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# ISSUES IN PRIVATE COMPANY REPORTING

## CFERF Executive Research Report

April 2009

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# Acknowledgements

We gratefully acknowledge the efforts of our survey respondents and our forum participants who took valuable time away from their day jobs to participate in this work. It is also our good fortune to have benefitted from consultations with the FEI Canada Committee on Corporate Reporting (CCR) and more specifically, the Sub-Committee on Private Company GAAP as well as the invaluable and ongoing input of Bob Young, Partner – Risk Management and Professional Practice at KPMG Enterprise. We would also like to make special mention of the valued participation at the CFERF Executive Research Forum of Dr. Barry Gorman, Forum Chair and Chairman of the Board of CFERF as well as Mark Walsh – Principal – Accounting Standards, CICA and Peter Martin, Director Accounting Standards, CICA. Last but not least, we are particularly grateful to our research partner, KPMG Enterprise™ without whom this study would not have been possible.



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# Issues in Private Company Reporting

## CFERF Executive Research Report

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# Executive Summary

The Canadian Accounting Standards Board (AcSB) is finalizing the development of a "made in Canada" private company GAAP option for companies that choose not to adopt IFRS; the model will simplify recognition and/or measurement treatments in a variety of areas. The new standards are expected to be available for early application for fiscal years ending Dec. 31, 2009. They will incorporate changes in accounting for financial instruments and certain types of pension plans, and maintain or enhance existing reporting options for goodwill and other intangible assets, income taxes, subsidiaries, joint ventures, and other investments. The remaining recognition and measurement standards will follow the existing CICA Handbook with few, if any modifications.

While some private company financial executives applaud the simplification of what were considered very complex rules that were not really necessary in a private company environment, others have expressed concerns that the "made in Canada" option will create difficulties in obtaining equity and debt financing, if the standards differ significantly from public company GAAP (IFRS). One in four private companies responding to our survey said that they will adopt IFRS; this drops to one in five for companies with less than $49 million of annual revenue.

The purpose of this study is to present the insights of financial executives from private and public companies on the implications of the proposed changes, and to provide this feedback to the AcSB. In so doing, we hope to make a valuable contribution to the standard setting process in Canada. We also provide commentary on certain aspects of the current level of financial statement disclosure under Canadian GAAP, the proposal to require disclosure of executive compensation, and finally, the evolving role of the private company CFO. A survey conducted by the Canadian Financial Executives Research Foundation (CFERF) and sponsored by KPMG Enterprise™, of 303 senior private and public company financial executives from across the country, combined with the insights obtained at an Executive Research Forum that was held in Toronto on Feb. 24, 2009, form the basis for this report.

Our results reflect the debate over whether or not private company GAAP should be consistent with public company GAAP in Canada. It is significant that more than half of the survey respondents thought that consistency between Canadian private company GAAP and the IFRS was important. Fewer executives (42%) from smaller companies felt that consistency was important.

The most commonly cited reason for adopting IFRS versus private company GAAP was for the purposes of raising debt or equity capital. Executives from smaller companies were more likely to hold the view that the potential costs of adopting IFRS would outweigh the benefits, and this could be a potential roadblock to raising capital on public exchanges. This supports other research and anecdotal evidence that shows that adopting IFRS is seen as more burdensome by smaller companies. The over-arching theme for private companies who are considering adopting IFRS is whether or not it meets their business case. For those who intend to go public, then IFRS adoption will be mandatory. However, for those who have the option, the costs will be examined in light of whether or not companies need to adopt IFRS for financing purposes, for ease of preparing the financial statements due to the international structure of the company, or the need to compare results against other companies who have adopted IFRS.

Canadian Generally Accepted Accounting Principles have historically provided certain "differential reporting options" for private companies to exempt them from the application of accounting principles where the costs of application are perceived to exceed the benefits. While the majority of financial executives in this study (60%) agreed that allowing differential reporting options reduced comparability of financial reporting between entities, most – an albeit smaller majority at 55% – still said that this was acceptable. Differential reporting was seen to be acceptable when the reporting was consistent over time, where the differential reporting options were limited in scope and widely understood by informed users, where the differences between the different options and regular GAAP are appropriately disclosed, and where the financial statements are not widely distributed.

The study also examined how financial executives perceived the current level of disclosure of financial information under Canadian GAAP, and the vast majority (80%) said that it was sufficient. Respondents did provide observations regarding enhancing disclosure of cash flows, including;

- to provide more information on future cash flows;
- less discretion in grouping, particularly as it relates to changes in working capital, greater emphasis on cash from operations apart from adjustments below the line;
- to include information on after-tax cash flows;
- to provide a better explanation of changes in cash position;
- more direction on EBITDA;
- cash flow per share; and
- note disclosure summarizing major sources and initiatives of positive and negative cash flows as well as overall commentary on liquidity including details on risk.

It was also suggested that the direct method of disclosing cash from operations (as opposed to the indirect method) should be mandatory.

With respect to the specific proposed simplifications expected to be incorporated in private company GAAP, opinions are varied.

The proposed simplification for Individual Pension plans (IPPs) whereby private companies could base the accounting on an actuarial valuation prepared for funding purposes was met with some debate. On the one hand, observers point to the potential cost saving of using the valuation prepared for funding purposes rather than requiring a separate actuarial valuation for accounting purposes. Others however suggest that it is important for a sponsoring entity's statements to measure IPPs on the same basis as other defined benefit plans.

When asked about whether or not they agreed with the proposals related to the simplification of measuring and reporting financial instruments, many financial executives said that they were unclear as to what the impact would be. One observation is that complex financial instruments are not widely used by private companies, which also supports the view that the current complexity of the standards exceeds their needs.

An overwhelming majority (78%) of senior financial executives oppose the recommendation that private companies disclose executive compensation. Some observed that the disclosure should be provided where requested by shareholders. Of those who believe that executive compensation should be disclosed, many suggested that the level of disclosure should meet public company standards.

With the adoption of IFRS by public companies around the world, and potentially many large private companies in Canada, we wanted to learn if this would have an impact on the role of the CFO in private companies. More specifically, we asked if the perceived skill set of the private company CFO would change, and consequently, change the ability of a private company CFO to move into a public company role. Almost half of the respondents to our survey indicated that after the adoption of IFRS in Canada, and the simplification of private company GAAP, they would not view a CFO from a private company as having the same technical accounting skills as their public company counterpart. At the same time, a number of participants in our research forum observed that a divergence between private and public company accounting standards may make it more difficult for private companies to attract and retain talent.

# Introduction

In its strategic plan, issued early in 2006, the Canadian Accounting Standards Board (AcSB) began an initiative that would ultimately result in the development of a separate "made in Canada" set of financial reporting standards for private enterprises. The new standards are expected to be made available for early application to fiscal years ending December 31, 2009. Pursuing the made at home option was one of three critical paths that the AcSB deliberated on, namely; to take a top down approach based on public enterprise GAAP (i.e. IFRSs) but providing for differences on a number of topics; adoption of the proposed IFRS for Small and Medium-sized Entities (IFRS SME) standard when finalized by the International Accounting Standards Board (IASB), possibly with some modifications; and an independently developed set of standards. The AcSB, in spring 2008 meetings decided that developing a "Made in Canada" reporting framework would take the following approach:

- the existing CICA Handbook – Accounting will be used as a starting point;
- the majority of the recognition and measurement standards in the existing Handbook are relevant to the sector and will be retained with few, if any, modifications
- issues in the existing Handbook that have caused significant concern to private enterprises will be reconsidered, based on cost/benefit considerations;
- the disclosure requirements will be re-evaluated and are expected to have considerably fewer disclosures than in the existing handbook;
- reducing the volume of material will be a secondary goal.

The AcSB has decided to provide for simplified recognition and/or measurement treatments in the following areas: financial instruments, employee future benefits, goodwill and other intangible assets, income taxes, asset retirement obligations, subsidiaries, joint ventures, and investments.

The purpose of our research is to address the implications of adopting the "made in Canada" approach with respect to the development of new private company financial reporting standards, as opposed to the other two approaches considered by the AcSB, and to address the specific simplifications proposed above. Our aim is to offer financial executives working in private companies a general perspective of the views of their peers with respect to these issues, as well as to provide insightful feedback to the AcSB from senior executives in private companies across the country in a variety of industry groups. While the bulk of this feedback comes from representatives of companies that are not publicly listed, we have also captured the views of senior executives from public companies. In so doing, we hope to make a valuable contribution to the standard setting process respecting private company GAAP, as well as to educate senior financial executives in Canada on the potential impacts of the emerging GAAP on their financial reporting activities, and other broader strategic management activities of their firm.



# Research Methodology

*The Issues in Private Company Reporting* – Executive Research Report was prepared by the Canadian Financial Executives Research Foundation (CFERF) and was sponsored by KPMG Enterprise. It comprises the results of a survey of senior financial executives across Canada and the insights obtained through an Executive Research Forum held in Toronto on February 24, 2009. The primary intent of the survey was to determine the extent to which financial executives agreed with the proposed changes to private company GAAP, and capture perceptions surrounding the resulting comparability of financial results between private and publicly listed entities. The analysis is based upon responses from individuals who completed the survey within a 22 day period from Jan. 15, 2009 to Feb. 6, 2009. Survey results were compiled and analyzed on the basis of industry classification (large SIC groups), whether the company was private or public and industry size based on revenue. Respondents were also categorized by position title.

The second phase of the research methodology included capturing the feedback from senior financial executives of private companies who took part in a three-hour Executive Research Forum. The purpose of the Executive Research Forum was to allow for a free flowing dialogue between company experts who were provided with specific questions in advance. A fairly broad section of Canadian industry was represented including; automotive parts, sales and marketing, agricultural products, utilities, casino and gaming services, mining, on-line personal services, education and publishing, investment holdings, insurance, and commercial office interiors. (The companies participating in the forum component of this research are identified in Appendix A) The private companies that were represented had revenues ranging between $10 million and $500 million.

The following discussion will present the results of the Private Company Report Survey and Research Forum. The wealth of information collected through our survey could not be reported in its entirety in this document. We therefore encourage all interested parties to contact us with particular detailed questions surrounding this report.

# Survey Demographics

**The results of this study will tend to reflect the opinions of senior finance executives and company owners of private Canadian companies in the finance and insurance, manufacturing, professional and technical services, and mining and oil and gas extraction sectors. However, both private company and public company views will be presented throughout.**

Approximately one quarter of the private company respondents indicated that their company will be adopting IFRS. Twenty percent of all companies with revenues of less than $50 million had decided to adopt IFRS; approximately fifty percent of respondents from larger companies were planning to adopt IFRS.

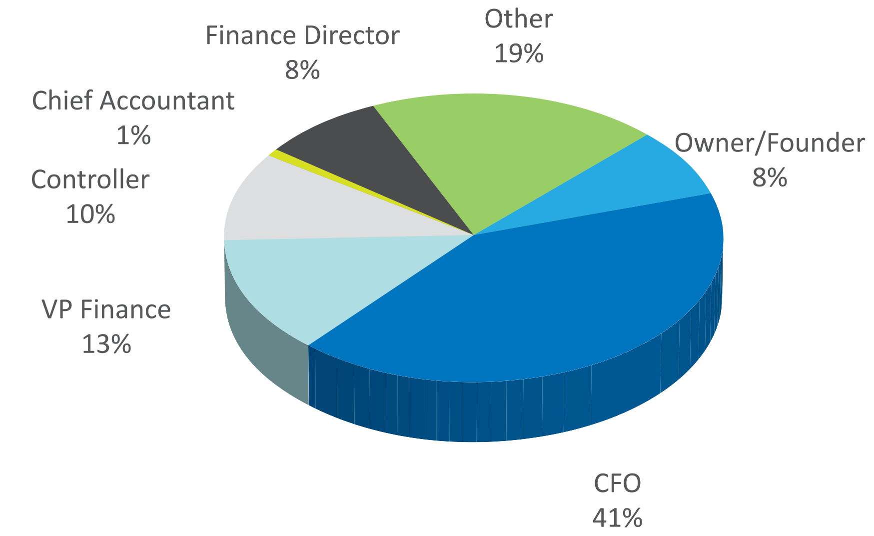
Senior executives across Canada completed 303 surveys. A large proportion of respondents were CFOs (41.3%), followed by VPs Finance (12.5%), Controllers (10.2%) and Finance Directors (7.6%).
Fifty nine respondents, or 19.5%, indicated “other”. The majority of responses reflect private company views. Two hundred and two or 66.2% of respondents were from private companies and 64 (21.1%) were from publicly listed companies. Thirty seven indicated that they were neither, which would be accounted for by Canadian crown corporations, government agencies, academic institutions and not-for-profits. U.S. subsidiaries accounted for 16 responses and other foreign subsidiaries for twenty.

In order to determine if there were any differences in views between respondents from different industries, individuals were asked to identify their companies according to twenty large SIC (Standard Industrial Classification) groupings. The largest number of respondents were from the finance and insurance sector (45), followed by manufacturing (40), professional, scientific and technical services (30) and mining and oil and gas extraction (24). The remainder was distributed widely among the remaining industry groups.

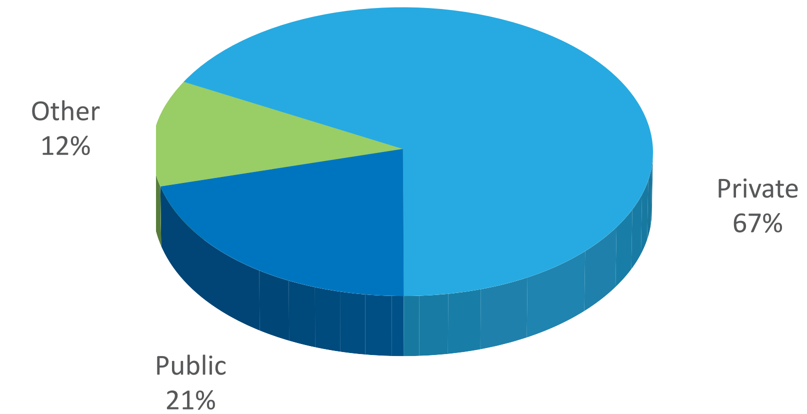
Roughly 40% or 124 respondents represented companies with annual revenues of less than $49 million, and 91 of those were from private companies. This was followed by 25.7% from companies in the revenue range of between $50 million and $250 million.

Thirty or 9.9% reported that their companies had revenues of between $250 million and $499 million, followed by 24 or 7.9% in the $1 billion to $4.9 billion range. Thirty five Canadian companies in total had revenues of over one billion dollars and 20 were private versus 15 that were publicly listed. Three respondents were from Canada’s largest companies with more than $20 billion dollars in annual revenue.

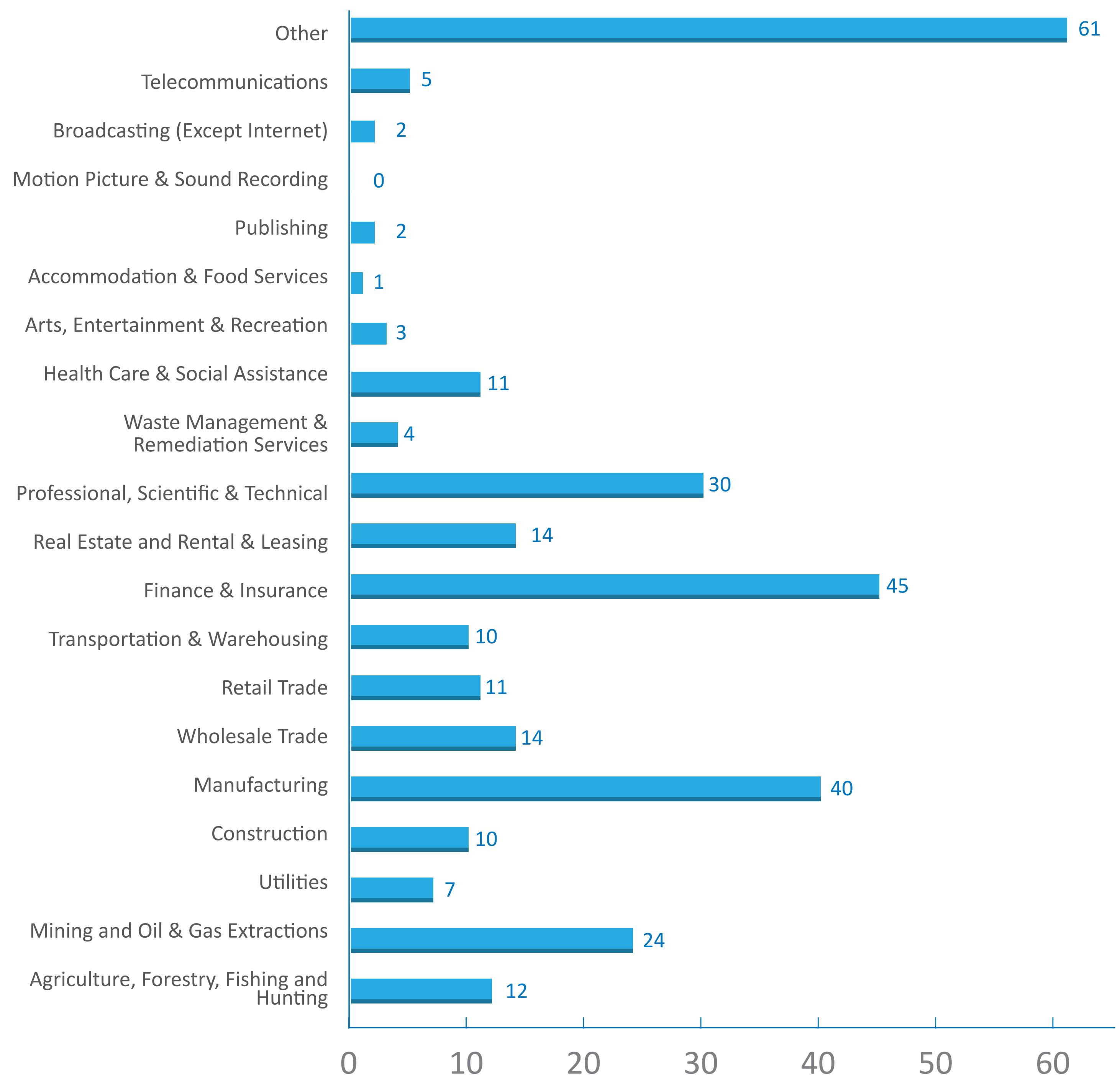
# Position Title



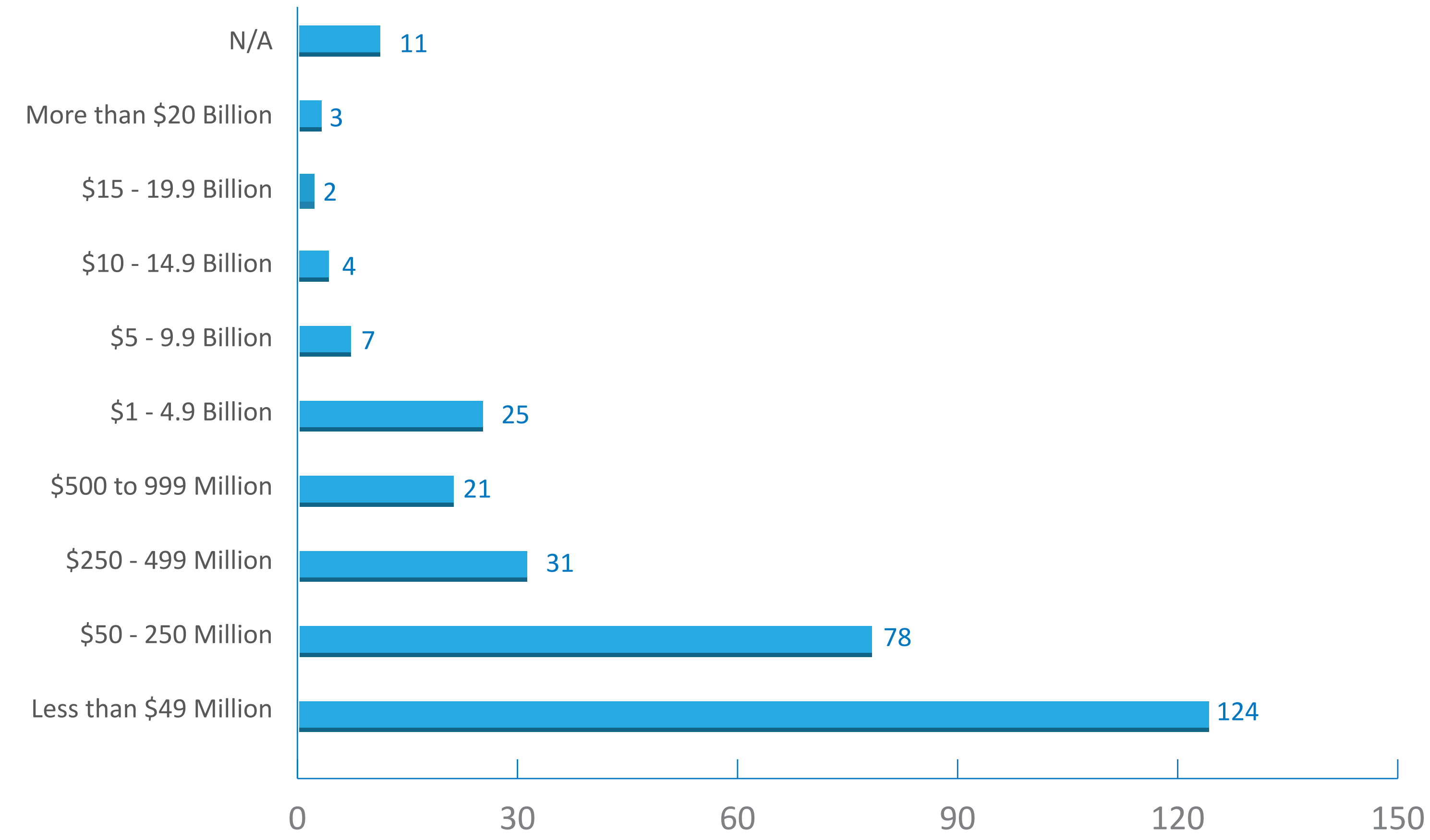

# Corporate Structure



## Industry Classification




## Annual Revenue



# Private Company GAAP and IFRS

**Overall, views are split on whether or not Canadian-made private company standards should be consistent with IFRS. However, relatively more senior finance executives from public companies feel that this is important, compared to their private company counterparts.**

Canada's public companies will be adopting IFRS in 2011. The Canadian Accounting Standards Board's new "made in Canada" reporting framework for private companies is based substantially on existing Canadian reporting standards. Meanwhile, the International Accounting Standards Board (IASB) is developing a financial reporting framework for small and medium sized entities and is planning to release the standard in 2009.

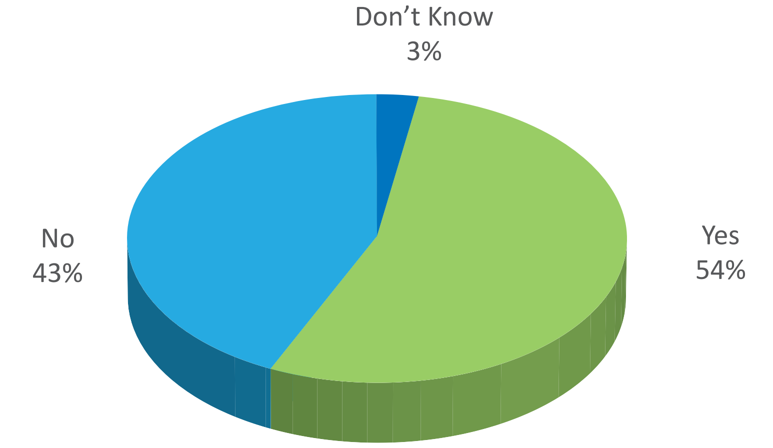
While Canadian private companies are free to adopt IFRS if they choose, the extent to which Canadian private company standards and public company standards should be consistent remains the subject of some debate. For example, it has been argued that private company disclosures should be different from public company disclosures as the needs of the users of their respective financial statements are different. At the same time, smaller private companies preparing financial statements are concerned about the resources required to produce financial statements based upon IFRS, believing that the process would be simply too complex and too costly. (This has been the view of the AcSB, and the rationale for their simplification of Canadian GAAP for private companies.)

Others suggest that for the purposes of transparency across the board, and in order to compare results between companies in the same industry, consistency in reporting is essential. At the same time, some question whether private companies should continue to use Canadian GAAP as per the current handbook and await the final private company GAAP being developed by the IASB. Our survey results and forum discussions reflect this debate.

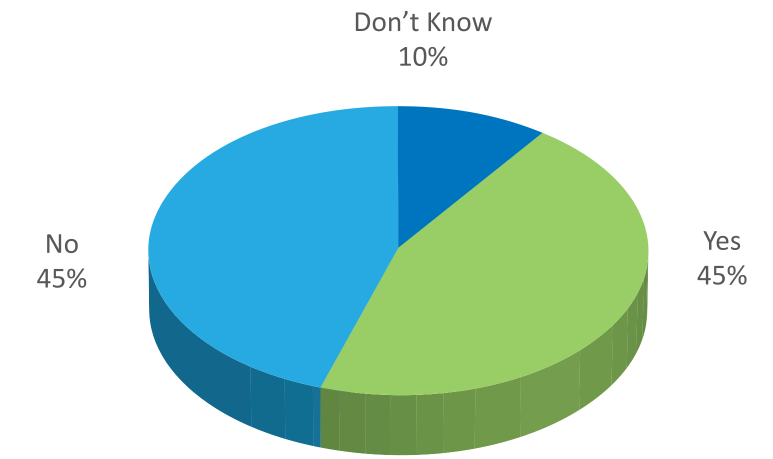
Just over half of our survey respondents indicated that consistency is important, versus 43.2% who didn't. Similarly, when asked if they believed that Canada should move more quickly towards adopting the IFRS – based financial reporting model for small and medium sized companies as developed by the IASB, 45.5% said yes, and 44.9% said no. However, views differed between private and public company senior financial executives. Of the private company respondents, again opinion was split as to whether consistency between private and public company reporting was important, with roughly half indicating that it was, and the other half saying it wasn't. In public companies however, relatively more senior finance officers (71.9%) thought that consistency was important, compared with 21.9% who said that it wasn't. Similarly, relatively more public company finance executives (59.4%) than private ones (44.6%) thought that Canada should move quickly to adopt the IASB standards for private companies.

When it comes to whether or not respondents viewed consistency between private and public reporting standards as being important, size matters. Relatively fewer finance executives in smaller companies, with revenues of less than $49 million, considered consistency important (41.9%), compared to those in companies with revenues of between $50 million and $250 million (51.3%), between $250 million and $499 million (60%) and between $500 million and $900 million (81%). This is likely to reflect the general difference in perceptions between private and public company respondents as more private companies fall within lower revenue (91) groups than public ones (18) in our sample.

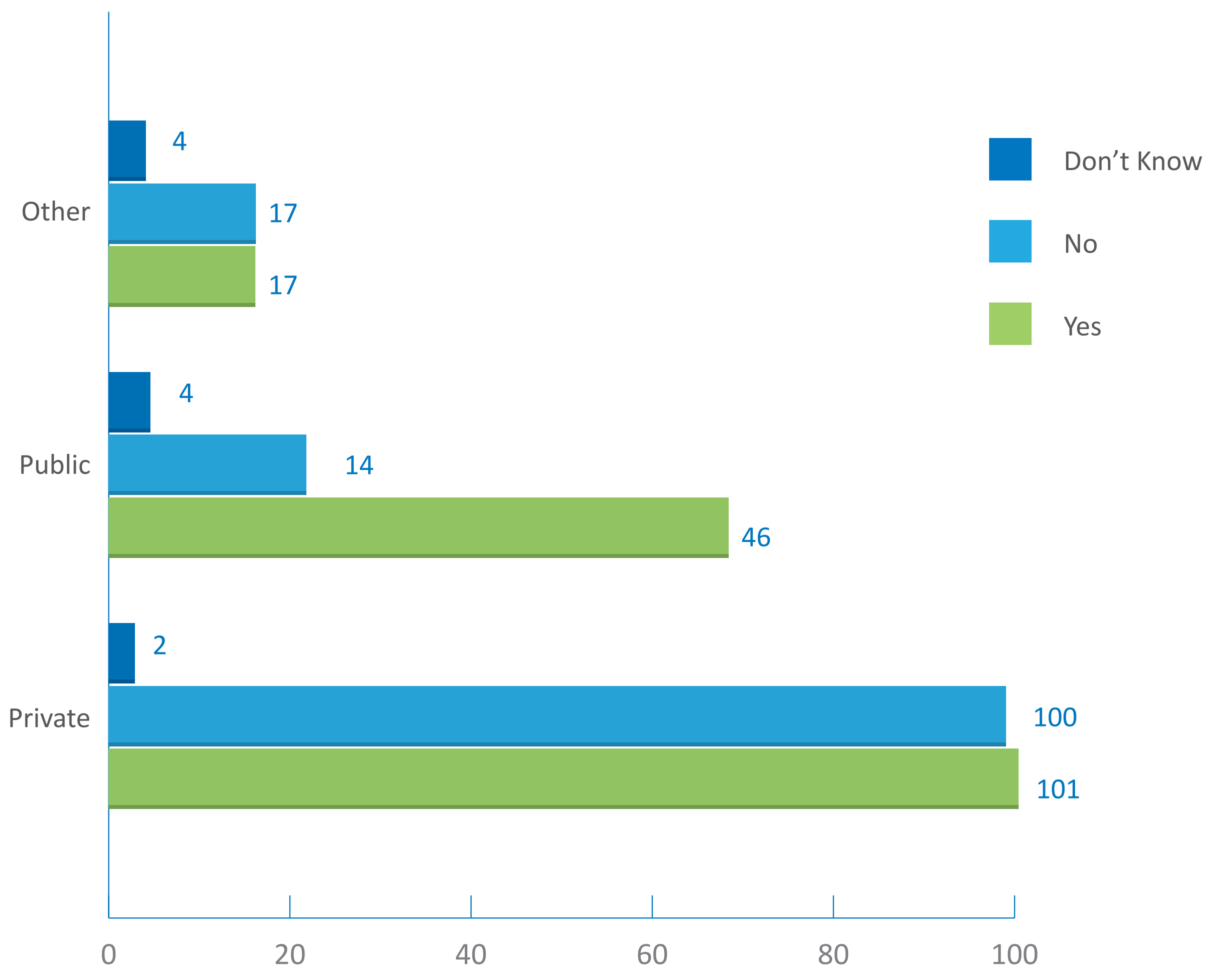
Is it important that financial reporting standards for private business are consistent with those used by public companies?




The IASB is to release a financial reporting framework for small and medium sized entities in 2009. Canada's Accounting Standards Board says its new model for private business will be maintained until at least 2014. Should Canada should move more quickly to an IFRS-based model for private business?



Is it important that financial reporting standards for private business are consistent with those used by public companies? (By Company Type)

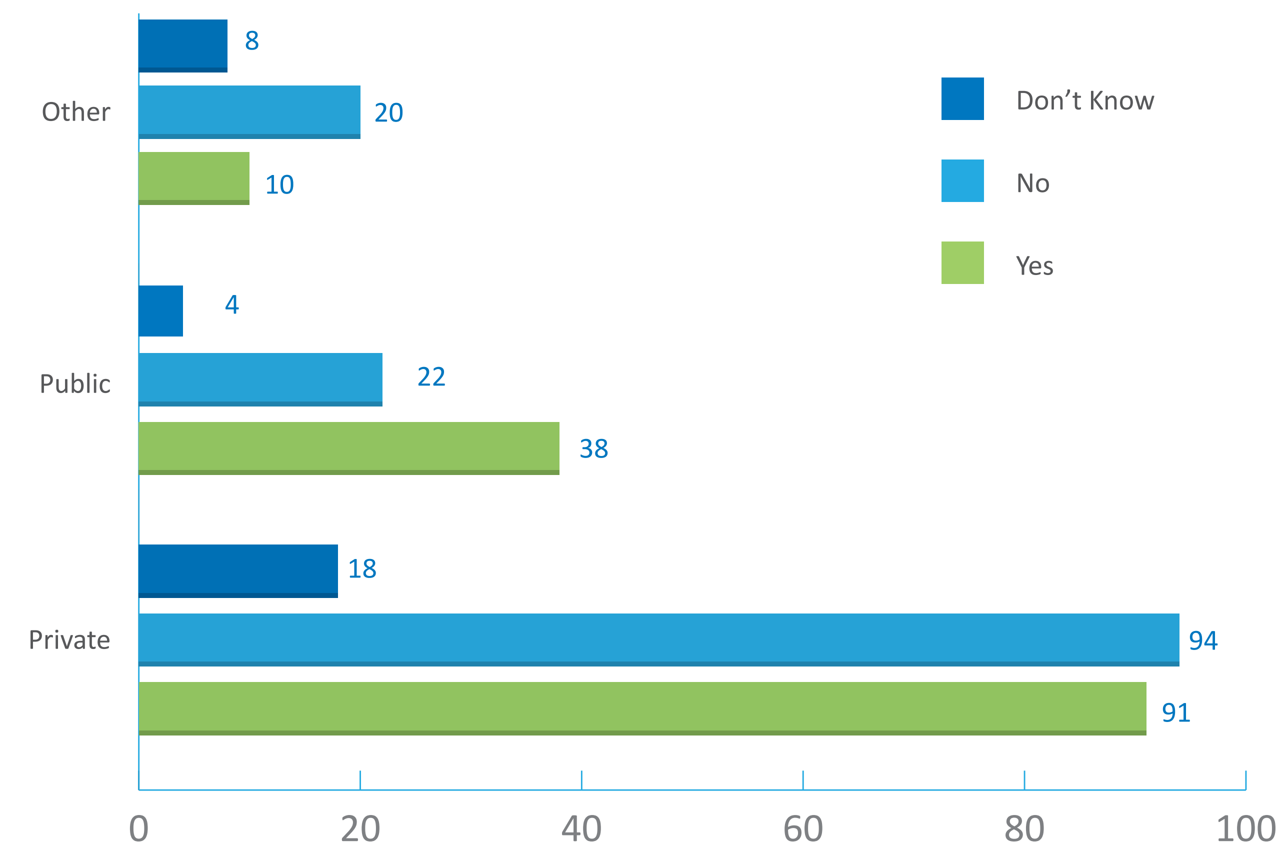



The type of industry our respondents came from did not seem to significantly impact their views on consistency in financial reporting, with the exception of the natural resources group. Relatively more executives in the mining and oil and gas extraction sector (70.8%) thought consistency was important, compared to 55.6% in finance and insurance, 46.7% in professional, scientific and technical services and 45% in manufacturing. Again, it is likely that this reflects the views of relatively more public companies in this sector that responded to our survey.

**"A private company should only be worried about tax reporting. If there comes a point in time where they are going to be acquired then they should be able to restate the financials to make them comparable but they shouldn't have to incur the costs at this time. In addition, accounting is getting so technical that many private owners will not understand the more in-depth financial reporting requirements and therefore won't be able to make adequate decisions."**

**– Survey respondent**

The IASB is to release a financial reporting framework for small and medium sized entities in 2009. Canada's Accounting Standards Board says its new model for private business will be maintained until at least 2014. Should Canada more quickly to an IFRS-based model for private business? (By Company Type)



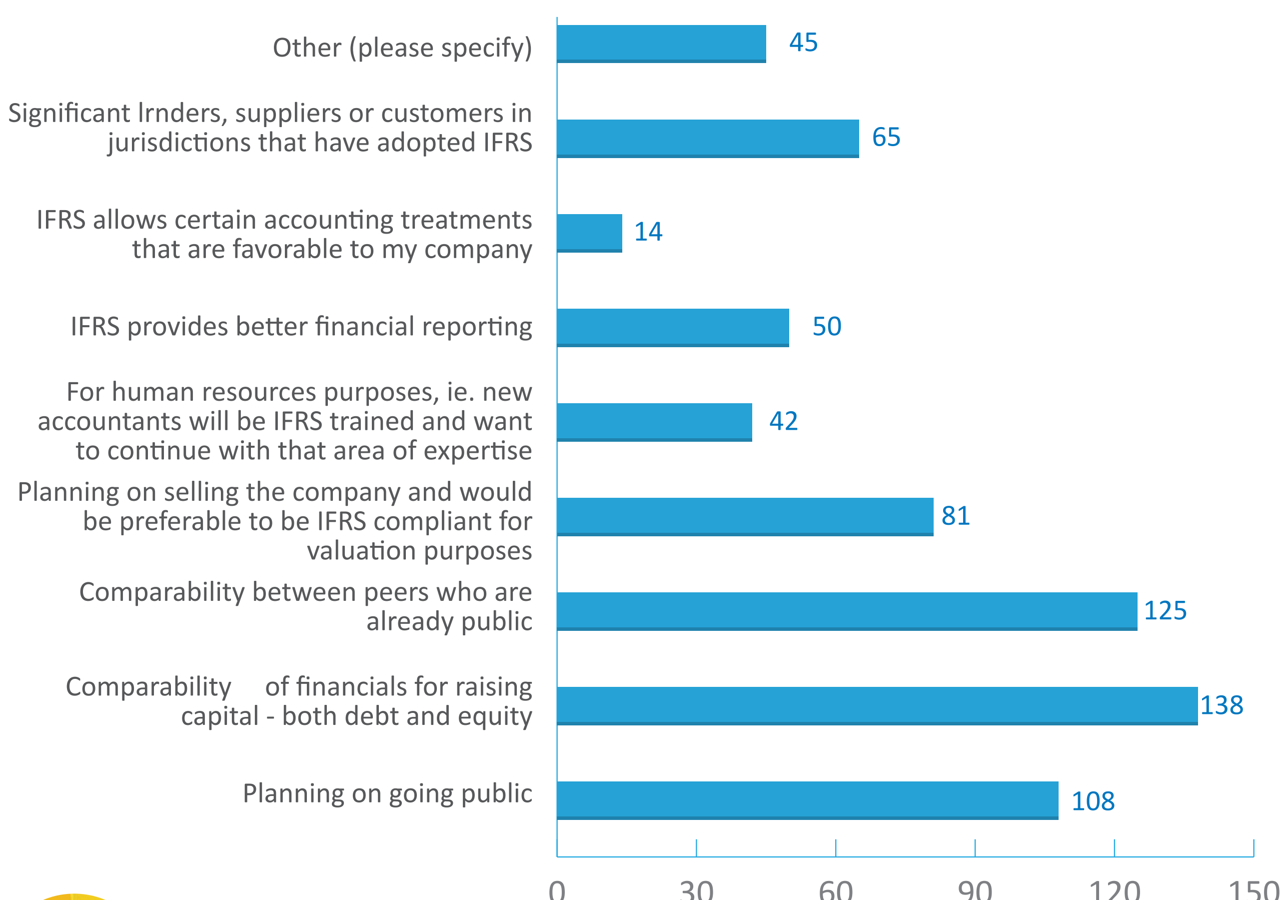
# ADOPTING IFRS

One quarter of Canadian private companies plan to adopt the International Financial Reporting Standards as written by the IASB.

When asked about their plans to convert to IFRS, versus using the Private Company GAAP as outlined by the AcSB, roughly one in four private company respondents, or 26.2%, said that they would be adopting the IASB standards. Almost half said they wouldn't, and another 24.8% said they didn't know.

The most commonly cited reason for adopting IFRS, versus using Private Company GAAP, was for comparability of financial statements when raising both debt and equity capital (45%). This was followed by the ability to compare with peers who are already public (40.6%), planning on going public (35.6%), and planning on selling the company and being IFRS compliant for valuation purposes (26.7%). The least cited reason for adopting IFRS was the perception that IFRS would allow for more favorable accounting treatments for the company (4.6%).

What are the reasons you would adopt IFRS versus Private Company Generally Accepted Accounting Principles as outlined by the AcSB? (Please indicate any that apply)




# CONSISTENCY VERSUS SIMPLICITY

Consistency in financial reporting between private and public companies, while considered desirable, also has its challenges. According to one senior executive participating in our research forum whose company has manufacturing plants around the world, " ... consistency is very important, because when private companies are looking for equity or debt financing internationally, people have to be able to value your business versus someone else's." The challenge however lies in the complexity of public company reporting standards and the trade-off between relevance to private companies and comparability. The real problem, he says, is "how do we get consistency on a simplified basis, where the average business executive, particularly from private companies, who often doesn't have that level of sophistication, can understand the value of that information? I'll be in a meeting and we'll talk about financial derivative disclosure for example, and someone will ask how that is going to help run the business. We wind up having a lot of discussion on why we are wasting time on that."

Other challenges arise when companies have dual reporting requirements, a situation faced by South Western Insurance Group Ltd., a mid-sized Canadian privately-held wholesale insurance company. "Right now our company's board is taking the view that they will be adopting GAAP for private enterprises," says its CFO, Anne Burpee. "However, one of the joint venture owners, a publicly-traded company, has advised us that it will be requiring information to be presented to them using IFRS starting Q1 2010. We are concerned that this dual reporting requirement will lead to much complexity and issues that arise when preparing financial statements using two sets of standards. It is really important to us for there to be consistency between the two standards, while not giving up the relative simplicity in reporting that will be available to us under private enterprise GAAP.

Similarly, a lack of consistency in financial reporting between private and public companies is expected to create another layer of complexity for the users of financial statements of private companies. Executives are calling for a level playing field in order to help educate the capital markets. Lucy Lombardi, VP Finance and Reporting at Power Stream Inc, the second largest utility in Ontario said. IFRS should apply to both private and public companies. "While I appreciate that there are a lot of smaller private companies in Canada, we're also quite global," she said. "I think that one accounting standard would be much easier for the equity and capital markets to understand. To some degree today I think it's becoming far too complex and we need to get to a level playing field, both internationally and across Canada."

At the same time, others suggest that consistency between private company GAAP and IFRS is a bit of a red herring when considering the needs of equity financiers or bankers. "Anybody that's coming in to look at a private company is going to take the accounting records and recast those records, regardless of whatever set of accounting standards were used," said Bruce Bailey, CFO of Mayhew Associates, a southwestern Ontario-based office interiors company with 240 employees, "So I really think the comparability argument is watered down substantially. Any potential purchaser, or financier, once they do the recast of the financials is going to come up with an underlying value of the company, regardless of the accounting standards that are being used."

**IS FINANCING REALLY THE CASE FOR CONSISTENCY?**

"I believe that both private equity investors and banks are sophisticated users and I think they are not going to just do due diligence based on a set of financial statements. They are going to look at the underlying business, management and other records. So I don't think this is a good reason to force all private companies to use the same international reporting standards. I believe there ought to be a choice for private companies and to impose a complex set of financial statements on the users, when they don't really want it, is too much of a burden."
Deb Barrett – VP, Finance, The Woodbridge Company Ltd.

In addition, the use of IFRS for the purpose of consistent financial reporting between entities is up for debate. This begs the question: even if private companies adopt IFRS, does this guarantee consistency in reporting between companies? According to Greg Scott, CFO of Maple Lodge Farms, a poultry producer with 2,800 employees in Canada and the U.S., " …regardless of whether you're under one set of standards or two, there are still a lot of issues that can drive statements not to be comparable. Under IFRS for example, you have an option to revalue certain assets at fair market value or not. The very fact that I might choose to revalue and somebody else may not, is going to immediately create incomparability of statements, even under one set of standards. So I don't really know that consistency between private and public company GAAP matters that greatly for comparability purposes."

**BEST PRACTICES SHOULD SHOW ECONOMIC REALITY**

"I would suggest that the standards are set to do, not what's best for the shareholders, but to represent the economic reality of the corporation. We select standards to properly reflect that. So if you have differential accounting, then you are suggesting that there's more than one way to reflect the economic transaction. I'm not sure if that's true. There's probably best practice, which becomes a standard and the others aren't as good. For instance take deferred taxes. To the owner manager, it might be seen as a lot of work, however it gives you information that is helpful, and that's why we use it as a best practice. So I'd be cautious taking second level reporting because it's easier. It just may not be providing a view to the economic reality of the firm."
Jacquie Davison, Controller – Richard Ivey School of Business

# GOING PUBLIC

The costs of adopting IFRS are perceived by many executives as being a roadblock to going public, however, relatively more senior finance executives feel that it will have no impact.

When considering the impact of adopting IFRS in private companies, some observers have suggested that the potential costs of conversion could prevent private companies from going public. Our survey lends some support for this opinion, as almost one third of respondents held this view. However, more than half of our survey respondents believed that the costs of converting to IFRS would not prevent private companies from potentially raising capital on public exchanges. This view was held by both private and public company senior finance executives at roughly fifty and sixty percent respectively.

Company size has a bearing on opinion on this issue. Roughly one third of executives from smaller companies with revenues of less than $250 million saw the costs of adopting IFRS as a potential roadblock, compared to one quarter of executives from companies with revenue of greater than $250 million. Again, this supports the view that the costs of adopting IFRS are relatively more burdensome on smaller companies than larger ones. There was little difference in opinion between executives of different industry groups with the exception of those in the professional, scientific and technical services sector where 30% indicated that they didn't know what the impacts would be.

**"There has always been a trade off between the level of information provided and the cost associated with gathering that information. We must also take into account that for public companies there is a significant financial statement user group that has very little access in internal company information and relies heavily on the financial statements and notes. Whereas with private companies, additional information not presented or disclosed in the financial statements can be accessed by the majority of users requiring that information. Therefore, although it may make it more difficult to compare public company financial statements to private company financial statements, I don't believe this puts private company financial statement users at a disadvantage. I do think requiring private companies, especially smaller ones to incur the costs to produce financial statements to the level required of public companies does put them at a disadvantage."**

**– Survey respondent**

## SATISFYING THE BUSINESS CASE

One over-arching theme emerges in the debate over consistency, comparability and simplicity in financial reporting for private companies, and that is "is there a business case?" Simply put, if the cost of voluntarily adopting international GAAP is greater than the benefit, then the answer is no. Most of the costs are going to be examined in light of whether or not companies need to adopt IFRS for financing purposes, for ease of preparing financial statements due to the structure of the company, or whether or not they plan on raising capital in public markets. For companies that need to go public, adopting IFRS is not an option. However, for those considering an IPO, if the administrative costs are viewed to be too great, relative to the case for raising money through an IPO, then the argument for adopting IFRS fails. It all comes down to economics, says John Forester, VP Finance and Administration of NUCAP Industries Inc., an Ontario auto parts manufacturer with global operations. "Privately held company stakeholders looking at the financial statements typically look at the finance department as overhead for the company and the focus is always on how to minimize the required overhead, especially in these tough economic times. There has to be a value proposition. That's one of the biggest hurdles that I found with IFRS, what is the value proposition from a business point of view, particularly when everyone is trying to cut costs? If we can show what value is provided for the extra effort and investment in IFRS, then the case for IFRS would be more obvious."

At the same time, many executives are concerned that IFRS are not in their steady state, and are waiting to see how they unfold, and how close private company GAAP are likely to be to IFRS, or IFRS for SMEs, in the end.

**COSTS OF CONVERSION**

"Costs of conversion of accounting systems or sets of standards are always going to be challenging for people. It's always a question of whether the benefits outweigh the costs. It's very hard to determine that sort of thing on a global basis because it's going to be different from company to company. We [AcSB] concluded, some time ago that the transition to IFRS was a necessary step for public companies. We also concluded that it didn't seem to be necessary for private companies although that option is open. So if you choose to adopt IFRS as a private company, it's a company by company decision. I would expect it will be made on a cost-benefit basis."

Peter Martin, Director, Accounting Standards, CICA

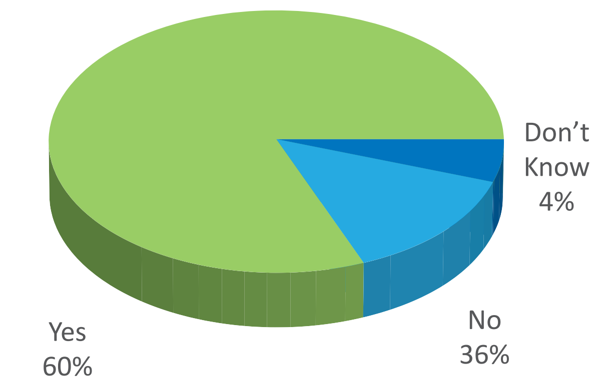
# Differential Reporting Options for Private Companies

**Private company executives are more likely to accept the loss of comparability between financial reports due to differential reporting options than public company executives.**

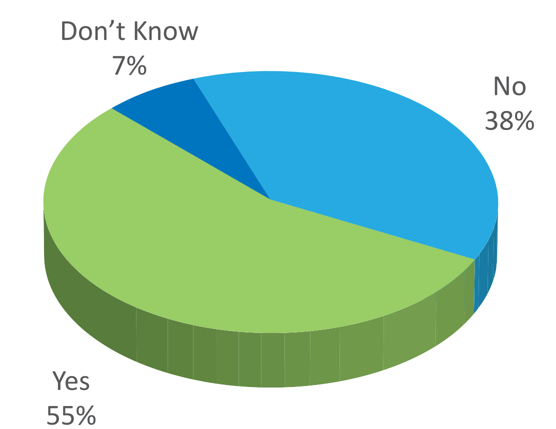
Canadian Generally Accepted Accounting Principles have historically provided certain "differential reporting options" for private companies to exempt them from the application of accounting principles where the costs are perceived to exceed the benefits. Examples include allowing the preparation of financial statements on a non-consolidated basis and permitting the use of the taxes payable basis of recognizing income taxes, rather than requiring tax allocation accounting. While the majority of financial executives responding to this survey agreed that allowing differential reporting options reduced the comparability of financial reporting between entities, (60.1%), roughly half (54.8%) saw that this was acceptable. However, views between private company finance executives and public ones were markedly different. Approximately 55% from private companies saw that differential options reduced comparability, compared with 73.4% in public companies. Similarly, considerably more private company executives thought that this was acceptable, (60.9%) than public ones (35.9%).

When asked to comment under what circumstances differential reporting was acceptable for private companies, respondents provided a wide array of opinion, however, several dominant themes emerged. Generally, the consensus was this was acceptable when the differential reporting was consistent over time, where the differential reporting options were limited in scope and widely understood by informed users, where the differences between the different options and regular GAAP are appropriately disclosed and where the financial statements are not widely distributed.

Canadian GAAP provides "differential reporting options" for private businesses to exempt them from the application of accounting principles where costs are seen to exceed benefits. Does this reduce the comparability of financial reporting amongst entities?




A basic concept underlying Canadian GAAP is that financial statements be comparable, both from year to year and from entity to entity. Is allowing differential reporting options acceptable?



## When is differential reporting acceptable?

**"In those cases where the users of the statements are knowledgeable of the business and the information omitted by the use of differential reporting options would not affect an assessment of the financial statements as a whole. The best example would be the classification of redeemable preferred shares as equity, rather than debt – perfectly acceptable given the general structure of so many private companies where those shares will not become debt in the foreseeable future."**

**– Survey respondent**

**"As such, comparing financial statements of private companies is not a big priority. Simply because a company utilizes differential reporting does not mean that it cannot be compared to other companies that use the same differential reporting. They all use basically the same set of rules. Furthermore, most of the areas allowing differential reporting – deferred taxes, classification of preferred shares, etc. are discounted by users anyway, due to a lack of understanding and/or a view that these items bear no relevance to the real operations anyway."**

**– Survey respondent**

**"Many private companies operate several different businesses, with different financing, operating metrics, etc. were a consolidation is meaningless. There are other areas where differential reporting allows the private company to eliminate unnecessary complexity and cost for sometimes somewhat esoteric and academic accounting reasons, where the end result is of no use to the users."**

**– Survey respondent**

**"In the event a private entity is making a strategic decision to go public, then there should be a mechanism in place to require the accounting treatments and reporting required to be consistent with other similar public companies. This then allows the market at large to assess the soon to be public company on a fair basis with other public companies for investment purposes. Generally speaking, private companies have their own sources of capital and requisite methods for reporting results to those who supplied the capital (whether it be debt or equity). These methods are sufficient as there is typically an ongoing dialogue in place with the parties who supplied the capital. Hence I would suggest differential reporting options are acceptable in all circumstances to private companies unless they are going to go public."**

**– Survey respondent**

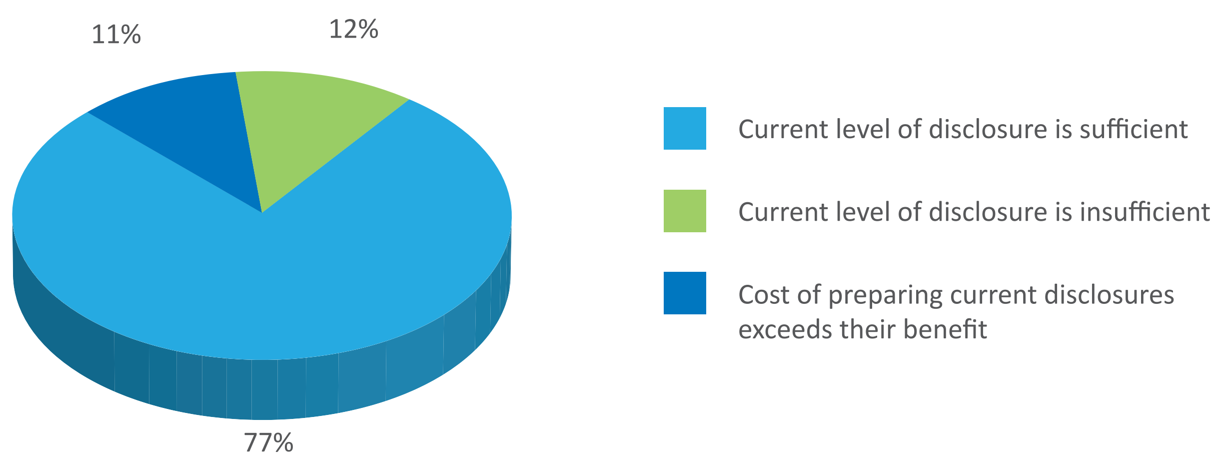


# Specific Issues in Private Company GAAP

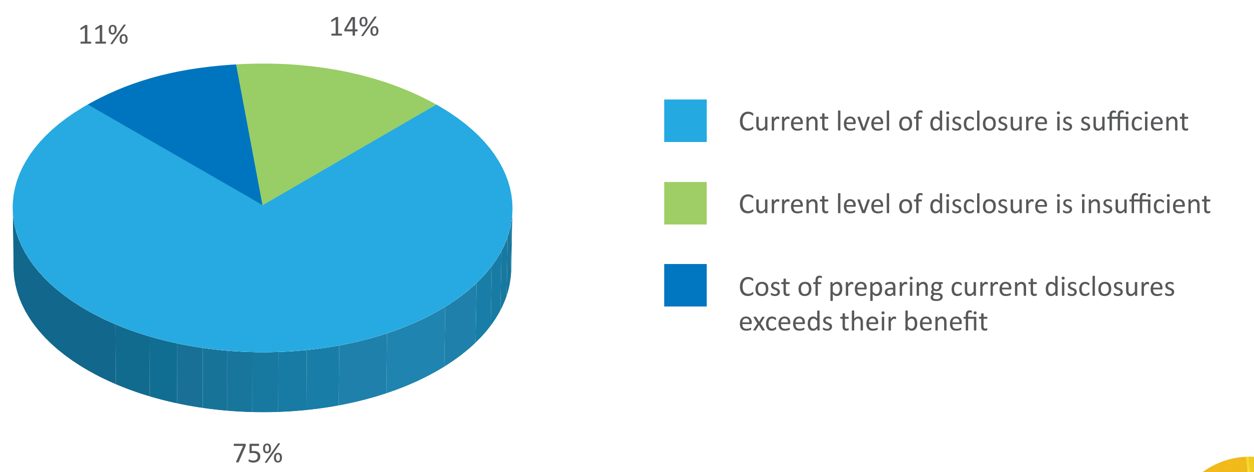
## CURRENT LEVELS OF DISCLOSURE

The vast majority of financial executives responding to this survey, from both private and public companies are satisfied with the current level of disclosure of financial information as required by Canadian GAAP. We asked executives whether disclosure was sufficient or insufficient, or whether the cost of preparing the disclosure exceeded the benefits. In all circumstances, more than 80% of executives felt disclosures were sufficient.

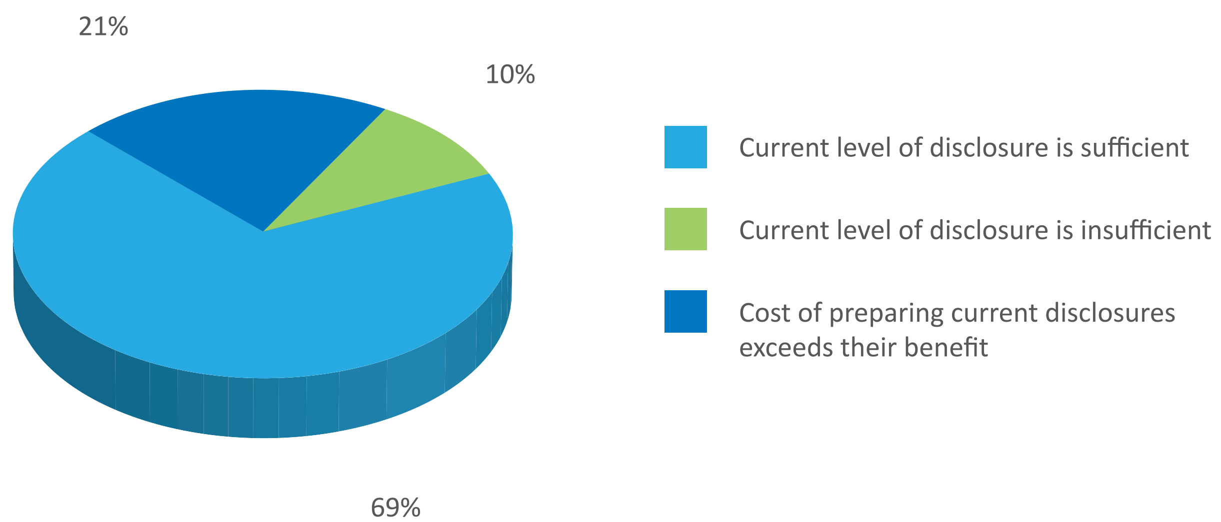
Is the current level of disclosure around goodwill sufficient?




Is the current level of disclosure sufficient around tangible assets?



Is the current level of disclosure sufficient around pension plans?




One in five executives overall thought that the cost of preparing the disclosure of pension obligations outweighed the benefits and 12% felt the same for goodwill and intangible assets. Views changed somewhat depending upon whether they were from private or public company respondents. The views of our forum participants echoed our survey results; the participants indicated that they would also like to see EBITDA disclosed on the financial statements.

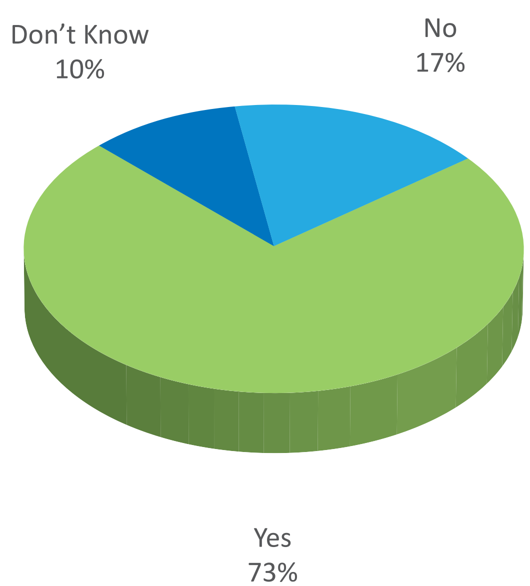
# HIGHLIGHT ON CASH FLOWS

Accounting standards have evolved from an income statement focus, based on the matching concept, to today's balance sheet focus where the income statement has become the "residual". Many analysts and other users of financial information focus on cash flows to determine both the short-term viability and long term sustainability of the firm, yet cash flows are not the focus of either the balance sheet or the income statement. Responses indicated that almost all the financial executives in our survey thought current cash flow disclosure under Canadian GAAP was sufficient for their needs. We also specifically asked if the current level of disclosure of cash flows from operations, financing and investing activities was sufficient, and approximately 90% of senior finance executives said that it was.

**FOR THOSE THAT THOUGHT THAT CASH FLOW DISCLOSURES COULD BE ENHANCED, SEVERAL ADDITIONAL DISCLOSURES WERE SUGGESTED, INCLUDING:**

- **more information on future cash flows**
- **less discretion in grouping, particularly as it relates to changes in working capital**
- **more emphasis on cash from operations apart from adjustments below the line**
- **include information on after-tax cash flows**
- **better explanation of changes in cash position**
- **significant transactions should be grossed up and reported separately**
- **more direction on EBITDA**
- **cash flow per share**
- **note disclosure summarizing major sources and initiatives of positive and negative cash flows as well as overall commentary on cash/liquidity situation**
- **more details on risk/concentration of cash inflows, impacts of asset quality, nature of commitments for cash outflows**
- **actual sources and uses simplified**
- **breakdown of non-cash working capital**
- **better breakdown of ongoing operating cash flows vs. capex and one time expenditures**
- **direct method should be mandatory**
- **more disclosure of assumptions underlying the cash-flow calculations**

Accounting standards have evolved from an income statement focus, based on the matching concept, to today's balance sheet focus where the income statement has become the "residual". In today's challenging economic environment, many commentators are focusing heavily on cash flows which are not the focus of either the balance sheet or the income statement. Do you agree that the current level of disclosures of cash flows is sufficient?




**"It would be beneficial to separate secured versus non-secured amounts payable, as well as a general categorization of priority payables…"**

**– Survey respondent**

**"Payroll deductions are a Crown debt and this fact should be underlined. Pension claims should be highlighted for all creditors and would-be lenders."**

**– Survey respondent**

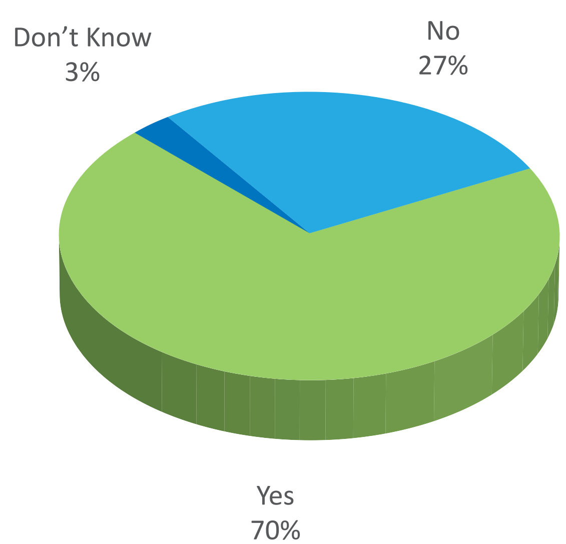
**"[This] would overly complicate disclosures. Lenders should incorporate that question into their due diligence of a borrower."**

**– Survey respondent**

# LONG TERM DEBT CLASSIFICATION

Certain debt instruments are either due on demand or will become due within one year from the balance sheet date, even though repayment within the year may not be expected. An example of the latter is a five-year mortgage with a twenty five year amortization period that will become due within one year of the balance sheet date. Such financial obligations, under Canadian GAAP, are classified as current liabilities unless they have been either refinanced on a long-term basis before the financial statements are issued or a binding agreement for refinancing has been executed with a lender which can honor its commitment. The majority of respondents to this survey (69.6%) agreed that in the absence of committed refinancing, mortgages and other long-term debt instruments that become due within twelve months of the balance sheet date should be classified as current liabilities. However, relatively more public company finance executives in our sample (81.3%) than private (66.8%) held this view.

Do you agree that, in the absence of committed refinancing, mortgages and other long-term debt instruments which become due within twelve months of the balance sheet date should be classified as current liabilities?




Most of our forum participants agreed with the view that in the absence of committed refinancing, long term debt should be considered as current. However others presented the view that if it was reasonable to assume the debt would be refinanced, then it should be considered non-current. Following an arbitrary rule-based approach on long-term debt, it was argued, "is missing the point to some extent." "For other similar evaluations like the going concern analysis," says Paul Van Bakel, VP Finance of Ontario Die International Inc., an automotive supplier in Kitchener, Ont., "we don't use as harsh a test as we do for debt refinancing. I think this should be viewed more along the same basis."

## PRIORITY LIABILITIES

Certain liabilities such as payroll deductions and past-due contributions to pension plans become priority claims in the event of bankruptcy. Lenders have indicated that they believe such priority liabilities should be separately disclosed in the financial statements. However, views of senior finance executives are split on this issue. Just over half (51.5%) agreed that such priority liabilities should be separately disclosed in the financial statements, compared with 45.5% that did not.

For those that thought separate disclosure was necessary, views again were mixed as to how that should be presented, with both note disclosure and a separate line item on the balance sheet being recommended. Other comments regarding disclosure however provide additional insights.

**"It would be beneficial to separate secured versus non-secured amounts payable, as well as a general categorization of priority payables…"**

**– Survey respondent**

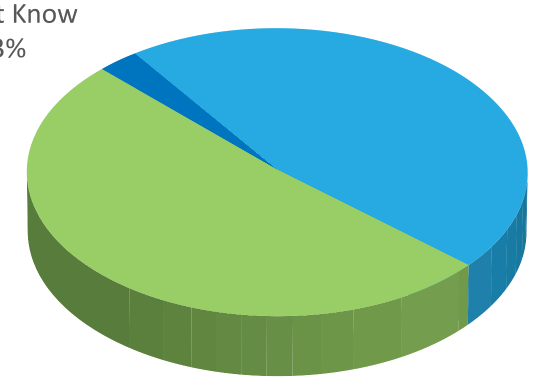
**"Payroll deductions are a Crown debt and this fact should be underlined. Pension claims should be highlighted for all creditors and would-be lenders."**

**– Survey respondent**

**"[This] would overly complicate disclosures. Lenders should incorporate that question into their due diligence of a borrower."**

**– Survey respondent**

Certain liabilities such as payroll deductions and past-due contributions to pension plans become priority claims in the event of bankruptcy. Should these be separately disclosed in financial statements?




# Simplifications for Private Company GAAP

## DEFINED BENEFIT PLANS – AN ONGOING DEBATE

Defined benefit pension plans provide contractually determined benefits to the beneficiaries of the plan. The risk of funding the benefits is vested with the sponsoring entity. Currently, Generally Accepted Accounting Principles for such plans are complex and involve the need for annual actuarial information. Many entrepreneurs have established defined benefit pension plans for themselves and/or their spouses. Canada's Accounting Standards Board has proposed simplification of the accounting for such plans. The proposed simplification for these Individual Pension plans (IPPs) whereby private companies could base the accounting on an actuarial valuation prepared for funding purposes, was met with some debate. On the one hand, observers point to the potential cost saving of using the valuation prepared for funding purposes rather than requiring a separate actuarial valuation for accounting purposes. Others however suggest that it is important for a sponsoring entity's statements to measure IPPs on the same basis as other defined benefit plans.

When asked as to the potential impact of this simplification, commentators provided a variety of opinions. Some point to the complexity and burden of the current accounting calculations. Most who are in favor of the simplification point to the savings in cost and the need to simplify financial reporting in general.

**"I think the answer to this should be based on the type of private company. The cost of an annual actuarial valuation does not seem to me to provide the benefit for a private company with few shareholders. If a stakeholder needs that valuation on an "off-valuation" year, then it could be done on that basis. Full disclosure of the last date helps provide the reader with an idea of whether there is likely a significant change in the valuation. Alternatively, reporting could include when a trigger event occurs that may affect the value, and would require a mid-term valuation on an as need basis."**
**– Survey respondent**

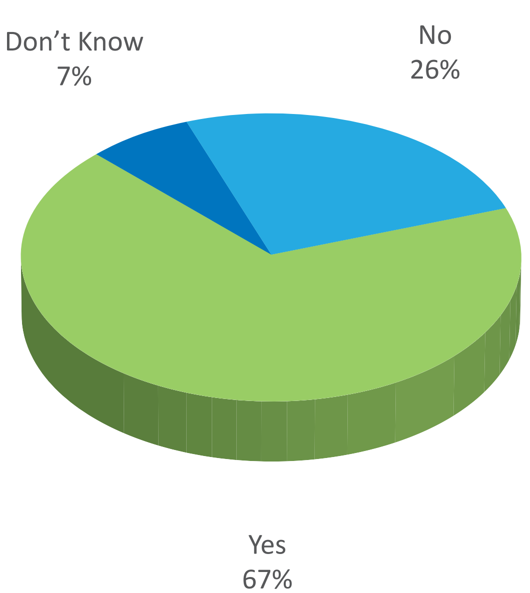
**"The financial statements should always correctly inform readers of the financial status of the company. If the marketplace or poor funding practices get a defined benefit plan into trouble, the readers should know this. After all, the liability and risk remains with the company. We all have now seen the results of poor risk management in our economy. Perhaps with better information we can simplify the rules and improve the information for the readers of the financial statements."**
**– Survey respondent**

**I think it is important that the sponsoring entity's financial statements reflect any obligation the organization has with respect to the defined benefit plan. This must be disclosed to the readers of the financial statements as this could represent a significant obligation or liability."**
**– Survey respondent**

# ACCOUNTING FOR INCOME TAXES

Public companies are required to account for income taxes using the tax allocation (future taxes) model. Under this model, the company accrues its best estimate of the cost (or recovery) of income taxes at the balance sheet date on the underlying presumption that it will realize its assets and settle its liabilities at their carrying values. Private companies have been eligible to adopt a differential reporting option under which they record only those income taxes that are payable at year end with simplified note disclosures explaining any differences between their expected (i.e. statutory) and effective income tax rates. The majority (67%) of our senior finance executives in this study agree that private companies should continue to be able to use the taxes payable method. However, differences in opinion between private company and public company respondents are marked, with 75.2% of private company executives agreeing with the taxes payable method, compared to 46.9% in public companies.

Public companies are required to account for income taxes using the tax allocation (future taxes) model. Under this model, the company accrues its best estimate of the cost (or recovery) of income taxes at the balance sheet date on the underlying presumption that it will realize its assets and settle its liabilities at their carrying values. Private companies have been eligible to adopt a differential reporting option under which they record only those income taxes that are payable at year end with simplified note disclosures explaining any differences between their expected (i.e. statutory) and effective income tax rates. Should private companies continue to be able to use the taxes payable method?






# HIGHLIGHT ON FINANCIAL INSTRUMENTS

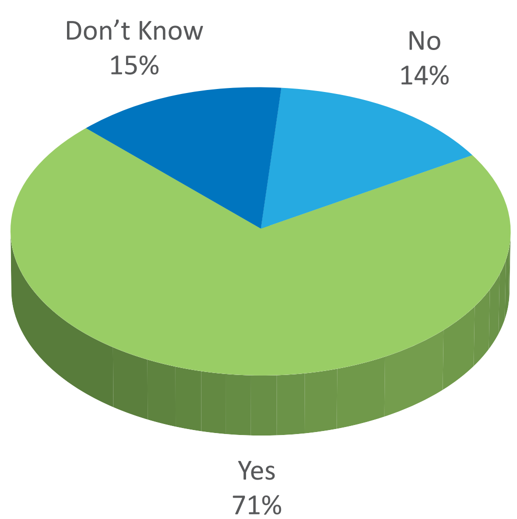
**In general financial executives agree with the proposal of the Accounting Standards Board to simplify the accounting for financial instruments by private companies, more specifically, proposals related to the accounting for equity securities and free standing derivatives; the recording of transaction costs; hedge accounting; derivatives embedded in non-financial contracts; and debt instruments with an equity component (such as a conversion option). However, many respondents were unclear about the impact of the proposals for hedge accounting, embedded derivatives, and debt instruments as compared to the other instruments.**

Public companies are required to apply a rigorous set of standards when accounting for financial instruments. The standards focus on measuring fair value and providing disclosures sufficient to enable the reader to understand and assess the risk profile of the instruments. The AcSB has made several proposals for simplifying the accounting for financial instruments by private companies. The following reports on the extent to which financial executives agree with these proposals. It was interesting to note that the larger number of "don't know" responses were in relation to questions relating to financial instruments, including the complex areas of bifurcation of compound financial instruments, segregation of embedded derivatives and hedge accounting. Some would observe that this supports the AcSB's view that the complexity of these standards exceeds the needs of the private business sector.

## EQUITY SECURITIES

Seventy one percent of respondents agreed with the proposal that equity securities traded in an active market and free-standing derivatives be valued at fair value with gains or losses recorded in current income and that all other financial instruments be carried at amortized cost using the effective interest rate method. However, relatively more private company finance executives (73.3%) agreed with this proposal than their public company counterparts (62.5%). Similarly, respondents from the mining and oil and gas extraction industries (54.2%) were less likely to support these proposals compared to the overall group.

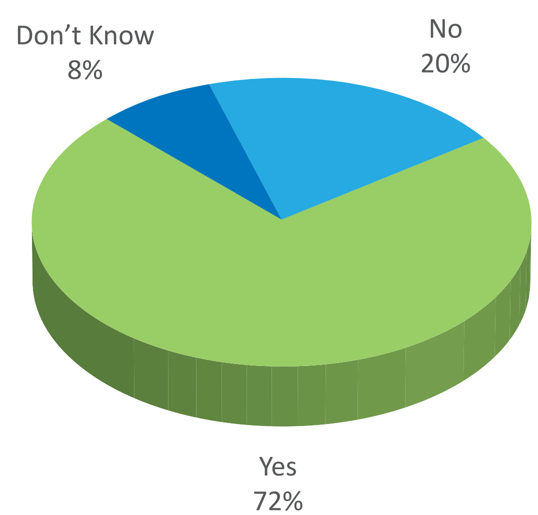
Do you agree that equity securities traded in an active public market and free-standing derivatives should be valued at fair value with gains or losses being recorded in current income? All other financial instruments would be carried at amortized cost using the effective interest rate method



### TRANSACTION COSTS

Again, a large majority of respondents (71.9%) were in favor of the AcSB's proposal that all transaction costs be recognized directly in net income, although relatively more private company executives agreed (74.3%) than public (65.6%).

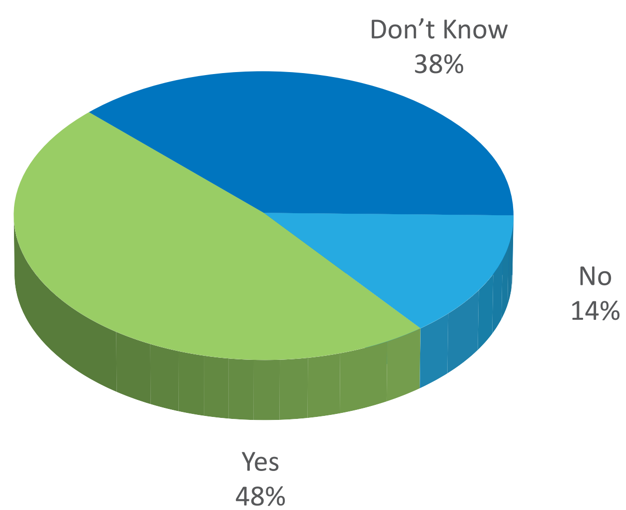
**Do you agree that all transaction costs should be recognized directly in net income?**




### HEDGE ACCOUNTING

Almost half of respondents (47.9%) indicated they agreed with the proposal that hedge accounting can only be applied when the hedge is considered to be fully effective (as demonstrated by the "critical terms match" method) and that any hedging relationship with an element of ineffectiveness will not be eligible for hedge accounting. However the proposal was met with relatively more uncertainty than other aspects of accounting for financial instruments, as almost 40% of respondents didn't have an opinion in this area. This was true of both private and public company respondents. Relatively more respondents agreed with the proposal from companies with over $250 million in annual revenues (58%), than those from companies with revenues of less than $250 million (41%). Similarly, a greater percentage of smaller company executives reported that they simply didn't know (44%) than those from larger companies (23%).

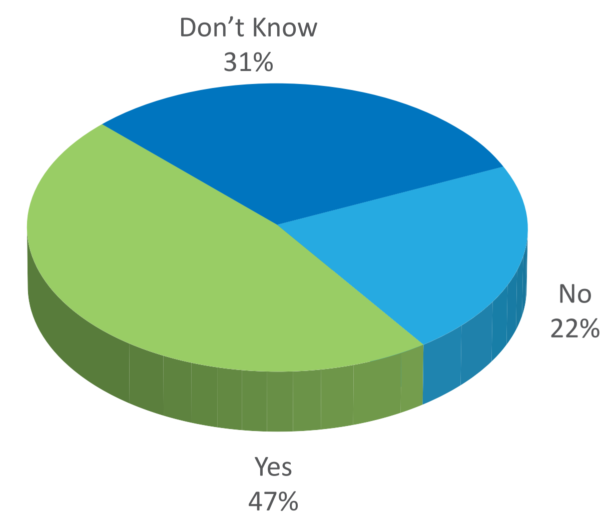
**Do you agree that Hedge accounting can only be applied when the hedge is considered to be fully effective?**




### DERIVATIVES EMBEDDED IN NON-FINANCIAL CONTRACTS

Roughly half of respondents (47.2%) agreed with the proposal that derivatives embedded in non-financial contracts not be segregated and separately accounted for. Again many executives (31.4%) didn't know. While the views between larger and smaller company respondents are very close, relatively more executives from large companies with revenues over $250 million (53%) agreed with this proposal than those from smaller companies (43%).

**Do you agree that derivatives embedded in non-financial contracts should not be segregated and separately accounted for?**



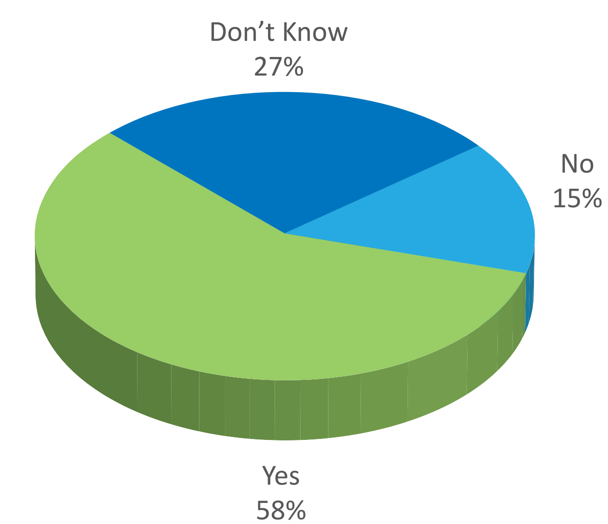

### DEBT INSTRUMENTS

**Relatively more executives from the financial and insurance sector are in favour of not bifurcating these instruments than in any other sector.**

The proposal of the AcSB board that debt instruments that include an "equity kicker" such as a conversion option may be recognized as a liability, rather than having to bifurcate the instrument between the liability and equity components, was met with approval by over half of the respondents in this survey (57.8%). However, more than one in four executives (27%) reported that they didn't know if they agreed or disagreed with this option. When considering the views of private company and public company executives separately, we note that the proposal was substantially more popular among private company respondents (61.9%) than their public company counterparts (48.4%).

Differences in opinion between the major industry groups represented by this survey were also notable. Relatively fewer respondents from the manufacturing sector agreed with this proposal (37.5%) than in mining and oil and gas extraction (45.8%) and in professional and scientific and technical services (56.7%). Executives from this group were also more likely to report that they didn't know (42.5%) compared to those in other sectors. Those responding from the finance and insurance group were the most likely to support this proposal, with almost 70% indicating that they were in favor.

**Do you agree debt instruments which include an "equity kicker" such as a conversion option may be recognized as a liability, rather than having to bifurcate the instrument between the liability and equity components?**

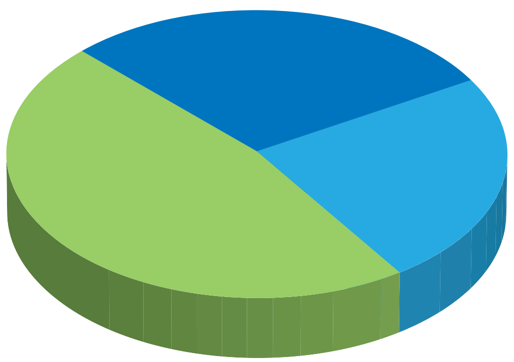


NOTE DISCLOSURES FOR HEDGING ACTIVITIES

The AcSB proposes that financial instruments used in an effective hedging relationship will not be recognized or recorded on the balance sheet. Rather, the notes to the financial statements will disclose salient terms and conditions of these instruments. There will be no need to measure or disclose the fair value of such instruments.

Roughly half, or 49.5% or our respondents agree with this proposal. Private company executives were more likely to support this proposal (53.3%) than public company ones (39.1%). However it must be noted that, again, many overall (28.1%) indicated that they didn't know. This is particularly true in the professional, scientific and technical services sector, where more than one third (36.7%) indicated that they don't know. Further comparisons between industry groups show that relatively more finance executives from the oil and gas sector were against this proposal (37.5%) than in manufacturing (27.5%), finance and insurance (24.4%) and professional and technical services (16.7%).

Do you agree that financial instruments used in an effective hedging relationship will not be recognized or recorded on the balance sheet. Rather, the notes to the financial statements will disclose the salient terms and conditions of these instruments. There will be no need to measure or disclose the fair value of such instruments.

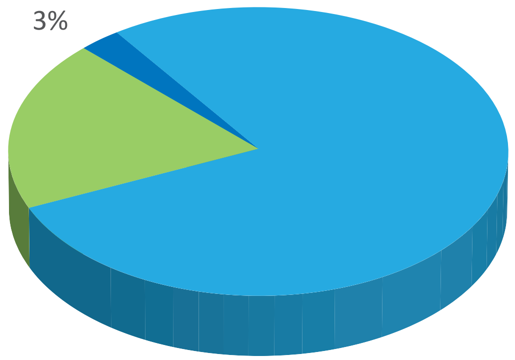



# DISCLOSURE OF EXECUTIVE COMPENSATION

**An overwhelming majority of senior financial executives see no need for a requirement to disclose executive compensation in private companies. However, this policy should meet shareholder approval.**

Public companies are required by regulation to disclose specified information about executive compensation. Even though understanding the amount of executive compensation may be significant to a user of the financial statements of a private business, there is no requirement for similar disclosures. When asked if they thought that compensation should be disclosed in the financial statements, an overwhelming majority of respondents said no (77.9%). Roughly 82% of private company respondents held this view compared to 67.2% of public company respondents. Views differed somewhat depending on company revenue size with 81% of smaller company respondents (revenues less than $250 million) saying they did not believe that executive compensation should be disclosed, versus 72% in larger companies. Similarly, relative more executives were against disclosing compensation in the professional, scientific and technical services group (90%), than in manufacturing (82.5%), finance and insurance (68.9%), and mining and oil and gas extraction (66.7%).

Do you agree that there should be disclosure of executive compensation in the financial statements of a private business?




**"I think the disclosures depend on the use of the financial statements. I would suggest that similar to differential reporting, if the shareholders and bankers unanimously consent to exclusion because they have this information in different sources/ manners, then it should be acceptable to exclude. Otherwise, I think there should be disclosures similar to public companies."**

**– Survey respondent**

**"This disclosure speaks to the heart of the matter. Executive compensation is all about the money to management versus the money to shareholders. Therefore, substantive disclosure should be provided, typically by category, which can help explain the motivation of management. The categories I would suggest are "base pay," incentives and benefits. With executive compensation and the incentives provided to them having a significant impact on the long run versus short run nature of profits, this should be identified. The only exemption I would make is for an owner managed enterprise with no significant external shareholders."**

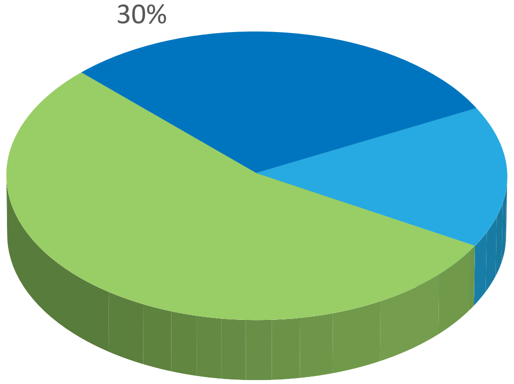
**– Survey respondent**

# CALCULATING STOCK BASED COMPENSATION

Like their public company counterparts, private companies often use stock based compensation to reward employees. However, unlike public companies, private companies often lack cost-effective access to fair value and volatility information to support the calculation of the cost of such compensation. For example, the current share value is a key input into the Black-Scholes model for calculating the value of a stock option, as is volatility. The Accounting Standards Board is proposing to remove the option of using the minimum value method such that all companies would be required to either establish their own volatility information or use an appropriate industry index as a proxy.

Over half, or 54.1% of respondents agreed with the proposal of the Accounting Standards Board to eliminate the minimum value method and mandate the use of company specific data or appropriate proxies. However, a large proportion also didn't know the answer to this question (29.7%). There was little difference in opinion between private and public company senior finance executives on this matter. Relatively more respondents from the professional scientific and technical services sector were in favor of this method (66.7%) than any other of the industry groups reported throughout this report.

Do you agree that the elimination of the minimum value method and mandating the use of appropriate proxies is appropriate?

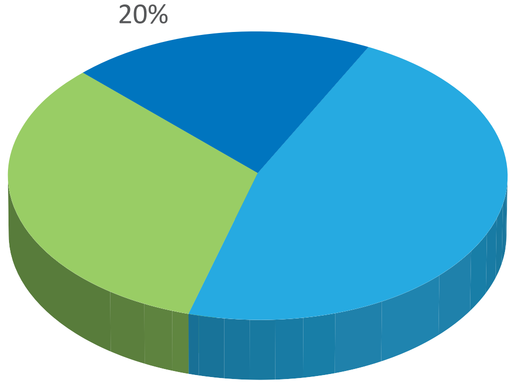



# The Role of the CFO

As new accounting standards evolve, one concern raised among senior finance executives is their ability to transfer skills between private and public companies and the resulting impact on their careers. Almost half of the executives polled (47.5%) indicated that with the adoption of IFRS in public companies, and the simplification of GAAP for private companies, they would not view a CFO from a private company as having the same technical accounting skills as their public company counterparts. This compares with roughly one third (32.7%) that saw no difference and one in five that simply didn't know. Relatively more public company finance executives perceived a difference in skill sets (57.8%) compared to 46% in private companies. Similarly, larger company finance executives (revenues greater than $250) were more inclined to think that technical qualifications would differ than finance execs from smaller companies. Executives in the mining and oil and gas extraction sectors were more likely to hold this view (45.8%) than those in the manufacturing sectors (35%), finance and insurance (28.9%) and professional, scientific and technical services sector (23.3%).

The financial executives participating in our research forum hold similar views, with some indicating concern over the transference of technical skills. According to Hesham Shafie, VP of Finance and Administration at Consumer Impact Marketing Ltd., one of Canada's largest marketing and sales organizations with 2,000 employees across the country, explaining the financials to the board of directors is a critical component of the CFO's job. Without the skills in IFRS, there will be a deficiency. He therefore emphasizes the need for education on IFRS for private company executives to "ensure that there isn't a big challenge in moving back and forth between private and public companies. "Others take the view that by definition, the role of the CFO demands continuous learning, flexibility and a greater emphasis on strategic thinking than technical accounting skills. Therefore, understanding the divergence in financial accounting standards is just another challenge in choosing to pursue a career as a senior financial executive.

Once private company GAAP is in place, would you view a CFO from a private company as having the same technical accounting qualifications as a public company CFO?



# Attracting New Accounting Talent to Private Companies

Many also agree that the divergence between private and public accounting standards may make it more difficult to attract and retain new talent into private companies. “Having two accounting standards may create an obstacle to attracting talented people and offering them a career path that gives them flexibility going forward,” says Deb Barrett, Vice President, Finance, The Woodbridge Company Ltd., “If you are using a less sophisticated GAAP standard in a private company, it might lead candidates to choose employers that use IAS. There is definitely a loss of skill set once you make the move to a private company. “In addition, she adds, “I think with two standards, we will find ourselves in an environment where you’ve got streams in accounting, where private company accounting may be considered the second tier standard.”

Universities across the country have started on this process even now, says Barry Gorman, professor of accounting at Saint Mary’s University in Halifax, N.S. “I can actually see,” he says “in the foreseeable future, a major in private sector accounting as compared to IFRS accounting. I can also see students trying to build a program in either IFRS because they want to get into international business or public corporations, and others building a private GAAP specialization, because they’re more comfortable in an owner managed business.”

# Conclusion

This study has highlighted the debate surrounding the need for simplicity in private company accounting standards versus consistency with public company standards. Most executives in our study concluded that simplifying certain aspects of financial reporting for private companies is reasonable. However, larger companies are less supportive than their smaller counterparts; in other words, size matters. For those companies who have many stakeholders in the form of employees, unions, customers, shareholders, etc., it is generally recognized that financial reporting should be comparable to public companies. At the same time, specific aspects of the AcSB proposed simplifications were examined, and met with widespread approval. With respect to financial instruments specifically, the results support the view that complex financial structures are not widely used in private companies. Simplifying the measurement and reporting of these instruments was therefore also generally supported. Also, most private company executives were against disclosing executive compensation, unless specifically requested by shareholders.

We’ve also shown that while simplifying many aspects of private company financial reporting has been met with support, there are concerns over how this will impact the role of the CFO. A divergence between public and private company GAAP, for many, will change the perceived accounting skills of private company CFOs. The underlying assumption is that by not understanding, working and reporting in IFRS, the private sector CFO is less technically skilled than their public company counterpart. Meanwhile, questions arise over availability of new talent. Unless universities design private company accounting streams for their students to promote private company GAAP, the adoption of private business GAAP may impede the attraction of new talent to private companies. However, concern remain over whether or not developing two specific streams of accounting education, could limit the ability of financial executives to move between private and public companies.
In its efforts to inform and educate, the Canadian Financial Executives Research Foundation will consider these questions in future research.

# Appendix A – Forum Participants

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| Forum Chair: | Barry Gorman, Chair of CFERF Board of Trustees |
| Moderators: | Ramona Dzinkowski , Executive Director of CFERF<br>Bob Young, KPMG Enterprise |
| FEI Canada: | Michael Conway, Chief Executive & National President, FEI Canada<br>Melissa Gibson, Research and Communications Associate, FEI Canada<br>Cameal Prince, Director of Events, FEI Canada |
| Participants: | Bruce Bailey, CFO, Mayhew & Associates<br>Deborah Barrett, Vice President, The Woodbridge Company Limited<br>Anne Burpee, CFO, South Western Insurance Group Limited<br>Jacquie Davison, Controller, Richard Ivey School of Business<br>Ron Duke, CFO & COO, Lavalife Inc.<br>John Forester, VP, Finance & Administration, NUCAP Industries Inc.<br>James Grundy, CFO, NRT Technology Corp.<br>Gordon Heard, Principal Advisor, The Finance Group<br>Tracy Holotuk, Director, KPMG Enterprise<br>Robert Kunihiro, VP & CFO, ABC Group Inc.<br>Kenneth J. Lahti, Vice President and Chief Financial Officer, Graymont Limited<br>Lucy Lombardi, VP Corporate Finance and Reporting, Power Stream<br>Peter Martin, Director, Accounting Standards, CICA<br>Florian Meyer, Finance Practice Leader, Newhouse Partners Inc.<br>Greg Scott, CFO, Maple Lodge Farms Ltd.<br>Hesham Shafie, VP, Finance & Administration, Consumer Impact Marketing Ltd.<br>Paul Van Bakel, VP Finance, Ontario Die International<br>Mark Walsh, Principal, Accounting Standards, CICA<br>Beth Wilson, National Leader, KPMG Enterprise |

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