

CICA handbook accounting and auditing revisions release no. 87 March 1996

ACCOUNTING RECOMMENDATIONS

Financial statement concepts, Section 1000

Paragraphs 1000.04, .10, .13, .28, .48, .51 and .57 amended to reflect the terminology and concepts used in new Sections 4400, 4410, 4420, 4430, 4440 and 4450.

Accounting changes, Section 1506

Paragraph 1506.01 amended to remove the reference to PRIOR PERIOD ADJUSTMENTS, Section 3600.

New paragraphs 1506.31 to .33 added to deal with prior period adjustments.

Income statement, Section 1520

Footnote 1 added to indicate that this Section does not apply to not-for-profit organizations and to refer to new Section 4400.

Statement of financial position, Section 1540

Footnote 1 added to indicate that this Section does not apply to not-for-profit organizations and to refer to new Section 4400.

Consolidated financial statements, paragraph 1600.02

Amended to indicate that Section 1600 is to be used as a general guide for consolidations involving not-for-profit organizations.

Long-term investments, Section 3050

Paragraph 3050.01 amended to add a cross-reference to new Section 4450 and to reflect the fact that Section 3050 may apply to reporting subsidiaries and interests in joint ventures by not-for-profit organizations.

Paragraph 3050.09 amended to deal with the withdrawal of PRIOR PERIOD ADJUSTMENTS, Section 3600. The wording of former paragraph 3050.09 was:

- .09 ♦ *In accounting for an investment by the equity method, the investor's proportionate share of the investee's discontinued operations, extraordinary items, prior period adjustments and capital transactions should be disclosed in the investor's financial statements according to their nature.* [JAN. 1990]

Paragraphs 3050.02, .13 and .14 amended to deal with the withdrawal of PRIOR PERIOD ADJUSTMENTS, Section 3600.

Leases, paragraph 3065.17

Amended to add a cross-reference to new Section 4430 and to remove the statement that "this paragraph does not apply to not-for-profit organizations."

Contingencies, paragraph 3290.22

Paragraph 3290.22(c) deleted as a result of the withdrawal of PRIOR PERIOD ADJUSTMENTS, Section 3600. The wording of former paragraph 3290.22(c) was:

- (c) *whether any settlement resulting from the resolution of the contingency is expected to be accounted for as a prior period adjustment or as a charge or credit to income of the period in which the settlement occurs.* [AUG. 1978]

Revenue, paragraph 3400.02

Amended to indicate that this Section does not apply to contributions received by not-for-profit organizations and to add a cross-reference to new Section 4410.

Corporate income taxes, paragraphs 3470.62 and .63

Paragraphs 3470.62 and .63 deleted as these paragraphs are no longer needed and to deal with the withdrawal of PRIOR PERIOD ADJUSTMENTS, Section 3600. The following Recommendation formerly appeared in Section 3470:

- .63 ♦ *A company which has previously used the taxes payable basis should adjust its accounts to record the accumulated tax allocation balance or balances; this should be treated as a retroactive application of a change in an accounting policy.* (See ACCOUNTING CHANGES, Section 1506.) [JAN. 1969 *]

or

- (a) *The unrecorded amount of the tax allocation balance or balances which have accumulated prior to the adoption of the income tax allocation basis should be disclosed in a note to the financial statements.*
- (b) *The tax provision deducted in computing reported income should be the same as that which would have resulted if tax allocation procedures had been in effect from the beginning, with the calculation of the amount of any draw down taking into account both the recorded and unrecorded deferrals.*
- (c) *To the extent that reversals or draw downs occur after amounts have been accumulated in a deferred tax account, they should be applied first against retained earnings as a prior period adjustment and the unrecorded amount reported in the notes to the financial statements adjusted accordingly. (See PRIOR PERIOD ADJUSTMENTS, Section 3600.) An exception would be made where all or part of such reversal or draw down is specifically identified as relating to the balance in the deferred tax allocation account, in which case, it should be applied against such balance. [JAN. 1969]*

Earnings per share, paragraph 3500.18

Amended to deal with the withdrawal of PRIOR PERIOD ADJUSTMENTS, Section 3600. The wording of former paragraph 3500.18 was:

♦ *When income figures of the preceding period have been restated as a result of the retroactive application of a change in an accounting policy during the current period, a correction of an error or a prior period adjustment, the basic earnings per share of the preceding period should be based on the restated amounts. (See ACCOUNTING CHANGES, Section 1506 and PRIOR PERIOD ADJUSTMENTS, Section 3600.) [JAN. 1981]*

Prior period adjustments, Section 3600

Withdrawn.

The following Recommendations formerly appeared in Section 3600:

- .03 ♦ *Prior period adjustments should include only adjustments having all four of the following characteristics:*
 - (a) *are specifically identified with and directly related to the business activities of particular prior periods;*
 - (b) *are not attributable to economic events occurring subsequent to the date of the financial statements for such prior periods;*
 - (c) *depend primarily on decisions or determinations by persons other than management or owners; and*
 - (d) *could not be reasonably estimated prior to such decisions or determinations. [NOV. 1971]*
- .06 ♦ *Prior period adjustments should be excluded from the determination of net income for the current period and applied retroactively to the income of the periods to which they relate. [JAN. 1969]*
- .07 ♦ *The financial statements of prior periods that are presented for comparative purposes should be restated to give effect to a prior period adjustment. [JAN. 1981]*
- .08 ♦ *When there has been a prior period adjustment in the current period, the following information should be disclosed:*
 - (a) *a description of the prior period adjustment;*
 - (b) *the effect of the prior period adjustment on the financial statements of the current and prior periods; and*
 - (c) *the fact that the financial statements of prior periods that are presented have been restated. [JAN. 1981]*
- .09 ♦ *In the case of a historical summary of income for a number of periods, prior period adjustments should be applied retroactively to the periods to which they are applicable. [JAN. 1969]*

Accounting for government assistance, Section 3800

Paragraph 3800.04 amended to indicate that this Section does not apply to not-for-profit organizations and to add a cross-reference to new Section 4410.

Paragraph 3800.35 amended to deal with withdrawal of PRIOR PERIOD ADJUSTMENTS, Section 3600.

Non-profit organizations — specific items, Section 4230

Footnote 1 added to indicate that this Section will be replaced by new Sections 4400, 4410, 4420, 4430, 4440 and 4450 for fiscal periods beginning on or after April 1, 1997.

Financial statement presentation by not-for-profit organizations, Section 4400 [APRIL 1997]

New.

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

New.

Contributions — revenue recognition, Section 4410 [APRIL 1997]

New.

Contributions receivable, Section 4420 [APRIL 1997]

New.

Capital assets held by not-for-profit organizations, Section 4430 [APRIL 1997]

New.

Collections held by not-for-profit organizations, Section 4440 [APRIL 1997]

New.

Reporting controlled and related entities by not-for-profit organizations, Section 4450 [APRIL 1997]

New.

EIC ABSTRACTS

Accounting for Part VI.1 tax (EIC-2)

Revision to "Status" section on January 8, 1996.

Preferred shares whose redemption is outside of the control of the issuer (EIC-13)

Revision to "Status" section on January 8, 1996.

Accounting for assets contributed to a joint venture (EIC-28)

Withdrawn on January 8, 1996.

Accounting by newly formed joint ventures (EIC-38)

Consequential amendment on January 8, 1996 to reflect withdrawal of EIC-28.

Leveraged leases (EIC-46)

Revised on November 23, 1995 to conform to FINANCIAL INSTRUMENTS — DISCLOSURE AND PRESENTATION, Section 3860.

Exchangeable debentures (EIC-56)

Revision to "Status" section on January 8, 1996.

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

Issued on November 23, 1995.

Non-monetary transactions (EIC-67)

Issued on January 8, 1996.

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