New reality. New complexities.
Managing complex accounting challenges – from principles to practice
Canadian entities operate in a very complex accounting environment, which is constantly changing to cope with new regulatory, accounting and reporting requirements.

Company reporting is moving beyond traditional financial statements. Organizations now face complex changes, such as major changes in accounting principles, mergers and acquisitions, carve-outs and initial public offerings (IPOs) – which often require very specific accounting advice.

As a leader of your company, you’re expected to be a strategic finance advisor to the business – and to help position it for this new reality.

How does today’s enterprise deliver value, and demonstrate that value? How do you grow revenue? How do you put assets – including cash reserves – to good use? From strategic acquisitions and divestitures to improving and rationalizing operations, the finance function is expected to be a strategic partner to the business, supporting decision-making while maintaining a robust control environment enterprise-wide.

It’s important to recognize how changes to accounting guidance affect strategic decisions – and vice versa.

Whether it’s strategic opportunities, new internal processes, controls and systems, or regulatory changes, you need to understand the practical accounting implications before you make decisions about improving your prospects for growth and realizing value.

As you review your strategic opportunities and their attendant challenges, you must also consider the accounting implications. We can help.
New reality. New practices.

“[F]or most CFOs.... [the] top job now involves helping the CEO and business heads find new opportunities and assess their strategic and financial merits and risks.... [T]he chief of finance has stepped up to become the CEO's partner....”

Harvard Business Review

Every day, leaders of world-class finance functions are asking:

- Am I helping our business set its strategy – and achieve our objectives?
- How should we deploy capital to support our strategic goals?
- Are our business decisions based on sound financial information?
- How can we measure and report on progress in realizing our strategic objectives?
- How do I drive efficiency in the finance function and add value?

Enterprises looking to strategic growth initiatives must also adapt to changing economic conditions as well as an evolving regulatory environment. And that responsibility falls squarely on the finance function.

Today’s enterprises need help understanding and addressing the effects of business decisions on accounting treatments and financial reporting – and vice versa. Technical resources alone are not enough to meet these challenges; you need advisors who understand the issues you face in your industry and have the experience to identify practical, effective alternatives.

Changes to accounting standards aren’t the only challenge for today’s heads of finance. Complex business decisions arise as a result of your entity’s capital agenda, with transactions such as mergers, spin-offs, debt offerings and IPOs all dictating changes to entities’ financial statements.

We can help you understand the impact of strategic initiatives on your finance and accounting function, allowing you to make informed decisions.
Financial Accounting Advisory Services

We understand the imperatives you face. Our Financial Accounting Advisory Services practice assists finance leaders in addressing the strategic accounting challenges facing their businesses and the finance function, including assisting with business transformations and accounting convergence.

We can assist you in various ways, including:

- Identifying potential complex accounting and regulatory issues prospectively, and helping you evaluate alternatives and develop approaches to implementation
- Managing complex accounting decisions, including those relating to changes to IFRS, accounting standards for private enterprises, public sector accounting, US generally accepted accounting principles (GAAP) and financial statement reporting
- Accounting for transactions, including acquisitions, IPOs, private offerings and carve-outs
- Providing accounting process and controls support, including assisting with new business processes in line with evolving guidance
- Providing insight on how peer companies are dealing with similar challenges
- Providing additional services such as dispute resolution and remediation, assistance with interpretation of accounting terms in agreements, and with documentation of positions related to accounting or financial reporting disputes

Our Financial Accounting Advisory Services professionals are deeply experienced in managing mandated accounting changes. We offer up-to-date insight into regulatory developments, along with deep experience across industry – including subject matter resources in treasury accounting, hedge accounting, accounting for commodity trading and derivatives, and other key areas.

Throughout the global Ernst & Young network, we can connect with teams of highly qualified professionals in assurance, tax, transactions and advisory services who work hard to help you obtain the market, technical and regulatory insights you need.

Up-to-date insight into regulatory developments. In-depth experience across industry and qualified resources from across our global organization.
Value to you

What sets us apart?

We offer a cross-service-line approach. We co-ordinate technical and advisory resources from across Ernst & Young’s global network of assurance, advisory, transaction advisory and tax practices to develop a customized approach for you.

Teaming with our clients is part of our values. We have a dedicated team who can help you develop your internal capacity to address complex accounting issues through practical methodologies and knowledge sharing. Our Financial Accounting Advisory Services professionals combine technical capabilities with practical experience. Our Canadian team offers extensive industry knowledge and is part of the international Ernst & Young network of firms, keeping us up to date with developing leading practices.
Confidence: Gain assurance that your approach is technically acceptable. We help you validate whether the selected accounting treatment has been properly applied and reported.

Practical insight: We know the areas where Canadian entities most frequently face technical accounting problems, and we have practical experience helping these organizations tackle these issues. You can benefit from our knowledge and develop your own internal competencies to prevent issues from arising and address problems more efficiently.

Technical capabilities: Our team plays a key role in developing Ernst & Young's response to technical accounting developments. We understand how accounting standards are likely to develop and are highly experienced in the interpretation of new standards. We help you stay up to date by offering training courses, publications and briefing sessions on accounting developments to help you understand how they could impact your reported performance. Through facilitated forums, we help you benchmark your views and interpretations with market practice.

Sounding board: When you’re engaged in a transaction, we can be a sounding board for complex issues and new developments that arise.
## Our services

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<th>Complex accounting</th>
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<th>Ways we can help</th>
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| **Forthcoming accounting changes** | Our professionals have significant practical experience and can provide support for implementing forthcoming accounting changes. | • Develop/perform tailored training  
• Assist in preparing/reviewing accounting memorandums and/or draft financial statements  
• Develop/review accounting policy manual  
• Support management with relevant changes in processes and controls (refer to “Financial reporting” below) |
| **Complex accounting issues/sounding board** | We can provide management with robust arguments and practical insights to support their accounting treatments. We can also provide technical updates with insight into the practical implications and impact of future changes on your business. | • Advise on accounting treatment and/or disclosure of specific matters, such as impairments, valuations, actuarial calculations, business combinations, liquidity management and other treasury matters  
• Help management assess the impact of new accounting standards on finance and other business functions |

## Financial reporting

| Financial reporting performance | We can provide practical assistance to management to enhance financial reporting performance. We can also provide a range of financial communication services, including assistance with financial statements disclosures, regulatory communication and performance analysis of your company’s financial communication processes. | • Develop/review reporting procedures and/or group accounting policy manual  
• Develop/review proposed changes to documents such as management reports, performance plans and financial forecasts  
• Assist with financial statements disclosure, including leading practices and benchmarks  
• Assist with regulatory communication, such as profit warnings and annual reports |
| Financial reporting processes | We can provide support with changes in the financial reporting process and control, including design and implementation. We can also assist in the design of consolidation models and can help you assess how to make the consolidated and statutory accounts process more efficient. | • Support management with financial reporting process changes within a finance function transformation project  
• Support management with changes in systems and controls, including design and implementation  
• Review accounting processes and controls to improve and enhance the financial statement close process  
• Assist in the implementation of consolidation tools or packages, including assistance in understanding underlying accounting and related chart of accounts  
• Assist in documenting accounting policies and procedures |
| Regulatory compliance | We provide advice and assistance to meet relevant regulatory requirements. | • Assist with the design and implementation of data collection processes and controls to comply with various regulations, such as securities and corporate legislation  
• Advise on how to improve management of business risks and conformity with prudent business practices |
### Transactions and capital markets

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<td><strong>Transaction accounting and reporting (including GAAP conversion)</strong></td>
<td>Our team is experienced at managing these processes and linking the commercial intentions of a transaction to its accounting implications. We can also assist management regarding accounting and reporting requirements related to specific transaction issues, including GAAP conversion.</td>
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<td>• Assist in performing a diagnostic review and developing/commenting on GAAP conversion plan (key milestones, activities and tasks, resourcing requirements)</td>
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<td>• Provide advice on draft shareholder agreements to anticipate any accounting issues (e.g., consolidation of special-purpose entities)</td>
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<td>• Provide financial information to prospective purchasers</td>
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<td>• Assist with the preparation of the opening fair value balance sheet, including alignment with the acquirer’s accounting policies, thereby eliminating the risk of surprises</td>
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<td>• Assist in mapping the acquiree’s general ledger to the group reporting framework</td>
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<td>• Assist with the preparation of carve-out financial statements</td>
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<td>• Assist with the preparation of business acquisition reports</td>
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<td>• Assist with the preparation of timely and reliable ongoing management reporting and external financial reporting for the enlarged group, including combined financial statements and forward-looking statements</td>
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<td>• Assist with “fresh start” accounting</td>
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<td>• Provide accounting advice on complex accounting interpretations or industry-specific issues in respect of a sale and purchase agreement</td>
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| **Capital market transactions (including IPOs)** | Our team can provide a range of services to help companies in performing capital market transactions, including IPOs, share offerings, debt offerings and reverse takeovers. |
| | • Assist companies contemplating IPOs in selecting accounting policies, assessing internal controls and required remedial actions, and preparing financial information required in offering documents |
| | • Support clients and transaction specialists with financial reporting procedures comfort, working capital reports, pro forma financial statements, long form due diligence reports and profit forecast reports |

### Other services

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<td><strong>Dispute resolution</strong></td>
<td>Our professionals can provide accounting or financial reporting insight, or can work in conjunction with our Fraud Investigation &amp; Dispute Services colleagues to provide broader advice for dispute problems.</td>
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<td>• Assist in documenting positions related to accounting or financial reporting disputes</td>
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<td>• Prepare accounting arguments for inclusion in dispute case documents</td>
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| **Remediation** | We can provide remediation support for investigation, correction and remediation of accounting, processing and control errors. |
| | • Assist with reconciliations of intercompany balances, suspense accounts or other out-of-balance accounts |
| | • Assist with investigation, correction and remediation of systematic processing and control errors or system failures |
Change. Complexity. That is your reality.

The impacts of accounting change on your business

The International Accounting Standards Board is continuing in its efforts to overhaul financial reporting—a number of new standards have been issued, and others are expected to be finalized over the coming months. Regulations across jurisdictions and geography are ever-more complex, and the pace of regulatory change continues to increase.

This suggests major changes to your accounting practice, with ramifications for IT systems, processes and controls. Depending on your organization, internal accounting policies and controls may need revision—and your strategic agenda will also impact accounting decisions:

Achieving top-line growth: How should you plan to address new rules for revenue recognition—a key performance metric and one that could be impacted by deferred revenues?

Managing costs: What early planning can reduce costs and promote efficiencies in updating systems and improving processes?

Reporting and investor relations: As key performance metrics evolve, what measures are in place for communicating transparently to investors, analysts and others?

Improving forecasting and strategic planning: As standards and performance measures evolve, can you model the effects on budgeting, forecasting and reporting? How can you alter success measures—and behaviour—internally?

Strengthening internal control and risk management: What organizational risks are inherent in an evolving regulatory environment?

Measuring progress: What milestones are in place for effecting change? How to report achievement against your strategic objectives?
Our team

We have a dedicated team of accounting advisory professionals in five locations across Canada.

We combine technical accounting skills in IFRS, Canadian and US GAAP, practical experience in financial reporting processes as well as deep sector and regulatory knowledge. We have access to the global Ernst & Young network of professionals with wide-ranging capabilities and GAAP knowledge.

We can help you with the financial accounting and reporting implications of the ever-increasing complexity of your business environment, to help your business achieve its potential. It’s how Ernst & Young makes a difference.

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