

Accounting Update - An Overview

Prepared and presented by:

Jane M. Bowen, FCPA, FCA

Fall 2016

Objective

- **The objective of this session is to:**
 - **Identify current developments in accounting standards**

CPA Canada Handbook – Accounting

PART I	International Financial Reporting Standards	“IFRS”
PART II	Accounting Standards for Private Enterprises	“ASPE”
PART III	Accounting Standards for Not-for-Profit Organizations	“ASNFPPO”
PART IV	Accounting Standards for Pension Plans	
PART V	Pre-changeover accounting standards	

IFRS - New Standards

- **Effective for annual periods beginning on or after January 1, 2019**
 - IFRS 16, Leases
- **Effective for annual periods beginning on or after January 1, 2018**
 - IFRS 9, Financial Instruments
 - IFRS 15, Revenue from Contracts with Customers
- **Various amendments**

ASPE

- **Effective on or after January 1, 2016**
 - **New Section 1591, *Subsidiaries***
 - **New Section 3056, *Interests in Joint Arrangements* Revised Standards**
 - **Amended Section 3051, *Investments***
 - **2015 Improvements to ASPE**

Subsidiaries

- Section 1591, *Subsidiaries*
- Replaces
 - Section 1590, *Subsidiaries*
 - AcG-15, VIEs
- **Effective for fiscal periods beginning on or after January 1, 2016**
- **“to incorporate all guidance related to control of another enterprise in one section”**

Subsidiaries

- The definitions of control and a subsidiary were carried forward from Section 1590 and are:
 - A **subsidiary** is an enterprise controlled by another enterprise (the parent) that has the right and ability to obtain future economic benefits from the resources of the enterprise and is exposed to the related risks.
 - **Control** of an enterprise is the continuing power to determine its strategic operating, investing and financing policies without the co-operation of others.” (ASPE 1591.03 in part)
- Added guidance when control obtained by other than equity interests
 - Contractual arrangements
 - Combination of equity interests and contractual arrangements

Clarifications

- **ED issued in May 2016**
 - **Transitional provisions are only applicable on the first time adoption of Section 1591 and 3056, not if subsequently change the accounting policy for subsidiaries/joint arrangements**
 - **More importantly: NOT required to assess whether contractual arrangements give rise to control when subsidiaries are not consolidated!**

Interests in Joint Arrangements

- Section 3056, *Interests in Joint Arrangements*, issue
- Replaces
 - Section 3055, *Interests in Joint Ventures*
- Effective January 1, 2016

Joint Arrangements - 3 categories

<u>Jointly controlled operations</u>	<u>Jointly controlled assets</u>	<u>Jointly controlled enterprises</u>
<ul style="list-style-type: none">• Uses assets and the resources of investors	<ul style="list-style-type: none">• Joint control and/or ownership of assets	<ul style="list-style-type: none">• Separate enterprise established
<ul style="list-style-type: none">• Does not establish a separate structure	<ul style="list-style-type: none">• Output/expenses shared	<ul style="list-style-type: none">• Enterprise acts as a business

Section 3051, Investments

- Revisions
 - Scope
 - Contributions – equity accounted investments
- Effective January 1, 2016
 - **CPA Canada Briefing Document – A New Light on Investments**
 - <https://www.cpacanada.ca/en/business-and-accounting-resources/financial-and-non-financial-reporting/accounting-standards-for-private-enterprises-aspe/publications/aspe-briefing-accounting-for-investments>

ASPE Improvements

- **2015 Improvements – effective 2016**
- **2016 Improvements – None**
- **2017 Improvements – ED issued**

2015 Improvements

- **Effective: For annual financial statements beginning on or after January 1, 2016**
 - **Section 1582, Business Combinations – Disclosures**
 - When acquisition involves purchase of asset or group of assets that is a “business” then must disclose the amounts recognized at the acquisition dated for each major class of asset acquired and liabilities assumed (1582.62A(a))
 - Disclosure of the amount of any **impairment loss** or reversal of a previously recognized impairment losses is required for both investments and leases
 - Disclosures for Section 3061, **Property, Plant and Equipment** removed “an item”
 - Section 3462, **Employee Future Benefits** - clarification of circumstances un which an actuarial valuation for funding purposes may be used to measure a define benefit obligation

2017 Improvements

- One.....
- **Section 1505, Disclosure of Accounting Policies**
 - **FORMAT AND LOCATION**
 - .08 The Board recognizes the need for flexibility in matters of format and location in disclosing accounting policies in the financial statements. However, it is particularly useful in order to provide an overview of the accounting policies of an enterprise that these be disclosed together in the form of a summary rather than in individual notes to the financial statements. Therefore, the disclosure of accounting policies is provided as **the first note to the financial** statements. Suitable titles would be "Summary of Accounting Policies" or "Accounting Policies".

Not-for-Profit (Part III)

- **Effective for annual periods beginning on or after January 1, 2016**
 - *Section 4450, Reporting Controlled and Related Entities by Not-for-Profit Organizations*
- **ASPE changes applicable since adopt Part II with Part III**

Revisions to Section 3051: Applicability to Not-for-Profit Organizations (NFPOs)

- May be applicable to NFPOs:
 - If an NFPO uses the equity method in accordance with Section 4450, *Reporting Controlled and Related Entities by Not-for-Profit Organizations*, in Part III of the CPA Canada Handbook – Accounting, then revised Section 3051 applies
 - Section 4450 requires the equity method to be used by an NFPO for an investment in a significantly influenced **profit-oriented** enterprise
 - An NFPO also has an accounting policy choice to apply the equity method for an investment in:
 - a controlled profit-oriented enterprise
 - a joint venture
- The new accounting in Section 3056, Joint Arrangements, does not apply to NFPOs

NFPOs - 2015 Improvements

- **Applicable as appropriate**
- **For example,**
- **Employee Future Benefits - NFPOs reporting under Part III are directed to Section 3462, and hence are also subject to this amendment (paragraph 3463.01).**

Where do we go from here?

- **Resources:**
 - CPA Canada Handbook – Accounting (knotia)
 - CPA Canada
 - www.cpacanada.ca
 - Accounting Standards Board
 - <http://www.frascanada.ca/>

Wrap-up

- Do you have an “action item”?
- Any questions?
- Thank you!