

## CICA handbook – accounting revisions release no. 2

### October 1999

#### ACCOUNTING RECOMMENDATIONS

##### Segment disclosures, Section 1701

Paragraph 1701.19(a) amended to clarify that the 10 percent threshold is calculated on the basis of reported revenues for all operating segments, regardless of whether the segments are reported separately. The former wording of paragraph 1701.19(a) was:

- ♦ An enterprise should disclose separately information about an operating segment that meets any of the following quantitative thresholds:
  - (a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 percent or more of the combined revenue, internal and external, of all reported operating segments. [JAN. 1998]

Paragraph 1701.20 amended to clarify that operating segments not meeting the quantitative thresholds may be considered reportable and separately disclosed.

Paragraphs 1701.30 and .31 amended to require that an enterprise disclose the amounts specified when those amounts are regularly reviewed by its chief operating decision maker, even if the amounts are not included in the enterprise's measure of segment profit or loss or in its determination of total segment assets. The former wording of the affected portions of paragraphs 1701.30 and .31 was:

- .30 ♦ An enterprise should disclose a measure of profit or loss and total assets for each reportable segment. An enterprise also should disclose the following about each reportable segment if the specified amounts are included in the measure of segment profit or loss reviewed by the chief operating decision maker: [JAN. 1998]
- .31 ♦ An enterprise should disclose the following about each reportable segment if the specified amounts are included in the determination of segment assets reviewed by the chief operating decision maker: [JAN. 1998]

##### Interim financial reporting to shareholders, paragraph 1750.06(e)

Amended to clarify the effective date of the requirement to provide segment disclosures in interim reports, and to indicate that reconciliations of balance sheet amounts for reportable segments to consolidated balance sheet amounts are required only when the related balance sheet is presented. The former wording of paragraph 1750.06(e)(vi) was:

- ♦ Interim financial reports should include at least the following:
  - (e) Information about each reportable segment determined according to SEGMENT DISCLOSURES, Section 1701:
    - (vi) a reconciliation of the total of the reportable segments' measures of profit or loss to the enterprise's income or loss before discontinued operations and extraordinary items, in which significant reconciling items should be separately identified and described. However, if an enterprise allocates items such as extraordinary items to segments, the enterprise may choose to reconcile the total of the segments' measures of profit or loss to the enterprise's income after those items. [JAN. 1999]

##### Employee future benefits, Section 3461

Amended to deal with the circumstances that arise when an entity first applies Section 3461 on the prospective basis to an accrued benefit asset that is subject to the limit on its carrying amount, and also to make minor clarifications and corrections to certain portions of the text.

Example (c) following paragraph 3461.040 has been modified so that employees' expected retirement age is greater than the age at which they are expected to attain 30 years of service is attained.

Paragraph 3461.070 has been amended by the addition of subparagraph (k) to require that the periodic expense for a defined benefit plan include the amortization of the amount of any change in the valuation allowance carried forward.

Paragraph 3461.108 has been amended by replacing "discount rate" with "rate of return on plan assets".

Paragraph 3461.157 has been amended by changes to subparagraphs (c) and (g) to require that the periodic amortization and unamortized balance of any change in the valuation allowance carried forward be included with similar transitional amounts disclosed. The former wording of the affected portions of paragraph 3461.157 was:

- ♦ For a defined benefit plan, a public enterprise, co-operative organization, deposit-taking institution or life insurance enterprise should disclose, in addition to the information required by paragraph 3461.155:
  - (c) the balance of unamortized amounts not recognized in the financial statements at the end of the period, showing separately the amounts of:

- (i) unamortized past service costs,
  - (ii) unamortized net gain or loss, which comprises unamortized actuarial gains and losses and the asset gains and losses not yet reflected in a market-related value of plan assets, and
  - (iii) unamortized transitional obligation or transitional asset;
- (g) the amortization of a transitional asset or transitional obligation for the period. [JAN. 2000]

Paragraph 3461.167 has been amended to require that any change in a valuation allowance that results from the initial application on the prospective basis of paragraph 3461.102 be carried forward and amortized on the same basis as a transitional asset or transitional obligation. The former wording of paragraph 3461.167 was:

- ♦ When the Recommendations of this Section are applied to a benefit plan prospectively, an entity should amortize a transitional obligation or transitional asset in a rational and systematic manner over an appropriate period of time, which is normally the average remaining service period of active employees expected to receive benefits under the benefit plan. However, when all, or almost all, of the employees are no longer active at the date as of which the plan's transitional obligation or transitional asset is determined, the entity should amortize the transitional obligation or transitional asset on a straight-line basis over the average remaining life expectancy of the former employees. For a defined benefit plan other than a pension plan, the amortization of a transitional obligation for each period should be sufficient to ensure that the cumulative benefit expense recognized subsequent to the date as of which the transitional obligation is determined is no less than the cumulative benefit payments subsequent to that date. [JAN. 2000]

Situations I and II in Appendix A have been modified as a result of a change in the calculation of interest on the accrued benefit obligation. The calculation in line 32 in Exhibit IV has been changed to reflect the assumption that employee contributions are made in mid-year.

#### **Financial instruments — disclosure and presentation, paragraph 3860.96**

Modified so that entities other than public enterprises, co-operative organizations, deposit-taking institutions and life insurance enterprises may defer application of the Recommendations in paragraphs 3860.18, .24, .31 and .78 until fiscal years beginning on or after January 1, 2001.

#### **ACCOUNTING GUIDELINES**

##### **Statement of changes in financial position for financial institutions (AcG-6)**

Withdrawn.

#### **EIC ABSTRACTS**

##### **Pension surplus recognition (EIC-1)**

##### **Post retirement benefits other than pensions (EIC-5)**

##### **Special termination benefits (EIC-23)**

##### **Post retirement benefits other than pensions — transitional balance (EIC-49)**

Status amended to state these Abstracts are not applicable to entities that have adopted EMPLOYEE FUTURE BENEFITS, Section 3461. The Abstracts will be withdrawn once all entities are required to have adopted this Section.

##### **Arm's length buy-out of a business followed by an amalgamation (EIC-92)**

Issued on April 12, 1999.

##### **Accounting for wash sales (EIC-93)**

Issued on May 26, 1999.

##### **Accounting for corporate transaction costs (EIC-94)**

Issued on July 16, 1999.

##### **Accounting for capital assets of a condominium corporation (EIC-95)**

Issued on July 16, 1999.