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> [Directive on Accounting Standards: GC 5200 Guideline: Illustrative Crown Corporations Quarterly Financial Report](#)

Directive on Accounting Standards: GC 5200 Guideline: Illustrative Crown Corporations Quarterly Financial Report

i Note to reader

This document provides guidance to Crown corporations' for the preparation of their quarterly financial reports (CC QFR), and should be read in conjunction with the [Directive on Accounting Standards, GC 5200 Crown Corporations Quarterly Financial Reports](#). It provides guidance on the statement that outlines the results, risks and significant changes relating to a department's operations, personnel and programs. Since this guidance cannot consider all circumstances, professional judgement must be used when considering the Crown corporation's reporting requirements.

A. Financial Statements

Parent Crown corporations are required to prepare quarterly financial statements using the principles outlined in this standard. The financial statements will include the results of the parent Crown corporation and its wholly-owned subsidiaries.

The financial statements are to be prepared based on the presentation, recognition and measurement standards used in the preparation of the annual audited financial statements, either Public Sector Accounting Standards (PSAS) or International Financial Reporting Standards (IFRS) as applicable for the parent Crown corporation.

Notwithstanding, management may use discretion with respect to the adoption of new or changed accounting policies and, in doing so, may choose not to adopt a new or changed policy during a quarter, but rather to adopt the new or changed policy for the first time in

the year end financial statements. Where there is a delay in adoption of an accounting policy and this results in a departure from generally accepted accounting principles, management must disclose in the quarterly financial report that:

- there has been a departure from generally accepted accounting principles;
- management has elected to reflect the change only in the annual audited financial statements; and
- the quarterly financial statements do not include the impact of the new accounting principle.

It is up to discretion of management in exercising its responsibility over the quarterly financial statements to determine which financial statement notes are required to explain significant differences in the quarterly results as compared to the previous annual financial statements or quarterly financial reports. It is not necessary to adhere to all disclosure requirements stipulated in accounting standards for interim reports under generally accepted accounting principles. However, the following notes are required in the financial statements:

- a message to reader that the quarterly financial statement must be read in conjunction with the most recent annual audited financial statements and with the narrative discussion included in the quarterly financial report;
- a note describing the basis of presentation of the quarterly financial statements;
- a statement that the same accounting policies and methods of computation are followed in the quarterly financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change;
- a description of material changes in contingent liabilities or contingent assets since the end of the last annual reporting period;
- a description of material events subsequent to the end of the fiscal quarter that have not been reflected in the quarterly financial statements; and
- a narrative discussion of changes in underlying management estimates used in the preparation of the financial statements that have a significant impact on the quarterly results. This discussion can be included in the "narrative discussion" portion of the quarterly financial report.

A Parent Crown corporation may elect to prepare the quarterly financial statements based on the requirements of *International Accounting Standard 34: Interim Financial Reporting* (IAS 34). The Statement of Management Responsibility may then state that the quarterly

financial statements have been prepared based on IAS 34.

As applicable, the quarterly financial statements must be accompanied by a notice indicating that the quarterly financial statements have not been audited or reviewed by an external auditor. The notice could be included in the explanatory notes to the quarterly financial statements or in the attestation by senior officials. Each page of the quarterly financial statements are to be marked as being unaudited.

A summary of the financial statements, as applicable, to be included in the quarterly financial report follows:

Statements under IFRS	Statements under PSAS	Current fiscal quarter	Comparative
Consolidated statement of financial position	Consolidated statement of financial position	End of current interim period	End of immediately preceding financial year
Consolidated statement of profit and loss and other comprehensive income	Consolidated statement of operations	Current interim period and cumulatively for the year-to-date	Comparable interim period and year-to-date of immediately preceding financial year
N/A	Consolidated statement of remeasurement gains and losses	Cumulative for the year-to-date	Cumulative for the year-to-date
N/A	Consolidated statement of change in net debt	Cumulative for the year-to-date	Cumulative year-to-date of immediately preceding financial year
Consolidated statement of changes in equity	N/A	Cumulative for the year-to-date	Cumulative year-to-date of immediately preceding financial year
Consolidated statement of cash flows	Consolidated statement of cash flow	Cumulative for the year-to-date	Cumulative year-to-date of immediately preceding financial year
Selected explanatory notes	Selected explanatory notes	Reflects changes from previous fiscal year end, not restatement of all year-end disclosures	Quantitative comparative information required for all notes presented

B. Narrative Discussion

It is not necessary to duplicate information that is included in the Management Discussion and Analysis section of the Annual Report in the quarterly report's narrative discussion. Unless otherwise updated, information disclosed in the Management Discussion and Analysis is assumed to apply to the quarter. The use of graphics is highly recommended in this section.

C. Quarterly and Year-to-Date Results

The quarterly financial report must include a discussion of financial results for the reporting period and year-to-date, the cash flow for the year-to-date and financial position at the end of the period. An explanation of significant differences between the actual financial results compared to those anticipated in the related entities Corporate Plan Summary and those communicated in previous quarterly financial reports is to be included. If goals, objectives or financial results are revised, a rationale for the changes should be discussed as well as actual performance relative to the revised goals, objectives or targets for the remainder of the year.

Examples of results to be reported are the following:

- Explanation of significant variances including analysis of significant trends related to increases and/or decreases in total revenues and expenses compared to the same periods from the previous fiscal year (quarter and year-to-date).
- Explanation of anticipated deviations of annual results as compared to the Corporate Plan Summary, based on actual results to-date, if meaningful.
- Explanation of significant changes to goals, objectives or financial results as compared to the Corporate Plan Summary that may impact the current and future quarters of the fiscal year.

D. Risk Analysis

The narrative discussion should update the financial risks discussed in the annual Management Discussion and Analysis, if included in the Annual Report, the Corporate Plan Summary, and previous quarterly financial reports. It should also briefly outline the strategies adopted to manage any significant new risks and uncertainties not discussed in the prior Annual Report or Corporate Plan Summary.

Examples of factors which may be discussed include, but are not restricted to:

- Internal restructuring;
- Human resource challenges and key actions;
- Changing economic, technological, social, or political conditions;
- New or changing policies or government-wide priorities which impact the parent Crown corporation;
- Reliance or dependence on key partners, clients, or stakeholders;
- Changes to the type and nature of financial instruments used to manage financial risks; and
- Changes in patterns of demand for goods and services.

E. Significant Changes

The quarterly financial report must provide information to the reader about significant and material changes which occurred during the current quarter, related to operations, personnel and programs of the parent Crown corporation and its wholly-owned subsidiaries. Potential financial impact of the significant changes should be discussed, where applicable.

F. Reporting on Use of Appropriations

Parent Crown corporations that receive an appropriation must include in the quarterly financial report the following information:

- the total amount of appropriation received and receivable;
- the amount of appropriation recognized in net income or loss, in total and by nature of appropriation (as per categories found in the Main Estimates and Supplementary Estimates), as well as an indication of where the amounts are recorded or presented in the consolidated statement of operations (profit and loss), if not evident for the reader;
- a reconciliation of the amount of appropriation received and receivable to the amount of appropriation used. If a Crown corporation is unable to state that appropriations received or receivable were actually used, it must provide a brief explanation of how appropriations are managed including why the appropriations were deferred and when the deferred appropriations will be used;

- a reconciliation of the beginning and ending balances of deferred appropriation received, showing separately the amount of appropriation received and the amortization recognized; and
- a reconciliation of the beginning and ending balances of appropriation netted against capital assets, showing separately the amount of appropriation received and the amortization recognized.

The information must be prepared on the basis of the corporation's fiscal quarter and year-to-date, including comparatives.

Since appropriations are granted based on an April 1 to March 31 fiscal year, parent Crown corporations must disclose the amount of appropriation authorized by Parliament as available for use in each of the Government of Canada fiscal years (consistent with the Main Estimates and Supplementary Estimates), showing the portion recognized in the corporation's previous year-end and the portion deferred to the corporation's subsequent quarters to arrive at the portion available for the corporation's current fiscal year-to-date.

G. Statement of Management Responsibility by Senior Officials

The quarterly financial report must include the following statement signed by the appropriate senior officials within the parent Crown corporation, usually the President and the Chief Financial Officer.

Management is responsible for the preparation and fair presentation of these (consolidated) quarterly financial statements in accordance with the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports, and for such internal controls as management determines is necessary to enable the preparation of (consolidated) quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the (consolidated) quarterly financial statements.

Based on our knowledge, these unaudited (consolidated) quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the (consolidated) quarterly financial statements.

Name, Chief Executive Officer (e.g. President)

(City where signed, e.g, Ottawa, Canada)

(Date signed)

Name, Chief Financial Officer

Footnotes

- 1 If the Crown corporation has elected to prepare the quarterly financial statements in accordance with *IAS 34: Interim Financial Reporting*, this standard may be referred to instead of the “*Treasury Board of Canada’s Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports*”
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