

## Accounting for Changes to GAAP for Canadian Private Companies

Canada's new public company accounting standards, IFRS are getting a lot of press these days. However a somewhat lesser known change is also in the works, that of Canadian GAAP for Private Enterprises (PE GAAP).

The purpose of this new standard is to simplify some of the reporting requirements provided under the current Canadian GAAP for private companies who generally have limited external reporting.

The most significant changes are to the following aspects of private enterprise financial reporting:

- Financial Instruments
- Employee future benefits
- Intangible assets
- Goodwill impairment
- Stock-based compensation
- Asset retirement obligations
- Income taxes
- Investments

The new PE GAAP takes effect January 1, 2011. However comparative figures for 2010 are required, so an opening balance sheet must be prepared for January 1, 2010 as well (for those reporting on a calendar year). That means that companies adopting PE GAAP are already behind the eight ball.

Section 1500 of the CICA Handbook offers some adjustments for first-time adopters of PE GAAP, including optional and mandatory exemptions and disclosures. These adjustments will make adoption of the new requirements both possible and minimize opportunistic behaviour as a result of the changes.

### **PE GAAP resources are available on the following websites:**

- CICA's Private Enterprise webpage offers resources and training opportunities to assist with the transition to PE GAAP: <http://www.cica.ca/privateenterprises/index.aspx>
- The Canadian Accounting Standards Board (AcSB) also offers a chronology of the process which has culminated in the current PE GAAP: <http://www.acsbcanada.org/strategic-planning/private-enterprises/index.aspx>

### **Additional Resources from accounting firms are available at:**

- [http://www.grantthornton.ca/sectors/segment/privately\\_held\\_business/PEGAAP](http://www.grantthornton.ca/sectors/segment/privately_held_business/PEGAAP)
- [http://www.deloitte.com/view/en\\_CA/ca/services/privatecompanyservices/index.htm](http://www.deloitte.com/view/en_CA/ca/services/privatecompanyservices/index.htm)