

**CICA handbook accounting and auditing
highlight summary no. 94
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HIGHLIGHT SUMMARY

(Note: New Handbook material or changes in existing material are identified in each HANDBOOK REVISIONS RELEASE.)

SUPERSEDED ACCOUNTING RECOMMENDATIONS

Included with this release is INCOME TAXES, Section 3465, which supersedes CORPORATE INCOME TAXES, Section 3470, and CORPORATE INCOME TAXES — ADDITIONAL AREAS, Section 3471. The new Section is effective for fiscal years beginning on or after January 1, 2000, although early adoption of the new Section is encouraged.

To permit Handbook holders to retain superseded Sections 3470 and 3471, these Sections can be re-filed behind the Superseded Accounting Recommendations tab. A Supplement has been appended to Section 3470, setting out the previous wording of paragraphs in other Sections that have been amended substantially as a result of approving new Section 3465. The superseded Sections and the related supplement will be withdrawn from the Handbook when they are no longer effective.

Income taxes, Section 3465

This new Section supersedes CORPORATE INCOME TAXES, Section 3470, and CORPORATE INCOME TAXES — ADDITIONAL AREAS, Section 3471. The main features of the new Section are:

- Future income taxes, with certain limitations, should be recognized based on temporary differences between the carrying amounts of an enterprise's assets and liabilities and their values for tax purposes.
- Future income tax assets related to deductible temporary differences and unused tax losses and income tax reductions should be recognized to the extent the future income tax assets are considered more likely than not to be realized.
- Income tax liabilities and assets, including future income taxes, should be measured using the tax rates and laws that are expected to apply when the liabilities are settled and the assets realized.

The Recommendations should be applied for fiscal periods beginning on or after January 1, 2000, although earlier adoption is encouraged. The Recommendations should be applied retroactively. Restatement of financial statements of prior periods is encouraged but not required.

Financial instruments — disclosure and presentation, Section 3860

The effective date of certain Recommendations has been deferred pending further study by the Accounting Standards Board.

EIC Abstracts

New

- Identification of related party transactions in the normal course of operations (EIC-83)

Revised

- Financial instruments that may be settled at the issuer's option in cash or its own equity instruments (EIC-71)
- Gain recognition in arm's-length and related party transactions when the consideration received includes a claim on the assets sold (EIC-79)

Reliance on another auditor, Section 6930

This Section has been revised to add a reference to reporting for controlled and related entities by not-for-profit organizations, and to clarify an issue regarding audit of components by secondary auditors. Certain terminology has also been updated.

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