

SECTION PS 2100

disclosure of accounting policies

SUPPLEMENT

This supplement sets out the previous wording of paragraphs that have been amended as a consequence of approving the new CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING.

- .02 There are a number of alternative accounting policies that may be applied to similar items. Because alternative accounting policies can produce significantly different results, a description of the accounting policies is necessary for the reader to interpret the financial statements and to become aware of differences when comparing them with the statements of similar entities. The description is an integral part of the financial statements since it is necessary for their interpretation. It should be concise or it may not be read, yet be clear to facilitate understanding and consistent interpretation. The description of accounting policies would not include amounts, analytical data or cross-references to specific items. Such information would be included in other notes to the financial statements.
- .04 Appropriate accounting policies are those that result in fair disclosure of financial information. It is important that accounting policies be selected to meet this objective. There are a number of general considerations involved in this selection, including prudence, substance over form and materiality:
 - (a) Prudence requires that inevitable uncertainties surrounding many transactions be recognized and that the policy selected be directed toward an unbiased result that is neither overly optimistic nor pessimistic.
 - (b) Substance over form requires that transactions and other events be accounted for and presented in accordance with their financial reality.
 - (c) Materiality requires taking into account the significance of an item to users of financial statements.

Inappropriate accounting policies can result in reporting misleading information in the financial statements. Disclosure of such policies is not a substitute for the selection of accounting policies that result in appropriate and adequate information.

- .07 The description of the significant accounting policies includes the source of the basis of accounting used in accordance with the Introduction to Public Sector Accounting Standards (i.e., the financial statements have been prepared in accordance with Canadian public sector accounting standards), a definition of the reporting entity to which the financial statements relate and, in the case of consolidated statements, the basis for including and excluding related entities.

SUPPLEMENT

This supplement sets out the previous wording of paragraphs that have been amended as a consequence of the 2019-2020 annual improvements.

- .08 Specific accounting policies for similar items may differ from one entity to another, and it cannot be assumed that users of the financial statements will be familiar with these differences. Consequently, the specific accounting policies applied to items material to the financial statements are also clearly described (for example, disclosure of accounting policies for recognizing revenues, the cost of resources consumed and expenditures, valuing assets, estimating liabilities and, where applicable, consolidation). Policies on such important specific items as tangible capital assets, employee benefit plans and contractual obligations are clearly delineated. It is also important to define terminology that is peculiar to the various types of reporting entities. Governments, for instance, use terms such as "budgetary expenditures" and "non-budgetary expenditures", which may not be readily understood by all readers.

...

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.