IFRSs, compound instruments that have both liability and equity characteristics are split into these components; however, unlike IFRSs, Canadian GAAP has no requirement to utilise the allocation method required by IFRS. Unlike IFRSs, Canadian GAAP permits this allocation to be made using the relative fair value method or by assigning the less easily measurable component (which may be, in certain circumstances, the liability component) as the residual.
IFRSs contain only limited guidance on the recognition and measurement of equity other than in respect of share-based payments (see 4.5).	Like IFRSs, Canadian GAAP contains only limited guidance on the recognition and measurement of equity other than in respect of share-based payments (see 4.5).
Incremental costs that are directly attributable to issuing or buying back an entity's own equity instruments are recognised directly in equity.	Like IFRSs, incremental costs that are directly attributable to issuing or buying back an entity's own equity instruments are recognised directly in equity.
Treasury shares are presented as a deduction from equity. However, there is no specific guidance on the allocation within equity of the cost of cancelling treasury shares.	Like IFRSs, treasury shares are presented as a deduction from equity. However, unlike IFRSs, when treasury shares are cancelled, an amount equal to the par, stated or assigned value of the shares is debited to share capital, and any remaining excess or deficiency is recognised against contributed surplus (share premium) and, in some cases, retained earnings.
Gains and losses on transactions in an entity's own equity instruments are recognised directly in equity.	Like IFRSs, gains and losses on transactions in an entity's own equity instruments are recognised directly in equity.
Dividends and other distributions to the holders of instruments classified as equity (in their capacity as owners) are recognised directly in equity. Dividends and other distributions to the holders of instruments classified as liabilities are recognised in profit or loss.	Like IFRSs, dividends and other distributions to the holders of instruments classified as equity (in their capacity as owners) are recognised directly in equity. Like IFRSs, dividends and other distributions to the holders of instruments classified as liabilities are recognised in profit or loss.
Non-controlling interests in the consolidated statement of financial position are classified within equity but separate from the parent shareholders' equity.	Unlike IFRSs, non-controlling interests in the statement of financial position (balance sheet) are classified outside equity.
In some cases, contracts issued by an entity that may be settled in its own equity are treated as derivatives (see 3.6).	Unlike IFRSs, Canadian GAAP does not explicitly address the classification of derivatives that may be settled in an entity's own equity.

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A derivative on an entity's own equity that will be settled only by exchanging a fixed number of own equity instruments for a fixed amount of cash or another financial asset (gross physical settlement) is classified as equity. Rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount of *any* currency are equity instruments only if an entity offers the rights, options or warrants *pro rata* to all of its existing owners of the same class of own non-derivative equity instruments.

Unlike IFRSs, Canadian GAAP does not explicitly address the accounting for derivatives on an entity's own equity. In addition, unlike IFRSs, Canadian GAAP does not have specific guidance addressing the offer of rights, options or warrants *pro rata* to all of its existing owners of the same class of own non-derivative equity instruments. However, in this situation, the obligation for the issuer to issue a fixed number of shares in exchange for a financial asset that is fixed in any currency is classified as an equity instrument, like IFRSs.

In all other circumstances, an obligation denominated in a currency other than the functional currency of the entity represents a variable amount of cash. Consequently, such derivatives that will be settled by an entity delivering a fixed number of its own shares in exchange for a fixed amount of foreign currency or delivery of a financial instrument denominated in a foreign currency are classified as liabilities. Therefore, the conversion feature in a foreign currency convertible bond is generally classified as a derivative financial liability.

Unlike IFRSs, if a convertible bond is denominated in a currency other than the functional currency of the entity, then the conversion feature is classified as equity.

When one party to the derivative instrument (the holder or the issuer) can choose the settlement method (e.g., net in cash or physical settlement; or net share or physical settlement), the instrument is a financial asset or financial liability unless all the settlement alternatives would result in it being an equity instrument.

Unlike IFRSs, Canadian GAAP does not explicitly address the accounting and the implication of settlement options for derivative instruments on an entity's own equity. However, unlike IFRSs, if the issuer cannot be compelled to settle in cash (or net share settle), then the instrument generally is classified as an equity instrument.

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3.12 Provisions

(IAS 16, IAS 37, IFRIC 1, IFRIC 5, IFRIC 6)

A provision is recognised on the basis of a legal or constructive obligation arising from a past event, if there is a probable outflow of resources and the amount can be estimated reliably. "Probable" in this context means "more likely than not".

Unless the fair value of an obligation is observable in a market, a provision is measured at the "best estimate" of the expenditure to be incurred.

If there is a large population, then the obligation generally is measured at its expected value.

If there is a large population and a continuous range of equally possible outcomes, then the obligation is measured at the mid-point in the range.

If the possible outcomes of a single obligation are mostly higher (lower) than the single most likely outcome, then the obligation is measured at an amount higher (lower) than the single most likely outcome.

3.12 Provisions

(HB 1000, HB 1506, HB 1508, HB 3110, HB 3290, EIC-91, EIC-134, EIC-135, EIC-159)

The term "contingent liability" under Canadian GAAP refers to both recognised and unrecognised uncertain obligations. Canadian GAAP does not have separate terms to describe contingent liabilities that meet the recognition criteria versus those that do not.

Therefore, this chapter deals with contingent liabilities that are recognised for Canadian GAAP purposes; however, for ease of comparison they are referred to as "provisions" throughout this chapter. "Unrecognised" contingent liabilities are addressed in 3.14.

Unlike IFRSs, constructive obligations are recognised only if required by a specific standard. Liabilities for restructuring costs and asset retirement obligations are recognised only when there is a legal obligation, unlike IFRSs. A provision is recognised if it is likely that a future event will confirm that a liability has been incurred and a reasonable estimate can be made of the amounts involved, like IFRSs. However, unlike IFRSs, the term "likely" in this context is a higher recognition threshold than "more likely than not".

Unlike IFRSs, the amount recognised as a provision is a "reasonable estimate" of the amount to be paid. Unlike IFRSs, in some cases, a specific standard requires a provision to be measured at fair value.

Although not specifically addressed, if there is a large population, then, in practice, the obligation generally is measured at its expected value, like IFRSs.

Unlike IFRSs, if no amount within a range is a better estimate than any other, then the obligation is measured at the low end of the range.

Unlike IFRSs, generally an obligation is measured at the single most likely outcome even if the possible outcomes are mostly higher or lower than that amount.

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Provisions are discounted if the effect of discounting is material.

Unlike IFRSs, except when explicitly required or when a provision is required to be measured at fair value, provisions are not discounted.

The unwinding of the discount in subsequent periods is presented as interest expense.

Like IFRSs, the unwinding of a discount generally is presented as interest expense. However, unlike IFRSs, in respect of asset retirement obligations it is presented as an operating expense.

A provision for restructuring costs is not recognised until there is a formal plan and details of the restructuring have been communicated to those affected by the plan.

Unlike IFRSs, restructuring costs are recognised only when a legal liability is incurred; constructive obligations do not give rise to a liability, so a commitment to an exit or disposal plan, by itself, does not create a present obligation that meets the definition of a liability. Differences from IFRSs also exist with respect to termination benefits (see 4.4).

A provision is not recognised for future operating losses.

Like IFRSs, a provision is not recognised for future operating losses.

A reimbursement right is recognised as a separate asset when recovery is virtually certain, capped at the amount of the related provision.

Unlike IFRSs, reimbursements generally are not recognised in the statement of financial position (balance sheet) until actually realised. However, as an exception, if a reimbursement is in respect of a recognised loss, then it is recognised when recovery is "likely", unlike IFRSs, and is capped at the amount of the provision, like IFRSs. Like IFRSs, the recovery is recognised as a separate asset and is not offset against the related provision in the statement of financial position.

Decommissioning provisions are measured based on management's best estimate of the expenditures that will be made.

Unlike IFRSs, asset retirement obligations are measured at fair value, incorporating market assumptions.

Discount rates used should reflect the risks specific to the decommissioning provision.

Unlike IFRSs, discount rates for asset retirement obligations are based on the entity's credit-adjusted risk-free rate.

Adjustments to decommissioning provisions are made each period for changes in the timing or amount of cash flows, changes in the discount rate and the unwinding of the discount.

Like IFRSs, adjustments are made to asset retirement obligations for changes in the timing or amount of the cash flows and the unwinding of the discount. However, unlike IFRSs, changes in discount rates alone do not result in a remeasurement of the provision. Unlike IFRSs, changes in estimates that decrease the liability are discounted using the discount rate applied upon initial recognition of the liability; when changes in estimates increase the liability, the additional liability is discounted using the current discount rate, like IFRSs.

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Overview of IFRS	Overview of Canadian GAAP
When decommissioning provisions are recognised, the corresponding adjustment is to the cost of the related asset, except when the obligation arises from the use of the asset to produce inventories.	Unlike IFRSs, when asset retirement obligations are recognised, the corresponding adjustment always is to the cost of the related asset.
IFRSs do not specifically address provisions for contract termination costs; instead, the general requirements for the recognition of a provision apply.	Unlike IFRSs, for contract termination costs related to a restructuring, a liability is recognised only when the contract has been terminated pursuant to its terms, or when the entity has permanently ceased using the rights granted under the contract. The liability is measured at fair value.
Provisions are not recognised for repairs and maintenance of own assets, or for self-insurance prior to an obligation being incurred.	Like IFRSs, provisions are not recognised for repairs and maintenance of own assets, or for self-insurance prior to an obligation being incurred.
A provision is recognised for a contract that is onerous, i.e., one in which the costs of meeting the obligations under the contract exceed the benefits to be derived.	Unlike IFRSs, a provision for an onerous contract is recognised only when required by a specific standard.

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3.13 Income taxes

(IAS 12, SIC-21, SIC-25)

The total income tax expense recognised in profit or loss is the sum of current tax expense (or recovery) plus the change in deferred tax liabilities and assets during the period, net of tax recognised either in other comprehensive income or directly in equity, or arising from a business combination.

Current tax represents the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period and is measured based on tax rates and laws that are enacted or substantively enacted at the reporting date.

Deferred tax is recognised for the estimated future tax effects of temporary differences and the carryforward of unused tax losses and tax credits.

A temporary difference is the difference between the tax base of an asset or liability and its carrying amount in the financial statements.

A deferred tax liability is not recognised if it arises from the initial recognition of goodwill. However, deferred tax is recognised for any temporary difference arising subsequently if the goodwill is tax deductible.

A deferred tax liability (asset) is not recognised if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit.

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3.13 Income taxes

(HB 3465, HB 3805, EIC-104, EIC-106, EIC-107, EIC-109, EIC-110, EIC-111, EIC-120, EIC-146, EIC-167, EIC-172)

Like IFRSs, the total income tax expense recognised in profit or loss generally is the sum of current tax expense (or recovery) plus the change in deferred (future) income tax liabilities and assets during the period, net of tax recognised either in other comprehensive income or directly in equity, or arising from a business combination. However, the treatment of income taxes relating to certain items charged or credited directly to equity and relating to business combinations differs from IFRSs. Also, unlike IFRSs, income tax expense under Canadian GAAP specifically excludes changes in deferred tax liabilities and assets during the period arising from acquisition of an asset other than in a business combination, which are recorded as an adjustment to the carrying amount of such asset, and taxes related to certain other items.

Like IFRSs, current tax represents the amount of income taxes payable (recoverable) based on taxable profit (tax loss) for a period and is measured based on tax rates and laws that are enacted or substantively enacted at the reporting date.

Like IFRSs, deferred tax is recognised for the estimated future tax effects of temporary differences, the carryforward of unused tax losses and income tax reductions, except investment tax credits.

Like IFRSs, a temporary difference is the difference between the tax base of an asset or liability and its carrying amount in the financial statements.

Like IFRSs, no deferred tax liability is recognised if it arises from the initial recognition of goodwill. However, like IFRSs, deferred tax is recognised for any temporary difference arising subsequently if the goodwill is tax deductible.

Unlike IFRSs, there is no exemption from recognising a deferred tax liability (asset) for the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profit. Unlike IFRSs, the carrying amount of an asset acquired, other than in a business combination, is adjusted for the amount of the deferred tax recognised.

A deferred tax asset is recognised to the extent it is probable that it will be realised. “Probable” in this context is not defined and does not necessarily mean “more likely than not”.

Deferred tax is measured based on tax rates and tax laws that are enacted or substantively enacted at the reporting date.

Deferred tax is measured based on the expected manner of settlement (liability) or recovery (asset).

Deferred tax is measured on an undiscounted basis.

When income taxes are payable at a higher or lower rate, or are refundable or payable, if part or all of the net profit or retained earnings is paid out as a dividend to shareholders, current and deferred tax assets and liabilities are measured at the tax rate applicable to undistributed profits. Such taxes are recognised at the same time as the liability for the distribution, and in general are recognised in profit or loss.

Income tax relating to items charged or credited directly in other comprehensive income or in equity in the same or different period, is charged or credited directly to other comprehensive income or to equity, respectively.

Deferred tax is classified as non-current in a classified statement of financial position.

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Unlike IFRSs, deferred tax assets are recognised to the extent that it is “more likely than not” that the deferred tax assets will be realised, which may differ from the definition of “probable” under IFRSs.

Like IFRSs, deferred tax is measured based on enacted or substantively enacted tax rates and laws. However, unlike IFRSs, Canadian GAAP provides additional guidance on the determination of substantively enacted tax rates.

Like IFRSs, the measurement of deferred tax is based on the expected manner of settlement (liability) or recovery (asset).

Like IFRSs, deferred tax is measured on an undiscounted basis.

In Canada, generally income taxes are not payable at a higher or lower rate depending on the payment of dividends. Unlike IFRSs, Canadian GAAP specifically addresses accounting for income taxes of certain entities that are subject to a special income tax treatment permitting a tax deduction for distributions, such as income trusts. Subject to meeting certain conditions, these entities are treated as being tax exempt.

Like IFRSs, the tax effect of items charged or credited directly to other comprehensive income or to equity is itself charged or credited directly to other comprehensive income or to equity, respectively, if recognised in the same period. However, unlike IFRSs, subsequent changes in tax rates and laws and the assessment of the recoverability of deferred tax for items previously recognised in other comprehensive income or in equity are recognised in profit or loss.

Unlike IFRSs, deferred taxes are classified as current and non-current based on the classification of the underlying assets or liabilities to which they relate or, if there is no underlying recognised asset or liability, based on the expected reversal of the temporary difference. Deferred tax assets related to unused tax losses and income tax reductions are classified in a classified statement of financial position (balance sheet) based on the expected timing of realisation.

Overview of IFRS	Overview of Canadian GAAP
Current tax assets and liabilities are offset only when there is a legally enforceable right of offset, and the entity intends either to settle on a net basis or to realise asset and settle liability simultaneously. Deferred tax assets and liabilities of the same taxable entity are offset only if they relate to income taxes levied by the same taxation authority and the entity has a legally enforceable right to offset current tax assets against current tax liabilities.	Like IFRSs, current tax assets and liabilities are offset only when there is a legally enforceable right of offset. However, unlike IFRSs, Canadian GAAP is silent with respect to the entity's intent to apply offset or to settle simultaneously. Like IFRSs, deferred tax assets and liabilities are offset if they relate to the same taxable entity and the same taxation authority.
Any change in the assessment of the recoverability of the acquirer's deferred tax assets as a result of a business combination is recognised in profit or loss.	Unlike IFRSs, any change in the assessment of the recoverability of the acquirer's previously unrecognised deferred (future) tax assets as a result of a business combination is recognised as a reduction of goodwill, rather than in profit or loss.
If additional deferred tax assets of the acquiree in a business combination were not recognised at the date of acquisition or within the measurement period but are realised subsequently, then the adjustment is recognised in profit or loss.	Unlike IFRSs, if additional deferred tax assets of the acquiree in a business combination were not recognised at the date of acquisition but are realised subsequently, then the adjustment is recognised first against goodwill, then against intangible assets, before any adjustment is recognised as a tax recovery in profit or loss, regardless of whether or not the realisation of the deferred tax asset occurred in the measurement period.
A deferred tax liability (asset) is recognised for the difference in tax bases in the purchaser's tax jurisdiction and its cost as reported in the consolidated financial statements as a result of an intra-group transfer of assets; consequently, the deferred tax is computed using the tax rate applicable to the purchaser.	Unlike IFRSs, a deferred tax liability (asset) is not recognised for the difference in tax basis in the purchaser's tax jurisdiction and its cost as reported in the consolidated financial statements as a result of an intra-group transfer of assets. Any taxes paid or recovered by the transferor are recognised as an asset or liability until the gain or loss is recognised by the consolidated entity.
Deferred tax is not recognised in respect of investments in subsidiaries, branches and associates, and joint ventures if certain conditions are met.	Like IFRSs, deferred tax is not recognised in respect of investments in subsidiaries and joint ventures if certain conditions are met. Unlike IFRSs, deferred tax is always recognised in respect of investments subject to significant influence (associates).
A deferred tax liability (asset) is recognised for exchange gains and losses related to non-monetary assets and liabilities that are remeasured into the functional currency using historical exchange rates or indexing for tax purposes.	Unlike IFRSs, a deferred income tax asset or liability is not recognised for a temporary difference arising from the difference between the historical exchange rate and the current exchange rate translations of the cost of non-monetary assets and liabilities of integrated foreign operations.
Temporary differences arising from current purchasing power adjustments following hyperinflation accounting are recognised in full, subject to the asset recognition criteria.	Unlike IFRSs, Canadian GAAP does not permit the remeasurement of assets and liabilities of self-sustaining foreign operations in highly inflationary economies and, therefore, such temporary differences are not recognised.

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When a taxable temporary difference arises from the initial recognition of the equity component separately from the liability component of a compound financial instrument (e.g., a convertible bond), then the resulting deferred tax liability is charged directly to the carrying amount of the equity component.

Deferred tax assets recognised in relation to share-based payment arrangements are adjusted each period to reflect the amount of tax deduction that the entity would receive if the award were tax deductible in the current period based on the current market price of the shares.

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Unlike IFRSs, if a compound instrument can be settled without the incidence of tax, the tax basis of the liability component is considered the same as its carrying amount, and, therefore, there is no temporary difference, resulting in no deferred tax.

Unlike IFRSs, deferred tax assets recognised in relation to stock-based compensation arrangements are not addressed explicitly. As a result, differences may result in practice in this area.

3.14 Contingent liabilities and assets
(IAS 37, IFRS 3)

Contingent liabilities are present obligations that arise from past events with uncertainties about either the probability of outflows of resources or the amount of the outflows, or possible obligations when the existence of an obligation is uncertain; these uncertainties result in the non-recognition of the item.

Contingent liabilities assumed in a business combination are recognised at fair value only if they represent present obligations (see 2.6). Other contingent liabilities are not recognised in the statement of financial position.

Once an outflow of resources in respect of a contingent liability becomes probable, the resulting obligation is no longer a contingent liability and is recognised in the statement of financial position as a liability. "Probable" in this context means "more likely than not".

Details of contingent liabilities are disclosed in the notes to the financial statements unless the probability of an outflow is remote, or in extremely rare cases when disclosure could seriously prejudice the entity's position in a dispute with another party.

Contingent assets are possible assets whose existence is uncertain.

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3.14 Unrecognised contingencies
(HB 1508, HB 3290, EIC-70, EIC-91)

The term "contingent liability" under Canadian GAAP refers to both recognised and unrecognised uncertain obligations. Canadian GAAP does not have separate terms to describe contingent liabilities that meet the recognition criteria versus those that do not.

Therefore, this chapter deals with "unrecognised" contingent liabilities. Contingent liabilities that meet the recognition criteria for Canadian GAAP purposes are addressed in 3.12.

A contingent liability is an existing condition or situation involving uncertainty as to the existence of a possible obligation that ultimately will be resolved when one or more future events occur or fail to occur, like IFRSs.

Unlike IFRSs, contingent liabilities assumed in a business combination generally are not recognised (see 2.6). Like IFRSs, other contingent liabilities are not recognised in the statement of financial position (balance sheet) unless they meet certain recognition criteria (see 3.12).

Once an outflow of resources in respect of a loss contingency becomes likely, the resulting obligation is recognised in the statement of financial position as a liability, like IFRSs. However, unlike IFRSs, the term "likely" is a higher recognition threshold than "more likely than not".

Like IFRSs, details of contingent liabilities are disclosed in the notes to the financial statements. However, unlike IFRSs, there is no exemption for the disclosure of contingencies when disclosure could prejudice the outcome of the contingency.

A gain contingency is an existing condition or situation involving uncertainty as to a possible gain that ultimately will be resolved when one or more future events occur or fail to occur, like IFRSs.

Once an inflow of resources in respect of a contingent asset becomes virtually certain, the resulting asset is no longer a contingent asset and is recognised in the statement of financial position.

Details of contingent assets are disclosed in the notes to the financial statements if their existence is probable, except in extremely rare cases when disclosure could seriously prejudice the entity's position in a dispute with another party. "Probable" in this context means "more likely than not".

Unlike IFRSs, a gain contingency is not recognised in the statement of financial position until actually realised. As an exception, recoveries in respect of recognised losses are recognised when receipt is likely, unlike IFRSs.

Details of gain contingencies are disclosed in the notes to the financial statements if their receipt is likely, like IFRSs. However, unlike IFRSs, the term "likely" is a higher recognition threshold than "more likely than not", and there is no exemption for the disclosure of contingencies when disclosure could prejudice the outcome of the contingency.

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4. Specific items of profit or loss and comprehensive income

4.1 General

(IAS 1, IAS 8, IAS 33)

An analysis of expenses is required, either by nature or by function, on the face of the statement of comprehensive income (or the income statement when presented separately) or in the notes.

Material items of income or expense are presented separately either in the notes or, when necessary, on the face of the statement of comprehensive income (or the income statement when presented separately).

While IFRSs require certain items to be presented on the face of the statement of comprehensive income (or the income statement when presented separately), there is no prescribed format.

Items of income and expense are not offset unless required or permitted by other IFRSs, or when the amounts relate to similar transactions or events that are not material.

The presentation of alternative earnings measures on the face of the statement of comprehensive income (or the income statement when presented separately) is not prohibited. However, any per share disclosures in respect of such measures cannot be presented on the face of the statement of comprehensive income (or the income statement when presented separately), but can be disclosed in the notes.

The presentation or disclosure of items of income and expense characterised as "extraordinary items" is prohibited.

The presentation or disclosure of items of income or expense as "unusual items" should be given only for very significant items when necessary for fair presentation.

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4. Specific items of profit or loss and comprehensive income

4.1 General

(HB 1520, HB 1530, HB 3480, EIC-40)

Unlike IFRSs, there is no requirement for expenses to be classified according to their nature or function.

Like IFRSs, material items of income or expense are presented separately either in the notes or, when necessary, on the face of the income statement.

While Canadian GAAP is more prescriptive than IFRSs in respect of items to be presented on the face of the income statement, overall there is no prescribed format, like IFRSs.

Like IFRSs, items of income and expense are not offset unless required or permitted by a standard, or when the amounts relate to similar transactions or events that are not material.

Like IFRSs, the presentation of alternative earnings measures on the face of the income statement is not prohibited for non-publicly traded entities. However, publicly traded entities are subject to more restrictions and, unlike IFRSs, per share disclosures in respect of such alternative measures generally are not permitted to be presented on the face of the income statement or disclosed in the notes.

Unlike IFRSs, items of income or expense are required to be presented net of tax and characterised as extraordinary items if they do not typify normal business activities, are not expected to occur frequently over several years, and do not depend primarily on decisions or determinations by management.

Unlike IFRSs, separate presentation in the income statement is required for items characterised as "unusual items", and the presentation of such items may be more frequent than under IFRSs. Unusual items generally are items that do not have all of the characteristics of an extraordinary item, but result from transactions or events that are not expected to occur frequently over several years, or do not typify normal business activities of the entity.

4.2 Revenue

(Framework, IAS 1, IAS 11, IAS 17, IAS 18, SIC–27, SIC–31, IFRIC 4, IFRIC 13, IFRIC 15)

Revenue includes the gross inflows of economic benefits received by an entity for its own account. In an agency relationship, amounts collected on behalf of the principal are not recognised as revenue by the agent. IFRSs include some guidance in evaluating whether an entity is acting as a principal or an agent.

Revenue recognition does not require written evidence of an arrangement.

There is no specific guidance in respect of consideration received by a retailer from a supplier.

When a transaction comprises multiple elements, as a general principle each element is accounted for separately.

Revenue from the sale of goods is recognised when the entity has transferred the significant risks and rewards of ownership to the buyer and it no longer retains control or managerial involvement in the goods.

Revenue is measured at the fair value of the consideration received. There is no specific guidance in respect of revenue earned from transactions with related parties.

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4.2 Revenue

(HB 1000, HB 3400, EIC-78, EIC-84, EIC-123, EIC-141, EIC-142, EIC 143, EIC 144, EIC-156)

Like IFRSs, revenue includes the gross inflows of economic benefits received by an entity for its own account. In an agency relationship, amounts collected on behalf of the principal are not recognised in revenue by the agent, like IFRSs. However, there is more detailed guidance than IFRSs in evaluating whether an entity is acting as a principal or agent.

Unlike IFRSs, Canadian GAAP requires persuasive (generally written) evidence of an arrangement to exist before revenue can be recognised.

Unlike IFRSs, there is specific guidance in respect of consideration received by a retailer from a supplier. Consideration received by a retailer from a supplier is presumed to be a reduction of costs and the related inventory, unless it is a payment for assets or services delivered, in which case it is recognised as revenue; or it is a reimbursement of costs incurred by the retailer to sell the supplier's product, in which case it is recognised as a reduction of such costs.

Like IFRSs, when a transaction comprises multiple elements, each element is accounted for separately. However, unlike IFRSs, there is detailed guidance on identifying and accounting for the various elements of a transaction.

Like IFRSs, revenue from the sale of goods is recognised when the entity has transferred the significant risks and rewards of ownership to the buyer and it no longer retains control or managerial involvement in the goods. However, the detailed criteria underlying these principles, including the need for persuasive evidence that an arrangement exists (generally in writing), are more extensive than under IFRSs.

Unlike IFRSs, there is no specific guidance on the measurement of revenue for single element transactions other than for transactions with related parties (see 5.5).

There is no specific guidance on accounting for non-cash incentives or discounts given to customers, other than for those under customer loyalty programmes.

Unlike IFRSs, non-cash incentives or discounts given to customers, other than for those under customer loyalty programmes, must be recognised as an expense, generally at the later of the date of recognising revenue and the date that the incentive or discount is offered. Also, unlike IFRSs, a liability must be recognised for the maximum potential obligation to the customer if a reasonable estimate cannot be made.

When the buyer has a right of return and there is uncertainty about the possibility of return, revenue is not recognised until the goods have been accepted formally by the buyer or the goods have been delivered and the time period for rejection has elapsed, unless a reliable estimate of the expected returns can be made, in which case revenue is recognised, but reduced by a provision for returns.

Like IFRSs, when the buyer has a right of return and there is uncertainty about the possibility of return, in principle, revenue is not recognised until the goods have been accepted formally by the buyer or the time period for rejection has elapsed. Like IFRSs, when a buyer has a general right of return and specific criteria are met, revenue is recognised, but reduced by a provision for returns; however, unlike IFRSs, there are additional criteria to be met under Canadian GAAP, which may result in differences in practice.

Revenue from bill-and-hold transactions is not recognised until specific criteria are met.

Like IFRSs, revenue from bill-and-hold transactions is not recognised until specific criteria are met. However, those criteria are more extensive than under IFRSs.

There is specific guidance on when an agreement for the construction of real estate should be accounted for as a construction contract within the scope of the construction contract standard, or as a sale of goods or the delivery of services in accordance with the general revenue standard.

Unlike IFRSs, there is no specific guidance on determining whether an agreement for the construction of real estate should be accounted for as a sale of goods, the rendering of services or a long-term contract.

Loyalty points and awards granted under customer loyalty programmes are recognised as a separately identifiable component of revenue, and deferred at the date of initial sale. The consideration received or receivable from the customer is allocated between the item sold and the award credits by reference to their fair values, but a particular method of allocation is not prescribed. Revenue attributable to award credits is recognised when the entity has fulfilled its obligation or when a third party assumes the underlying obligation.

Unlike IFRSs, Canadian GAAP does not specifically address the accounting for customer loyalty programmes, and practice varies as to whether a portion of the revenue is deferred, or revenue is recognised with a corresponding provision for the incremental cost of fulfilling the loyalty award. Even if an entity chooses to defer revenue, practice under Canadian GAAP may differ from IFRSs.

Revenue from construction contracts is recognised using the percentage-of-completion method.

Revenue from long-term construction contracts usually is recognised using the percentage-of-completion method, like IFRSs. However, unlike IFRSs, the completed contract method is permitted when reliable estimates of progress cannot be made.

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Overview of IFRS	Overview of Canadian GAAP
There is specific guidance on when multiple construction contracts should be combined and accounted for as a single contract, and when a single construction contract should be segmented and accounted for as multiple contracts.	Unlike IFRSs, there is no specific guidance on combining and segmenting long-term contracts.
Amendments to contract revenue are recognised when they are probable and reliably measurable.	Unlike IFRSs, Canadian GAAP does not address amendments to contract revenue.
Any penalty for late delivery in a construction contract is recognised as a reduction in contract revenue.	Unlike IFRSs, there is no specific guidance on accounting for penalties on long-term contracts.
Service contracts are accounted for similarly to construction contracts.	Service contracts generally are accounted for similarly to long-term contracts, although methods other than percentage-of-completion can be used, including the completed contract method, unlike IFRSs.
When a specific act in a service contract is much more significant than any other acts, revenue is recognised only after the significant act is performed.	Unlike IFRSs, there is no specific guidance on how to account for revenue when a specific act in a service contract is much more significant than any other acts.
There is no specific guidance on software revenue recognition.	Like IFRSs, Canadian GAAP does not provide specific guidance on software revenue recognition.
IFRSs contain general principles for revenue recognition that apply to all entities as well as specific guidance on the construction of real estate.	Like IFRSs, Canadian GAAP contains general principles for revenue recognition that apply to all entities and there is little supplemental industry-specific guidance on revenue recognition. Unlike IFRSs, Canadian GAAP does not contain a specific detailed accounting standard for construction contracts; rather, the general revenue recognition standard applies.

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4.3 Government grants

(IAS 20, IAS 41, SIC–10)

Government grants are recognised when there is reasonable assurance that the entity will comply with the relevant conditions and that the grant will be received.

Unconditional government grants related to biological assets measured at fair value less costs to sell are recognised in profit or loss when they are receivable. Conditional grants for such assets are recognised in profit or loss when the required conditions are met.

Other government grants are recognised in profit or loss so as to match the costs that they are intended to compensate.

Investment tax credits are excluded from the scope of both the government grant and income taxes standards, although in practice either may be applied by analogy.

Government grants that relate to the acquisition of an asset may be recognised either as a reduction in the cost of the asset or as deferred income, and are amortised as the related asset is depreciated or amortised.

A forgivable loan from the government is treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness.

When a government grant becomes repayable, it is accounted for as a change in estimate. Repayment of a grant related to an asset is recognised by increasing the carrying amount of the asset (or reducing the deferred credit) by the amount repayable, and the cumulative additional depreciation that otherwise would have been recognised to date is recognised immediately in profit or loss. When the grant relates to expenses of future periods, to the extent that the repayment exceeds any deferred credit, it is recognised immediately in profit or loss.

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4.3 Government assistance

(HB 3800, HB 3831)

Like IFRSs, government assistance is recognised when there is reasonable assurance that the entity will comply with the relevant conditions and that the assistance will be received.

Unlike IFRSs, government assistance related to biological assets is accounted for in the same way as other government assistance (see below).

Like IFRSs, government assistance is recognised as income so as to match the costs that it is intended to compensate.

Unlike IFRSs, specific guidance is provided on accounting for investment tax credits.

Like IFRSs, government assistance that relates to the acquisition of an asset may be recognised either as a reduction in the cost of the asset or as deferred income, and is amortised as the related asset is depreciated or amortised.

Unlike IFRSs, a forgivable loan from the government is treated as government assistance when the entity is entitled to receive it; there is no explicit requirement that the entity be reasonably assured of meeting the terms for forgiveness.

When circumstances indicate that repayment of government assistance will be required, it is treated as a change in estimate, but in a manner that may differ from IFRSs. Repayment of a grant related to an asset is recognised by increasing the carrying amount of the asset (or reducing the deferred credit) by the amount repayable, like IFRSs; however, unlike IFRSs, the asset (deferred credit or debit) is then depreciated prospectively over its remaining useful life and no amount is recognised in the period for the cumulative additional depreciation that otherwise would have been recognised to date. When the grant relates to expenses of future periods, to the extent that the repayment exceeds any deferred credit, it is recognised immediately in profit or loss, like IFRSs.

When a government grant in the form of a non-monetary asset is received, both the asset and the government grant are recognised either at fair value or at a nominal amount.

Unlike IFRSs, when government assistance in the form of a non-monetary asset is received, both the asset and the government assistance are recognised at fair value.

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4.4 Employee benefits

(IAS 19, IFRIC 14)

The employee benefits standard applies to those employee benefits provided under formal plans and agreements between an entity and its employees, under legislation or through industry arrangements, including those provided under informal practices that give rise to constructive obligations.

Liabilities and expenses for employee benefits generally are recognised in the period in which the services are rendered.

A defined contribution plan is a post-employment benefit plan under which the employer pays fixed contributions into a separate entity and has no further obligations. All other post-employment plans are defined benefit plans.

Post-employment plans in which participating employers pool their assets for investment purposes, but maintain separate accounts for purposes of benefit payments (group administration plans), are classified as defined contribution or defined benefit plans following the above definitions.

Multi-employer plans are post-employment plans that pool the assets contributed by various entities to provide benefits to employees of more than one entity. Such plans are classified as defined contribution or defined benefit plans. However, if insufficient information is available for a multi-employer defined benefit plan to be accounted for as a defined benefit plan, then it is treated as a defined contribution plan and additional disclosures are required.

If an entity applies defined contribution plan accounting to a multi-employer defined benefit plan and there is an agreement that determines how a surplus in the plan would be distributed or a deficit in the plan funded, then an asset or liability that arises from the contractual agreement is recognised.

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4.4 Employee benefits

(HB 3461, EIC-134)

Like IFRSs, Canadian GAAP applies to employee benefits provided under formal plans as well as those under informal practices that give rise to substantive commitments. However, a constructive obligation under IFRSs may be broader than a substantive commitment under Canadian GAAP.

Like IFRSs, liabilities and expenses for employee benefits generally are recognised in the period in which the services are rendered.

Like IFRSs, a defined contribution plan is a post-employment benefit plan under which the employer's only obligation is to pay fixed contributions into a separate entity. However, unlike IFRSs, the plan also must allocate the employer's contributions to specific employees. All other post-employment plans are defined benefit plans, like IFRSs.

Like IFRSs, pension plans in which participating employers pool their assets for investment purposes, but maintain separate accounts for purposes of benefit payments (multiple-employer plans), are classified as defined contribution or defined benefit plans following the above definitions.

Like IFRSs, multi-employer plans are post-employment plans that pool the assets contributed by various entities to provide benefits to employees of more than one entity. Such plans are classified as defined contribution or defined benefit plans, like IFRSs. However, unlike IFRSs, there is a presumption that insufficient information is available to account for a multi-employer defined benefit plan as a defined benefit plan, which results in such a plan normally being treated as a defined contribution plan, but without all of the disclosures required under IFRSs.

Unlike IFRSs, when defined contribution plan accounting is applied to a multi-employer defined benefit plan, there is no recognition of any asset or liability that may potentially arise from a contractual agreement that determines how a surplus in the plan would be distributed or a deficit in the plan funded.

Overview of IFRS	Overview of Canadian GAAP
Group plans involving entities under common control are classified as defined contribution or defined benefit plans following the above definitions and are not multi-employer plans.	Like IFRSs, group plans involving entities under common control are classified as defined contribution or defined benefit plans following the above definitions and are not multi-employer plans.
If there is a contractual agreement or stated policy for allocating a group's net defined benefit cost, then participating group entities recognise the cost allocated to them in their own financial statements. If there is no agreement or policy in place, then the net defined benefit cost is recognised by the entity that is the legal sponsor, and the other participating group entities recognise an amount equal to their contributions for the period.	Canadian GAAP requires participating group subsidiaries to apply defined contribution accounting in their own financial statements and requires the parent company sponsor to apply defined benefit accounting in its consolidated financial statements. Accordingly, unlike IFRSs, regardless of whether there is a contractual agreement or stated policy for allocating a group's net defined benefit cost, participating group entities recognise only an amount equal to their contributions for the period.
There is no specific guidance on the application of defined benefit accounting to plans that would be defined contribution plans except that they contain minimum benefit guarantees.	Unlike IFRSs, there is specific guidance on the application of defined benefit accounting to plans that would be defined contribution plans except that they contain minimum benefit guarantees.
Contributions to a defined contribution plan are expensed as the obligation to make the payments is incurred.	Like IFRSs, contributions to a defined contribution plan are expensed as the obligation to make the payments is incurred.
A liability is recognised for an employer's obligation under a defined benefit plan. The liability and expense are measured actuarially using the projected unit credit method.	Like IFRSs, a liability is recognised for an employer's obligation under a defined benefit plan. The liability and expense are measured actuarially using the projected benefit method or the accumulated benefit method, which are like the projected unit credit method under IFRSs. Unlike IFRSs, an entity may measure its plan assets and obligation as of a date no earlier than three months prior to the reporting date, provided that the timing is consistent from year to year.
Benefits are attributed to periods of service in accordance with the plan's benefit formula, unless that formula is back-ended, in which case a straight-line attribution is used instead. The attribution method is the same for pension plans and defined benefit plans other than pension plans.	Like IFRSs, benefits for pension plans are attributed to periods of service in accordance with the plan's benefit formula, unless that formula is back-ended, in which case straight-line attribution is used instead. Benefits for post-employment benefit plans other than pension plans are attributed on a straight-line basis unless the plan formula is front-ended, in which case the benefits are attributed in accordance with the plan's benefit formula; this gives rise to a difference from IFRSs when the benefit formula is neither front-ended nor back-ended.

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Overview of IFRS	Overview of Canadian GAAP
If a straight-line attribution is used, then attribution of benefits commences from the date that service first leads to benefits under the plan.	Like IFRSs, the attribution of benefits commences on an employee's date of hire or at the start of the credited service period if later (i.e., at the date that service first leads to benefits under the plan). However, unlike IFRSs, when the plan's benefit formula grants credit for service only from a date after the date of hire and the credited service period is insignificant relative to the total service period, the benefits are attributed from the date of hire.
If a straight-line attribution is used, then attribution ceases when further service by the employee will lead to no material amount of further benefits under the plan, other than from salary increases (i.e., at the end of the credited service period).	Under Canadian GAAP, the attribution of benefits ceases at the full eligibility date. When further salary increases beyond the credited service period result in significant incremental benefits, Canadian GAAP permits the attribution period for pension benefits to be extended to the expected retirement date, unlike IFRSs. When further salary increases beyond the credited service period result in significant incremental benefits under a defined benefit plan other than a pension plan, the attribution period ends at the full eligibility date, which is later than the end of the credited service period under IFRSs.
The defined benefit obligation is discounted using a high quality corporate bond rate, or a government bond rate when there is an insufficiently deep corporate bond market.	Like IFRSs, the defined benefit obligation may be discounted using rates of high quality corporate debt instruments. Alternatively, unlike IFRSs, if immediate settlement of the plan is possible, then the obligation may be discounted using rates in available annuity contracts.
The discount rate should match the currency and maturity of the defined benefit obligation. If necessary, an appropriate discount rate is estimated by extrapolating interest rates on shorter-term bonds using the yield curve and considering any available evidence about likely longer-term interest rates.	Like IFRSs, the discount rate should be based on instruments that have cash flows that match the currency and maturity of expected benefit payments. Like IFRSs, if bonds have maturities that do not extend far enough into the future to meet expected benefit payments, then the discount rate (yield to maturity) is estimated by extrapolating interest rates on shorter-term bonds using the yield curve and considering any available evidence about likely longer-term interest rates.
The fair value of any qualifying plan assets of defined benefit plans at the reporting date is offset against the defined benefit obligation, which also is measured as of the reporting date.	Like IFRSs, the fair value of any qualifying plan assets is offset against the obligation. Unlike IFRSs, qualifying plan assets and the related defined benefit obligation may be measured as of a date up to three months prior to the reporting date, provided that the timing is consistent from year to year.
Insurance policies issued to the sponsor meet the definition of plan assets if they are issued by a party unrelated to the entity and meet certain other criteria. Insurance policies issued to the plan meet the definition of plan assets if they are transferable and meet certain other criteria.	Like IFRSs, plan assets include certain insurance policies if they meet certain criteria and the related obligations under the plan have not been settled. However, unlike IFRSs, there is no requirement that an insurance policy issued to the sponsor be issued by an unrelated party in order to be treated as a plan asset.

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Actuarial gains and losses of defined benefit plans are recognised either in profit or loss (see below), or immediately in other comprehensive income. Amounts recognised in other comprehensive income are not reclassified to profit or loss.

Unlike IFRSs, an entity is not permitted to recognise actuarial gains and losses immediately in other comprehensive income.

If actuarial gains and losses of a defined benefit plan are recognised in profit or loss, then gains and losses that exceed a "corridor" are required to be recognised over the average remaining working lives of employees in the plan. Faster recognition, including immediate recognition, in profit or loss is permitted.

Like IFRSs, actuarial gains and losses of defined benefit plans that exceed a "corridor" are required to be recognised over the average remaining service period of active employees; however, if all or substantially all employees are inactive, then actuarial gains and losses are recognised over the remaining life expectancy of participants, which may differ from the treatment under IFRSs. Faster recognition, including immediate recognition, in profit or loss is permitted, like IFRSs.

The corridor is 10 percent of the greater of the obligation and the fair value of plan assets at the beginning of the period.

Like IFRSs, the corridor may be 10 percent of the greater of the obligation and the fair value of plan assets at the beginning of the period. However, unlike IFRSs, an entity is permitted to use a market-related value of plan assets for this purpose, in which case the corridor is 10 percent of the greater of the obligation and the market-related value of plan assets at the beginning of the period.

An entity should apply its policy of accounting for actuarial gains and losses consistently from plan to plan.

Unlike IFRSs, an entity is not required to apply its accounting policy for actuarial gains and losses consistently from plan to plan.

Liabilities and expenses for vested past service costs under a defined benefit plan are recognised immediately.

Unlike IFRSs, liabilities and expenses for vested past service costs under a defined benefit plan generally are recognised over the expected average remaining service period.

Liabilities and expenses for unvested past service costs under a defined benefit plan are recognised over the vesting period.

Unlike IFRSs, liabilities and expenses for unvested past service costs under a defined benefit plan generally are recognised over the expected average remaining service period.

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If a defined benefit plan has assets in excess of the obligation, then the amount of any net asset recognised is limited to the present value of economic benefits available from the plan in the form of refunds from the plan or future contribution reductions, plus unrecognised actuarial losses and past service costs. Further requirements ensure that a gain (loss) is not recognised solely as a result of an actuarial loss (gain) or a past service cost in the current period.

A liability is recognised for minimum funding requirement contributions if the contribution payable is not expected to be available as a refund or a future contribution reduction after it is paid into the plan.

Gains and losses on the settlement or curtailment of a defined benefit plan are recognised immediately. However, there is no specific guidance on the calculation of the gain or loss.

Curtailment gains and losses are not accounted for until the entity is demonstrably committed to the curtailment with no realistic possibility of withdrawal. Settlement gains and losses are not recognised until the planned action occurs.

The expense for other long-term employee benefits is accrued over the service period similar to post-employment benefits, except that all actuarial gains and losses and past service costs are recognised immediately in profit or loss.

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Like IFRSs, if a defined benefit plan has assets in excess of the obligation, then a valuation allowance is recognised such that the amount of any net asset recognised is limited to the present value of the expected future benefits from the plan in the form of refunds from the plan or future contribution reductions, plus certain unrecognised amounts. However, the measurement of the expected future benefit from the plan may differ from IFRSs, particularly when there are minimum funding requirements. In addition, unlike IFRSs, the calculation of the valuation allowance takes into account any unamortised transitional amount (from adoption of the standard), and other unamortised balances that would affect the determination of the valuation allowance would be calculated differently under IFRSs. Unlike IFRSs, all changes in the valuation allowance are recognised immediately in profit or loss irrespective of any actuarial loss (gain) or past service costs in the current period.

Unlike IFRSs, there is no requirement to recognise a liability for minimum funding requirements if the contribution payable is not expected to be available as a refund or a future contribution reduction after it is paid into a plan.

Like IFRSs, gains and losses on the settlement or curtailment of a defined benefit plan are recognised immediately. However, unlike IFRSs, there is specific guidance on the calculation of the gain or loss.

Unlike IFRSs, a curtailment loss is recognised when it is probable that the curtailment will occur and the net effects are reasonably estimable; the evaluation of "probable" may differ from the evaluation of "demonstrably committed" under IFRSs in certain circumstances. However, like IFRSs, a curtailment gain is recognised only when the related employees terminate or plan suspension or amendment is adopted. In addition, like IFRSs, settlement gains or losses are recognised when the planned action occurs.

Like IFRSs, the expense for other long-term employee benefits generally is accrued over the service period similar to post-employment benefits. However, actuarial gains and losses and past service costs for certain long-term employee benefits and compensated absences that do not vest or accumulate may be recognised immediately in profit or loss, like IFRSs, or they may be amortised over a period linked to the type of benefit, unlike IFRSs.

Termination benefits are recognised when the entity is committed, without realistic possibility of withdrawal, to the termination. Any provision for voluntary redundancies reflects the expected number of acceptances.

Unlike IFRSs, Canadian GAAP distinguishes between types of termination benefits and prescribes a different accounting treatment for each. Severance benefits that do not vest, made in lieu of notice for involuntary termination of employment, are recognised when it is probable that the termination will occur, which generally is consistent with IFRSs. Unlike IFRSs, the timing of recognition of an obligation for termination benefits depends on the type of benefit, whether the termination is voluntary or involuntary and whether the employee is required to render service to receive the benefit. Unlike IFRSs, the timing of recognition can vary between the date the decision is made to terminate, when the offer is accepted, or over the required future service period. Unlike IFRSs, any provision for voluntary redundancies reflects the actual number of acceptances as at the reporting date.

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4.5 Share-based payments
(IFRS 2 (2009))

The scope of the share-based payment standard includes transactions involving equity instruments of the entity's parent or another group entity, or cash payments that are based on the price or value of equity instruments of the entity's parent or another group entity, in respect of goods or services supplied to the entity.

Share-based payments effected through employee share purchase plans are within the scope of the share-based payment standard, and, generally, any discount provided to employees is recognised as compensation.

Goods are recognised when they are obtained and services are recognised over the period that they are received.

Transactions settled in equity instruments are classified as equity settled; other transactions are classified as cash settled.

The requirements for transactions with employees also are applied to transactions with non-employees who provide services similar to services provided by an employee.

Share-based payments to non-employees generally are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. The fair value of the equity instruments granted is used only when the fair value of the goods or services cannot be measured reliably.

Cash-settled awards to employees are measured initially based on the grant date fair value of the award.

4.5 Stock-based compensation and other stock-based payments
(HB 3870, EIC-162)

Like IFRSs, the scope of the stock-based compensation standard includes transactions involving equity instruments of the entity's parent or another group entity, or cash payments that are based on the price or value of equity instruments of the entity's parent or another group entity, in respect of goods or services supplied to the entity.

Unlike IFRSs, stock-based payments effected through employee share purchase plans are outside the scope of the stock-based compensation standard when certain conditions are met, including a requirement that the discount from the market price be less than 5 percent. However, in practice, most employee share purchase plans are compensatory.

Like IFRSs, goods are recognised when they are obtained and services are recognised over the period that they are received.

In general, transactions settled in equity instruments are classified as equity-settled awards and other transactions are classified as liability (cash-settled) awards, like IFRSs. However, unlike IFRSs, when settlement of a transaction with employees will be net in shares, an entity has a choice of accounting for the award as equity settled or cash settled.

Unlike IFRSs, the requirements for transactions with employees are applied only when the individual is consistently represented to be an employee under law, and are not applied to transactions with non-employees who provide services similar to those provided by an employee.

Unlike IFRSs, stock-based payments to non-employees generally are measured at the more reliably measurable amount of either the fair value of the goods or services received, or the fair value of the award, at the earlier of the performance commitment date or the performance completion date.

Unlike IFRSs, cash-settled awards to employees are measured initially based on the grant date intrinsic value of the award.

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Overview of IFRS	Overview of Canadian GAAP
For cash-settled awards, an entity recognises an expense, unless the goods or services received qualify for recognition as assets, and recognises a corresponding liability. Remeasurements (see below) are recognised in profit or loss.	Like IFRSs, for cash-settled awards, an entity recognises an expense, unless the goods or services received qualify for recognition as assets, and recognises a corresponding liability. Unlike IFRSs, Canadian GAAP does not specifically address whether remeasurements qualify for recognition as an asset.
Grant date is the date on which the entity and the employee have a shared understanding of the terms and conditions of the arrangement.	Like IFRSs, grant date is the date at which an entity and an employee have a mutual understanding of the terms of a stock-based compensation arrangement.
Equity-settled grants to employees generally are measured based on the grant-date fair value of the equity instruments issued.	Like IFRSs, equity-settled grants to employees generally are measured based on the grant-date fair value of the equity instruments issued.
For equity-settled transactions, an entity recognises an expense, unless the goods or services received qualify for recognition as assets, and recognises a corresponding increase in equity.	Like IFRSs, an entity recognises an expense, unless the goods or services received qualify for recognition as assets, and recognises a corresponding increase in equity for equity-settled transactions.
The fair value of the awards is determined using valuation techniques when market prices are not available.	The fair value of the awards is determined using valuation techniques when market prices are not available, like IFRSs. However, unlike IFRSs, an entity may instead use index-liability accounting for awards that net settle in shares.
Expected volatility is included in the valuation of the award.	Unlike IFRSs, certain non-public entities are not required to include expected volatility in the valuation of the award.
Market-based vesting conditions for equity-settled awards are reflected in the initial measurement of fair value. There is no subsequent adjustment if the expected and actual outcomes differ because of market conditions.	Like IFRSs, market-based vesting conditions for equity-settled awards are reflected in the initial measurement of fair value. There is no subsequent adjustment if the expected and actual outcomes differ because of market conditions, like IFRSs.
Non-vesting conditions are conditions other than service and performance conditions, and are conditions that do not determine whether the entity receives the services that entitle the counterparty to a share-based payment.	Unlike IFRSs, Canadian GAAP does not specifically address the concept of non-vesting conditions.
Non-vesting conditions are reflected in measuring the grant-date fair value of the share-based payment, and there is no subsequent adjustment for differences between expected and actual outcomes.	Unlike IFRSs, Canadian GAAP does not specifically address whether conditions other than service and performance vesting conditions are reflected in measuring grant-date fair value.
Recognition of compensation can occur prior to the grant date when services have commenced.	Unlike IFRSs, recognition of compensation cannot occur prior to the grant date.

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IFRS	Canadian GAAP
When a share-based payment award vests in instalments over the vesting period (graded vesting), each instalment is accounted for as a separate arrangement.	An entity can elect to recognise graded vesting equity instruments as separate arrangements, like IFRSs. Alternatively, unlike IFRSs, an entity can elect to treat the equity instruments as a pool and determine fair value using the average life of the instruments, provided that compensation then is recognised on a straight-line basis, subject to at least the value of the vested portion of the award being recognised at each reporting date.
Cash-settled awards are remeasured, until the settlement date, for subsequent changes in the fair value of the liability.	Like IFRSs, cash-settled awards are remeasured at each reporting date and at the settlement date. However, unlike IFRSs, the remeasurement each period is based on intrinsic values.
Equity-settled awards are not remeasured for subsequent changes in the value of the equity instruments.	Like IFRSs, equity-settled awards are not remeasured for subsequent changes in the value of the equity instruments.
Estimates of the number of equity-settled instruments that are expected to vest are adjusted to the actual number that vest unless forfeitures are due to market-based conditions.	An entity may elect to estimate the number of equity-settled instruments that are expected to vest and then make adjustments to the actual number that vest unless forfeitures are due to market-based conditions, like IFRSs. Alternatively, unlike IFRSs, an entity can choose to accrue compensation cost as if all instruments granted were expected to vest and recognise the effect of actual forfeitures as they occur.
Cancellation of a share-based payment by the entity or the counterparty results in acceleration of the unrecognised cost.	Like IFRSs, cancellation of a stock-based payment results in acceleration of the unrecognised cost.
Failure to satisfy a non-vesting condition that is within control of the entity or the counterparty is treated as a cancellation. When neither the entity nor the counterparty can choose whether to meet a non-vesting condition, there is no change to the accounting if the non-vesting condition is not satisfied; i.e., compensation cost continues to be recognised.	Unlike IFRSs, Canadian GAAP does not specifically address the concept of a non-vesting condition (see above), and also does not specifically address the treatment of a failure to meet a condition that is other than a vesting condition.
Modification of a share-based payment results in the recognition of any incremental fair value but not any reduction in fair value.	Like IFRSs, modification of a stock-based payment results in the recognition of any incremental fair value but not any reduction in fair value.
When the employee has the choice of settling for cash or shares, the entity has granted a compound instrument and separately accounts for the debt and equity components.	Unlike IFRSs, when the employee has the choice of settling for cash or shares, the award is accounted for as a liability based on its intrinsic value.
Share appreciation rights are accounted for as equity-settled or cash-settled awards following the general requirements.	Like IFRSs, stock appreciation rights that are settled in cash are accounted for as cash-settled share-based payments. However, unlike IFRSs, stock appreciation rights that are settled in equity instruments must be presented as equity but may be measured as either an equity- or cash-settled award.

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4.6 Financial income and expense

(IAS 18, IAS 23, IAS 39)

Interest income and interest expense are calculated using the effective interest method, based on market rates at the date that the instrument is recognised initially, or at the date of any modification.

A financial liability is derecognised when it is extinguished, and any gain or loss on extinguishment is recognised in profit or loss immediately, together with the related costs.

If a modification of a financial liability does not result in its derecognition, then any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

If a modified loan, receivable or held-to-maturity investment is impaired, then an impairment loss is measured by the creditor as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate before modification.

Transaction costs in respect of financial instruments at fair value through profit or loss are recognised in profit or loss immediately. Transaction costs in respect of other financial instruments are included in the initial measurement of the financial instrument.

4.6 Financial income and expense

(HB 3025, HB 3210, HB 3855, HB 3861, EIC-47, EIC-88, EIC-94, EIC-96, EIC-166, AcG 4)

Like IFRSs, interest income and interest expense are calculated using the effective interest method, based on market rates at the date that the instrument is recognised initially, or at the date of any modification.

Like IFRSs, a financial liability is derecognised when it is extinguished, and any gain or loss on extinguishment is recognised in profit or loss immediately. However, when an exchange of debt instruments or a modification of the terms of a debt instrument is accounted for as an extinguishment (see 3.6), an entity can elect to recognise immediately costs associated with the modification in profit or loss, like IFRSs, or to recognise them as an adjustment to the carrying amount of the liability and to amortise them over the remaining expected term of the modified liability, unlike IFRSs.

Like IFRSs, if a modification of a financial liability does not result in its derecognition, then any fees paid to or received from the creditor are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability. However, an entity can elect to recognise immediately costs associated with the modification in profit or loss, unlike IFRSs.

Like IFRSs, if a modified loan, receivable or held-to-maturity investment is impaired, then an impairment loss is measured by the creditor as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate before modification.

Like IFRSs, transaction costs in respect of financial instruments classified as held for trading are recognised in profit or loss immediately. Unlike IFRSs, entities are permitted to make an accounting policy choice to either include transaction costs in respect of other financial instruments in the initial measurement of the financial instrument, or recognise in profit or loss immediately. The same accounting policy choice should be made for all similar instruments classified as other than held for trading.

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Overview of IFRS	Overview of Canadian GAAP
When the terms of convertible instruments are amended to induce early conversion, the fair value of the incremental consideration received as a result of the revised terms is recognised in profit or loss.	Unlike IFRSs, when the terms of a convertible instrument are amended to induce early conversion, the fair value of the consideration paid is allocated to the liability and equity components based on their current fair values in accordance with the same allocation method used originally to allocate to the liability and equity components; the gain or loss on the liability element is recognised in profit or loss, like IFRSs, and the gain or loss on the equity element is recognised directly in retained earnings, unlike IFRSs.
Interest generally is expensed as incurred. However, borrowing costs related to "qualifying" assets are capitalised.	Like IFRSs, interest generally is expensed as incurred. Unlike IFRSs, borrowing costs directly attributable to property, plant and equipment may be capitalised if certain conditions are met and that accounting policy choice has been made by the entity. In addition, unlike IFRSs, there is no specific standard for the capitalisation of interest, other than in respect of property, plant and equipment.
A qualifying asset is one that necessarily takes a substantial period of time to be made ready for its intended use or sale. Qualifying assets generally are those that are subject to major development or construction projects.	Unlike IFRSs, Canadian GAAP does not include specific guidance on identifying qualifying assets, other than property, plant and equipment acquired, constructed or developed over time. Therefore, differences from IFRSs may exist in practice.
Interest on both general and specific borrowings is eligible for capitalisation. The amount capitalised is net of investment income on the temporary investment of specific borrowings pending expenditure on the asset.	Unlike IFRSs, there is no guidance on the amount of interest that can be capitalised on general or specific borrowings, or the treatment of investment income on the temporary investment of specific borrowings.
The capitalisation of interest commences when borrowing costs are incurred, expenditures for the asset are being incurred, and activities to prepare the asset for its intended use or sale are in progress. Capitalisation is suspended when development is interrupted for extended periods, and ceases when the activities necessary to prepare the asset for its intended use or sale are substantially complete.	Unlike IFRSs, there is no guidance on when the capitalisation of interest should commence or be suspended. Like IFRSs, capitalisation ceases when the asset is ready for its intended use or sale.

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5. Special topics

5.1 Leases

(IAS 17, IFRIC 4, SIC–15, SIC–27)

An arrangement that at its inception can be fulfilled only through the use of a specific asset or assets, and which conveys a right to use that asset, may be a lease or contain a lease.

A lease is classified as either a finance lease or an operating lease. In respect of lessors, there is a sub-category of finance lease for manufacturer or dealer leases.

Special requirements for revenue recognition apply to manufacturer or dealer lessors granting finance leases.

Lease classification depends on whether substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred from the lessor to the lessee, and is made at inception of the lease. A number of indicators are used to assist in lease classification.

A finance lease is recognised by the lessee at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The discount rate used in determining the present value of the minimum lease payments by the lessee is the interest rate implicit in the lease or, if this is not practicable to determine, the lessee's incremental borrowing rate. The interest rate implicit in the lease is used by lessors.

Under a finance lease, the lessor recognises a finance lease receivable and the lessee recognises the leased asset and a liability for future lease payments.

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5. Special topics

5.1 Leases

(HB 3065, EIC-19, EIC-21, EIC-150)

Like IFRSs, an arrangement that at its inception conveys the right to control the use of a specifically identified tangible asset may contain a lease agreement. However, unlike IFRSs, this guidance applies only if the asset is a tangible asset, such as property, plant and equipment.

Like IFRSs, a lease is classified as either a capital (finance) lease or an operating lease by a lessee. In respect of lessors, capital leases are categorised as direct financing leases or sales-type leases, which differ in certain respects from IFRSs.

Like IFRSs, special requirements for revenue recognition apply to lessor capital leases classified as sales-type leases, which are equivalent to manufacturer or dealer leases under IFRSs.

Like IFRSs, lease classification depends on whether substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred from the lessor to the lessee, and is made at inception of the lease. A number of indicators are used to assist in lease classification, like IFRSs. However, unlike IFRSs, in practice the quantitative thresholds included in certain of the indicators generally are interpreted as "bright lines" and there are fewer indicators to be considered.

Like IFRSs, a capital lease is recognised by the lessee at the lower of the fair value of the leased asset and the present value of the minimum lease payments. However, unlike IFRSs, the discount rate used by the lessee in determining the present value of the minimum lease payments is the lower of the lessee's rate for incremental borrowings and the interest rate implicit in the lease. Like IFRSs, the interest rate implicit in the lease is used by lessors.

Like IFRSs, under a capital lease, the lessor recognises a capital lease receivable and the lessee recognises the leased asset and a liability for future lease payments.

Under an operating lease, both parties treat the lease as an executory contract. The lessor and lessee recognise the lease payments as income/expense over the lease term. The lessor recognises the leased asset in its statement of financial position while the lessee does not.

Like IFRSs, under an operating lease, both parties treat the lease as an executory contract. The lessor and lessee recognise the lease payments as income/expense over the lease term, like IFRSs. The lessor recognises the leased asset in its statement of financial position (balance sheet) while the lessee does not, like IFRSs.

A lessee may classify a property interest held under an operating lease as an investment property. If this is done, then the lessee accounts for that lease as if it were a finance lease and it measures investment property using the fair value model.

Unlike IFRSs, there is no concept of "investment property" and the usual lease classification requirements apply.

When manufacturer or dealer lessors quote below-market interest rates, the selling profit is restricted to that which would have been earned if a market rate of interest were charged.

Unlike IFRSs, Canadian GAAP does not specifically address the recognition of selling profit by the lessor in a sales-type lease that quotes below-market interest rates.

Lessors and lessees recognise incentives granted under an operating lease as a reduction in lease rental income/expense over the lease term.

Like IFRSs, lessors and lessees recognise incentives granted under an operating lease as a reduction in lease rental income/expense over the lease term.

Leases involving land will be classified as operating or finance by reference to the general indicators used for lease classification. There is no presumption that the lease is an operating lease if ownership does not transfer to the lessee.

Unlike IFRSs, generally a lease of land is classified as an operating lease unless the title transfers to the lessee by the end of the lease term.

A lease of land and a building is treated as two separate leases, a lease of land and a lease of the building; the two leases may be classified differently.

Unlike IFRSs, a lease involving land and a building is treated as two separate leases when the lease terms do not allow ownership to pass or provide for a bargain purchase option, and the fair value of land at the inception of the lease is significant in relation to the total fair value of the leased property.

Immediate gain recognition from the sale and leaseback of an asset depends on whether or not the sale takes place at fair value, and whether the leaseback is classified as an operating lease or a finance lease.

Unlike IFRSs, immediate gain recognition from the sale and leaseback of an asset does not occur unless the leaseback is classified as an operating lease and the seller-lessee retains the rights to use only a minor portion of the asset sold.

Gains arising on a sale and finance leaseback are recognised over the lease term.

Like IFRSs, gains arising on a sale and finance leaseback are recognised over the lease term.

A series of linked transactions in the legal form of a lease is accounted for based on the substance of the arrangement; the substance may be that the series of transactions is not a lease.

Unlike IFRSs, there is no specific guidance on accounting for a series of linked transactions in the legal form of a lease. However, an entity cannot override other authoritative accounting standards in order to account for the transactions based on the substance of the arrangement.

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5.2 Operating segments
(IFRS 8)

Segment disclosures are required only by entities whose equity or debt securities are publicly traded, or that are in the process of issuing such securities.

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are reviewed regularly by the chief operating decision maker, and for which discrete financial information is available.

Operating segments are identified on the basis of internal reports reviewed regularly by the chief operating decision maker.

The aggregation of operating segments is permitted only when the segments are similar and meet a number of other specified measures.

Entities that follow a matrix form of organisation determine operating segments consistent with the objective of the standard when more than one set of components is reviewed by the chief operating decision maker.

Operating segments are reportable if they meet one of three quantitative tests, based on revenues, profits, and assets.

Reportable segment disclosures are based on the measures reported to the chief operating decision maker, which are not necessarily based on the same accounting policies as in the financial statements.

Disclosures include a measure profit or loss and, if reported to the chief operating decision maker, total assets and liabilities for each reportable segment.

Disclosures are required for additions to non-current assets, with certain exceptions.

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5.2 Operating segments
(HB 1701, EIC-115, AuG-26)

Like IFRSs, segment disclosures are required only by entities whose equity or debt securities are publicly traded, or that are in the process of issuing such securities. Unlike IFRSs, segment information also is required to be disclosed for co-operative business entities, deposit-taking institutions and life insurance entities.

Like IFRSs, an operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are reviewed regularly by the chief operating decision maker, and for which discrete financial information is available.

Like IFRSs, operating segments are identified on the basis of internal reports reviewed regularly by the chief operating decision maker.

Like IFRSs, the aggregation of operating segments is permitted only when the segments are similar and meet a number of other specified measures.

Unlike IFRSs, entities that follow a matrix form of organisation determine operating segments based on products and services when more than one set of components is reviewed by the chief operating decision maker.

Like IFRSs, operating segments are reportable if they meet one of three quantitative tests, based on revenues, profits, and assets.

Like IFRSs, reportable segment disclosures are based on the measures reported to the chief operating decision maker, which are not necessarily based on the same accounting policies as in the financial statements.

Like IFRSs, disclosures include a measure of profit or loss and, if reported to the chief operating decision maker, total assets for each reportable segment. Unlike IFRSs, there is no requirement to disclose information about liabilities.

Unlike IFRSs, disclosures are required only for additions to long-lived capital assets and goodwill, with certain exceptions.

Total amounts disclosed for all reportable segments are reconciled to financial statement amounts, with a description of all material reconciling items.

General and entity-wide disclosures are required, including information about products and services, geographical areas, and major customers.

Comparative information is revised for changes in the composition of segments, unless impracticable.

Like IFRSs, total amounts disclosed for all reportable segments are reconciled to financial statement amounts, with a description of all material reconciling items.

Like IFRSs, general and entity-wide disclosures are required, including information about products and services, geographical areas, and major customers.

Like IFRSs, comparative information is revised for changes in the composition of segments, unless impracticable.

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5.3 Earnings per share
(IAS 33)

Basic and diluted earnings per share (EPS) for both continuing and total operations are presented on the face of the statement of comprehensive income (or the income statement when presented separately), with equal prominence, for each class of ordinary shares.

Separate EPS data is disclosed for discontinued operations, either on the face of the statement of comprehensive income (or the income statement when presented separately) or in the notes to the financial statements. IFRSs do not have the concept of extraordinary items and, therefore, disclosure of the related EPS data is not relevant.

Basic EPS is calculated by dividing the profit or loss attributable to holders of ordinary equity of the parent by the weighted average number of ordinary shares outstanding during the period.

To calculate diluted EPS, profit or loss attributable to ordinary equity holders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

For diluted EPS, dilutive potential ordinary shares are determined independently for each period presented.

When a contract may be settled in either cash or shares at the entity's option, it is treated as a potential ordinary share.

When a contract may be settled in either cash or shares at the holder's option, the more dilutive of cash and share settlement is used to calculate diluted EPS.

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5.3 Earnings per share
(HB 3500)

Like IFRSs, basic and diluted earnings per share (EPS) for both continuing operations and total operations (net income) are presented on the face of the income statement with equal prominence, for each class of shares.

Like IFRSs, EPS data is disclosed separately for discontinued operations, either on the face of the income statement or in the notes to the financial statements. Unlike IFRSs, EPS data also is disclosed separately for extraordinary items, either on the face of the income statement or in the notes to the financial statements.

Like IFRSs, basic EPS is calculated by dividing the profit or loss attributable to holders of common shares of the parent by the weighted average number of common shares outstanding during the period.

Like IFRSs, to calculate diluted EPS, profit or loss attributable to common shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

Unlike IFRSs, the computation of diluted EPS for year-to-date periods is based on the weighted average of the number of incremental shares included in each interim period making up the year-to-date period.

Like IFRSs, when a contract may be settled in either cash or shares at the entity's option, it is treated as a potential common share unless, unlike IFRSs, the entity has past experience or a stated policy that provides a reasonable basis to conclude the contract will be paid partially or wholly in cash.

Like IFRSs, when a contract may be settled in either cash or shares at the holder's option, the more dilutive of cash and share settlement is used to calculate diluted EPS.

Contingently issuable ordinary shares are included in basic EPS from the date that all necessary conditions are satisfied and, when not yet satisfied, in diluted EPS based on the number of shares that would be issuable if the reporting date were the end of the contingency period.

Like IFRSs, contingently issuable common shares are included in basic EPS from the date that all necessary conditions are satisfied and, when not yet satisfied, in diluted EPS based on the number of shares that would be issuable if the reporting date were the end of the contingency period.

When the number of ordinary shares outstanding changes, without a corresponding change in total equity (e.g., share splits and share dividends), the weighted average number of ordinary shares outstanding during all periods presented is adjusted retrospectively.

Like IFRSs, when the number of common shares outstanding changes, without a corresponding change in total equity (e.g., share splits and share dividends), the weighted average number of common shares outstanding during all periods presented is adjusted retrospectively.

EPS figures are not adjusted for share transactions that occur after the reporting date other than those that adjust the number of shares outstanding without a corresponding increase in total equity. Instead, such events are disclosed in the notes to the financial statements.

Like IFRSs, EPS figures are not adjusted for share transactions that occur after the reporting date other than those that adjust the number of shares outstanding without a corresponding increase in total equity. Instead, such events are disclosed in the notes to the financial statements, like IFRSs.

Adjusted basic and diluted EPS based on alternative earnings measures may be disclosed and explained in the notes to the financial statements.

Unlike IFRSs, adjusted basic and diluted EPS based on alternative measures of earnings or cash flows generally are not permitted to be disclosed and explained, even in the notes to the financial statements, unless permitted or required under a specific standard.

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5.4 Non-current assets held for sale and discontinued operations

(IFRS 5, IFRIC 17)

Non-current assets (and some groups of assets and liabilities known as disposal groups) are classified as held for sale or for distribution to owners when specific criteria related to their sale or distribution are met.

Non-current assets acquired exclusively with a view to subsequent disposal are classified as held for sale when they meet the held-for-sale criteria, or they meet the one-year criterion and it is highly probable that the other criteria will be met a short period after acquisition (usually three months).

Non-current assets (disposal groups) held for sale or for distribution to owners are measured at the lower of carrying amount and fair value less costs to sell or distribute, and are presented separately in the statement of financial position. Certain assets are excluded from the held-for-sale measurement requirements.

The classification of non-current assets classified as held for sale as current assets or non-current assets is not specified.

Any loss arising from a writedown to fair value less costs to sell is allocated first to goodwill, and then to other non-current assets on a *pro rata* basis. The allocation is not restricted by the fair value less costs to sell of the individual assets.

A gain is recognised for any subsequent increase in fair value less costs to sell, subject to a limit on the amount of any gain that can be recognised prior to disposal.

5.4 Non-current assets held for sale and discontinued operations

(HB 3475, EIC-153, EIC-161)

Like IFRSs, non-current assets and disposal groups are classified as held for sale when specific criteria related to their sale are met. Unlike IFRSs, groups of assets are not classified as held for distribution; as a result, their measurement and classification may differ from IFRSs.

Like IFRSs, non-current assets acquired exclusively with a view to subsequent disposal are classified as held for sale when they meet the held-for-sale criteria, or they meet the one-year criterion and it is probable that the other criteria will be met a short period after acquisition (usually three months).

Like IFRSs, non-current assets (disposal groups) held for sale are measured at the lower of carrying amount and fair value less costs to sell, and are presented separately in the statement of financial position (balance sheet). Like IFRSs, certain assets are excluded from the held-for-sale measurement requirements; however, unlike IFRSs, such excluded assets include goodwill. Also, unlike IFRSs, non-current assets to be distributed to owners continue to be classified as held and used until disposed of.

Unlike IFRSs, non-current assets classified as held for sale are classified as current assets only when the entity has sold them prior to the completion of the financial statements and the proceeds will be realised in the next year.

Unlike IFRSs, any loss arising from a writedown to fair value less costs to sell is allocated to non-current assets, excluding goodwill, on a *pro rata* basis, except that the carrying amount of an individual non-current asset generally is not reduced below its fair value. Goodwill is evaluated for impairment separately from the disposal group, unlike IFRSs.

Like IFRSs, a gain is recognised for any subsequent increase in fair value less costs to sell, subject to a limit on the amount of any gain that can be recognised prior to disposal, except that, unlike IFRSs, any impairment of goodwill is not included in determining the limit.

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Non-current assets classified as held for sale or distribution to owners are not amortised or depreciated.	Like IFRSs, non-current assets classified as held for sale are not amortised or depreciated. Unlike IFRSs, assets held for distribution to owners continue to be depreciated or amortised.
Non-current assets (disposal groups) reclassified from held for sale to held for use are remeasured at the lower of their recoverable amount and the carrying amount that would have been recognised had the asset not been classified as held for sale. This reclassification may create circumstances in which reversals of goodwill impairment are recognised.	Unlike IFRSs, non-current assets (disposal groups) reclassified from held for sale to held for use are measured at the lower of their carrying amount before being classified as held for sale, and their fair value at the date of the subsequent decision not to sell. Unlike IFRSs, reversals of impairment of goodwill are prohibited.
Any adjustments created as a result of reclassifying an asset from held for sale to held for use are recognised in profit or loss unless the asset was previously measured at a revalued amount, in which case the adjustment is recognised as a revaluation increase or decrease.	Unlike IFRSs, there is no option to measure assets at revalued amounts; accordingly, any adjustments created as a result of reclassifying an asset from held for sale to held for use are recognised in profit or loss, like IFRSs.
All disposal groups continue to be consolidated while they are classified as held for sale. However, an investment in an associate or jointly controlled entity classified as held for sale is not equity accounted or proportionately consolidated.	Like IFRSs, all disposal groups continue to be consolidated while they are classified as held for sale. Unlike IFRSs, the held-for-sale standard does not apply to an investment subject to significant influence (or joint venture), and such investments continue to be equity accounted (or proportionately consolidated).
The comparative statement of financial position is not re-presented when a non-current asset (disposal group) is classified as held for sale or for distribution to owners.	Unlike IFRSs, Canadian GAAP does not specify whether the comparative statement of financial position should be re-presented when a non-current asset (disposal group) is classified as held for sale or for distribution to owners.
A discontinued operation is a component of an entity that has been disposed of or is held for sale or for distribution to owners.	Like IFRSs, a discontinued operation is a component of an entity that has been disposed of or is held for sale. Unlike IFRSs, non-current assets held for distribution are not considered discontinued operations until disposed of.
A discontinued operation is limited to those operations that are a separate major line of business or geographical area and subsidiaries acquired exclusively with a view to resale.	Unlike IFRSs, a discontinued operation is not limited to those operations that are a separate major line of business or geographical area, and may only be a portion of a separate, major line of business.
Continuing involvement in the operation by the entity after disposal does not preclude it from being treated as a discontinued operation.	Unlike IFRSs, continuing involvement in the operation by the entity after disposal precludes it from being treated as a discontinued operation.
The results of discontinued operations are presented separately on the face of the statement of comprehensive income (or the income statement when presented separately).	Like IFRSs, the results of discontinued operations are presented separately on the face of the income statement.

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Cash flow information of discontinued operations is required to be disclosed.

The comparative statement of comprehensive income (or the income statement when presented separately) and cash flow information is re-presented for discontinued operations.

Non-current assets acquired exclusively with a view to subsequent disposal are measured initially at the lower of their carrying amounts had the asset not been classified by the purchaser as held for sale, and fair value less costs to sell.

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Unlike IFRSs, cash flow information of discontinued operations is not required to be disclosed.

Like IFRSs, the comparative income statement is re-presented for discontinued operations. Unlike IFRSs, comparative cash flow information is not required to be re-presented for discontinued operations.

Unlike IFRSs, non-current assets acquired exclusively with a view to subsequent disposal are measured initially based on their fair value less costs to sell at the acquisition date.

5.5 Related parties

(IAS 24)

Related party relationships are those involving control (direct or indirect), joint control or significant influence.

Related parties include key management (including directors) of the entity and the entity's parent and their close family members, as well as post-employment benefit plans.

Related party relationships are symmetrical. If one party is identified as a related party in a second entity's financial statements, then the second entity will also be a related party in the first entity's financial statements.

There are no special recognition or measurement requirements for related party transactions.

There are exemptions for entities under control, joint control or significant influence of a government ("government-related entities") in respect of certain related party disclosures.

No disclosure is required in the consolidated financial statements of intra-group transactions eliminated in preparing those statements.

Key management personnel compensation is disclosed in total and is analysed by component.

Comprehensive disclosures of related party transactions are required for each category of related party relationship.

5.5 Related parties

(HB 3840, EIC-66, EIC-77, EIC-79, EIC-83, EIC-89, EIC-103, EIC-145)

Like IFRSs, related party relationships are those involving control (direct or indirect), joint control or significant influence.

Like IFRSs, management (including directors) of the entity and members of their immediate families are related parties, with limited exceptions. Unlike IFRSs, management of the entity's parent are not specifically identified as related parties, and Canadian GAAP does not address whether a post-employment benefit plan is a related party.

Unlike IFRS, symmetry of related party relationships is not explicitly addressed, and differences may result in practice.

Unlike IFRSs, there are special recognition and measurement requirements for related party transactions. Related party transactions that are in the normal course of business and that have commercial substance generally are measured at fair value. Otherwise, related party transactions are measured at the carrying amount of the item transferred, or cost of services provided, as recognised in the accounts of the transferor, unless certain criteria are met, in which case the transaction is measured at exchange amount.

Unlike IFRSs, there are no exemptions for related party disclosure requirements for government-related entities.

Like IFRSs, no disclosure is required in the consolidated financial statements of intra-group transactions eliminated in preparing those statements.

Unlike IFRSs, compensation arrangements in the normal course of business are not considered related party transactions and are not required to be disclosed.

Like IFRSs, comprehensive disclosures of related party transactions are required. However, unlike IFRSs, there is no requirement for the disclosures to be grouped into categories of related parties. Additionally, certain of the disclosure requirements differ from IFRSs.

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5.6 Financial instruments: disclosure

(IFRS 7, IAS 1)

Qualitative and quantitative information in respect of financial risks and management's approach to managing these risks is disclosed.

Accounting policies in respect of financial instruments, including policies for hedging, are disclosed.

The fair value of instruments not carried at fair value in the financial statements is disclosed. In addition, disclosure is required about fair value measurements using a fair value hierarchy, including the methods and significant assumptions used in determining fair value, separately for significant classes of financial assets and financial liabilities.

For financial instruments carried at cost, a description of such financial instruments and why fair value cannot be measured reliably is disclosed. When such instruments are derecognised, disclosure of the carrying amounts and the amount of gain or loss recognised is required.

Separate qualitative and quantitative information is disclosed for fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation.

Other qualitative and quantitative information about income and expenses and gains and losses from financial instruments is disclosed.

When financial assets are transferred but continue to be recognised in whole or in part, certain disclosures are required.

When financial assets are reclassified, specific disclosures are required, including amounts reclassified into and out of each category, carrying amounts and fair values of all reclassified financial assets, and the fair value gain or loss that would have been recognised if not for the reclassification.

5.6 Financial instruments: disclosure

(HB 1535, HB 3862, HB 3865, AcG-12, AcG-14)

Like IFRSs, qualitative and quantitative disclosures of an entity's financial risks and its financial risk management objectives and policies are disclosed.

Like IFRSs, accounting policies in respect of financial instruments, including policies for hedging, are disclosed.

Like IFRSs, the fair value of financial instruments not carried at fair value is disclosed. Like IFRSs, disclosure is required about fair value measurements using a fair value hierarchy, including the methods and significant assumptions used for determining fair value, separately for significant classes of financial assets and financial liabilities.

Like IFRSs, for financial instruments carried at cost, a description of such financial instruments and why fair value cannot be measured reliably is disclosed. When such instruments are derecognised, disclosure of the carrying amounts and the amount of gain or loss recognised is required. Unlike IFRSs, all equity securities that are not traded on an active market are measured at cost (see 3.6).

Like IFRSs, separate qualitative and quantitative information for fair value hedges, cash flow hedges and hedges of a net investment in a self-sustaining foreign operation is disclosed. However, the disclosure requirements under Canadian GAAP are more extensive than those under IFRSs.

Like IFRSs, other qualitative and quantitative information about income and expenses and gains and losses from financial instruments is disclosed.

Like IFRSs, when financial assets are transferred but continue to be recognised, certain disclosures are required. However, the requirements for the derecognition of financial assets transferred (see 3.6) differ from IFRSs.

Like IFRSs, the same specified disclosures are required when a financial asset is reclassified.

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The level of disclosure in respect of financial instruments varies depending on the nature and relative significance of financial instruments to the entity.

Qualitative and quantitative disclosures are required about the objectives, policies and processes for managing capital.

Like IFRSs, the level of disclosure in respect of financial instruments varies depending on the nature and relative significance of financial instruments to the entity.

Like IFRSs, qualitative and quantitative disclosures are required about the objectives, policies and processes for managing capital.

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5.7 Non-monetary transactions

(IAS 16, IAS 18, IAS 38, IFRIC 17, IFRIC 18, SIC–13, SIC–31)

Exchanges of non-monetary assets generally result in the recognition of gains or losses rather than revenue. The asset acquired is measured at the more reliably measurable of the fair value of the asset surrendered and the fair value of the asset received (adjusted for any cash transferred).

Exchanged non-monetary assets are recognised based on historical cost if the exchange lacks commercial substance or if fair value cannot be measured reliably.

Donated assets may be accounted for in a manner similar to government grants (see 4.3) unless the transfer is, in substance, an equity contribution or consists of an item of property, plant and equipment that must be used to provide access to a supply of goods or services.

A distribution of non-cash assets, including spin-offs in which operations are distributed, to owners on a *pro rata* basis, is accounted for on a fair value basis with a gain or loss recognised in profit or loss. This does not apply to common control transactions.

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5.7 Non-monetary transactions

(HB 3831, HB 3800, HB 3055)

Like IFRSs, exchanges of non-monetary assets generally result in the recognition of gains or losses rather than revenue. The asset acquired is measured at the more reliably measurable of the fair value of the asset surrendered and the fair value of the asset received (adjusted for any cash transferred), like IFRSs.

Like IFRSs, exchanged non-monetary assets are recognised based on historical cost if the exchange lacks commercial substance or if fair value cannot be measured reliably.

Like IFRSs, donated assets may be accounted for in a manner similar to government assistance (see 4.3) unless the transfer is, in substance, an equity contribution, or consists of an item of property, plant and equipment that must be used to provide access to a supply of goods or services.

Unlike IFRSs, a spin-off, or other form of liquidation or restructuring, when there is a *pro rata* distribution to owners of an operating division of the entity, is accounted for on the basis of book values (with no gain or loss recognised), other than for an indicated impairment of value.

5.8 Accompanying financial and other information
(IAS 1)

Supplementary financial and operational information may be presented, but is not required.

An entity considers its particular legal or securities listing requirements in assessing what information is disclosed in addition to that required by IFRSs.

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5.8 Accompanying financial and other information
(HB 1400)

Unlike IFRSs, Canadian GAAP does not address the presentation of supplementary financial and operational information. However, for entities that are required to file financial statements with the Canadian Securities Commissions and/or the US Securities and Exchange Commission, there are detailed requirements for the presentation of Management's Discussion and Analysis, in addition to financial statements, unlike IFRSs.

Like IFRSs, an entity considers its particular legal or securities listing requirements in assessing what information is disclosed in addition to that required under Canadian GAAP.

5.9 Interim financial reporting

(IAS 34, IAS 8, IFRIC 10)

Interim financial statements contain either a complete or a condensed set of financial statements for a period shorter than a financial year.

When a complete set of interim financial statements is prepared, the form and content of those financial statements are required to comply with all the requirements of IFRSs for annual financial statements. However, the recognition and measurement requirements of the interim reporting standard apply, including the requirements for the presentation of comparatives.

The following must be presented in condensed interim financial statements: condensed statements of financial position; condensed statements of comprehensive income; condensed statements of changes in equity; condensed cash flow statements; and selected explanatory notes.

Condensed statements of financial position are presented at the end of the current interim period and at the end of the immediately preceding annual reporting period.

Condensed statements of comprehensive income are presented for the current interim period and cumulatively for the year to date, and for the comparable interim period (current and cumulative) of the immediately preceding annual reporting period.

Condensed cash flow statements and statements of equity are presented cumulatively for the current year to date and for the comparable year-to-date period of the immediately preceding financial year.

5.9 Interim financial reporting

(HB 1751, HB 1506)

Like IFRSs, interim financial statements contain either a complete or a condensed set of financial statements for a period shorter than a financial year.

Like IFRSs, when a complete set of interim financial statements is prepared, the form and content of those financial statements must comply with all the requirements of Canadian GAAP for annual financial statements. However, like IFRSs, the recognition and measurement requirements of the interim reporting standard apply, including the requirements for the presentation of comparatives.

Like IFRSs, the following must be presented in condensed interim financial statements: condensed statements of financial position (balance sheet); condensed income statements; condensed statements of comprehensive income; condensed cash flow statements; and selected explanatory notes. Unlike IFRSs, Canadian GAAP does not require a statement of changes in equity; rather, a statement of retained earnings is required as part of a complete set of financial statements.

Like IFRSs, condensed statements of financial position are presented at the end of the current interim period and at the end of the immediately preceding annual reporting period.

Like IFRSs, condensed statements of income and comprehensive income are presented for the current interim period and cumulatively for the year to date, and for the comparable interim period (current and cumulative) of the immediately preceding annual reporting period.

Like IFRSs, condensed cash flow statements and statements of retained earnings are presented cumulatively for the current year to date and for the comparable year-to-date period of the immediately preceding financial year. Unlike IFRSs, a condensed cash flow statement also is presented for the current interim period.

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Income tax expense for an interim period is based on an estimated average annual effective income tax rate. There is no specific guidance on the initial recognition of a previously unrecognised prior year income tax in an interim period.

All other items (other than income tax) generally are recognised and measured as if the interim period were a discrete period.

Like IFRSs, income tax expense for an interim period is based on an estimated average annual effective income tax rate. However, unlike IFRSs, in certain circumstances the initial recognition of a previously unrecognised prior year income tax asset is recognised fully in an interim period.

Unlike IFRSs, inventory is not recognised and measured as if the interim period were a discrete period and the deferral of certain inventory cost variances expected to be absorbed by the annual reporting date is permitted. All other items (other than income tax and inventory cost variances) generally are recognised and measured as if the interim period were a discrete period, like IFRSs.

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5.10 Insurance contracts
(IFRS 4)

The insurance standard applies to all insurance contracts, regardless of the type of entity that issued the contract.

An insurance contract is a contract under which the insurer accepts significant insurance risk from the policyholder.

Insurance risk is assessed in relation to individual contracts without considering portfolio effects.

A financial instrument that does not meet the definition of an insurance contract (including investments held to back insurance liabilities) is accounted for under the general recognition and measurement requirements for financial instruments (see 3.6).

The insurance standard permits entities to continue some of their current accounting policies for insurance contracts that were in place prior to the effective date of the insurance standard, but places restrictions on the introduction of new policies.

In some cases, a deposit element is required to be “unbundled” from an insurance contract and accounted for as a financial instrument.

Derivatives embedded in insurance contracts are separated from their host insurance contract and accounted for as if they were stand-alone derivatives, subject to certain exemptions. Some surrender options are exempt from this requirement.

The recognition of catastrophe and equalisation provisions is prohibited for contracts not in existence at the reporting date.

Offsetting reinsurance assets against related insurance liabilities is prohibited, as is offsetting reinsurance income and expenses against expense or income of the related insurance contracts.

5.10 Insurance contracts
(HB 3855, HB 4211, AcG-3)

Unlike IFRSs, Canadian GAAP has accounting and reporting standards for insurance contracts issued by an insurance entity; there are no specific requirements for other entities that accept significant insurance risk.

Like IFRSs, an insurance contract is a contract under which the insurer accepts significant insurance risk from the policyholder.

Unlike IFRSs, Canadian GAAP does not address how insurance risk is assessed.

Like IFRSs, a financial instrument that does not meet the definition of an insurance contract is accounted for under the general recognition and measurement requirements for financial instruments (see 3.6).

Unlike IFRSs, accounting standards for insurance entities do not place restrictions on the introduction of new policies other than the general guidance under Canadian GAAP, which permits a voluntary change in accounting policy only when it results in reliable and more relevant information.

Unlike IFRSs, there is no requirement to unbundle a deposit element from an insurance contract.

Like IFRSs, derivatives embedded in insurance contracts, which meet certain criteria, are separated from their host insurance contract and accounted for as if they were stand-alone derivatives. However, the exemption under IFRSs for certain surrender options is not addressed under Canadian GAAP.

Like IFRSs, the recognition of a liability for catastrophe or equalisation provisions is prohibited for contracts not in existence at the reporting date.

Unlike IFRSs, in respect of life insurance contracts, reinsurance assets are offset against related life insurance liabilities, and life reinsurance revenues and expenses are offset against expenses and revenues from related life insurance contracts.

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Overview of IFRS	Overview of Canadian GAAP
An insurance liability is derecognised when the obligation specified in contract is discharged or cancelled, or expires.	Unlike IFRSs, Canadian GAAP does not specifically address when an insurance liability is derecognised.
A liability adequacy test is required to ensure that the measurement of an entity's insurance liabilities is at least sufficient to provide for all expected contractual cash flows, using current estimates.	Unlike IFRSs, the term "liability adequacy test" is not used under Canadian GAAP, and instead a form of premium deficiency testing is required for property and casualty insurance. Unlike IFRSs, life insurance policy liabilities are required to be measured using a prospective cash flow approach, which considers all expected future cash flows using current estimates, which meets the liability adequacy test under IFRSs.
The introduction of "shadow accounting" (the effect of unrealised losses and gains on an insurance liability is recognised directly in other comprehensive income consistent with the recognition of those unrealised gains and losses on the related financial assets) for insurance liabilities is permitted for consistency with the treatment of unrealised gains or losses on assets.	Unlike IFRSs, the use of "shadow accounting" is not permitted.
An expanded (gross) presentation is permitted for insurance contracts acquired in a business combination.	Unlike IFRSs, an expanded presentation for insurance contracts acquired in a business combination is not permitted.
Insurance contacts with discretionary participation features must be accounted for as insurance contracts although they are subject to the general disclosure requirements for financial instruments.	Like IFRSs, life insurance contracts that include discretionary participation features must be accounted for as insurance contracts. However, unlike IFRSs, the general disclosure requirements for financial instruments are not applicable to these instruments.
For financial guarantee contracts that meet the definition of insurance contracts and that have been accounted for historically as insurance contracts, an entity may elect to account for such contracts under either the accounting standards for financial instruments or the standard for insurance contracts.	Unlike IFRSs, financial guarantee contracts that meet the definition of insurance contracts are accounted for as such and are excluded from the scope of the accounting standards for financial instruments.

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5.11 Extractive activities

(IFRS 6, IAS 16, IAS 38)

IFRSs provide specialised extractive industry guidance only in respect of the exploration for and evaluation (E&E) of mineral resources.

Entities are required to identify and account for pre-exploration, E&E and development expenditure separately.

Generally, pre-license costs are expensed.

E&E costs may be expensed as incurred or capitalised, in accordance with the entity's selected accounting policy. Such accounting policy election may be made for each type of E&E costs.

Capitalised E&E costs are classified as either tangible or intangible assets, according to their nature.

The test for recoverability of E&E assets (including the mandatory impairment test upon transfer/reclassification to the development phase) can combine several cash-generating units (see 3.10), as long as the combination is not larger than a segment. The definition of the cash-generating unit, however, does change once development activities have begun. There are special impairment triggers for E&E assets.

5.11 Extractive activities

(AcG-11, AcG-16, EIC-152, EIC-174]

Unlike IFRSs, Canadian GAAP does not have a single accounting standard for exploration and evaluation (E&E) activities; rather, it has accounting guidance that separately addresses various aspects of the mining and oil and gas industries.

Unlike IFRSs, there is no requirement for an entity to separately identify and account for pre-exploration, E&E and development expenditure.

Unlike IFRSs, pre-license costs may be capitalised.

Like IFRSs, oil and gas E&E costs may be expensed as incurred or capitalised, depending on whether the entity's selected accounting policy is the successful efforts or the full cost method. Under the full cost method, oil and gas E&E costs are capitalised, irrespective of the success or failure of specific parts of the overall exploration activity; however, certain aspects of full cost accounting are not fully compatible with IFRSs. Under the successful efforts method, while E&E costs are capitalised initially pending the determination of reserves, for unsuccessful wells the E&E costs then are written off. Unlike IFRSs, mining exploration costs may be capitalised if an entity considers that such costs have the characteristics of property, plant and equipment, which includes the costs of the exploration and development of mineral reserves; otherwise, these costs are expensed.

Unlike IFRSs, there is no requirement to segregate and classify capitalised acquisition and exploratory costs as either tangible or intangible assets.

Unlike IFRSs, for mining and oil and gas entities using the successful efforts method of accounting, the test for recoverability of E&E assets cannot combine asset groups (see 3.10). Oil and gas entities using the full cost method apply the "ceiling test" for testing the recoverability of E&E assets, generally at a geographic level that covers an entire country.

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Despite certain relief in respect of the recognition of impairment triggers and the level of aggregation, the general impairment standard is applied in measuring the impairment of E&E assets.

Mining entities, as well as oil and gas entities using the successful efforts method of accounting for E&E assets, apply the general impairment standards in measuring the impairment of E&E assets; however, such impairment standards differ from IFRSs (see 3.10). Unlike IFRSs, oil and gas entities using the full cost method of accounting for E&E assets apply a unique impairment test referred to as the "ceiling test" each reporting period, which differs from IFRSs.

Reversals of impairment of E&E assets are permitted.

Unlike IFRSs, reversals of impairment losses are prohibited.

There is no specific guidance on the recognition or measurement of pre-exploration costs or post-exploration development expenditure; therefore, the general requirements of other standards apply. Post-exploration development expenditures, other than assets used in development, are excluded from the scope of the standards for both property, plant and equipment and intangible assets, although in practice both are applied by analogy.

Unlike IFRSs, general guidance on the recognition and measurement of costs incurred in the pre-exploration stage ("pre-production stage") is provided. Unlike IFRSs, some specific industry guidance on costs incurred in the post-exploration stage is provided.

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5.12 Service concession arrangements

(IFRIC 12)

The interpretation on service concession arrangements provides guidance on the accounting by private sector entities (the operator) for public-to-private service concession arrangements in which the public sector (the grantor) controls or regulates the services provided with the infrastructure and its prices, and controls any significant residual interest in the infrastructure.

Generally, the operator does not recognise public service infrastructure as its property, plant and equipment.

The operator recognises consideration receivable from the grantor for construction or upgrade services as a financial asset and/or an intangible asset.

The operator recognises a financial asset to the extent that it has an unconditional right to receive cash irrespective of the usage of the infrastructure.

The operator recognises an intangible asset to the extent that it has a right to charge for usage of the infrastructure.

The operator recognises and measures revenue for providing construction or upgrade services, and revenue for other services, in accordance with applicable revenue recognition standards.

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5.12 Service concession arrangements

Unlike IFRSs, Canadian GAAP has no specific guidance applicable to service concession arrangements. The arrangements would be evaluated in accordance with existing Canadian GAAP.

Unlike IFRSs, Canadian GAAP does not provide specific guidance on service concession arrangements. As a consequence, practice may be mixed, with some entities applying the guidance applicable to lease arrangements, unlike IFRSs. In other cases, entities may recognise public service infrastructure as property, plant and equipment under other standards

Unlike IFRSs, Canadian GAAP does not provide guidance on whether the entity recognises consideration receivable from the grantor as a financial asset and/or an intangible asset. In practice, the entity does not recognise any consideration receivable from the grantor, but rather, recognises revenue from operation of the service concession as services or products are sold to the public.

Unlike IFRSs, Canadian GAAP does not provide guidance on whether the entity recognises a receivable to the extent that it has an unconditional right to receive cash irrespective of the usage of the infrastructure. In practice, the entity would recognise the infrastructure as its property, plant and equipment.

Unlike IFRSs, the entity generally would not recognise an intangible asset to the extent that it has a right to charge for usage on the infrastructure. Rather, in practice, the entity would recognise the infrastructure as its property, plant and equipment.

Unlike IFRSs, the entity generally would not recognise revenue and costs when constructing or upgrading infrastructure. Rather, in practice, the entity would recognise the infrastructure as its property, plant and equipment, and would recognise revenue from operation of the service concession as services or products are sold to the public.

The operator recognises and measures obligations to maintain or restore infrastructure, except for any construction or upgrade element, in accordance with the provisions standard (see 3.12).

Unlike IFRSs, the operator would apply the general guidance applicable to performance obligations to determine whether an obligation to maintain or restore infrastructure, including any construction or upgrade element, should be recognised and measured.

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Appendix 1 – Abbreviations

Abbreviations used for pronouncements

IFRS

IAS	International Accounting Standard
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IFRIC	Interpretation of the International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
SIC	Interpretation of the Standing Interpretations Committee

Canadian GAAP

AcG	Accounting Guideline
AcSB	Accounting Standards Board
EIC	Interpretation of the Emerging Issues Committee
HB	CICA Accounting Handbook Section

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Appendix 2 – Changes to IFRS before 2011

The intention of this publication is to highlight differences between IFRSs and Canadian GAAP, based on the IFRSs issued as at November 30, 2009, that Canadian companies will need to adopt in preparing their opening IFRS statement of financial position. In this appendix, we highlight some of the IASB's active projects that Canadian entities may want to consider in their planning for the transition to IFRSs.

In November 2009, the IASB and FASB reaffirmed their commitment to work together to develop common standards and agreed to increase efforts towards completion of their major Memorandum of Understanding projects by a target date of the end of June 2011. This announcement resulted in significant changes to the projected timetable of current IASB projects. While these projects are expected to produce new IFRS standards in the near future, the IASB has signalled that major projects completed in 2010 would not likely be mandatorily effective prior to January 1, 2012.

Consolidations

The IASB has proposed a single standard on consolidation that would replace IAS 27 *Consolidated and Separate Financial Statements* and SIC-12, *Consolidation – Special Purpose Entities*. The proposed standard revises the definition of control and provides additional application guidance so that the control model can be applied to all entities. Enhanced disclosures are required, including information regarding structured entities that are not consolidated but that create risks for the reporting entity, and restrictions on assets and liabilities of the group.

In October 2009, the IASB and the FASB discussed their respective projects on consolidation. The FASB anticipates publishing an exposure draft in the second quarter of 2010, the contents of which are expected to be consistent with the proposals of the IASB. Upon conclusion of the public comment period for the FASB's exposure draft, the two boards will jointly review and deliberate the responses received. In February 2010, the boards tentatively decided that there

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should be an exception to consolidation, whereby an investment company must measure investments in entities that it controls at fair value, and that the guidance currently in US GAAP would be used as the basis for determining the scope of the exemption. The IASB does not anticipate issuing a final standard until the third quarter of 2010.

Fair value measurement

An exposure draft was issued by the IASB in May 2009 to establish a single source of guidance for all fair value measurements. Fair value is defined in the exposure draft as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". The exposure draft introduces a three-level fair value hierarchy to categorise market data used as inputs for fair value measurement. In addition, the proposal includes disclosures to allow financial statement users to assess the extent to which fair value is used and the inputs used to derive those fair values. The exposure draft does not propose to amend the circumstances in which fair value measures are required under the various IFRSs. Issuance of the final standard by the IASB is expected in the third quarter of 2010.

Joint ventures

The IASB has proposed limited amendments to IAS 31 *Interests in Joint Ventures* to eliminate proportionate consolidation as an alternative in accounting for jointly controlled entities. As a result, joint ventures will generally be required to be accounted for using the equity method. The IASB is still deliberating the effective date and transitional provisions of the new standard and whether there will be any optional exemptions available for first-time adopters of IFRS. A final standard is expected in the second quarter of 2010.

Liabilities

Amendments have been proposed by the IASB that would require all non-financial liabilities that are not within the scope of IAS 39, including those for costs associated with restructuring, to be recognised when they meet the definition of a liability. The only exception to this requirement would be for liabilities that cannot be measured reliably. Uncertainty about the amount or timing of the liability would be reflected in the measurement of the liability rather than affecting whether or not it is recognised.

The IASB published a limited-scope re-exposure document for further comment on certain limited aspects of its revised proposals for the new standard for liabilities in January 2010, along with a working draft of the final standard in February 2010. The final IASB standard is expected in the fourth quarter of 2010.

Derecognition

The IASB published an exposure draft in March 2009 that focuses on the concept of control and aims to simplify the derecognition model for financial assets. However, based on responses received on the proposals, the IASB has now directed its staff to further develop an approach described as the alternative approach in the exposure draft. The IASB and the FASB have agreed to evaluate the differences between US GAAP and IFRS and jointly consider the alternative approach under development by the IASB. A final amendment to the standard is not expected until the second half of 2010.

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Financial instruments

In April 2009, the IASB decided to replace IAS 39 *Financial Instruments: Recognition and Measurement* with a new and simplified accounting model. The replacement of the standard has been divided into three phases.

Phase 1: Classification and measurement

In November 2009, the IASB issued IFRS 9 *Financial Instruments*, which addresses the classification and measurement of financial assets. IFRS 9 establishes two measurement categories for financial assets: amortized cost and fair value. The standard is not mandatorily effective until 2013 and is likely be revised before that date, through completion of the joint financial instruments project with the FASB.

Phase 2: Impairment methodology

In November 2009, the IASB issued Exposure Draft *Financial Instruments: Amortised Cost and Impairment*. The proposals significantly change existing practice under IFRS by replacing the current *incurred* loss approach with an *expected* loss approach, which is based on expected cash flows and takes into consideration expected future credit losses. The proposed changes are anticipated to prompt significant system changes and operational challenges and, as a result, the final standard will not be mandatorily effective before 2013.

Phase 3: Hedge accounting

The IASB anticipates issuing an exposure draft on hedge accounting in the second quarter of 2010, with a final standard planned for release in the second half of 2010. The IASB has indicated that it is unlikely that a final standard would be mandatorily effective prior to 2013.

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