New and Proposed Changes to IFRS and Related Regulatory Developments in Canada

For the two years ended December 31, 2021

MNP is a leading national accounting, tax and business consulting firm in Canada. We proudly serve and respond to the needs of our clients in the public, private and not-for-profit sectors. Through partner-led engagements, we provide a collaborative, cost-effective approach to doing business and personalized strategies to help organizations succeed across the country and around the world.

New and Amended IFRS Standards	Date Issued		Effective Date
	IASB	AcSB	
Conceptual Framework for Financial Reporting (Amendment)	March 2018	October 2018	Effective for annual periods beginning on or after January 1, 2020. Earlier adoption is permitted.
Annual Improvements to IFRS Standards 2018 – 2020 Cycle (Amendment)	May 2020	September 2020	Effective for annual periods beginning on or after January 1, 2022. Earlier adoption is permitted.
IFRS 3 Business Combinations (Amendment)	October 2018	December 2018	Effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. Earlier adoption is permitted.
IFRS 3 Business Combinations (Amendment)	May 2020	September 2020	Effective for annual periods beginning on or after January 1, 2022. Earlier adoption is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
IFRS 4 Insurance Contracts, IFRS 7 Financial Instruments: Disclosure, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 39 Financial Instruments: Recognition and Measurement (Amendments)	August 2020	October 2020	Effective for annual periods beginning on or after January 1, 2021. Earlier adoption is permitted.
IFRS 7 Financial Instruments: Disclosure (Amendment)	September 2019	November 2019	Effective for annual periods beginning on or after January 1, 2020. Earlier adoption is permitted.
IFRS 9 Financial Instruments (Amendment)	September 2019	November 2019	Effective for annual periods beginning on or after January 1, 2020. Early adoption is permitted.

New and Amended IFRS Standards	Date Issued		Effective Date
	IASB	AcSB	
IFRS 16 Leases (Amendment)	May 2020	June 2020	Effective for annual periods beginning on or after June 1, 2020. Earlier adoption is permitted, including in financial statements not yet authorized for issue at May 28, 2020.
IFRS 16 Leases (Amendment)	March 2021	April 2021	Effective for annual periods beginning on or after April 1, 2021. Earlier adoption is permitted, including in financial statements not yet authorized for issue at March 31, 2021.
IFRS 17 Insurance Contracts (New)	May 2017	March 2018	Effective for annual periods beginning on or after January 1, 2023. Earlier adoption is permitted for entities that also apply IFRS 9 and IFRS 15.
IFRS 17 Insurance Contracts (Amendment)	June 2020	November 2020	Effective for annual periods beginning on or after January 1, 2023. Earlier adoption is permitted for entities that also apply IFRS 9.
IFRS 17 Insurance Contracts (Amendment)	December 2021		Effective for annual periods beginning on or after January 1, 2023.
IAS 1 Presentation of Financial Statements (Amendment)	October 2018	February 2019	Effective for annual periods beginning on or after January 1, 2020. Earlier adoption is permitted.
IAS 1 Presentation of Financial Statements (Amendment)	January 2020	April 2020	Effective for annual periods beginning on or after January 1, 2023. Earlier adoption is permitted.

New and Amended IFRS Standards	Date Issued		Effective Date
	IASB	AcSB	
IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements (Amendments)	February 2021	June 2021	Amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023. Earlier adoption is permitted. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2.
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment)	October 2018	February 2019	Effective for annual periods beginning on or after January 1, 2020. Earlier adoption is permitted.
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment)	February 2021	June 2021	Effective for annual periods beginning on or after January 1, 2023. Earlier adoption is permitted.
IAS 12 Income Taxes (Amendment)	May 2021	September 2021	Effective for annual periods beginning on or after January 1, 2023. Earlier adoption is permitted.
IAS 16 Property, Plant and Equipment (Amendment)	May 2020	September 2020	Effective for annual periods beginning on or after January 1, 2022. Earlier adoption is permitted.
IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment)	May 2020	September 2020	Effective for annual periods beginning on or after January 1, 2022. Earlier adoption is permitted.
IAS 39 Financial Instruments: Recognition and Measurement (Amendment)	September 2019	November 2019	Effective for annual periods beginning on or after January 1, 2020. Earlier adoption is permitted.

MNP

IFRS Exposure Drafts	Date Issued IASB	Effective Date
Non-current Liabilities with Covenants (Proposed Amendments to IAS 1)	November 2021	No date yet specified.
Supplier Finance Arrangements (Proposed Amendments to IAS 7 and IFRS 7)	November 2021	No date yet specified.
Subsidiaries without Public Accountability: Disclosures (Proposed New Standard)	July 2021	No date yet specified.
Management Commentary (Proposed Revised IFRS Practice Statement 1)	May 2021	The proposed Practice Statement would supersede IFRS Practice Statement 1 for annual reporting periods beginning on or after the date of its issue. The Practice Statement is not an IFRS and its adoption is not mandatory.
Lack of Exchangeability (Proposed Amendments to IAS 21)	April 2021	The amendments would be applicable from the beginning of the annual reporting period in which it first applies the amendment (date of initial application) and comparative information would not be restated. Earlier adoption would be permitted.
Disclosure Requirements in IFRS Standards – A Pilot Approach (Proposed Amendments to IFRS 13 and IAS 19)	March 2021	No date yet specified.
Regulatory Assets and Regulatory Liabilities (Proposed New Standard)	January 2021	No date yet specified.
Lease Liability in a Sale and Leaseback (Proposed Amendment to IFRS 16)	November 2020	No date yet specified.

IFRS Exposure Drafts	Date Issued IASB	Effective Date
General Presentation and Disclosures (Proposed New Revised IAS 1 and Amendments to IAS 7, IFRS 12, IAS 33, and IAS 34)	December 2019	No date yet specified.

New and Amended Regulatory Developments Related to Financial Reporting	Date Issued	Effective Date
National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure (New)	May 2021	Effective on August 25, 2021.

Requests for Comment on Regulatory Developments Related to Financial Reporting	Date Issued	Effective Date
Proposed National Instrument 51-107 Disclosure of Climate-related Matters	October 2021	No date yet specified.
Proposed Amendments to National Instrument 51-102 Continuous Disclosure Obligations and Proposed Framework for Semi-Annual Reporting	May 2021	The amendments are expected to be effective on December 15, 2023.

New and Amended IFRS Standards

Conceptual Framework for Financial Reporting (Amendment)

In March 2018, the International Accounting Standards Board (IASB) issued the revised *Conceptual Framework for Financial Reporting*, incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in October 2018. This revised Conceptual Framework replaces the previous version of the Conceptual Framework issued in 2010. The Conceptual Framework assists entities in developing accounting policies when no IFRS Standard applies to a particular transaction and helps stakeholders to more broadly and better understand the standards.

The revised Conceptual Framework includes the following clarifications and updates:

- A new chapter on measurement;
- Guidance on reporting financial performance;
- Improved definitions and guidance, particularly for the definition of a liability; and,
- Clarifications in important areas such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The revised Conceptual Framework is effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

Annual Improvements to IFRS Standards 2018 – 2020

In May 2020, the International Accounting Standards Board (IASB) issued narrow-scope amendments to IFRS standards as part of its annual improvement process. The Accounting Standards Board (AcSB) completed its endorsement process and incorporated the amendments into Part I of the CPA Canada Handbook – Accounting in September 2020.

The amendments are summarized below:

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendments simplify the application of IFRS 1 by a subsidiary, that becomes a first-time adopter of IFRS standards later than its parent. The amendments allow the subsidiary to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRSs.

IFRS 9 Financial Instruments

The amendments clarify which fees an entity includes when performing the 10 percent test used to determine whether to derecognize a financial liability. An entity shall include only the fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or lender on the other's behalf.

IFRS 16 Leases

The amendments resolve the potential for confusion regarding the treatment of lease incentives by amending Illustrative Example 13 to remove the reimbursement of leasehold improvements by the lessor.

IAS 41 Agriculture

The amendments align the fair value measurement requirements in IAS 41 with the requirements in IFRS 13 *Fair Value Measurement* by permitting an entity to use post-tax cash flows and a post-tax discount rate when measuring the fair value of a biological asset using a present value technique.

The amendments are effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted.

IFRS 3 Business Combinations (Amendment)

In October 2018, the International Accounting Standards Board (IASB) issued amendments to IFRS 3 *Business Combinations*, incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in December 2018. The amendments clarify the definition of a business, permitting a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments are effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. Earlier application is permitted.

IFRS 3 Business Combinations (Amendment)

In May 2020, the International Accounting Standards Board (IASB) issued amendments to update IFRS 3 *Business Combinations* without significantly changing its requirements. The Accounting Standards Board (AcSB) completed its endorsement process and incorporated the amendments into Part I of the CPA Canada Handbook – Accounting in September 2020.

The amendments are summarized below:

- To update all old references in IFRS 3 to the old Conceptual Framework to the revised Conceptual Framework for Financial Reporting.
- To add an exception to the IFRS 3 recognition requirements. For liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies if incurred separately, an acquirer would apply IAS 37 or IFRIC 21 to identify the obligations assumed in a business combination, instead of the Conceptual Framework.
- To make requirements for contingent assets more explicit by adding a statement in IFRS 3 that an acquirer should not recognize contingent assets acquired in a business combination.

An entity is required to apply these amendments to business combinations occurring in reporting periods beginning on or after January 1, 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by *Amendments to References to the Conceptual Framework in IFRS Standards*, issued in March 2018.

IFRS 4 Insurance Contracts, IFRS 7 Financial Instruments: Disclosure, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 39 Financial Instruments: Recognition and Measurement (Amendments)

In August 2020, the International Accounting Standards Board (IASB) issued amendments to IFRS 4 *Insurance Contracts*, IFRS 7 *Financial Instruments: Disclosure*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases* and IAS 39 *Financial Instruments: Recognition and Measurement*, which were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in October 2020. The amendments focus on issues that might affect financial reporting when an existing interest rate benchmark is replaced with an alternative benchmark (replacement issues).

The amendments compliment those issued in 2019 and address replacement issues associated with modification of financial assets and financial liabilities. The amendments relate to:

- Modifications – The entity will not derecognize or adjust the carrying amount of financial instruments for modifications required by interest rate benchmark reform, but will instead update the effective interest rate to reflect the change in the interest rate benchmark.
- Hedge accounting – The entity will not discontinue its hedge accounting solely because of replacing the interest rate benchmark if the hedge meets other hedge accounting criteria.
- Disclosures – The entity will be required to disclose information about new risks arising from the interest rate benchmark reform and how it manages the transition to alternative benchmark rates.

The amendments are effective for annual periods beginning on or after January 1, 2021. Earlier application is permitted.

IFRS 7 Financial Instruments: Disclosure (Amendment)

In September 2019, the International Accounting Standards Board (IASB) issued amendments to IFRS 7 *Financial Instruments: Disclosures*, which were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in November 2019. The amendments to IFRS 7 arise as a result of amendments made to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 9 *Financial Instruments* to provide temporary relief from applying specific hedge accounting requirements that could have resulted in the discontinuation of hedge accounting solely due to the uncertainty arising from interest rate benchmark reform. Accordingly, IFRS 7 has been amended to provide specific disclosure requirements regarding uncertainty arising from interest rate benchmark reform, which include:

- Significant interest rate benchmarks to which the entity's hedging relationships are exposed.

- The extent of the risk exposure the entity manages that is directly affected by the interest rate benchmark reform.
- How the entity is managing the process to transition to alternative benchmark rates.
- A description of significant assumptions or judgments the entity made.
- The nominal amount of the hedging instruments in those hedging relationships.

The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

IFRS 9 Financial Instruments (Amendment)

In September 2019, the International Accounting Standards Board (IASB) issued amendments to IFRS 9 *Financial Instruments*, which were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in November 2019. The amendments provide temporary relief from applying specific hedge accounting requirements that could have resulted in the discontinuation of hedge accounting solely due to the uncertainty arising from interest rate benchmark reform.

The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

IFRS 16 Leases (Amendment)

In May 2020, the International Accounting Standards Board (IASB) issued amendments to IFRS 16 *Leases*, which were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in July 2020. The amendments provide lessees with an exemption from having to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead permits lessees to account for such rent concessions as if they were not lease modifications if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.
- There is no similar exemption for lessors. These amendments were developed as a practical expedient to address the challenges lessees are facing as a result of the COVID-19 pandemic. In addition, the amendments provide specific disclosure requirements regarding COVID-19 related rent concessions:
- Lessee shall disclose that it has applied the practical expedient to all rent concessions that meet the conditions or, if not applied to all such rent concessions, disclose information about the nature of the contracts to which it has applied the practical expedient; and

- Disclose the amount recognized in profit or loss for the reporting period to reflect changes in lease payments that arise from rent concessions to which the lessee has applied the practical expedient.

The amendments will be effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at May 28, 2020.

IFRS 16 Leases (Amendment)

In March 2021, the International Accounting Standards Board (IASB) issued amendments to IFRS 16 *Leases* to extend the availability of the exemption for COVID-19-related rent concessions by one year to June 30, 2022. The amendments were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in April 2021. The exemption applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided that the other conditions for applying the practical expedient are met.

The amendments are effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted, including in financial statements not yet authorized for issue at March 31, 2021.

IFRS 17 Insurance Contracts (New)

In May 2017, the International Accounting Standards Board (IASB) issued a new International Financial Reporting Standard (IFRS) on insurance contracts which was incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in March 2018. IFRS 17 supersedes IFRS 4 *Insurance Contracts*, which was issued as an interim standard in 2004 and allowed entities to account for insurance contracts using a wide variety of accounting practices. IFRS 17 introduces a single principle-based standard to account for all types of insurance contracts to enhance the comparability of financial reporting between entities. The new standard provides guidance on the recognition, measurement, presentation and disclosure of insurance contracts issued. The main features of IFRS 17 include:

- Recognition and measurement of groups of insurance contracts as a combination of the current measurement of the future cash flows and the expected profit over the period that services are provided under the contracts;
- Recognition of profit from a group of insurance contracts over the period the entity provides insurance coverage and as the entity is released from risk, with immediate recognition of a loss if a group of contracts is or becomes loss-making;
- Separate presentation of insurance revenue, insurance service expenses and insurance finance income or expenses;
- An accounting policy choice to either recognize all insurance finance income or expenses for the reporting period in profit or loss, or a portion of insurance finance income or expenses in comprehensive income; and

- An optional simplified measurement approach, the "premium allocation approach", for simpler insurance contracts.

In June 2019, the IASB issued an Exposure Draft which proposed to amend IFRS 17 and defer the effective date of the standard. In March 2020, the IASB decided to defer the effective date of the standard to annual periods beginning on or after January 1, 2023. Earlier application is permitted for entities that also apply IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*.

IFRS 17 Insurance Contracts (Amendment)

In June 2020, the International Accounting Standards Board (IASB) issued final amendments to IFRS 17 *Insurance Contracts* which were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in November 2020.

These amendments are summarized below:

- Credit cards contracts and loan contracts that meet specified criteria are excluded from the scope of IFRS 17 and instead accounted for by applying IFRS 9 Financial Instruments.
- A portion of acquisition costs must be allocated to any related expected contract renewals. Such costs are recognized as an asset until the contract renewals are recognized. The recoverability of the asset must be assessed at each reporting date.
- Companies that prepare interim financial statements have the option to change the estimates made in previous interim financial statements when applying IFRS 17 subsequently, if it considers doing so less costly than keeping the estimates unchanged.
- The expected profit for insurance contract services attributable to insurance coverage and any service related to investment activities (investment-return service) shall be recognized in profit or loss over time.
- An entity is permitted to use the risk mitigation option, when an entity uses reinsurance contracts held or non-derivative financial instruments measured at fair value through profit or loss to mitigate financial risks of insurance contracts with direct participation features.
- An entity that recognizes losses on loss-making insurance contracts on initial recognition shall also recognize a gain at the same time on reinsurance contracts held. The gain is recognized to the extent that those reinsurance contracts held cover the claims of the insurance contracts on a proportionate basis and are entered into before or at the same time the loss-making insurance contracts are issued.
- The presentation of insurance contract assets and insurance contract liabilities on the balance sheet shall be on a portfolio basis rather than groups of insurance contracts.
- Three additional transition reliefs for entities applying the standard for the first time would be provided. These transition reliefs relate to liabilities for claim settlement acquired in a business combination, risk mitigation relationships and the fair value transition option.

At its March 2020 meeting, the IASB decided to defer the effective date of IFRS 17 by two years, such that entities would apply the amended Standard for annual periods beginning on or after January 1, 2023. This was incorporated into Part I of the CPA Canada Handbook – Accounting by the AcSB in

November 2020. The IASB also decided on a consequential amendment to IFRS 4 *Insurance Contracts* to defer the fixed expiry date for the temporary exemption from applying IFRS 9 *Financial Instruments*, so that entities would be required to apply IFRS 9 for annual periods beginning on or after January 1, 2023. This was also incorporated into Part I of the CPA Canada Handbook – Accounting by the AcSB in November 2020.

IFRS 17 Insurance Contracts (Amendment)

In December 2021, the International Accounting Standards Board (IASB) issued an amendment to IFRS 17 *Insurance Contracts.* The amendment provides an optional narrow-scope amendment to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 *Financial Instruments* at the same time to alleviate an expected issue that could otherwise arise due to differences in the transition reliefs provided by IFRS 17 and 9. The amendment relates to financial assets for which comparative information presented on initial application of IFRS 17 and IFRS 9 has not been restated for IFRS 9. Applying the amendment, an entity would be permitted to present comparative information about such a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset.

The amendment is effective for annual periods beginning on or after January 1, 2023 coinciding with the effective date of IFRS 17.

IAS 1 Presentation of Financial Statements (Amendment)

In October 2018, the International Accounting Standards Board (IASB) issued amendments to IAS 1 which were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in February 2019. The amendments clarify the definition of material and how it should be applied, as well as align the definition of material across IFRS standards and other publications. The amended definition of material states:

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. Earlier application is permitted.

IAS 1 Presentation of Financial Statements (Amendment)

In January 2020, the International Accounting Standards Board (IASB) issued amendments to IAS 1 which were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in April 2020. The amendments clarify the requirements for classifying liabilities as either current or non-current by:

- Specifying that the conditions which exist at the end of the reporting period determine if a right to defer settlement of a liability exists;
- Clarifying that settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services;
- Clarifying that classification is unaffected by management's expectation about events after the balance sheet date; and
- Clarifying the classification requirements for debt an entity may settle by converting it into equity.

The amendments clarify existing requirements, rather than make changes to the requirements, and so are not expected to have a significant impact on an entity's financial statements. However, the clarifications may result in reclassification of some liabilities from current to non-current or vice-versa, which could impact an entity's loan covenants. Because of this impact, the IASB has provided a longer effective date to allow entities to prepare for these amendments.

In July 2020, the IASB issued an amendment to defer the effective date of the amendments by one year from its originally planned effective date to annual periods beginning on or after January 1, 2023 due to the impact of the COVID-19 pandemic. Early application is permitted. The AcSB endorsed the IASB's amendment to defer the effective date in October 2020.

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements (Amendments)

In February 2021, the International Accounting Standards Board (IASB) issued amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* which were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in June 2021. The amendments help entities provide accounting policy disclosures that are more useful to primary users of financial statements by:

- Replacing the requirement to disclose "significant" accounting policies under IAS 1 with a requirement to disclose "material" accounting policies. Under this, an accounting policy would be material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that primary users of general purpose financial statements make on the basis of those financial statements.
- Providing guidance in IFRS Practice Statement 2 to explain and demonstrate the application of the four-step materiality process to accounting policy disclosures.

The amendments shall be applied prospectively. The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment)

In October 2018, the International Accounting Standards Board (IASB) issued amendments to IAS 8 which were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in February 2019. The amendments clarify the definition of material and how it should be applied, as well as align the definition of material across IFRS standards and other publications. The amended definition of material states:

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. Earlier application is permitted.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment)

In February 2021, the International Accounting Standards Board (IASB) issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* which were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in June 2021.

The amendments introduce a new definition of 'accounting estimates' to replace the definition of 'change in accounting estimates' and also include clarifications intended to help entities distinguish changes in accounting policies from changes in accounting estimates.

The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

IAS 12 Income Taxes (Amendment)

In May 2021, the International Accounting Standards Board (IASB) issued amendments to the recognition exemptions under IAS 12 *Income* Taxes which were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in September 2021.

The amendments narrowed the scope of the recognition exemption to require an entity to recognize deferred tax on initial recognition of particular transactions, to the extent that transaction gives rise to equal taxable and deductible temporary differences. These amendments apply to transactions for which an entity recognizes both an asset and liability, for example leases and decommissioning liabilities.

The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

IAS 16 Property, Plant, and Equipment (Amendment)

In May 2020, the International Accounting Standards Board (IASB) issued amendments to update IAS 16 *Property, Plant, and Equipment*. The Accounting Standards Board (AcSB) completed its endorsement process and incorporated the amendments into Part I of the CPA Canada Handbook – Accounting in September 2020.

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be available for use. Instead, the proceeds from selling such items, and the costs of producing those items, would be recognized in profit or loss.

The amendments are effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment)

In May 2020, the International Accounting Standards Board (IASB) issued amendments to update IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The Accounting Standards Board (AcSB) completed its endorsement process and incorporated the amendments into Part I of the CPA Canada Handbook – Accounting in September 2020.

The amendments specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract.

These amendments are effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted.

IAS 39 Financial Instruments: Recognition and Measurement (Amendment)

In September 2019, the International Accounting Standards Board (IASB) issued amendments to IAS 39 *Financial Instruments: Recognition and Measurement*, which were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in November 2019. The AcSB incorporated the amendments to IAS 39 into both the (when IFRS 9 application is deferred) version and the (when IFRS 9 is applied) version.

The amendments provide temporary relief from applying specific hedge accounting requirements that could have resulted in the discontinuation of hedge accounting solely due to the uncertainty arising from interest rate benchmark reform.

The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

IFRS Exposure Drafts

Non-current Liabilities with Covenants (Proposed Amendments to IAS 1)

In November 2021, the International Accounting Standards Board (IASB) issued an Exposure Draft (ED) proposing narrow-scope amendments to IAS 1 *Presentation of Financial Statements*. The proposed amendments clarify that the conditions with which an entity must comply within twelve months after the reporting period would not affect classification of a liability as current or non-current. Instead, entities would present separately, and disclose information about, non-current liabilities subject to conditions within twelve months after the reporting period. The ED aims to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with conditions, in addition to addressing concerns about the classification of such a liability as current or non-current. In December 2021, the Accounting Standards Board (AcSB) also issued an ED that corresponds to the IASB's ED on this topic.

An effective date for the proposed amendments has not yet been determined.

Supplier Finance Arrangements (Proposed Amendments to IAS 7 and IFRS 7)

In November 2021, the International Accounting Standards Board (IASB) issued an Exposure Draft (ED) proposing disclosure-only amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* that are intended to complement the requirements in IFRS Standards that apply to reverse factoring and similar arrangements (referred to as "supplier finance arrangements" in the ED). The proposed amendments would require entities to disclose additional information in the notes about these supplier finance arrangements in order to better meet the information needs of users of the financial statements, including information about the effects of these arrangements on an entity's liabilities, cash flows, liquidity risk, and risk management. In December 2021, the Accounting Standards Board (AcSB) also issued an ED that corresponds to the IASB's ED on this topic.

The proposed amendments would affect an entity that, as a buyer, enters into one or more supplier finance arrangements under which the entity, or its suppliers, can access financing for amounts the entity owes its suppliers.

An effective date for the proposed amendments has not yet been determined.

Subsidiaries without Public Accountability: Disclosures (Proposed New Standard)

In July 2021, the International Accounting Standards Board (IASB) issued an Exposure Draft (ED) proposing a new IFRS Standard, *Subsidiaries without Public Accountability: Disclosures*. In December

2021, the Accounting Standards Board (AcSB) also issued an ED that corresponds to the IASB's ED on this topic. The new Standard would permit eligible subsidiaries to apply IFRS Standards with reduced disclosure requirements in their financial statements. These eligible subsidiaries are those that:

- Do not have public accountability; and
- Have an ultimate or any intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Standards.

The IASB believes that the reduced disclosure requirements will save costs for preparers while maintaining the usefulness of financial statements to the users by providing disclosures only designed for those users and eliminating disclosures not designed for them.

An eligible subsidiary that elects to apply the new Standard would continue to apply IFRS Standards with the exception of applying the disclosure requirements in the new Standard.

An effective date for the proposed new Standard has not yet been determined.

Management Commentary (Proposed Revised IFRS Practice Statement 1)

In May 2021, the International Accounting Standards Board (IASB) issued an Exposure Draft (ED) proposing a revised IFRS Practice Statement 1 *Management Commentary* (IFRS Practice Statement 1) that would supersede the existing Practice Statement of the same name.

The proposed revisions will support and provide guidance for an objectives-based approach for management commentary that better meets the changing information needs of investors. The requirements and guidance for management commentary proposed in this ED include:

- Information that is focused on key matters and is material to investors and creditors.
- Information that meets specified disclosure objectives to improve investor and creditor understanding, including information about:
  - The entity's business model (i.e. how the entity creates value and generates cash flows).
  - Management's strategy for sustaining and developing the entity's busines model.
  - The key resources and relationships on which the entity's business model and management's strategy for sustaining and developing that model depend.
  - Risks of events or circumstances that could disrupt the company's business model, management's strategy or the company's resources or relationships.
  - External environment factors that impact or could impact the entity in the above-mentioned areas.
  - The entity's financial performance and financial position.
- Information that is complete, balanced and accurate.

The proposed Practice Statement would supersede IFRS Practice Statement 1 for annual reporting periods beginning on or after the date of its issue. The Practice Statement is not an IFRS and its application is not mandatory. Local law makers and regulators would decide whether to require entities within their jurisdiction to comply with the Practice Statement. Financial statements can comply with IFRSs even if they are not accompanied by management commentary or if they are accompanied by management commentary that does not comply with the Practice Statement.

Lack of Exchangeability (Proposed Amendments to IAS 21)

In April 2021, the International Accounting Standards Board (IASB) issued an Exposure Draft (ED) that proposes amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* (IAS 21). IAS 21 currently specifies the exchange rate to use in reporting foreign currency transactions when exchangeability between two currencies is temporarily lacking, but does not specify the requirements when a lack of exchangeability is not temporary. The proposed amendments will therefore add guidance to specify for entities:

- When a currency is exchangeable into another currency and when it is not;
- How to determine the exchange rate to use when a currency is not exchangeable; and
- The information that should be disclosed when a currency is not exchangeable.

In May 2021, the Accounting Standards Board (AcSB) issued its ED, *Lack of Exchangeability (Amendments to IAS 21),* that corresponds to the IASB's ED on this topic.

The amendments would be applicable from the beginning of the annual reporting period in which it first applies the amendment (date of initial application) and comparative information would not be restated. Earlier application would be permitted.

Disclosure Requirements in IFRS Standards – A Pilot Approach (Proposed Amendments to IFRS 13 and IAS 19)

In March 2021, the International Accounting Standards Board (IASB) published an Exposure Draft (ED) to obtain feedback on its proposed new approach for developing and drafting disclosure requirements in IFRS Standards and new disclosure requirements for IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits*. The ED aims to improve on the 'disclosure problem' which alludes to the concern that financial statements contain not enough relevant information, too much irrelevant information, and ineffective communication of the information provided. In May 2021, the Accounting Standards Board (AcSB) also issued an ED that corresponds to the IASB's ED on this topic.

The proposals in this ED include:

- The proposed new approach;
- Proposed amendments to IFRS 13 that comprise:
    - An overall disclosure objective and specific disclosure objectives for assets and liabilities measured at fair value in the statement of financial position;
    - A specific disclosure objective for assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed; and
    - Items of information to enable an entity to meet the specific disclosure objectives;
- Proposed amendments to IAS 19 that comprise:
    - Overall disclosure objectives for employee benefits in the scope of IAS 19;

- Specific disclosure objectives for defined benefit plans; and
- Items of information to enable an entity to meet the specific disclosure objectives for defined benefit plans; and

- Proposed consequential amendments to IAS 34 *Interim Financial Reporting* and IFRIC 17 *Distributions of Non-cash Assets to Owners*.

An effective date for the proposed amendments has not yet been determined.

Regulatory Assets and Regulatory Liabilities (Proposed New Standard)

In January 2021, the International Accounting Standards Board (IASB) published an Exposure Draft (ED) to propose a new IFRS Standard to replace IFRS 14 *Regulatory Deferral Accounts* that would require certain entities subject to rate regulation to reflect the total allowed compensation which they are entitled for the goods or services supplied in a period as part of their reported financial performance for that period. The intent of this proposal is to allow for a better understanding of the financial performance of an entity that is subject to rate regulation. In March 2021, the Accounting Standards Board (AcSB) also issued an ED that corresponds to the IASB's ED on this topic.

The ED proposes that an entity would recognize in its statement of financial position:

- Regulatory assets— enforceable present rights to add an amount in determining future regulated rates because part of the total allowed compensation for goods or services already supplied will be included in revenue in the future; and
- Regulatory liabilities— enforceable present obligations to deduct an amount in determining future regulated rates because the revenue already recognized includes an amount that will provide part of the total allowed compensation for goods or services to be supplied in the future.
- As a result, an entity would recognize in its statement(s) of financial performance:
- Regulatory income to depict a part of the total allowed compensation for goods or services supplied in the current period that was included in revenue in past periods, or will be included in revenue in future periods; and
- Regulatory expense to depict an amount included in revenue in the current period that provides part of the total allowed compensation for goods or services that were supplied in past periods, or will be supplied in future periods.

In addition, an entity would measure regulatory assets and regulatory liabilities on a modified historical cost basis reflecting updated estimates of future cash flows that will arise from those assets and liabilities.

An effective date for the proposed amendments has not yet been determined.

Lease Liability in a Sale and Leaseback (Proposed Amendment to IFRS 16)

In November 2020, the International Accounting Standards Board (IASB) published an Exposure Draft (ED) to propose an amendment to IFRS 16 *Leases* related to the measurement of a lease liability in a sale and leaseback transaction with variable lease payments. In December 2020, the Accounting Standards Board (AcSB) also issued an ED that corresponds to the IASB's ED on this topic.

The proposed amendment would specify the method a seller-lessee uses in initially measuring the right-of-use asset and liability arising in a sale and leaseback transaction with variable lease payments and how the seller-lessee subsequently measures that liability. The proposed amendment would require a seller-lessee to estimate the variable lease payments it expects to make over the lease term. This proposed amendment aims to provide better clarity for seller-lessees both at the date of transaction and subsequently to ensure consistent accounting for such transactions. The proposed amendment would not change the accounting for leases other than those arising in a sale and leaseback transaction.

An effective date for the proposed amendments has not yet been determined.

General Presentation and Disclosures (Proposed New Revised IAS 1 and Amendments to IAS 7, IFRS 12, IAS 33, and IAS 34)

In December 2019, the International Accounting Standards Board (IASB) published an Exposure Draft (ED) to propose improvements to the way information is communicated in the financial statements, with a focus on information about performance in the statement of profit or loss. In January 2020, the Accounting Standards Board (AcSB) also issued an ED that corresponds to the IASB's ED on this topic.

The ED proposes to replace IAS 1 *Presentation of Financial Statements* with a new standard that introduces new requirements on presentation and disclosures in the financial statements, as well as to amend other IFRS standards, including IAS 7 *Statement of Cash Flows*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting* to reflect these proposals.

The proposed amendments, summarized below, include requirements for entities to:

- Provide three new subtotals in the statement of profit or loss – operating profit or loss, operating profit or loss and income and expenses from integral associates and joint ventures, and profit or loss before financing and income tax.
- Classify income and expenses in the statement of profit or loss into four categories – operating, integral associates and joint ventures, investing, and financing.
- Classify equity-accounted associates and joint ventures as either integral or non-integral to the entity's main business activities.
- Present and disclose information about integral associates and joint ventures separately from non-integral associates and joint ventures.
- Provide better analysis of operating expenses using either the nature of expense method or the function of expense method and to identify and explain in the notes any unusual income or expenses.
- Disclose management performance measures in the notes to the financial statements, including a reconciliation to measures specified by IFRS standards.

- Require use of the operating profit or loss subtotal as the starting point for the indirect method of reporting cash flow from operating activities.
- Remove the classification choice in the statement of cash flows for interest and dividend cash flows.

An effective date for the proposed amendments has not yet been determined. Earlier application would be permitted.

New and Amended Regulatory Developments Related to Financial Reporting

National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure (New)

In May 2021, the Canadian Securities Administrator (CSA) published new National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure (the "Instrument"), a Companion Policy and other related consequential amendments and changes. The Instrument aims to enhance the quality, usefulness, and transparency of the information provided to investors by establishing the comprehensive disclosure requirements for issuers that disclose non-GAAP and other financial measures on a voluntary basis.

The Instrument will:

- Apply to all reporting issuers, except investment funds and certain foreign issuers;
- Apply to non-reporting issuers for certain offering documents and transactions;
- Require specified disclosure for certain financial measures presented outside the financial statements; and
- Apply to disclosures for a financial year ending on or after October 15, 2021 (for reporting issuers) and for certain offering documents or transactions filed after December 31, 2021 (for non-reporting issuers).

The Instrument will be effective on August 25, 2021.

Requests for Comment on Regulatory Developments Related to Financial Reporting

Proposed National Instrument 51-107 Disclosure of Climate-related Matters

In October 2021, the Canadian Securities Administrators (CSA) published a notice requesting comments on proposed National Instrument 51-107 *Disclosure of Climate-related Matters* (NI 51-107) and its companion policy.

The Proposed Instrument aims to introduce consistent, comparable, and decision-useful disclosure requirements regarding climate-related matters for certain reporting issuers. It would apply to all reporting issuers, other than investment funds, issuers of asset backed securities, designated foreign issuers, SEC foreign issuers, certain exchangeable security issuers, and certain credit support issuers.

The Proposed Instrument outlines four core non-financial statement climate-related disclosure elements and related disclosure requirements, which would generally comply with recommendations of the Task Force on Climate-related Financial Disclosures (TCFD):

- Governance
  - The board's oversight of climate-related risks and opportunities; and,
  - Management's role in assessing and managing climate-related risks and opportunities.
- Strategy
  - Where such information is material, the issuer's short, medium, and long term climate-related risks and opportunities and their impact on the issuer's businesses, strategy, and financial planning.
- Risk Management
  - The issuer's processes for identifying, assessing and managing climate-related risks and how those processes are integrated into the issuer's overall risk management.
- Metrics and Targets
  - The metrics and targets used to assess and manage climate-related risks and opportunities, where such information is material;
  - Scope 1, 2 and 3 greenhouse gas (GHG) emissions, and the related risks, or the reasons for not disclosing such information;
    - The CSA is consulting on an alternative approach, which would require disclosure of only Scope 1 GHG emissions;

- The reporting standard used to calculate and disclose GHG emissions including why it is comparable to the GHG Protocol, if it is not the reporting standard that is used.

The location of the proposed disclosures is as follows:

- Climate-related disclosure requirements relating to governance would be included in a reporting issuer's management information circular.
    - If a management information circular is not sent, the disclosures would be provided in the reporting issuer's annual information form (AIF) or, if an AIF is not filed, in their annual management's discussion and analysis (MD&A).
- Climate-related strategy, risk management, and metrics and targets disclosures would be included in the reporting issuer's AIF, or, if an AIF is not filed, in its annual MD&A.
    - A reporting issuer that provides disclosures of GHG emissions as part of these disclosures must use a GHG emissions reporting standard to calculate and report its GHG emissions.

An effective date for the Proposed Instrument has not yet been determined. Application of the proposed disclosure requirements would be phased in after the effective date, using a one-year transition phase for non-venture issuers and a three-year transition phase for venture issuers.

Proposed Amendments to National Instrument 51-102 Continuous Disclosure Obligations and Proposed Framework for Semi-Annual Reporting

In May 2021, the Canadian Securities Administrators (CSA) published a notice requesting comments on proposed amendments to National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102) and other amendments. Additionally, the CSA is seeking feedback on a proposed framework for semi-annual reporting by certain venture issuers, on a voluntary basis. The 120-day comment period expired on September 17, 2021.

The proposed amendments to NI 51-102 are intended to reduce the regulatory burden of disclosure on reporting issuers by streamlining reporting and increasing reporting efficiency, while improving the usability for investors and analysts. The proposed amendments would:

- Combine the financial statements, management's discussion and analysis ("MD&A") and, where applicable, the annual information form ("AIF") into one reporting document called the "annual disclosure statement" for annual reporting purposes, and the "interim disclosure statement" for interim reporting purposes.
    - If a venture issuer intends to be short form prospectus eligible, it would have the option to file either a standalone AIF (in addition to the combined annual financial statements and MD&A) or combine in one filing the annual financial statements, MD&A and AIF.
- Streamline and clarify certain disclosure requirements for the MD&A and the AIF, including:
    - Removing duplication between the financial statements, MD&A and AIF;
    - Removing redundant information; and
    - Clarifying disclosure requirements where requirements are vague or unclear.

- Address perceived gaps in disclosure by adding a small number of new disclosure requirements, including:
    - Venture issuers must provide a description of their business in their MD&A; and
    - New disclosure by entities who record investments at fair value.
- Align certain prospectus form requirements with the proposed changes to the continuous disclosure requirements.
- Other housekeeping revisions.

The proposed semi-annual reporting framework would be available to venture issuers that are not SEC issuers. Eligible venture issuers could elect to report their financial results semi-annually instead of quarterly depending on their situation and investor expectations. An eligible venture issuer which elects to use the semi-annual reporting regime would be required to issue a news release within 60 days of the end of each quarter for which it does not report financial results to:

- Provide an update on its operations, major operating milestones, commitments, unexpected events, and risks that are likely to materially affect operations going forward, and explain any significant changes from previous disclosures regarding the use of proceeds; and
- Disclose information and events that are material, including those related to: the issue or cancellation of any securities; new or modified litigation or liabilities; new or modified financing arrangements; defaults under financing arrangements; changes to the financial condition of the issuer; the inability to pay debts as they become due; and related party transactions.

The final amendments are expected to be published in September 2023, and to be effective on December 15, 2023.

MNP

MADE IN CANADA

And proud of it!

At MNP we’re proud to be the national accounting, consulting and tax firm that is 100% Made in Canada.

Our history defines who we are and our approach to business. Being a Canadian firm has helped shape our values, our collaborative approach, and the way we work with our clients, engaging them every step of the way.

We have a unique perspective. Our decisions are made here – decisions that drive Canadian business and help us all achieve success — and we know the impact that our choices have on the cities and towns we call home.

Throughout our six decades of work, we’ve seen our communities are more than just a place we do business in. They’re a place where our families live, play, and thrive, and we work to make them the best places they can be.

Being 100% Canadian is something we wear proudly. This country provides us with great opportunities, and we’re here to help our clients seize the opportunities so we can create a brighter future for the generations to come.


MNP