

CICA handbook accounting and auditing revisions release no. 81 October 1994

ACCOUNTING RECOMMENDATIONS

Income statement, paragraph 1520.03(b) [JAN. 1995]

Paragraph 1520.03(b) has been revised to delete the requirement to separately disclose income from joint ventures. The wording of former paragraph 1520.03(b) was:

- (b) *Income from investments, disclosing income from (i) companies subject to significant influence, (ii) joint ventures, (iii) other affiliated companies, and (iv) portfolio investments, including all other investments. Income calculated by the equity method should be separately disclosed for each of the above groups.* (See LONG-TERM INVESTMENTS, Section 3050; INVESTMENTS IN CORPORATE AND UNINCORPORATED JOINT VENTURES, Section 3055.) [JAN. 1992]

Consolidated financial statements, Section 1600

Paragraphs 1600.01 and .28 have been revised to be consistent with revised Section 3055.

Foreign currency translation, paragraph 1650.45

Revised to delete the reference to Section 3055.

Long-term investments, paragraphs 3050.01-.05

A reference to revised Section 3055 has been added to paragraph 3050.01 and paragraph 3050.01(b) has been deleted. Paragraph 3050.01(c) has been renumbered 3050.01(b). Paragraphs 3050.02-.05 have been revised to be consistent with revised Section 3055.

Long-term investments, paragraph 3050.06 [JAN. 1995]

Amended as a result of revisions to Section 3055. The wording of the Recommendation in paragraph 3050.06 formerly read:

- .06 ♦ *An investor that is able to exercise significant influence over an investee that is not a subsidiary as defined in SUBSIDIARIES, Section 1590, should account for the investment by the equity method.* [JAN. 1992]

Long-term investments, paragraph 3050.39 [JAN. 1995]

This paragraph has been revised and paragraph 3050.39(f) has been inserted as a result of revised Section 3055. Former paragraph 3050.39 previously read:

- .39 ♦ *When non-consolidated financial statements are prepared in the situations described in paragraph 3050.43, the following information should be disclosed:*
- (a) *the reason that non-consolidated financial statements are issued;*
 - (b) *the fact that, as the non-consolidated financial statements have not been prepared for general purposes, some users may require further information;*
 - (c) *a reference to consolidated financial statements, if any exist;*
 - (d) *the fact that the financial statements are in accordance with generally accepted accounting principles except that they are prepared on a non-consolidated basis; and*
 - (e) *the method of accounting for subsidiaries.* [JAN. 1992]

Long-term investments, paragraphs 3050.42 and 3050.43 [JAN. 1995]

New. These paragraphs have been inserted as a result of revised Section 3055. Former paragraph 3050.42 has been renumbered 3050.44.

Long-term investments, paragraphs 3050.45-.49

Former paragraphs 3050.43-.47 have been renumbered 3050.45-.49. A reference to revised Section 3055 has been added to paragraph 3050.45.

Interests in joint ventures, Section 3055 [JAN. 1995]

Revises and replaces Section 3055, INVESTMENTS IN CORPORATE AND UNINCORPORATED JOINT VENTURES.

The following Recommendations formerly appeared in Section 3055:

- .11 ♦ *Except as outlined in paragraph 3055.13, an investment in a joint venture should be accounted for by the equity method, or when a significant portion of the venturer's activities is carried out through joint ventures, by either the equity method or proportionate consolidation 2 (see paragraph 3055.10). [SEPT. 1977]*
- .13 ♦ *When the earnings of a joint venture are unlikely to accrue to the venturer, the cost method of accounting should be used. [SEPT. 1977]*
- .15 ♦ *When proportionate consolidation is used in accounting for an investment in a joint venture, it should be applied consistently to the balance sheet, income statement, statement of retained earnings and statement of changes in financial position. [SEPT. 1977]*
- .22 ♦ *When the substance of a transaction between a venturer and a joint venture is such that a gain or loss has occurred:*
 - (a) *any gain should be recognized only to the extent of the interests of the other non-affiliated venturers;*
 - (b) *the full amount of any loss should be recognized at the time of the transaction in order to recognize the impairment in the value of the asset transferred. [SEPT. 1977]*
- .24 ♦ *Provision should be made for any taxes that would be payable on transfer to the venturer of the unremitted joint venture earnings included in the venturer's income statement. Consideration would also be given to the necessity to provide for refundable taxes. [SEPT. 1977]*
- .26 ♦ (a) *If an investment in a joint venture is accounted for by the equity method and a significant portion of the venturer's activities is carried out through joint ventures (see paragraph 3055.10), disclosure should be made in summary form of the venturer's share of the assets, liabilities, revenue and expenses of the venture. This information would usually be presented on a combined basis for such joint ventures.*
 (b) *If an investment in a joint venture is accounted for by the proportionate consolidation method, disclosure should be made in summary form of the venturer's share of the assets, liabilities, revenue and expenses of the venture. This information would usually be presented on a combined basis for such joint ventures. (If substantially all the activities of an enterprise are carried out through the medium of joint ventures, a statement to this effect would be sufficient disclosure.) [SEPT. 1977 *]*
- .28 ♦ *If an investment in a joint venture is accounted for by the cost method, the reason(s) for using such method should be stated. [SEPT. 1977]*
- .30 ♦ *Disclosure should be made of contingencies and commitments of the venturer with respect to the joint ventures in which it has an investment. (See CONTINGENCIES, Section 3290 and CONTRACTUAL OBLIGATIONS, Section 3280.) This disclosure would include, as appropriate, (a) the venturer's share of any contingencies and commitments of the joint venture and (b) the extent of the venturer's responsibilities in the event of a default on the part of the other venturers. [AUG. 1978]*

Revenue, paragraph 3400.02(a)

Revised to delete the reference to Section 3055.

Non-monetary transactions, paragraph 3830.06 [JAN. 1995]

Amended as a result of revisions to Section 3055. The wording of former paragraph 3830.06 was:

- ♦ *Any gain or loss resulting from a non-monetary transaction should be recognized in income for the period except as specified in INVESTMENTS IN CORPORATE AND UNINCORPORATED JOINT VENTURES, paragraph 3055.22. [JAN. 1990]*

EIC ABSTRACTS

Appraisals (EIC-6)

Withdrawn February 15, 1994.

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

Technical amendment on May 26, 1994.

Transfers of receivables (EIC-9)

Revision to "status" section on June 30, 1994.

Special warrants convertible into common shares (EIC-50)

Issued on March 31, 1994.

Accounting by the recipient for debenture payments to be financed by government funding (EIC-51)

Issued on March 31, 1994; illustrative example issued on May 26, 1994.

Lessee's accounting on re-negotiation of an operating lease (EIC-52)

Issued on May 26, 1994.

Lessee's accounting for costs of leased property no longer of use to the lessee (EIC-53)

Issued on May 26, 1994.

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

Issued on June 30, 1994.

AUDITING RECOMMENDATIONS

Introduction to Auditing and Related Services Recommendations

The introduction has been revised to reflect changes to the Auditing Standards Board's Terms of Reference eliminating the Auditing Standards Steering Committee.

Internal control in the context of an audit — scope and introduction, Section 5200

Paragraph 5200.11 has been amended to include a cross-reference to new Section 5230.

Internal control in the context of an audit — reliance on the internal auditor, Section 5215

Withdrawn. Replaced by Section 5230.

Using the work of internal audit, Section 5230 [NOV. 1994]

New. Revises and replaces Section 5215.

This guidance is also being issued as a Public Sector Auditing Statement.

Auditor's report on non-consolidated financial statements prepared in accordance with paragraphs 3050.39-.49 of LONG-TERM INVESTMENTS, Section 5520

Paragraphs 5520.01, .03, .06, .07, .09, and .10 revised to reflect changes in LONG-TERM INVESTMENTS, Non-consolidated financial statements, paragraphs 3050.39 to 3050.49.

Footnotes

2. Corporations legislation in some jurisdictions may not permit proportionate consolidation.

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