

IFRS requirements

How Canadian GAAP differs

IAS 37 – Provisions, contingent liabilities and contingent assets

IFRS requires that a provision be recognized:

- if it is likely that a future event will confirm that a liability has been incurred and a reasonable estimate can be made of the amounts involved;
- on the basis of a legal or a constructive obligation.

Where a range of values is available as a possible outcome, and the unfavourable outcome is probable, companies must record the midpoint of the range as a provision.

Generally, Canadian GAAP has similar requirements. On the issues noted:

- According to Canadian GAAP, “likely” is a higher recognition threshold than the “more likely than not” required under IFRS.
- Under Canadian GAAP, restructuring costs and asset retirement obligation provisions are recognized only when there is a legal obligation and not where there is a constructive obligation.

Where a range of values is available as a possible outcome, Canadian GAAP requires that a company report the low end of the range if the outcome is probable and disclose the upper end of the range in the notes.

Suez presents the following information on provisions in its notes:

- *accounting policy (note 1.4.15 on page 215);*
- *detailed reconciliations of amounts reflected on its consolidated balance sheets and other information related to various provisions (note 19 on pages 275 to 278).*

IAS 36 – Impairment of assets

IFRS requires companies to recognize an impairment of PPE and intangible assets, including goodwill.

IFRS allows impairment reversals for nonfinancial assets except goodwill.

Canadian GAAP also requires the recognition of impairment for PPE and intangible assets, including goodwill.

The two sets of standards do, however, have different methods for evaluating impairment.

Canadian GAAP prohibits the reversal of impairments on PPE and intangible assets, including goodwill.

Suez presents the following information on the impairment of PPE, intangible assets and goodwill in its notes:

- *accounting policy, including its reversal (notes 1.4.4.1.2, 1.4.4.2.3 and 1.4.5.3 on pages 206 to 208);*
- *details of impairment amounts (including financial assets) and other information (notes 5.2, 5.2.1 and 5.2.2 on pages 230 and 231).*

Note that IFRS introduces new concepts such as recoverable value, value in use and Cash Generating Unit.