

CPA Canada handbook – accounting, part II highlight summary no. II.30

November 2022

(Note: Any changes to previously issued standards are identified in the effective date guidance in each affected standard.)

Section 3400, Revenue

This Section has been amended to defer the effective date of previously issued amendments related to upfront non-refundable fees or payments that were issued in December 2019. The new effective date is for financial statements with fiscal years beginning on or after January 1, 2025. Earlier application is permitted, including in financial statements not yet authorized for issue.

ACCOUNTING GUIDELINE AcG-20, Customer's Accounting for Cloud Computing Arrangements

This new Guideline provides guidance on:

- accounting for a customer's expenditures in a cloud computing arrangement; and
- determining whether a software intangible asset exists in the arrangement.

The main features of AcG-20 are to:

- clarify that an enterprise may determine a method on a rational and consistent basis for allocating arrangement consideration to significant separable elements in a cloud computing arrangement;
- clarify that an enterprise applies GOODWILL AND INTANGIBLE ASSETS, Section 3064, to account for the significant elements unless the elements are tangible assets or rights to use tangible assets;
- provide an optional simplification approach to permit an enterprise to expense as incurred the expenditures related to the elements in the arrangement within the scope of Section 3064;
- provide factors to assist an enterprise that does not apply the simplification approach to determine whether the arrangement includes a software intangible asset or is a software service;
- provide an accounting policy choice to either capitalize directly attributable expenditures on implementation activities when the arrangement is a software service or expense such expenditures as incurred; and
- require an enterprise to disclose information on how the arrangement is accounted for in its financial statements.

Significant consequential amendments include changes to:

- FIRST-TIME ADOPTION, Section 1500, to permit a first-time adopter to apply the transitional provisions in AcG-20; and
- BALANCE SHEET, Section 1521, to clarify the presentation requirements for expenditures on implementation activities capitalized using the policy choice in AcG-20 as assets for implementation of software services.

AcG-20 is effective for annual periods beginning on or after January 1, 2024, with earlier application permitted.

Archived Pronouncements

To give Handbook readers continued access to superseded Sections and paragraphs in other Sections, the Archived Pronouncements set out the wording of those Sections and paragraphs. The archived material will be withdrawn from the Handbook when it is no longer effective.