

## CPA Canada handbook – accounting, part II highlight summary no. II.14 December 2016

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

### Section 1591, Subsidiaries

This Section has been amended to:

- set out the underlying principle that an interest in a subsidiary that is subsequently accounted for using the cost method is initially measured on a basis that is similar to other business combinations;
- add guidance on how to apply the cost method in accordance with that underlying principle, except that an enterprise does not recognize bargain purchase gains and measures acquisitions of additional interests at cost;
- add guidance on the subsequent measurement of an interest in a subsidiary; and
- add disclosure requirements that apply when an enterprise chooses to account for its subsidiaries by applying the cost or equity method and, therefore, prepares non-consolidated 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 amended Section 1591.
- BUSINESS COMBINATIONS, Section 1582, to require certain disclosures only when consolidated financial statements are prepared.

These amendments are effective for annual financial statements relating to fiscal years beginning on or after January 1, 2018. Earlier application is permitted.

This Section has been further amended to clarify that:

- the transitional provisions in paragraphs 1591.42-.47 may not be applied when an enterprise changes its accounting policy choice to consolidate its subsidiaries at any time in the future and that this relief is only available to enterprises transitioning to Section 1591 for the first time; and
- an enterprise preparing non-consolidated financial statements is not required to assess whether contractual arrangements give rise to control.

These clarifications are effective for annual financial statements relating to fiscal years beginning on or after January 1, 2017. Earlier application is permitted.

### Section 3051, Investments

This Section has been amended to:

- add guidance on how to apply the cost method; and
- add two indicators of impairment relating to the acquisition of an additional interest, sale of a portion of an interest or dilution of an investor's interest in an investee.

Significant consequential amendments include changes to FIRST-TIME ADOPTION, Section 1500, to permit a first-time adopter to apply the transitional provisions in amended Section 3051.

These amendments are effective for annual financial statements relating to fiscal years beginning on or after January 1, 2018. Earlier application is permitted.

### Section 3056, Interests in Joint Arrangements

This Section has been amended to clarify that the transitional provisions in paragraphs 3056.44-.49 may not be applied when an enterprise changes its accounting policy choice to consolidate its subsidiaries at any time in the future and that this relief is only available to enterprises transitioning to Section 3056 for the first time.

These clarifications are effective for annual financial statements relating to fiscal years beginning on or after January 1, 2017. Earlier application is permitted.

### Archived Pronouncements

To give Handbook readers continued access to superseded paragraphs until such time they are no longer applicable, supplements in Archived Pronouncements set out the wording of those paragraphs. The archived material will be withdrawn from the Handbook when it is no longer effective.

Withdrawn:

- EMPLOYEE FUTURE BENEFITS, Section 3461.
- Supplements relating to amendments to DISPOSAL OF LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS, Section 3475.
- Supplements relating to 2013 annual improvements.

Other editorial changes and corrections introduced in December 2016

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