



# ACCOUNTING STANDARDS IN CANADA: AT THE LEADING EDGE OF FINANCIAL REPORTING

2016-2021  
STRATEGIC PLAN  
(Effective April 1, 2016)





The AcSB is an independent body with the authority to establish accounting standards for use by all Canadian entities outside the public sector. Accounting standards specify how transactions and other events are to be communicated in financial statements.

The AcSB's 2016-2021 Strategic Plan sets out the broad strategic objectives that will guide us in achieving our public interest mandate. We decided on these objectives after extensive stakeholder consultation.

Implementation plans to execute these strategies will be described in our annual plans.



The Accounting Standards Oversight Council (AcSOC) oversees the activities of the Board, and assesses and reports to the public on its performance.



The structures and processes that support the operations of the AcSB are funded by the Chartered Professional Accountants of Canada (CPA Canada).



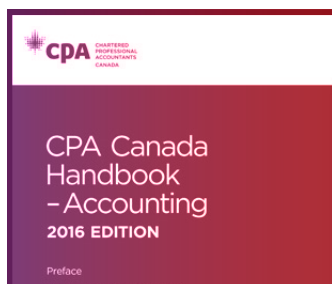
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## Our mission

To support informed economic decision making by maintaining frameworks that provide a basis for high-quality information about financial performance reported by Canadian private sector entities.

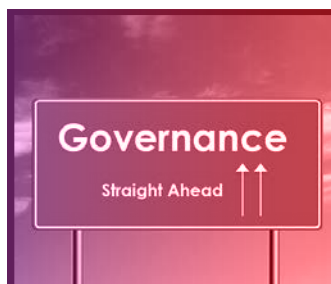
# Serving the public interest

The AcSB serves the public interest by:



## Establishing high-quality accounting standards

that promote stakeholder confidence in the information reported by Canadian private sector entities with due consideration for the costs and benefits to preparers and users of financial statements, and changes in the economic environment



## Being accountable to stakeholders

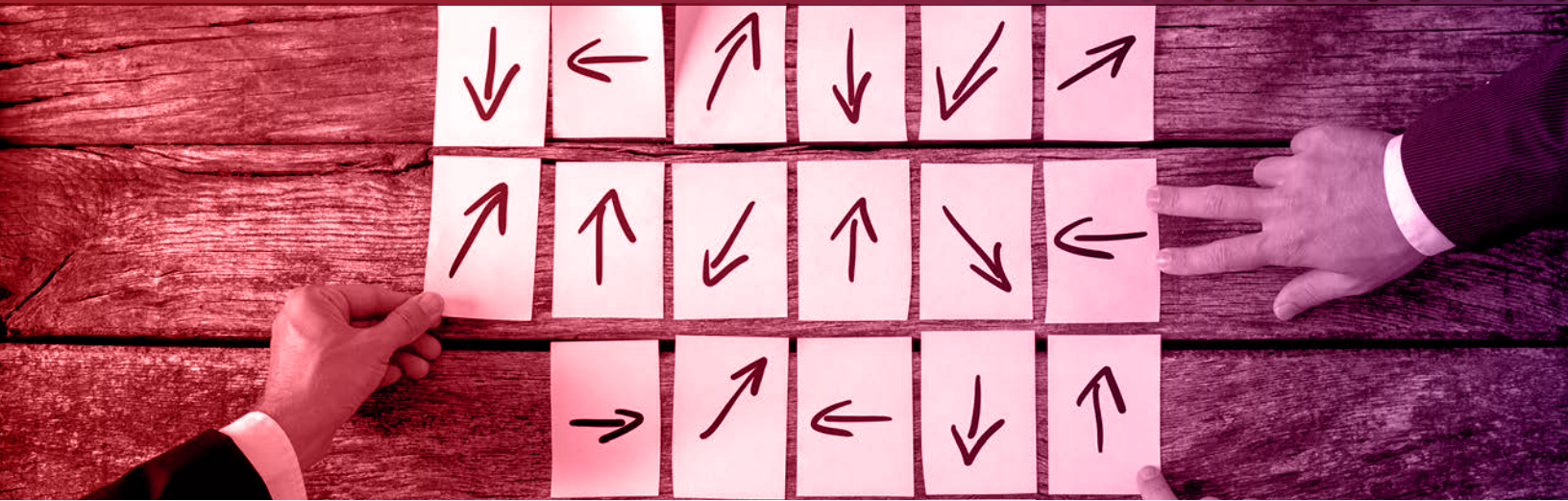
by responding to their needs in a timely manner, and facilitating their participation and input into the development of the standards that affect them



## Contributing to global best practices in accounting standard setting

for every major category of reporting entity in Canada's private sector — publicly accountable enterprises, private enterprises, not-for-profit organizations and pension plans

# Research — necessary for evidence-based standard setting



## Effectiveness and efficiency are key qualitative characteristics of a world-class standard setter.

Effective and efficient standard setters do more than look for process improvements and prioritize. They also conduct research on a timely basis.

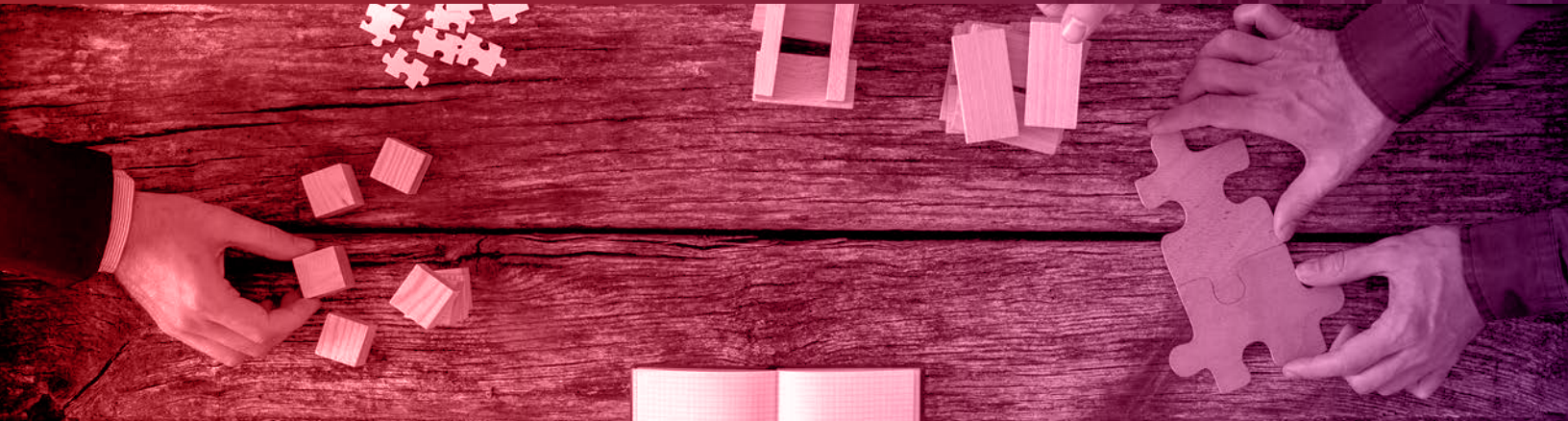
Research aids in identifying the key issues to be addressed during the development of a standard on a particular topic, allowing for more focused deliberations. Research also supports evidence-based decision making — a goal shared by standard setters around the globe.

During the period 2016-2021, the AcSB will begin a formal research program relating to all the major categories of reporting entities that:

- focuses on topics of importance to Canadians
- contributes to evidence-based global best practices that consider the Canadian perspective

When undertaking research, we will consider how stakeholders with expertise might assist with a particular project.

# Due process



The AcSB follows due process when setting financial reporting standards. Our due process is based on three key principles.



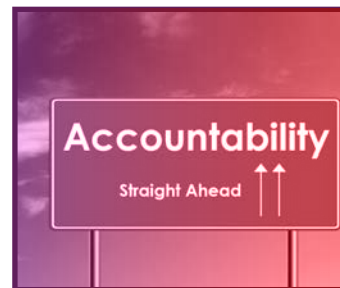
## Transparency

Conducting the standard-setting process openly, being clear about how we make our decisions and telling stakeholders about standard-setting developments



## Consultation

Considering the perspectives of those affected by Canadian financial reporting standards



## Accountability

Analyzing the potential effects of standard-setting proposals on our stakeholders and explaining the rationale for our decisions

## Hearing from our stakeholders

The AcSB considers a successful standard setting process to be one in which stakeholders participate. In order to raise the level of stakeholder awareness and engagement in our process and activities, we will look for ways to increase our transparency.

We will also continue our initiatives of recent years to find new opportunities and methods to communicate with Canadians. That includes building on relationships recently established with individuals and groups we talked with for the first time, and ensuring we are accessible to all stakeholders — regardless of their type and geographical location.

# Strategies for the major categories of reporting entities

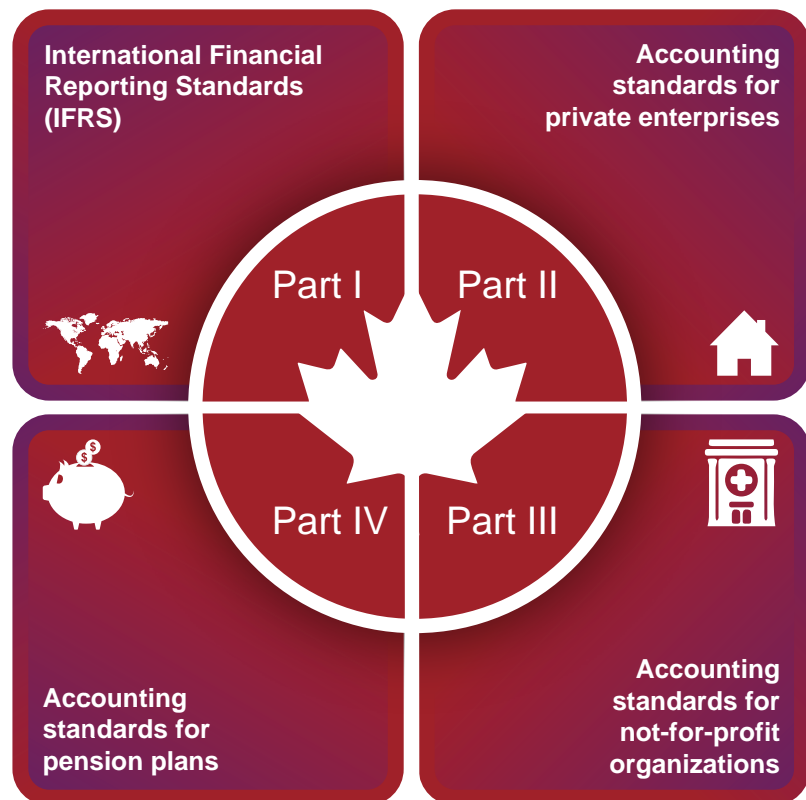


When meeting the needs of Canadians, “one size does not fit all”.

The AcSB is committed to meeting the financial reporting needs of Canadians. This results in improved information that facilitates the allocation of capital from all sources, both public and private.

We demonstrated that commitment by adopting different financial reporting strategies for the major categories of Canadian reporting entities.

We established a separate set of accounting standards for each reporting category, tailored to meet the specific needs of that sector. These standards are found in the CPA Canada Handbook – Accounting.



## Improving how we implement our strategies

The AcSB concluded, and Canadians strongly agree, that the overall strategies adopted for the various categories of reporting entities are meeting stakeholder needs.

We think we can do even better by not only listening to what our stakeholders say they need, but also anticipating changes in those needs resulting from developments in the financial reporting environment for each category.

This strategic plan incorporates improvements to the way we implement each strategy in order to do just that.





# Publicly Accountable Enterprises



## *Strategy*

### Support the application in Canada of IFRSs

Publicly accountable enterprises in Canada operate in a North American and, increasingly, a global environment.

For this sector, the AcSB adopted, into Part I, International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

Reflecting the frequency of cross-border activities and comparisons made between Canadian and U.S. entities operating in the same industries,

some publicly accountable enterprises apply U.S. GAAP instead of IFRSs, as permitted by Canadian securities regulations for dual-listed companies.

Regardless of the accounting framework they follow, our objective is to add value for publicly accountable enterprises by maintaining a strong global presence. We are at the international table when issues important to Canadians are discussed, ensuring the Canadian perspective is considered.

We have earned respect as a strong national standard setter and wield influence internationally as a result. We will work to leverage Canada's influence by:

1

Actively participating in international groups and looking for new opportunities to liaise with others who share our goal of high-quality financial reporting

2

Connecting Canadians with the IASB on particular standard-setting projects when appropriate

3

Nurturing our relationships with the IASB and the U.S. Financial Accounting Standards Board, encouraging them to narrow the differences between their respective sets of standards, and supporting appointments of high-calibre Canadians to their committees

4

Conducting research that provides thought leadership to the global community on topics important to Canada

Our responsibility to establish accounting standards for all categories of Canadian private sector reporting entities means we do not simply wait for the IASB to issue IFRSs.

We work hard to influence the development of IFRSs, especially early in the process.

We raise awareness about all projects to develop an IFRS and provide every opportunity for Canadians to make their views known — by responding to documents for comment on the IASB's proposals, and participating in roundtables and other meetings we arrange with members and staff of the IASB.

Finally, we complete a multi-step process before considering whether to approve a final IFRS for incorporation into Canadian GAAP. We decide to do so only when we are satisfied that it is suitable for application in Canada.

During the period 2016-2021, Canadians will adopt a number of complex new IFRSs. To assist them, we will:

- work with others around the world to encourage a common global adoption date
- encourage the early identification and resolution of IFRS implementation issues including through our IFRS Discussion Group, and by supporting Canadian members of IASB transition resource groups
- develop a process for incorporating into the CPA Canada Handbook – Accounting, certain non-authoritative guidance issued by the IASB that Canadians consider necessary for the application of IFRSs

These actions will mitigate the challenges to Canadians of sometimes being among the first to adopt an IFRS when other jurisdictions decide on a mandatory effective date different from the one set by the IASB.

Nevertheless, circumstances may arise in the future that could warrant further action here at home if adopting a particular standard ahead of others would put our publicly accountable enterprises at a disadvantage.



# Private Enterprises



## *Strategy*

### Retain and improve the set of standards in Part II

The AcSB developed accounting standards for private enterprises (ASPE) with the specific needs of this sector in mind. They are principles-based, require the exercise of professional judgment, and are intended to help users make informed decisions.

However, they are not as complex as IFRSs, and involve less effort and cost to apply.

Our previous research indicated that creditors were the traditional users of private enterprise financial statements and could obtain additional information upon request. Therefore, our focus was to simplify the disclosure requirements in ASPE. The goal was to provide enough information for users to understand the financial statements and make informed inquiries when they need more details.

The private enterprise world is changing. Some domestic enterprises are now operating globally and entering into complex transactions. Greater attention is being paid to private enterprise financial statements by other users besides creditors. Private equity investors are just one example.

The AcSB has no intention to move private enterprises to IFRSs. Instead, we will respond to these environmental changes by being mindful of their effect on the information needs of users when making future amendments to ASPE.

During the period 2016-2021, the goal remains a high-quality set of standards that:

- produces decision-useful information for creditors and other frequent financial statement users
- is complete in terms of addressing the accounting issues for which stakeholders say they need guidance
- supports the exercise of professional judgment yet provides sufficient guidance to result in consistent application

We will use our connections with international standard setters to ensure we not only consider global best practices when making our private enterprise decisions, but also contribute to the development of those practices.



# Not-for-Profit Organizations



## *Strategy*

### Retain and improve the set of standards in Part III

Accounting standards for not-for-profit organizations (NFPOs) address the unique transactions and circumstances arising in the private not-for-profit sector. For other transactions, organizations are directed to apply ASPE.

Not-for-profit accounting is garnering greater attention globally. Opportunities exist for all jurisdictions wishing to develop high-quality standards for NFPOs to learn from each other.

The AcSB recently established the Not-for-Profit Advisory Committee, a standing committee to provide input on standard-setting matters of interest to private sector NFPOs. The Committee is assisting the AcSB's improvements initiative to review the accounting standards for NFPOs so that the AcSB can update as necessary, ensuring that these standards continue to meet the sector's needs.

During the period 2016-2021, we will:

- carry out our improvements initiative after considering the advice of our Advisory Committee as well as feedback from our stakeholders

- conduct research, including consultations, on recognizing revenue from contributions
- consider global best practices when making decisions on our Canadian standards
- contribute to global best practices through continued dialogue with other jurisdictions involved in setting standards for NFPOs
- develop and implement a process to manage the maintenance of Part III

Central to these activities is a clear understanding of financial statement user needs in this sector. We will enhance our understanding of the differing needs of users of the financial statements of the public benefit and member benefit organizations that make up the private not-for-profit sector. That better understanding will assist us in deciding, on a case-by-case basis, the extent to which a standard we are improving should align with or differ from the corresponding public sector not-for-profit accounting standard (as issued by the Public Sector Accounting Board).



# Pension Plans



## *Strategy*

### Retain the set of standards in Part IV

Pension plans apply the separate set of standards developed by the AcSB for this sector.

Feedback from our public consultations suggests that the Canadian private sector pension plan environment is currently stable. To date, plans growing increasingly common in the public sector that combine features of both defined benefit and defined contribution pension plans have not yet appeared in the private sector.

We previously indicated that we intend to undertake a project to improve accounting standards for pension plans. However, stakeholders agree that the issues to be addressed are not sufficiently pressing to warrant starting that project in the short term.

During the period 2016-2021, we will monitor developments in this sector:

- to determine when we should start our improvements project
- for signs that emerging new types of pension plans requiring standard-setting attention are appearing in the private sector

We will stand ready to act should new types of plans emerge. In the meantime, we are committed to working with other jurisdictions to advance our collective understanding of global developments in this area and possible approaches to developing guidance to address these new types of plans.

# Monitoring for Success



The AcSB will monitor its progress in implementing this strategic plan on an ongoing basis, comparing results achieved against desired outcomes. As well, we have an established risk management process that includes monitoring developments in the environment to identify when to change our standard-setting approach. The key risks we manage to ensure we achieve our mandate relate to:

- how effectively we consult and communicate with Canadians
- the effectiveness of our involvement in international standard-setting processes
- the effectiveness of our staff
- whether preparers apply some or all of the standards
- the strength of our reputation

In developing our annual plans, we review the controls we have in place to mitigate these risks, and determine if there are other risks to manage or actions to be taken.

Accordingly, the actions we take to implement this plan will be adjusted as necessary during the period 2016-2021 to see that our planned initiatives continue to meet the needs of our stakeholders.

In overseeing our activities, the Accounting Standards Oversight Council (AcSOC) will assess our performance against the objectives set out in this strategic plan and our annual plans, to ensure the effective, efficient and economic fulfillment of our public interest mandate.



**2015-2016 AcSB Members**

*Front (L R): Stephenie Fox (non voting), Armand Capisciolto, Linda Mezon (Chair), Karen Higgins (Vice Chair), Adam Sheparski*

*Back (L R): Rebecca Villmann (non voting), Michel Magnan, Gale Kelly, Maria Berlettano, Brian Drayton, Paul Hargreaves, Derek Gorgi (Absent: Lara Gaede)*

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