

## CICA handbook – accounting revisions release no. 11 September 2001

### ACCOUNTING RECOMMENDATIONS

#### **International Accounting Standards, Section 1501**

The Appendix which summarizes significant differences between International Accounting Standards and corresponding Handbook pronouncements has been updated to reflect the issuance of IAS 41 and Handbook Sections 1581, 3061, 3062 and 3500, and the withdrawal of IAS 25.

#### **Income statement, paragraph 1520.03**

Amended to replace former item (f) with items (f), (g) and (h) dealing separately with the amortization and write-downs of property, plant and equipment, the amortization and write-downs of intangible assets and write-downs of goodwill, as a consequence of issuing new Sections 3061 and 3062. Paragraph 1520.03(f) formerly read:

*(f) The amount charged for amortization of capital assets. Disclosure should be made of the methods and rates used in such computations. The amount of any write down of a capital asset should also be disclosed. Where they are significant, disclosure of separate amounts would be desirable. (See DISCLOSURE OF ACCOUNTING POLICIES, Section 1505; CAPITAL ASSETS, Section 3060.) [DEC. 1990]*

#### **Cash flow statements, Section 1540**

Appendix B amended to delete references to amortization of goodwill, as a result of issuing new Sections 1581 and 3062.

#### **Business combinations, Section 1580**

This Section, including the addendum, re-filed under Superseded Accounting Recommendations, and a Supplement added which sets out the previous wording of paragraphs in other Sections that have been amended substantially as a consequence of approving new Section 1581.

#### **Business combinations, Section 1581 [JULY 2001]**

New.

#### **Consolidated financial statements, Section 1600**

Paragraph 1600.17 amended to replace a reference to former Section 1580 with a reference to new Section 3062.

Paragraph 1600.72 amended to delete the discussion of pro forma information when a subsidiary is acquired or disposed of during a fiscal period, as a result of issuing new Section 1581.

The Case Studies in the Appendix amended to delete references to amortization of goodwill, as a result of issuing new Sections 1581 and 3062.

#### **Comprehensive revaluation of assets and liabilities, paragraph 1625.56(a) and (b)**

Amended to replace "intangible properties" with "intangible assets".

#### **Segment disclosures, Section 1701**

Paragraph 1701.28 amended to add a reference to additional disclosures in new Section 3062.

Paragraph 1701.30(e) and (j) and Appendix A amended to delete references to amortization of goodwill, as a result of issuing new Sections 1581 and 3062.

#### **Interim financial statements, paragraph 1751.B34**

Amended to refer to the special features of the goodwill impairment test in new Section 3062.

#### **Long-term investments, paragraph 3050.12**

Amended to modify the discussion of the goodwill implicit in the carrying amount of an investment accounted for by the equity method, as a result of issuing new Section 3062.

#### **Capital assets, Section 3060**

Re-filed under Superseded Accounting Recommendations.

#### **Property, plant and equipment, Section 3061 [DEC. 1990]**

Replaces CAPITAL ASSETS, Section 3060, carrying forward the content of that Section as it pertains to tangible capital assets. Accordingly, the term "capital assets" has been replaced by "property, plant and equipment" throughout the Section.

**Goodwill and other intangible assets, Section 3062 [JAN. 2002]**

Replaces portions of BUSINESS COMBINATIONS, Section 1580, and CAPITAL ASSETS, Section 3060.

**Research and development costs, paragraph 3450.11**

Amended to modify the discussion of the amortization of intangible assets, as a result of issuing new Section 3062.

**Income taxes, Section 3465**

Paragraphs 3465.07, .17, .23, .46-.48 and .63 and Example 3 in the Appendix amended to delete references to purchase business combinations and the amortization of goodwill and to modify references to the amortization of intangible assets, as a result of issuing new Sections 1581 and 3062. Former wording of paragraphs 3465.46 and .48 was as follows:

- .46 ◆ *When, at the time of a business combination accounted for as a purchase, the acquirer considers it more likely than not that it will realize a future income tax asset of its own that was previously unrecognized, it should include a future income tax asset as an identifiable asset when allocating the cost of the acquisition.* [JAN. 2000]
- .48 ◆ *When a future income tax asset acquired in a business combination accounted for as a purchase that was not recognized as an identifiable asset by the acquirer at the date of the acquisition is subsequently recognized by the acquirer, the benefit should be applied:*
  - (a) *first to reduce to zero any unamortized goodwill related to the acquisition; then*
  - (b) *to reduce to zero any unamortized intangible properties (see CAPITAL ASSETS, Section 3060) related to the acquisition; and then*
  - (c) *to reduce income tax expense.* [JAN. 2000]

Paragraphs 3465.50(a), .109 and .110 amended to replace "intangible properties" with "intangible assets".

Paragraph 3465.52(a) amended to replace "intangible properties" and a reference to former Section 3060 with "intangible assets" and a reference to new Section 3062.

Paragraphs 3465.53-.55 deleted, as a result of issuing new Section 1581. Former wording of paragraphs 3465.53 and .54 was as follows:

- .53 ◆ *When, at the time of a business combination accounted for as a pooling of interests, it is considered more likely than not that the enterprise will realize a future income tax asset of one of the parties to the combination that was previously unrecognized, a future income tax asset should be recognized in the financial statements of the combined enterprise. The related benefit should be recognized:*
  - (a) *as a capital transaction, to the extent that the change related to a change in the tax basis of assets and liabilities that occurred as a result of the combination; and*
  - (b) *any additional amount, as part of the restatement of the financial statements of the combined companies for periods prior to the date of the business combination.* [JAN. 2000]
- .54 ◆ *When an unrecognized future income tax asset that existed at the time of a pooling of interests is subsequently recognized, the benefit should be recognized in income.* [JAN. 2000]

Example 4 in the Appendix amended by the addition of an explanatory note concerning the amortization of goodwill in the illustrations of the application of the transitional provisions of the Section.

**Earnings per share, Section 3500**

Paragraph 3500.22 amended to delete discussion of the pooling of interests method, as a result of issuing new Section 1581.

Paragraph 3500.63 deleted, as a result of issuing new Section 1581.

**Capital transactions, paragraph 3610.02**

Amended to delete former item (h) dealing with the expenses of a business combination accounted for as a pooling of interests, as a result of issuing new Section 1581.

**SUPERSEDED ACCOUNTING RECOMMENDATIONS**

**Pension costs and obligations, Section 3460**

Withdrawn.

The following Recommendations formerly appeared in Section 3460:

- .17 ◆ *Best estimate assumptions should be used in performing actuarial valuations for accounting purposes.* [DEC. 1986 \*]
- .22 ◆ *For defined benefit pension plans, the cost of pension benefits provided in exchange for employees' services rendered in the period should be determined using an accrued benefit method.* [DEC. 1986 \*]
- .28 ◆ *For defined benefit pension plans, the cost of pension benefits provided in exchange for employees' services rendered in the period should be determined using the projected benefit method pro rated on services.* [DEC. 1986 \*]

- .34 ♦ *Market related values should be used for valuing pension fund assets.* [DEC. 1986 \*]
- .43 ♦ *For defined benefit pension plans, adjustments arising from plan initiation or amendment should be amortized in a rational and systematic manner over an appropriate period of time, which normally would be the expected average remaining service life of the employee group covered by the plan.* [DEC. 1986 \*]
- .46 ♦ *For defined benefit pension plans, adjustments arising from changes in assumptions should be amortized in a rational and systematic manner over the expected average remaining service life of the employee group covered by the plan.* [DEC. 1986 \*]
- .52 ♦ *For defined benefit pension plans, experience gains and losses should be amortized in a rational and systematic manner over an appropriate period of time, which normally would be the expected average remaining service life of the employee group covered by the plan.* [DEC. 1986 \*]
- .54 ♦ *For defined benefit pension plans, any gains or losses on plan settlements, partial settlements or curtailments should be recognized in income immediately.* [DEC. 1986 \*]
- .56 ♦ *For defined benefit pension plans, the pension expense for a period includes:*
  - (a) *the cost of pension benefits provided in exchange for employees' services rendered in the period, as determined under paragraph 3460.28;*
  - (b) *the amortization of adjustments arising from plan initiation or amendment, as determined under paragraph 3460.43;*
  - (c) *the amortization of adjustments arising from changes in assumptions, as determined under paragraph 3460.46;*
  - (d) *the amortization of experience gains and losses, as determined under paragraph 3460.52;*
  - (e) *gains or losses on plan settlements, partial settlements or curtailments, as determined under paragraph 3460.54, which have not been separately disclosed in the income statement; and*
  - (f) *the amortization of the net pension asset or net pension obligation, as determined under paragraph 3460.77.*

[JAN. 1990 \*]
- .60 ♦ *For defined benefit pension plans, an enterprise should disclose separately the actuarial present value of accrued pension benefits attributed to services rendered up to the reporting date and the value of pension fund assets.* [DEC. 1986 \*]
- .65 ♦ *For defined contribution pension plans, the cost of pension benefits is the employer's required contribution provided in exchange for employees' services rendered in the period.* [DEC. 1986 \*]
- .71 ♦ *For defined contribution pension plans, costs relating to past services arising from plan initiation or amendment should be amortized in a rational and systematic manner over an appropriate period of time, which normally would be the expected average remaining service life of the employee group covered by the plan.* [DEC. 1986 \*]
- .72 ♦ *For defined contribution pension plans, the pension expense for a period includes:*
  - (a) *the cost of pension benefits provided in exchange for services rendered in the period, as determined under paragraph 3460.65; and*
  - (b) *the amortization of amounts arising from plan initiation or amendment, as determined under paragraph 3460.71.*

[DEC. 1986 \*]
- .74 ♦ *For defined contribution pension plans, an enterprise should disclose the present value of required future contributions in respect of past service.* [DEC. 1986 \*]
- .77 ♦ *The Recommendations of this Section should be applied prospectively. For defined benefit pension plans, when the Recommendations are first applied, an enterprise should determine the actuarial present value of the accrued pension benefits and the value of pension fund assets. The difference between these amounts, whether it represents a net pension asset or a net pension obligation, and to the extent it has not previously been recognized, should be amortized in a rational and systematic manner over an appropriate period of time, which normally would be the expected average remaining service life of the employee group covered by the plan.* [DEC. 1986 \*]

#### **ACCOUNTING GUIDELINE**

##### **Transfers of receivables (AcG-12)**

Amended to delete a part of the illustrative example in paragraph A9.

##### **EIC ABSTRACTS**

##### **Pension surplus recognition (EIC-1)**

##### **Post retirement benefits other than pensions (EIC-5)**

##### **Special termination benefits (EIC-23)**

##### **Post retirement benefits other than pensions — transitional balance (EIC-49)**

##### **CICA 3460 — discount rate change for pension obligations prior to adoption of CICA 3461 (EIC-112)**

Withdrawn as a consequence of the withdrawal of PENSION COSTS AND OBLIGATIONS, Section 3460.

##### **Reverse takeover accounting (EIC-10)**

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

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

**Goodwill disclosures (EIC-64)**

**Buy-out transactions (EIC-73)**

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

**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)**

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

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

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

Status amended on September 1, 2001 as a consequence of the release of new Sections 1581 and 3062.

**Accounting for the costs of modifying internal use computer software for Year 2000 compliance (EIC-80)**

Withdrawn as guidance is no longer required.

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

Issued on May 11, 2001.

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

Issued on August 3, 2001.

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