

CICA handbook accounting and auditing highlight summary no. 97 October 1998

HIGHLIGHT SUMMARY

(Note: New Handbook material or changes in existing material are identified in each HANDBOOK REVISIONS RELEASE.)

Non-profit organizations — specific items, Section 4230 and Non-profit organizations — related party transactions, disclosure considerations, Section 4231

These Sections have been withdrawn and replaced by Sections 4400 to 4460 which are effective for fiscal periods beginning on or after April 1, 1997.

EIC Abstracts

New

- Seller's retention of substantial risks of ownership — application of CICA 3065.61 (EIC-85).

Foreign reporting, Section 5610

This new Section provides guidance to an auditor asked to report on financial statements prepared in accordance with International Accounting Standards (IASs) or foreign generally accepted accounting principles (foreign GAAP) and/or conduct his or her audit in accordance with International Standards on Auditing (ISAs) or foreign generally accepted auditing standards (foreign GAAS). The guidance is applicable to reporting on Canadian and foreign entity financial statements.

The new Section:

- describes engagement acceptance criteria, including the need for the auditor to have adequate knowledge of the international or foreign GAAP and/or GAAS selected, and the requirement that the GAAP and GAAS selected be consistent with the financial statements' purpose;
- requires the auditor to obtain management's written acknowledgment of the financial statements' intended purpose;
- requires the auditor to follow the general and examination standards set out in GENERALLY ACCEPTED AUDITING STANDARDS, Section 5100 of the CICA Handbook, performing any additional procedures required to comply with the general and examination standards (or their equivalent) of the ISAs or foreign GAAS if reporting in accordance with the ISAs or foreign GAAS;
- describes the content of the auditor's report in three circumstances:
 - reports under Canadian GAAS on financial statements prepared in accordance with IASs or foreign GAAP,
 - reports under ISAs or foreign GAAS, and
 - "combined GAAS" reports which identify both Canadian GAAS and ISAs or a foreign GAAS; and
- describes other reporting issues, including the need for a cross-reference, when reporting to shareholders on more than one set of financial statements for the same period and necessary disclosures when Canadian GAAP financial statements and Canadian GAAS reports have not been prepared.

The new Recommendations are effective for engagements to report on financial statements relating to periods commencing on or after November 1998.

Assurance and related services guidelines

- Applying audit procedures to segment disclosures in financial statements (AuG-26).

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