

GENERAL ACCOUNTING

SECTION 1400

general standards of financial statement presentation

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PURPOSE AND SCOPE

- .01 Financial reporting is essentially a process of communication of information. While the success of this communication depends upon the appropriateness of the accounting principles followed and ultimately upon the degree of understanding by the readers of the financial statements, it also depends upon the extent and clarity of presentation and disclosure in the financial statements. This Section establishes general standards of financial statement presentation.
- .02 Decisions as to presentation and disclosure in specific situations require the exercise of professional judgment, consideration of GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, Section 1100, and recognition of specific provisions in governing statutes or regulations. Effective reporting also gives recognition to new problems as they arise and changes in the requirements of investors, creditors, governments and society generally.

FAIR PRESENTATION IN ACCORDANCE WITH GAAP

- .03 *Financial statements shall present fairly in accordance with generally accepted accounting principles the financial position, results of operations and cash flows of an entity* (i.e., represent faithfully the substance of transactions and other events in accordance with the elements of financial statements, and the recognition and measurement criteria set out in FINANCIAL STATEMENT CONCEPTS, Section 1000).
- .04 A fair presentation in accordance with generally accepted accounting principles is achieved by:
 - (a) applying GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, Section 1100;
 - (b) providing sufficient information about transactions or events having an effect on the entity's financial position, results of operations and cash flows for the periods presented that are of such size, nature and incidence that their disclosure is necessary to understand that effect; and
 - (c) providing information in a manner that is clear and understandable.
- .05 An entity exercises professional judgment to provide sufficient information about the extent and nature of transactions or events having an effect on the entity's financial position, results of operations and cash flows for the periods presented that are of such size, nature and incidence that their disclosure is necessary to understand that effect. This information would include the significant terms and conditions of such transactions, as well as the nature of such events and their financial effects on the periods presented.
- .06 An entity provides information in a manner that clearly conveys the nature and extent, and significant terms and conditions, of the related transactions. Financial statements are prepared in such form and use such terminology and classification of items that significant information is readily understandable. Items not significant in themselves are grouped with such other items as most closely approximate their nature. An entity presents information in a manner that enables users of financial statements to understand, without undue effort, the effects of transactions and related disclosures without the need to consider whether information somewhere else in the financial statements relates to that disclosure or transaction. Information is presented in a manner that relates the disclosures with other descriptions or disclosures for the same or similar transactions or events. An entity discloses amounts such that users of financial statements do not have to recalculate amounts actually disclosed to determine amounts that are required to be disclosed.

GOING CONCERN

- .07 *When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.*
- .08 In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the balance sheet date. The degree of consideration depends on the facts in each case. When an entity has a history of profitable operations and ready access to financial resources, a conclusion that the going concern basis of accounting is appropriate may be reached without detailed analysis. In other cases, management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate.

FINANCIAL STATEMENTS

- .09 *Financial statements, including notes to such statements and supporting schedules to which the financial statements are cross-referenced, shall include all information required for a fair presentation in accordance with generally accepted accounting principles.*
- .10 Financial statements include the balance sheet, income statement, statement of retained earnings and cash flow statement. Notes to financial statements, and supporting schedules to which the financial statements are cross-referenced, are an integral part of such statements; the same does not apply to information set out in other material attached to or submitted with financial statements.
- .11 Notes to financial statements, and supporting schedules to which the financial statements are cross-referenced, are often essential to clarify or further explain the items in the financial statements. They have the same significance as if the information or explanations were set out in the body of the statements themselves. However, they are not to be used as a substitute for proper accounting treatment. Accounting treatments that are not in accordance with generally accepted accounting principles are not rectified either by disclosure of the accounting policies used or by information provided in notes or supporting schedules. The information conveyed by every note or supporting schedule is consistent with the accounting treatment given to the specific item to which it relates. When explanatory information about any item shown in the financial statements is presented in such a note or schedule, the description of the item is referenced to the note or schedule.
- .11A *An entity shall select only one set of accounting policies in any particular period for purposes of preparing general purpose financial statements in accordance with this Part of the Handbook. In some circumstances, an entity might prepare additional sets of financial statements using alternative accounting policies that are also in accordance with this Part of the Handbook. These additional sets of financial statements shall include a reference to the general purpose financial statements.*

COMPARATIVE INFORMATION

- .12 *Financial statements shall be prepared on a comparative basis, unless the comparative information is not meaningful or the standards set out in Part II of the Handbook permit otherwise.*
- .13 Comparative information is normally meaningful. However, this may not be the case in some rare circumstances, such as when the financial structure of an enterprise has significantly changed, or when a comprehensive revaluation of assets and liabilities has been made in accordance with COMPREHENSIVE REVALUATION OF ASSETS AND LIABILITIES, Section 1625.
- .14 The classification of an item in the financial statements of the current period may be different from that in the financial statements of prior periods as a result of a change in the allocation or grouping of items within or among relevant categories. Such a change in classification is a matter of presentation and is not, in itself, a change in an accounting policy. However, to enhance comparability with the financial statements of the current period, the item is reclassified in the financial statements of the prior period to conform with the new basis.
- .15 An enterprise preparing interim financial statements may present, as comparative information, the income statement, statement of retained earnings, and the cash flow statement of the immediately preceding year if year-to-date comparative interim statements were not prepared previously.

DISCLOSURE

- .16 *An enterprise that prepares its financial statements in accordance with Canadian accounting standards for private enterprises shall state this basis of presentation prominently in the notes to its financial statements.*
- .17 *When management is aware, in making its assessment of an entity's ability to continue as a going concern, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed.*
- .18 *When financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern.*
- .19 *An entity shall separately disclose revenue, expenses, gains or losses resulting from transactions or events that are not expected to occur frequently over several years, or do not typify normal business activities of the entity.*

EFFECTIVE DATE AND TRANSITION

- .20 Except as specified in paragraph 1400.21, this Section applies to annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier application is permitted.
- .21 Paragraph 1400.19 applies to annual financial statements relating to fiscal years beginning on or after January 1, 2013. Earlier application is permitted.

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