

## Economic dependence, SecCompon 3841

---

- .02 *When the ongoing operations of a reporting enterprise depend on a significant volume of business with another party, the economic dependence on that party shall be disclosed and explained.*
  - .03 An enterprise may have a significant volume of its business with another party, such as a sole or major customer, supplier, franchisor, franchisee, distributor, general agent, borrower or lender. Sometimes, the enterprises are related because one enterprise has significant influence, joint control or control over the other. In such cases, the transactions are also subject to the measurement and disclosure requirements in RELATED PARTY TRANSACTIONS, Section 3840.
  - .04 In other cases, the business with another party is so significant that the viability of the reporting enterprise depends on the continuance of such business. In these circumstances, the enterprise is economically dependent on the other enterprise and users need to be informed of the economic dependence. Such parties are not considered to be related parties by virtue of economic dependence. However, information about the circumstances is important in understanding the enterprise's financial position and performance.
  - .05 In determining whether an enterprise is dependent on another party, the ease with which transactions with that party can be replaced by transactions with another party on similar terms and conditions is considered.
  - .06 To explain the effect of the relationships described in paragraphs 3841.03-.05, an entity would disclose the amount of transactions with these parties and provide an explanation of whether the volume of such transactions is normal for the enterprise and the industry in which it operates. For example, an enterprise relying on the continuation of a contractual relationship for a significant percentage of sales may disclose the following: "The company's operations consist of supplying catering services. The contract with one customer accounts for 60% of sales in the current year (19X0 — 54%) and is due for renewal in December 19X2."
- 

[Terms and Conditions](#) and [Privacy Policy](#)

Help desk: Mon-Fri, 9am-5pm ET 1-866-256-6842 [Contact Us](#) [Quick Reference Guide](#)

© 2001-2025, Knotia Canada Limited Partnership All rights reserved.