

Closing the GAAP: New Canadian GAAP Pronouncements

(includes developments to March 31, 2014)

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The following summarizes Canadian GAAP pronouncements that must be applied, if applicable, for the first time to a calendar year-end company that is preparing financial statements in accordance with Canadian GAAP. This newsletter sets out new requirements by the calendar year in which they are first effective. Developments relate to Canadian GAAP as set out in the following parts of the CPA Canada Handbook:

- Part II – Private Enterprises
- Part III – Not-for-profit Organizations
- Part IV – Pension Plans

This ACS newsletter supersedes the information in previous [Newsletter 2014-004](#) and is updated quarterly. Developments since the previous newsletter, if any, are highlighted in yellow.

While we have attempted to make this newsletter as complete as possible, it may not include all changes or modifications to existing authoritative literature that may affect a particular enterprise.



Developments related to CPA Canada Handbook, Part II – Private Enterprises

Reference	Pronouncement and Effective Date Impacting 2013 Calendar Years	
Annual improvements project	<u>Annual improvements 2012</u>	
	Improves existing standards. The amendments are effective for periods beginning on/after January 1, 2013.	
Part II - ASPE		Subject of amendment
Section 1400, <i>General Standards of Financial Statement Presentation</i>		Paragraph 1400.19 has been added to eliminate an inconsistency with Section 1520.
Section 1520, <i>Income Statement</i>		Paragraphs 1520.03-.04 have been amended to eliminate inconsistencies between Section 1520 and other standards.
Section 1582, <i>Business Combinations</i>		Paragraph 1582.55 has been amended to extend the exception to the general requirement to expense acquisition costs to the cost of issuing debt securities.
Section 1590, <i>Subsidiaries</i>		Paragraph 1590.16A has been added to address the accounting for acquisition costs and contingent consideration when a subsidiary is accounted for under the cost or equity method.
Section 1651, <i>Foreign Currency Translation</i>		Paragraphs 1651.30-.31 have been replaced and 1651.31A added to remove an inconsistency with Section 1602, <i>Non-Controlling Interests</i> . Application guidance has been added as an appendix to the standard.
Section 3051, <i>Investments</i>		Paragraph 3051.25A has been added to provide guidance on the accounting for dilution gains and losses.
Section 3064, <i>Goodwill and Intangible Assets</i>		Paragraph 3062.89 has been amended to eliminate an inconsistency with Section 1520.
Section 3465, <i>Income Taxes</i>		Paragraph 3465.88 has been amended to eliminate an inconsistency with Section 1520.
3856, <i>Financial Instruments</i>		Paragraph 3856.19A has been has been added to eliminate an inconsistency with Section 1520.

Developments related to CPA Canada Handbook, Part II – Private Enterprises

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Annual improvements project	<p><u>Annual improvements 2013</u></p> <p>Improves existing standards. The amendments are effective for periods beginning on/after January 1, 2014.</p> <table border="1"><thead><tr><th>Part II - ASPE</th><th>Subject of amendment</th></tr></thead><tbody><tr><td>Section 1520, <i>Income Statement</i></td><td>Amended to clarify that non-controlling interests ("NCI") are not a deduction in calculating net income.</td></tr><tr><td>Section 1540, <i>Cash Flow Statement</i></td><td>Amended to remove the reference to NCI.</td></tr><tr><td>Section 1582, <i>Business Combinations</i></td><td>Amended to (i) clarify that contingent consideration is remeasured at fair value when the contingency is resolved, and (ii) require only certain disclosures when the subsidiary is accounted for under the cost or equity method.</td></tr><tr><td>Section 1590, <i>Subsidiaries</i></td><td>Amended to clarify that the accounting for a change in ownership interest is based on the accounting policy used to account for the subsidiary.</td></tr><tr><td>Section 1602, <i>Non-Controlling Interests</i></td><td>Amended to clarify (i) that NCI are not a deduction in arriving at net income, and (ii) the allocation of exchange gains and losses arising from the translation of the financial statements of a self-sustaining foreign operation that are attributable to the NCI.</td></tr><tr><td>Section 3055, <i>Joint Ventures</i></td><td>Amended to clarify that the accounting for a change in ownership interest is based on the accounting policy used to account for the interest in joint ventures.</td></tr><tr><td>Section 3856, <i>Financial Instruments</i></td><td>Amended to clarify (i) that contingent consideration is remeasured when the contingency is resolved; (ii) that a financial instrument redeemable only by economic compulsion, rather than a contractual requirement, is not classified as a financial liability, and (iii) the treatment of hedging relationships using foreign exchange forward contracts that mature before the hedged item is recognized.</td></tr></tbody></table>		Part II - ASPE	Subject of amendment	Section 1520, <i>Income Statement</i>	Amended to clarify that non-controlling interests ("NCI") are not a deduction in calculating net income.	Section 1540, <i>Cash Flow Statement</i>	Amended to remove the reference to NCI.	Section 1582, <i>Business Combinations</i>	Amended to (i) clarify that contingent consideration is remeasured at fair value when the contingency is resolved, and (ii) require only certain disclosures when the subsidiary is accounted for under the cost or equity method.	Section 1590, <i>Subsidiaries</i>	Amended to clarify that the accounting for a change in ownership interest is based on the accounting policy used to account for the subsidiary.	Section 1602, <i>Non-Controlling Interests</i>	Amended to clarify (i) that NCI are not a deduction in arriving at net income, and (ii) the allocation of exchange gains and losses arising from the translation of the financial statements of a self-sustaining foreign operation that are attributable to the NCI.	Section 3055, <i>Joint Ventures</i>	Amended to clarify that the accounting for a change in ownership interest is based on the accounting policy used to account for the interest in joint ventures.	Section 3856, <i>Financial Instruments</i>	Amended to clarify (i) that contingent consideration is remeasured when the contingency is resolved; (ii) that a financial instrument redeemable only by economic compulsion, rather than a contractual requirement, is not classified as a financial liability, and (iii) the treatment of hedging relationships using foreign exchange forward contracts that mature before the hedged item is recognized.
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Developments related to CPA Canada Handbook, Part II – Private Enterprises

Reference	Pronouncement and Effective Date Impacting 2014 Calendar Years
Section 3462	<u>Employee future benefits</u>
Consequential amendments to:	Replaces Section 3461, revising requirements related to employee future benefits including requiring immediate recognition of all gains and losses from defined benefit plans as they are incurred (i.e. eliminating deferral and amortization accounting).
Section 1500	
Section 1506	Effective for years beginning on/after January 1, 2014.
Section 1520	
Section 1521	
Section 1582	
Section 3475	<u>Disposal of long-lived assets and discontinued operations</u> Amended to incorporate a revised definition of a discontinued operation. Effective for years beginning on/after January 1, 2014.

Developments related to CPA Canada Handbook, Part III – Not-for-profit Organizations

Reference	Pronouncement and Effective Date Impacting 2014 Calendar Years
Section 3463	<u>Employee Future Benefits</u>
Consequential amendments to:	Provides guidance for defined benefit plans of not-for-profit organizations on the recognition and presentation of remeasurements and other items that differs from the guidance in Part II, CPA Canada Handbook, Section 3462, <i>Employee Future Benefits</i> .
Section 1501	
Section 4400	Effective for years beginning on/after January 1, 2014.

Developments related to CPA Canada Handbook, Part IV – Pension Plans

Reference	Pronouncement and Effective Date Impacting 2013 Calendar Years
Section 4600	<p><u>Fair value amendments</u></p> <p>Amended to delete definition of fair value in paragraph 4600.05(l) and to require a pension plan to follow the fair value measurement guidance in Part I of the Handbook (i.e. IFRS) in determining fair value for its investment assets and investment liabilities. This change is a result of the issuance of IFRS 13 <i>Fair Value Measurement</i> in Part I of the Handbook in November 2011. Consistent with this change regarding measurement, the recognition requirements in paragraph 4600.18 have been amended to refer generally to either Part I or Part II of the Handbook. Paragraphs 4600.38-.39 have been amended and paragraphs 4600.40-.41 have been added to deal with a pension plan's transition to the amended requirements.</p> <p>Effective for years beginning on/after January 1, 2013.</p>
Section 4600	<p><u>Fair value disclosures</u></p> <p>Paragraph 4600.32(a)(ii) and an Appendix have been added to clarify that the fair value disclosures in paragraphs 27-27B of IFRS 7 <i>Financial Instruments: Disclosures</i> that were deleted as a consequence of incorporating IFRS 13 <i>Fair Value Measurement</i> into Part I of the Handbook will continue to be required for pension plans applying the measurement requirements of IFRS 13.</p> <p>Effective at the same time as the fair value amendments to Section 4600 noted above.</p>

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