

CICA handbook – accounting revisions release no. 40

July 2006

ACCOUNTING STANDARDS

Generally accepted accounting policies, Section 1100

Added paragraph 1100.31A, as a result of revisions to Section 1506, to state that entities consulting sources of GAAP that permit or require categorization of items select an appropriate accounting policy and apply it consistently to each category.

Added paragraph 1100.32A to provide transitional provisions for paragraph 1100.31A.

Differential reporting, Section 1300

Amended paragraph 1300.20, as a result of revisions to Section 1506, to add that retroactive application is subject to impracticality considerations.

Added paragraph 1300.22A to provide transitional provisions for amended paragraph 1300.20.

General standards of financial statement presentation, paragraph 1400.13A

Added as a result of revisions to Section 1506. Former paragraph 1506.05 moved to Section 1400 and renumbered as paragraph 1400.13A.

Accounting changes, Section 1506 [JAN. 2007]

Revises and replaces ACCOUNTING CHANGES, Section 1506. The revised Section adopts relevant parts of International Financial Reporting Standard IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors."

The following italicized paragraphs formerly appeared in Section 1506:

- .11 ♦ *When there is a choice from among two or more appropriate principles or methods used in their application and a change is made, the new accounting policy should be applied retroactively, unless:*
 - (a) *the necessary financial data is not reasonably determinable; or*
 - (b) *the change is made to comply with an Accounting Guideline that permits prospective application; or*
 - (c) *the change is made to comply with an Abstract of Issue Discussed by the Emerging Issues Committee that permits prospective application.* [APRIL 1990 *]
- .15 ♦ *When a change in an accounting policy is applied retroactively, the financial statements of all prior periods presented for comparative purposes should be restated to give effect to the new accounting policy, except in those circumstances when the effect of the new accounting policy is not reasonably determinable for individual prior periods. In such circumstances, an adjustment should be made to the opening balance of retained earnings of the current period, or such earlier period as is appropriate, to reflect the cumulative effect of the change on prior periods.* [JAN. 1981]
- .16 ♦ *For each change in an accounting policy in the current period, the following information should be disclosed:*
 - (a) *description of the change; and*
 - (b) *the effect of the change on the financial statements of the current period.* [JAN. 1981]
- .17 ♦ *When a change in an accounting policy has been applied retroactively and prior periods have been restated, the fact that the financial statements of prior periods that are presented have been restated and the effect of the change on those prior periods should be disclosed.* [JAN. 1981]
- .18 ♦ *When a change in an accounting policy has been applied retroactively but prior periods have not been restated, the fact that the financial statements of prior periods that are presented have not been restated should be disclosed. The cumulative adjustment to the opening balance of the retained earnings of the current period should also be disclosed.* [JAN. 1981]
- .19 ♦ *When a change in an accounting policy has not been applied retroactively, this fact should be disclosed.* [JAN. 1981]
- .20 ♦ *The disclosure of particulars, including dollar amounts, applies to each change in an accounting policy; it is not appropriate to net items when considering materiality.* [JAN. 1981]
- .21 ♦ *A change in an accounting policy that does not have a material effect in the current period but is likely to have a material effect in future periods should be disclosed.* [JAN. 1981]
- .25 ♦ *The effect of a change in an accounting estimate should be accounted for in:*
 - (a) *the period of change, if the change affects the financial results of that period only; or*

(b) the period of change and applicable future periods, if the change affects the financial results of both current and future periods.

Disclosure of the nature and effect on the current period may be desirable for a change in an accounting estimate that is rare or unusual and that may affect the financial results of both current and future periods, such as a change in the estimated service life of a fixed asset. On the other hand, disclosure is usually not necessary for a change in an estimate made each period in the course of accounting for normal business activities, such as allowances for uncollectable accounts. [JAN. 1981]

- .29 ♦ *The correction in the current period of an error in prior period financial statements should be accounted for retroactively. The financial statements of all prior periods presented for comparative purposes should be restated, as necessary.* [JAN. 1981]
 - .30 ♦ *When there has been a correction in the current period of an error in prior period financial statements, the following information should be disclosed:*
 - (a) *a description of the error;*
 - (b) *the effect of the correction of the error on the financial statements of the current and prior periods; and*
 - (c) *the fact that the financial statements of prior periods that are presented have been restated.*
- Depending on the nature of the error, it may be appropriate to disclose the effect of its correction on significant items such as net income, earnings per share, and working capital. [JAN. 1981]
- .31 ♦ *Financial statements of prior periods should be adjusted only for a change in an accounting policy or for a correction of an error in prior period financial statements, in accordance with this Section.* [APRIL 1996]
 - .32 ♦ *The Recommendation in paragraph 1506.31 is effective for all fiscal years beginning on or after April 1, 1996 and should be applied prospectively. Earlier adoption of the Recommendation is encouraged.* [APRIL 1996]

Interim financial statements, Section 1751

Amended paragraphs 1751.31-32, as a result of revisions to Section 1506, to state how impracticality affects a change in accounting policy made in interim reporting periods.

Former wording of paragraph 1751.31 was as follows:

- .31 ♦ *A change in accounting policy, other than one for which the transition is specified by a new accounting requirement, should be reflected by restating the financial statements of prior interim periods of the current fiscal year. Unless the financial data necessary for retroactive application is not reasonably determinable, the comparable interim periods of prior fiscal years (see paragraph 1751.16) should also be restated. When a change in accounting policy has been made in the current interim period, an enterprise should disclose its effect on the net income and, when applicable, basic and diluted earnings per share of previous interim periods within the current fiscal year and, unless the financial data necessary for retroactive application is not reasonably determinable, the comparable interim periods of the prior fiscal year.* [JAN. 2001 *]

Added paragraph 1751.38 to provide transitional provisions for amended paragraphs 1751.31-32.

Goodwill and other intangible assets, paragraph 3062.74

Amended to remove reference to Section 1506 and clarify the transitional provisions.

Asset retirement obligations, paragraph 3110.26

Amended to remove reference to how Section 1506 applies and clarify the transitional provisions.

Stock based compensation, paragraph 3870.76

Amended to remove reference to Section 1506 and clarify the transitional provisions.

ACCOUNTING GUIDELINE

Oil and gas accounting — full cost (AcG-16)

Amended paragraph 64 to remove reference to Section 1506 and clarify the transitional provisions.

EIC ABSTRACTS

Introduction

Amended to note that Abstracts of Issues Discussed will no longer contain a References section.

Gold loans (EIC-32)

Withdrawn on July 1, 2006.

Leveraged leases (EIC-46)

Special warrants convertible into common shares (EIC-50)

Transfers of receivables — definition of recourse (EIC-54)

Accrued interest upon conversion of convertible debt (EIC-58)

Patronage allocations (EIC-68)

Recognition and measurement of financial instruments presented as liabilities or equity (EIC-69)

Presentation of members' shares in a co-operative organization as liabilities or equity (EIC-72)

Presentation of preferred shares requiring the issuer to make repurchases (EIC-74)

Scope of Section 3861 — interests in subsidiaries presented in non-consolidated financial statements (EIC-75)

Application of Section 3840 to a transaction involving the issuance of non-voting participating shares to an unrelated party (EIC-77)

Balance sheet classification of share capital issued by a split share corporation (EIC-87)

Offsetting an obligation by virtue of a claim against a third party (EIC-91)

Accounting for the early extinguishment of convertible securities through (1) early redemption or repurchase and (2) induced early conversion (EIC-96)

Accounting for wash sales (EIC-121)

Balance sheet classification of callable debt obligations and debt obligations expected to be refinanced (EIC-122)

Accounting for operating leases acquired in either an asset acquisition or a business combination (EIC-140)

Accounting for shares that provide investors with a sale right (EIC-148)

Determining whether an arrangement contains a lease (EIC-150)

Amended on July 1, 2006 as a consequence of the release of Sections 3855 and 3861.

Accounting for contingent consideration paid to the shareholders of an acquired enterprise in a business combination (EIC-127)

Amended on July 1, 2006 to update a quotation from Section 1581.

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