

CICA handbook – accounting revisions release no. 50

September 2008

ACCOUNTING STANDARDS

Cash flow statements, Section 1540

Amended paragraphs 1540.01, .03-.06, .09-.11, .13, .15-.16, .18-.21, .23, .25, .28, .33, .36-.37, .43, and .47-.51 to change references from "enterprise(s)" to "entity(ies)", as a result of including not-for-profit organizations within the scope of this Section.

Amended paragraph 1540.01 to add a reference to not-for-profit activities as a result of including not-for-profit organizations within the scope of this Section.

Amended paragraph 1540.02 to include not-for-profit organizations within the scope of this Section.

Amended paragraph 1540.06(d) to add service provision activities of a not-for-profit organization as operating activities.

Amended paragraph 1540.15 to add the conduct of not-for-profit activities as a use to which operating cash flows are put.

Amended paragraph 1540.16 to add contributions by providers of funds as an example of a cash flow from operating activities.

Amended paragraph 1540.56 to specify that the original effective date of this Section applies only to profit-oriented enterprises.

Added paragraph 1540.56B to provide the effective date for application of this Section to not-for-profit organizations.

Interim financial statements, Section 1751

Amended paragraphs 1751.01-.03, .08-.09, .11, .13, .14, .17-.19, .21, .23, .25-.29, .31, .36, .A5, .B1-4, .B6-8, .B11, .B28-29, .B32, and .B34 to change references from "enterprise(s)" to "entity(ies)", as a result of including not-for-profit organizations within the scope of this Section.

Amended paragraph 1751.02 to include not-for-profit organizations that prepare interim financial statements in accordance with GAAP within the scope of this Section.

Amended paragraph 1751.17 to include not-for-profit organizations within the scope of this Section.

Amended paragraph 1751.B33 to reflect the additional guidance added to CAPITAL ASSETS HELD BY NOT-FOR-PROFIT ORGANIZATIONS, Section 4430.

Amended paragraph 1751.34 to specify that the original effective date of this Section applies only to profit-oriented enterprises.

Added paragraph 1751.34A to provide the effective date for application of this Section to not-for-profit organizations.

Introduction to accounting standards that apply only to not-for-profit organizations

Amended to provide not-for-profit organizations with additional guidance to be used in applying GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, Section 1100.

The chart outlining the applicability of Sections to not-for-profit organizations has been amended to reflect the scope amendments in Sections 1540 and 1751.

Financial statement presentation by not-for-profit organizations, Section 4400

Amended paragraph 4400.19 to eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization to present such an amount as a category of internally restricted net assets when it chooses to do so. The former wording was as follows:

♦ *The statement of financial position should present the following:*

- (a) *net assets invested in capital assets;*
- (b) *net assets subject to restrictions requiring that they be maintained permanently as endowments;*
- (c) *other restricted net assets;*
- (d) *unrestricted net assets; and*
- (e) *total net assets.*

For items (b)-(d), each component of revenue, expense, gain and loss that is required by primary sources of GAAP (see GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, Section 1100) to be recognized directly in the statement of changes in net assets should be separately identified, classified by nature. [OCT. 2006]

Amended paragraphs 4400.22 and 4400.24-.29, deleted paragraph 4400.23, and added paragraphs 4400.24A-.24B to eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization to present such an amount as a category of internally restricted net assets when it chooses to do so.

The former wording of paragraphs 4400.26 and 4400.28 was as follows:

- .26 ♦ *The following should be disclosed:*
- (a) *the amounts of deferred contributions attributable to each major category of external restrictions with a description of the restrictions; and*
 - (b) *the amount of net assets subject to external restrictions requiring that they be maintained permanently as endowments. [APRIL 1997]*
- .28 ♦ *The following should be disclosed:*
- (a) *the amount of net assets (fund balances) subject to external restrictions requiring that they be maintained permanently as endowments;*
 - (b) *the amounts of net assets (fund balances) attributable to each major category of other external restrictions with a description of the restrictions; and*
 - (c) *the amounts of deferred contributions attributable to each major category of external restrictions with a description of the restrictions. [APRIL 1997]*

Amended paragraphs 4400.37-.38 and deleted paragraphs 4400.39-.40 to clarify that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions.

The former wording of paragraph 4400.37 was as follows:

- ♦ *Revenues and expenses should be disclosed at their gross amounts. [APRIL 1997]*

Amended paragraphs 4400.41 and 4400.43 to eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization to present such an amount as a category of internally restricted net assets when it chooses to do so.

The former wording of paragraph 4400.41 was as follows:

- ♦ *The statement of changes in net assets should present changes in the following for the period:*

- (a) *net assets invested in capital assets;*
- (b) *net assets subject to restrictions requiring that they be maintained permanently as endowments;*
- (c) *other restricted net assets;*
- (d) *unrestricted net assets; and*
- (e) *total net assets.*

For items (b)-(d), each component of revenue, expense, gain and loss that is required by primary sources of GAAP (see GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, Section 1100) to be recognized directly in the statement of changes in net assets should be separately identified, categorized in the same components as determined in accordance with paragraph 4400.19. [OCT. 2006]

Amended paragraphs 4400.46 and 4400.48, deleted paragraphs 4400.47, 4400.50 and 4400.53-.55, and added paragraph 4400.52A to reflect that Section 1540 is now applicable to not-for-profit organizations.

The former wording of paragraphs 4400.46-.47 was as follows:

- .46 ♦ *The statement of cash flows should report the total changes in cash and cash equivalents resulting from the activities of the organization during the period. The components of cash and cash equivalents should be disclosed. [APRIL 1997]*
- .47 ♦ *The statement of cash flows should distinguish at least the following:*
- (a) *cash from operations: the components of cash from operations should be disclosed or the excess of revenues over expenses should be reconciled to cash flows from operations; and*
 - (b) *the components of cash flows resulting from financing and investing activities, not included in (a) above. [APRIL 1997]*

Added paragraph 4400.55A to reflect that not-for-profit organizations that prepare interim financial statements in accordance with GAAP are within the scope of Section 1751.

Amended the Illustrative Examples to eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization to present such an amount as a category of internally restricted net assets when it chooses to do so.

Capital assets held by not-for-profit organizations, Section 4430

Amended paragraph 4430.03 as a consequence of the amendments to paragraphs 4400.37-.40.

Added paragraph 4430.04A to provide additional guidance with respect to the appropriate use of the scope exemption for smaller entities in paragraph 4430.03.

Disclosure of related party transactions by not-for-profit organizations, paragraph 4460.02

Amended to make the terminology consistent with RELATED PARTY TRANSACTIONS, Section 3840.

Disclosure of allocated expenses by not-for-profit organizations, Section 4470 [JAN. 2009]

New.

EIC ABSTRACTS

Reverse takeover accounting (EIC-10)

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

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

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

Identification of reporting units (EIC-129)

Unit of accounting for testing impairment of indefinite-lived intangible assets (EIC-133)

Income tax considerations in applying the goodwill impairment test in Section 3064 (EIC-136)

Recognition of customer relationship intangible assets acquired in a business combination (EIC-137)

Internalization of the management function in royalty and income trusts (EIC-138)

Accounting for operating leases acquired in either an asset acquisition or a business combination (EIC-140)

Revenue recognition (EIC-141)

Mining assets — impairment and business combinations (EIC-152)

Accounting for pre-existing relationships between the parties of a business combination (EIC-154)

Stripping costs incurred in the production phase of a mining operation (EIC-160)

Amended September 1, 2008 as a consequence of the release of Section 3064.

Reporting revenue gross as a principal versus net as an agent (EIC-123)

Amended September 1, 2008 as a consequence of amendments to Section 4400.

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