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ACCOUNTING STANDARDS FOR PRIVATE ENTERPRISES

ASPE Adopters Get Further Transition Relief

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In the Decision Summary for its January 11, 2012 meeting, Canada's Accounting Standards Board (AcSB) approved two amendments to the rules for entities transitioning their financial reporting to Accounting Standards for Private Enterprises (ASPE). The amendments can be applied immediately by entities when preparing their 2011 financial statements.

The effects of these amendments are that:

- An entity that has chosen not to restate business combinations that occurred prior to transition to ASPE will record goodwill in its opening balance sheet (generally January 1, 2010 for calendar year-end entities) at the amount that the goodwill was carried in its previous financial statements
- Entities that have cumulative translation differences at the date of transition to ASPE (generally January 1, 2010 for calendar year-end entities) may elect the difference to be zero and charge or credit any existing differences to retained earnings.

Entities that had undertaken business acquisitions prior to the date of their transition to ASPE and which are carrying goodwill on their balance sheet with respect to these past acquisitions will welcome the relief from the need to re-evaluate the carrying value of the goodwill on transition to ASPE. Retrospective application of ASPE's one-step impairment test could have resulted in a change in the carrying value of such goodwill; significant work could have been required to determine the amount of any such change.

The amendment regarding cumulative translation differences will provide a transition opportunity for entities that prepare their financial statements using a reporting currency different than their functional currency (e.g., companies conducting their business in Canada that prepare their financial statements using US dollars).

These amendments are also effective for not-for-profit organizations as they transition to their new financial reporting framework in 2012.

How we can help

KPMG Enterprise business advisers are available to assist you with any ASPE transition issues as your business prepares to release its first set of 2011 financial statements under ASPE. Should you have any questions, please do not hesitate to contact your KPMG Enterprise™ adviser directly or our Concierge Services at 1-888-99-ADVSR.

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