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Our ref KK/288
Contact Katja van der Kuij

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Dear Ms Fox

Exposure Draft 53 – First time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)

Summary comments

We appreciate the opportunity to respond to the International Public Sector Accounting Standards Board's ('IPSASB' or the 'Board') Exposure Draft ('ED') *First-Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS)*, dated October 2013. We have consulted with, and this letter represents the views of, the KPMG network.

While we generally are supportive of the draft, we have identified specific matters that we believe merit further consideration. These follow below.

Overall Comments

We agree with the general guidance and approach proposed, which is for a comprehensive set of principles that provides relief to entities that adopt accrual basis IPSASs in their financial statements for the first-time.

We believe it is essential for an entity to comply with each effective IPSAS on the date of adoption of the IPSAS framework. However, limited exemptions from requirements should be granted in certain areas where the cost of complying would be likely to exceed the benefits to users of financial statements. It is also sensible to prohibit retrospective application of IPSASs in certain areas, particularly where retrospective application would require judgments by management about past conditions.

One of the fundamentals for a transitional standard must be to ensure that the adjustments required from previous reporting frameworks to IPSASs are transparent to the users of the financial statements. The rationale for conversion to IPSAS centres on the anticipated benefits to Public Sector entities of reporting using a single high quality global set of accounting standards and an awareness that the consistent application of a unique set of standards should aid comparability of reported entities.

Paragraph 128 confirms that a key aim for the standard is to '*assist users to track the progress of the first-time adopter in conforming its accounting policies to the requirements in the applicable IPSASs during the period of transition.'*

We understand the challenge the Board faces in encouraging governments to move forward and adopt the IPSAS accounting framework, and at the same time ensuring users and auditors of the financial statements have a transparent, comparable and internally consistent set of financial reporting standards to review during transition to IPSAS.

Whilst we understand the Board's desire to simplify the process of transition, our overall view is that the transitional relief period of three years is too short a timeframe for full compliance under IPSAS for many public sector entities. It may help if the Board explains its rationale used to determine a transitional period of three years. Public Sector entities may not have the necessary accounting or change-management experience to ensure full compliance to IPSAS within a three year transitional period. We therefore believe many developing countries may find compliance difficult with a three year transition threshold.

We also note that there are currently different transitional time-lines across specific IPSASs. For example, IPSAS 17 and IPSAS 23 have a five year transition period, whereas IPSAS 6 and IPSAS 8 have a three year transition period. To overlay a further three year period per ED53 for the transitional first-time adoption of all standards may add confusion to the preparers of the IPSAS first-time financial reports.

We discuss below two alternative approaches to transition government entities to accrual basis IPSAS. Our 'preferred' treatment would require entities to name a date of full IPSAS adoption and not include transitional adjustments in the financial statements. However in the event that you consider this will not be enough encouragement for some countries to transition, our suggested 'alternative' approach allows for transitional adjustments to be included within the financial statements but would have a five year, rather than a three year, transitional relief period.

Preferred Transitional Approach

We have helped many organizations move between accounting frameworks in multiple jurisdictions. From our experience, a 'preferred transitional approach,' is a 'disclosure approach' to transition, to clearly articulate and disclose, in the reporting periods prior to full adoption of a new set of accounting standards, the potential adjustments and reconciliations from the old reporting framework to the new reporting accounting standards as and when the amendments are determined during the transition period. We consider a transition period of five years to be more realistic, with options to have a shorter period. However, on the date of transition a full adoption of the new framework is undertaken. The date of transition should be the beginning of the earliest comparative period to be presented in the financial statements.

This preferred approach allows preparers of first-time accrual based IPSAS statements to benefit from being able to work on their IPSAS conversion projects without the scrutiny and pressure of IPSAS transitional external financial reporting and auditing. Under our preferred approach, preparers would still be required to outline the key transitional issues, decisions and possible impacts as they progress towards a given transition date, but the clarity of full compliance under

IPSAS at one point in time would benefit both those preparing and those using the financial reports. A mandatory disclosure of specific commitments to complete particular aspects of the transition and reporting against this might be helpful to prevent transition fatigue and failure to complete the transition.

While the disclosures relating to progress should be subject to the same audit procedures as other financial statement disclosures, this is not the same level as required to express an audit opinion on assets, liabilities, revenues and expenses recognized in the financial statements. Such a transitional method also means that once transition is completed all entities are genuinely comparable, whereas the Board's proposed method means comparability is likely to be unachievable.

One recent example for the Board to consider of this preferred approach by standard setters (i.e. relating to guidance for issuers on disclosure of expected changes in accounting policies), is the Canadian Securities Administrators issued CSA Staff Notice 52-320 in 2008. This provided 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 that would only take place three years later in 2011.

This CSA notice applied to each financial reporting period in the three years prior to the enterprises changeover to IFRS. This approach allowed disclosure on the run-up to conversion, rather than piece-meal transitional standard adoption currently proposed by the Board.

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Alternative Transitional Approach

As an 'alternative transitional approach' we believe it may be possible to include the exemptions noted in the ED that affect fair presentation and compliance with accrual basis IPSASs during the period of transition (paragraphs 25 to 60). However, we would not require a three year transition period upon reporting entities wanting to transition to IPSAS. Instead we would leave the date of full IPSAS compliance up to the Public Sector entity preparing the financial statements, but to a maximum five year transition relief period, permitting a shorter period to be adopted.

This alternative approach would result in a set date for full compliance to IPSAS, and encourages adoption of IPSAS, but allows entities to report on the suite of IPSAS standards chosen for adoption by them over a longer period than is currently suggested. This piece-meal transition would present financial information on a disclosed accounting policy basis throughout the period of gradual IPSAS adoption. While potentially causing transparency issues both for

[1] Attachment: **CSA Staff Notice 52-320 - Disclosure of Expected Changes in Accounting Policies Relating to Changeover to International Financial Reporting Standards**

users and auditors (hence it is not our preferred approach), it would allow momentum by preparers for accrual based IPSAS accounting policies.

If either approach is adopted, we would strongly recommend the Exposure Draft should include a requirement to disclose:

- a narrative description of the differences between the policies adopted during the transitional financial statements and the full requirements of IPSAS;
- The entity's action plan and timetable to adopt IPSAS fully; and
- The changes made to the policies since the previous report.

We would also recommend the IPSASB should work with the IAASB to develop a model audit report for reporting on transitional financial statements.

Both our 'preferred' and 'alternative' approaches noted above allow public sector entities to transition to IPSAS in a controlled way, but also allows a best-fit of framework conversion to the resources available to the specific entity. Either approach ensures the financial statements fully disclose the adjustments from the previous accounting frameworks, but without a three-year time limit imposition, which may not be appropriate given different global start-points and circumstances for conversion to full IPSASs.

Our comments on the specific matters for comment are set out below.

Specific Matter for Comment 1:

The objective of this Exposure Draft is to provide a comprehensive set of principles that provides relief to entities that adopt accrual basis IPSASs for the first time.

(a) Do you agree with the proposed transitional exemptions included in the Exposure Draft; and

(b) Do you believe that the IPSASB achieved its goal in providing appropriate relief to a first time adopter in transitioning to accrual basis IPSASs?

We agree with the objectives as outlined by the Board that provision of transitional relief is most helpful to preparers of IPSAS accrual financial statements.

Exemptions that affect fair presentation and compliance with accrual basis IPSASs during the period of transition

For those exemptions that do affect the fair presentation (ED paragraphs 25 to 60), we would note the summary comment above that we believe the stated three year transitional approach is not helpful, either to the users of the financial statements, or those who prepare them. Our two preferred alternative approaches are outlined above.

Given that overall context, our comments on the individual exemptions noted in paragraphs 25 to 60 are as follows.

Paragraph 25 indicates that the exemptions 'will affect fair presentation ***until the exemptions that provided the relief have expired*** and/or when the relevant items are recognized and/or measured in accordance with the applicable IPSAS (whichever is earlier).' It would perhaps be more appropriate to state 'when the relevant items are recognized and/or measured in accordance with the applicable IPSAS' since preparers will have recognized the items when the exemption has expired. The same wording is used in paragraphs 8, 11, 28, 31, 36, 41, 42, 43, 54, 55, 56, 57.

In paragraph 32 it is not clear whether a first-time adopter will be allowed to apply the transition rules to assets or asset categories. Will a first-time adopter be able to recognize specific assets through the transitional period in different ways (e.g. combining old non-IPSAS framework rules and, for example, IPSAS 17)? It would be helpful for the Board to make clear whether the requirements of paragraph 32 can be applied to specific assets or to asset categories (such as land, buildings, plant and equipment etc) or to the assets listed in paragraph 32 (a) to (g).

Paragraph 54 states: '*Where a first time adopter takes advantage of the exemption in paragraph 32… it is not required to apply the requirements related to finance leases...*'.

However, when reading paragraph 55, reference is only made to assets. Requirements relating to a finance lease relate to both the asset and the related liability. Therefore, paragraph 55 should be drafted such that it also includes liabilities relating to leased assets.

Exemptions that do not affect fair presentation and compliance with accruals basis IPSASs

For those exemptions that do not affect the fair presentation, namely paragraph 61 onwards, we have the following comments. However, in summary, these exemptions are at a level that will bring appropriate relief to the adoption of accrual based IPSASs.

Deemed cost exemption

Paragraph 7 of the Exposure Draft defines deemed cost as *'an amount used as a surrogate for acquisition cost or depreciated cost at a given date.'* Paragraph 64 goes on to state that a first time adopter may elect to use fair value as deemed cost **when reliable cost information about the asset is not available**, for various assets including property, plant and equipment.

We believe the ability only to use fair value as deemed cost when reliable cost information is unavailable, is too restrictive and does not align with the available options as outlined under IFRS 1. The option to use fair value as deemed cost should be a choice made available to entities undergoing transition to IPSAS rather than having to prove the burden of unavailable information.

Paragraph 70 also states that where evidence of fair value is not available then alternate measurement of current replacement cost or depreciated cost is available, but this paragraph only applies for inventory and investment property – not property, plant and equipment.

We would firstly question why is paragraph 70 only applicable to inventory and investment property? We would also note that IFRS 13 Appendix B8 notes that '*the cost approach reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).'* As such the ability to use depreciated replacement cost should be allowed as a measurement of fair value for deemed cost use.

Paragraph 72, on deemed cost for non-exchange transactions, states: '*A first time adopter may elect to measure an asset acquired through a non-exchange transaction at its fair value when* *reliable cost information about the asset is not available and use fair value as deemed cost*.' It would be helpful if the IPSASB would confirm the date at which fair value should be recognised is either at the time that the non-exchange transaction occurred or at the date of the IPSAS adoption, or that could be a choice of the adopting entity between those dates, so long as the date is disclosed.

Comparative Information

Paragraph 75 states that '*A first-time adopter is encouraged, **but not required**, to present comparative information.*' Paragraph 80 also states that, *'A first-time adopter may present comparative information in accordance with its previous basis of accounting. In any financial statements containing comparative information in accordance with the previous basis of accounting, the first-time adopter shall label the information prepared using the previous basis of accounting information as not being prepared in accordance with IPSASs, and disclose the nature of the main adjustments that would be required to comply with IPSAS.'*

IPSAS 1 requires an entity to present comparative information in respect of the previous period, and our concern is that current and comparative information would not be comparable should two different accounting frameworks be presented.

The inclusion of comparatives under different frameworks of standards is not likely to add value for the users of financial statements to base economic decisions upon. This will bring complexity to both the preparers and auditors of those financial statements. We would propose that comparative information is presented on a consistent basis with current period financial information. Our preferred alternative transition method noted above would address this issue, by having the date of transition being the beginning of the first comparative period presented in the financial statements.

IPSAS 6 Consolidated and Separate Financial Statements

Paragraph 88(a) of the Exposure Draft states that *'If a controlled entity becomes a first-time adopter of IPSAS later than its controlling entity, the controlled entity shall, in its financial statements, measure its assets and liabilities at the carrying amounts determined in accordance with this Standard that would be included in the controlling entity's consolidated financial statements, **based on the controlled entity's date of adoption** of IPSAS*.'

By contrast, IFRS 1 D16(a); First Time Adoption of International Financial Reporting Standards states that *'the carrying amounts that will be included in the consolidated financial statements should be based on the **parent's date of transition** to IFRS when the subsidiary becomes a first time adopter at a date later than its parent.'*

As such, we believe that the carrying amounts of the controlled entity's assets and liabilities should be based on date the **controlling entity** adopts IPSAS.

Furthermore, the last sentence of paragraph 89 reads as follows: '*if a **controlled entity** becomes a first-time adopter for its separate financial statements earlier or later than for **its consolidated financial statements**, it shall measure its assets and liabilities at the same amounts in both financial statements, subject to the exemptions that may be adopted in this Standard, except for consolidation adjustments.'*

We believe the sentence currently reads as if the controlled entity will prepare the consolidated financial statements, which should be adjusted in the final standard.

Disclosures and Reconciliations

Paragraph 130 allows a first time adopter that has applied the cash basis of accounting to not present reconciliations to accrual based IPSAS financial statements. However paragraph 135 states that where a three year transitional relief is allowed, that all items that have been recognized shall be presented in the notes to the financial statements. This would appear contradictory and we would encourage that all transitional financial statements are reconciled to the previously approved financial statements under either an alternative framework or a cash basis of reporting.

It is not clear in paragraph 126 to 128 whether these disclosure requirements are required in the first year of adoption of IPSAS or over all three year transitional periods. We suggest that IPSASB provide clarity on that disclosure requirement in the three year transitional period.

Other matters

We note for reference the typos in paragraphs 131 (should read 130), 132 (should read 130), and 136 (should read 135).

There is a typing error in paragraph 104, which states '*All cumulative actuarial gains and losses shall be recognized in opening accumulated surplus or deficit in the period in which the items are recognized and/or **recognized**.*' The paragraph should state '*the items are recognized and/or **measured**.*'

There is a typing error in paragraph 44, which ends '*A first-time adopter.'*

There appears to be a typing error in paragraph 61, which states '*A first-time adopter **is required, or may elect** to take advantage of the exemptions in paragraphs 62-125.'* We would expect the 'is required' to be deleted.

Paragraph 69 states '*The exemption in paragraph 67 refers to fair value.*' However there are many other paragraphs containing references to fair value and we would suggest this sentence is deleted.

Specific Matter for Comment 2

The IPSASB agreed that there should be a differentiation between those transitional exemptions that do not affect the fair presentation of a first-time adopter's financial statements and its ability to assert compliance with accrual basis IPSASs, and those that do.

(a) Do you agree with the proposed differentiation and how it is addressed in the Exposure Draft, and

(b) Do you agree that the individual categorization is appropriate?

We agree with a clear differentiation between those transitional exemptions that do not affect the fair presentation of a first-time adopter's financial statements and its ability to assert compliance with accrual basis IPSASs, and those that do allow an assertion for full IPSAS compliance.

We note that we have found the wording in the ED to be somewhat difficult to follow and requires repeated reading to digest the nature of the relief provided. We suggest the final standard may benefit from a similar structure to that used currently in IFRS 1. The overarching principles should be stated clearly with the details regarding exemptions for relief provided in an appendix similar to IFRS 1. As a result, the three year transition period could be stated briefly in the overarching principles but the details on how the transition works and how the financial statements are presented during the transition period may be included in an appendix.

Specific Matter for Comment 3

This Exposure Draft proposes a relief period of three years for the recognition and/or measurement of specific assets and/or liabilities in allowing a first-time adopter to transition to accrual basis IPSASs. Do you agree that a relief period of three years is appropriate? If not, please indicate the time frame that, in your view, would be appropriate, supported with the reason for the longer or shorter transitional relief period.

We believe that the proposed three year transition period has its challenges, as discussed above. We believe that a preferred approach for both users and preparers of first-time IPSAS financial statements would be to have up to five years of transitional relief, but the choice of determining transition date should be open, and that once an entity moves onto the IPSAS framework it must ensure that it is able to state a full compliance with accrual based IPSAS.

However, given the desire to move Public Sector entities towards IPSAS as a reporting framework, an alternative approach would be to leave the date of full IPSAS compliance up to the Public Sector entity preparing the financial statements, but within a maximum allowed relief window of five years.

We appreciate the opportunity to respond to this Exposure Draft. Please contact Archie Johnston at +1 604 527-3757, Peter Greenwood at +1 604 691 3187, or Katja van der Kuij at +44 207 311 8471 if you wish to discuss any of the issues in this letter.

Yours sincerely

KPMG IFRG Limited

KPMG IFRG Limited

1.1.2 CSA Staff Notice 52-320 - Disclosure of Expected Changes in Accounting Policies Relating to Changeover to International Financial Reporting Standards

CSA STAFF NOTICE 52-320
DISCLOSURE OF EXPECTED CHANGES IN ACCOUNTING POLICIES
RELATING TO CHANGEOVER TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Purpose

This notice provides guidance to an issuer on disclosure of expected changes in accounting policies relating to an issuer's changeover to International Financial Reporting Standards (IFRS) as the basis for preparing its financial statements. This guidance applies to disclosure relating to each financial reporting period in the three years before the first year for which an issuer prepares its financial statements in accordance with IFRS.

Background

The Canadian Accounting Standards Board recently confirmed January 1, 2011 as the date IFRS will replace current Canadian standards and interpretations as Canadian generally accepted accounting principles (Canadian GAAP) for publicly accountable enterprises (which include investment funds and other reporting issuers). As discussed in CSA Concept Paper 52-402 *Possible changes to securities rules relating to International Financial Reporting Standards*, the Canadian Securities Administrators (the CSA) is considering allowing domestic issuers to adopt IFRS at an earlier date.

Changing from current Canadian GAAP to IFRS will be a significant undertaking that may materially affect an issuer's reported financial position and results of operations. It may also affect certain business functions. Investors and other market participants will need timely and meaningful information about these matters during the reporting periods leading up to an issuer's changeover to IFRS.

Disclosure of changeover to IFRS by issuers other than investment funds

Form 51-102F1 *Management's Discussion & Analysis* (the MD&A form or 51-102F1) requires an issuer to discuss and analyze any changes in the issuer's accounting policies that the issuer has adopted or expects to adopt subsequent to the end of its most recently completed financial year, including changes due to a new accounting standard that the issuer does not have to adopt until a future date. Changes in an issuer's accounting policies that an issuer expects to make on changeover to IFRS are changes due to new accounting standards and therefore fall within the scope of section 1.13(a) of the MD&A form. That section specifies that the discussion and analysis should include:

- a description of the new accounting standard,
- disclosure of methods of adoption permitted and the method the issuer expects to use,
- discussion of expected effects on the issuer's financial statements, and
- potential effects on the issuer's business.

The MD&A form requirements apply to annual and interim MD&A filed by a reporting issuer in compliance with National Instrument 51-102 *Continuous Disclosure Obligations* as well as MD&A in the form of 51-102F1 that is included in a prospectus filed in compliance with Form 41-101F1 *Information Required in a Prospectus*.

CSA staff recognize that an issuer will likely be able to provide only limited information on the topics specified in section 1.13(a) in its MD&A three and two years before the first day of an issuer's financial year for which financial statements are prepared in accordance with IFRS (issuer's changeover date). An issuer will generally be able to provide more detailed information about the expected effects of IFRS on its specific circumstances in its MD&A for interim and annual periods of the year before the issuer's changeover date. As an issuer moves closer to its changeover date, the issuer should consider how it might make available meaningful quantified information to allow investors to understand the impact of IFRS on the issuer's financial statements. The following sections describe this incremental approach to disclosure for the reporting periods prior to adoption of IFRS.

This guidance applies to an issuer whose changeover date is on or after January 1, 2011. It also applies to an issuer that adopts IFRS earlier if permitted by the CSA, to the extent that the periods referred to in the guidance have not already passed.

While this notice focuses on disclosure in MD&A, we encourage an issuer to consider whether additional disclosure beyond MD&A might contribute to informing investors about how the issuer expects it will be affected by changeover to IFRS. An issuer should also consider whether requirements in securities legislation other than section 1.13 of the MD&A form might also require the issuer to disclose specific information about the broader implications of its changeover to IFRS.

Interim and annual MD&A three years before changeover to IFRS
(e.g., the interim and annual periods of the financial year ending December 31, 2008 in the case of an issuer that will change to IFRS for its financial year beginning January 1, 2011)

If at the time of preparing its MD&A for the interim periods of the financial year beginning three years before the issuer's changeover date, an issuer has developed an IFRS changeover plan, the issuer should discuss in the interim MD&A the key elements and timing of its plan. No later than in its annual MD&A for the year beginning three years before an issuer's changeover date, the issuer should discuss the status of the key elements and timing of its changeover plan. Key elements of an issuer's plan may address the impact of IFRS on:

- accounting policies, including choices among policies permitted under IFRS, and implementation decisions such as whether certain changes will be applied on a retrospective or a prospective basis,
- information technology and data systems,
- internal control over financial reporting,
- disclosure controls and procedures, including investor relations and external communications plans,
- financial reporting expertise, including training requirements, and
- business activities, such as foreign currency and hedging activities, as well as matters that may be influenced by GAAP measures such as debt covenants, capital requirements and compensation arrangements.

If at the time of preparing its MD&A for the interim and annual periods in the financial year beginning three years before an issuer's changeover date, an issuer is well advanced in its IFRS changeover project, then the issuer should discuss the impact of IFRS changeover on its financial reporting.

Interim MD&A two years before changeover to IFRS
(e.g., the interim periods of the financial year ending December 31, 2009 in the case of an issuer that will change to IFRS for its financial year beginning January 1, 2011)

An issuer should provide an update of progress on its IFRS changeover plan and any changes in its plan, in the issuer's MD&A for interim periods of the financial year beginning two years before the issuer's changeover date.

Annual MD&A two years before changeover to IFRS
(e.g., the financial year ending December 31, 2009 in the case of an issuer that will change to IFRS for its financial year beginning January 1, 2011)

To comply with section 1.13 of the MD&A form, an issuer should discuss in its MD&A for the financial year beginning two years before an issuer's changeover date, the issuer's preparations for changeover to IFRS. Relevant details include those discussed in the preceding two sections. In addition, an issuer should describe the major identified differences between the issuer's current accounting policies and those the issuer is required or expects to apply in preparing IFRS financial statements. Such differences include any difference due to an expected change in accounting policy even though the issuer's existing policy under Canadian GAAP is permissible under IFRS. While such information may be narrative only at this stage, it should enable an investor to understand the key elements of the issuer's financial statements that will be affected by the changeover to IFRS. In identifying the accounting policies that an issuer is required or expects to apply under IFRS, an issuer should consider IFRS as they exist at the date the issuer prepares its MD&A. When an issuer believes it is also appropriate to consider the potential impact of projects that the International Accounting Standards Board currently has in process in identifying the accounting policies the issuer expects to apply on initial adoption of IFRS, the issuer should disclose any assumptions made about future changes to IFRS.

Annual and Interim MD&A for the year before changeover to IFRS
(e.g., the interim and annual periods of the financial year ending December 31, 2010 in the case of an issuer that will change to IFRS for its financial year beginning January 1, 2011)

To comply with section 1.13 of the MD&A form, an issuer should provide an updated discussion of the issuer's preparations for changeover to IFRS in its annual and interim MD&A for the financial year beginning one year before an issuer's changeover date. Relevant details include those discussed in the preceding sections. By this time, an issuer will generally be able to discuss in more detail the key decisions and changes the issuer has made, or will have to make, relating to the changeover to

IFRS. The issuer's discussion of changes relating to accounting policies should include decisions about accounting policy choices available under IFRS 1 *First-time Adoption of International Financial Reporting Standards* and other individual IFRS standards that are relevant to the issuer.

IFRS 1 requires disclosure of comparative and reconciliation information in the interim and annual financial statements of the year beginning on an issuer's changeover date. To comply with this requirement, an issuer will need to prepare quantified information about the impact of IFRS on each line item presented in the financial statements for the interim and annual periods of the year preceding changeover (e.g., for the year ending December 31, 2010 in the case of an issuer that will change to IFRS for the financial year beginning January 1, 2011). If an issuer has quantified information about the impact of IFRS on the key line items in the issuer's financial statements available when it prepares its interim and annual MD&A for the financial year beginning one year before an issuer's changeover date, an issuer should include this information in its MD&A.

Disclosure of changeover to IFRS by investment funds

An investment fund that is a reporting issuer is required under item 2.4 of Form 81-106F1 *Contents of Annual and Interim Management Report of Fund Performance* (MRFP) to discuss developments affecting the investment fund. As well, section 2.1(2) of Companion Policy 81-106 *Investment Fund Continuous Disclosure* discusses disclosure in an investment fund's financial statements and indicates that an investment fund should include information necessary to ensure disclosure of all material information concerning the financial position and results of the investment fund. An investment fund should discuss the changeover to IFRS for each fund or fund family in either the MRFP or the notes to the financial statements.

In the annual and interim filings three, two and one year(s) before changeover, as appropriate, an investment fund should disclose relevant information about its changeover to IFRS, including:

- the key elements and timing of its changeover plan,
- impact on business arrangements,
- impact, if any, on net asset value per unit,
- accounting policy and implementation decisions the fund will have to make,
- major differences the fund has identified between its current accounting policies and those it expects to apply under IFRS, and
- progress made on the fund's changeover plan.

In the year before changeover, disclosure should include quantitative impact of the changeover to IFRS. Consistent with Instructions for the MRFP, disclosure should be clear and concise, focusing on specific material information, risks and uncertainties to enable readers to better assess the impact on the investment fund.

May 9, 2008