

CICA handbook accounting and auditing revisions release nos. 95 & 96

June 1998

ACCOUNTING RECOMMENDATIONS

Cash flow statements, Section 1540 [AUGUST 1998]

Revises and replaces Section 1540, STATEMENT OF CHANGES IN FINANCIAL POSITION.

The following Recommendations formerly appeared in Section 1540:

- .04 ♦ *The statement of changes in financial position should report the changes in cash and cash equivalents resulting from the activities of the enterprise during the period.* [OCT. 1985]
- .06 ♦ *The components of cash and cash equivalents should be disclosed.* [OCT. 1985]
- .12 ♦ *The statement of changes in financial position should disclose at least the following items:*
 - (a) *cash from operations: the amount of cash from operations should be reconciled to the income statement or the components of cash from operations should be disclosed;*
 - (b) *cash flows resulting from discontinued operations;*
 - (c) *cash flows resulting from extraordinary items;*
 - (d) *outlays for acquisition and proceeds on disposal of assets, by major category, not included in (a), (b) or (c) above;*
 - (e) *the issue, assumption, redemption and repayment of debt not included in (a), (b) or (c) above;*
 - (f) *the issue, redemption and acquisition of share capital; and*
 - (g) *the payment of dividends, identifying separately dividends paid by subsidiaries to non-controlling interests.* [JAN. 1990]
- .18 ♦ *Cash flows presented in the statement of changes in financial position should normally be classified by operating activities, financing activities and investing activities.* [OCT. 1985]

As a result of revised Section 1540, the following paragraphs have been revised to change references from "statement of changes in financial position" to "cash flow statement"

1000.04 1750.06(c)

1500.03 4000.14

1650.69 4250.21

and "changes in financial position" to "cash flows"

1505.03 4250.03

1750.05 4400.05(d).

3820.01

General standards of financial statement presentation, paragraph 1500.05

Recommendation paragraph amended to refer to "cash flows" rather than "changes in financial position".

Segment disclosures, Section 1701, Appendix A

Amended in accordance with changes in the corresponding U.S. guidance to clarify that total revenues of a reportable operating segment include its intersegment revenues.

Interim financial reporting to shareholders, paragraph 1750.06(c)

Recommendation paragraph amended to refer to "cash flows" rather than "changes in financial position" and to change "statement of changes in financial position" to "cash flow statement". Reference to other information for any changes not disclosed in the statement deleted. The wording of the former paragraph 1750.06(c) was:

- .06 ♦ *Interim financial reports should include at least the following:*
 - (c) *Information as to significant changes in financial position.* This information can often be provided by a statement of changes in financial position together with other information for any changes which are not disclosed in that statement. In some cases this information can be provided in an alternative form, such as a statement of changes in net assets. [JAN. 1990]

Pension costs and obligations, Section 3460

Appendix amended to change the heading "statement of changes in financial position" to "cash flow statement". The first line of the statement, "Funds from operations", changed to "Cash from operations".

Related party transactions, Section 3840, Appendix B

In Example 1, note (d) has been amended and note (e) added to clarify the consolidation accounting in Situations I and II.

In Example 2, note (c) has been added to point out the difference in consolidated income between Situations I and II.

Prospectuses, paragraph 4000.15

Recommendation paragraph amended to change "statement of changes in financial position" to "cash flow statement".

ACCOUNTING GUIDELINES

Statement of changes in financial position for financial institutions (AcG-6)

Footnote added to state that the guideline only applies to financial institutions that have not yet adopted the Recommendations dated August 1998 of Section 1540, CASH FLOW STATEMENTS.

The Year 2000 issue (AcG-10)

Issued.

EIC ABSTRACTS

Accounting for Part VI.1 tax (EIC-2)

Revision to "Status" section on April 22, 1998.

Income statement classification of the federal large corporations tax (EIC-7)

Revision to "Status" section on April 22, 1998.

Reverse takeover accounting (EIC-10)

Footnote added to "Illustrative Example" on April 22, 1998.

Income statement classification of previously unrecognized loss carryforward benefits (EIC-15)

Revision to "Status" section on April 22, 1998.

The application of tax allocation accounting to the recognition of pension surplus (EIC-24)

Revision to "Status" section on April 22, 1998.

Discontinued operations (EIC-45)

Consequential amendment, due to replacement of Section 1700 with Section 1701, on April 22, 1998.

Tax effecting dilution gains and losses (EIC-48)

Revision to "Status" section on April 22, 1998.

Accounting for the costs of modifying internal use computer software for Year 2000 compliance (EIC-80)

Clarification of wording to "EIC Discussion" on April 22, 1998.

Revenue recognition on sales with a guaranteed minimum resale value (EIC-84)

Issued on April 22, 1998.

ASSURANCE RECOMMENDATIONS

Generally accepted auditing standards, paragraph 5100.02

Recommendation paragraph amended to change references from "changes in financial position" to "cash flows" as a result of revised Section 1540.

The auditor's standard report, paragraphs 5400.04 and 5400.14

Recommendation paragraphs amended to change references from "changes in financial position" to "cash flows" as a result of revised Section 1540.

As a result of revised Section 1540, the following paragraphs have been revised to change references from "changes in financial position" to "cash flows"

5090.01 5520.08

5200.01 8200.04

5365A.06 9200.02

5400.26 9200.24

5400.28

and "the changes in its financial position" to "its cash flows"

5400.26 5520.08

5400.28 5701.14.

The following Sections have not been amended as a result of revised Section 1540:

5510

7100 8200, Appendix B.

An explanatory footnote has been added in each case.

ASSURANCE AND RELATED SERVICES GUIDELINES

Introduction to Assurance and Related Services Guidelines

Revised to indicate that changes in existing Guidelines will be identified in the HANDBOOK REVISIONS RELEASE.

As a result of revised Section 1540, the following guidelines have been revised to change references from "changes in financial position" to "cash flows"

AuG-6, paragraphs 5, 43, 45, 49, Appendix B and Appendix C

AuG-11, paragraph 14(g) AuG-15, paragraph 10

AuG-16, paragraphs 4, 16(f), 21, 22, Appendix A and Appendix B

AuG-19, paragraph 3

AuG-20, Appendix

and "the changes in its financial position" to "its cash flows"

AuG-10, paragraphs 6, 7 and 8

AuG-14, paragraphs 7 and 8.

AuG-8 has not been amended as a result of revised Section 1540. An explanatory footnote has been added.

The Year 2000 issue — considerations for audit planning and communication of matters (AuG-22)

Issued with Filing Instruction No. 95.

The Year 2000 issue — the auditor's consideration of financial statement disclosures, the going concern assumption, and other matters (AuG-23)

Issued.

The Year 2000 issue — service auditor responsibilities and audit evidence considerations when an entity uses a service organization (AuG-24)

Issued.

Auditor's report on summarized financial statements (AuG-25)

Issued.

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