

## CICA handbook – accounting revisions release no. 1 March 1999

### ACCOUNTING RECOMMENDATIONS

#### **Business combinations, paragraph 1580.45(g)**

Amended to indicate how the general principle in paragraph 1580.44 for allocating the cost of a purchase in a business combination transaction applies to employee future benefit plans. The amended paragraph also clarifies that Section 1580 applies, rather than some aspects of new Section 3461, in accounting for employee future benefit plans assumed and assets acquired as part of a business combination transaction.

#### **Contingencies, paragraph 3290.11**

Amended to clarify that netting of a likely contingent loss and a likely recovery from a third party is appropriate in the income statement but that FINANCIAL INSTRUMENTS — DISCLOSURE AND PRESENTATION, Offsetting, Section 3860, applies to the balance sheet presentation of a contingent financial asset or liability.

#### **Pension costs and obligations, Section 3460**

This Section has been re-filed under Superseded Accounting Recommendations, and a Supplement added which sets out the previous wording of paragraphs in other Sections that have been amended substantially as a consequence of approving Section 3461.

#### **Employee future benefits, Section 3461 [JAN. 2000]**

New.

#### **Non-monetary transactions, paragraph 3830.01**

Amended to indicate that new Section 3461 applies to transactions involving employee future benefits.

#### **Related party transactions, paragraph 3840.02**

Amended to clarify that related party transactions involving employee future benefits are not included in the scope of Section 3840 and, thus, are measured in accordance with new Section 3461.

#### **Financial instruments — disclosure and presentation, paragraph 3860.03**

Amended to include new subparagraphs (e) and (f) exempting employers' obligations for employee future benefits and related plan assets and pension obligations of defined benefit pension plans from Section 3860.

### SUPERSEDED ACCOUNTING RECOMMENDATIONS

#### **Segmented information, Section 1700**

Withdrawn.

The following Recommendations formerly appeared in Section 1700:

- .07 ♦ *The financial statements of enterprises, the securities of which are traded in a public market or that are required to file financial statements annually with a securities commission, and all life insurance enterprises should disclose information which segments their total operations first by industry and second by geographic area. In addition, such enterprises should disclose the amount of their export sales.* [JAN. 1988]
- .12 ♦ *The accounting principles underlying the segmented information should be the same as those followed in preparation of the financial statements of the enterprise. Inter-segment transactions that have been eliminated in the financial statements should be reinstated and included in the segmented information.* [JUNE 1979]
- .14 ♦ *Inter-segment sales or transfers should be reported on the same basis as the enterprise uses to account for them internally. Inter-segment purchases should be reported on the same basis as the related inter-segment sales or transfers.* [JUNE 1979]
- .27 ♦ *An industry segment that is considered to be significant to the enterprise should be identified as reportable.* [JUNE 1979]
- .28 ♦ *The selection and determination of reportable industry segments should be such that they comprise a major portion of the enterprise's total operations.* [JUNE 1979]
- .30 ♦ *When an enterprise has substantially all of its operations in one industry segment or operates exclusively in one industry, that industry segment should be identified as dominant and not as a reportable industry segment.* [JUNE 1979]

- .33 ♦ A general description of the products and services from which each reportable industry segment derives its revenue should be provided. Disclosure of the following data should be made for each reportable industry segment and, in aggregate, for the remainder of the enterprise's industry segments:
- (a) segment revenue derived from sales to customers outside the enterprise;
  - (b) segment revenue derived from inter-segment sales or transfers and the basis of accounting therefor;
  - (c) segment operating profit or loss, the amount of depreciation, amortization and depletion expense, and any other disclosure required under paragraph 1520.03(l) (see INCOME STATEMENT, Section 1520 ) included in determining segment operating profit or loss; and
  - (d) total carrying amount of identifiable assets at the end of the fiscal year and the amount of capital expenditure for the period.
- A reconciliation of the aggregate segment revenue, aggregate segment operating profit or loss and aggregate identifiable assets to the sales, net income and total assets reported in the financial statements of the enterprise should be provided. [JAN. 1990]*
- .34 ♦ When an enterprise has a dominant industry segment, this fact should be disclosed together with a general description of the products and services from which revenue is derived. [JUNE 1979]
- .43 ♦ A foreign geographic segment that is considered to be significant to the enterprise should be identified as reportable. [JUNE 1979]
- .44 ♦ The location of each reportable foreign geographic segment should be disclosed. Disclosure of the following data should be made for each reportable foreign geographic segment, in total for all other foreign geographic segments when they are in the aggregate identified as significant and for the domestic geographic segment:
- (a) segment revenue derived from sales to customers outside the enterprise;
  - (b) segment revenue derived from sales or transfers between geographic segments and the basis of accounting therefor;
  - (c) segment operating profit or loss or, where appropriate, some other measure of profitability (information as to after-tax profitability may be more appropriate when the tax structure applicable to the reportable foreign geographic segment is substantially different from that experienced by the enterprise's domestic operation); and
  - (d) total carrying amount of identifiable assets at the end of the fiscal year.
- A reconciliation of the aggregate segment revenue, aggregate measure of profitability and aggregate identifiable assets to the sales, net income and total assets reported in the financial statements of the enterprise should be provided. [JUNE 1979]*
- .46 ♦ When sales of products and services by an enterprise's domestic operation to foreign customers outside the enterprise are significant, the amount of such export sales should be disclosed. It may be desirable to disclose such export sales by geographic area. [JUNE 1979]
- .49 ♦ Accounting policies significant to a reportable segment should be disclosed. [JUNE 1979]
- .51 ♦ When there has been a change in the method of grouping the industry segments or foreign geographic segments, prior period information concerning the enterprise's various segments should be restated. [JUNE 1979]
- .52 ♦ The nature and effect of any change in the method of allocating operating expenses among segments, or in the basis of accounting for inter-segment transactions and the effect on segment operating profit or loss of a change in the accounting policies of the enterprise as a whole should be disclosed. [JUNE 1979]

#### **EIC ABSTRACTS**

##### **Accounting for the costs of a business process reengineering project (EIC-86)**

Issued on October 28, 1998.

##### **Balance sheet classification of share capital issued by a split share corporation (EIC-87)**

Issued on October 28, 1998.

##### **Debtor's accounting for a modification or exchange of debt instruments (EIC-88)**

Issued on December 10, 1998.

##### **Exchanges of ownership interests between entities under common control — wholly and partially-owned subsidiaries (EIC-89)**

Issued on December 10, 1998.

##### **Future income tax assets and liabilities of an integrated foreign operation — accounting for unrealized translation gains and losses (EIC-90)**

Issued on December 10, 1998.

##### **Offsetting an obligation by virtue of a claim against a third party (EIC-91)**

Issued on March 15, 1999.

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