

## **In race to meet International Financial Reporting Standards (IFRS) deadline, many companies are running to the finish line**

**August 31, 2010** — A recent report on Canadian companies in their four-month race to convert to International Financial Reporting Standards (IFRS) indicates that small and medium-sized companies are not as far along in their conversions as large companies. That's one of the many findings from a research study titled *IFRS Readiness in Canada: 2010* conducted by the Canadian Financial Executives Research Foundation (CFERF), the research institute of Financial Executives International Canada (FEI Canada), and sponsored by PricewaterhouseCoopers (PwC).

One worrisome find was that nearly one in three companies with revenues of less than \$49 million said they did not have the resources required to implement the conversion. As of the spring of 2010, only half of public companies were 60% of the way along the conversion project.

"The CFERF research report shows that smaller companies are facing more resource constraints and they'll be the ones that may be more challenged to meet the impending January 2011 deadline unless they find more internal help or reach outside their organizations," says Diane Kazarian, PwC Canada's National IFRS Leader. The IFRS survey also indicates that some industries—for example insurance and utilities—are much further ahead than others.

The conversion to IFRS could also result in some significant changes. For example, 28% of Canadian companies anticipate a decrease in reported net income, 22% expect earnings per share to fall and 28% expect an increase in pension liabilities in the first year of adoption. CFOs' communication with management, shareholders, analysts and other stakeholders will need to be robust during the next four months to explain these changes to financial reporting and the transition process.

"As we move into the latter stages of the conversion, companies will need to spend more time communicating the key changes," says Michael Conway, Chief Executive and National President, FEI Canada. "The numbers, formats and notes that analysts and shareholders will see on financial statements will change and CFOs will have to make communication their priority," he says, referring to one of the study's findings showing that only 23% of respondents had spoken to analysts about the potential impact of IFRS on their company's financial results.

Canadian firms that are closer to completion include larger public companies and those in rate regulated sectors. The survey shows that all respondents with annual revenues of more than \$20 billion were more than 60% complete, compared to 41% in the \$50-\$249 million range who were more than 60% complete. One-third of private companies that will adopt IFRS had completed 60% or more of the transition. "Given that there is not a lot of time left, a number of companies may be challenged to meet the conversion date," points out PwC's Kazarian.

This CFERF study is the third in its series covering IFRS conversion activities in Canada. The results are based on responses from 146 senior financial executives across Canada who completed the survey in March and April of this year.

For more information please visit [www.feicanada.org](http://www.feicanada.org) or [www.pwcifrs.ca](http://www.pwcifrs.ca)

[Click here](#) for the full research report.

### **About The Canadian Financial Executives Research Foundation (CFERF)**

CFERF is the research institute of Financial Executives International Canada (FEI Canada), the all-industry professional membership association for senior financial executives that provides professional development, thought leadership and advocacy services to its over 2,000 members. CFERF's primary objective is to study emerging financial management issues in Canada with the aim of increasing the competitive capabilities of Canadian companies across the country. Further information can be found at [www.feicanada.org](http://www.feicanada.org)

### **FEI Canada**

The Financial Executives International Canada (FEI Canada) is the all industry professional membership association for senior financial executives. With eleven chapters across Canada and more than 2,000 members, FEI Canada provides professional development, thought leadership and advocacy services to its members. The association membership, which consists of Chief Financial Officers, Audit Committee Directors and senior executives in the Finance, Controller, Treasury and Taxation functions, represents a significant number of Canada's leading and most influential corporations. Further information can be found at [www.feicanada.org](http://www.feicanada.org).

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