

# New Financial Reporting Framework for Canada's Private Enterprises

KPMG ENTERPRISE

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Canada's Accounting Standards Board (AcSB) has announced the approval of the new Generally Accepted Accounting Principles for Private Enterprises (GAAP for PEs). The standards will be effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. The AcSB intends to issue the standards late in the fourth quarter of 2009 so that they may be used for 2009 calendar year-end reporting.

In approving the standards, the AcSB, in response to comments received, made a number of changes to the draft standards exposed for comment earlier this year.

The more significant changes include:

- Financial Instruments
  - A fair value option has been added permitting an enterprise to elect fair value measurement for any instrument. This election will be made on initial recognition and is irrevocable.
  - Enterprises will be required to capitalize transaction costs for financial instruments measured at amortized cost.
- Employee Future Benefits – The scope of the simplified approach for defined benefit plans has been widened to include all defined benefit plans. Enterprises adopting the simplified approach must use this approach for all defined benefit plans.

- Disclosures – There will be no requirement to disclose management compensation or amounts of government remittances in arrears

Canada's private businesses will be required to adopt either GAAP for PEs or International Financial Reporting Standards (IFRS) no later than fiscal years commencing on or after January 1, 2011. It is important that, if they have not already done so, management finalize their selection between the two financial reporting frameworks and commence the development and execution of a transition plan. KPMG Enterprise™ professionals are knowledgeable in both frameworks and their relative implications to Canadian private companies. Ultimately, they can assist in deciding which framework best suits the future of your business and map out a timeline for transition and compliance, while supporting management in this important undertaking.

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