

CPA Canada handbook – accounting, part II

highlight summary no. II.36

September 2024

(Note: Any changes to previously issued standards are identified in the effective date guidance in each affected standard.)

ACCOUNTING GUIDELINE AcG-21, Accounting for Life Insurance Contracts with Cash Surrender Value

This new Guideline provides guidance on recognition and measurement of cash surrender value in a life insurance policy and presentation and disclosure of policy premiums and change in cash surrender value.

The main features of AcG-21 are to:

- require recognition of cash surrender value of a life insurance policy as an asset when the enterprise becomes the owner and beneficiary of the underlying insurance contract;
- require measurement of cash surrender value at the amount that would be immediately realized upon termination of the policy prior to the death of the insured; and
- require presentation of the difference between the aggregate policy premiums and the aggregate change in cash surrender value for the period on a net basis.

Significant consequential amendments include changes to:

- FIRST-TIME ADOPTION, Section 1500, to permit a first-time adopter to apply the transitional provisions in AcG-21;
- FIRST-TIME ADOPTION BY NOT-FOR-PROFIT ORGANIZATIONS, Section 1501, to permit a first-time adopter to apply the transitional provisions in AcG-21;
- BUSINESS COMBINATIONS, Section 1582, to provide an exception to the requirement to measure identifiable assets at their acquisition-date fair values for cash surrender value;
- COMBINATIONS BY NOT-FOR-PROFIT ORGANIZATIONS, Section 4449, to provide an exception to the requirement to measure identifiable assets at their acquisition-date fair values for cash surrender value; and
- CONTRIBUTIONS – REVENUE RECOGNITION, Section 4410, to provide an exception to the requirement to measure contributions at fair value when a not-for-profit organization receives a contribution of a life insurance policy with cash surrender value.

AcG-21 is effective for annual periods beginning on or after January 1, 2026, with earlier application permitted.

Archived Pronouncements

To give Handbook readers continued access to superseded Sections and paragraphs in other Sections, the Archived Pronouncements set out the wording of those Sections and paragraphs. The archived material will be withdrawn from the Handbook when it is no longer effective.