AVOIDING SWINDLERS by Al Rosen EXCERPT

Following 2011-2012, most Canadian public corporations (including many of those listed on the Toronto Stock Exchange, or TSX) introduced an entirely new income/profit concept for their investor financial reporting. In essence, hoped-for profits of future years were being recorded as income for today. What had really changed was the nastiness of financial reporting to investors had ballooned. Many companies began utilizing IFRS (International Financial Reporting Standards) in 2011-2012, which is hardly "international." The IFRS regulations are generally far looser and judgmental in measuring "net income" than would be permitted to exist for U.S.-based corporations. Cause for investor concern should be especially high in Canada because governments have not prohibited nasty reporting that IFRS permits. For example, many real estate and infrastructure assets are being financially reported for Canadian companies based on barely-regulated management estimates of ill-defined "value." Credibility should be a major investor concern. Bloated "income" causes serious consequences. Avoiding Swindlers 3 What becomes particularly scary for investors is that year-over-year estimated changes in these "values" are permitted under IFRS in certain industries to be reported as part of current year "income" before tax. The reported "value" increases do not arise from the pre-2011 rules that you have to actually have to have sold assets to third parties before declaring that income had been earned. Instead of requiring an actual asset sale to help prove the alleged increased dollar "value," corporate managements (who could be receiving a bonus based on annual income before income tax figures) have been granted full "value" choice authority.