

SECTION 3856 financial instruments

SUPPLEMENT

This supplement sets out the previous wording of paragraphs that have been amended as a consequence of approving amendments to RELATED PARTY TRANSACTIONS, Section 3840 (December 2025).

- .04 This Section does not apply to:
- (a) contracts to buy or sell non-financial items except for:
 - (i) exchange-traded futures contracts; and
 - (ii) contracts that are designated in a qualifying hedging relationship in accordance with paragraphs 3856.30-.36;
 - (b) non-financial assets and non-FINANCIAL liabilities; and
 - (c) initial measurement of financial assets acquired or financial liabilities assumed in a transaction when a business is transferred between two enterprises under common control (see paragraph 3840.44).

[Former paragraph 3856.04, amended by amendments to Section 3840, retained in Archived Pronouncements]

SUPPLEMENT

This supplement sets out the previous wording of paragraphs that have been amended as a consequence of approving amendments to RELATED PARTY TRANSACTIONS, Section 3840 (September 2023).

- .04 This Section does not apply to:
- (a) contracts to buy or sell non-financial items except for:
 - (i) exchange-traded futures contracts; and
 - (ii) contracts that are designated in a qualifying hedging relationship in accordance with paragraphs 3856.30-.36; and
 - (b) non-financial assets and non-financial liabilities.
- .08 Except as specified in paragraphs 3856.08C-.08D and 3856.09A, when a financial asset is originated or acquired or a financial liability is issued or assumed in a related party transaction, an enterprise shall initially measure it at cost. The cost of a financial instrument in a related party transaction shall depend on whether the instrument has repayment terms. When the financial asset originated or acquired or the financial liability issued or assumed:
- (a) has repayment terms, the cost of the instrument shall be determined using the undiscounted cash flow(s), excluding interest and dividend payments, of the instrument less any impairment losses previously recognized by the transferor;
 - (b) does not have repayment terms, the cost of the instrument shall be determined using the consideration transferred or received by the enterprise in the transaction (see paragraph 3856.08A).
- (Paragraphs 3856.A8A-.A8B provide related application guidance.)
- .11 Except for those financial instruments for which paragraphs 3856.14-.14A or 3856.15A apply, at each reporting date, an enterprise shall subsequently measure a financial instrument based on how it initially measured the instrument. If the enterprise initially measured the financial instrument at:
- (a) fair value, it shall subsequently measure the instrument as follows:
 - (i) investments in equity instruments that are quoted in an active market and derivative contracts at fair value in accordance with paragraph 3856.12;
 - (ii) financial assets and financial liabilities at fair value, if the enterprise elects that fair value measurement shall apply in accordance with paragraphs 3856.13 or 3856.13A;
 - (iii) investments in equity instruments not quoted in an active market, when originated or acquired in an arm's length transaction, at cost less any reduction for impairment;
 - (iv) all other financial assets at amortized cost; and
 - (v) financial liabilities at amortized cost; or
 - (b) cost, it shall subsequently measure the instrument using the cost method less any reduction for impairment.

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