

## **CICA handbook – accounting highlight summary no. 42 December 2006**

### **HIGHLIGHT SUMMARY**

(Note: New Handbook material or changes in existing material are identified in each HANDBOOK REVISIONS RELEASE.)

#### **Capital disclosures, Section 1535**

This new Section establishes standards for disclosures about capital. The main features of the new Section are:

- Requirements for an entity to disclose qualitative information about its objectives, policies and processes for managing capital.
- A requirement for an entity to disclose quantitative data about what it regards as capital.
- A requirement for an entity to disclose whether it has complied with any externally imposed capital requirements and, if not, the consequences of such non-compliance.

The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. Earlier adoption is encouraged.

#### **Financial instruments — recognition and measurement, Section 3855**

This Section has been amended to clarify the treatment of fees and costs incurred on the exchange or modification of a financial liability.

#### **Financial instruments — disclosures, Section 3862**

#### **Financial instruments — presentation, Section 3863**

These new Sections revise and enhance the disclosure requirements in FINANCIAL INSTRUMENTS — DISCLOSURE AND PRESENTATION, Section 3861, and carry forward unchanged its presentation requirements. Together, Sections 3862 and 3863 replace Section 3861, except that the disclosure requirements in Section 3861 may continue to be applied to insurance contracts in place of Section 3862 after the latter's effective date.

The new Sections are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, but may be adopted in place of FINANCIAL INSTRUMENTS — DISCLOSURE AND PRESENTATION, Section 3861, before that date. When they are, disclosure of this fact is required and FINANCIAL INSTRUMENTS — RECOGNITION AND MEASUREMENT, Section 3855, HEDGES, Section 3865, and COMPREHENSIVE INCOME, Section 1530, must also be adopted.

Section 3862 establishes standards for disclosures about financial instruments and non-financial derivatives. The main features of this Section are:

- Requirements for an entity to disclose the significance of financial instruments for its financial position and performance, revised from those of Section 3861. These requirements are less detailed than those of Section 3861 in certain areas (for example, terms and conditions) and more so in others (for example, reclassifications, collateral, allowance for credit losses, compound financial instruments with multiple embedded derivatives, and defaults and breaches).
- Requirements for disclosures about fair value, revised but not substantially different from those of Section 3861.
- Requirements for the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, revised from, and more extensive than, those of Section 3861. The qualitative disclosures describe management's objectives, policies and processes for managing such risks. The quantitative disclosures provide information about the extent to which the entity is exposed to credit risk, liquidity risk and market risk (i.e., currency risk, interest rate risk, and other price risk).

Section 3863 carries forward, unchanged from Section 3861, standards for presentation of financial instruments and non-financial derivatives. The requirements of this Section address an issuer's classification of financial instruments between liabilities and equity, the classification of related interest, dividends, losses and gains, as well as the offsetting of financial assets and financial liabilities.

#### **Hedges, Section 3865**

This Section has been amended to clarify the transitional provisions. Further revisions to the transitional provisions reflecting Exposure Draft proposals dated October 2006 are expected, in the form of a Board Notice, by December 31, 2006.

#### **EIC Abstracts**

##### New

- Determining the variability to be considered in applying AcG-15 (EIC-163)

##### Amended

- Presentation of a financial instrument labelled as a share when a future event or circumstance may affect the issuer's obligations (EIC-70)
- Debtor's accounting for a modification or exchange of debt instruments (EIC-88)

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