

CICA handbook accounting and auditing highlight summary no. 91 March 1997

HIGHLIGHT SUMMARY

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

Disclosure of related party transactions by not-for-profit organizations, Section 4460

This new Section deals with the disclosure of related party transactions and replaces Section 4231 for fiscal periods beginning on or after April 1, 1997. The Section includes the following new disclosure requirements:

- the recorded amount of transactions classified by financial statement category;
- the measurement basis used for recognizing the transaction in the financial statements;
- contractual obligations with related parties; and
- contingencies involving related parties.

Accounting Guidelines

- Actuarial liabilities of life insurance enterprises — disclosure (AcG-8)
- Financial reporting by life insurance enterprises (AcG-9)

EIC Abstracts

New

- Fair value of shares issued as consideration in a purchase business combination (EIC-76)
- Application of CICA Section 3840 to a transaction involving the issuance of non-voting participating shares to an unrelated party (EIC-77)

Amended

- Pension surplus recognition (EIC-1)

ASSURANCE AND RELATED SERVICES RECOMMENDATIONS

Included with this release is a new Handbook Section, STANDARDS FOR ASSURANCE ENGAGEMENTS, Section 5025, which establishes a framework for all assurance engagements. As a result of the introduction of this new framework, references to "Auditing and Related Services" have been changed to "Assurance and Related Services" throughout the Handbook. The appendix to the Introduction to Assurance and Related Services demonstrates the revised structure of the assurance and related Sections of the Handbook. A number of conforming amendments, including updating terminology, replacing some of the tabs and rearranging the order of certain Handbook sections, were necessary. In particular:

- Section 5000, AUDIT OF FINANCIAL STATEMENTS — AN INTRODUCTION, has been repositioned to immediately precede guidance on audits of financial statements, and renumbered accordingly as Section 5090.
- Section 5230, USING THE WORK OF INTERNAL AUDIT, has been renumbered as Section 5050 since this section applies to all assurance engagements.
- Section 5810, REPORTS ON THE RESULTS OF APPLYING SPECIFIED AUDITING PROCEDURES TO FINANCIAL INFORMATION OTHER THAN FINANCIAL STATEMENTS, has been renumbered as Section 9100 to reflect the fact that such an engagement is not considered an assurance engagement.

Standards for assurance engagements, Section 5025

This new Section describes the general, performance and reporting standards for assurance engagements. These standards establish a framework for all assurance engagements performed by practitioners and for the on-going development of related standards. The assurance standards apply to all engagements where, pursuant to an accountability relationship, the practitioner is engaged to issue a written communication expressing a conclusion concerning a subject matter. They apply to both attest and direct reporting engagements and to both audit (high level of assurance) and review (moderate level of assurance) engagements;

The general standards:

- describe the practitioner's responsibilities before undertaking an assurance engagement, including seeking management's acknowledgment of responsibility for the subject matter;

- indicate that the assurance engagement should be performed with due care and with an objective state of mind; that the practitioner and any other persons performing the assurance engagement should have adequate proficiency in such engagements and should collectively possess adequate knowledge of the subject matter; and
- establish standards for the identification of, or development of, criteria by the practitioner that are suitable for evaluating the subject matter.

The performance standards:

- establish standards on planning and performing the engagement (including considering the concept of significance and the relevant components of engagement risk) and obtaining sufficient appropriate evidence to support the conclusion expressed in the assurance report, and documentation.

The reporting standards:

- describe the content of the practitioner's report, including the appropriateness of additional paragraphs, and the expression of a reservation.

The Recommendations in this Section are not intended to supersede existing audit and review standards promulgated by the Auditing Standards Board and the Public Sector Accounting and Auditing Board of the CICA. When practitioners perform an engagement for which standards exist (for example, an audit of financial statements, a value-for-money audit or a review of financial statements), they should follow those specific standards to fulfill their professional responsibilities.

The new Recommendations are effective for engagements relating to periods commencing on or after April 1, 1997.

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