

Closing the GAAP: New Canadian GAAP Pronouncements

(including developments to December 31, 2019)

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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 2019-061](#) 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 2020 Calendar Years
Section 3051 Consequential amendments to: Section 1500	<u>Investments</u> Amended to clarify that guidance on how to apply the cost method also applies to interests in jointly controlled enterprises. Effective for years beginning on/after January 1, 2020.
Section 3465	<u>Income taxes</u> Amended to require (i) presentation of future income tax assets and liabilities as non-current, when the future income taxes method is applied, and (ii) new disclosures related to future income tax assets and liabilities. Also amended to remove the example that provides guidance on accounting for eligible capital property. Effective for years beginning on/after January 1, 2020.
Section 1591	<u>Subsidiaries</u> Amended to add guidance on substantive rights to evaluate their effect on control assessments. Effective for years beginning on/after January 1, 2020.
Section 3251	<u>Equity</u> Amended for retractable or mandatorily redeemable shares issued in a tax planning arrangement to (i) add guidance on recording, in either retained earnings or a separate component of equity, the effect of classifying the shares as a financial liability, and (ii) add disclosure requirements. Effective for years beginning on/after January 1, 2020.
Section 3856 Consequential amendments to: Section 1500 Section 1510 Section 1521 Section 3840	<u>Financial instruments</u> Amended to (i) revise guidance on classification of retractable or mandatorily redeemable shares issued in a tax planning arrangement; (ii) provide guidance on accounting for financial instruments in a related party transaction; and (iii) update disclosure requirements about risks. Effective for years beginning on/after January 1, 2020.

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

Reference	Pronouncement and Effective Date Impacting 2021 Calendar Years
Section 3400 Consequential amendments to: Section 1500	<u>Revenue</u> Amended to provide additional guidance relating to identifying the units of account, multiple-element arrangements, the percentage of completion method, reporting revenue gross or net, bill and hold arrangements, upfront non-refundable fees or payments, and disclosure requirements for contracts in progress at the end of the reporting period accounted for using the percentage of completion method. Effective for years beginning on/after January 1, 2021.
Section 3041 Consequential amendments to: Section 1500 Section 1510 Section 1521 Section 3031	<u>Agriculture</u> New section sets out principles for the recognition, measurement and disclosure of agricultural inventories and productive biological assets. Effective for years beginning on/after January 1, 2021.

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

Reference	Pronouncement and Effective Date Impacting 2019 Calendar Years
Section 4433	<p><u>Tangible capital assets held by NPOs</u></p> <p>Replaces Section 4431, <i>Tangible Capital Assets held by Not-for-Profit Organizations</i> (NPOs), requiring the application of Sections 3061, <i>Property, Plant and Equipment</i> and 3110, <i>Asset Retirement Obligations</i> in Part II of the Handbook for tangible capital assets held by NPOs. Provides guidance on contributed assets and write-downs of assets. Requires disclosures related to impairments of tangible assets in accordance with Section 3063, <i>Impairment of Long Lived Assets</i> in Part II.</p> <p>Effective for years beginning on/after January 1, 2019.</p>
Section 4434	<p><u>Intangible assets held by NPOs</u></p> <p>Replaces Section 4432, <i>Intangible assets held by Not-for-Profit Organizations</i>, requiring the application of Section 3064, <i>Goodwill and Intangible Assets</i> in Part II of the Handbook for intangible assets held by NPOs. Provides guidance on contributed assets and write-downs of assets. Requires disclosures related to impairments of intangible capital assets in accordance with Section 3063, <i>Impairment of Long Lived Assets</i> in Part II.</p> <p>Effective for years beginning on/after January 1, 2019.</p>
Section 4441	<p><u>Collections held by NPOs</u></p> <p>Replaces Section 4440, <i>Collections Held by Not-for-Profit Organizations</i>, requiring all collections to be recorded on the statement of financial position at either cost or nominal value.</p> <p>Effective for years beginning on/after January 1, 2019.</p>

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

Reference	Pronouncement and Effective Date Impacting 2020 Calendar Years
Section 1501	<p><u>First-time adoption by NPOs</u></p> <p>Amended to permit a first-time adopter to apply certain transitional provisions in Section 3856, <i>Financial Instruments</i> in Part II of the Handbook.</p> <p>Effective for years beginning on/after January 1, 2020.</p>
Section 4460	<p><u>Disclosures of related party transactions by NPOs</u></p> <p>Amended to clarify that a NPO applies Section 3856, <i>Financial Instruments</i> in Part II of the Handbook, for the accounting and disclosure of financial instruments in a related party transaction.</p> <p>Effective for years beginning on/after January 1, 2020.</p>

Reference	Pronouncement and Effective Date Impacting 2021 Calendar Years
Section 1501	<p><u>Amendments related to Section 3400, Revenue in Part II</u></p> <p>Section 1501 is amended to permit a first-time adopter to apply the transitional provisions in Section 3400 in Part II of the Handbook.</p>
Section 1501 Section 3032 Section 4433	<p><u>Amendments related to Section 3041, Agriculture in Part II</u></p> <p>Section 1501 is amended to permit a first-time adopter to apply the transitional provisions in Section 3041 in Part II of the Handbook.</p> <p>Section 3032 is amended to clarify that a NPO accounts for agricultural inventories in accordance with Section 3041 in Part II of the Handbook.</p> <p>Section 4433 is amended to clarify that a NPO accounts for productive biological assets in accordance with Section 3041 in Part II of the Handbook.</p> <p>Effective for years beginning on/after January 1, 2021.</p>

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

Reference	Pronouncement and Effective Date Impacting 2018 and 2019 Calendar Years
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None	
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