

For immediate release

Survey reveals IFRS transition costs in Canada were generally in line with expectations

Toronto, ON, July 16, 2013 – The majority of respondents to an online survey on the costs of transition to International Financial Reporting Standards (IFRS) in Canada said that overall, the costs were significant but manageable, and broadly in line with those planned for and expected.

76% of all respondents said planning costs were about the same as budgeted for. Other costs ultimately turned out to be about the same or less than budgeted for in most categories, such as training, contract changes and having financial results audited. The survey was part of a study entitled [The cost of IFRS transition in Canada](#). It was conducted by the Canadian Financial Executives Research Foundation (CFERF), the research arm of Financial Executives International Canada (FEI Canada).

“I think one of the key things that stood out in the study was the varied experiences Canadian companies had when it came to the transition, which depended on a company’s size and nature of their business. Smaller companies saw the transition to IFRS as generally straightforward, with larger organizations managing the transition through early planning and devoting considerable resources to the task,” said Michael Conway, President and Chief Executive of FEI Canada.

“It was also interesting to learn how companies managed their costs. Several of the study’s participants noted that the ‘devil was in the details’. They did a line-by-line comparison of IFRS to Canadian GAAP to find the differences and prioritize the work they had to do. I think this exemplifies what a huge undertaking transitioning to IFRS was for Canada and companies should be commended for how they managed the process.”

The study shows that, for about half of respondents, the costs of preparing and auditing financial statements under IFRS are about the same as under Canadian generally accepted accounting principles (GAAP). Others found some savings, while others found it more costly.

The study also found that:

- 62% of companies’ transition budgets were under \$500,000.
- For some, the key drivers of costs were identifying more issues than anticipated and resolving differing interpretations of IFRS.
- Some managed their costs by hiring employees who were well versed in IFRS, often from experience implementing IFRS abroad.
- Nearly all respondents said transition required little to no changes in their contracts, thus, minimal renegotiation costs.
- Three-quarters said they did not have to make significant changes to their IT infrastructure as systems were more flexible than had been thought.

One survey respondent, a medium-sized company in the transportation and warehousing sector, reported that the transition was not that onerous. “It presented very little impact to the company. Most changes made perfect sense,” the respondent noted.

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

COSTS OF TRANSITION

Actual costs incurred by survey respondents to prepare their first set of financial statements varied according to their revenues:

- For smaller-sized companies, defined throughout this report as organizations with revenues of less than CDN\$99 million, the average total cost was \$154,800. Transition costs in the category ranged from \$10,000, spent by a municipal organization with revenues of about \$6 million to \$506,000, spent by a private company with revenues of less than \$49 million. Costs as a percentage of revenues were 0.17% for the lowest spending company and no greater than 1% of revenue for the highest spender in the category.
- For medium-sized companies, defined as organizations with revenues of CDN\$100 million to \$999 million, the average total cost was \$512,800. The lowest cost was \$75,000 spent by a municipally-operated not-for-profit organization with revenues of about \$148 million. The highest cost in the category was \$2,611,300, spent by a public utility with revenue of about \$990 million. Costs as a percentage of revenues were 0.05% for the lowest spender and 0.26% for the highest.
- For larger-sized companies, defined as organizations with revenues of CDN\$1 billion or more, the average total cost was \$4,041,177. The lowest spent by a large company was \$80,000, by a financial services company with revenues of about \$1.28 billion. The highest cost in the category was \$25.5 million, reported as being spent primarily on internal resources supporting the transition to IFRS, by a financial services company with revenues of \$30 billion. Costs as a percentage of revenues were 0.006% for the lowest spender and 0.08% for the highest spender in the category.
- Staff time was the largest transition expense item in all categories. Costs for larger-sized companies were mostly consumed by internal staff, an average of 60% of actual costs. Larger companies had higher internal costs, since they had and were able to utilize more internal resources. Smaller-sized and medium-sized companies spent a higher proportion on external IFRS technical expertise than the largest companies.

IFRS formally took effect in Canada on January 1, 2011. The study combines the data gathered through an online survey conducted in January 2013, from 105 financial executives whose organizations had adopted IFRS. The data was combined with insights gathered at a roundtable held in Toronto on February 21, 2013. The roundtable featured 14 preparers of financial statements, representing a cross-section of industries. Financial support for the project was provided by the [IFRS Foundation](#) and Canada's [Accounting Standards Oversight Council](#).

About the Canadian Financial Executives Research Foundation: CFERF is the non-profit research institute of FEI Canada. The foundation's mandate is to advance the profession and practices of financial management through research. CFERF undertakes objective research projects relevant to the needs of Canada's senior financial executives in working toward the advancement of corporate efficiency in Canada. For more information, please visit feicanada.org.

About Financial Executives International Canada: FEI Canada is the all-industry professional membership association for senior financial executives. With 11 chapters across Canada and 1,800 members, it 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. For more information, please visit feicanada.org.

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