

DISCLOSURE

General disclosure

- .24 Future-oriented financial information should include a cautionary note to the effect that actual results achieved for the period covered will vary from the information presented and that the variations may be material.
- .25 Future-oriented financial information should be clearly labelled as either a forecast or a projection.
- .26 An entity presenting future-oriented financial information should disclose:
 - (a) the effective date of the underlying assumptions,
 - (b) the extent to which actual financial results are incorporated and the period covered by those results, and
 - (c) whether or not the entity intends to update the future-oriented financial information subsequent to issue.
- .27 In view of the uncertainties inherent in predicting future conditions and actions, a note is needed to caution users that actual results will vary, perhaps materially, from the future-oriented financial information. This will remind users of the limitations and uncertainties inherent in predicting future conditions and actions.
- .28 The identification of the future-oriented financial information as either a forecast or a projection lessens the possibility that unwarranted credibility is attached to the information.
- .29 Disclosure of the effective date (i.e., the date management approves the future-oriented financial information) alerts users that events occurring subsequent to that date may affect the usefulness of the information presented. Management would satisfy itself that the assumptions are appropriate as of the effective date of the future-oriented financial information even though the information may have been accumulated over a period of time.
- .30 Disclosure of the extent to which actual results are incorporated and the period covered by those results may provide an indication of the degree of reliability that can be attached to the future-oriented financial information.
- .31 Disclosure would be made of an intention to revise future-oriented financial information and/or compare it to subsequent actual financial results. If the entity accepts no responsibility to update the future-oriented financial information this would be stated.

Disclosure of assumptions

- .32 Significant assumptions underlying future-oriented financial information should be disclosed. Hypotheses should be separately disclosed and identified as such.
- .33 When a forecast is presented, the entity should disclose that the forecast has been prepared using assumptions all of which reflect the entity's planned courses of action for the period covered given management's judgment as to the most probable set of economic conditions.
- .34 When a projection is presented, the entity should disclose that the projection has been prepared using assumptions that reflect the entity's planned courses of action for the period covered given management's judgment as to the most probable set of economic conditions, together with one or more hypotheses that are assumptions which are consistent with the purpose of the information but are not necessarily the most probable in management's judgment.
- .35 Future-oriented financial information is based on many assumptions about future conditions and events and the likelihood is that those conditions and events will not occur exactly as predicted. The quality of future-oriented financial information is largely dependent on the appropriateness of the assumptions. Disclosure of significant assumptions is therefore essential if the future-oriented financial information is to assist users in evaluating an entity's financial prospects. It may be desirable to disclose how assumptions are supported. For example, an entity may state that projected sales are based on a stated percentage of inflationary increase and a stated percentage growth in volume with support for the inflationary increase being based on an economic forecast published by the entity's bankers.
- .36 Assumptions vary in both their nature and significance. Assumptions that are significant in one entity, industry, economic environment, or future period may not be significant in another. Identification of assumptions that, at the time of preparation of the future-oriented financial information, appear to be significant, requires the careful exercise of judgment by management.
- .37 An assumption would usually be considered significant when:
 - (a) it reflects an expectation of economic conditions significantly different from those currently prevailing,
 - (b) there is a relatively high probability of a sizeable variation, or
 - (c) a small change in the assumption would have a significant impact on the future-oriented financial information.
- .38 Because hypotheses are critical to the preparation of projections, hypotheses are considered significant and would be disclosed.
- .39 While the disclosure of particularly sensitive assumptions need not necessarily include a quantification of the effects of using different assumptions, in some circumstances quantitative data in the form of a sensitivity analysis may enhance the usefulness of the information presented. When one assumption is selected in preference to another that is equally appropriate it may be desirable to disclose the effect of the adoption of the alternative assumption.

- .40 All future-oriented financial information is premised on certain common assumptions about future conditions such as a government's courses of action, the absence of natural disasters, and the continuation of peace. Assumptions of this type, while significant, are so general to the whole economy that they need not be disclosed unless an assumption has been made that is in conflict with conditions that are generally understood to exist.
- Disclosure of accounting policies**
- .41 When the future-oriented financial information incorporates a change in accounting policy the change should be described and its effect disclosed.
- .42 When the entity intends to change an accounting policy, the accounting policies applied in preparing future-oriented financial information will differ from those followed in the most recently issued historical financial statements. In such circumstances, a description of the change and disclosure of its effect enables the user to understand the nature of the change and its impact and to compare future-oriented financial information with historical financial statements.
- Other disclosures**
- .43 When special purpose future-oriented financial information is presented the entity should disclose the identity of the intended users, the purpose for which the information has been prepared and a caution that the information may not be appropriate for purposes other than that described.
- .44 When a projection is presented, the entity should disclose the purpose for which it has been prepared and should caution that the projection may not be appropriate for purposes other than that described.
- .45 Special purpose future-oriented financial information may not be presented in a format that allows for direct comparison with actual results. The entity would, therefore, disclose the purpose for which the special purpose future-oriented financial information has been prepared and include a caution that the information may not be appropriate for purposes other than that described. The entity would also disclose the identity of the intended users of the special purpose future-oriented financial information.
- .46 When a projection is presented, users need to be made aware of the purpose and limitations of usefulness of the information. For example, an introduction to a projection might read, "This projection is designed to demonstrate the earnings expected if the operating capacity were increased 50 percent, and it may not be appropriate for other purposes".
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