Welcome

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Agenda

- **Financial reporting and assurance updates** – Trevor Hammond
- **IFRS standards update** – Reinier Deurwaarder
- **Transfer pricing update and audit trends** – Michael Hoffman
- **U.S. tax reform** – James Rowling
- **Short-term energy market update** – Robert Doran
Financial reporting and assurance updates

Trevor Hammond
Partner, Audit
Financial reporting and assurance updates

- **Changes to Bank of Canada FX rates**
  - Bank of Canada (BoC) has discontinued publishing noon and closing exchange rates, as well as stopped publishing any rates for certain currencies.
  - Effective Mar 1, 2017, BoC began publishing a single indicative rate per currency pair each day. This rate is calculated using a methodology that will reflect average exchange rate observable throughout the Canadian business day.
  - The period March 1, 2017 to April 28, 2017 was a transitional period, in which the new and existing foreign exchange rates were published concurrently.
  - Post-April 28, 2017, entities will need to:
    - Assess their source of exchange rate data;
    - Assess the reasonableness of exchange rates used to translate foreign currency transactions and foreign currency operations, and ensure rates are in accordance with their accounting policy;
    - Consider other impacts and adjustments that may be required, such as amendments to business processes, IT systems, and legal contract.
Financial Reporting and Assurance Updates

• **Bank of Canada fx rates continued:**
  - Bloomberg and Reuters publish closing rates that are appropriate closing rates under IFRS
  - Links for free appropriate Reuters rates:
    - Daily exchange rates (close)
    - Monthly average rates

• **Updating disclosures on status of adoption of new accounting standards**
  - IFRS 9 (Financial Instruments) – Effective January 1, 2018
  - IFRS 15 (Revenue) – Effective January 1, 2018
  - IFRS 16 (Leases) – Effective January 1, 2019

  - Regulator and investor expectation is that financial statements will continue to enhance user understanding of the implication of the transition prior to the actual transition taking place
Financial Reporting and Assurance Updates

• **PCAOB new audit reporting standard issued on June 1, 2017**
  • Implications for audits of fiscal year ends on or after 12/15/2017
    • Required disclosure of auditor tenure
    • Required statement of auditor independence
    • Other relatively minor enhancements to the report
  
  • Implications for audits of fiscal year ends on or after June 30, 2019 or December 15, 2020 (depending on size of filer)
    • Required disclosure of critical audit matters (“CAM”)
      • A CAM is a matter that was required to be communicated to the audit committee and relates to material accounts or disclosures that involved especially challenging, subjective, or complex auditor judgment
    • Disclosures of CAMs in the audit report require:
      • Specific identification of the matter;
      • Description of the principal consideration that led the auditor to determine that the matter was a CAM;
      • Description of how the CAM was addressed in the audit; and,
      • Reference to the relevant financial statement accounts or disclosures
IFRS standards update

Reinier Deurwaarder
Partner, Audit
IFRS 15 Disclosures

Objective: Help users understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers

Contracts with customers

- Disaggregation of revenue
- Changes in contract assets, liabilities and costs
- Performance obligations

Significant judgments and changes in judgments

- Determining the timing of satisfaction of performance obligations
- Determining the transaction price
- Determining amounts allocated to performance obligations

Assets recognized from the costs to obtain or fulfil a contract

Includes disclosure of the aggregate amount of the transaction price allocated to POs that are unsatisfied at the reporting date
IFRS 9 Action Points

- Determine losses in AR from future economic conditions
- Draft updated Accounting Policies
- Identify non-substantial modifications
Transfer pricing update and audit trends

Michael Hoffman
Partner, Tax
Transfer pricing update

• **Country-by-country (CbCR) reporting**
  - Deadline is fast approaching!
  - While requirements appear straightforward, there are complexities with data collection and interpretation
  - Still evolving…more OECD Guidance is imminent
  - Be aware of some country-specific requirements (e.g. notification)

• **New focus for transfer pricing documentation**
  - Master file – more disclosure to tax authorities about the overall business/value chain and each entity’s contributions
  - Local file – address country-specific documentation of related-party transactions
  - May have requirements to file master file and/or local file with tax authority
  - Thresholds for requiring master file are not the same as CbCR thresholds
Transfer pricing audit trends

- Transfer pricing is a primary focus of CRA and other tax authorities with a focus on base erosion and profit shifting (BEPS) issues
  - Loans and guarantees, including domestic loan transactions
  - Energy trading
  - Development and use of intangibles
  - Restructuring and buy-out payments

- IRS focus on specific issues such as limited risk distributors

- Get it right the first time
  - Transfer pricing penalties – Canada applied 56% of time in 2016
  - Proposed changes to the voluntary disclosure program – large corporations losing eligibility

- Consider transfer pricing certainty through advance pricing arrangements
U.S. tax reform

James Rowling
Partner, Tax
US tax reform - Where we were at Q1

Moving the Corporate Tax from, Income Tax to a Consumption Tax

Territorial tax regime

Border adjustment mechanism

Revenue neutral

Transition

House blueprint
US tax reform - Developments for Q2

• **April 26, 2017 Trump Administration announcement**
  - Plan core principles

• **May 23, 2017 The Trump Budget FY 2018**
  - Consistent with campaign plan

• **June 20, 2017 House Speaker Ryan’s – Tax reform speech**
  - Reaffirmation of some blue print agenda items
US tax reform - Other considerations

- Conformity to federal base
- Differential effect across states
- Transition and timing

State tax implications
Short-term energy market update

Robert Doran
Partner, Deal Advisory
Short-term energy market update

Conference insights

CERAWeek (Houston, March 5–9, 2017)

Questions?

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# For more information

## Publications

**KPMG’s Global IFRS Institute**
- KPMG's Global IFRS Institute provides information and resources to help Board and Audit Committee members, executives, management, stakeholders and government representatives gain insight and access thought leadership about the evolving global financial reporting framework

**OECD BEPS Action Plan – Moving from talk to action**
- This series explores recent trends, new challenges and opportunities and offers insights into how tax leaders of multinational organizations are responding and includes a summary on Canada
  - [BEPS](#)
  - [BEPS Action Item 13 (Updated weekly)](#)

**TaxNewsFlash - Canada**
- Keeping you in the know with all of the latest tax developments pertaining to Canada and its industry sectors

**Outlook for U.S Tax Reform**
- Bookmark this webpage for KPMG’s ongoing insights including on-demand webcasts, videos and a number of informative articles
Thank you