CPA Canada Handbook 2025 edition

1) What is the disclosure requirement for a contingent loss?

a. HB Section 3290.18-.19

- .18 The existence of a contingent loss at the date of the financial statements shall be disclosed in notes to the financial statements when:

i. (a) the occurrence of the confirming future event is likely but the amount of the loss cannot be reasonably estimated;
ii. (b) the occurrence of the confirming future event is likely and an accrual has been made but there exists an exposure to loss in excess of the amount accrued; or
iii. (c) the occurrence of the confirming future event is not determinable.

- .19 At a minimum, the note disclosure shall include:

iv. (a) the nature of the contingency;
v. (b) an estimate of the amount of the contingent loss or a statement that such an estimate cannot be made; and
vi. (c) any exposure to loss in excess of the amount accrued.

2) Under ASNPO how is revenue recognized under the deferral method?

a. HB section 4410.28-.49
i. DEFERRAL METHOD
ii. .28 Under the deferral method, restricted contributions for which the related restrictions remain unfulfilled are accumulated as deferred contributions. As a result, the organization's excess of revenue over expenses for the period represents the increase in resources that are not restricted to cover specific expenses of a future period.
iii. Recognition of endowment contributions
iv. .29 Endowment contributions should be recognized as direct increases in net assets in the current period.
v. Recognition of restricted contributions for expenses of future periods
vi. .31 Restricted contributions for expenses of one or more future periods should be deferred and recognized as revenue in the same period or periods as the related expenses are recognized.
vii. Recognition of restricted contributions for the purchase of capital assets
viii. .33 Restricted contributions for the purchase of capital assets that will be amortized should be deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.
ix. .34 Restricted contributions for the purchase of capital assets that will not be amortized should be recognized as direct increases in net assets.

x. Recognition of restricted contributions for the repayment of debt

xi. .38 Restricted contributions for the repayment of debt that was incurred to fund expenses of one or more future periods should be deferred and recognized as revenue in the same period or periods as the related expenses are recognized.

xii. .39 Restricted contributions for the repayment of debt that was incurred to fund the purchase of a capital asset that will not be amortized should be recognized as direct increases in net assets.

xiii. .40 Restricted contributions for the repayment of debt that was incurred for purposes other than those described in paragraph 4410.38 or .39 should be recognized as revenue in the current period.

xiv. Recognition of restricted contributions for expenses of the current period

xv. .45 Restricted contributions for expenses of the current period should be recognized as revenue in the current period.

xvi. Recognition of unrestricted contributions

xvii. .47 Unrestricted contributions should be recognized as revenue in the current period.

xviii. Recognition of net investment income

xix. .49 An organization should recognize:

xx. (a) net investment income that is not externally restricted in the statement of operations;

xxi. (b) externally restricted net investment income that must be added to the principal amount of resources held for the endowment as direct increases, or decreases, in net assets; and

xxii. (c) other externally restricted net investment income in the statement of operations, in the appropriate deferred contributions balance or net assets, depending on the nature of restrictions, on the same basis as described in paragraphs 4410.31-.48.

3) How to account for retractable or mandatorily redeemable shares issued in a tax planning arrangement?

a. HB Section 3856.23

i. Retractable or mandatorily redeemable shares issued in a tax planning arrangement

ii. .23 An enterprise that issues retractable or mandatorily redeemable shares in a tax planning arrangement may choose to present those shares at par, stated or assigned value as a separate line item in the equity section of the balance sheet only when all of the following conditions are met:

iii. (a) control (see SUBSIDIARIES, Section 1591) of the enterprise issuing the retractable or mandatorily redeemable shares in a tax planning arrangement is retained by the shareholder receiving the shares in the arrangement;

iv. (b) in the arrangement, either:

v. (i) no consideration is received by the enterprise issuing the retractable or mandatorily redeemable shares; or

vi. (ii) only shares of the enterprise issuing the retractable or mandatorily redeemable shares are exchanged; and

vii. (c) no other written or oral arrangement exists, such as a redemption schedule, that gives the holder of the shares the contractual right to require the enterprise to redeem the shares on a fixed or determinable date or within a fixed or determinable period.

viii. If any of the above conditions are not met for any or all of the shares issued, the issuer shall classify those shares as a financial liability, present them separately on the balance sheet and measure them in accordance with paragraph 3856.09A. Any resulting adjustment shall be recognized in either retained earnings or a separate component of equity (see EQUITY, Section 3251).