

January 2016

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This technical bulletin covers the various developments from October to December 2015.

Acknowledgement: The content of the Technical Bulletin has been summarized or reproduced from CPA Canada, IASB and IFRIC, IAASB, AcSB, PSAB, AASB press releases, updates, publications, meeting summaries and other publications referenced within the bulletin.

A summary of acronyms used in this bulletin is included at the end.

To discuss implementation or interpretation issues with respect to these or any other accounting or assurance matters, please contact your local Collins Barrow service provider.

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Collins Barrow regularly publishes *Technical Bulletin* for the general interest of clients and friends to highlight the continually changing accounting and assurance standards, and the interpretations thereof, in Canada. Since this is not intended to be a complete reproduction or summarization of the standard or document reviewed, we recommend that you refer to the original document(s) discussed in this Bulletin and/or discuss the matter with your professional advisor before acting upon any of the matters discussed herein.

January 2016

1. Accounting

International Financial Reporting Standards (IFRS)

Pronouncements effective for annual periods beginning on or after January 1, 2016

IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures

These standards were amended to clarify the application of the requirement for investment entities to measure subsidiaries at fair value instead of consolidating them.

IFRS 11 Joint Arrangements

Amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.

IFRS 14 Regulatory Deferral Accounts

This interim standard permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the Standard. Earlier application is permitted.

IAS 1 Presentation of Financial Statements

Amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

Amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

IAS 16 Property, Plant and Equipment and IAS 41 Agriculture

These standards were amended to require bearer plants to be accounted for in the same way as property, plant and equipment in IAS 16 because their operation is similar to that of manufacturing. Bearer plants are used solely to grow produce over several periods. At the end of their productive lives they are usually scrapped. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. The amendments include bearer plants within the scope of IAS 16 instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

IAS 27 Separate Financial Statements

The standard was amended to allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Annual Improvements 2012-2014 Cycle

Several standards have been amended as follows:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations — amendment stating that the same classification, presentation and measurements requirements continue to apply if there is a

reclassification from being held for distribution to being held for sale or vice versa.

- IFRS 7 Financial Instruments: Disclosures - clarification regarding servicing contracts and assessment of 'continuing involvement'. Clarification on applicability of disclosure requirements in amendments to IFRS7 regarding Offsetting Financial Assets and Financial Liabilities.
- IAS 19 Employee Benefits - clarification regarding the currency of bonds used in the estimate of the discount rate for post-employment benefit obligations.
- IAS 34 Interim Financial Reporting - additional requirement to cross-reference the information disclosed 'elsewhere in the interim financial report.'

Pronouncements effective for annual periods beginning on or after January 1, 2018

IFRS 15 Revenue from Contracts with Customers

The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard contains enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improves guidance for multiple-element arrangements. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue – Barter Transactions Involving Advertising Services.

IFRS 9 Financial Instruments

This new standard replaces the requirements in IAS 39 Financial Instruments: Recognition and Measurement for classification and measurement of financial assets. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. IFRS 9 also incorporates requirements for financial liabilities, most of which were carried forward unchanged from IAS 39. Certain changes were made to the fair value option for financial liabilities to address the issue of own credit risk. IFRS 9 removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. Requirements related to hedge accounting, representing a new hedge accounting model, have been added to IFRS 9. The new model represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular

interest to non-financial institutions. In addition, a single, forward-looking expected loss impairment model is introduced, which will require more timely recognition of expected credit losses.

Pronouncement with effective date to be determined

IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures

These standards were amended to eliminate an inconsistency between IFRS 10 and IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. Subsequent to the amendments, a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not), and a partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

These amendments are available for application; however, the previous mandatory effective date of January 1, 2016 has been removed. The reason for postponing the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Recently issued documents for comment

Uncertainty over Income Tax Treatments

Draft IFRIC Interpretation, published by the IASB in October 2015 and by the AcSB in November 2015, gives guidance on how uncertainty over income tax treatments should affect the accounting for income taxes. This draft Interpretation addresses:

- a. whether an entity should consider uncertain tax treatments collectively;
- b. the assumptions an entity should make about the examination of tax treatments by taxation authorities;
- c. how an entity should determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- d. how an entity should consider changes in facts and circumstances.

Comment period ends on January 19, 2016.

Foreign Currency Transactions and Advance Consideration

IAS 21 sets out requirements about which exchange rate to use when recording a foreign currency transaction on initial recognition in an entity's functional currency. However, the Interpretations Committee observed some diversity in practice in circumstances in which consideration was received or paid in advance of the

recognition of the related asset, expense or income.

This draft IFRIC Interpretation, published by the IASB in October 2015 and by the AcSB in November 2015, addresses which exchange rate should be used to report foreign currency transactions when payment is made or received in advance.

Comment period ends on January 19, 2016.

Application of Materiality to Financial Statements - Draft IFRS Practice Statement

This draft guidance has been developed in response to concerns that management is often uncertain about how to apply the concept of materiality and therefore uses the disclosure requirements in the Standards as a checklist. This can result in excessive disclosure of immaterial information that can obscure useful information and also make financial statements cluttered and less understandable. It can also lead to useful information being left out.

Whether information is material or not depends on a range of factors and entity-specific circumstances, and is a matter of judgement. Determining what information is material also requires an understanding of the users of the financial statements and the decisions that they make based on those financial statements.

The objective of this publication is to assist management in applying the concept of materiality to general purpose financial statements prepared in accordance with IFRS.

Comment period ends on February 26, 2016.

Annual Improvements 2014-2016 Cycle

ED issued by the IASB in November 2015, proposes the following amendments:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – deletion of short-term exemptions for first-time adopters, as they have now served their intended purpose.
- IFRS 12 Disclosure of Interests in Other Entities – clarification of the scope of the disclosure requirements.
- IAS 28 Investments in Associates and Joint Ventures – measuring investees at fair value through profit or loss on an investment-by-investment basis. When an investment in an associate or a joint venture is held by an entity that is a venture capital organization, or other qualifying entity, it may elect to measure that investment at fair value through profit or loss. The proposed amendment will clarify that the election is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Comment period ends on February 17, 2016.

Transfers of Investment Property (Proposed amendment to IAS 40)

Proposed amendment to IAS 40 Investment Property, issued by the IASB in November 2015 and by the AcSB in December 2015, clarifies the guidance on transfers to, or from, investment properties. Proposed amendment states that a transfer of property to, or from, investment property can only be done where there is a change in use supported by evidence. In addition, the list of examples of evidence that a change in use has occurred is recharacterized as non-exhaustive.

Comment period ends on March 18, 2016.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Proposed amendments to IFRS 4)

This ED, issued by the IASB in December 2015, proposes amendments designed to address the concerns of some interested parties about the different effective dates of IFRS 9 and the forthcoming new Insurance Contracts standard. In order to balance meeting the needs of those stakeholders with the needs of users of financial statements, the IASB has proposed the following amendments to IFRS 4. These proposals supplement existing options within IFRS 4 that could be used to address any accounting volatility that may arise:

- The overlay approach: an option for a company that issues insurance contracts to remove from profit or loss the incremental volatility in profit or loss caused by changes in the measurement of financial assets upon application of IFRS 9. This approach would be in place until the new Insurance Contracts Standard comes into force; and
- The deferral approach: an optional temporary exemption from applying IFRS 9 that would be available to companies whose predominant activity is to issue insurance contracts. Such a deferral would be available until the new Insurance Contracts Standard comes into effect.

Comment period ends on February 8, 2016.

Current status of documents previously issued for comment

Insurance Contracts	Project aimed at improving comparability through a coherent, principles-based framework and one accounting model for all types of insurance contracts and increase transparency.
ED issued by the IASB in June 2013.	
Final standard is expected to be issued in 2016.	

Current status of documents previously issued for comment

Leases

The IASB expects to issue the new standard in the second half of 2015.

The objective of the project is to develop a new standard that establishes the principles that entities would apply to report useful information about the amount, timing and uncertainty of cash flows arising from a lease. To meet that objective, a lessee should recognize assets and liabilities arising from a lease.

Recognition of Deferred Tax Assets for Unrealised Losses (Proposed amendments to IAS 12)

ED clarifies how to account for deferred tax assets related to debt instruments measured at fair value.

ED issued by the IASB in August 2014. Currently in deliberations.

The IASB expects to issue the new standard in the first half of 2016.

Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value (Proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13)

ED clarifies that an entity should measure the fair value of quoted investments and quoted CGUs as the product of the quoted price for the individual financial instruments that make up the investments held by the entity and the quantity of financial instruments. Currently in deliberations.

ED issued by the IASB in September 2014. Currently in deliberations.

Reporting the Financial Effects of Rate Regulation

This DP considers the common features of rate regulation and explores which of them, if any, creates a combination of rights and obligations that is distinguishable from the rights and obligations arising from activities that are not rate-regulated.

Discussion Paper issued by the IASB in September 2014. Currently in discussions.

Current status of documents previously issued for comment

Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging

The DP explores a possible approach (portfolio revaluation approach) to better reflect dynamic risk management activities in entities' financial statements.

Discussion Paper issued by the IASB in April 2014. Currently in deliberations.

Disclosure Initiative (Proposed amendments to IAS 7)

Amendments proposed in this ED will require companies to provide a reconciliation between the opening and closing balances of liabilities and assets related to their financing activities and other non-cash changes (such as the effects of foreign exchange and changes in fair values), as well as disclose restrictions that affect management's decisions on how to use cash and cash equivalent balances.

ED issued by the IASB in December 2014.

Comment period closed on April 17, 2015. Currently in deliberations.

The IASB expects to issue final amendments in the first half of 2016.

Classification and Measurement of Share-based Payment Transactions (Proposed amendments to IFRS 2)

The ED addresses the effects of vesting conditions on the measurement of a cash-settled share-based payment, classification of share-based payment transactions with net settlement features and accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

ED issued by the IASB in November 2014. Currently in deliberations.

The IASB expects to issue final amendments in the first half of 2016.

Classification of Liabilities (Proposed amendments to IAS 1)

The goal is to improve presentation in financial statements by clarifying the criteria for the classification of a liability as either current or non-current, specifically clarifying that the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period and making clear the link between the settlement of the liability and the outflow of resources from the entity.

ED issued by the IASB in February 2015.

Comment period closed on June 10, 2015. Currently in deliberations.

Current status of documents previously issued for comment

Conceptual Framework

ED published by the IASB in May 2015.

Related ED **Updating References to the Conceptual Framework** was published by the IASB in May 2015.

Comment period for both EDs closed in November 2015.

The proposal aims to provide a more complete, clear and updated set of concepts that can be used by the IASB when it develops IFRSs and others to help them understand and apply those standards.

The Updating References ED aims to provide transition to the revised Conceptual Framework.

Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan (Proposed amendments to IAS 19 Employee Benefits and IFRIC 14 IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements)

ED published by the IASB in June 2015.

Comment period closed in October 2015. Currently in deliberations.

When a defined benefit plan is amended, curtailed or settled during a reporting period, the entity needs to update the assumptions about its obligation and fair value of its plan assets to calculate costs related to these changes. The proposed amendments to IAS 19 specify that the entity is required to use the updated information to determine current service cost and net interest for the period followed by these changes. The proposed amendments to IFRIC 14 address how the powers of other parties, such as the trustees of the plan, affect an entity's right to a refund of a surplus from the plan.

Clarifications to IFRS 15

The IASB published this ED in July 2015.

Comment period closed in October 2015. Currently in deliberations.

Clarifications to and transition reliefs for IFRS 15 are proposed, stemming from discussions at meetings of the Transition Resource Group (TRG), which was set up to support companies in implementing the new revenue standard.

The ED proposes to clarify:

- how to identify the performance obligations in a contract;

The IASB expects to issue final amendments in the first half of 2016.

Current status of documents previously issued for comment

- how to determine whether a party involved in a transaction is the principal (responsible for providing the goods or services) or the agent (responsible for arranging for the goods or services to be provided to the customer); and
- how to determine whether a licence provides the customer with a right to access or a right to use the entity's intellectual property.

In addition, the IASB proposes transition relief for:

- modified contracts (modifications to a contract that occurred before transition to the new standard), and
- completed contracts (for entities electing to use the full retrospective transition method, accounting for a contract completed under previous standards before transition to the new standard).

Questions?

Here are some resources that will assist in the application of the standards.

Viewpoints

This series discusses views of the Oil and Gas Task Force and the Mining Task Force on IFRS application issues relevant to junior oil and gas companies and junior mining companies, respectively.

CPA Canada Reporting Alerts for IFRS

CPA Canada issues Reporting Alerts aimed at assisting companies in determining the impact of new and revised standards on their business. Reporting Alerts provide a summary of the standard, highlight significant items, summarize key changes and address common questions. The following alert has recently been issued:

[IFRS Year-End Round-Up – 2015](#)

IFRS Discussion Group Meeting Topics

Established by the AcSB, the IFRS Discussion Group implements and maintains a regular public forum to discuss issues that arise in Canada when applying IFRS. The Financial Reporting & Assurance Standards Canada website allows for topics and issues discussed by the IFRS Discussion Group to be searched and sorted. Find out whether the Group has discussed an issue that you face in applying IFRSs and get the [meeting report extract and audio webcast](#) for each issue you find.

Accounting Standards for Private Enterprises (ASPE)

Pronouncements effective for annual periods beginning on or after January 1, 2016

Subsidiaries, Section 1591

This new section, which replaces Section 1590, Subsidiaries and AcG-15, Consolidation of Variable Interest Entities, requires the use of judgment to determine when control is obtained through means other than equity interests. The guidance on accounting for subsidiaries controlled through equity interests has been brought forward from the previous standard unchanged.

Investments, Section 3051

This section has been amended to clarify that investments subject to significant influence and certain other non-financial instrument investments are included in the scope of the standard, whereas other investments (such as subsidiaries and interests in joint arrangements) are excluded.

Interests in Joint Arrangements, Section 3056

This new standard, which replaces Section 3055, Interest in Joint Ventures, specifies the accounting by an investor for an interest in a joint arrangement according to whether it is an interest in jointly controlled operations or jointly controlled assets, or a jointly controlled enterprise. The option to account for all types of joint arrangements using the proportionate consolidation method, cost method or equity method is eliminated.

2015 Annual Improvements

Several standards have been amended as follows:

- Amendment to Section 1582 – clarification that disclosure of the amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed, which is required when the subsidiary is consolidated, should also be required when a business combination is achieved through the acquisition of an asset or group of assets.
- Amendments to Sections 3051 and 3065 – clarification that disclosure of the amount of any impairment loss or reversal of a previously recognized impairment loss is required.

- Amendment to Section 3061 – wording modification to align the text with how the requirements are being applied in practice.
- Amendment to Section 3462 – the amendments clarify when an enterprise can use a funding valuation and add a decision tree for determining eligibility for using that funding valuation.

Recent publication

Agriculture

This Discussion Paper was published by the AcSB in December 2015. As a result of a lack of specific authoritative guidance, there is diversity in accounting by private enterprises for biological assets (i.e., living animals or plants) and agricultural produce (i.e., the harvested product of the enterprise's biological assets). This Discussion Paper aims to obtain broad input from stakeholders, in particular, those involved in the agricultural sector. This input will assist the AcSB in deciding whether to develop authoritative guidance, either by developing a new standard or amending existing standards, on accounting for biological assets and agricultural produce by private enterprises and, if so, the issues to be addressed and how they could be addressed.

Comment period ends on May 19, 2016.

Current status of documents previously issued for comment

Redeemable Preferred Shares Issued in a Tax Planning Arrangement

Amendment to Section 3856 Financial Instruments; ED issued by the AcSB in October 2014. Currently in deliberations.

In the ED, the proposed effective date was fiscal years beginning on or after January 1, 2016. However, due to the time needed to consider issues and comments raised during the comment period, the AcSB has decided that the effective date of any such change will be no earlier than January 1, 2018.

Amendment to remove the current exemption of classifying redeemable preferred shares issued in a tax planning arrangement as equity resulting in such shares being presented as liabilities, which would be more consistent with other financial liabilities.

Current status of documents previously issued for comment

Subsidiaries and Investments	Amendments will clarify the accounting for a subsidiary and an investment subject to significant influence when the cost method is used. As an underlying principle, an interest in a subsidiary should initially be measured on a basis similar to other business combinations. The proposals include the following:
Amendments to Section 1591, Subsidiaries and Section 3051, Investments	
ED issued by the AcSB in September 2015	
Comment period closed on January 6, 2016.	
	<ul style="list-style-type: none">▪ cost would be measured at the acquisition-date fair value of the consideration transferred;▪ a bargain purchase gain on the purchase of a subsidiary would not be recognized;▪ a previously held investment would not be remeasured in a step acquisition; and▪ acquisition costs incurred would be recognized as an expense.
	The proposals also include guidance on the subsequent measurement of an interest in a subsidiary.

Questions?

Here are some resources that will assist in the application of the standards.

CPA Canada Reporting Alerts for ASPE

CPA Canada issues Reporting Alerts aimed at assisting companies in determining the impact of new and revised standards on their

business. Reporting Alerts provide a summary of the standard, highlight significant items, summarize key changes and address common questions.

Private Enterprise Advisory Committee

Established by the AcSB in 2010, the committee assists the AcSB in maintaining and improving accounting standards for private enterprises and advises on the need for non-authoritative guidance about the standards. At the request of the AcSB, the committee may also undertake research into the financial reporting needs of private enterprises.

Click [here](#) to access recent meeting notes.

Accounting Standards for Not-for-Profit Organizations (ASNPO)

In the works...

What's next for accounting standards for private sector not-for-profit organizations?

"Improvements to Not-for-Profit Standards" Statement of Principles was issued by the AcSB and PSAB in April 2013, presenting key principles that each Board expects to include in future exposure drafts, aimed at revising ASNPO and the PSA Handbook in order to improve the existing standards for financial reporting by not-for-profit organizations (NFPOs). Since then, the AcSB has considered the feedback and reaffirmed its commitment to continue:

- to maintain a separate set of standards for private sector not-for-profit organizations that addresses transactions and circumstances unique to such organizations;
- with the improvements process to review the standards in Part III of the Handbook and update the standards as necessary; and
- to work with PSAB, with the objective of achieving consistency between private and public sector standards for not-for-profit organizations when appropriate.

In May 2015, the AcSB approved the creation of a standing not-for-profit advisory committee to assist the AcSB with its standards improvements initiatives, as well as provide input on other standard-setting matters of interest to private sector not-for-profit organizations.

The AcSB also approved the several projects to address all of the principles relating to private sector standards that were proposed in the Statement of Principles, with the first ED expected to be issued in 2016.

Public Sector Accounting (PSA)

Pronouncements effective for fiscal years beginning on or after April 1, 2016 (except for government organizations that applied CICA Handbook – Accounting prior to adoption of the CICA Public Sector Accounting Handbook, for which these pronouncements apply to fiscal years beginning on or after April 1, 2012)

Financial Statement Presentation, Section PS 1201

This section revises and replaces Financial Statement Presentation, Section PS 1200. The new standard introduces a new statement for reporting of remeasurement gains and losses.

Foreign Currency Translation, Section PS 2601

This section revises and replaces Foreign Currency Translations, Section PS 2600. Definition of currency risk is aligned with the new Financial Instruments Section, PS 3450. The new standard also removes certain previously available exceptions to measurement of items on initial recognition. The deferral and amortization of foreign exchange gains and losses relating to long-term foreign currency denominated monetary items, hedge accounting and presentation of items as synthetic instruments are removed. In addition, the new statement of remeasurement gains and losses introduced in Section PS 1201 is used to reflect exchange gains and losses until the period of settlement, rather than reflecting them in the statement of operations.

Portfolio Investments, Section PS 3041

This section replaces Section PS 3040, Portfolio Investments. In addition, Section PS 3030 is withdrawn as the distinction between temporary and portfolio investments is removed with the issue of Section PS 3041. The scope in the new standard is expanded to include interests in pooled investment funds, while requirement for application of cost method is removed. The new standard is also aligned with the new Financial Instrument Section, PS 3450.

Financial Instruments, Section PS 3450

This new section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. The standard introduces two measurement categories: fair value and cost or amortized cost. The statement of remeasurement gains and losses will reflect gains and losses arising on fair value remeasurement until an item is derecognized. The standard also introduces new disclosure requirements of items reported and the nature and extent of risks arising from financial instruments.

Pronouncements effective for fiscal years beginning on or after April 1, 2017

Related Party Disclosures, Section PS 2200

This new section defines a related party and establishes disclosures required for related party transactions. Disclosure of

information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements.

Inter-entity Transactions, Section PS 3420

This new section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

Assets, Section PS 3210

This new section provides guidance for applying the definition of assets set out in Section PS 1000, and establishes general disclosure standards for assets. Disclosure of information about the major categories of assets that are not recognized is required. When an asset is not recognized because a reasonable estimate of the amount involved cannot be made, the reason(s) for this should be disclosed.

Contingent assets, Section PS 3320

This new Section defines and establishes disclosure standards on contingent assets. Disclosure of information about contingent assets is required when the occurrence of the confirming future event is likely.

Contractual rights, Section PS 3380

This new section defines and establishes disclosure standards on contractual rights. Disclosure of information about contractual rights is required, including description of their nature and extent and the timing.

Pronouncement effective for fiscal years beginning on or after April 1, 2018

Restructuring Transactions, Section PS 3430

This new section defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. The main features of the new section are:

- A restructuring transaction is a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities without consideration based primarily on the fair value of the individual assets and individual liabilities transferred.
- The net effect of a restructuring transaction should be recognized as revenue or as an expense by entities involved.
- A recipient should recognize individual assets and liabilities received in a restructuring transaction at their carrying

amount with applicable adjustments at the restructuring date.

- A transferor and a recipient should not restate their financial position or results of operations.
- A transferor and a recipient should disclose sufficient information to enable users to assess the nature and financial effects of a restructuring transaction on their financial position and operations.

Current status of documents previously issued for comment

Retirement Obligations	Subject to comments received, the PSAB proposes to expose a proposed new section on retirement obligations associated with tangible capital assets controlled by a public sector entity.
Statement of Principles	
Issued by PSAB in August 2014. Currently in deliberations.	
Exposure draft expected in Q2 of 2016.	
Revenue	PSAB proposes, subject to comments received, to expose a new section on revenue. The Statement of Principles proposes definitions and principles applying to a broad range of revenues public sector entities report on. The proposals apply to exchange transactions involving a sale of goods or services and also cover other forms of revenue that do not involve an exchange, such as fines and penalties.
Statement of Principles	
Issued by the PSAB in August 2013. Currently in deliberations.	
ED to be issued in Q2 of 2016.	
Improvements to Not-for-Profit Standards	Presents key principles that each Board expects to include in future exposure drafts, aimed at revising ASNPO and PSA Handbook, including the PS 4200 series of Sections, in order to improve the existing standards for financial reporting by not-for-profit organizations (NFPOs).
Statement of Principles	
Issued by the AcSB and PSAB in April 2013.	
Refer to discussion on what's next for accounting standards for private sector not-for-profit organizations.	

Current status of documents previously issued for comment

Financial Instruments: Transition	Proposes to clarify aspects of the section's scope of application, specifically, the receivables and payables that the section does not apply to, and add transitional provisions and new guidance relating to certain specialized forms of agreements.
ED issued by the PSAB in October 2014.	
Comment period closed on January 15, 2015. Currently in deliberations	
Post-Implementation Review: Section PS 3410, Government Transfers	Now that stakeholders have had an opportunity to work through the issues related to Section PS 3410, PSAB is looking for comments on how those issues were dealt. Undertaking this post-implementation review will help PSAB assess any implementation challenges encountered by stakeholders, and the nature, extent and cause of any ongoing issues.
Request for Information, issued by PSAB in November 2014.	
Comment period closed on May 15, 2015. Currently in deliberations.	
Feedback Statement expected to be issued in Q1 of 2016.	
Conceptual Framework Fundamentals and the Reporting Model	Proposes a new reporting model and draft principles on public sector characteristics, financial statement objectives, qualitative characteristics, elements, recognition, measurement and presentation.
Consultation Paper 3, issued by the PSAB in March 2015.	
Comment period ended on August 31, 2015. Statement of Principles is expected to be issued in Q3 of 2016.	

PSA Discussion Group Meeting Topics

Established by the PSAB, the PSA Discussion Group provides a public forum for discussion of issues arising on the application of the PSA Handbook. Summaries of topics and discussions from [past meetings](#) are available on the Financial Reporting & Assurance Standards Canada website.

January 2016

2. Assurance

New pronouncements

Section 7150 - Auditor's Consent to the Use of a Report of the Auditor Included in an Offering Document

Amendment is effective for an auditor's consent to the use of a report of the auditor in an offering document issued on or after January 1, 2016.

The primary objective of the amendments is to address the requirements of stock exchanges (recognized by securities regulatory authorities in Canada) for the auditor's consent to include certain statements.

Consent to the stock exchange is issued separately from that issued to the securities regulator. This means that addressing the auditor's consent to both Canadian securities regulators and the stock exchange would not be appropriate.

CSRS 4460 - Reports on Supplementary Matters Arising from an Audit or a Review Engagement

Effective for reports dated on or after April 1, 2016.

Addresses matters beyond the scope of the audit or review of financial statements that come to the attention of the practitioner when performing the audit or review.

Includes requirements related to acceptance of engagement, performing the engagement and reporting.

CPA Canada Resources:
[Implementation tool](#)
(April 2015)

[Audit and assurance alert](#)
(October 2014)

[Client briefing](#)
(February 2015)

New pronouncements

Section 7170, Auditor's Consent to the Use of the Auditor's Report Included in a Business Acquisition Report

Effective for an auditor's consent to the use of the auditor's report in a business acquisition report issued on or after June 1, 2016.

Replaces section 7500. Section 7170 sets out new requirements relating to the auditor's responsibilities in responding to requests to consent to the use of the auditor's report on the audited financial statements of the acquired business that are to be included in a business acquisition report issued by the acquirer. In addition, the standard sets out requirements for the format and content of the auditor's consent.

CSAE 3000, Attestation Engagements Other than Audits or Reviews of Historical Financial Information and CSAE 3001, Direct Engagements

Effective for attestation and direct engagements where the assurance report is dated on or after June 30, 2017.

Replaces Sections 5025, 5030, 5049 and 5050. CSAE 3000 is adopted from ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information. CSAE 3000 contains Canadian amendments to address differences between ISAE 3000 and the applicable Canadian assurance standards. These differences include narrowing the scope of CSAE 3000 to address attestation engagements only, references to relevant ethical requirements and terminology. CSAE 3001 sets out requirements related to planning, performing and reporting on direct engagements. Differences in wording between CSAE 3000 and CSAE 3001 relate only to differences between the performance of an attestation engagement and the performance of a direct engagement.

Recently issued document for comment

Enhancing Audit Quality in the Public Interest

The IAASB issued an Invitation to Comment (ITC) - Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control and Group Audits in December 2015. The ITC highlights the IAASB's discussions on the topics of professional skepticism, quality control and group audits, and flags potential standard-setting activities the IAASB could take to enhance audit quality. A companion document, an Overview of the ITC, has also been released, designed to solicit feedback from investors, audit committees and preparers. It summarizes the key areas the IAASB is exploring and the direction it may take, and may be useful in facilitating outreach by stakeholders to develop their responses.

ITC and the Overview can be accessed by clicking [here](#). Comment period ends on May 1, 2016.

In the works...

IAASB has commenced work on a number of projects that are expected to result in recommendations or guidance. Topics include:

- How to more effectively respond to issues related to professional skepticism.
- Data analytics – developments in audit data analytics and the most effective way for IAASB to respond.
- Integrated Reporting – exploring emerging developments, demand for assurance and whether there is a need for an international standard or guidance.

Current status of documents previously issued for comment

New and Revised Auditor Reporting Standards and Related Conforming Amendments

The IAASB issued new and revised standards in January 2015.

The AASB intends to adopt the standards with limited amendments.

The AASB issued an invitation to comment in June 2015 to obtain input on implementation challenges in Canada. Comment period ends on February 5, 2016. Final standards are expected to be issued by the AASB in Q3 of 2016.

The AASB has tentatively decided to set effective dates as follows:

- CASs other than CAS 701 – for audits of financial statements for periods ending on or after December 15, 2017,
- CAS 701 – for audits of financial statements of TSX-listed entities for periods ending on or after December 15, 2017 and for audits of financial statements of other entities for periods ending on or after December 15, 2018.

IAASB issued new ISA 701, Communicating Key Audit Matters in the Independent Auditor's Report, and revised ISA 700, 705, 706, 570 and 260, along with some conforming amendments to other ISAs.

New section to communicate key audit matters and disclosure of the name of the engagement partner are mandatory for audits of listed entities. Enhanced reporting on going concern, affirmative statement about the auditor's independence, enhanced description of the responsibilities of the auditor and key feature of an audit and change in order of the opinion and basis for opinion sections are mandatory for all audits.

The AASB's invitation to comment notes that the AASB concluded that auditors of entities listed on the four recognized stock exchanges in Canada should apply the requirements of the new auditor reporting standards for listed entities. The definition of listed entity will not be amended by the AASB.

Current status of documents previously issued for comment

Addressing Disclosures in the Audit of Financial Statements

The IAASB issued revisions in July 2015.

The AASB has not yet issued the final amendments in the Handbook, which are expected in Q3 of 2016.

The revisions clarify expectations of auditors when auditing financial statement disclosures. The changes clarify the concept of disclosures as an integral part of the financial statements and emphasize the need for auditor consideration of disclosures earlier in the audit process. Strengthened requirements and new guidance focuses on requiring the auditor to understand relevant aspects of the information system relating to information disclosed in the financial statements, identifying and assessing the risks of material misstatements in quantitative and qualitative disclosures, obtaining sufficient appropriate audit evidence relating to disclosures, and evaluating the overall presentation of the financial statements, including their relevance and understandability.

The Auditor's Responsibilities Relating to Other Information

Revised ISA 720 issued by the IAASB in April 2015.

The AASB issued an exposure draft in November 2015 relating to adoption issues in Canada, designed to clarify the scope of application of CAS 720. Comment period ends on February 12, 2016.

Effective date is expected to be aligned with the effective date of the CASs impacted by the new and revised auditor reporting standards.

Specifies responsibilities of auditors relating to the range of other information in documents containing audited financial information. The scope of other information is broadened and clarified and is linked to the concept of an "annual report". Improves transparency by requiring auditors to articulate in their reports their responsibilities under the revised ISA 720 and the outcome of their work.

Current status of documents previously issued for comment

Joint Policy Statement Concerning Communications with Law Firms Regarding Claims and Possible Claims in Connection with the Preparation and Audit of Financial Statements ("Statement")

ED was issued by the AASB and the Canadian Bar Association (CBA) in November 2014.

Comment period closed on April 6, 2015. Currently in deliberations.

Revised statement is expected to be effective for inquiry letters dated on or after December 1, 2016.

Final Handbook material is expected to be issued in Q2 of 2016.

The new Statement will replace the existing Statement, with the same title, and Assurance and Related Services Guideline, AuG-46, Communication with Law Firms under New Accounting and Auditing Standards (often known to lawyers as the "Interim Guidance").

Association – Canadian Standard on Association (CSOA)

ED was issued by the AASB in March 2015.

Comment period closed on July 10, 2015. Currently in deliberations.

Proposed CSOA 5000 would be effective as of, and would be applicable to a practitioner's consent provided on or after, June 1, 2016.

The fundamental principles underlying proposed CSOA 5000 are consistent with those underlying Section 5020 which is being replaced, however, certain aspects may differ significantly from some practitioners' interpretations of Section 5020, including: scope; use of the practitioner's name or communication in connection with accompanying information; use of the practitioner's communication in another language; becoming aware of information to which the practitioner had attached a communication that has been subsequently issued without the practitioner's communication; and issuing consent if the practitioner has expressed an adverse conclusion or disclaimed a conclusion.

Current status of documents previously issued for comment

Changes for Reporting on Special Purpose Financial Statements

ED was issued by the IAASB in January 2015 and by the AASB in March 2015 (with no Canadian amendments).

Comment period closed on April 22, 2015. Currently in deliberations.

Final standards are expected to be issued by the AASB in Q3 of 2016.

Amendments proposed to CAS 800 and CAS 805 to provide guidance on how the enhancements to the auditor's report issued by the IAASB in January 2015 would apply in audits of special purpose financial statements.

Proposed Revisions to Independence Standards

Issued by the Independence Task Force (ITF) of CPA Canada's Public Trust Committee.

Comment period closed on May 15, 2015.

Revisions are expected to be applicable for assurance engagements commencing after December 15, 2016.

Revisions address recent amendments issued by the International Ethics Standards Board for Accountants (IESBA) in relation to breaches of the Code of Ethics for Professional Accountants (Code) and approach related to the impact that contingent fees charged to an assurance client have on independence.

Engagements to Review Historical Financial Statements

A revised ED was issued by the AASB in May 2015 with the objective of issuing a new Canadian Standard on Review Engagements (CSRE) 2400, Engagements to Review Historical Financial Statements, which will replace Sections 8200 and 8500, as well as Assurance and Related Services Guidelines AuG-20 and AuG-47.

The first ED was issued in June 2013, with AASB deciding to issue a re-exposure draft based on substantial feedback that was received subsequent to its issue.

Proposed CSRE 2400 continues to be based on ISRE 2400 issued by the IAASB in September 2012. Key changes in the re-exposure draft:

- removal of prohibition from using proposed CSRE 2400 for review engagements undertaken by an entity's auditor to report on interim financial statements, except when the auditor of an entity reviews interim financial statements in the circumstances described in Section 7060, Auditor Review of Interim Financial Statements

Current status of documents previously issued for comment

Proposed CSRE 2400 would be effective for reviews of financial statements for periods ending on or after December 14, 2017, with earlier application not permitted.

Comment period ended on July 10, 2015.

Final Handbook material expected to be issued in Q2 of 2016.

- removal of some Canadian guidance added to the ED to address concern that it inappropriately implied that an evaluation of control risk would be required
- amendments to some paragraphs and removal of certain Canadian guidance to address concerns that references to "risk" in a review engagement is problematic on the grounds that it is generally associated with the work effort undertaken in an audit engagement; and it would be inappropriate for the CSRE to imply that the practitioner is required to perform a risk assessment, and identify and document those risks of material misstatement related to each assertion underlying financial statement items and disclosures
- paragraphs added to address the practitioner's responsibility to obtain sufficient appropriate evidence about the opening balances in an initial review engagement
- paragraphs added to address possible modifications to the practitioner's report
- changes made to avoid the implication that a review engagement entails gathering evidence similar to that obtained in an audit

The concept of limited assurance was retained.

Current status of documents previously issued for comment

Responding to Non-Compliance or Suspected Non-Compliance with Laws or Regulations

The IAASB issued this ED in July 2015. The AASB's ED was issued in August 2015, with no Canadian amendments proposed.

Comment period closed on September 30, 2015 for the AASB's ED and on October 21, 2015 for the IAASB's ED.

Final standards are expected to be issued by the AASB in Q3 of 2016.

The ED proposes limited amendments to various standards resulting from the proposed changes to the International Ethics Standards Board for Accountants (IESBA) Code of Ethics addressing non-compliance with laws or regulations. The IAASB's proposals are intended to allow for flexibility when ethical requirements other than the IESBA Code are applied. For instance, in Canada, the rules of professional conduct/code of ethics issued by various professional accounting bodies are followed, rather than the IESBA's Code of Ethics; however, Canadian rules are at least as stringent as the IESBA Code.

Engagements to Report on Summary Financial Statements

The IAASB issued this ED in August 2015. The AASB issued a corresponding ED in August 2015, with no Canadian amendments proposed.

Comment period ended on October 2, 2015 for the AASB's ED and on November 2, 2015 for the IAASB's ED.

Final standards are expected to be issued by the AASB in Q3 of 2016.

The objective of this project is to develop amendments to ISA 810, Engagements to Report on Summary Financial Statements, to explain how the enhancements resulting from the new and revised Auditor Reporting standards apply to engagements to report on summary financial statements.

Current status of documents previously issued for comment

Reports on Compliance with Agreements, Statutes and Regulations

The AASB issued this ED in September 2015.

Comment period closed on December 23, 2015. Currently in deliberations.

The new standard, CSAE 3530, Reports on Compliance with Agreements, Statutes and Regulations, will replace Sections 5800, 5815 and 8600. Objective of the proposal is to update the standards and to rewrite them in a clarity format. The proposed standard will cover both audit and review engagements.

Questions?

Reporting Implications of New Auditing and Accounting Standards

This guide is published by CPA Canada, and has been developed by the Task Force on Audit Reporting Implications of the New Canadian Auditing Standards.

The purpose of this guide is to promote consistency in the form and content of practitioners' reports by providing guidance with respect to commonly occurring circumstances. This publication was last updated in April 2014 ([Issue No. 12](#)).

ACRONYMS USED

AASB – Auditing and Assurance Standards Board

AcSB – Accounting Standards Board

ED – Exposure Draft

GAAP – Generally Accepted Accounting Standards

IAASB – International Auditing and Assurance Standards Board

IASB – International Accounting Standards Board

IFRIC – International Financial Reporting Interpretations Committee

CMA – Certified Management Accountants

CPA – Chartered Professional Accountants

CPAB – Canadian Public Accountability Board

CSA – Canadian Securities Administrators

PSAB – Public Sector Accounting Board