CICA handbook – accounting highlight summary no. 14 March 2002

HIGHLIGHT SUMMARY

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

Differential reporting, Section 1300

This new Section establishes the principles for the use of differential reporting options by certain profit-oriented enterprises in financial statements prepared in accordance with generally accepted accounting principles.

The main features of the new Section are:

- A profit-oriented enterprise qualifies for differential reporting when it is a non-publicly accountable enterprise and its owners (voting and non-voting) unanimously consent.
- A qualifying enterprise should select which of the differential reporting options set out in an Accounting Recommendation, Accounting Guideline or Abstract of Issue Discussed by the Emerging Issues Committee to apply in preparing its financial statements.
- The selection of the differential reporting options establishes the basis for preparing a qualifying enterprise's financial statements within generally accepted accounting principles and should be consented to in writing by all of the owners prior to the date of completion of the financial statements.
- When a qualifying enterprise applies differential reporting options, it should disclose in its summary of accounting policies the fact that its financial statements have been prepared in accordance with differential reporting requirements and identify in the financial statements the differential reporting options it has applied.

The new Section and the related differential reporting options introduced in certain Handbook Sections are effective for fiscal years beginning on or after January 1, 2002. Earlier adoption is not permitted.

Subsidiaries, Section 1590

This Section has been amended to introduce a differential reporting option. Qualifying enterprises may account for subsidiaries using either the cost method or the equity method.

Interim financial statements, Section 1751

This Section has been amended to clarify the application of paragraph 1751.16 to enterprises that are not subject to a periodic interim reporting requirement. Those enterprises present interim information on a year-to-date basis only. They also present, as comparative information, financial statements of the immediately preceding year when the year-to-date comparative statements have not been prepared previously.

Long-term investments, Section 3050

This Section has been amended to introduce a differential reporting option. Qualifying enterprises may use the cost method to account for investments in enterprises subject to significant influence.

As a result of the introduction of the differential reporting options in SUBSIDIARIES, Section 1590, and INTERESTS IN JOINT VENTURES, Section 3055, the provisions related to non-consolidated financial statements prepared for special purposes have been deleted.

Interests in joint ventures, Section 3055

This Section has been amended to introduce a differential reporting option. Qualifying enterprises may account for interests in joint ventures using either the cost method or the equity method.

Share capital, Section 3240

This Section has been amended to introduce a differential reporting option. Qualifying enterprises may disclose information only for classes of shares that have been issued.

Income taxes, Section 3465

This Section has been amended to introduce a differential reporting option. Qualifying enterprises may account for income taxes using the taxes payable method. New disclosure requirements accompany the use of that option.

Discontinued operations, Section 3475

This Section has been amended to clarify the definition of a business segment. A component of an entity does not meet the definition of a business segment if its activities, assets and results of operations were not separately determined prior to the date on which management adopts a plan of disposal.

Financial instruments — disclosure and presentation, Section 3860

This Section has been amended to introduce two differential reporting options. Qualifying enterprises may present as equity redeemable preferred shares issued in specified tax planning arrangements. They may also disclose fair value information only for financial instruments for which that information is readily available.

EIC Abstracts

New

- Reporting revenue gross as a principal versus net as an agent (EIC-123)