# CICA handbook – accounting revisions release no. 45 June 2007

ACCOUNTING STANDARDS

**General standards of financial statement presentation, Section 1400**

Added paragraphs 1400.08A-.08C to include new requirements regarding an entity's ability to continue as a going concern.

Added paragraph 1400.16 to provide transitional provisions for new paragraphs 1400.08A-.08C.

**Income statement, Section 1520**

Inserted paragraph 1520.03(r), which adds to the required income statement disclosures the amount of inventories recognized as an expense during the period as a result of issuing new Section 3031.

Deleted paragraph 1520.04(c) to remove from the desirable income statement disclosures the amount of cost of goods sold as a result of issuing new Section 3031.

**Interim financial statements, paragraphs 1751.18 and 1751.26**

Amended to remove references to the LIFO method as a result of issuing new Section 3031.

**Inventories, Section 3030**

This Section has been refiled under Superseded Accounting Recommendations and a Supplement added setting out the previous wording of paragraphs in other Sections that have been amended substantially as a consequence of approving new Section 3031.

The following italicized paragraphs formerly appeared in Section 3030:

.05 ♦ *In the case of inventories of merchandise purchased for resale or of raw materials, cost should be laid-down cost.*

.06 ♦ *In the case of inventories of work in process and finished goods, cost should include the laid-down cost of material plus the cost of direct labour applied to the product and the applicable share of overhead expense properly chargeable to production.*

.09 ♦ *The method selected for determining cost should be one which results in the fairest matching of costs against revenues regardless of whether or not the method corresponds to the physical flow of goods.*

.10 ♦ *The basis of valuation of inventories should be clearly stated in the financial statements.*

.11 ♦ *If the method of determining cost has resulted in a figure which does not differ materially from recent cost, the simple term "cost" is considered to be suitable in describing the basis of valuation. Otherwise, the method of determining cost should be disclosed.* In view of the lack of precision in meaning, it is desirable that the term "market" not be used in describing the basis of valuation. A term, more descriptive of the method of determining market, such as "replacement cost", "net realizable value" or "net realizable value less normal profit margin", would be preferable.

.12 ♦ *Reserves for future decline in inventory values, or any similar reserves, should not be deducted in arriving at the inventory valuation* (see RESERVES, Section 3260).

.13 ♦ *Any change in the basis of valuation from that used in the previous period, and the effect of such change on the net income for the period, should be disclosed.*

**Inventories, Section 3031 [JAN. 2008]**

New.

**Property, plant and equipment, paragraph 3061.04**

Amended to include guidance on the accounting for spare parts and servicing equipment as a result of issuing new Section 3031.

**Goodwill and other intangible assets, paragraph 3062.03**

Amended to exempt from that standard intangible assets that are within the scope of new Section 3031.

**SUPERSEDED ACCOUNTING RECOMMENDATIONS**

**Non-monetary transactions, Section 3830**

Withdrawn.

The following italicized paragraphs formerly appeared in Section 3830:

.05 ♦ *Non-monetary transactions should be recorded at the fair value of the assets or services involved except as modified by paragraphs 3830.08 and .11. Non-monetary exchanges should be recorded at the fair value of the asset or service given up unless the fair value of the asset or service received is more clearly determinable, in which case the fair value of the asset or service received should be used to record the exchange.* [JAN. 1990]

.06 ♦ *Any gain or loss resulting from a non-monetary transaction should be recognized in income for the period except as specified in INTERESTS IN JOINT VENTURES, paragraphs 3055.26 to 3055.30 inclusive.* [JAN. 1995]

.08 ♦ *Non-monetary exchanges that do not represent the culmination of the earnings process should be recorded at the carrying value of the asset or service given up in the exchange adjusted by any monetary consideration received or given.* [JAN. 1990]

.11 ♦ *A non-monetary non-reciprocal transfer to owners that represents a spin-off or other form of restructuring or liquidation should be recorded at the carrying value of the non-monetary assets or liabilities transferred.* [JAN. 1990]

.13 ♦ *The nature, basis of measurement, amount and related gains and losses of non-monetary transactions, other than exchanges that do not represent the culmination of the earnings process, should be disclosed in the financial statements for the period.* [JAN. 1990]

**EIC ABSTRACTS**

**Accounting by an investor upon a loss of significant influence (EIC-165)**

Issued on April 3, 2007.

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