

CICA handbook – accounting revisions release no. 12

December 2001

ACCOUNTING RECOMMENDATIONS

International Accounting Standards, Section 1501

The Appendix that summarizes significant differences between International Accounting Standards and corresponding Handbook pronouncements has been updated to reflect amendments to Section 1650 and the issuance of Accounting Guideline AcG-13.

Income statement, paragraphs 1520.03 and .04

Amended to require, rather than encourage, disclosure of exchange gains and losses by adding a new item to paragraph 1520.03 and deleting item (g) from paragraph 1520.04.

Business combinations, Section 1581

Added new paragraphs 1581.A39-.A41 dealing with the treatment of stock options awarded by an acquiring enterprise in a business combination, and the exchange by an acquiring enterprise of outstanding stock options issued by an acquired enterprise for options on the acquiring enterprise's stock.

Foreign currency translation, Section 1650

Paragraphs 1650.19 and .20 have been amended to eliminate the requirement to defer and amortize exchange gains and losses related to a foreign currency denominated monetary item with a fixed or ascertainable life extending beyond the end of the following fiscal year. The former wording of paragraph 1650.20 was:

- .20 ♦ *An exchange gain or loss of the reporting enterprise that arises on translation or settlement of a foreign currency denominated monetary item or a non-monetary item carried at market should be included in the determination of net income for the current period, except for:*
- (a) *any portion that has been included in income of previous accounting periods; and*
 - (b) *any exchange gain or loss related to a foreign currency denominated monetary item with a fixed or ascertainable life extending beyond the end of the following fiscal year* (see paragraph 1650.23). [JULY 1983]

Paragraphs 1650.21-.27 have been withdrawn. The references to those paragraphs in paragraphs 1650.31, .35, .36, .44 and .57 have been deleted. The former wording of paragraphs 1650.23 and .25 was:

- .23 ♦ *Exchange gains and losses of the reporting enterprise relating to the translation of foreign currency denominated monetary items that have a fixed or ascertainable life extending beyond the end of the following fiscal year should be deferred and amortized on a systematic and rational basis over the remaining life of the monetary item. Disclosure should be made of the method of amortization used.* (See DISCLOSURE OF ACCOUNTING POLICIES, Section 1505.) [JULY 1983]
- .25 ♦ *The unamortized balance of the deferred exchange gains and losses of the reporting enterprise should be recorded as a deferred charge or as a deferred credit.* [JULY 1983]

Paragraph 1650.44 has been amended to make the disclosure of exchange gains and losses a requirement, although it permits gains and losses from dealing transactions of foreign exchange dealers to be disclosed as dealer gains and losses.

Paragraph 1650.70 has been amended and paragraph 1650.74 has been added to make the changes to Section 1650 effective for fiscal years beginning on or after January 1, 2002 and to require that any accounting changes be recognized retroactively and disclosed as an accounting change.

Earnings per share, Section 3500

Amended paragraph 3500.40, added new paragraphs 3500.A16-.A24 to Appendix A, and Examples 10 and 11 to Appendix B as a result of the issuance of new Section 3870.

Financial instruments — disclosure and presentation, Section 3860

Paragraph 3860.03(d) amended to clarify that obligations for stock-based compensation to employees and other stock-based payments to non-employees, are accounted for in accordance with Section 3870.

Stock-based compensation and other stock-based payments, Section 3870 [JAN. 2002]

New.

Life insurance enterprises — specific items, Section 4210

Paragraph 4210.03 has been amended by modifying and deleting several of the definitions for consistency with the corresponding actuarial standards. The term "Canadian asset liability method" replaces "policy premium method" and the definition has been modified. The definitions of "actuarial liabilities", "valuation assumption", "provision for adverse deviations", "surrender privileges" and "general accounts" have also been modified. The definitions of "calculated valuation premium" and "valuation premium (net premium)" have been deleted and replaced by a new definition of the term "expected assumption".

Paragraphs 4210.24-.25, .31, .34, .38 and .50 have been amended to apply the new terminology and language consistent with the corresponding actuarial standards. Former paragraphs 4210.27, .28 and .29 have been similarly amended and also re-ordered.

The former wording of paragraphs 4210.24 and .31 was:

- .24 ♦ *Actuarial liabilities of life insurance enterprises should be computed using the policy premium method.* [JAN. 1991]
- .31 ♦ *Actuarial liabilities and reported revenues and expenses of a ceding life insurance enterprise should be adjusted to reflect all the costs and revenues of reinsurance-ceded transactions and retrocessions. Such adjustments should include a reduction in the provision for adverse deviations to give recognition to the impact of the transfer of risks to the reinsuring enterprise. The effects of the adjustments should be accounted for in the period in which the risks are transferred.* [JAN. 1991]

ACCOUNTING GUIDELINES

Financial reporting by life insurance enterprises (AcG-9)

Paragraphs 2, 5, 13, 14, 15, 24, 25 and 29 have been amended for consistency with amended Section 4210 and the corresponding actuarial standards.

Hedging relationships (AcG-13)

Issued.

EIC ABSTRACTS

Reverse takeover accounting (EIC-10)

Adjustments to the purchase equations subsequent to the acquisition date (EIC-14)

Reacquisition of troubled franchises by a franchisor (EIC-20)

Revenues and expenditures during the pre-operating period (EIC-27)

Measurement of cost of a business acquisition effected by issuing shares (EIC-62)

Transfer of a business between enterprises under common control (EIC-66)

Buy-out transactions (EIC-73)

Accounting for the costs of a business process reengineering project (EIC-86)

Exchanges of ownership interests between entities under common control — wholly and partially-owned subsidiaries (EIC-89)

Arm's-length buy-out of a business followed by an amalgamation (EIC-92)

Accounting for corporate transaction costs (EIC-94)

Future income taxes in business combinations that do not involve the recognition of goodwill as an intangible asset presented separately on the balance sheet (EIC-99)

Liability recognition for costs incurred on purchase business combinations (EIC-114)

Accounting for costs incurred to develop a web site (EIC-118)

The date of acquisition in a business combination (EIC-119)

Amended September 14, 2001 as a consequence of the release of BUSINESS COMBINATIONS, Section 1581, and GOODWILL AND OTHER INTANGIBLE ASSETS, Section 3062. The amendments relate mainly to references and quotations. There were no changes in consensuses.

Identifiable assets acquired in a business combination (EIC-55)

Amended October 31, 2001 as a consequence of the release of Sections 1581 and 3062. The amendments relate mainly to references and quotations. There were no changes in consensuses.

Long-term debt with covenant violations (EIC-59)

Amended August 31, 2001 to address covenant violations likely within one year in addition to violations at the balance sheet date.

Fair value of shares issued as a consideration in a purchase business combination (EIC-76)

Withdrawn as guidance superseded by Section 1581.

Accounting for wash sales (EIC-93)

Withdrawn. Replaced by EIC-121 of the same title.

Accounting for acquired future tax benefits in certain purchase transactions (EIC-110)

Amended September 14, 2001 as a consequence of the release of BUSINESS COMBINATIONS, Section 1581, and GOODWILL AND OTHER INTANGIBLE ASSETS, Section 3062. Further amended November 19, 2001 to delete the first issue, which is no longer relevant, and to provide additional guidance around the remaining issue.

Determination of substantively enacted tax rates under CICA 3465 (EIC-111)

Amended October 31, 2001 to provide more generic guidance on the issues.

CICA 3465 — future income taxes related to intangible assets acquired in a business combination (EIC-120)

Amended October 31, 2001 to provide minor wording clarification.

Accounting for wash sales (EIC-121)

Issued on September 5, 2001. Replaces EIC-93 of the same title.

Balance sheet classification of callable debt obligations and debt obligations expected to be refinanced (EIC-122)

Issued on October 31, 2001.

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