

CICA handbook accounting and auditing revisions release no. 88

June 1996

EIC ABSTRACTS

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

Revised on February 8, 1996.

Preferred shares whose redemption is outside of the control of the issuer (EIC-13)

Revision to "Status" section on February 8, 1996.

Fully diluted earnings per share with convertible debentures classified with shareholders' equity (EIC-31)

Revision to "Status" section on February 8, 1996.

Exchangeable debentures (EIC-56)

Revised on February 8, 1996.

Patronage allocations (EIC-68)

Issued on February 8, 1996.

Recognition and measurement of financial instruments presented as liabilities or equity under CICA 3860 (EIC-69)

Issued on April 8, 1996.

Presentation of a financial instrument when a future event or circumstance may affect the issuer's obligation (EIC-70)

Issued on April 8, 1996.

AUDITING RECOMMENDATIONS

Introduction to Auditing and Related Services Recommendations

Paragraph 4 revised to reflect the terminology in Section 4400 issued in March 1996. Footnote setting out the effective date for the application of *CICA Handbook* Auditing Recommendations to life insurance enterprises for years commencing on or after June 1, 1991 deleted because it is no longer significant.

Generally accepted auditing standards, paragraph 5100.02(i)

Previous examination standard amended to indicate the auditor's need to use sufficient knowledge of the entity's business as a basis for adequately planning and properly executing the audit.

The Recommendation in the previous examination standard (i) of paragraph 5100.02 was as follows:

- (i) *The work should be adequately planned and properly executed. If assistants are employed they should be properly supervised.* [SEPT. 1975 *]

Materiality and audit risk in conducting an audit, paragraphs 5130.10 and .16

Revised to reflect terminology in Section 5140.

Misstatements — illegal acts, paragraphs 5136.11 and .12

Revised to reflect the terminology in revised Section 5140. References in paragraphs .11 and .12 changed to "knowledge of entity's business" from "knowledge of client's business".

Knowledge of the entity's business, Section 5140 [JULY 1996]

Revises and replaces Section 5140, KNOWLEDGE OF THE CLIENT'S BUSINESS.

The following Recommendation appeared in former paragraph 5140.07:

- .07 ♦ *The auditor should have a knowledge of the client's business sufficient to enable him or her to obtain an understanding of the events, transactions and practices that in his or her judgment may have a significant effect on the audit or on the financial statements.* [AUG. 1979 *]

The auditor's standard report, paragraph 5400.30

Amended to reflect the terminology in Section 4400 issued in March 1996.

Reservations in the auditor's report, Section 5510

Deleted paragraph 5510.41(b), and paragraph 5510.41(c) has been renumbered 5510.41(b), as a result of the deletion of Section 3600, PRIOR PERIOD ADJUSTMENTS.

Examples D and I have been amended to reflect the terminology in Sections 4400, 4410 and 4430 issued in March 1996.

Other reporting matters, paragraph 5701.13

Deleted paragraph 5701.13(a), and paragraphs 5701.13(b) and (c) have been renumbered 5701.13(a) and (b) respectively, as a result of the deletion of Section 3600, PRIOR PERIOD ADJUSTMENTS.

General review standards, Section 8100

Revised to reflect the terminology in revised Section 5140.

AUDITING AND RELATED SERVICES GUIDELINES

Audit of financial statements affected by environmental matters (AuG-19) (January 1994)

Revised to reflect the terminology in revised Section 5140.

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