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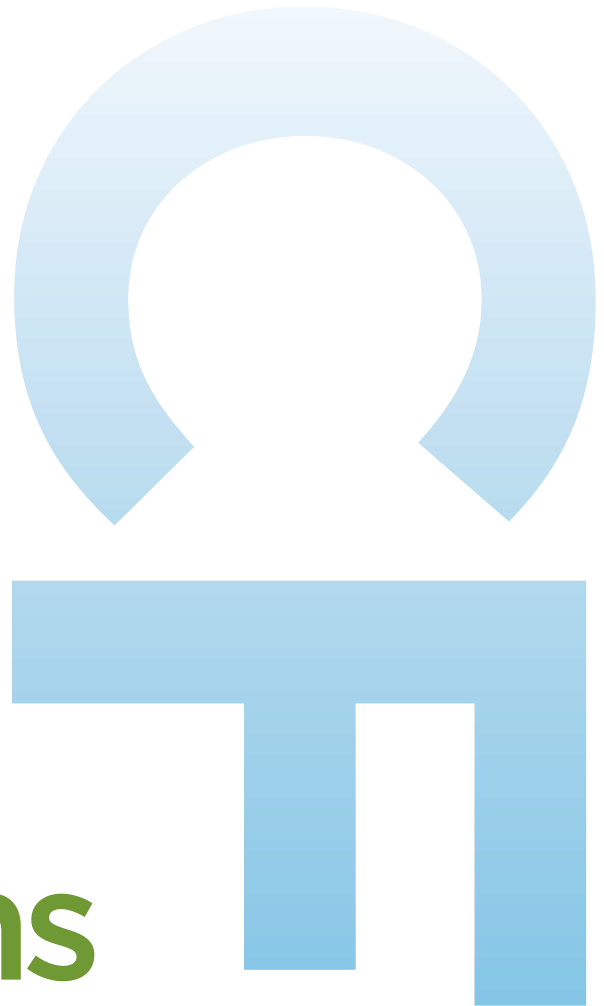

IFRS Conversions

What CFOs Need to Know and Do

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What CFOs Need to Know

This publication provides an overview of the role of the CFO in the conversion to International Financial Reporting Standards (IFRS). It sets out the areas in which the CFO provides critical input to the other members of the management team and to the board of directors. CFOs, boards, and others can use it as a guide to assist them in making a successful transition to IFRS.

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Preface

The Risk Management and Governance Board of the Canadian Institute of Chartered Accountants commissioned this document to provide practical guidance to CFOs on preparing for the conversion to International Financial Reporting Standards (IFRS).

Although the Canadian transition to IFRS will occur in 2011, CFOs need to begin now to address the implications of the conversion for their organization. This involves consideration not only of the conversion process itself, but of issues relating to risk, stakeholder relations, financial reporting, and internal controls which will be triggered by the transition.

In preparing for the conversion, Canadian companies have the benefit of the experience of companies in the European Union who converted to IFRS in 2005.

CFOs, as functional heads of finance, have a unique perspective on the organization and its relationship to the capital markets and business environment. They have established credibility by being competent and reliable in their financial role. They are also respected for their values of objectivity, independence and integrity. The CFO will be expected to champion the conversion to IFRS.

The Risk Management and Governance Board acknowledges and thanks the members of the Directors Advisory Group and the CFO Task Force for their invaluable advice, the author Rafik Greiss of Ernst & Young LLP and his team, and the CICA staff who provided support to the project.

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Glossary of terms

AcSB	Accounting Standards Board of Canada
CFO	Chief financial officer
CICA	Canadian Institute of Chartered Accountants
CSA	Canadian Securities Administrators
EU	European Union
FASB	Financial Accounting Standards Board
FPI	Foreign private issuers
GAAP	Generally accepted accounting principles
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IFRS	International Financial Reporting Standards
IT	Information technology
ITA	*Income Tax Act* of Canada
NPAE	Non-publicly accountable enterprise
NPO	Not-for-profit organization
Non-Public Group	Group containing only NPAEs
PAE	Publicly accountable enterprise
Public Group	Group containing at least one PAE
SEC	Securities Exchange Commission

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Introduction

In 2011, the accounting framework under which financial statements in Canada are prepared for all publicly accountable enterprises ("PAEs") will change to International Financial Reporting Standards ("IFRS"). Generally accepted accounting principles ("GAAP") in Canada, as we currently know them, will cease to apply for this group of entities and will be replaced by IFRS. To ensure references to Canadian GAAP that remain in regulatory and legal contexts remain valid after the changeover, IFRS will be incorporated into the Canadian GAAP handbook.

Converting to IFRS will be one of the most fundamental changes that PAEs will have to deal with over the next few years. Such a momentous change will bring with it both significant risks and opportunities, and CFOs need to be prepared for the change if they are to adequately fulfil their responsibilities.

From a technical perspective, the adoption of IFRS is more than simply applying new standards. The application of numerous standards will require interpretation and judgement, and circumstances may differ from one company or industry to another.

The magnitude of a conversion exercise and the role of a CFO in this process cannot be under-estimated. A sound preparation for the conversion and the subsequent integration of the changes into the financial reporting processes and business functions are both key to success. It is the responsibility of the CFO to bring all stakeholders together early in the process, obtain buy-in from the board and the audit committee, put together a winning team and shepherd the company smoothly through the transition. A key decision to be made by the CFO is the approach the company will use for its conversion project. The initial decision points in the process may include selection between in-house versus external IFRS resources, prioritization of other internal projects vis-à-vis IFRS conversion and resource optimization, formation of governance and risk management structure over the IFRS project, and the assessment of IFRS training needs.

This document addresses three main areas of consideration for CFOs:

1. Business and financial reporting
2. Conversion project management
3. Risks and opportunities

This document is intended to be fairly comprehensive without being a "how-to" manual. Certain information contained therein will be more or less relevant depending on the size and complexity of an organization. Regardless of the size and complexity of the organization however, the topic itself should be of immediate concern to all.

What constitutes a publicly accountable enterprise?

The Accounting Standards Board ("AcSB") issued an Exposure Draft (ED) "Adopting IFRSs in Canada" in April 2008. The ED includes a definition of what constitutes a PAE. The AcSB has invited comments on that definition up to July 31, 2008, after which any comments received will be re-deliberated. On the conclusion of the re-deliberations the definition will be finalized. The definition assumes that reporting entities are publicly accountable enterprises and must prove that they are not as follows:

The AcSB proposes that all Canadian reporting entities, except the following, be required to apply IFRSs after January 1, 2011:

a) Private enterprises, that is, profit-oriented entities that:

(i) have not issued (and are not in the process of issuing) debt or equity instruments in a public market; and

(ii) do not hold assets in a fiduciary capacity for a broad group of outsiders. Entities with fiduciary responsibility, such as banks, credit unions, insurance companies, securities brokers/dealers, mutual funds, and investment banks, stand ready to hold and manage financial resources entrusted to them by clients, customers or members not involved in the management of the entity.

b) Not-for-profit organizations, as defined in (b) FINANCIAL STATEMENT PRESENTATION BY NOT-FOR-PROFIT ORGANIZATIONS, Section 4400.

c) Public sector entities to which the standards contained in the CICA Public (c) Sector Accounting Handbook apply. The Introduction to the CICA Public Sector Accounting Handbook states that for purposes of their financial reporting, government business enterprises and government business-type organizations are deemed to be publicly accountable enterprises and should adhere to the standards applicable to publicly accountable enterprises in the CICA Handbook – Accounting, unless otherwise directed to specific public sector standards. Accordingly, the changeover to IFRSs applies to these two categories of public sector entity. [1]

At a minimum, this definition of a PAE will include public companies, banks credit unions, insurance companies, securities brokers/dealers, mutual funds and investment companies. It is a "principle-based" definition that requires entities to consider for themselves whether they fit within it. At the time of writing, the Accounting Standards Board is re-deliberating this definition. The fundamentals are unlikely to change, but for the latest information on the application to entities at the margins of the proposed definition see the Accounting Standards Board web site at www.acsbcanada.org.

[1] *Adopting IFRSs in Canada*, Exposure Draft published by the AcSB at www.acsbcanada.org

Background

Origins of IFRS

A single set of global accounting standards has been under development for over three decades since the International Accounting Standards Committee ("IASC") was first established in 1973. Today, this suite of standards comprises International Accounting Standards ("IASs") first issued by the IASC and, subsequent to April 2001, IFRS issued by the IASC's successor, the IASB. The suite of standards includes interpretations issued by the interpretive bodies for the IASC and the IASB respectively known as the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

The IASB's mission includes the development of "a single set of high quality, understandable and enforceable global accounting standards that require transparent and comparable information in general purpose financial statements…." The IASB seeks to "co-operate with national standard setters to achieve convergence in accounting standards around the world." [2]

It wasn't until 2005, with the advent of the European Commission's requirement for public companies reporting within the European Union ("EU") to prepare consolidated financial statements compliant with IFRS, that IFRS began to be widely applied around the world, and the IASB could be said to have moved significantly towards achieving its goal. Australian and other standard setters soon followed the EU and today over 100 countries either require or permit the use of IFRS for public company reporting.

[2] http://www.iasb.org/About+Us/About+IASB/About+IASB.htm

IFRS in Canada

Early in 2006, the AcSB released its new strategic plan[3] for carrying out its standard-setting mandate in Canada. The new plan recognized that accounting standards for public companies may not be suitable for other organizations, and the AcSB foresees the need for separate strategies dealing with different categories of reporting entity. Under the plan, Canadian GAAP for PAEs will converge with IFRS. The AcSB announced on February 13, 2008 that PAEs will be required to prepare their financial statements in accordance with IFRS for interim and annual financial statements relating to fiscal years commencing on or after January 1, 2011.

The AcSB also announced that non-publicly accountable enterprises ("NPAEs") and not-for-profit organizations ("NPOs") will not be required, but will be permitted to adopt IFRS at January 1, 2011. The strategies for these two sectors are still being developed.

The AcSB commenced by following a strategy that included:

1. addressing deficiencies in current Canadian GAAP by adopting some elements of IFRS (for example, IAS 2: Inventories), and
2. adopting immediately new IFRS that emerge from the joint projects between the IASB and the Financial Accounting Standards Board (FASB) to agree on new standards (harmonization of IFRS and U.S. GAAP).

However, as Canada approaches the changeover date the AcSB does not want to distract anyone from the conversion to IFRS and therefore the effective date of any changes to standards issued by the IASB in the next couple of years will not automatically be adopted into Canadian GAAP but will when possible, be optional in Canada prior to 2011. There are six standards that are expected to fall into this category.[4] As a result of this transitional convergence approach, certain standards may have been converged prior to 2011 while the remainder will be adopted as at the changeover date. However, there are a larger number of standards subject to a "big bang" conversion come 2011.

Rationale for conversion

The AcSB's rationale for conversion to IFRS centres on the anticipated benefits to Canadian companies of reporting using a single high quality global set of accounting standards and an awareness that the maintenance of a unique set of standards, for an economy that represents four percent of the world's capital market, was not an efficient proposition. Some believe that the increased comparability of financial statements arising from applying IFRS will improve accessibility to global capital markets, possibly reduce Canadian companies' cost of capital and thereby improve their global competitiveness. When considering the alternative option of U.S. GAAP, the AcSB cites the following influences on its decision:

1. A lower cost of compliance is expected with a principles-based accounting framework such as IFRS than with the more detailed U.S. GAAP system;
2. The joint partnership between the IASB and FASB means that, over time, the differences between IFRS and U.S. GAAP will diminish as joint standards are issued.

[3] *Accounting Standards in Canada: New Directions*, published by the AcSB at www.acsbcanada.org
[4] http://www.acsbcanada.org/download.cfm?ci_id=43503&la_id=1&re_id=0

Conversion timeline

When one considers the practicalities of the AcSB's timeline, it becomes clear that there is not as much time as one might first expect to complete the transition to IFRS. Figure 1 outlines the expected timeline for PAE "Example Ltd." converting to IFRS. Example Ltd. has a fiscal year end of December 31.

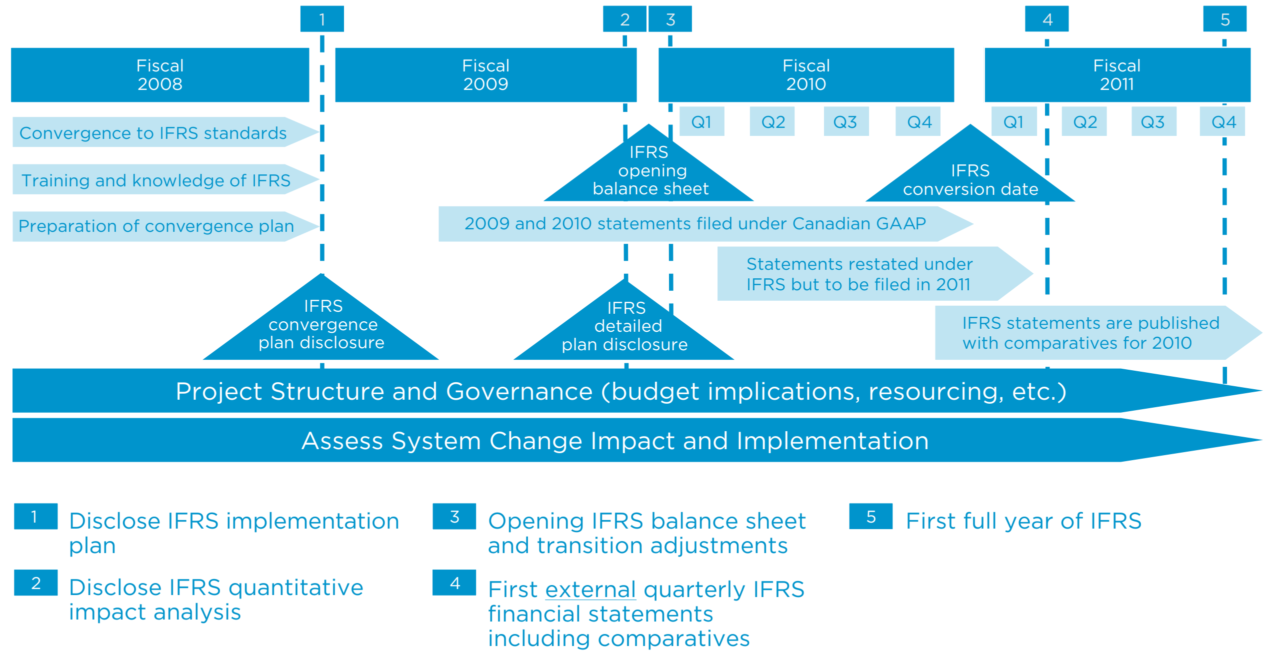
- The first set of annual IFRS financial statements for Example Ltd. will be for the year ending December 31, 2011.
- These financials will need to include comparative information also compiled under IFRS for the year ending December 31, 2010.
- In order to determine the profit and loss result and cash flows for 2010, management will also need to restate Example Ltd.'s opening balance sheet from Canadian GAAP to IFRS. This date, January 1, 2010, is known as Example Ltd.'s "transition date" as this is the earliest date the company is required to prepare IFRS information.
- Further, as a public company, Example Ltd. must submit quarterly accounts under IFRS commencing with the quarter ending March 31, 2011. These too will need IFRS comparatives. Hence, the first IFRS filing will be Quarter 1, 2011.
- Example Ltd. will still be required to report under existing Canadian GAAP for 2010.

This means that companies only have the remainder of 2008 and 2009 to understand the impacts of converting to IFRS, conduct appropriate planning activities, decide on a conversion approach, select revised IFRS-compliant accounting policies, train personnel, and test and roll out implementation strategies. This is in addition to running their day-to-day operations and addressing the compliance issues arising from the AcSB's convergence activities during the transition period.

In order to keep investors and other stakeholders informed about the coming change in financial reporting, companies will have to include disclosure of their progress toward IFRS conversion. The CSA issued CSA Staff Notice 52-320 on May 9, 2008 which provides guidance for the disclosures required in the Management Discussion and Analysis (MD&A) with respect to anticipated effects of the changeover to IFRS on an issuer's statements. This notice applies to each financial reporting period in the three years prior to the enterprises changeover to IFRS, a summary of which is found in Appendix 1.

With regards to the possibility of early adoption of IFRS prior to the January 1, 2011 changeover date, the CSA also has recently issued CSA Staff Notice 52-321 (June 27, 2008) whereby it concluded that early adoption will only be available to issuers who seek exemptive relief and on a case-by-case basis.

Figure 1. IFRS Conversion Timeline



Business and financial reporting considerations

Impact of IFRS conversion on external financial reporting

Converting to IFRS will have far-reaching effects on the way financial reporting is conducted. Some of the key impacts include:

1. *Transitional impact on bottom line* — While the conceptual frameworks upon which current Canadian GAAP and IFRS are formulated are both principles based and are generally considered to be broadly similar, there will remain at the conversion date a number of significant differences and numerous minor differences between the two sets of standards that have the potential to create material impacts on reported results. Companies should expect a change in earnings and financial position.
2. *Potential for increased volatility of reported results* — Adopting IFRS could result in increased volatility of reported financial results, depending on circumstances. IFRS provide for some optional uses of fair value measurements that are likely to have that effect, as both write-ups and write-downs are reported. As an example, under IFRS a company may choose to opt for either fair value or historical cost method in valuing its investment properties. In the latter method the company will still have to disclose the fair value in the notes, but will be able to remove the volatility from its financial statements. Most of these accounting options will be present on an ongoing basis. However, certain options are only present at the first time adoption of IFRS. For example on conversion to IFRS, in its opening balance sheet, a company may recognize all actuarial gains and losses immediately in equity.
3. *Increased volume and complexity of financial disclosures* — Reviews of the 2005 financial statements of EU companies suggested financial disclosures under IFRS increased by upwards of 30% over prior national GAAP levels because their starting point was significantly different. Changes in level of disclosure in Canada are expected but yet undeterminable.
4. *Increased transparency and comparability* — Many users of financial statements in the EU reported finding IFRS accounts very clear and easy to understand and many found them more useful than U.S. GAAP. As use of IFRS becomes more embedded and experience in applying IFRS grows, increased transparency and comparability are benefits that should become more pronounced as the 2011 deadline approaches. Improved levels of disclosure have been noted in the EU over the past two years. Canadian preparers will benefit from these advancements when comparing within their industries.

Even though the AcSB has assessed that about half of current Canadian accounting standards have "slight" differences compared to IFRS, a "slight difference" could lead to a significant or material impact on financial results depending on the type of transactions a particular organization engages in. Experience in Canada thus far suggests that this is often the case and that the "devil is in the details". Attention to the detail of all IFRSs being adopted by an organization is strongly advised.

Implications of IFRS conversion for the business

The AcSB's strategy for PAEs will result in major change for business. The changes driven by IFRS will not be restricted to the finance function. Converting to IFRS will not merely be a technical accounting exercise but more a widespread change management exercise that will impact many areas of the business. Any business function required to prepare financial information, or impacted by financial information, has the potential for change. Companies should expect changes to earnings and financial position. The possible implications for key business areas along with some examples are given below:

1. IT and Data Systems (IT)
   - Capability of system to produce dual financial statements (Canadian GAAP and IFRS) during the transition years, while maintaining system security and reliability;
   - Expanded IFRS disclosures and presentation changes leading to new data collection;
   - Opportunities to automate measurement and valuation of transactions and the timing of their recognition/de-recognition.
2. Executive and Employee Compensation Plans (Human Resources)
   - Performance based reward and executive compensation linked to profitability;
   - Employee goal setting and evaluation based on the success of the overall IFRS project and effective resource management;
   - Shortage of IFRS resources in general, leading to revision in compensation and retention plans of key finance and accounting personnel.
3. Foreign Exchange and Hedging Activities (Treasury)
   - Different criteria as to what qualifies as an acceptable hedging or hedged item;
   - Fundamentally different criteria for de-recognition of financial instruments and principles around securitization.
4. Corporate Income Taxes (Taxation)
   - New accounting base of assets and liabilities and their resulting impacts on future (deferred) income tax balances;
   - Tax rates used to calculate deferred taxes to be based on the expected way to realize those differences.
5. Ratios and Financial Covenants (Finance and Treasury)
   - Volatility in ratios and key performance indicators due to selection between cost or fair value accounting;
   - Impacts on financial covenants due to changes in the balance sheet and income statement.
6. Internal Controls and Processes (Finance)
   - Changes to, and re-documentation of, internal controls over financial reporting, especially relating to the following processes: financial statement close process, taxation, financial instruments, property plant and equipment, investment properties and valuations;
   - Changes to the accounting policies and procedure manuals based on selection between IFRS policy options;
   - Revisions to disclosure controls and certification procedures due to enhanced and more robust disclosures under IFRS.

7. Investor Relations and Communication to Capital Markets (Finance and Investor Relations)
   — Enhanced communication with analysts and investors around differences in accounting and in the underlying justification for choosing one IFRS policy option over the other;
   — Timely communication of the company's strategy to explain the volatility or changes in its financial statements.

8. Management Reporting (Finance)
   — Revisions to the company's long and mid-term strategic plans while maintaining a clear understanding of dynamics during the transition years;
   — Changes to internal budgeting and forecasting plans based on revised ratios, new asset and liability recognition / de-recognition criteria and measurement rules.

All this being said, it is important to note that each company's concerns and the extent to which IFRS will impact them will be different. For some, the impacts will be pervasive; for others, they may be minimal.

Addressing the need for 2010 financial information prepared under both Canadian GAAP and IFRS

For companies with a December 31 year end, the transition date for applying IFRS for many enterprises will be January 1, 2010, as this is the opening balance date for the first set of IFRS financial statements. Companies will need to restate their opening balance sheet and be in a position to report under both IFRS and Canadian GAAP for the calendar year 2010. How companies address this challenge will be one of the more significant issues they will face during the transition. The main options available to converters involve either dual GAAP accounting throughout the transition period or some form of restatement from Canadian GAAP to IFRS at each reporting date.

The decision will be based on a wide range of factors, including:

- the estimated benefits in terms of time/cost,
- the perceived risk of errors arising during the restatement process,
- the ability of the present accounting system to handle dual GAAP accounting (parallel runs) or the costs of upgrading to a system that does, and
- the implications for internal control certification.

Impact of IFRS conversion on management reporting

IFRS will influence the way management runs the business and assesses performance. One of the significant trends reported in Europe was the increased use by management of "non-IFRS" measures[5] (i.e., performance indicators not defined under IFRS) when communicating business performance to the market. Indeed the issue of the relevance of IFRS to the needs of external users is commonly raised as one of the main weaknesses of IFRS.

The changes to accounting policies expected from applying IFRS and the need to record and classify information in specific ways to comply with the new standards may impact the financial information generated by the business. Management reporting formats and processes will need to be reviewed and updated accordingly. In addition, management will need to give some consideration to impacts on the key performance indicators used for measuring success and reviewing trends. A good selection of performance indicators in the new financial reporting environment can become a benchmark for others to follow. A poor choice entails the risk of leading to negative perception among the investor community resulting in lower share prices.

Management will also need to consider changes to strategic plans (both mid-term leading through the conversion years, and in the long-term in the post conversion era). A thorough understanding of the underlying financial statements during these years will be required to redefine future strategy. This will in turn impact the budgeting and forecasting process, which relies heavily on management's strategy and the internal financial ratios. As seen in global markets, fair value accounting generally brings in a lot of challenges to the budgeting and forecasting process, as more in-depth study of the economy and industry sectors is required before determining future estimated fair values for management planning purpose.

Impact of IFRS conversion on tax reporting and tax filings

Tax reporting in financial statements under IFRS will likely change. Converting to IFRS may impact the deferred taxation accounting of the business, particularly in relation to the value of timing differences and the time frame over which these are expected to reverse. Given this different time frame, the corresponding tax rates applicable to these timing differences may significantly impact the effective tax rate borne by the business and, consequently, the net reported earnings.

When preparing tax filings, there is no requirement in the *Income Tax Act* of Canada ("ITA") directing the use of one particular accounting framework or a particular methodology for calculating profit for income tax purposes.

Taxpayers therefore may be able to choose the method of calculating taxable profit they believe arrives at the "truer picture" of taxable profit. This can include, but is not restricted to, GAAP. The conversion to IFRS from Canadian GAAP therefore does not in itself alter the obligations of taxpayers; it merely provides them with an alternate basis of accounting for the purposes of calculating taxable profit.

Consequently, as businesses convert to IFRS for financial reporting purposes, the CFO will need to assess whether this new accounting framework is a reasonable foundation to use as

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[5] *Observations on the Implementation of IFRS*, published by Ernst & Young LLP, 2006

the basis for the income tax calculation or whether some alternate approach will lead to a truer picture of taxable profit.

Just as is the case currently under Canadian GAAP, if IFRS is adopted as the starting point for calculating taxable profit, the CFO will need to ensure that the company assess what, if any adjustments to accounting profit are required to arrive at taxable profit based on the provisions of the ITA and well established business principles.

In addition, companies may wish to review their corporate structures from a tax planning perspective given that deferred tax assets and liabilities may change significantly following changes to other balance sheet accounts.

Lastly, the impact of IFRS on the balance sheet may also impact a company's tax on capital, where applicable.

To the date of writing, the Canada Revenue Agency has not issued any formal statement or guidance on the effects of the transition to IFRS.

Non-financial reporting considerations

CFOs should expect that IFRS will impact a wide range of business functions beyond financial reporting. These may include changes to management's internal reporting, data gathering and IT systems, the use of key performance indicators, the content of employee and executive compensation plans, the activities of investor relations, changes to policies and procedures and the resultant impacts on internal control documentation and certification requirements.

The following outlines some of the potential impacts:

1. *Performance reporting* — The accounting recognition and measurement changes brought about by IFRS will affect the measures used by companies and investors to assess performance and may lead to a realignment of management's performance targets, financial covenants and performance related remuneration. An interesting aspect is that while IFRS and Canadian GAAP both focus on the balance sheet rather than the income statement, the change to IFRS may result in the emergence of new balance sheet based performance indicators.
2. *Financial covenants* — Key performance indicators and ratios used by businesses to measure performance are also closely tied to the financial covenants a company may have in its contracts. A complete review of and modification to significant contracts may be required. Examples may include impact on debt-equity and liquidity ratios which may be embedded within various banking and credit line arrangements.
3. *Executive & employee performance measurement* — Companies should expect earnings, earnings per share and financial position to change. Insofar as these changes also affect the metrics used to evaluate or compensate executives, evaluation and compensation guidelines may also need to change. For example, many C-suite officers and especially the CFOs have compensation which is directly or indirectly linked to share prices, earnings and profitability. As the underlying variables may not be under their control, the executives may want to renegotiate their compensation plans with the Board or normalize metrics between old and new accounting policies.

4. *Investor relations*—During the transition, it will be important to manage investor expectations and respond quickly to issues to avoid misunderstandings. Going forward, companies will need to be aware that analysts will have access to comparable global data on their industry sectors against which they can benchmark their results, and be prepared to react accordingly. An effective communication strategy to respond to investor queries and concerns arising during and immediately after the transition will be vital. A huge challenge seen by CFOs during the European conversion was explaining to the investors the impact and rationale of choosing between policy options under IFRS, in order to maintain a good perception of the company in the capital markets.

5. *Dividend distribution policies*—Dividend distribution policies should be reviewed and, if necessary, amended in light of changes to the company's financial situation that could emerge from applying IFRS. This impact may be more relevant to corporations which fall under the definition of trusts that are required to distribute their income for tax purposes. Changes to the opening balance sheet may lead to certain changes in equity or income which in their essence are changes not driven by company's operations, but merely changes resulting from adopting new accounting basis. The tax implications for such increases/decreases on distributable income may need to be assessed.

Comparison with competitors and industry peers

Companies often compare themselves to industry norms and peers, from both a strategic and a business focus as well as from a measurement and results basis. Most companies will want to know what their peers are doing as it relates to IFRS and, specifically, the financial reporting decisions that are being made. This is especially challenging when the selection of accounting policies is influenced by local industry practices and peer group comparisons, both of which are themselves in a state of transition. On the other hand, due to global acceptance of IFRS, availability of information on accounting practices for specific industries may be more readily available. At the same time, investors and market analysts will also want to be aware of the differences in decisions made by peer companies so they can take into account these differences when making decisions.

In order to remain true and consistent with the IFRS objectives of comparability and transparency, CFOs will need to assess the accounting principles selected by industry peers. Although not all companies within the same industry will select identical policies, management's analysis would not be complete without this peer assessment.

Conversion project considerations

Conversion project management

Converting to IFRS will entail a business-wide change management exercise and should be approached using a structured methodology encompassing the best practices of project management. CFOs should not underestimate the potential complexity of the conversion. Larger and more complex organizations will likely require a greater amount of work to convert than smaller and less complex ones, but the relative effort will likely be the same due to the difference in labour size within each organization.

During the transition years, the CFO will need to work closely with key financial and other personnel to form the strategy and plan for an effective and efficient conversion project. This expanded role will call for balancing the discussion between the big-picture issues with the management of myriad of details associated with the new IFRS reporting and regulatory environment.

With the ever increasing compliance and reporting responsibilities, CFOs may need to leverage the audit committees and cross functional senior management teams to help instil a sense of urgency around the significance of IFRS conversion projects.

As a starting point, CFOs should form and lead an IFRS Conversion Steering Committee. In larger organizations, the Committee would ideally consist of business area leaders, typically from Information Technology, Human Resources, Treasury, Financial Reporting, Internal Audit and Accounting functions. The Steering Committee will have formal roles and responsibilities, protocols for project reporting and issues resolution, and delegation of authorities for key decision. In smaller organizations, the committee will logically be smaller given the different internal structure, roles and responsibilities, and less complex environment.

The CFO should inform the board and the audit committee on a regular basis as to the plan and its progress. As such, audit committees will generally include a standing IFRS agenda update item at their meetings. Best practices include the regular use, presentation and updating of a scorecard that has been proposed by the CFO and agreed upon by the audit

committee. The contents of the scorecard would include the issues contained in the section "Conversion project considerations". The scorecard should be kept relatively simple in order to focus on progress, challenges and risks. Audit committees may also find it appropriate to obtain feedback and observations from the external or internal auditors with respect to issues, progress, challenges or risks.

Any GAAP conversion project should commence with some form of impact assessment, diagnostic activity or scoping exercise. This will allow CFOs to visualize the overall extent and complexity of the conversion and allow them to make better decisions about how to plan, structure and resource the project and determine the next steps.

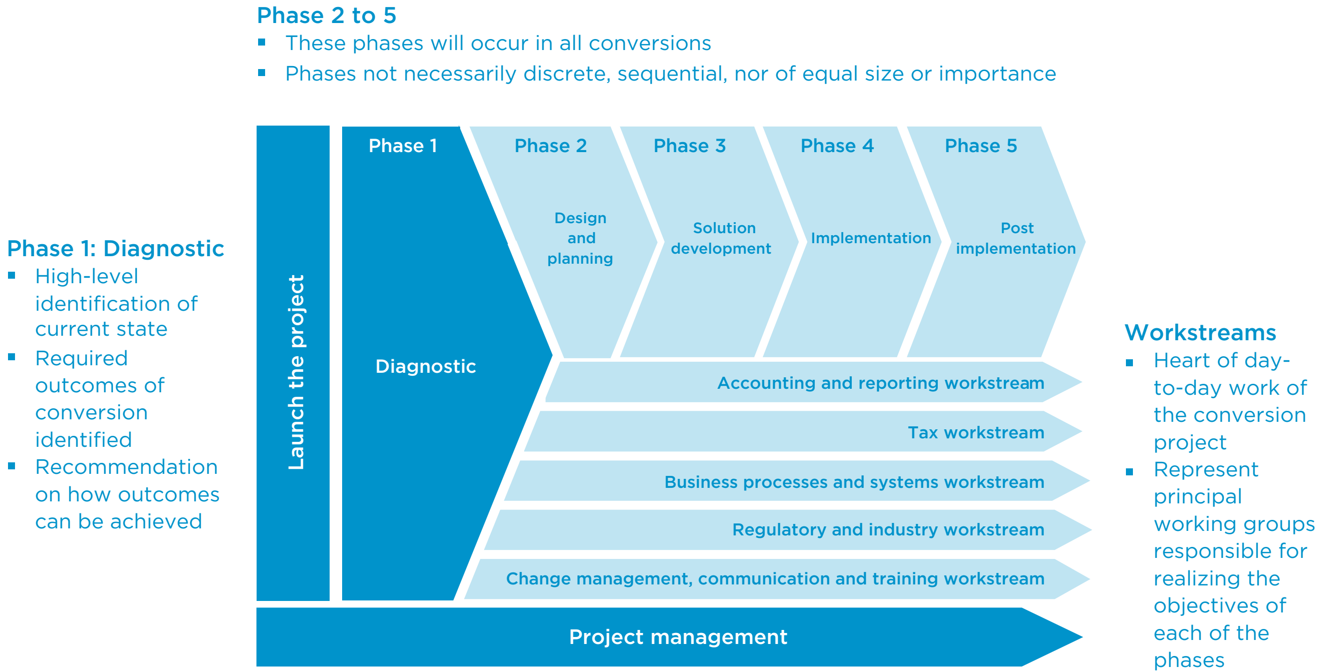
The major outcomes to be expected from this phase are as follows:

- The determination, at a high level, of the financial reporting differences (including the major GAAP differences) under IFRS, compared to the company's current accounting policies.
- The identification of the main business impacts expected from the adoption of IFRS.
- An assessment, at a high level, of the likely impacts on IT systems and identification of the modifications necessary to facilitate collection of the information required to satisfy all IFRS disclosure requirements.
- The identification of major change management issues arising from the conversion.
- The identification of hurdles to the conversion presented by the existing finance organizational structure.
- The identification of any significant industry specific issues.
- The provision of base information to facilitate the structuring of the IFRS conversion project.

A sample methodology for conversion is shown in Figure 2 below. This is an example of a phased approach management may consider adopting. Embedded within each phase are functionally based workstreams. Each workstream contains specific areas to be considered as follows, and in practice, each company's workstream structure will be tailored to its individual circumstances and challenges.

- *Accounting & Reporting workstream*—Comprises all accounting and reporting related activities, such as the development of IFRS accounting policies, drafting skeleton IFRS financial statements, updating IFRS reporting packages, management reporting, other local reporting requirements, and updating the group reporting manual.
- *Tax workstream*—Assists Accounting workstream in tax consequences of IFRS changes. In addition addresses tax compliance and tax planning issues arising from conversion to IFRS and handles all external communications with tax authorities.
- *Business Processes and Systems workstream*—Works with the Accounting & Reporting workstream to implement changes to business and IT processes driven by IFRS accounting changes across the various business areas affected.
- *Change Management workstream*—Addresses the need for change in all areas of the business arising from the conversion. It will generally comprise the following main components: communication, training and education, organization and human resources, and implementation support.
- *Regulatory & Industry workstream*—Assists the Accounting workstream in industry-specific accounting areas and with regulatory reporting issues specific to the particular industry.

Figure 2. IFRS Conversion Roadmap



Key areas to be addressed during the conversion

No two IFRS conversion projects will be the same—while the specific issues companies will face during their conversion will vary widely because of all the variables in play, the key areas that CFOs will need to address during the conversion should be broadly similar.

1. *Project launch and planning activities*—Initial decisions made during the project set-up phase which can be crucial to eventual project success include:
   a. creating a project management function to co-ordinate project activity and monitor/report progress
   b. structuring the project team based on the results of the impact assessment phase—this helps to make sure that all potential issues get addressed, and
   c. assigning sufficient resources to the project and ensuring that the team comprises individuals with appropriate skills and background to fulfill their responsibilities.
2. *Revision of accounting policies*—Reassessing accounting policies under IFRS will be one of the most important elements of the project because the decisions made in this area will drive many of the changes required throughout the business and have direct implications for future business results. For instance, accounting policy decisions will impact data collection requirements, which will in turn impact IT system requirements, business processes to collect and record the data, internal control systems covering data validity, and functional resourcing requirements.
3. *Application of IFRS 1*—Another key area CFOs will need to address in relation to accounting policies is how they are going to apply IFRS 1 "First-time Adoption of International Financial Reporting Standards." This standard provides guidance for businesses on how they should apply IFRS for the first time and provides companies with a number of exemptions from the requirements of other standards. Decisions made in applying IFRS 1 could have a significant impact on the financial statements for many years to come.
4. *Development of skeleton financial statements compliant with IFRS*—Companies will have to redraft sections of their financial statements to meet IFRS disclosure requirements. CFOs may take the approach of preparing a skeleton set of financial statements during the preliminary phases of the project. This has multiple benefits as it focuses attention on the actual disclosure requirements of the business and, therefore, is crucial in the process of identifying "data gaps" that need to be plugged. Skeleton financial statements would also allow a company to perform sensitivity analyses on the accounting policy choices and benchmark itself with other companies already reporting under IFRS. It is also useful to put the overall change management challenge in perspective and gives project teams a concrete goal.
5. *Preparation/restatement of financial information from Canadian GAAP to IFRS for all comparative accounting periods*—The need to compile comparative financial information for inclusion in the first set of IFRS accounts is likely to prove to be one of the most challenging areas of the project.
6. *Transition approach*—Whereas some companies globally converted "top-side" only at a consolidated level, this spreadsheet approach is not ideal. Accounting treatments and controls should be pushed down to the transaction level. This is particularly important in Canada given management's internal control certification requirements (SOX 404 or MI-52-109).

7. *Identifying and resolving data capture issues*—The increased level and complexity of the financial disclosures expected under IFRS are likely to require significant project resources to identify and set up processes to collate this data. Some of the data underlying the new disclosures may be time-consuming to extract or may need significant analysis before it is ready for disclosure purposes.

8. *Retraining of personnel*—Investment must be made in the retraining of employees throughout the organization in order to meet their changed technical knowledge needs as well as to facilitate the roll-out of accounting policy changes and the associated revised business processes and procedures.

9. *Communication with stakeholders*—Managing investors' and other stakeholders' expectations with respect to the impacts of IFRS and the company's progress toward conversion will be an important area for CFOs to monitor. Clear, continuous and consistent communication with stakeholders will reduce the risk of misunderstandings and aid a smooth transition.

10. *Audit committee financial literacy and retraining*—The training requirements will also apply to members of the audit committee. Whether trained through management briefings or by outside parties, audit committee members should have sufficient knowledge about IFRS to be able to evaluate management's assessments and selection of accounting policies. As is the case with the implementation of any new accounting standard and adoption of new accounting policy, senior finance personnel may find themselves spending significant time explaining changes to the audit committee. Whereas an audit committee's IFRS training requirements may differ from what the CFO's team will need to know, experience has shown that audit committees will require a high level view of IFRS with some specifics on significant financial and business impact issues.

Timeline and resource requirements for IFRS conversion projects

The main consideration regarding the timeline will be "will the organization be ready on time?"

By performing an impact assessment exercise and conducting careful planning at the beginning of the project, it should be possible for the CFO to determine the major areas relevant to the business and systems and from there construct reasonable estimates of the resources required and the time to complete the conversion project, along with the estimates for cost and effort.

Few meaningful benchmarks exist regarding effort and cost, as the impact of changes in accounting principles on functional areas and related processes varies significantly amongst companies and within industries depending on pre-existing business or accounting processes.

The size and complexity of accounting conversion projects mean that there are so many variables impacting the timeline and cost considerations that concrete assessments are not possible without an appropriate diagnostic and project plan. Also, as with any sizable project, there will be shortcuts that can be taken, workarounds available, and elements that can be side-stepped or ignored. However, these may lead to hidden costs, which should be taken into account when estimating budgets.

It follows then that until management completes the impact assessment and planning activities, it is difficult to determine if the business has sufficient time to adequately complete the conversion. For this reason, the best advice regarding the timing of the conversion project is to **start as early as possible!**

Key factors for a successful conversion

Experiences across industries have shown that there are several factors that are critical to the success of an accounting conversion project. In order for the project to succeed, the following issues need to be addressed by the CFO at the conversion planning stage:

- Commitment from the leadership: The most important factor to ensuring the success of an IFRS conversion project is the committed and active participation of leadership. Conversion change has to be initiated from the top down through the company, and tone from the top is important. If the CFO fails to secure meaningful and public commitment from other executives, this may result in the failure of the conversion.
- Delegation of authority: Authority and responsibility must be delegated to individual workstream owners and other senior management personnel to drive through the project. Many IFRS conversion changes become difficult to implement because the implementation is handed over to project managers who lack the mandate, authority and budget to force through changes.
- Stakeholder relations: Cultural resistance to conversion cannot be underestimated. It is therefore critical that the CFO consult with the key stakeholders in the organization and obtain their buy-in. Additionally, consultation with stakeholders is essential to ensure that the conversion team gets access to the right resources and produces the expected results.
- Understand the cost of IFRS conversion: Successful IFRS conversion is a long-term commitment, often based on a change in business, systems, accounting processes and controls. The conversion goes beyond the creation of a new set of financial statements and will involve the CFO driving ongoing communication, education and training. Disruptions to the business and the resulting costs should not be underestimated.
- Selective change: Successful IFRS conversion does not necessarily imply a complete company-wide redesign. A key task for the CFO in preparing for the conversion is to identify those functions that would most benefit from the project. A cost-benefit study may be undertaken to identify potential quick wins in taking the company toward its new compliance goal.
- Project risk management: A good starting point for the CFO is to carry out a high level IFRS project risk management analysis, including identifying key project risks, mapping controls or initiatives to mitigate these risks, assigning risk owners to monitor and report, and taking timely action for any high risk areas.

Managing the conversion exercise while still running the business

The conversion project environment can require a disproportionate amount of management attention. This can lead to problems within the existing operation, which cannot just be left to run itself. A careful balance will be required.

Although IFRS will be a key project for management and will be of high importance on the CFO's agenda, a careful assessment will be required as to how the company can allocate the internal resources to the IFRS conversion process without losing focus on the business and other projects. Conversion projects by their very nature also have elements of change management, software re-engineering and process improvement. It is the responsibility of the CFO and his or her team to ensure that the conversion project can be blended in with the other similar implementation or change initiatives to optimize resources and reduce duplication of effort. The increase in workload may lead to increasing headcount or turning to external service providers for assistance with the conversion or with other initiatives. Following the initial impact assessment, the key steps for the CFO to take may include:

- Estimate resources required for the overall conversion;
- Differentiate between external vs. internal resources;
- Outline high level roles and responsibilities of each resource;
- Identify opportunities for integration and resource optimization, and update initial resource estimation.

Learning from the European Union conversion experience

Canadian business has the benefit of the experience of countries that have already converted to IFRS. Below are some of the issues encountered and the key lessons one can learn from their experiences.

Issues identified	*Key lessons learned*
Scale and complexity of the project and the time frame needed were underestimated.	*Start early! Conducting a thorough impact assessment followed by a detailed planning exercise up front is crucial to a successful transition. Conversions could entail functional changes as well as technical accounting changes.*
Project lacked adequate buy-in from senior management early on in the project.	*The tone from the top is an important driver of change. Board sponsorship of the project is crucial.*
Projects suffered from poor project management.	*It is important to have a proper Project Management Office function capable of co-ordinating project activities and a well-structured conversion methodology.*
Project teams were unprepared to deal with the technical issues encountered.	*Developing IFRS technical knowledge early on will prevent last minute "fire drills" and minimize the risk of missed reporting deadlines.*
Slight accounting differences can have a significant impact on financial results.	*A methodical approach to reviewing accounting differences is essential to assessing financial impacts.*
Unfamiliarity of "numbers" and principles arising from changes.	*Technical training will be a critical component of the IFRS conversion, especially for business unit heads who may not be familiar with the implications of the changes that IFRS will bring. Investor relations personnel will also need a strong educational grounding to communicate the impact to investors.*
Poor communication existed between project team and business units regarding impacts of changes.	*Invest the time necessary to roll-out business process changes such as accounting practices, updated control mechanisms, and changes in reporting requirements to the wider organization.*
IFRS changes were often not fully embedded in back offices and general ledger systems. As a result, "stand alone manual workarounds" were created, including "spreadsheet accounting."	*EU companies that used manual workarounds to meet short IFRS deadlines are now redesigning processes and augmenting their systems to eliminate the inefficiencies these workarounds created. Canadian firms will benefit from longer lead times to proactively address these changes.*
Top side solutions didn't work.	*Top side solutions don't cause the organization to adjust, and the Finance group feels "all the pain." It is important to "push down" the IFRS conversion to the transaction level throughout the organization as early as possible.*
Insufficient communication with stakeholders.	*Capital markets are reactive and companies should more proactively manage investor communications and perceptions.*

Assessing the ability of current IT systems to handle the business' revised data collection requirements under IFRS

Since IFRS will likely increase the amount of data collection and change both the level of disclosure in financial reporting and the manner in which financial information is reported, IT systems used to collect and report financial data may need modification in order to meet the new reporting requirements.

It will be important to identify as early as possible the specific impacts on IT systems and to understand how easily financial reporting changes can be made to a company's existing systems. The age, flexibility and upgrade path of the current IT systems will be key factors in determining whether the existing systems can be enhanced or must be replaced.

While the impact of IFRS on each company's IT systems will be different, the experience in Europe and Australia was that the systems most likely to be impacted were the financial, treasury and human resources systems. The impact on IT systems and business processes was often not considered until late in the project, resulting in manual workarounds and heavy reliance on spreadsheets. It is expected that the need for IT system changes will be greatest for companies operating in industries where the differences between Canadian GAAP and IFRS are more significant (e.g., Financial Services, Utilities, Mining, and Oil and Gas).

Where the volume of IT system changes required in order to be IFRS ready is significant, management should consider the IT resource requirements and also whether the IFRS project plan reflects the IT upgrade timelines. Also, many companies may already be planning to replace or upgrade their existing financial systems. As such, the new IFRS requirements should be included in the system selection process and form part of the design phase. If system changes are required, they must be included in the overall conversion project timeline.

IFRS training for finance personnel

Based on the experience of other jurisdictions that have converted to IFRS, a shortage of trained resources is a significant challenge companies will face. Addressing the organization's skill requirements should therefore be an immediate priority for management. For most companies, following the initial impact assessment stage, training is the next big milestone, which should be completed as early as possible in the conversion cycle.

Whereas primary oversight responsibility for monitoring such training programs usually lies with the board's sub-committees, from a functional perspective it is the CFO who will deliver on the mandate. An initial starting point may include setting up a training workstream within the project that will formulate the training strategies and plans for finance personnel as well as the board and its committees. At the same time, due to high demand for IFRS trained resources, the CFO may also decide to develop succession plans for key IFRS-trained technical resources, and revisit the company's compensation strategy to better mitigate the risks of losing their key finance people. As a leading practice, many CFOs have developed accounting standard groups within the finance department who are responsible for IFRS training, communication and the maintenance of centralized accounting repositories and intranets. This will vary depending on the size and needs of the organization.

Applicability of IFRS throughout group structures

Converting to IFRS will mean that the classification of companies as PAEs or NPAEs will have implications for the form of financial reporting that they will be required to follow. PAEs will have to apply IFRS whereas NPAEs will likely have a choice between IFRS and some alternative accounting framework yet to be prescribed by the AcSB. This choice will likely be available to all NPAEs whether they are sole companies, part of a group comprising only NPAEs ("Non-Public Group") or a part of a group containing a mixture of PAEs and NPAEs ("Public Group").However, all transactions within a PAE group will need to be accounted for under IFRS for consolidated reporting purposes.

For public groups, CFOs will likely have to decide whether a NPAE subsidiary will report under IFRS for stand-alone reporting purposes such as contractual, statutory or regulatory obligations. In addition, CFOs will need to decide how the group will apply IFRS at the transactional level. Management may either:

- apply IFRS throughout all companies in the group, or
- apply IFRS only in PAEs within the group and apply the AcSB's other option in the NPAEs.

This second alternative may be particularly attractive to public groups in which the parent company is the only PAE in the group.

In general, one would expect that companies will wish to maintain accounting rigour while minimizing their financial reporting compliance costs. Companies will tend to follow the course of accounting which best achieves efficiency and effectiveness.

This decision may not be as simple or as clear cut as it first appears, as there are advantages and disadvantages to each alternative. The complexity of the group structure and the number of PAEs and NPAEs in the group will likely be a key factor in the decision. The advantages of applying IFRS consistently throughout the group may include:

- reduction of compliance costs
  - everyone in the group will be using the same accounting language,
  - employees will only need to be trained in one accounting framework,
  - only one set of accounting procedures will be required,
  - fewer finance resources may be required,
  - internal control certification processes may be simplified,
  - reduced audit complexity and cost may be reduced;
- reduction of risk
  - less complexity,
  - no need to restate results between GAAPs, which are often performed outside of accounting systems using spreadsheets,
  - no need to develop controls over accuracy and completeness of the restatement process,
  - data and accounting personnel can move seamlessly within the group;
- facilitation of financial comparisons across subsidiary groups
  - performance measurement,
  - asset allocation.

Management will need to take into account the relative advantages and disadvantages of the alternative accounting framework available for NPAEs, once the AcSB has determined what form this will take. Depending on the AcSB decision, disadvantages of applying IFRS group-wide may include:

- increased complexity in certain circumstances, depending on group structures;
- increase in compliance costs due to the level of disclosure required by IFRS for statutory reporting purposes;
- complicating the process of calculating taxable profit by increasing the number and prominence of adjustments in the tax calculation.

Risks and opportunities

Risk of fraud and misstatement associated with converting to IFRS

The conversion to IFRS is one of the most fundamental changes in financial reporting in Canadian history. The potentially pervasive nature of the changes at the accounting, functional, transactional and internal control levels increases the risk of both misstatement and fraud.

A robust system of internal controls is a company's best method of ensuring reporting integrity and minimizing the risk of misstatement and fraud. A period of change, such as one encountered during an accounting conversion, could lead to modifications in the design and effectiveness of internal controls, hence increasing risk. Following an initial IFRS impact assessment, the next steps entail mapping the significant accounting and financial reporting areas impacting the current internal controls over financial reporting. These high risk internal controls and processes need to be monitored very closely over the transition years. Each process owner needs to be aware of the upcoming potential changes to the controls. A plan should be developed to react to these changes in a timely manner. The CFO should maintain a similar mechanism of process and control ownership and internal sub-certifications to ensure all the IFRS driven control changes are captured, documented and tested throughout the conversion. Internal Audit may also get involved, depending on its mandate.

Risk management functions will need to be engaged in the conversion process. For many companies this will represent one of the highest risk areas as it directly impacts the integrity of the company's financial reporting.

Identifying other key risks associated with converting to IFRS

Today's financial reporting environment has little tolerance for mistakes and it will be important for companies to get the conversion right the first time. Errors and misstatements as well as missed reporting deadlines present a significant risk to companies which are converting.

Other significant risk areas include:

- communication of impacts and results to stakeholders including boards, audit committees, investors and analysts
- accounting and reporting multiple GAAP in the 2010 period
- internal controls and the certification process — inability by management to conclude and certify on the design or effectiveness of the company's internal controls over financial reporting
- retention of key employees
- excessive costs brought on by ineffective planning, project management and/or rework, and
- unreasonable or excessive work levels, brought on by inappropriate planning or unreasonable expectations.

A significant task in an IFRS conversion project can be the introduction of a risk management framework across corporate offices and subsidiaries, which often requires significant investment and change management.

A simple way to judge the risks of a planned IFRS conversion is for CFOs to ask the following three questions:

- Is this an unfamiliar accounting treatment?
- Do the current systems and processes need to change?
- Are there adequate resources available in the organization to manage the change and the associate risks?

The answer to these questions will influence the risk management plan.

CFOs need to manage these risks stemming from IFRS implementation. CFOs should consider what could go wrong and the likely impact and set in place mitigation and management strategies. Building in flexibility and allowing for dual running of systems to produce both IFRS and Canadian GAAP compliant financial statements may iron out any early teething problems. Nothing damages the credibility more than if the system and the processes prove unreliable or cannot provide similar report and management information to that which has previously been relied upon.

With respect to risk management, it really comes down to a certain level of "risk appetite," which will define the profile of the company and how much risk the CFO is willing to accept, both in terms of IFRS Conversion project as well as the scope of other major finance and accounting projects.

For more information, please see the CICA publication *Risk Management: What Boards Should Expect from CFOs.*

Taking advantage of opportunities presented by the conversion to IFRS

The conversion to IFRS presents potential opportunities that CFOs may wish to examine further.

The IFRS accounting framework contains numerous instances in which multiple accounting options are permitted. This creates opportunities for CFOs to identify and select options that may result in a more appropriate representation of their financial results and position. However, proper account must be taken of any "global consensus" regarding specific accounting options for their industry lest a company be seen to be diverging from the norm.

Some companies will find there will be significant opportunity to use the conversion project as a means to drive through other areas of change. These include streamlining accounting and reporting processes, and accelerating the financial statement close process. Some companies successfully seized these opportunities when they addressed their internal control certification requirements, whereas others may choose to do so now.

Minimizing impacts on stakeholders and managing the expectations of the capital markets

The European experience in adopting IFRS was that the conversion from the various local GAAPs to IFRS did not impact market ratings. However, the experience did show that companies needed to do a lot of explaining to the markets about the change and the potential implications, and the markets needed to do a lot of internal IFRS education to help understand where the differences should impact the financial results.

In Canada, it will be equally important that the markets be informed early and often. CFOs should satisfy themselves that the company has a communication plan for managing stakeholder expectations and that it is responsive to investor and analyst needs. As was seen elsewhere in the world where IFRS was adopted, analysts were reactive rather than proactive to the change and needed to be informed of the changes when first confronted with companies' IFRS financial statements.

As part of this communication plan, CFOs should consider how best to communicate the company's results under IFRS leading up to the January 1, 2011 changeover date.

The role of the auditor in the conversion process and the need for a third-party advisor

Many companies will engage a third-party advisor to assist with the conversion process. CFOs cannot, however, delegate away their reporting responsibilities or their responsibilities over the selection of appropriate accounting policies. Some companies will seek assistance directly from their auditors, whereas others will turn to another service provider.

In many cases, the auditor will be able to assist management in various ways. The auditor knows the business, management and current policies. Generally, the auditor should be able to provide diagnostic and training services, advice on alternative accounting options, assist with the interpretation of IFRS, and observe and review project progress.

The extent to which companies request assistance from their auditors will depend on several factors. Obviously, auditors cannot perform services that would be considered proscribed services. Whatever non-proscribed services are offered will depend on maintaining auditor independence, including the perception thereof. Auditors should not be perceived as assuming a management role or auditing their own work.

Lastly, the degree of auditor assistance determined to be appropriate will be a function of the scope of service limitation philosophy as it pertains to auditors providing non-attest services.

Notwithstanding the above, the company's objectives should be to avoid surprises in the audit process. As such, auditors should at a very minimum be involved in reviewing and commenting on (or accepting) management's analyses of accounting alternatives and the selection of appropriate accounting policies. In addition, management or the audit committees may ask the auditor for observations regarding management's assessment of the conversion issues, timeline and risks.

Where to find more information

Conversion to IFRS is by its nature a transitional process. As a result it is important for directors, CFOs and financial personnel to remain updated about continuous new developments from accounting and regulatory bodies. Updates are available on the Transition to International Standards section of CICA's website *www.cica.ca/IFRS*.

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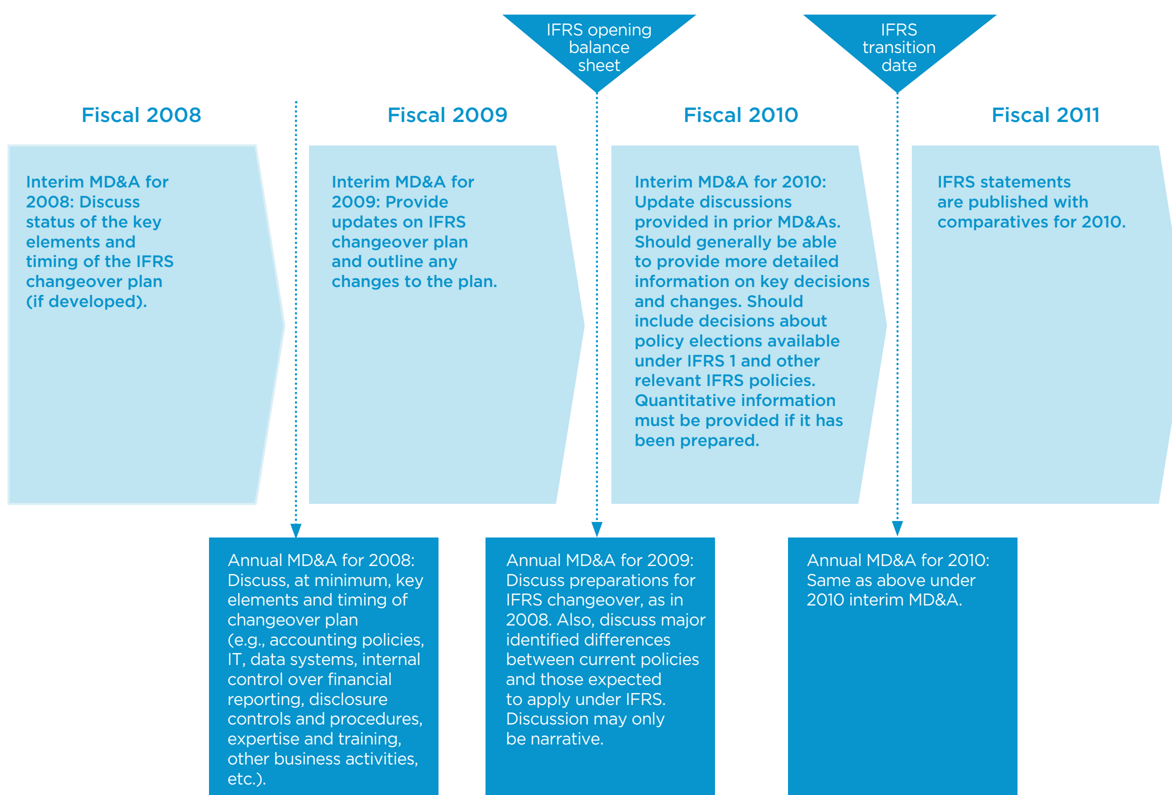
Understanding Disclosure Controls and Procedures: Helping CEOs and CFOs Respond to the Need for Better Disclosure

A Appendix

Appendix 1. Summary of Staff Notice 52-320 IFRS changeover disclosures in interim and annual MD&A



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Rafik Greiss is a partner in Ernst & Young's Assurance and Advisory Business Services practice. He began his career in 1985 with a national accounting firm before joining Ernst & Young in 1987 in the audit practice. Over the course of his career, he has assumed different leadership responsibilities involving various change management initiatives. He was an audit partner until 2003, at which time he joined the Risk Advisory Services group, where he continues to practice.

Rafik has been responsible for delivering audit and advisory services to global and national clients, both private and public, in a wide range of industries. In particular, he has extensive experience providing advisory assistance to clients in complex environments. This assistance includes technical, organizational and project management services related to accounting policy changes, accounting department transformations, internal control certification initiatives, and financial and operational process changes. In addition, he has been and continues to be the co-ordinating partner on certain of the firm's largest accounts.

As Ernst & Young's Canadian leader for International Financial Reporting Standards, Rafik is responsible for overseeing IFRS conversion services provided to clients. Rafik is a frequent keynote speaker at high-profile IFRS-related industry conferences and seminars and is a go-to media spokesperson.

Rafik is also actively involved in various community organizations. He has been on the board of directors, acting as chair of the Audit and Finance Committee, of St. Mary's Hospital Center since 1999, and of the Loyola High School Foundation since 2004. He is also a member of the board of directors of Lac Marois Country Club.

Rafik holds an honours bachelor of business administration from Wilfrid Laurier University and a graduate diploma in public accountancy from McGill University, where he also taught finance and accounting courses at the graduate level from 1989 to 1997.

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Simon Sharp, CA is a senior manager with Ernst & Young. He provides risk advisory services and IFRS conversion assistance to clients in a variety of industries.

Simon has extensive experience in GAAP conversions and the resulting implications on accounting and operational processes, in addition to having managed complex accounting projects. He has experience in both the private and the public sectors as an external advisor to clients and was responsible for accounting conversions and system changes as a corporate controller.

Simon is a chartered accountant with membership in both the Institute of Chartered Accountants in England and Wales and the Institute of Chartered Accountants in Australia. He has more than 20 years of experience in the U.K., Australia and Canada, and has successfully delivered major change management initiatives in the airline, information technology and energy and natural resource sectors.

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