

CICA handbook – accounting revisions release no. 33

April 2005

ACCOUNTING STANDARDS

In addition to the changes documented below, a number of minor editorial changes have been made to conform wording throughout the Accounting Standards and Guidelines amended.

References to "Recommendation(s)" have also been removed as a result of issuing Section 1100, which clarifies the equal authority of italicized and non-italicized paragraphs.

Introduction to Accounting Standards

(formerly named Introduction to Accounting Recommendations)

Deleted the footnote setting out the effective date and transitional provisions for life insurance enterprises and banks.

Financial statement concepts, paragraph 1000.27

Amended as a result of introducing comprehensive income in new Section 1530.

Differential reporting, Section 1300

Renamed and amended Appendices to conform with the status of Appendices and illustrative material, as described in Section 1100.

General standards of financial statement presentation, Section 1400

Amended paragraph 1400.10 as a result of introducing comprehensive income in new Section 1530.

Added paragraph 1400.15 to provide transitional provisions for amended paragraph 1400.10.

Current assets and current liabilities, Section 1510

Amended paragraph 1510.02 to replace "temporary investments" with "investments".

Added paragraphs 1510.03 and 1510.04 (formerly paragraphs 3010.02 and 3070.01, respectively).

Former paragraphs 1510.03-.09 renumbered as 1510.05-.11.

Income statement, Section 1520

Amended paragraph 1520.03(b) as a result of removing portfolio investments as a separate category on issuing new requirements of Section 3051. Former wording of paragraph 1520.03(b) was as follows:

- (b) *Income from investments, disclosing income from (i) companies subject to significant influence, (ii) other affiliated companies, and (iii) portfolio investments, including all other investments. Income calculated by the equity method should be separately disclosed for each of the above groups (see LONG-TERM INVESTMENTS, Section 3050). [JAN. 1995]*

Amended paragraph 1520.03(j) as a result of withdrawing of Section 3070. Former wording of paragraph 1520.03(j) was as follows:

- (j) *The amount charged for amortization of deferred charges (except the amortization of debt discount and issue expenses included with interest expense). Disclosure should be made of the basis of amortization (see DISCLOSURE OF ACCOUNTING POLICIES, Section 1505, and DEFERRED CHARGES, Section 3070). [DEC. 1974]*

Amended paragraph 1520.03(l) as a result of a new requirement of Section 1651 (formerly Section 1650). Former wording of paragraph 1520.03(l) was as follows:

- (l) *The amount of exchange gain or loss included in income, except for exchange gains and losses of a dealer in foreign exchange that are disclosed as dealer gains or losses (see FOREIGN CURRENCY TRANSLATION, Section 1650). [JAN. 2002]*

Amended paragraph 1520.03(m) as a result of issuing new Section 3855. Former wording of paragraph 1520.03(m) was as follows:

- (m) *Interest expense, segregating interest on indebtedness initially incurred for a term of more than one year (including the amortization of debt discount or premium and issue expenses) and other interest (see LONG-TERM DEBT, Section 3210). [JAN. 1968]*

Added paragraph 1520.05 to provide transitional provisions for amended paragraphs 1520.03(b), (j) and (l)-(m).

Comprehensive income, Section 1530 [OCT. 2006]

New.

Cash flow statements, paragraph 1540.02(b)

Amended to refer to fair value, rather than market value, and to provide a reference to new Section 3855.

Business combinations, Section 1581

Amended paragraph 1581.43 to delete guidelines for assigning amounts to marketable securities, receivables, non-marketable securities, accounts and notes payable, long-term debt, and other claims payable as a result of issuing new Section 3855. Former paragraphs 1581.43(c)-(j) renumbered as 1581.43(a)-(g).

Transitional provisions paragraphs 1581.61, 1581.64-.65 and 1581.67 are no longer italicized to conform with Section 1100.

Renamed and amended Appendices to conform with the status of Appendices and illustrative material, as described in Section 1100.

Amended introduction to Appendix to specify that guidance on determining fair value contained therein applies in the context of a business combination.

Subsidiaries, Section 1590

Amended paragraphs 1590.02 and 1590.18 to provide a reference to new Section 3855.

Amended paragraph 1590.20 to allow for the possibility that an enterprise that ceases to meet the definition of a subsidiary might become subject to new Section 3855.

Amended paragraph 1590.27 to provide a reference to new requirements of Section 3051.

Transitional provisions paragraph 1590.32 is no longer italicized to conform with Section 1100.

Added paragraph 1590.35 to provide transitional provisions for amended paragraphs 1590.20 and 1590.27.

Foreign currency translation, Section 1651

Replaces Section 1650.

Amended paragraph 1651.14 (formerly paragraph 1650.14) to remove the exception when a transaction is hedged, as a result of issuing new Section 3865. Former wording of paragraph 1650.14 was as follows:

♦ *At the transaction date, each asset, liability, revenue or expense arising from a foreign currency transaction of the reporting enterprise should be translated into Canadian dollars by the use of the exchange rate in effect at that date, except when the transaction is hedged, in which case the rate established by the terms of the hedge should be used (see paragraph 1650.52). [JULY 1983]*

Amended paragraphs 1651.29-.32 (formerly paragraphs 1650.36-.39) as a result of introducing comprehensive income in new Section 1530. Former wording of paragraphs 1650.36 and 1650.38-.39 was as follows:

- .36 ♦ *Exchange gains and losses arising from the translation of the financial statements of a self-sustaining foreign operation should be deferred and included in a separate component of shareholders' equity, except when the economic environment of the foreign operation is highly inflationary relative to that of the reporting enterprise, in which case such exchange gains and losses would be treated in accordance with the Recommendation in paragraph 1650.20. [JULY 1983 *]*

- .38 ♦ *An appropriate portion of the exchange gains and losses accumulated in the separate component of shareholders' equity should be included in the determination of net income when there is a reduction in the net investment. [JULY 1983]*

- .39 ♦ *Disclosure should be made of the significant elements that give rise to changes in the exchange gains and losses accumulated in the separate component of shareholders' equity during the period. [JULY 1983]*

Amended paragraphs 1651.34-.35 (formerly paragraphs 1650.41-.42) as a result of introducing comprehensive income in new Section 1530.

Amended paragraph 1651.37 (formerly paragraph 1650.44) to conform with disclosure exclusions introduced in new Sections 3855 and 3865. Former wording of paragraph 1650.44 was as follows:

♦ *The amount of exchange gain or loss included in income should be disclosed (see paragraphs 1650.20, 1650.31 and 1650.38). Exchange gains or losses from dealer transactions of certain enterprises, primarily banks, that are dealers in foreign exchange may be disclosed as dealer gains or losses rather than as exchange gains or losses. [JAN. 2002]*

Deleted paragraphs 1650.47-.55 as a result of issuing new Section 3865. Former wording of paragraphs 1650.50, 1650.52 and 1650.54 was as follows:

- .50 ♦ *If a foreign exchange contract, asset, liability or future revenue stream is to be regarded as a hedge of a specific foreign currency exposure:*

(a) *it should be identified as a hedge of the item(s) to which it relates; and*

(b) *there should be reasonable assurance that it is and will continue to be effective as a hedge. [JULY 1983]*

- .52 ♦ *When a purchase or sale of goods or services in a foreign currency is hedged before the transaction, the Canadian dollar price of such goods or services is established by the terms of the hedge. [JULY 1983]*

- .54 ♦ *If a foreign currency denominated monetary item is covered by:*

- (a) a hedge that is itself a foreign currency denominated monetary item, any exchange gain or loss on the hedge should be offset against the corresponding exchange loss or gain on the hedged item;
- (b) a hedge that is a non-monetary item, any exchange loss or gain on the foreign currency denominated monetary item should be deferred until the settlement date of that monetary item. [JULY 1983]

Paragraph 1651.54 replaces paragraphs 1650.70-.73, providing transitional provisions.

Renamed and amended Appendices to conform with the status of Appendices and illustrative material, as described in Section 1100.

The following table shows how the contents of Section 1651 and former Section 1650 correspond.

Former paragraphs	New paragraphs
1650.01-.20	1651.01-.20
1650.21-.27 deleted Dec. 2001	—
1650.28-.46	1651.21-.39
1650.47-.55	Deleted
1650.56-.69	1651.40-.53
1650.70-.74	1651.54

Interim financial statements, Section 1751

Amended paragraphs 1751.07 and 1751.10 as a result of introducing comprehensive income in new Section 1530.

Former wording of paragraph 1751.10 was as follows:

- ♦ *Interim financial statements should include, at a minimum, the following components:*
- (a) *balance sheet;*
- (b) *income statement;*
- (c) *statement of retained earnings;*
- (d) *cash flow statement; and*
- (e) *notes to financial statements providing the disclosures required by paragraph 1751.14.* [JAN. 2001]

Transitional provisions paragraphs 1751.34-.36 are no longer italicized to conform with Section 1100.

Added paragraph 1751.37 to provide transitional provisions for amended paragraphs 1751.07 and 1751.10.

Renamed and amended Appendices to conform with the status of Appendices and illustrative material, as described in Section 1100.

Temporary investments, Section 3010

Withdrawn.

The following italicized paragraphs formerly appeared in Section 3010:

- .02 ♦ *Investments should be classified as current assets only if capable of reasonably prompt liquidation. Such investments would include not only temporary holdings of marketable securities but also other investments, such as treasury bills, investment certificates, and call loans.* [JAN. 1968 *]
- .03 ♦ *When temporary investments include holdings of securities issued by affiliated companies, these should be set out separately.* [JAN. 1992]
- .04 ♦ *The basis of valuation should be disclosed.* [JAN. 1968 *]
- .05 ♦ *Where there are holdings of marketable securities, their quoted market value as well as their carrying value should be disclosed.* [JAN. 1973 *]
- .06 ♦ *When the market value of temporary investments has declined below the carrying value, they should be carried at market value.* [JAN. 1973 *]

Former paragraph 3010.02 moved to Section 1510 and renumbered as paragraph 1510.03.

Accounts and notes receivable, Section 3020

Amended paragraph 3020.02 to provide a reference to Section 3861.

Replaced references to "enterprise" and "business" with "entity" in paragraphs 3020.05-.06 and 3020.08 to reflect the use of "entity" in other Sections that apply to both profit-oriented enterprises and not-for-profit organizations.

Impaired loans, Section 3025

Amended definition of "effective interest rate" in paragraph 3025.02(b) to conform with that in new Section 3855.

Amended paragraphs 3025.05, 3025.14-.15, 3025.27 and Illustrative Examples to specify that the "original" effective interest rate is to be used.

Transitional provisions paragraphs 3025.53-.54 are no longer italicized to conform with Section 1100.

Added paragraphs 3025.57-.58 to provide transitional provisions for amended paragraph 3025.02.

Renamed and amended Appendix to conform with the status of Appendices and illustrative material, as described in Section 1100.

Long-Term Investments, Section 3050

Replaced by Section 3051.

Investments, Section 3051

Replaces Section 3050.

Amended paragraphs 3051.01-.02 (formerly paragraph 3050.01) to exclude financial instruments and non-financial derivatives within the scope of new Section 3855 from the scope of Section 3051 and to remove the scope exceptions for investments held by companies that account for security holdings at market values in accordance with the practices in their industry; and pooled investment funds of not-for-profit organizations, as a result of issuing new Section 3855.

Amended paragraph 3051.03 (formerly paragraph 3050.02) to delete the definition of portfolio investments as a result of issuing new Section 3855 and modify other definitions to conform with new Section 3855.

Deleted paragraph 3050.05 as a result of issuing new Section 3855.

Amended paragraph 3051.07 (formerly paragraph 3050.07) to conform with new Section 3855 and to address the circumstance when an investor obtains control or joint control. Former wording of paragraph 3050.07 was as follows:

- ♦ *When an investor ceases to be able to exercise significant influence over an investee, the investment should be accounted for by the cost method.* [JAN. 1992]

Amended paragraphs 3051.09, 3051.13-.14 (formerly paragraphs 3050.09 and 3050.13-.14) as a result of introducing comprehensive income in new Section 1530. Former wording of paragraph 3050.09 was as follows:

- .09 ♦ *In accounting for an investment by the equity method, the investor's proportionate share of the investee's discontinued operations, extraordinary items, changes in accounting policy, corrections of errors relating to prior period financial statements and capital transactions should be disclosed in the investor's financial statements according to their nature.* [APRIL 1996]

Deleted paragraph 3050.17 as a result of issuing new Section 3855.

Replaced paragraph 3051.17 (formerly paragraph 3050.18) as a result of issuing new Section 3855. Former wording of paragraph 3050.18 was as follows:

- ♦ *The cost method should be used in accounting for portfolio investments.* [AUG. 1978]

Deleted paragraph 3050.19 as a result of issuing new Section 3855.

Paragraph 3051.20 replaces paragraphs 3050.22-.24, providing standards for what constitutes an other-than-temporary loss in value of an investment.

Amended paragraphs 3051.26-.27 (formerly paragraphs 3050.30-.31) to replace "long-term investments" with "investments".

Deleted paragraph 3050.33 as a result of issuing new Section 3855. Former wording of paragraph 3050.33 was as follows:

- ♦ *When portfolio investments include marketable securities, the quoted market value of such securities as well as their carrying value should be disclosed.* [JAN. 1973 *]

Deleted paragraphs 3050.36 and 3050.38 as a result of issuing new Section 3855.

Added paragraph 3051.35 to explain transitional provisions.

The following table shows how the contents of Section 3051 and former Section 3050 correspond.

Former paragraphs	New paragraphs
3050.01	3051.01-.02
3050.02-.04	3051.03-.05
3050.05	Deleted
3050.06-.16	3051.06-.16
3050.17	Deleted
3050.18	3051.17
3050.19	Deleted
3050.20-.21	3051.18-.19
3050.22-.24	3051.20
3050.25-.32	3051.21-.28

3050.33	Deleted
3050.34-.35	3051.29-.30
3050.36	Deleted
3050.37	3051.31
3050.38	Deleted
3050.39-.41	3051.32-.34

Interests in joint ventures, Section 3055

Amended paragraph 3055.02 to provide a reference to new Section 3855.

Amended paragraph 3055.48 to provide a reference to new requirements of Section 3051. Former wording of paragraph 3055.48 was as follows:

- ♦ *A loss in value of an interest in a joint venture not proportionately consolidated that is other than a temporary decline should be accounted for in accordance with the requirements of LONG-TERM INVESTMENTS, paragraphs 3050.20-.26.* [JAN. 2002]

Transitional provisions paragraph 3055.52 is no longer italicized to conform with Section 1100.

Added paragraph 3055.55 to provide transitional provisions for amended paragraph 3055.48.

Property, plant and equipment, Section 3061

Amended paragraph 3061.44(c) as a result of introducing comprehensive income in new Section 1530. Former wording of paragraph 3061.44(c) was as follows:

- (c) *appraisal increase credits should be shown as a separate item in shareholders' equity. The appraisal increase should be transferred to retained earnings in amounts equal to the realization of appreciation through sale or the amortization provision. The basis of any transfer to retained earnings should be disclosed.* [DEC. 1990 *]

Added paragraph 3061.48 to provide transitional provisions for amended paragraph 3061.44.

Goodwill and other intangible assets, Section 3062

Renamed and amended Appendices to conform with the status of Appendices and illustrative material, as described in Section 1100.

Impairment of long-lived assets, Section 3063

Added paragraph 3063.02(h) to exclude from the scope of Section 3063 financial assets, financial liabilities and contracts to buy or sell non-financial items that are within the scope of new Section 3855. Former paragraphs 3063.02(h)-(k) renumbered as 3063.02(i)-(l).

Transitional provisions paragraph 3063.25 is no longer italicized to conform with Section 1100.

Added paragraph 3063.27 to provide transitional provisions for new paragraph 3063.02(h).

Leases, Section 3065

Amended paragraph 3065.02 as a result of issuing new Section 3855.

Transitional provisions paragraphs 3065.75 and 3065.76 are no longer italicized to conform with Section 1100.

Added paragraph 3065.78 to provide transitional provisions for amended paragraph 3065.02.

Deferred charges, Section 3070

Withdrawn.

The following italicized paragraphs formerly appeared in Section 3070:

- .01 ♦ *Deferred charges (as distinct from prepaid expenses) should not be classified as current assets.*
- .02 ♦ *Major items among the deferred charges should be shown separately, e.g., debt discount and expense, deferred foreign exchange losses, organization expense and deferred development costs.* [JAN. 2000]
- .03 ♦ *Where amortization has been deducted in arriving at the carrying value of the deferred charge, this fact should be disclosed.*
- .04 ♦ *The income statement should disclose the amount charged for amortization of deferred charges (except the amortization of debt discount and issue expenses included with interest expense — see LONG-TERM DEBT, Section 3210). The amount charged for amortization of deferred development costs should be separately disclosed. Disclosure should be made of the basis of amortization.* (See DISCLOSURE OF ACCOUNTING POLICIES, Section 1505; RESEARCH AND DEVELOPMENT COSTS, Section 3450.) [AUG. 1978]

Former paragraph 3070.01 moved to Section 1510 and renumbered as paragraph 1510.04.

Asset retirement obligations, Section 3110

Transitional provisions paragraph 3110.23 is no longer italicized to conform with Section 1100.

Renamed and amended Appendices to conform with the status of Appendices and illustrative material, as described in Section 1100.

Long-term debt, Section 3210

Replaced references to "company" with "entity" in paragraphs 3210.05 and 3210.08 to reflect the use of "entity" in other Sections that apply to both profit-oriented enterprises and not-for-profit organizations.

Amended paragraph 3210.09 to remove reference to amortization of debt discount or premium and issue expenses as a result of issuing new Section 3855. Former wording of paragraph 3210.09 was as follows:

- ♦ *The income statement should distinguish interest on indebtedness initially incurred for a term of more than one year (including the amortization of debt discount or premium and issue expenses).*

Surplus, Section 3250

Replaced by Section 3251.

Equity, Section 3251

Replaces Section 3250.

Paragraphs 3251.01-08 replace paragraphs 3250.01-07. Former wording of paragraph 3250.07 was as follows:

♦ *Items of surplus should be segregated so as to distinguish between those derived from earnings and those derived from contributions.* This may be accomplished by setting out the surplus items under two main headings, "Retained earnings" and "Contributed surplus" or in some circumstances by way of note. In some cases, additional information concerning the segregation or availability of items of surplus to reflect contractual or statutory conditions or management policy may be presented by sub-classification under the headings of "Retained earnings" and "Contributed surplus". Such information, when required, often may be presented most conveniently and suitably in notes to the financial statements.

Amended paragraph 3251.09 (formerly paragraph 3250.08) to delete the example of "Capital surplus".

Amended paragraph 3251.12(a) (formerly paragraph 3250.11(a)) to replace the example, which previously stated that, "where contributed surplus reflects premiums on an issue of preferred shares it is appropriate to offset premiums on redemption of shares of that issue, pro rata."

Deleted paragraph 3250.13 as a result of issuing new paragraph 3251.04. Former wording of paragraph 3250.13 was as follows:

- ♦ *Changes in each of retained earnings and contributed surplus during the period should be disclosed.*

Added paragraphs 3251.14-15 to provide transitional provisions.

The following table shows how the contents of Section 3251 and former Section 3250 correspond.

Former paragraph	New paragraph
3250.01-07	3251.01-08
3250.08-12	3251.09-13

Research and development costs, Section 3450

Amended paragraphs 3450.34-35 to remove references to Section 3070, as a result of withdrawing that Section.

Income taxes, Section 3465

Amended paragraphs 3465.63(b) and 3465.67 as a result of introducing comprehensive income in new Section 1530.

Former wording of paragraph 3465.63(b) was as follows:

- (b) *any portion of the cost (benefit) of current and future income taxes relating to capital transactions in the current period, or relating to items that are credited or charged directly to equity in the current period, should be charged or credited directly to equity;*

Transitional provisions paragraphs 3465.107-109 are no longer italicized to conform with Section 1100.

Added paragraph 3465.113 to provide transitional provisions for amended paragraphs 3465.63(b) and 3465.67.

Renamed and amended Appendix to conform with the status of Appendices and illustrative material, as described in Section 1100.

Disposal of long-lived assets and discontinued operations, Section 3475

Added paragraph 3475.02(d) to exclude from the scope of Section 3475 financial assets, financial liabilities and contracts to buy or sell non-financial items that are within the scope of new Section 3855.

Former paragraphs 3475.02(d)-(f) renumbered as 3475.02(e)-(g).

Added paragraph 3475.43 to provide transitional provisions for amended paragraph 3475.02.

Related party transactions, Section 3840

Amended paragraph 3840.02 to provide a reference to new Section 3855 for measurement on initial recognition of financial assets and financial liabilities arising from related party transactions.

Added paragraph 3840.57 to provide transitional provisions for amended paragraph 3840.02.

Financial instruments — recognition and measurement, Section 3855 [OCT. 2006]

New.

Financial instruments — disclosure and presentation, Section 3861

Replaces Section 3860.

Paragraphs 3861.01-07, providing the purpose, scope and definitions for the Section, replace paragraphs 3860.01-05. Former paragraphs 3860.06-15 are moved to new Section 3855.

Paragraph 3861.36 replaces paragraph 3860.43, removing the encouragement to disclose the extent to which financial instruments are used, the associated risks and the business purposes served.

Paragraph 3861.48 replaces paragraphs 3860.48-51, providing standards for accounting policy disclosures.

Added paragraphs 3861.41-.42 to require a description of risk management objectives and policies.

Deleted paragraph 3860.62 as a result of issuing new Section 3855.

Paragraphs 3861.69-.85 replace paragraphs 3860.78-.94, providing standards for disclosures about fair value and hedges of anticipated future transactions. Former wording of paragraphs 3860.78, 3860.89 and 3860.92 was as follows:

- .78 ♦ *For each class of financial asset and financial liability, both recognized and unrecognized, an entity should disclose information about fair value. When it is not practicable within constraints of timeliness or cost to determine the fair value of a financial asset or financial liability with sufficient reliability, that fact should be disclosed together with information about the principal characteristics of the underlying financial instrument that are pertinent to its fair value.* [JAN. 1996]
- .89 ♦ *When an entity carries one or more financial assets at an amount in excess of their fair value, the entity should disclose:*
 - (a) *the carrying amount and the fair value of either the individual assets, or appropriate groupings of those individual assets; and*
 - (b) *the reasons for not reducing the carrying amount, including the nature of the evidence that provides the basis for management's belief that the carrying amount will be recovered.* [JAN. 1996]
- .92 ♦ *When an entity has accounted for a financial instrument as a hedge of risks associated with anticipated future transactions, it should disclose:*
 - (a) *a description of the anticipated transactions, including the period of time until they are expected to occur;*
 - (b) *a description of the hedging instruments; and*
 - (c) *the amount of any deferred or unrecognized gain or loss and the expected timing of recognition as income or expense.* [JAN. 1996]

Amended paragraph 3861.86 (formerly paragraph 3860.95) to withdraw desirable disclosure of total amount of deferred or unrecognized gain or loss on hedging instruments other than those related to hedges of anticipated future transactions.

Deleted paragraph 3860.99. Former wording of paragraph 3860.99 was as follows:

♦ *An enterprise that qualifies under DIFFERENTIAL REPORTING, Section 1300, may elect to disclose the information required by paragraph 3860.89 only for those financial assets for which fair value is readily obtainable.* [JAN. 2002]

Added differential reporting option in paragraph 3861.90.

Paragraph 3861.92 replaces paragraphs 3860.101-.105, providing transitional provisions. Former wording of paragraphs 3860.101-.102 and 3860.105 was as follows:

- .101 ♦ *All entities except life insurance enterprises should apply the Recommendations in this Section for fiscal years beginning on or after January 1, 1996. However, co-operative organizations may defer application of the Recommendations in paragraphs 3860.18, 3860.24 and 3860.31 until fiscal years beginning on or after January 1, 1997, and entities other than public enterprises, co-operative organizations, deposit-taking institutions and life insurance enterprises may defer application of the Recommendations in paragraphs 3860.18, 3860.24, 3860.31 and 3860.78 until fiscal years beginning on or after January 1, 2002. Public enterprises are those enterprises that have issued debt or equity securities that are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local or regional markets), that are required to file financial statements with a securities commission or that provide financial statements for the purpose of issuing any class of securities in a public market. The Recommendations in this Section should be applied retroactively.* [JAN. 1996 *]
- .102 ♦ *Life insurance enterprises should apply the Recommendations in this Section for fiscal years beginning on or after January 1, 1997. These Recommendations should be applied retroactively.* [JAN. 1996]
- .105 ♦ *The interpretation of paragraph 3860.18 in paragraph 3860.20A should be applied for fiscal years beginning on or after November 1, 2004. Earlier application is encouraged. Any accounting change necessary for initial application should be recognized and disclosed as an accounting policy change in accordance with ACCOUNTING CHANGES, Section 1506.* [NOV. 2004]

Renamed and amended Appendices to conform with the status of Appendices and illustrative material, as described in Section 1100.

Former paragraphs 3860.A3-.A16 moved to new Section 3855.

Deleted paragraphs 3860.A27-.A28, providing standards for disclosure.

The following table shows how the contents of Section 3861 and former Section 3860 correspond.

Former paragraphs	New paragraphs
3860.01-05	3861.01-07
3860.06-.15	3855.A1-A4, 3855.A6-A9, 3855.A11-.A12
3860.16-.17	3861.08-.09
3860.18-.42	3861.10-.35
3860.43	3861.36
3860.44-.47	3861.37-.40
3860.48-.51	3861.48
3860.52-.56	3861.43-.47
3860.57-.61	3861.49-.53
3860.62	Deleted
3860.63-.77	3861.54-.68
3860.78-.94	3861.69-.85
3860.95	3861.86
3860.96-.98	3861.87-.89
3860.99	Deleted
3860.100	3861.91
3860.101-.105	3861.92
3860.A1	Deleted
3860.A2	3861.A1
3860.A3-.A5	3855.B2-.B4
3860.A6	3855.A5
3860.A7	3855.B5
3860.A8	3861.A10
3860.A9	3855.A12
3860.A10-.A12	3855.B6-.B8
3860.A13-.A16	3855.A18-.A21
3860.A17	Deleted
3860.A18-.A26	3861.A2-.A10

Hedges, Section 3865 [OCT. 2006]

New.

Stock-based compensation and other stock-based payments, Section 3870

Added paragraph 3870.06(c) to exclude from the scope of Section 3870 contracts and obligations for stock-based payments in which the entity receives or acquires goods or services under a contract within the scope of new Section 3855.

Added paragraph 3870.82 to provide transitional provisions for amended paragraph 3870.06(c).

Life insurance enterprises — specific items, Section 4211

Replaces Section 4210.

Added paragraph 4211.03 to explain that a financial instrument that takes the form of a reinsurance contract but principally involves the transfer of financial risks is accounted for in accordance with new Section 3855.

Amended paragraph 4211.04 (formerly paragraph 4210.03) to replace the definition of "life insurance portfolio investments" with a definition of "life insurance investments", and delete definitions of "equity investments", "fixed-term investments" and "amortized cost method", as a result of issuing new Section 3855.

Paragraphs 4211.05-.16 replace paragraphs 4210.04-.23, providing standards for life insurance portfolio investments, as a result of issuing new Section 3855. Former wording of paragraphs 4210.04-.05, 4210.07-.08, 4210.12, 4210.15, 4210.20 and 4210.22 was as follows:

- .04 ♦ *Equity portfolio investments held by life insurance enterprises should be carried in the balance sheet at an amount calculated using a moving average market method.* [JAN. 1991]
- .05 ♦ *Gains and losses that arise on sale of equity portfolio investments held by life insurance enterprises, or that arise as a result of changes in the market value of those investments should be recognized in income on a moving average market basis, which should be the same as that used for the determination of the balance sheet carrying values of the investments.* [JAN. 1991]
- .07 ♦ *Fixed-term portfolio investments held by life insurance enterprises should be carried in the balance sheet at amortized cost. Any premium or discount arising on purchase of these investments should be amortized to income over the period to maturity.* [JAN. 1991]
- .08 ♦ *Gains and losses arising on sale of fixed-term portfolio investments held by life insurance enterprises should be amortized to income over the remaining term to maturity of the investments sold.* [JAN. 1991]
- .12 ♦ *When there is a net disinvestment in a portfolio held by a life insurance enterprise, a proportionate amount of the unamortized gains and losses should be written off and recognized in income immediately.* [JAN. 1991]
- .15 ♦ *When it is determined that there has been an other than temporary decline in value of an entire portfolio held by a life insurance enterprise, the carrying value of the portfolio should be written down to recognize the loss. The write-down should be included in income in the period in which it occurs.* [JAN. 1991]
- .20 ♦ *The balance of any deferred realized gains and losses on portfolio investments held by life insurance enterprises should be presented in the balance sheet outside of shareholders' equity.* [JAN. 1991]
- .22 ♦ *The following information should be disclosed with respect to portfolio investments held by life insurance enterprises:*
 - (a) *a description of the accounting policy regarding portfolio investments, including the rate used in applying the moving average market method;*
 - (b) *the aggregate carrying value and market value of the investments, divided among investments carried at (i) moving average market and (ii) amortized cost;*
 - (c) *for each of the components in (b), investment revenue and separately gains and losses included in income;*
 - (d) *the balance of any deferred realized gains and losses on portfolio investments to be recognized in income in future periods; and*
 - (e) *the amount of any write-down in the current period resulting from other than temporary declines in value of an entire portfolio.*

If appraisals are used to establish carrying values, those carrying values and the basis of appraisal should be disclosed separately. [JAN. 1991]

Amended paragraphs 4211.33-.36 (formerly paragraphs 4210.39-.42) to refer to "investments", rather than "portfolio investments", a result of issuing new Section 3855. Former wording of paragraphs 4210.39-.40 was as follows:

- .39 ♦ *Portfolio investments held in segregated accounts should be carried in the segregated account balance sheet at their market value as at the balance sheet date.* [JAN. 1991]
 - .40 ♦ *Gains and losses on portfolio investments held in segregated accounts, which arise on adjustment of the carrying values of the investments to reflect their current market values, should be included in segregated account income in the current period.* [JAN. 1991]
- Paragraph 4211.43 replaces paragraphs 4210.50-.52, providing transitional provisions. Former wording of paragraphs 4210.51 was as follows:
- .51 ♦ *These Recommendations should be applied retroactively, except in those circumstances when the necessary financial data is not reasonably determinable.* [JAN. 1991]

The following table shows how the contents of Section 4211 and former Section 4210 correspond.

Former paragraphs	New paragraphs
4210.01-.02	4211.01-.02
4210.03	4211.04
4210.04-.23	4211.05-.16

4210.24-.49	4211.18-.42
4210.50-.52	4211.43

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

Amended paragraphs 4400.19 and 4400.41 to introduce the ability to recognize certain gains and losses directly in the statement of changes in net assets. Former wording of paragraphs 4400.19 and 4400.41 was as follows:

- .19 ◆ *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.* [APRIL 1997]
- .41 ◆ *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.* [APRIL 1997]

Added paragraph 4400.42 to require disclosures commensurate with those in new Section 1530.

Amended paragraphs 4400.43-.44 (formerly paragraphs 4400.42-.43) as a result of introducing the ability to recognize certain gains and losses directly in the statement of changes in net assets.

Added paragraph 4400.45 to provide guidance on the amendments to paragraph 4400.41.

Former paragraphs 4400.44-.56 renumbered as 4400.46-.58.

Added paragraph 4400.59 to provide transitional provisions for amended paragraphs 4400.19 and 4400.41-.45.

Transitional provisions paragraph 4400.56 is no longer italicized to conform with Section 1100.

Renamed and amended Appendix to conform with the status of Appendices and illustrative material, as described in Section 1100.

Added assumption to Illustrative Examples that investments comprise fixed income securities held to maturity.

Reporting controlled and related entities by not-for-profit organizations, Section 4450

Amended paragraph 4450.43 to provide a reference to new requirements of Section 3051.

Transitional provisions paragraph 4450.50 is no longer italicized to conform with Section 1100.

Renamed and amended Appendices to conform with the status of Appendices and illustrative material, as described in Section 1100.

ACCOUNTING GUIDELINES

Financial reporting by property and casualty insurance companies (AcG-3)

Amended paragraph 19 to conform with new Section 3855 and related amendments.

Actuarial liabilities of life insurance enterprises — disclosure (AcG-8)

Amended paragraph 4 to explain relationship of AcG-8 with new Section 3855.

Amended paragraphs 32 and 35 to explain assessment of measurement reliability in a manner consistent with that in new Section 3855.

Financial reporting by life insurance enterprises (AcG-9)

Amended paragraphs 6-8 and 10-11 to conform with amended requirements for impairment testing in Section 3051 and to deal with real estate investments as a separate portfolio of investments.

Deleted paragraph 9.

Amended paragraphs 16-19 to deal with a portfolio of "life insurance investments," as defined in Section 4211, rather than a "portfolio".

Added paragraph 32 to provide transitional provisions for amended paragraphs 6-11.

Transfers of receivables (AcG-12)

Replaced the definition of a derivative financial instrument in paragraph 8(n) with a reference to the definition of a derivative in new Section 3855.

Amended paragraph 61 to provide a reference to new Section 3855, rather than Sections 3025 and 3050.

Added paragraph 69 to provide transitional provisions for amended paragraph 61.

Hedging relationships (AcG-13)

Withdrawn. Replaced by new Section 3865.

Disclosure of guarantees (AcG-14)

Amended paragraph 2 to specify that certain financial guarantee contracts are subject to the requirements of new Section 3855.

Amended paragraph 6(e) to specify that embedded terms meet the definition of a guarantee when the terms constitute a guarantee provision accounted for separately as a derivative in accordance with new Section 3855.

Added paragraph 13 to provide transitional provisions for amended paragraph 6(e).

Equity-linked deposit contracts (AcG-17)

Withdrawn. Replaced by new Section 3855.

Investment companies (AcG-18)

Amended paragraph 4 to specify that certain requirements of new Section 3855 apply to investments held by an investment company that are accounted for at fair value in accordance with AcG-18.

Amended footnote 1 to paragraph 8(a) to reflect current status of National Instrument 81-106.

Added paragraph 18 to provide transitional provisions for amended paragraph 4.

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