

GENERAL ACCOUNTING

SECTION 1505

disclosure of accounting policies

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PURPOSE AND SCOPE

- .01 The purpose of this Section is to establish standards for the disclosure of accounting policies. Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

DISCLOSURE

- .02 The accounting policies adopted by an enterprise affect the financial position, results of operations and cash flows, as shown by its financial statements. Accordingly, the usefulness of financial statements is enhanced by disclosure of the accounting policies followed by an enterprise.
- .03 *A clear and concise description of the significant accounting policies of an enterprise shall be included as an integral part of the financial statements.*
- .04 In addition to this Section, other Sections provide details of certain specific disclosure requirements relating to accounting policies. Disclosure of the accounting policies followed by an enterprise is not a substitute for proper accounting treatment (see GENERAL STANDARDS OF FINANCIAL STATEMENT PRESENTATION, Section 1400).

CONTENT

- .05 An enterprise should identify and describe those accounting policies that are significant to its operations. As a minimum, disclosure would include information on areas where judgment has been exercised (i.e., where there is a choice between alternatives). Accounting principles and the methods used in their application may differ from one industry to another and it cannot be assumed that a user of the financial statements is familiar with these differences.
- .06 *As a minimum, disclosure of information on accounting policies shall be provided in the following situations:*
- (a) *when a selection has been made from alternative acceptable accounting principles and methods;*
- (b) *when there are accounting principles and methods used that are peculiar to an industry in which an enterprise operates, even if such accounting principles and methods are predominantly followed in that industry.*
- .07 Examples of items requiring disclosure of accounting policies include the recognition of revenue from long-term contracts and from franchising and leasing operations.

FORMAT AND LOCATION

- .08 The Board recognizes the need for flexibility in matters of format and location in disclosing accounting policies in the financial statements. However, it is particularly useful in order to provide an overview of the accounting policies of an enterprise that these be disclosed together in the form of a summary rather than in individual notes to the financial statements. Therefore, the disclosure of accounting policies is provided in one of the first notes to the financial statements. Suitable titles would be "Summary of Accounting Policies" or "Accounting Policies."

EFFECTIVE DATE

- .09 Except as specified in paragraph 1505.10, this Section applies to annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier application is permitted.
- .10 Amendments to paragraph 1505.08, issued in July 2017, apply to annual financial statements relating to fiscal years beginning on or after January 1, 2018. Earlier application is permitted.

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