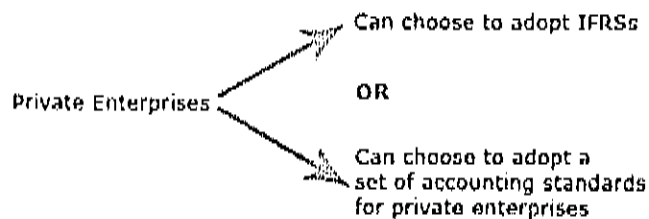
CANADIAN
SOCIETY OF
CHARTERED ACCOUNTANTS

Private Enterprises

Private enterprises reporting under Canadian GAAP can choose between two sets of standards: accounting standards for private enterprises (ASPE) or International Financial Reporting Standards (IFRSs).



ASPE were developed to meet the specific needs of private enterprises and users of their financial statements. Notable changes, as compared to pre-changeover standards, include simplification of recognition, measurement and presentation in areas that were identified as being overly complex, for example, accounting for financial instruments. The new standards also significantly reduce the burden of disclosure requirements.

Private enterprises are required to adopt ASPE or IFRSs for fiscal years beginning on or after January 1, 2011.

Resources and training opportunities are available to assist private enterprises and accounting professionals.

INTRODUCTION

This document is intended to help enterprises that will use the new Accounting Standards for Private Enterprises (ASPEs) analyze the various options available and make informed decisions.

These new accounting standards simplify a number of concepts that were previously included in Part V of the *CICA Handbook - Accounting*. The disclosure requirements have been significantly reduced in the new set of accounting standards to take account of the unique private enterprise environment. The concept of differential reporting has been replaced by accounting policy choices or by simplified requirements.

These new standards were also designed to encourage their adoption by enterprises that had previously opted for non-GAAP financial reporting (often used in compilation engagements). Many entities moved away from GAAP because they believed that the costs of presenting GAAP-compliant financial statements outweighed the benefits for users. Under the new standards, the costs to prepare financial statements are lower, which should result in broader application among private enterprises.

Many private enterprises do not have complex transactions. Although it is important for private enterprises to understand the implications of the new standards and how they affect their business, many small businesses applying the pre-changeover accounting standards will not be significantly affected and might see virtually no change to their financial statements.

It is important to understand the options available under the new set of accounting standards before preparing the opening balance sheet. Some of the choices affect the accounting in both current and future years and others apply only to the opening balance sheet presentation on the date of transition to ASPEs.

More specifically, the choices and decisions to be made in applying these standards revolve around the following two questions:

1. What are the transitional options available on first-time adoption of the standards that could be used?
2. What are the main accounting policy choices available in applying ASPE on an ongoing basis and which ones should be selected?

This document summarizes, by decision type, the various options available and provides numerical examples.

When making decisions about the accounting policy choices, private enterprises should communicate with their lenders and other users of their financial statements to ensure their needs for information will be taken into consideration and that they will be aware of the potential changes in the financial statements and their impact on financial ratios and debt covenants.