
Reporting Implications of New Auditing and Accounting Standards

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This CPA Canada publication has been developed by the Task Force on Audit Reporting Implications of the New Canadian Auditing Standards. The material in this Guide represents the views of the Task Force.

Practitioners are expected to use professional judgment in determining whether the material in this Guide is both appropriate and relevant to the circumstances of each audit engagement. This Guide has not been issued under the authority of the Auditing and Assurance Standards Board (AASB).

The information contained in this document is intended solely to provide general guidance on matters of interest to the reader, who accepts full responsibility for its use. The Canadian Professional Accountants of Canada, its boards and committees, and the authors are not responsible for any errors, omissions or results obtained from the use of this information.

Introduction

There are a number of significant changes taking place to accounting and auditing standards in Canada. The Auditing and Assurance Standards Board (AASB) recognizes that these changes may have an impact on the form and content of practitioners' reports. The AASB formed a Task Force to develop guidance that will address complex reporting issues that may arise during this period of change with a view to promoting consistency in reporting.

Changes to accounting standards

The CPA Canada Handbook – Accounting has been restructured to move away from a single financial reporting framework referred to as Canadian generally accepted accounting principles (GAAP) to include various different financial reporting frameworks in Canadian GAAP. These different financial reporting frameworks in Canadian GAAP are identified in the CPA Canada Handbook – Accounting as follows:

- Part I — International Financial Reporting Standards (IFRSs)
- Part II — Accounting standards for private enterprises
- Part III — Accounting standards for not-for-profit organizations
- Part IV — Accounting standards for pension plans
- Part V — Canadian GAAP prior to the adoption of Parts I, II, III or IV (Pre-changeover accounting standards)

Part I became effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 (except for a three-year deferral for investment companies and segregated accounts of life insurance enterprises and a four-year deferral for entities with rate-regulated activities, as outlined in paragraph I.7 of the Introduction to Part I of the CPA Canada Handbook – Accounting). Parts II and IV (except for benefit plans providing benefits during active service, which became effective relating to fiscal years beginning on or after January 1, 2012) became effective for annual financial statements relating to fiscal years beginning on or after January 1, 2011. Part III became effective for annual financial statements relating to fiscal years beginning on or after January 1, 2012. Earlier application of Parts I-IV is permitted. If an entity chooses not to adopt the standards applicable to it before their effective date, it continues to follow Part V, pre-changeover accounting standards, prior to that date.

The CPA Canada Public Sector Accounting Handbook contains the accounting standards for federal, provincial, territorial and local governments and government organizations. The Public Sector Accounting Board (PSAB) has made changes to its standards clarifying which standards apply to government organizations. For example, government business enterprises were required to follow IFRSs for periods beginning on or after January 1, 2011. Other government organizations are permitted to choose to prepare their financial statements in accordance with public sector standards or with IFRSs, based on the needs of users of their financial statements, for fiscal periods beginning on or after January 1, 2011. Government not-for-profit organizations were required to apply the accounting standards in the CPA Canada Public Sector Accounting Handbook, with or without the “PS 4200” series of standards, for fiscal periods beginning on or after January 1, 2012.

Changes to auditing standards

The AASB has adopted International Standards on Auditing as Canadian Auditing Standards (CASs) effective for audits of financial statements and other historical financial information for periods ending on or after December 14, 2010. The CASs are contained in the CPA Canada Handbook – Assurance. Standards in effect prior to the issuance of the CASs have been retained in the Handbook, on a temporary basis, to assist auditors performing audits of financial statements for periods ending before December 14, 2010.

Purpose of this Guide

With the complexities relating to the changes to accounting and 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 Guide does not amend or override auditing or review standards, the texts of which alone are authoritative, nor does it necessarily address all audit reporting changes resulting from the new CASs. With respect to audit reporting on financial statements for periods ending on or after December 14, 2010, readers are referred to the following CASs for guidance:

- CAS 510, Initial Audit Engagements — Opening Balances
- CAS 560, Subsequent Events
- CAS 700, Forming an Opinion and Reporting on Financial Statements
- CAS 705, Modifications to the Opinion in the Independent Auditor's Report
- CAS 706, Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report
- CAS 710, Comparative Information — Corresponding Figures and Comparative Financial Statements
- CAS 800, Special Considerations — Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks
- CAS 805, Special Considerations — Audits of Single Financial Statements and Special Elements, Accounts or Items of a Financial Statement
- CAS 810, Engagements to Report on Summary Financial Statements

Readers are also referred to the following useful guidance :

- Explanatory Memorandum, "[Reporting on Financial Statements under Canadian Auditing Standards](#)" that helps stakeholders understand the decision-making process followed by the auditor when reporting on financial statements, and the form of the auditor's report, under CASs.
- "[Assurance Implications of the Changeover to IFRSs](#)" that provides guidance to auditors dealing with significant auditing and assurance matters arising from their clients' changeover from pre-changeover accounting standards to IFRSs.

Format of this Guide

This Guide will be updated periodically as further reporting issues are identified. The Guide will indicate its version date and the nature and extent of changes since the last version will be highlighted in each new version.

The Guide presents a series of issues in Question and Answer format. It also presents a series of Illustrative Reports. These are designed to help practitioners understand and apply requirements and supporting guidance issued by the AASB relating to reporting.

Further Information

Staff contact: Eric R Turner, CPA, CA

Email: eturner@cpacanada.ca

Telephone: (416) 204-3240

Fax: (416) 204-3408

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QUESTIONS & ANSWERS RELATING TO REPORTING ON NEW ACCOUNTING FRAMEWORKS

Q&A 1(a) Application of Auditing Standards to the Opening Statement of Financial Position

Which auditing standards does the auditor apply to the audit of the opening statement of financial position when an entity transitions to a new financial reporting framework for its 2011 financial statements, and what is the form of the auditor's report?

1. The transition provisions in certain parts of the CPA Canada Handbook - Accounting require that the financial statements in the first year of adoption of a new financial reporting framework contain an opening statement of financial position.¹ Existing auditing standards apply for audits of financial statements for periods ending before December 14, 2010. The CASs apply for audits of financial statements for periods ending on or after this date. Earlier adoption of the CASs is not permitted. The question of which auditing standards to apply arises when the first financial statements prepared in accordance with a new financial reporting framework are for a period ending after December 14, 2010 and those financial statements include an opening statement of financial position as at a date prior to December 14, 2010. For example, for an entity with a calendar year end, the entity's first financial statements would include the entity's statements of financial position as at:
 - (a) December 31, 2011;
 - (b) December 31, 2010; and
 - (c) January 1, 2010 (opening statement of financial position).
2. During an entity's changeover to a new financial reporting framework, the entity's auditor would apply the CASs in auditing the December 31, 2011 and December 31, 2010 statements of financial position because these financial statement periods are after the effective date of the CASs.
3. There are various supportable views on whether existing auditing standards or the CASs should be applied to the January 1, 2010 opening statement of financial position. Therefore, in auditing this financial statement, the auditor may choose to apply:
 - (a) auditing standards in effect prior to the issuance of the CASs;²
 - (b) the CASs; or
 - (c) a combination of both.
4. In all circumstances, the auditor's report would make reference to Canadian generally accepted auditing standards (GAAS). The auditor's report on the 2011 financial statements would be in the form required by CAS 700, *Forming an Opinion and Reporting on Financial Statements*, as set out in Illustrative Reports in this Guide.

¹ See, for example, *First-Time Adoption*, paragraph 1500.05 in Part II of the CPA Canada Handbook - Accounting. Similar requirements are contained in other Parts of the CPA Canada Handbook - Accounting.

² For audits of opening statements of financial position as at December 14, 2010, or thereafter, only the CASs apply.

Q&A 1(b) Reference to the Financial Reporting Framework in the Practitioner's Report

How should the practitioner's report refer to the financial reporting framework when financial statements are prepared in accordance with one of the financial reporting frameworks of the CPA Canada Handbook – Accounting or the CPA Canada Public Sector Accounting Handbook?

Background

1. Unlike Section 5400, *The Auditor's Standard Report*, which focuses on a single financial reporting framework (Canadian GAAP), the CASs do not specify a particular financial reporting framework as being the acceptable financial reporting framework for general purpose financial statements. CAS 210, *Agreeing the Terms of Audit Engagements*, indicates that, at present there is no objective and authoritative basis that has been generally recognized globally for judging acceptability of general purpose frameworks. In the absence of such a basis, financial reporting standards established by organizations that are authorized or recognized to promulgate standards are presumed to be acceptable for general purpose financial statements. The auditor is required by paragraph 6 of CAS 210 to determine whether the financial reporting framework to be applied in the preparation of the financial statements is acceptable.
2. The following general principles have been followed to promote consistency in the wording of the auditor's report:
 - (a) The report would clearly describe the financial reporting framework applied by management in preparing the financial statements. Because the CPA Canada Handbook – Accounting has been restructured to include different financial reporting frameworks, use of the term "Canadian generally accepted accounting principles" is not specific enough to help readers identify which financial reporting framework has been used.
 - (b) The reports for different entities would describe the same financial reporting framework in the same way. For example, a report on the financial statements of a private enterprise that prepares its financial statements in accordance with International Financial Reporting Standards (IFRSs) should contain the same description of the financial reporting framework as a report on the financial statements of a publicly accountable enterprise that also prepares its financial statements in accordance with IFRSs.
 - (c) The report would normally maintain consistency with how the entity describes the financial reporting framework in its financial statements. Certain parts of the CPA Canada Handbook – Accounting require that the basis of presentation be specifically stated in the financial statements.³

³ See, for example, paragraph 16 of IAS 1 *Presentation of Financial Statements*, in Part I and *General Standards of Financial Statement Presentation*, paragraph 1400.16 in Part II of the CPA Canada Handbook – Accounting.

Financial statements prepared in accordance with IFRSs

3. In considering how to describe, in the practitioner's report, financial statements prepared in accordance with IFRSs, it is noted that:
- (a) IFRSs are a separately recognized financial reporting framework that is used in many countries around the globe;
 - (b) IFRSs as issued by the International Accounting Standards Board (IASB) are incorporated into the CPA Canada Handbook – Accounting without modification;
 - (c) Canadian entities that are reporting issuers are required by Canadian securities regulations to report compliance with “IFRSs”, defined as being International Financial Reporting Standards as issued by the International Accounting Standards Board. An auditor may describe the financial reporting framework in the auditor's report as either “International Financial Reporting Standards” or “International Financial Reporting Standards as issued by the International Accounting Standards Board” in complying with these securities regulations; and
 - (d) Canadian entities that have reporting obligations in the securities markets in other jurisdictions are often required to report compliance with “International Financial Reporting Standards as issued by the International Accounting Standards Board.” This wording may be required to be reflected in the auditor's report.

In Canada, the use of the additional words “as issued by the International Accounting Standards Board” is redundant because, as stated above, IFRSs as issued by the IASB have been incorporated unchanged into the CPA Canada Handbook – Accounting. However, including these words in the description of the financial reporting framework is not incorrect or prohibited. Canadian securities legislation requires the auditor's report to refer to “International Financial Reporting Standards”. This is the wording that is used in the Illustrative Reports in this Guide. When other legislation or regulation requires the use of different wording to describe the financial reporting framework (for example, including the additional words noted above), the auditor would comply with that legislation or regulation. Paragraph 15 of CAS 700, *Forming an Opinion and Reporting on Financial Statements*, requires the auditor to evaluate whether the description of the financial reporting framework is adequate.

Financial statements prepared in accordance with pre-changeover accounting standards

4. An entity applies the accounting standards in Part V of the CPA Canada Handbook – Accounting until it adopts the accounting standards in one of the other Parts. The financial reporting framework in a practitioner's report on financial statements prepared in accordance with the accounting standards in Part V would be described as “Canadian generally accepted accounting principles.” Continued use of Part V, after the mandatory effective date of the other Parts, will not constitute Canadian GAAP.

Financial statements prepared in accordance with other financial reporting frameworks in the CPA Canada Handbook – Accounting

5. In considering how to describe, in the practitioner's report, financial statements prepared in accordance with other financial reporting frameworks in the CPA Canada Handbook – Accounting, the principles in paragraph 2 of this Q&A have been considered. Further, paragraph 37 of CAS 700 requires the auditor's opinion to identify the jurisdiction of origin. Accordingly, for accounting standards for private enterprises, the description in reports would be "Canadian accounting standards for private enterprises." A similar approach would be taken for the other financial reporting frameworks in the CPA Canada Handbook – Accounting. For example, accounting standards for pension plans in Part IV of the CPA Canada Handbook – Accounting would be referred to as "Canadian accounting standards for pension plans."

Financial statements prepared in accordance with accounting standards in the CPA Canada Public Sector Accounting Handbook

6. The financial reporting framework in a practitioner's report on financial statements prepared in accordance with the accounting standards in the CPA Canada Public Sector Accounting Handbook would be described as "Canadian public sector accounting standards."

Performing an audit in accordance with auditing standards in effect prior to the issuance of the CASs, or a review

7. The approach set out in this Q&A describing the financial reporting framework in accordance with which the financial statements have been prepared may also be used when a practitioner is performing an audit in accordance with auditing standards in effect prior to the issuance of the CASs and reports in accordance with Section 5400, *The Auditor's Standard Report*, or a review in accordance with Section 8200, *Public Accountant's Review of Financial Statements*. This would be applicable, for example, when an entity early adopts a new financial reporting framework such as IFRSs or Canadian accounting standards for private enterprises.

Q&A 1(c) Describing in the Opinion Paragraph in the Auditor's Report the Information the Financial Statements Are Designed to Present

When an entity adopts a new financial reporting framework, how should the auditor describe in the opinion paragraph in the auditor's report the information that the financial statements are designed to present?

Background

1. Paragraph A29 of CAS 700, *Forming an Opinion and Reporting on Financial Statements*, indicates that the auditor's opinion states that the financial statements present fairly, in all material respects, the information that the financial statements are designed to present, (for example, in the case of many general purpose frameworks), the financial position of the entity as at the end of the period and the entity's financial performance and cash flows for the period then ended.
2. *The Auditor's Standard Report*, paragraph 5400.14, requires the auditor, in the opinion paragraph, to express his or her opinion whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the entity in accordance with Canadian generally accepted accounting principles.
3. Because there are various different financial reporting frameworks in Canadian GAAP, the auditor needs to consider the requirements of the respective financial reporting framework when stating the auditor's opinion in the auditor's report under either CAS 700 or Section 5400.

International Financial Reporting Standards (Part I of the CPA Canada Handbook - Accounting)

4. Paragraph 15 of IAS 1 *Presentation of Financial Statements* states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity.
5. Therefore, the auditor's opinion would be worded as follows, when the auditor's report refers to the current period only as discussed in Q&A 2(a): "In our opinion, the financial statements present fairly, in all material respects, the financial position of [the Company] as at [Date], and its financial performance and its cash flows for the [period] then ended in accordance with International Financial Reporting Standards."

Accounting standards for private enterprises (Part II of the CPA Canada Handbook - Accounting)

6. *General Standards of Financial Statement Presentation*, paragraph 1400.03 in Part II of the CPA Canada Handbook - Accounting, states that financial statements shall present fairly in accordance with generally accepted accounting principles the financial position, results of operations and cash flows of an entity.

7. Therefore, the auditor's opinion would be worded as follows, when the auditor's report refers to the current period only as discussed in Q&A 2(a): "In our opinion, the financial statements present fairly, in all material respects, the financial position of [the Company] as at [Date], and the results of its operations and its cash flows for the [period] then ended in accordance with Canadian accounting standards for private enterprises."

**Accounting standards for not-for-profit organizations
(Part III of the CPA Canada Handbook – Accounting)**

8. *General Standards of Financial Statement Presentation*, paragraph 1401.03 in Part III of the CPA Canada Handbook – Accounting, states that financial statements shall present fairly in accordance with generally accepted accounting principles the financial position, results of operations and cash flows of an entity.
9. Therefore, the auditor's opinion would be worded as follows, when the auditor's report refers to the current period only as discussed in Q&A 2(a): "In our opinion, the financial statements present fairly, in all material respects, the financial position of [the Organization] as at [Date], and the results of its operations and its cash flows for the [period] then ended in accordance with Canadian accounting standards for not-for-profit organizations."

**Accounting standards for pension plans
(Part IV of the CPA Canada Handbook – Accounting)**

10. *Pension Plans*, paragraph 4600.10 in Part IV of the CPA Canada Handbook – Accounting, states that financial statements shall consist of:
 - (a) a statement of financial position;
 - (b) a statement of changes in net assets available for benefits; and
 - (c) a statement of changes in pension obligations.
11. Therefore, the auditor's opinion would be worded as follows, when the auditor's report refers to the current period only as discussed in Q&A 2(a): "In our opinion, the financial statements present fairly, in all material respects, the financial position of [the Pension Plan] as at [Date], and the changes in its net assets available for benefits and changes in its pension obligations for the [period] then ended in accordance with Canadian accounting standards for pension plans."

**Pre-changeover accounting standards
(Part V of the CPA Canada Handbook – Accounting)**

12. *General Standards of Financial Statement Presentation*, paragraph 1400.03 in Part V of the CPA Canada Handbook – Accounting, states that financial statements shall present fairly in accordance with generally accepted accounting principles the financial position, results of operations and cash flows of an entity.
13. Therefore, the auditor's opinion would be worded as follows, when the auditor's report refers to the current period only as discussed in Q&A 2(a): "In our opinion, the financial statements present fairly,

in all material respects, the financial position of [the Company] as at [Date], and the results of its operations and its cash flows for the [period] then ended in accordance with Canadian generally accepted accounting principles.”

**Public sector accounting standards
(CPA Canada Public Sector Accounting Handbook)**

14. *Financial Statement Presentation*, paragraph PS 1200.012 in the CPA Canada Public Sector Accounting (PSA) Handbook, states that financial statements should present any information required for the fair presentation of a government’s financial position, results of operations, changes in net debt, and cash flow.
15. Therefore, the auditor’s opinion would be worded as follows, when the auditor’s report refers to the current period only as discussed in Q&A 2(a): “In our opinion, the financial statements present fairly, in all material respects, the financial position of [the government] as at [Date], and the results of its operations, changes in its net debt, and its cash flows for the [period] then ended in accordance with Canadian public sector accounting standards.”
16. The Public Sector Accounting Board released new accounting standards in June 2011 that replace Section PS 1200 with Section PS 1201, *Financial Statement Presentation*, effective for government organizations for fiscal years beginning on or after April 1, 2012 and for governments for fiscal years beginning on or after April 1, 2015. Earlier adoption is permitted. Paragraph PS 1201.012 states that financial statements should present any information required for the fair presentation of a government’s financial position, results of operations, remeasurement gains and losses, change in net debt, and cash flow.
17. Therefore, when Section PS 1201 is adopted, the auditor’s opinion would be worded as follows, when the auditor’s report refers to the current period only as discussed in Q&A 2(a): “In our opinion, the financial statements present fairly, in all material respects, the financial position of [the government] as at [Date], and the results of its operations, its remeasurement gains and losses, changes in its net debt, and its cash flows for the [period] then ended in accordance with Canadian public sector accounting standards.”
18. The Introduction to Public Sector Accounting Standards in the CPA Canada PSA Handbook states that for purposes of their financial reporting, government not-for-profit organizations should adhere to the standards for not-for-profit organizations in the CPA Canada PSA Handbook or the standards in the CPA Canada PSA Handbook without Sections PS 4200 to PS 4270. The auditor’s opinion on financial statements of a government not-for-profit organization that adheres to the standards in the CPA Canada PSA Handbook without Sections PS 4200 to PS 4270 would be worded as described in paragraphs 15 and 17 of this Q&A.
19. Section PS 4200, *Financial Statement Presentation by Not-for Profit Organizations*, establishes presentation and disclosure standards for financial statements for not-for-profit organizations

adhering to the standards for not-for-profit organizations. Section PS 4200 was updated in June 2011. Paragraph PS 4200.05 states that the financial statements for a not-for-profit organization are to provide the information necessary to meet the requirements of that Section and other Sections in a manner that results in the fair presentation in accordance with generally accepted accounting principles of the organization's financial position, results of operations and cash flows. A footnote indicates a statement of remeasurement gains and losses may be required.

20. For government not-for-profit organizations that adhere to the standards for not-for-profit organizations in the CPA Canada PSA Handbook, the auditor's opinion would be worded as follows, when the auditor's report refers to the current period only as discussed in Q&A 2(a): "In our opinion, the financial statements present fairly, in all material respects, the financial position of [the government not-for-profit organization] as at [Date], and the results of its operations and its cash flows for the [period] then ended in accordance with Canadian public sector accounting standards." The statement of remeasurement gains and losses would not be required and therefore would not be referenced in the auditor's report until adoption of Section PS 1201 by the government not-for-profit organization.

Q&A 1(d) Comparative Information and its Effect on the Auditor's Report on the First Financial Statements Prepared in Accordance with a New Financial Reporting Framework

How does the difference between “comparative financial statements” and “corresponding figures” under the CASs affect the auditor's report on the first financial statements when an entity transitions to a new financial reporting framework?

1. The distinction between the two approaches discussed in Q&A 2(a) is important with respect to audits of the first financial statements prepared in accordance with new financial reporting frameworks that contain transition provisions requiring comparative information, including related notes, to be presented. For example, for an entity with a calendar year end, the entity's first financial statements prepared in accordance with a new financial reporting framework would include the entity's statements of financial position as at:
 - (a) December 31, 2011;
 - (b) December 31, 2010; and
 - (c) January 1, 2010 (opening statement of financial position).
2. The auditor would discuss with the entity what approach is to be adopted for the entity's first financial statements and how the auditor is being engaged to report. In many cases, the auditor may be responsible for reporting on all financial statement periods presented (for example, if an obligation arises because the entity is a reporting issuer). (See paragraphs 3-6 of this Q&A and Illustrative Report 1(b) when the auditor's report refers to each period for which financial statements are presented.) In other cases, the entity may have a choice (for example, if the entity is a private enterprise). When the entity has a choice, the entity may consider it preferable for the auditor to report on all financial statement periods presented rather than report on the current period only, particularly when the auditor determines that the additional procedures to support the auditor's opinion on the comparative financial statements are not significantly different from those required to report on the current period only. (See paragraphs 7-11 of this Q&A and Illustrative Report 1(c) when the auditor's report refers to the current period only.) Such entities may also prefer the form of report in Illustrative Report 1(b) as compared to Illustrative Report 1(c).

Reporting on first financial statements on transition to a new financial reporting framework when the auditor's report refers to each period for which financial statements are presented

3. When the auditor is engaged to report on all financial statement periods presented, the auditor is required to issue an audit opinion on all three balance sheets and two operating periods prepared in accordance with the new financial reporting framework, using the audit reporting approach for comparative financial statements discussed in Q&A 2(a).

4. While the auditor may have audited the financial statements for the years ended December 31, 2010 and December 31, 2009 prepared in accordance with the pre-changeover accounting standards, the auditor will not have previously audited the financial statements for those periods prepared in accordance with the new financial reporting framework.
5. When reporting on the first financial statements for 2011 prepared in accordance with the new financial reporting framework, the auditor will be reporting on the December 31, 2010 financial statements and the January 1, 2010 opening statement of financial position prepared in accordance with the new financial reporting framework for the first time. Accordingly, the auditor will be required to obtain sufficient appropriate audit evidence to support the auditor's opinion on those financial statements.
6. The auditor is able to use the work performed in auditing the financial statements for the years ended December 31, 2010 and December 31, 2009 prepared in accordance with pre-changeover accounting standards. However, because the comparative financial statements are prepared in accordance with the new financial reporting framework, the auditor will have to perform additional audit procedures to support the auditor's opinion on those financial statements, even when the financial statements prepared in accordance with the new financial reporting framework do not appear to be significantly different from those prepared in accordance with pre-changeover accounting standards.

Reporting on first financial statements on the transition to a new financial reporting framework when the auditor's report refers to the current period only

7. While the auditor may have audited the financial statements for the years ended December 31, 2010 and December 31, 2009 prepared in accordance with the pre-changeover accounting standards, the auditor will not have previously audited the financial statements for those periods prepared in accordance with the new financial reporting framework.
8. When the auditor's report refers to the current period only, using the audit reporting approach for corresponding figures discussed in Q&A 2(a), there may be an incorrect presumption by readers of the auditor's report on the first financial statements prepared in accordance with the financial reporting framework that the auditor has previously issued an auditor's report on the comparative information.
9. Unless the auditor has been specifically engaged to perform an audit of the December 31, 2010 financial statements and the January 1, 2010 opening statement of financial position prepared in accordance with the new financial reporting framework, these financial statements are unaudited. In such a case, the comparative information is presented in the form of corresponding figures and the auditor complies with paragraph 14 of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, that requires the auditor to state in an Other Matter

paragraph in the auditor's report that the corresponding figures are unaudited. The Other Matter paragraph is included in the auditor's report irrespective of whether:

- (a) the corresponding figures are marked as unaudited; or
- (b) the notes to the financial statements indicate that the auditor has not audited, and does not express an opinion on, the corresponding figures.

10. Paragraph 14 of CAS 710 also indicates that a statement in an Other Matter paragraph referred to in paragraph 9 of this Q&A does not, however, relieve the auditor of the requirement to obtain sufficient appropriate audit evidence that the opening balances do not contain misstatements that materially affect the current period's financial statements in accordance with paragraph 6 of CAS 510, *Initial Audit Engagements — Opening Balances*. The auditor's work effort to comply with CAS 510 may not be significantly different than the work effort required to report on all periods presented, as discussed in paragraphs 3 to 6 of this Q&A. Accordingly, the auditor may wish to discuss with the entity whether it would be more appropriate for the auditor to report on all periods presented, as discussed in paragraph 2 of this Q&A. It is important that the terms of the engagement appropriately reflect the financial statement periods on which the auditor is being engaged to report.
11. Some auditors may consider whether to make an additional reference in the auditor's report to the fact that the financial statements for the years ended December 31, 2010 and December 31, 2009 prepared in accordance with pre-changeover accounting standards were audited. While such a reference may be factually correct, including it in the auditor's report may be seen to contradict the Other Matter paragraph referred to in paragraph 9 of this Q&A. As a result, readers of the auditor's report may misunderstand that the auditor was not engaged to opine on the December 31, 2010 financial statements and the January 1, 2010 opening statement of financial position prepared in accordance with the new financial reporting framework. Therefore, such a reference has not been made in the Illustrative Reports included in this Guide.

Q&A 1(e) Describing the Financial Reporting Framework when an Entity Uses Pre-Changeover Accounting Standards in 2010

How is the financial reporting framework described in the practitioner's report when an entity uses pre-changeover accounting standards and, in particular, differential reporting options in its financial statements for periods ending on or after December 14, 2010?

Background

1. Pre-changeover accounting standards permit certain entities to prepare their financial statements using differential reporting options.
2. For audits of financial statements for periods ending before December 14, 2010 performed in accordance with auditing standards in effect prior to the issuance of the CASs, Section 5400, *The Auditor's Standard Report*, requires the introductory paragraph in the auditor's report to indicate that the financial statements have been prepared in accordance with Canadian GAAP using differential reporting options available to non-publicly accountable enterprises.
3. For audits of financial statements for periods ending on or after December 14, 2010, performed in accordance with the CASs, the CASs do not specifically address differential reporting options or how the auditor should report when the entity has prepared financial statements using those options. However, paragraph 6 of CAS 210, *Agreeing the Terms of Audit Engagements*, requires that the auditor determine whether the applicable financial reporting framework is acceptable and paragraph 15 of CAS 700, *Forming an Opinion and Reporting on Financial Statements*, requires the auditor to evaluate whether the financial statements adequately refer to or describe the applicable financial reporting framework.
4. For reviews of financial statements for periods ending before and after December 14, 2010, Section 8200, *Public Accountant's Review of Financial Statements*, applies. When reporting on an entity that prepares its financial statements in accordance with pre-changeover accounting standards using differential reporting options, Section 8200 requires the public accountant to indicate in the scope paragraph that the financial statements have been prepared in accordance with Canadian GAAP using differential reporting options available to non-publicly accountable enterprises.

Description of the financial reporting framework in the auditor's report

5. The auditor's report on financial statements for periods ending on or after December 14, 2010 prepared in accordance with pre-changeover accounting standards, including differential reporting options, will be in the form required by CAS 700. The description of the financial reporting framework in the auditor's report would be "Canadian generally accepted accounting principles" and would not make separate reference to differential

reporting options. This is because differential reporting options are accounting policies the entity selects and applies within a financial reporting framework and are not a separate financial reporting framework. The notes to the financial statements will describe the accounting policies selected by the entity, which may include the use of differential reporting options, if appropriate.

6. Entities that currently use differential reporting options may transition to Canadian accounting standards for private enterprises on January 1, 2011. While Canadian accounting standards for private enterprises include certain options that exist as differential reporting options in Part V of the CPA Canada Handbook - Accounting, the auditor would not make separate reference to these differential reporting options when describing the financial reporting framework in the auditor's report for the same reason as discussed in paragraph 5.

Description of the financial reporting framework in the public accountant's review engagement report

7. The review engagement report on financial statements for periods ending on or after December 14, 2010 prepared in accordance with pre-changeover accounting standards, including differential reporting options, will be in the form required by Section 8200. Paragraph 8200.51 requires that the review engagement report be presented as set out in *General Review Standards*, paragraphs 8100.26 and 8100.34, as appropriate, except that the scope paragraph should:
 - (a) indicate that the financial statements have been prepared in accordance with Canadian generally accepted accounting principles using differential reporting options available to non-publicly accountable enterprises; and
 - (b) refer to the summary of accounting policies in the financial statements that describes each differential reporting option applied.

Q&A 1(f) Early Adoption of a New Financial Reporting Framework and the Need for an Emphasis of Matter Paragraph

When an entity early adopts a new financial reporting framework, should the auditor include an Emphasis of Matter paragraph in the auditor's report referring to the change in financial reporting framework?

Background

1. For audits of financial statements for periods ending before December 14, 2010, the audit is performed in accordance with auditing standards in effect prior to the issuance of the CASs. Section 5701, *Other Reporting Matters*, provides guidance on additional explanations in the auditor's report, but does not require use of Emphasis of Matter paragraphs.
2. For audits of financial statements for periods ending on or after December 14, 2010, the audit is performed in accordance with the CASs. Paragraph 6 of CAS 706, *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, states that if the auditor considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements, the auditor shall include an Emphasis of Matter paragraph in the auditor's report provided the auditor has obtained sufficient appropriate audit evidence that the matter is not materially misstated in the financial statements.
3. Paragraph A1 of CAS 706 provides examples of circumstances where the auditor may consider it necessary to include an Emphasis of Matter paragraph. One example provided relates to the early application (where permitted) of a new accounting standard (for example, a new International Financial Reporting Standard) that has a pervasive effect on the financial statements in advance of its effective date.
4. When an entity early adopts a new financial reporting framework, this may have a pervasive effect on the entity's financial statements in advance of any required effective date to adopt a new financial reporting framework.

The need for an Emphasis of Matter paragraph

5. The early adoption of a new financial reporting framework can be contrasted with the early adoption of a new accounting standard in the following ways:
 - (a) The entity's financial statements will contain additional disclosures not presented when an entity early adopts a new accounting standard, including:
 - (i) an opening balance sheet (statement of financial position) on the transition date; and

- (ii) a reconciliation of certain key financial information reported in the entity's most recent previously issued financial statements to the same information prepared in accordance with the new financial reporting framework.
 - (b) The auditor's report will refer to the new financial reporting framework and the opening balance sheet (statement of financial position) and, therefore, will be different from the auditor's report for the prior period.
- 6. Because of the more extensive presentation and disclosures in the financial statements on the early adoption of a new financial reporting framework, and the fact that the auditor's report will be different from the prior period, there is much less likelihood that the auditor will consider it necessary to draw users' attention to this matter through an Emphasis of Matter paragraph. Illustrative Reports in this Guide do not include such an Emphasis of Matter paragraph.

Q&A1(g) Referring to Canadian GAAP in the Auditor's Report on Financial Statements Prepared in Accordance With a New Financial Reporting Framework

Can an auditor's report on financial statements prepared in accordance with a new financial reporting framework in the CPA Canada Handbook – Accounting also make reference to Canadian GAAP and, if so, how should this reference be made in the auditor's report?

Background

1. Incorporating or other governing legislation, or a contract, may require that an entity prepare its financial statements in accordance with Canadian GAAP. Canadian GAAP includes different financial reporting frameworks in Parts I to V of the CPA Canada Handbook – Accounting. Consequently, when an entity makes reference to the specific financial reporting framework it has applied in preparing its financial statements, making a separate reference to Canadian GAAP might be viewed as redundant.
2. The Introductions to Parts I to IV of the CPA Canada Handbook – Accounting indicate that an entity that prepares its financial statements in accordance with the respective part of the Handbook “is permitted, but not required, to make the additional statement that its financial statements are in accordance with Canadian GAAP.”⁴ Further, some regulators, such as the Canadian Securities Administrators and the Office of the Superintendent of Financial Institutions, have indicated that they will not require such an additional statement in financial statements prepared by entities they regulate. It is the decision of the entity whether or not to specifically refer to Canadian GAAP. An entity may decide to demonstrate compliance not only with a specific financial reporting framework but also with Canadian GAAP. Auditors are required by paragraph 15 of CAS 700, *Forming an Opinion and Reporting on Financial Statements*, to evaluate whether the financial statements adequately refer to or describe the applicable financial reporting framework.
3. Irrespective of whether the entity decides to also disclose compliance with Canadian GAAP, it is the auditor's decision whether the auditor's report makes specific reference to Canadian GAAP. As long as the auditor's report makes reference to the financial reporting framework applied in preparing the financial statements (for example, in the manner set out in Illustrative Reports in this Guide), there is no need for the auditor's report to make specific reference to Canadian GAAP, unless the auditor considers that he or she is required to do so under regulation or legislation.
4. Auditors may decide to make specific reference to Canadian GAAP in the auditor's report to maintain consistency with how the entity describes the financial reporting framework in its financial statements. However, even when the entity does not make

⁴ See, for example, Introduction to Part I, paragraph I.11 and Introduction to Part II, paragraph II.8 of the CPA Canada Handbook – Accounting.

specific reference to Canadian GAAP in its financial statements, auditors may also decide to make specific reference to Canadian GAAP when they believe that it is important to readers of the auditor's report to know that in the auditor's opinion the financial statements comply with Canadian GAAP.

5. When referring specifically to Canadian GAAP, and when evaluating whether the financial statements adequately refer to or describe the applicable financial reporting framework in accordance with paragraph 15 of CAS 700, the auditor would consider whether the reference clearly sets out the relationship between Canadian GAAP and the financial reporting framework.
6. Paragraphs A8 and A32 of CAS 700 indicate that when the financial statements are prepared in accordance with two financial reporting frameworks the auditor's opinions may be expressed separately or in a single sentence (for example, "the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in Jurisdiction X and with IFRS"). This form of wording should not be used in Canada when referring to accounting standards in Parts I to V of the CPA Canada Handbook – Accounting — for example, "Canadian accounting standards for private enterprises and Canadian generally accepted accounting principles" — as it might imply that the two are separate financial reporting frameworks, which is not the case. Further, referring to a financial reporting framework as "part of" Canadian GAAP may imply that the entity has not complied with all of Canadian GAAP.
7. The following sets out examples of descriptions of the financial reporting framework that clearly sets out the relationship between Parts I to IV of the CPA Canada Handbook – Accounting and Canadian GAAP:
 - (a) For Part I of the CPA Canada Handbook – Accounting:
"International Financial Reporting Standards, which is one of the financial reporting frameworks included in Canadian generally accepted accounting principles."
 - (b) For Part II of the CPA Canada Handbook – Accounting:
"Canadian accounting standards for private enterprises, which is one of the financial reporting frameworks included in Canadian generally accepted accounting principles."
 - (c) For Part III of the CPA Canada Handbook – Accounting:
"Canadian accounting standards for not-for-profit organizations, which is one of the financial reporting frameworks included in Canadian generally accepted accounting principles."
 - (d) For Part IV of the CPA Canada Handbook – Accounting:
"Canadian accounting standards for pension plans, which is one of the financial reporting frameworks included in Canadian generally accepted accounting principles."
8. Such wording would ordinarily be placed in the opinion paragraph of the auditor's report. When the auditor's report includes a separate section dealing with other reporting responsibilities, as discussed in paragraphs 38 and 39 of CAS 700, the auditor may consider it to be more appropriate to include such wording in that separate section.

Q&A 1(h) The Review Engagement Report on the First Financial Statements Prepared in Accordance with Canadian Accounting Standards for Private Enterprises

Q&A 1(h)(i) What guidance does a practitioner use in considering the form of review engagement report on comparative information in the first financial statements prepared in accordance with Canadian accounting standards for private enterprises?

1. For reviews of financial statements, Section 8200, *Public Accountant's Review of Financial Statements*, applies. Section 8200 also makes reference to Section 8100, *General Review Standards*.
2. Paragraph 8100.41 requires that when comparative figures are neither audited nor reviewed, and disclosure of such matters is not made in the information on which the public accountant reports, disclosure should be made in a separate and final paragraph of the review engagement report.
3. Neither Section 8100 nor Section 8200 provides guidance dealing with comparative information and its effect on the review engagement report. Therefore, practitioners may refer to Q&As 1(d) and 2(a) in this Guide that deal with comparative information in the context of the auditor's report. Similar principles apply in the context of a review engagement. The application of Q&As 1(d) and 2(a) to review engagements is discussed further below.

Q&A 1(h)(ii) How does the practitioner apply the guidance in Q&As 1(d) and 2(a) in this Guide to the review engagement report on the first financial statements prepared in accordance with Canadian accounting standards for private enterprises?

4. The guidance in Q&As 1(d) and 2(a) is relevant to deciding on the form of review engagement report with respect to the first financial statements prepared in accordance with Canadian accounting standards for private enterprises. These standards contain transition provisions requiring comparative information, including related notes to be presented. For example, for an entity with a calendar year end, the entity's first financial statements prepared in accordance with Canadian accounting standards for private enterprises would include a balance sheet as at:
 - (a) December 31, 2011;
 - (b) December 31, 2010; and
 - (c) January 1, 2010 (opening balance sheet prepared in accordance with Canadian accounting standards for private enterprises).

Reporting on the first financial statements on the transition to Canadian accounting standards for private enterprises when the review engagement report refers to the current period only

5. While the practitioner may have reviewed the financial statements for the years ended December 31, 2010 and December 31, 2009 prepared in accordance with the pre-changeover accounting standards, the practitioner will not have previously reviewed the financial statements for those periods prepared in accordance with Canadian accounting standards for private enterprises.

6. When the practitioner's report refers to the current period only, using the reporting approach for corresponding figures discussed in Q&A 2(a), there may be an incorrect presumption by readers of the practitioner's report on the first financial statements prepared in accordance with Canadian accounting standards for private enterprises that the practitioner has previously issued a review engagement report on the comparative information.
7. Unless the practitioner has been specifically engaged to perform an audit or a review of the December 31, 2010 financial statements and the January 1, 2010 opening balance sheet prepared in accordance with Canadian accounting standards for private enterprises, these financial statements are not audited or reviewed.
8. There are two possible courses of action:
 - (a) The practitioner can be engaged to issue only a review engagement report on the current period's financial statements. In such a case, the comparative information is presented in the form of corresponding figures and the practitioner complies with paragraph 8100.41 as discussed in Q&A 1(h)(i). Disclosure that the comparative information was neither audited nor reviewed should be made in a separate and final paragraph of the review engagement report unless disclosure of such matters is made in the financial statements. (See Illustrative Report 2(b) in this Guide when the practitioner's report does not extend to the corresponding figures and such disclosure in the financial statements is not made.)
 - (b) Alternatively, the practitioner may discuss with the entity whether the terms of the engagement need to extend to all financial statement periods presented. In such a case, the comparative information is presented in the form of comparative financial statements and the review engagement report extends to each financial statement period presented. (Refer to paragraphs 9-12 in this Q&A.)

Reporting on first financial statements on transition to Canadian accounting standards for private enterprises when the review engagement report refers to each period for which financial statements are presented

9. The practitioner may have agreed to undertake an engagement to report on all financial statements presented, when such financial statements are prepared in accordance with Canadian accounting standards for private enterprises. If so, the practitioner is required to issue a review engagement conclusion on all three balance sheets and two operating periods prepared in accordance with Canadian accounting standards for private enterprises, using the reporting approach for comparative financial statements discussed in Q&A 2(a).
10. While the practitioner may have reviewed the financial statements for the years ended December 31, 2010 and December 31, 2009 prepared in accordance with the pre-changeover accounting standards, the practitioner will not have previously reviewed the financial statements for those periods prepared in accordance with Canadian accounting standards for private enterprises.

11. When reporting on the first financial statements for 2011 prepared in accordance with Canadian accounting standards for private enterprises, the practitioner will be reporting on the December 31, 2010 financial statements and the January 1, 2010 opening balance sheet prepared in accordance with Canadian accounting standards for private enterprises for the first time. Accordingly, the practitioner will be required to perform sufficient procedures to support the conclusion expressed in his or her review engagement report on those financial statements.
12. The practitioner is able to use the work performed in reviewing the financial statements for the years ended December 31, 2010 and December 31, 2009 prepared in accordance with pre-changeover accounting standards. However, because the comparative financial statements are prepared in accordance with Canadian accounting standards for private enterprises, the practitioner will have to perform additional procedures to support the conclusion in the review engagement report on those financial statements, even when the financial statements prepared in accordance with Canadian accounting standards for private enterprises do not appear to be significantly different from those prepared in accordance with pre-changeover accounting standards.

Q&A 1(i) Budget Information in Financial Statements Prepared in Accordance with Canadian Public Sector Accounting Standards

How does the auditor report on budget information contained in financial statements prepared in accordance with Canadian public sector accounting standards?

1. For the purposes of this Q&A, budget information includes planned results or planned amounts as referred to in *Financial Statement Presentation*, paragraphs PS 1201.130-.131 in the CPA Canada Public Sector Accounting Handbook,⁵ which require the following:
 - (a) The statement of operations should present a comparison of the results for the accounting period with those originally planned. Planned results should be presented for the same scope of activities and on a basis consistent with that used for actual results.
 - (b) The statement of change in net debt should present a comparison of the items that comprise the change in net debt for the accounting period, as well as the change in net debt for the period, with the figures originally planned. Planned amounts should be presented for the same scope of activities and on a basis consistent with that used for actual amounts. Paragraphs PS 1201.132-.133 provide additional guidance when the scope of financial activity reported in the fiscal plan is not the same as that reported in the financial statements, or when the fiscal plan is not prepared on a basis consistent with that used to report the actual results.
2. “Supplementary information” is defined in the Glossary of Terms in the CPA Canada Handbook – Assurance as: “Information that is presented together with the financial statements that is not required by the applicable financial reporting framework used to prepare the financial statements, normally presented in either supplementary schedules or as additional notes.” Because planned results or planned amounts included in financial statements prepared in accordance with Canadian public sector accounting standards are required by the applicable financial reporting framework, they do not represent supplementary information.
3. Paragraph A19 of CAS 700, *Forming an Opinion and Reporting on Financial Statements*, states that the auditor’s opinion covers the complete set of financial statements as defined by the applicable financial reporting framework. Accordingly, the auditor’s opinion would cover comparisons of actual and planned results or planned amounts included in the statement of operations and the statements of change in net debt. It would be inappropriate for planned results or planned amounts to be marked as unaudited. Paragraph 12 of CAS 700 requires the auditor to evaluate whether the financial statements are prepared, in all material respects, in accordance with the requirements of the applicable financial reporting framework. This would include evaluating whether the

⁵ In June 2011, Section PS 1201, *Financial Statement Presentation*, replaced Section PS 1200. Paragraphs PS 1200.122-.123 contained the identical requirements.

planned results and planned amounts meet the requirements of paragraphs PS 1201.130-131, including any information provided in the notes to the financial statements or supporting schedules:

- (a) concerning differences in the scope of financial activity reported in the financial statements and the fiscal plan; and
 - (b) reconciling planned results or planned amounts restated for consistency with the basis used for the financial statements.
4. The auditor is required to obtain sufficient appropriate audit evidence to express an opinion whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework, which under Canadian public sector accounting standards includes the presentation of planned results and planned amounts. The nature, timing and extent of procedures required to obtain sufficient appropriate audit evidence about planned results and planned amounts is a matter of professional judgment of the auditor.
 5. If the auditor is unable to obtain sufficient appropriate audit evidence with respect to the entity's planned results or planned amounts, if the financial statements do not include a comparison of actual and planned results and planned amounts, or if the comparison does not otherwise meet the requirements of paragraphs PS 1201.130-131, the auditor would refer to CAS 705, *Modifications to the Opinion in the Independent Auditor's Report*, in determining the implications for the audit and the auditor's opinion.
 6. When a financial reporting framework does not require the inclusion of planned results or planned amounts in the financial statements, such information included in the financial statements would represent supplementary information and the auditor would refer to paragraphs 46-47 of CAS 700 in determining the possible effects on the auditor's report.

Q&A 1(j) Correction of Financial Statements in Accordance with Paragraph PS 2120.31 in the CPA Canada Public Sector Accounting Handbook

How does the auditor report on financial statements containing a correction in accordance with paragraph PS 2120.31?

1. *Accounting Changes*, paragraph PS 2120.31 in the CPA Canada Public Sector Accounting (PSA) Handbook, states that an issue raised with the government (“the entity”) by its auditor in one period but not corrected by the entity until a subsequent period is not an error, for purposes of PS 2120. The issue would be accounted for in the period in which the correction is made.
2. In other circumstances, errors are corrected retrospectively in both the PSA Handbook and financial reporting frameworks in the CPA Canada Handbook – Accounting.
3. As a result of the provision in paragraph PS 2120.31, entities applying the PSA Handbook are not required to restate comparative information for the effects of an error that was raised with the entity by its auditor in an earlier reporting period.
4. This Q&A discusses the implications for the auditor’s report in the circumstances when paragraph PS 2120.31 is applicable. The following assumptions are used as a basis for presenting the reporting implications in this Q&A:
 - (a) As at March 31, 20X1 the entity did not accrue a liability (for example, related to a program expense) for which the effect is material to the financial statements. The matter was identified by the entity’s auditor and was raised with the entity.
 - (b) The entity decided not to correct the error in 20X1, so that the financial statements of the entity for the year ended March 31, 20X1 (“20X1 financial statements”) were materially misstated because expenses and liabilities were understated by a material amount.
 - (c) In 20X2, the entity corrected the error in accordance with paragraph PS 2120.31 by recording the expense and the liability in the current year’s figures in its financial statements for the year ended March 31, 20X2 (“20X2 financial statements”).
 - (d) When reporting on the 20X1 financial statements, the auditor issued an auditor’s report containing a qualified opinion because the financial statements contained a material departure from Canadian public sector accounting standards for that year.
5. The current year’s figures in the 20X2 financial statements do not contain a departure from Canadian public sector accounting standards in relation to the error itself because the error has been corrected in accordance with paragraph PS 2120.31. However, the prior year’s figures (comparative information) contained in these financial statements remain materially misstated.

6. The form of the auditor's report on the 20X2 financial statements will depend on the audit reporting approach in respect of comparative information.
7. Under the corresponding figures reporting approach, the auditor would refer to the requirements in paragraph 11 of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*. Under paragraph 11 of CAS 710, if the auditor's report on the prior period, as previously issued, included a qualified opinion, a disclaimer of opinion, or an adverse opinion and the matter which gave rise to the modification is unresolved, the auditor shall modify the auditor's opinion on the current period's financial statements. Because the comparative information in the 20X2 financial statements (i.e., the financial statements for the year ended March 31, 20X1) is still materially misstated, the matter has not been resolved for the purposes of paragraph 11 of CAS 710 even though the entity correctly accounted for the error in the current year's figures in the 20X2 financial statements for financial reporting purposes in accordance with paragraph PS 2120.31. Accordingly, the auditor would apply paragraph 11(b) of CAS 710 and modify the auditor's opinion because, notwithstanding the correction of the error, there are effects on the comparability of the current year's figures and the corresponding figures. See Illustrative Report 8 in this Guide for an example of an auditor's report that is qualified because of the effects of a matter on the comparability of the current period's figures and the corresponding figures resulting from application of paragraph PS 2120.31.
8. Under the comparative financial statements reporting approach, the auditor would refer to the requirements in paragraph 15 of CAS 710. Under paragraph 15 of CAS 710, the auditor would express an opinion on financial statements for each period presented, and the auditor's opinion on the current year's figures in the 20X2 financial statements would be an unmodified opinion because the entity correctly accounted for the error in accordance with paragraph PS 2120.31. However, the auditor's opinion on the prior year's figures of the 20X2 financial statements (i.e., the financial statements for the year ended March 31, 20X1) would continue to be modified as discussed in paragraph 5 of this Q&A. This can be compared with the auditor's opinion on the current year's figures in the 20X2 financial statements under the corresponding figures reporting approach, as discussed in paragraph 7 of this Q&A, which is qualified because of the effects on the comparability of the current year's figures and the corresponding figures.

QUESTIONS & ANSWERS ON OTHER REPORTING MATTERS

Q&A 2(a) Comparative Information and Its Effect on the Auditor's Report

Q&A 2(a)(i) What is the difference between “comparative financial statements” and “corresponding figures” under the CASs?

1. CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, defines the terms “comparative information”, “corresponding figures” and “comparative financial statements” as follows:
 - (a) Comparative information — The amounts and disclosures included in the financial statements in respect of one or more prior periods in accordance with the applicable financial reporting framework.
 - (b) Corresponding figures — Comparative information where amounts and other disclosures for the prior period are included as an integral part of the current period financial statements, and are intended to be read only in relation to the amounts and other disclosures relating to the current period (referred to as “current period figures”). The level of detail presented in the corresponding amounts and disclosures is dictated primarily by its relevance to the current period figures.
 - (c) Comparative financial statements — Comparative information where amounts and other disclosures for the prior period are included for comparison with the financial statements of the current period but, if audited, are referred to in the auditor's opinion. The level of information included in those comparative financial statements is comparable with that of the financial statements of the current period.
2. Most financial reporting frameworks require that comparative information be presented. However, a financial reporting framework may not indicate whether the comparative information should be in the form of corresponding figures or comparative financial statements.
3. The following example illustrates the difference between corresponding figures and comparative financial statements with respect to property, plant and equipment presented in accordance with Canadian accounting standards for private enterprises. *Property, Plant & Equipment*, paragraph 3061.24 in Part II of the CPA Canada Handbook - Accounting states that for each major category of property, plant and equipment there should be disclosure of the cost and accumulated amortization, including the amount of any write-down.
 - (a) When the comparative information is corresponding figures, the relevant information for the comparative period may only include the net book value for each major category of property, plant and equipment.

- (b) When the comparative information is comparative financial statements, the relevant information for the comparative period would include all the information required by the pre-changeover accounting standards (for example, the cost and accumulated depreciation including the amount of any write-downs, as well as net book value for each major category of property, plant and equipment).
4. There are two different audit reporting approaches in respect of comparative information:
 - (a) For corresponding figures, the auditor's opinion on the financial statements refers to the current period only.
 - (b) For comparative financial statements, the auditor's opinion refers to each period for which financial statements are presented.
 5. Paragraph 2 of CAS 710 explains that the approach to be adopted is often specified by law or regulation but may also be specified in terms of engagement. In Canada, securities regulators have specified that for reporting issuers the auditor's opinion must refer to each period for which financial statements are presented. Therefore, the comparative information should be in the form of comparative financial statements. For most other entities, the auditor's opinion on the financial statements refers to the current period only and the comparative information provided is in the form of corresponding figures, unless the auditor is otherwise specifically engaged to report on each period for which financial statements are presented.
 6. Paragraphs 7-9 of CAS 710 require the auditor to perform the same audit procedures for both approaches (for example, to determine whether the financial statements include the comparative information required by the applicable financial reporting framework and whether such information is appropriately classified.)

Q&A 2(a)(ii) What are the reporting implications when the financial reporting framework is not prescriptive as to the required comparative information?

7. A financial reporting framework may not be prescriptive as to the required comparative information. For example, *General Standards of Financial Statement Presentation*, paragraph 1400.12 in Part II of the CPA Canada Handbook – Accounting requires financial statements to be prepared on a comparative basis, unless comparative information is not meaningful or the standards set out in Part II of the CPA Canada Handbook – Accounting permit otherwise. Accordingly, in preparing financial statements in accordance with the financial reporting framework, the entity will use professional judgment in determining the comparative information to include with respect to specific amounts or items in the financial statements.
8. In the circumstance where the financial reporting framework is not prescriptive as to the required comparative information, the auditor

needs to consider whether the nature and extent of comparative information, even though it is in accordance with the financial reporting framework, meet the respective definition of comparative information in CAS 710 for the audit reporting approach adopted in the terms of the engagement. For example, for the comparative financial statements approach, the auditor would consider whether the comparative information that the entity includes in the financial statements would be comparable with that of the financial statements of the current period.

9. Accordingly, where the financial reporting framework is not prescriptive as to the required comparative information, it is possible that the financial statements of two identical entities, prepared in accordance with the same financial reporting frameworks, could include different comparative information depending on the audit reporting approach adopted.

Q&A 2(a)(iii) How does the auditor report on comparative financial statements prepared in accordance with a financial reporting framework that permits certain information to be included for the current period only and does not require it to be included in the comparative information?

10. In some circumstances, an applicable financial reporting framework may permit an entity not to provide comparative information. For example, paragraph 84 of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* states that an entity is not required to include comparative information relating to disclosures that paragraph requires for each class of provision. Further, paragraph 40C of IAS 1 *Presentation of Financial Statements* states that: “When an entity is required to present an additional statement of financial position in accordance with paragraph 40A of IAS 1, it must disclose the information required by paragraphs 41-44 of IAS 1 and IAS 8 [*Accounting Policies, Changes in Accounting Estimates and Errors*]. However, it need not present the related notes to the opening statement of financial position as at the beginning of the preceding period.”
11. The definition of comparative financial statements in paragraph 6(c) of CAS 710 is premised on the definition of “comparative information” in paragraph 6(a), which states that comparative information is “the amounts and disclosures included in the financial statements in respect of one or more periods in accordance with the applicable financial reporting framework.” Accordingly, if financial statements are prepared in accordance with an applicable financial reporting framework and do not contain comparative information because of permissions in the financial reporting framework to omit that information, the auditor may nevertheless be able to report on all periods presented without modification to the opinion.

Q&A 2(a)(iv) What are the reporting implications when reporting on financial statements prepared in accordance with a financial reporting framework that permits or requires the adoption of the financial reporting framework or a change in accounting policy to be applied prospectively?

12. In some circumstances, an applicable financial reporting framework may permit or require adoption of the financial reporting framework or a change an accounting policy to be applied prospectively. For example, when an entity that is not transitioning from another basis of GAAP adopts Canadian public sector accounting standards for the first time, *Accounting Changes*, paragraph PS 2120.13 in the CPA Canada Public Sector Accounting Handbook permits the new accounting standards to be applied retroactively or prospectively. Similarly, the transition requirement in, *Financial Instruments*, paragraph PS 3450.099 in the CPA Canada Public Sector Accounting Handbook requires prospective application of the measurement provisions of Section PS 3450. When an entity applies a requirement prospectively in preparing its financial statements, comparative information is not adjusted to achieve comparability with the current period.
13. Paragraph 6 of CAS 706, *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, requires that, if the auditor considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements, the auditor shall include an Emphasis of Matter paragraph in the auditor's report provided the auditor has obtained sufficient appropriate audit evidence that the matter is not materially misstated in the financial statements. Paragraph A2 of CAS 706 indicates that a widespread use of Emphasis of Matter paragraphs diminishes the effectiveness of the auditor's communication of such matters. It is a matter of professional judgment whether an auditor would include an Emphasis of Matter paragraph in the auditor's report to draw users' attention to a lack of comparability between the current period's figures and the comparative information arising from prospective application of requirements of a financial reporting framework. In certain cases, a lack of comparability arising from prospective application of a requirement will not be fundamental to users' understanding of the financial statements. However, in other cases, for example when the lack of comparability has a pervasive or material effect on the financial statements, the auditor may consider it necessary to draw users' attention to it.

Q&A 2(b) Alerting Readers that the Financial Statements Are Prepared in Accordance with a Special Purpose Framework

How should the auditor's report alert readers that the financial statements are prepared in accordance with a special purpose framework?

Background

1. CAS 800, *Special Considerations — Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, deals with special considerations in the application of CASs in the 100-700 series to an audit of financial statements prepared in accordance with a special purpose framework. A special purpose framework is a financial reporting framework designed to meet the financial information needs of specific users. Special purpose financial statements are financial statements prepared in accordance with a special purpose framework.
2. Paragraph A14 of CAS 800 indicates that special purpose financial statements may be used for purposes other than those for which they are intended. To avoid misunderstandings, paragraph 14 of CAS 800 requires the auditor to alert users of the auditor's report that the financial statements are prepared in accordance with a special purpose framework and, therefore, may not be suitable for another purpose. This alert is included in an Emphasis of Matter paragraph under an appropriate heading.
3. Paragraph A15 of CAS 800 indicates that, in addition to the alert required by paragraph 14 of CAS 800, the auditor may consider it appropriate to indicate that the auditor's report is intended solely for the specific users. This may be achieved by restricting the distribution or use of the auditor's report.
4. Therefore, there are four possible types of paragraph that the auditor may use to alert readers under CAS 800. The following are examples of the different types of possible wording (underlining has been used to identify differences in the wording):
 - (a) When the auditor does not consider it necessary to restrict either distribution or use:

Basis of Accounting

Without modifying our opinion, we draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist ABC Company to comply with the financial reporting provisions of the contract between ABC Company and DEF Company. As a result, the financial statements may not be suitable for another purpose.

- (b) When the auditor considers it necessary to restrict use:

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist

ABC Company to comply with the financial reporting provisions of the contract between ABC Company and DEF Company. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for ABC Company and DEF Company and should not be used by parties other than ABC Company or DEF Company.

- (c) When the auditor considers it necessary to restrict distribution:

Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist ABC Company to comply with the financial reporting provisions of the contract between ABC Company and DEF Company. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for ABC Company and DEF Company and should not be distributed to parties other than ABC Company or DEF Company.

- (d) When the auditor considers it appropriate to restrict both distribution and use:

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist ABC Company to comply with the financial reporting provisions of the contract between ABC Company and DEF Company. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for ABC Company and DEF Company, and should not be distributed to or used by parties other than ABC Company or DEF Company.

5. The Illustrative Reports on special purpose financial statements in this Guide include an Emphasis of Matter paragraph that restricts the use of the auditor's report (example (b) above).

Q&A 2(c) The Form of Auditor's Report on Financial Statements Prepared in Accordance with Different General Purpose Frameworks

What is the form and content of the auditor's report on financial statements that are prepared using a different general purpose financial reporting framework?

Background

1. This Q&A addresses the form of the auditor's report with respect to the following circumstances where financial statements are prepared in accordance with a general purpose financial reporting framework:
 - (a) financial statements prepared in accordance with a general purpose financial reporting framework other than a financial reporting framework in the CPA Canada Handbook – Accounting or the CPA Canada Public Sector Accounting Handbook;
 - (b) financial statements prepared in accordance with a financial reporting framework in the CPA Canada Handbook – Accounting that is not designed for that type of entity;
 - (c) financial statements for a specific purpose prepared in accordance with a general purpose financial reporting framework;
 - (d) consolidated and non-consolidated financial statements prepared in accordance with a financial reporting framework that permits both such statements to be prepared for general purposes;
 - (e) two sets of financial statements prepared in accordance with different accounting policy choices within the same financial reporting framework (including consolidated and non-consolidated financial statements prepared in accordance with a financial reporting framework that does not expressly permit both such statements to be prepared for general purposes).
2. In the discussion of each circumstance in this Q&A, it has been assumed that the auditor has determined the applied financial reporting framework to be acceptable in accordance with paragraph 6(a) of CAS 210, *Agreeing the Terms of Audit Engagements*, unless otherwise indicated.
3. Reference is also made in this Q&A to the following paragraphs in CAS 706, *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*:
 - (a) paragraph A8, which indicates that the auditor may include an Other Matter paragraph in the auditor's report, referring to the fact that another set of financial statements has been prepared by the same entity in accordance with another general purpose financial reporting framework and that the auditor has issued a report on those financial statements; and
 - (b) paragraph A9, which indicates that in circumstances where financial statements are prepared for a specific purpose using a general purpose framework, since the auditor's report is intended for specific users, the auditor may consider it necessary in the circumstances to include an Other Matter

paragraph stating that the auditor's report is intended solely for the intended users, and should not be distributed to or used by other parties. Therefore, the auditor may add such an Other Matter paragraph to the auditor's report. Financial statements prepared for a specific purpose are distinguished from special purpose financial statements that, as defined in paragraph 6(a) of CAS 800, *Special Considerations — Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, are financial statements prepared in accordance with a special purpose framework.

4. In the circumstances where the entity prepares special purpose financial statements, and management has a choice of financial reporting frameworks in the preparation of such financial statements, paragraph 13(b) of CAS 800, requires that the explanation in the auditor's report of management's responsibility for the financial statements also make reference to its responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances.
5. In the circumstances where the auditor is requested to report on financial statements prepared in accordance with a financial reporting framework other than the framework required by the entity's incorporating or other governing legislation, the auditor may discuss the matter with management and, where appropriate, those charged with governance, as required by paragraph 19 of CAS 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*. For example, the auditor may indicate that:
 - (a) the financial statements do not comply with and will not satisfy the entity's incorporating or other governing legislation;
 - (b) those charged with governance should consider the financial and other implications of such non-compliance and may wish to obtain legal advice; and
 - (c) the auditor accepts no responsibility for any implications of potential non-compliance with the incorporating or other governing legislation.

Reporting on financial statements prepared in accordance with a general purpose financial reporting framework other than a financial reporting framework in the CPA Canada Handbook – Accounting or the CPA Canada Public Sector Accounting Handbook

6. In Canada, the accounting standards promulgated by the Accounting Standards Board and the Public Sector Accounting Board are generally accepted and often are prescribed in incorporating or other governing legislation as the applicable financial reporting framework. They are considered to be general purpose financial reporting frameworks for the type of entity for which the framework was designed.
7. A financial reporting framework other than the financial reporting frameworks in the CPA Canada Handbook – Accounting or the CPA Canada Public Sector Accounting Handbook may be acceptable in certain circumstances, however. Examples where a financial reporting framework other than the financial reporting frameworks in the CPA Canada Handbook – Accounting or the CPA Canada

Public Sector Accounting Handbook may be acceptable for general purpose financial statements would be when legislation or regulation permits an entity to report in accordance with US GAAP. In these circumstances, the form of the auditor's report would be in accordance with CAS 700, *Forming an Opinion and Reporting on Financial Statements*.

8. It is possible that such an entity may prepare two sets of financial statements for general purposes, one prepared in accordance with a financial reporting framework in the CPA Canada Handbook - Accounting or the CPA Canada Public Sector Accounting Handbook and one set prepared in accordance with a different financial reporting framework. In this case, the auditor may consider adding the Other Matter paragraph referencing the other set of financial statements prepared by the same entity, referred to in paragraph 3(a) of this Q&A.
9. In determining whether the applicable financial reporting framework is acceptable for the engagement under CAS 210, *Agreeing the Terms of Audit Engagements*, the auditor may determine that the financial statements are prepared for a specific purpose. In addition, the auditor may consider adding an Other Matter paragraph to the auditor's report stating that the auditor's report is intended solely for the intended users, and should not be distributed to or used by other parties, as discussed in paragraph 3(b) of this Q&A.

Reporting on financial statements prepared in accordance with a financial reporting framework in the CPA Canada Handbook - Accounting that is not designed for that type of entity

10. As discussed in paragraph 6 of this Q&A, the accounting standards promulgated by the Accounting Standards Board and the Public Sector Accounting Board are considered to be general purpose financial reporting frameworks for the type of entity for which the framework was designed. The Preface to the CPA Canada Handbook - Accounting provides guidance on determining which financial reporting framework applies to a reporting entity. All types of entities may apply International Financial Reporting Standards. However, the financial reporting frameworks in Parts II to IV of the CPA Canada Handbook - Accounting may only be applied by entities that meet the definitions of entities for which these financial reporting frameworks have been designed.
11. In some circumstances, an entity may request an auditor to report on financial statements prepared in accordance with a financial reporting framework that is not designed for that type of entity. For example, a publicly accountable enterprise may prepare financial statements in accordance with Canadian accounting standards for private enterprises. In determining whether the applicable financial reporting framework is acceptable for the engagement under CAS 210, the auditor would identify the purpose of the financial statements, the intended users and the steps taken by management to determine that the applicable financial reporting framework is acceptable. If the financial statements

prepared in accordance with such a framework are intended as the entity's general purpose financial statements, the auditor would not accept an engagement to report on such financial statements because such a financial reporting framework is not an acceptable framework for general purpose financial statements for that type of entity. However, if such financial statements are prepared for a specific purpose (for example, to meet the needs of a particular stakeholder), such a financial reporting framework may be an acceptable special purpose framework. In this case, the auditor would report in accordance with CAS 800.

Reporting on financial statements prepared for a specific purpose in accordance with a general purpose financial reporting framework designed for that type of entity

12. An entity may prepare financial statements for a specific purpose in accordance with a general purpose financial reporting framework designed for that type of entity. For example, a private enterprise may prepare non-consolidated financial statements in accordance with Canadian accounting standards for private enterprises (as permitted by *Subsidiaries*, paragraph 1590.15 in Part II of the CPA Canada Handbook – Accounting) to meet the expressed needs of a bank and the income tax authorities.
13. CAS 800 defines a special purpose framework as a financial reporting framework designed to meet the financial information needs of specific users. Special purpose financial statements are financial statements prepared in accordance with a special purpose framework. When financial statements are prepared for a specific purpose in accordance with a general purpose framework, the financial statements do not meet the definition of special purpose financial statements in CAS 800.
14. Although the financial statements are prepared for a specific purpose, the auditor would report on such financial statements in accordance with CAS 700 as the financial reporting framework is a general purpose framework. The auditor may consider adding the Other Matter paragraph stating that the auditor's report is intended solely for the intended users, and should not be distributed to or used by other parties referred to in paragraph 3(b) of this Q&A.
15. See Illustrative Report 3(e) in this Guide for an example of an auditor's report on financial statements prepared for a specific purpose in accordance with a general purpose financial reporting framework.

Reporting on consolidated and non-consolidated financial statements in accordance with a general purpose financial reporting framework that permits both such statements to be prepared for general purposes

16. Some general purpose financial reporting frameworks permit an entity to prepare both consolidated financial statements and non-consolidated financial statements for general purposes and indicate that they have been prepared in accordance with the financial reporting framework. See, for example, IAS 27 *Consolidated and Separate Financial Statements* in Part I of the CPA Canada Handbook – Accounting.

17. In this circumstance, the auditor would report on each set of financial statements in accordance with CAS 700. The financial statements would be labelled in the auditor's report in the same manner in which they are required to be labelled by the financial reporting framework. Where the financial reporting framework does not contain specific labelling requirements, the auditor would generally describe the financial statements as being "consolidated" financial statements and "non-consolidated" financial statements (or a similar term), respectively.
18. The auditor may consider adding the Other Matter paragraph referencing the other set of financial statements prepared by the same entity referred to in paragraph 3(a) of this Q&A to the auditor's report on each set of financial statements, if this is practicable. The following is example wording of an Other Matter paragraph that may be included in the auditor's report on consolidated (separate) financial statements when an entity also prepares separate (consolidated) financial statements under IAS 27 *Consolidated and Separate Financial Statements*:

Other Matter

ABC Company has prepared a non-consolidated (consolidated) set of financial statements for the year ended December 31, 2011 in accordance with International Financial Reporting Standards on which we issued an auditor's report to the shareholders of ABC Company dated March 31, 2012.

Reporting on two sets of financial statements prepared in accordance with different accounting policy choices within the same financial reporting framework (including consolidated and non-consolidated financial statements)

19. General purpose financial reporting frameworks generally contemplate an entity preparing only one set of general purpose financial statements in accordance with that financial reporting framework. Therefore, an entity would select only one set of accounting policies in any particular period for purposes of preparing such general purpose financial statements.
20. In some circumstances, an entity may prepare additional sets of financial statements using alternative accounting policies that are also in accordance with a particular financial reporting framework. For example, the entity may prepare:
- (a) one set of financial statements making an accounting policy choice to prepare financial statements on a consolidated basis as permitted by *Subsidiaries*, paragraph 1590.15(a) in Part II of the CPA Canada Handbook – Accounting; and one set of financial statements making an accounting policy choice to prepare financial statements on a non-consolidated basis as permitted by paragraph 1590.15(b); or
 - (b) one set of financial statements making an accounting policy choice to account for income taxes using the taxes payable method, as permitted by *Income Taxes*, paragraph 3465.03(a) in Part II of the CPA Canada Handbook – Accounting; and

another set of financial statements making an accounting policy choice to account for income taxes using the future income taxes method, as permitted by paragraph 3465.03(b).

21. In accepting an engagement to report on two sets of financial statements prepared in accordance with different accounting policy choices within the same financial reporting framework, the auditor would request the entity to designate one set of financial statements as being its general purpose financial statements for a broad range of users and the other set as being for a specific purpose. Generally, the general purpose set of financial statements would be the set of financial statements that provides the most reliable and relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows. The auditor would report on these financial statements in accordance with CAS 700. The auditor would report on additional sets of financial statements prepared in accordance with the same financial reporting framework in accordance with paragraphs 12-15 of this Q&A on the basis that the financial statements are prepared for a specific purpose in accordance with a general purpose framework. The auditor may consider adding either or both of the Other Matter paragraphs referred to in paragraphs 3 of this Q&A.

Q&A 2(d) Fair Presentation versus Compliance Financial Reporting Frameworks

Q&A 2(d)(i) How does the auditor determine whether a financial reporting framework is a fair presentation or a compliance framework?

Background

1. Paragraph 13(a) of CAS 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Canadian Auditing Standards*, defines a fair presentation framework as a financial reporting framework that requires compliance with the requirements of the framework and:
 - (a) acknowledges explicitly or implicitly that, to achieve fair presentation of the financial statements, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or
 - (b) acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the financial statements. Such departures are expected to be necessary only in extremely rare circumstances.⁶
2. Paragraph 13(a) of CAS 200 indicates that a compliance framework is a financial reporting framework that requires compliance with the requirements of the framework, but does not contain the acknowledgments in paragraph 1(a) or (b) of this Q&A.
3. While the definition of a fair presentation framework in CAS 200 may appear straightforward, in certain circumstances, the auditor may have to use professional judgment in deciding when a financial reporting framework should be considered a fair presentation framework.
4. The distinction between a fair presentation framework and a compliance framework is important, for example:
 - (a) Paragraph 14 of CAS 700, *Forming an Opinion and Reporting on Financial Statements*, states that when financial statements are prepared in accordance with a fair presentation framework, the evaluation required in paragraphs 12-13 of CAS 700 shall also include whether the financial statements achieve fair presentation. The auditor's evaluation as to whether the financial statements achieve fair presentation shall include consideration of:
 - (i) the overall presentation, structure and content of the financial statements; and
 - (ii) whether the financial statements, including the related notes, represent the underlying transactions and events in a manner that achieves fair presentation.
 - (b) Paragraph 19 of CAS 700 states that when the financial statements are prepared in accordance with a compliance framework, the auditor is not required to evaluate whether the financial statements achieve fair presentation.

⁶ Paragraph 19 of IAS 1 *Presentation of Financial Statements* in Part I of the CPA Canada Handbook - Accounting contains such an acknowledgement; however, Parts II-V do not.

- (c) Paragraph 27 of CAS 700 states that where the financial statements are prepared in accordance with a fair presentation framework, the explanation of management's responsibility for the financial statements in the auditor's report shall refer to "the preparation and fair presentation of these financial statements" or "the preparation of financial statements that give a true and fair view," as appropriate in the circumstances.
- (d) Paragraph 32 of CAS 700 states that where the financial statements are prepared in accordance with a fair presentation framework, the description of the audit in the auditor's report shall refer to "the entity's preparation and fair presentation of the financial statements" or "the entity's preparation of financial statements that give a true and fair view", as appropriate in the circumstances.
- (e) Paragraph 35 of CAS 700 states that when expressing an unmodified opinion on financial statements prepared in accordance with a fair presentation framework, the auditor's opinion shall, unless otherwise required by law or regulation, use one of the following phrases, which are regarded as being equivalent:
 - (i) the financial statements present fairly, in all material respects, ... in accordance with [the applicable financial reporting framework]; or
 - (ii) the financial statements give a true and fair view of ... in accordance with [the applicable financial reporting framework].
- (f) Paragraph 36 of CAS 700 states that when expressing an unmodified opinion on financial statements prepared in accordance with a compliance framework, the auditor's opinion shall be that the financial statements are prepared, in all material respects, in accordance with [the applicable financial reporting framework].

Other CASs may also identify different consequences for the auditor and the auditor's report depending on whether the financial reporting framework is a fair presentation framework or a compliance framework.

Factors to consider in deciding whether a financial reporting framework is a fair presentation or compliance framework

- 5. Financial reporting frameworks that encompass the financial reporting standards established by an organization that is authorized or recognized to promulgate standards to be used by entities for preparing general purpose financial statements are often designed to achieve fair presentation. Financial reporting frameworks designed to achieve fair presentation include those set out in the CPA Canada Handbook - Accounting and the CPA Canada Public Sector Accounting Handbook.
- 6. When, for example, a financial reporting framework:
 - (a) is not established by such an organization; or
 - (b) is based on a fair presentation framework established by such an organization, but does not comply with all the requirements of that framework;the framework is not necessarily a fair presentation framework.

7. It is a necessary feature of a fair presentation framework that it include one of the acknowledgments referred to in paragraph 1 of this Q&A. When a financial reporting framework is based on a financial reporting framework discussed in paragraph 5 of this Q&A, unless these acknowledgements have been expressly removed, modified or otherwise overridden, it can usually be presumed that it contains one of these acknowledgments. In Canada, such acknowledgements can be found in the CPA Canada Handbook – Accounting as follows:
- (a) IAS 1 *Presentation of Financial Statements*, paragraphs 15, 17(c) and 19-24 in Part I;
 - (b) *General Standards of Financial Statement Presentation*, paragraphs 1400.03-.06 in Part II;
 - (c) *General Standards of Financial Statement Presentation*, paragraphs 1401.03-.06 in Part III;
 - (d) *Pension Plans*, Section 4600 of Part IV requires entities that apply this Part to comply with the general financial statement presentation requirements in either Part I or Part II so the acknowledgements for Part IV are the respective acknowledgements found in Part I or Part II depending on which Part the entity chooses to follow; and
 - (e) *General Standards of Financial Statement Presentation*, paragraphs 1400.03-.07 in Part V.

For entities that apply Canadian public sector accounting standards, the acknowledgements can be found in *Financial Statement Presentation*, paragraphs PS 1200.012-.014 in the CPA Canada Public Sector Accounting Handbook.

When a financial reporting framework is not based on a financial reporting framework discussed in paragraph 5 of this Q&A it is much less likely that such a framework contains such acknowledgments.

8. However, the CASs recognize that even when a framework does contain the acknowledgments referred to in paragraph 1 of this Q&A, this is not necessarily sufficient for the financial reporting framework to be a fair presentation framework. For example, paragraph 19 of CAS 210, *Agreeing the Terms of Audit Engagements*, states that when the auditor has determined that a financial reporting framework prescribed by law or regulation would be unacceptable but for the fact that it is prescribed by law or regulation, the auditor shall accept the audit engagement only if certain conditions are present, including that the auditor's opinion on the financial statements not include the phrase "present fairly, in all material respects," (i.e., the auditor reports as if the financial reporting framework is a compliance framework even if the framework contained one of the acknowledgments referred to in paragraph 1 of this Q&A). Similarly, paragraph A3 of CAS 800, *Special Considerations — Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, states that a special purpose framework may not be a fair presentation framework even if the financial reporting framework on which it is based is a fair presentation framework. This is because the special purpose framework may not comply with all the requirements of the financial reporting framework established by the authorized or

recognized standard-setting organization or by law or regulation that are necessary to achieve fair presentation of the financial statements.

9. Accordingly, when a financial reporting framework complies with the definition of a fair presentation framework in CAS 200 but differs from the financial reporting standards that would normally be used for that type of entity, the auditor would consider the nature and extent of differences between the framework and those financial reporting standards and the circumstances of the engagement. The following are examples of the auditor's considerations in this respect:
- (a) If the financial statements are prepared to meet the specific information needs of a regulator and the regulator has specified the financial reporting framework for presenting the financial position and results of operations of the entity, the auditor may be more likely to conclude that the financial reporting framework is a fair presentation framework rather than a compliance framework.
 - (b) If the financial statements are not designed to present the financial position, results of operations and cash flows of an incorporated entity. For example, if the financial statements are designed to present the financial position, results of operations and cash flows of an acquired business that is part of an incorporated entity, and the differences between the financial reporting framework and the financial reporting standards that would normally be used for general purpose financial statements for an incorporated entity appear to be designed to achieve fair presentation of the acquired business, the auditor may be more likely to conclude that the financial reporting framework is a fair presentation framework rather than a compliance framework.
 - (c) If the financial statements are intended to meet the common information needs of a broad range of users and the differences between the financial reporting framework and the financial reporting standards that would normally be used for general purpose financial statements for that type of entity appear to be pervasive, the auditor may be more likely to conclude that the financial reporting framework is a compliance framework rather than a fair presentation framework.
 - (d) If the nature of the financial statements is to present the results of calculations prescribed by a regulator for monitoring compliance with regulatory rules, such as a regulatory capital report where there is limited scope for judgment (rather than present the financial position and performance of the entity), the auditor may be more likely to conclude that the financial reporting framework is a compliance framework than a fair presentation framework.

Q&A 2(e) Emphasis of Matter and Other Matter Paragraphs in the Auditor's Report

When must the auditor include an Emphasis of Matter or Other Matter paragraph in the auditor's report and what are the considerations in deciding whether to include such a paragraph?

Background

1. Paragraph 5 of CAS 706, *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, defines Emphasis of Matter and Other Matter paragraphs as follows:
 - (a) Emphasis of Matter paragraph — A paragraph included in the auditor's report that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements.
 - (b) Other Matter paragraph — A paragraph included in the auditor's report that refers to a matter other than those presented or disclosed in the financial statements that, in the auditor's judgment, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.

Emphasis of Matter paragraphs

2. To include more information in an Emphasis of Matter paragraph than is presented or disclosed in the financial statements may imply that the matter has not been appropriately presented or disclosed. Accordingly, paragraph 6 of CAS 706 limits the use of an Emphasis of Matter paragraph to matters presented or disclosed in the financial statements.
3. Appendix 1 of CAS 706 identifies other CASs that require the auditor to include an Emphasis of Matter paragraph in the auditor's report in certain circumstances. These CASs are as follows:
 - (a) CAS 210, *Agreeing the Terms of Audit Engagements* — paragraph 19(b);
 - (b) CAS 560, *Subsequent Events* — paragraphs 12(b) and 16;
 - (c) CAS 570, *Going Concern* — paragraph 19; and
 - (d) CAS 800, *Special Considerations — Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* — paragraph 14.
4. Outside of the specific requirements to include an Emphasis of Matter paragraph in the auditor's report referred to in paragraph 3 of this Q&A, the use of such a paragraph is a matter of the auditor's professional judgment. Paragraph 6 of CAS 706 requires the auditor to include an Emphasis of Matter paragraph in the auditor's report if the auditor considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements.
5. Paragraph A1 of CAS 706 provides the following examples of circumstances where the auditor may consider it necessary to include an Emphasis of Matter paragraph:

- (a) an uncertainty relating to the future outcome of exceptional litigation or regulatory action;
 - (b) early application (where permitted) of a new accounting standard (for example, a new International Financial Reporting Standard) that has a pervasive effect on the financial statements in advance of its effective date; and
 - (c) a major catastrophe that has had, or continues to have, a significant effect on the entity's financial position.
6. Furthermore, the CASs also include application and explanatory material referring to the use of an Emphasis of Matter paragraph, for example:
- (a) CAS 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures* — paragraph A114;
 - (b) CAS 570, *Going Concern* — paragraphs A22 and A26;
 - (c) CAS 700, *Forming an Opinion and Reporting on Financial Statements* — paragraph A33(b);
 - (d) CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements* — paragraphs A6 and A8; and
 - (e) CAS 805, *Special Considerations — Audits of Single Financial Statements and Special Elements, Accounts or Items of a Financial Statement* — paragraph 14.
7. Paragraph A2 of CAS 706 indicates that a widespread use of Emphasis of Matter paragraphs diminishes the effectiveness of the auditor's communication of such matters.
8. Before including such a paragraph, the auditor is required to obtain sufficient appropriate audit evidence that the matter is not materially misstated in the financial statements. Further, paragraph A3 of CAS 706 indicates that such a paragraph is not a substitute for either:
- (a) the auditor expressing a qualified opinion or an adverse opinion, or disclaiming an opinion, when required by the circumstances of a specific audit engagement; or
 - (b) disclosures in the financial statements that the applicable financial reporting framework requires management to make.
9. Paragraph 8(c) of CAS 230, *Audit Documentation*, requires the auditor to prepare audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand significant matters arising during the audit. Paragraph A8 of CAS 230 indicates that findings that could result in the inclusion of an Emphasis of Matter paragraph in the auditor's report are examples of such significant matters.
10. Paragraph 7 of CAS 706 requires that when the auditor includes an Emphasis of Matter paragraph in the auditor's report the auditor shall:
- (a) include it immediately after the Opinion paragraph in the auditor's report;
 - (b) use the heading "Emphasis of Matter," or other appropriate heading;

- (c) include in the paragraph a clear reference to the matter being emphasized and, where relevant, to disclosures that fully describe the matter can be found in the financial statements; and
- (d) indicate that the auditor's opinion is not modified in respect of the matter emphasized.

Other Matter paragraphs

11. Appendix 2 of CAS 706 identifies other CASs that require the auditor to include an Other Matter paragraph in the auditor's report in certain circumstances. These CASs are as follows:
 - (a) CAS 560, *Subsequent Events* — paragraphs 12(b) and 16;
 - (b) CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements* — paragraphs 13-14, 16-17 and 19; and
 - (c) CAS 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements* — paragraph 10(a).
12. Outside of the specific requirements to include an Other Matter paragraph in the auditor's report referred to in paragraph 11 of this Q&A, the use of such a paragraph is a matter of the auditor's professional judgment. Paragraph 8 of CAS 706 requires that, if the auditor considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in the auditor's judgment, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report and this is not prohibited by law or regulation, the auditor include an Other Matter paragraph in the auditor's report.
13. CAS 706 includes the following examples of circumstances in which an Other Matter paragraph may be necessary:
 - (a) The possible effect of an inability to obtain sufficient appropriate audit evidence due to a limitation on the scope of the audit imposed by management is pervasive, but the auditor is unable to withdraw from an engagement.
 - (b) Law or regulation may require or permit the auditor to elaborate on matters that provide further explanation of the auditor's responsibilities in the audit of the financial statements or of the auditor's report.
 - (c) Where an entity prepares financial statements for a specific purpose in accordance with a general purpose framework as discussed in Q&A 2(c) of this Guide.
 - (d) Where an entity prepares more than one set of financial statements as discussed in Q&A 2(c) of this Guide.
14. Furthermore, the CPA Canada Handbook - Assurance also includes application and explanatory material referring to the use of an Other Matter paragraph, for example:
 - (a) CAS 250, *Consideration of Laws and Regulations in an Audit of Financial Statements* — paragraph A18;
 - (b) CAS 705, *Modifications to the Opinion in the Independent Auditor's Report* — paragraph A14;
 - (c) CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements* — paragraph A11;

- (d) CAS 805, *Special Considerations — Audits of Single Financial Statements and Special Elements, Accounts or Items of a Financial Statement* — paragraph A17;
 - (e) Section 5925, *An Audit of Internal Control Over Financial Reporting that Is Integrated with an Audit of Financial Statements* — paragraph 5925.A83; and
 - (f) Canadian Standard on Assurance Engagements (CSAE) 3416, *Reporting on Controls at a Service Organization* — paragraph A71.
15. Paragraph 8 of CAS 706 requires that when the auditor includes an Other Matter paragraph in the auditor's report, the auditor shall include this paragraph, with the heading "Other Matter," or other appropriate heading, immediately after the Opinion paragraph and any Emphasis of Matter paragraph, or elsewhere in the auditor's report if the content of the Other Matter paragraph is relevant to the Other Reporting Responsibilities section.
16. Paragraph A7 of CAS 706 indicates that an Other Matter paragraph does not deal with circumstances where the auditor has other reporting responsibilities that are in addition to the auditor's responsibility under the CASs to report on the financial statements, or where the auditor has been asked to perform and report on additional specified procedures, or to express an opinion on specific matters. Paragraphs 38 and 39 of CAS 700 contain requirements for other reporting responsibilities. See for example, Assurance and Related Services Guideline AuG-48, *Legislative Requirements to Report on the Consistent Application of Accounting Principles in the Applicable Financial Reporting Framework*.

Q&A 2(f) Dating of the Practitioner's Report

Q&A 2(f)(i) On what date must the auditor date the auditor's report?

1. The requirements in the CASs are different than the requirements that apply for audits of financial statement for periods prior to December 14, 2010. These latter requirements indicate that the date of substantial completion of examination should be used as the date of the auditor's report (see *Date of the Auditor's Report*, paragraph 5405.06) and that the engagement quality control review (EQCR) should be completed before the issuance of the practitioner's report (see *Quality Control Procedures for Assurance Engagements*, paragraph 5030.43(c)).
2. Rather, paragraph 41 of CAS 700, *Forming an Opinion and Reporting on Financial Statements*, requires that the auditor's report be dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements, including evidence that:
 - (a) all the statements that comprise the financial statements, including the related notes, have been prepared; and
 - (b) those with the recognized authority have asserted that they have taken responsibility for those financial statements.
3. Even when the auditor has obtained audit evidence concerning (a) and (b) in paragraph 2 of this Q&A, the auditor may still not be able to date the auditor's report because the auditor has not obtained sufficient appropriate audit evidence from audit procedures to support the content of his or her report based on the completed financial statements. For example, the auditor may still need to obtain audit evidence with respect to the application of the entity's accounting policies in accordance with the applicable financial reporting framework and the adequacy of disclosures in the financial statements.
4. Paragraph 19 of CAS 220, *Quality Control for an Audit of Financial Statements*, requires that, for audits of listed entities, and those other audit engagements, if any, for which the firm has determined that an EQCR is required, the engagement partner shall not date the auditor's report until completion of the EQCR.
5. Paragraph 17 of CAS 220 requires that, on or before the date of the auditor's report, the engagement partner, through a review of the audit documentation and discussion with the engagement team, be satisfied that sufficient appropriate audit evidence has been obtained to support the conclusions reached and for the auditor's report to be issued.

Q&A 2(f)(ii) When have all the statements that comprise the financial statements, including the related notes, been prepared?

6. Paragraph 4 of CAS 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Canadian Auditing Standards*, states that an audit is conducted on the premise that management and, where appropriate, those charged with governance have acknowledged certain responsibilities

that are fundamental to the conduct of the audit. One of these responsibilities is the preparation of the financial statements in accordance with the applicable financial reporting framework. There may be instances when the entity has not completed the financial statements and some adjustment or disclosure that could be material to the financial statements is still to be made. This may include, for example, the finalization of the entity's income tax provision or the updating of the financial statements for subsequent events that require adjustment or disclosure. In such a case, the financial statements would be complete when the income tax provision is reflected in the financial statements or, in the case of subsequent events that require adjustment to or disclosure in the financial statements, when such events have been recognized or disclosed in the financial statements.

7. If the entity is still in the process of completing the financial statements (for example, the finalization of the entity's bonus accruals and income tax provision), the related audit procedures on the financial statement items or notes that remain to be completed will not yet have been performed by the auditor. The auditor's report must not be dated before the auditor has obtained sufficient appropriate audit evidence from audit procedures to support the content of his or her report based on the completed financial statements.
8. As explained in paragraph A23 of CAS 210, *Agreeing the Terms of Audit Engagements*, the terms of the audit engagement include the agreement of management to inform the auditor of facts that may affect the financial statements, of which management may become aware during the period from the date of the auditor's report to the date the financial statements are issued. Paragraph 9 of CAS 560, *Subsequent Events*, requires the auditor to request management and, where appropriate, those charged with governance to provide a written representation in accordance with CAS 580, *Written Representations*, that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed. Paragraph 14 of CAS 580 requires that the date of the written representations be as near as practicable to, but not after, the date of the auditor's report on the financial statements. In the circumstances where the date of the auditor's report is significantly later than the date on which those with the recognized authority took responsibility for the financial statements, the auditor will remind management of its agreement under the terms of the engagement and its responsibility to provide written representations with respect to subsequent events up to the date of the auditor's report.

Q&A 2(f)(iii) In Canada, who are “those with the recognized authority”?

9. Paragraph A40 of CAS 700 indicates that in some jurisdictions, law or regulation identifies the individuals or bodies (for example, management or those charged with governance) that are responsible for concluding that all the statements that comprise

the financial statements, including the related notes, have been prepared, and discusses the approval process.

10. In Canada, most incorporating or other governing legislation recognizes the board of directors as having the power to approve the financial statements.⁷ Further, such legislation may also prohibit the board of directors from delegating this power to a managing director or a committee of directors.⁸ Accordingly, under such legislation, it is the board of directors that has the recognized authority to assert it has taken responsibility for the financial statements. The auditor would determine those who have the recognized authority by reference to the relevant legislation.
11. Some legislation may require that the financial statements be approved by the shareholders or other equivalent body. In this case, paragraph A41 of CAS 700 indicates that final approval by shareholders is not necessary for the auditor to conclude that sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements has been obtained. The date of approval of the financial statements for purposes of the CASs is the earlier date on which all the statements that comprise the financial statements, including the related notes, have been prepared and those with the recognized authority have asserted that they have taken responsibility for those financial statements.
12. In some cases, the board may approve the financial statements conditional on final changes being approved by a sub-committee of the board. In this case, the auditor's report would be dated at the later date when the sub-committee approves the final financial statements, unless such final changes are only to correct typographical errors or make other minor changes that would not involve the auditor having to obtain further audit evidence.
13. For entities whose legislation does not prescribe the approval process for the financial statements, paragraph A40 of CAS 700 indicates that the entity follows its own procedures in preparing and finalizing its financial statements in view of its management and governance structures. In this circumstance, the auditor would discuss with those charged with governance who have the recognized authority to take responsibility for the financial statements.

Q&A 2(f)(iv) How does the auditor date the auditor's report when a fact becomes known to the auditor after the date of the auditor's report and before the date the financial statements are issued?

14. Paragraph 11 of CAS 560 states that if management amends the financial statements as a result of a subsequent event that became known after the date of the auditor's report, the auditor must carry out audit procedures necessary with respect to the amendment and, unless the circumstances in paragraph 12 apply, provide a new auditor's report. Paragraph 12 of CAS 560 states that where law,

⁷ See, for example, section 158(1) of the Canada Business Corporations Act, which requires the directors of the corporation to approve the financial statements.

⁸ See, for example, subsection 115(3)(i) of the Canada Business Corporations Act.

regulation or the financial reporting framework does not prohibit management from restricting the amendment of the financial statements to the effects of the subsequent event or events causing that amendment and those responsible for approving the financial statements are not prohibited from restricting their approval to that amendment, the auditor shall either:

- (a) amend the auditor's report to include an additional date restricted to that amendment that thereby indicates that the auditor's procedures on subsequent events are restricted solely to the amendment of the financial statements described in the relevant note to the financial statements; or
- (b) provide a new or amended auditor's report that includes a statement in an Emphasis of Matter paragraph or Other Matter paragraph that conveys that the auditor's procedures on subsequent events are restricted solely to the amendment of the financial statements as described in the relevant note to the financial statements.

15. The auditor would consider law, regulation or the financial reporting framework in deciding whether there is such a prohibition. In Canada, Parts II to V of the CPA Canada Handbook – Accounting and Canadian public sector accounting standards, for example, do not prohibit management from restricting the amendment of the financial statements to the effects of the subsequent event or events causing that amendment or those responsible for approving the financial statements from restricting their approval to that amendment. When it is not clear whether such a prohibition exists, the auditor would consider current practice. With respect to IFRSs in Part I of the CPA Canada Handbook – Accounting, research by CPA Canada accounting standards staff indicates that practice globally is not consistent. In most jurisdictions, when management amends the financial statements for a subsequent event it will search for and update the financial statements for any other subsequent events to the date of the amending subsequent event and those responsible for approving the financial statements update their approval to this date. However, in other jurisdictions, while that is the normal practice, there are exceptions in rare circumstances, where management will restrict the amendment to the financial statements to the effect of the subsequent event and those responsible for approving the financial statements restrict their approval to that amendment.
16. The auditor has three methods available for dating the auditor's report when the financial statements are amended after the original date of the auditor's report:
 - (a) Issue a new report in accordance with paragraph 11 of CAS 560 (new report date). Where the auditor issues a new auditor's report in accordance with paragraph 11 of CAS 560, the auditor's responsibility for events subsequent to the original report date extends to the new date of the auditor's report.
 - (b) Issue an amended report in accordance with paragraph 12(a) of CAS 560 (dual-dated report).
 - (c) Issue a new or amended report, with a new report date, with an

Emphasis of Matter paragraph in accordance with paragraph 12(b) of CAS 560 (new report date with Emphasis of Matter limiting responsibility).

For methods (b) and (c), the auditor's responsibility for events occurring subsequent to the original report date is limited to the specific event described in the relevant note to the financial statements.

17. The following is an example of an Emphasis of Matter paragraph when there is a new report date with an Emphasis of Matter paragraph as discussed in paragraph 15 of this Q&A:

Subsequent Event

Without modifying our opinion, we draw attention to Note X to the financial statements which describes the subsequent event that gave rise to the amendment of the financial statements on March 15, 2011, the date of our auditor's report. Our procedures with respect to events subsequent to February 28, 2011 are restricted solely to that amendment to the financial statements.

Q&A 2(f)(v) When does the public accountant date the review engagement report on financial statements?

18. *General Review Standards*, paragraph 8100.30, indicates that the date of substantial completion of the review would be used as the date of the review engagement report. However, the guidance on the concept of "substantial completion" is minimal. Assurance and Related Services Guideline AuG-47, Dating the Review Engagement Report on Financial Statements, provides guidance on applying the concept in a review engagement to report on financial statements. Its intent is to adopt similar concepts for dating the report as in CAS 700.
19. AuG-47 explains that the public accountant would not date his or her report before he or she has:
- (a) obtained, through inquiry and discussion management's verbal representations, in advance of obtaining management's written representations, in respect to:
 - (i) management's acknowledgment of its responsibility for the fair presentation of the financial statements; and
 - (ii) management's belief that the financial statements are complete and presented fairly; and
 - (b) performed sufficient procedures to support the content of his or her report.

Q&A 2(g) Including the Additional Wording Required by Paragraph 13(b) of CAS 800

When does the auditor's report include the additional wording required by paragraph 13(b) of CAS 800?

1. Paragraph 13(b) of CAS 800, *Special Considerations — Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, requires that if management has a choice of financial reporting frameworks in the preparation of such financial statements, the explanation of management's responsibility for the financial statements in the auditor's report shall also make reference to management's responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances. Therefore, this additional reference is only made in the auditor's report when the financial reporting framework is a special purpose framework.
2. The additional reference is not made when the financial reporting framework is a general purpose framework. As discussed in Q&A 2(c) in this Guide, when financial statements are prepared for a specific purpose in accordance with a general purpose framework, the auditor would report on such financial statements in accordance with CAS 700, *Forming an Opinion and Reporting on Financial Statements*. For example, if a contract requires that financial statements be prepared in accordance with "Canadian generally accepted accounting principles", management has a choice of financial reporting frameworks because Canadian GAAP includes different financial reporting frameworks in Parts I to V of the CPA Canada Handbook – Accounting and the CPA Canada Public Sector Accounting Handbook. In such a case, the financial reporting framework applied by management in preparing the financial statements is a general purpose framework and the auditor reports in accordance with CAS 700, unless the financial reporting framework is not designed for that type of entity when, as discussed in Q&A 2(c) in this Guide, the auditor may conclude that the financial reporting framework is a special purpose framework and that the auditor can report in accordance with CAS 800.
3. The following examples may be useful in explaining when the auditor's report is amended to meet the requirement in paragraph 13(b) of CAS 800:
 - (a) A creditor may request cash flow information but not specify how the cash flow information must be prepared. In satisfying the creditor's request for information, management may, for example, prepare the cash flow information using the cash receipts and disbursements basis of accounting. In this circumstance, management has had to choose a financial reporting framework that it believes will result in the preparation of financial information that meets the needs of the intended user.
 - (b) The financial reporting provisions of a contract may require financial statements prepared in accordance with a financial reporting framework established by a recognized standard-setting organization or by law or regulation, but not comply

with all the requirements of that framework (for example, “Canadian generally accepted accounting principles except that no amortization will be recognized on property, plant and equipment”). Because, as stated above, Canadian GAAP includes different financial reporting frameworks, the reference to Canadian GAAP is not specific enough to enable management to choose its accounting policies. Management chooses the financial reporting framework in Canadian GAAP that is designed for that type of entity and is acceptable in the circumstances and uses that framework as the basis for preparing financial statements that comply with the prescribed financial reporting framework (for example, Canadian accounting standards for private enterprises prepared without amortization of property, plant and equipment). For some entities, the CPA Canada Handbook – Accounting provides a choice of financial reporting frameworks. For example, a private enterprise applies either Canadian accounting standards for private enterprises in Part II or the International Financial Reporting Standards in Part I of the CPA Canada Handbook – Accounting. In this case, the auditor amends the auditor’s report to comply with paragraph 13(b) of CAS 800. Accordingly, even though the financial reporting framework may be described as, for example, “the financial reporting provisions in the contract”, management has a choice of financial reporting frameworks to apply in complying with those reporting provisions. For pension plans, CPA Canada Handbook – Accounting requires the entity to apply Part IV, Canadian accounting standards for pension plans. Because a pension plan does not have a choice of financial reporting frameworks, the auditor’s report does not need to be amended.

4. When the explanation of management’s responsibility for the financial statements in the auditor’s report includes the additional reference required by paragraph 13(b) of CAS 800, the explanation (shown in underlining) might be worded as follows:

Management is responsible for the preparation [and fair presentation] of the financial statements in accordance with [the applicable financial reporting framework]; this includes determining that the applicable financial reporting framework is acceptable for the preparation of the financial statements in the circumstances, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.
5. Illustrative Reports 3(f) and 6(b) provide examples of an auditor’s report containing the additional reference in the explanation of management’s responsibility for financial statements, and for a schedule of items of a financial statement, respectively.

Q&A 2(h) Reporting on Summary Financial Statements

Q&A 2 (h)(i) What are summary financial statements?

1. Paragraph 4(c) of CAS 810, *Engagements to Report on Summary Financial Statements*, defines summary financial statements as “historical financial information that is derived from financial statements but that contains less detail than the financial statements, while still providing a structured representation consistent with that provided by the financial statements of the entity’s economic resources or obligations at a point in time or the changes therein for a period of time.”
2. An entity may be required to present its financial statements in accordance with an applicable financial reporting framework in a form prescribed, for example, by a regulator. While not conflicting with the presentation and disclosure requirements of the applicable financial reporting framework, the form may require more detailed information to be presented than is necessary to comply with such a framework. The entity may decide also to prepare and present financial statements for other users in a less detailed format than the prescribed form while still complying with the requirements of the applicable financial reporting framework. These less-detailed financial statements are not summary financial statements, they are financial statements presented in a different format in compliance with the same applicable financial reporting framework. The auditor would report on such financial statements in accordance with CAS 700, *Forming an Opinion and Reporting on Financial Statements*, and CAS 800, *Special Considerations — Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, if applicable.
3. If the less-detailed financial statements are prepared for a specific purpose in accordance with a general purpose financial reporting framework, the auditor would report on such financial statements in accordance with CAS 700 and may consider adding the Other Matter paragraph referred to in paragraph 3(b) of Q&A 2(c) in this Guide, stating that the auditor’s report is intended solely for the intended users, and should not be distributed to or used by other parties.

Q&A 2(h)(ii) When may it not be appropriate to accept an engagement to report on summary financial statements?

4. Before accepting an engagement to report on summary financial statements, paragraph 6(a) of CAS 810 requires the auditor to determine whether the applied criteria are acceptable. Paragraph A3 of CAS 810 indicates that the preparation of summary financial statements requires management to determine the information that needs to be reflected in the summary financial statements so that they are consistent, in all material respects, with or represent a fair summary of the audited financial statements. Because summary financial statements by their nature contain aggregated information and limited disclosure, there is an increased risk that they may not contain the information necessary so as not to be misleading in the circumstances. This risk increases when

established criteria for the preparation of summary financial statements do not exist.

5. In Canada, there are currently no generally recognized criteria for preparing summary financial statements. As a result, when summary financial statements are required to be prepared, often either:
 - (a) management has to develop the criteria to apply; or
 - (b) management has to make significant interpretations when applying established criteria (for example, in legislation or regulation) because the criteria are not specific enough for management to determine what information to include in the summary financial statements.

In these circumstances, the risk that summary financial statements may be misleading may be higher, and determining the acceptability of the applied criteria will be more challenging.

Q&A 2(h)(iii) What are acceptable criteria for the preparation of summary financial statements?

6. Paragraph A5 of CAS 810 states that criteria established by an authorized or recognized standards setting organization or by law or regulation may be presumed to be acceptable, similar to the case of financial statements, as discussed in CAS 210, *Agreeing the Terms of Audit Engagements*.
7. Paragraph A6 of CAS 810 states that where established criteria for the preparation of summary financial statements do not exist, criteria may be developed by management, for example, based on practice in a particular industry. Criteria that are acceptable in the circumstances will result in summary financial statements that :
 - (a) adequately disclose their summarized nature and identify the audited financial statements;
 - (b) clearly describe from whom or where the audited financial statements are available or, if law or regulation provides that the audited financial statements need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements, that law or regulation;
 - (c) adequately disclose the applied criteria;
 - (d) agree with or can be recalculated from the related information in the audited financial statements; and
 - (e) in view of the purpose of the summary financial statements, contain the information necessary, and are at an appropriate level of aggregation, so as not to be misleading in the circumstances.
8. Management is responsible for determining the nature and extent of information that needs to be reflected in the summary financial statements. Management will use professional judgment in developing criteria that are acceptable. In evaluating the acceptability of management's criteria in relation to paragraph A6 of CAS 810, the auditor may consider whether the summary financial statements include:
 - (a) a summary financial statement for each of the financial statements in the complete set of financial statements;

- (b) the major subtotals and totals from the complete financial statements;
- (c) information necessary to achieve fair summarization of the complete set of financial statements;
- (d) a description of from whom or where the audited financial statements are available;
- (e) a description of the criteria applied in the preparation of the summary financial statements; and
- (f) information from notes to the complete financial statements dealing with matters having a pervasive or otherwise significant effect on the summary financial statements, such as contingencies and subsequent events.

9. Paragraph 8(c) of CAS 810 requires the auditor to evaluate whether the summary financial statements adequately disclose the applied criteria. Normally, management would disclose the basis of preparation of the summary financial statements in a note to the summary financial statements. When the criteria are set out in law or regulation, the auditor would consider whether the summary financial statements adequately describe any significant interpretations management may have made in applying the criteria in the preparation of the summary financial statements. For example, criteria prescribed in regulation for preparation of summary financial statements may only set out certain minimum contents for the summary financial statements and management may have provided more detail in the summary financial statements than required by the regulation, for which it has made significant interpretations.

Q&A 2(h)(iv) Can the auditor report on summary financial statements derived from special purpose financial statements?

10. CAS 810 applies to audits of summary financial statements derived from financial statements audited in accordance with the CASs by that same auditor. As the CASs apply to audits of financial statements prepared in accordance with both general purpose and special purpose frameworks, CAS 810 applies to audits of summary financial statements derived from either general purpose or special purpose financial statements.
11. Paragraph 14 of CAS 800 requires the auditor's report on financial statements prepared in accordance with a special purpose framework to include an Emphasis of Matter paragraph alerting users of the auditor's report that the financial statements are prepared in accordance with a special purpose framework and that, as a result, the financial statements may not be suitable for another purpose.
12. Paragraph 17 of CAS 810 requires that when the auditor's report on the audited financial statements contains a qualified opinion, an Emphasis of Matter paragraph, or an Other Matter paragraph, but the auditor is satisfied that the summary financial statements are consistent, in all material respects, with or are a fair summary of the audited financial statements, in accordance with the applied criteria, the auditor's report on the summary financial statements shall:

- (a) state that the auditor's report on the audited financial statements contains a qualified opinion, an Emphasis of Matter paragraph, or an Other Matter paragraph; and
 - (b) describe:
 - (i) the basis for the qualified opinion on the audited financial statements, and that qualified opinion,; or the Emphasis of Matter or the Other Matter paragraph in the auditor's report on the audited financial statements; and
 - (ii) the effect thereof on the summary financial statements, if any.
13. Paragraph 20 of CAS 810 also requires that when distribution or use of the auditor's report on the audited financial statements is restricted, or the auditor's report on the audited financial statements alerts readers that the audited financial statements are prepared in accordance with a special purpose framework, the auditor shall include a similar restriction or alert in the auditor's report on the summary financial statements.
14. When preparing the auditor's report on summary financial statements derived from special purpose financial statements, the auditor's report would include a paragraph(s) after the opinion paragraph that complies with paragraphs 17 and 20 of CAS 810. The following is an example of a paragraph that meets these requirements, assuming that the auditor's report on the audited financial statements included a paragraph after the opinion paragraph alerting readers to the basis of accounting:

Basis of Accounting

Our auditor's report dated [date] on the audited financial statements included a Basis of Accounting paragraph, drawing attention to the note to the financial statements that describes the basis of accounting. The audited financial statements are prepared to assist ABC Company to meet the requirements of Regulator DEF. As a result, the audited financial statements may not be suitable for another purpose. Because the summary financial statements are derived from the audited financial statements, the summary financial statements also may not be suitable for another purpose.

Q&A 2(h)(v) Do the audited financial statements have to be available to the intended users of the summary financial statements?

15. Paragraph 6(b)(ii) of CAS 810 requires that, before accepting an engagement to report on summary financial statements, the auditor obtain the agreement of management that it acknowledges and understands its responsibility to make the audited financial statements available to the intended users of the summary financial statements without undue difficulty (or, if law or regulation provides that the audited financial statements need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements, to describe that law or regulation in the summary financial statements).

16. Paragraph A8 of CAS 810 provides factors that may affect the auditor's evaluation of whether the audited financial statements are available to the intended users of the summary financial statements without undue difficulty. These factors are whether:
 - (a) the summary financial statements describe clearly from whom or where the audited financial statements are available;
 - (b) the audited financial statements are on public record; or
 - (c) management has established a process by which the intended users of the summary financial statements can obtain ready access to the audited financial statements.

17. Paragraph 8(b) of CAS 810 requires the auditor, when summary financial statements are not accompanied by the audited financial statements, to evaluate whether the summary financial statements describe clearly:
 - (a) from whom or where the audited financial statements are available; or
 - (b) the law or regulation that specifies that the audited financial statements need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements.

18. Accordingly, audited financial statements have to be available to intended users of the summary financial statements unless law or regulation:
 - (a) specifies that audited financial statements need not be available; and
 - (b) establishes criteria for preparation of the summary financial statements.

Q&A 2(i) Supplementary Information Presented with the Financial Statements

When supplementary information is presented with the financial statements, how does this affect the auditor's report?

Background

1. In some circumstances, an entity may be required by law, regulation or standards, or may voluntarily choose, to present information, together with the audited financial statements, that is not required by the applicable financial reporting framework. Such information is described in CAS 700, *Forming an Opinion and Reporting on Financial Statements*, as “supplementary information.”
2. Supplementary information may be presented to enhance a user's understanding of the applicable financial reporting framework or to provide further explanation of specific financial statement items. Normally, supplementary information is presented in either supplementary schedules or as additional notes. - For example, the information could be presented in supplementary schedules disaggregating certain financial statement line items (such as a schedule describing the components of selling and administrative expenses) or in additional notes explaining the extent to which the financial statements comply with another financial reporting framework (such as a reconciliation to US GAAP).
3. This Q&A provides guidance to assist auditors when applying the requirements in paragraphs 46 and 47 of CAS 700 with respect to supplementary information. (See the Appendix to this Q&A for a decision tree that assists in understanding the implications of supplementary information on the auditor's report.)
4. This Q&A does not address the circumstances when the auditor is specifically requested to conduct a separate engagement to report on supplementary information, whether or not presented with the financial statements — in this circumstance, the auditor will conduct the engagement in accordance with the appropriate CASs or Other Canadian Standards.

Information is not presented with the financial statements

5. When information is not presented with the audited financial statements, it is not supplementary information and is not discussed in this Q&A. The auditor may need to refer to CAS 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*, if the information meets the definition of “Other Information” in CAS 720. The auditor may also need to refer to Section 7500, Auditor's Consent to the Use of the Auditor's Report in Connection with Designated Documents, if the information is contained in a designated document filed with securities regulatory authorities in connection with the entity's financial statements, such as the Management Discussion and Analysis.

Information is required by the financial reporting framework

6. When information is presented with the audited financial statements, the auditor needs to determine whether the information is required by the financial reporting framework. If the information is required by the financial reporting framework, that information is not supplementary information, is subject to audit and is covered by the auditor's report on the financial statements.

The auditor is requested to audit supplementary information as part of the audit of the financial statements

7. In some circumstances, law or regulation may require, or management may decide, that the supplementary information should be audited as part of the audit of the financial statements. In this case, the auditor would plan the audit so that it is performed to obtain sufficient appropriate audit evidence about the supplementary information.
8. In forming an opinion on the financial statements, the auditor would determine whether the financial statements identify the supplementary information as an integral part of the financial statements (for example, by placing the supplementary information proximate to the financial statements, by including cross-references from the financial statements to the supplementary information, or by including such supplementary information in the notes to the financial statements).
9. Paragraph A47 of CAS 700 states that supplementary information that is covered by the auditor's opinion need not be specifically referred to in the introductory paragraph of the auditor's report when the reference to the notes in the description of the statements that comprise the financial statements in the introductory paragraph is sufficient.

Unaudited supplementary information is not clearly differentiated from the financial statements

10. When unaudited supplementary information is presented with the audited financial statements, it is important that it is clearly differentiated from the financial statements so that readers do not construe the supplementary information as being covered by the auditor's opinion. The auditor's evaluation includes, for example, where that information is presented in relation to the financial statements and any audited supplementary information, and whether it is clearly labelled as "unaudited".
11. Management could present the unaudited supplementary information so as to clearly differentiate it from the audited financial statements, as discussed in paragraph A50 of CAS 700, for example, by:
 - removing any cross-references from the financial statements to unaudited supplementary schedules or unaudited notes so that the demarcation between the audited and unaudited information is sufficiently clear; and
 - placing the unaudited supplementary information outside of the financial statements or, if that is not possible in the

circumstances, at a minimum placing the unaudited notes together at the end of the required notes to the financial statements and clearly labelling them as “unaudited.”.

12. Paragraph 47 of CAS 700 requires the auditor’s opinion to cover supplementary information that is not required by the applicable financial reporting framework but is nevertheless an integral part of the financial statements because it cannot be clearly differentiated from the audited financial statements due to its nature and how it is presented. Accordingly, the supplementary information must be audited.

Management changes how unaudited supplementary information is presented

13. When supplementary information can be, but is not, clearly differentiated from the audited financial statements, paragraph 46 of CAS 700 requires the auditor to ask management to change how the unaudited supplementary information is presented.
14. If management clearly differentiates the supplementary information, there is no impact on the auditor’s report as the readers will not construe that the supplementary information is being covered by the auditor’s opinion.

Management refuses to change how unaudited supplementary information is presented

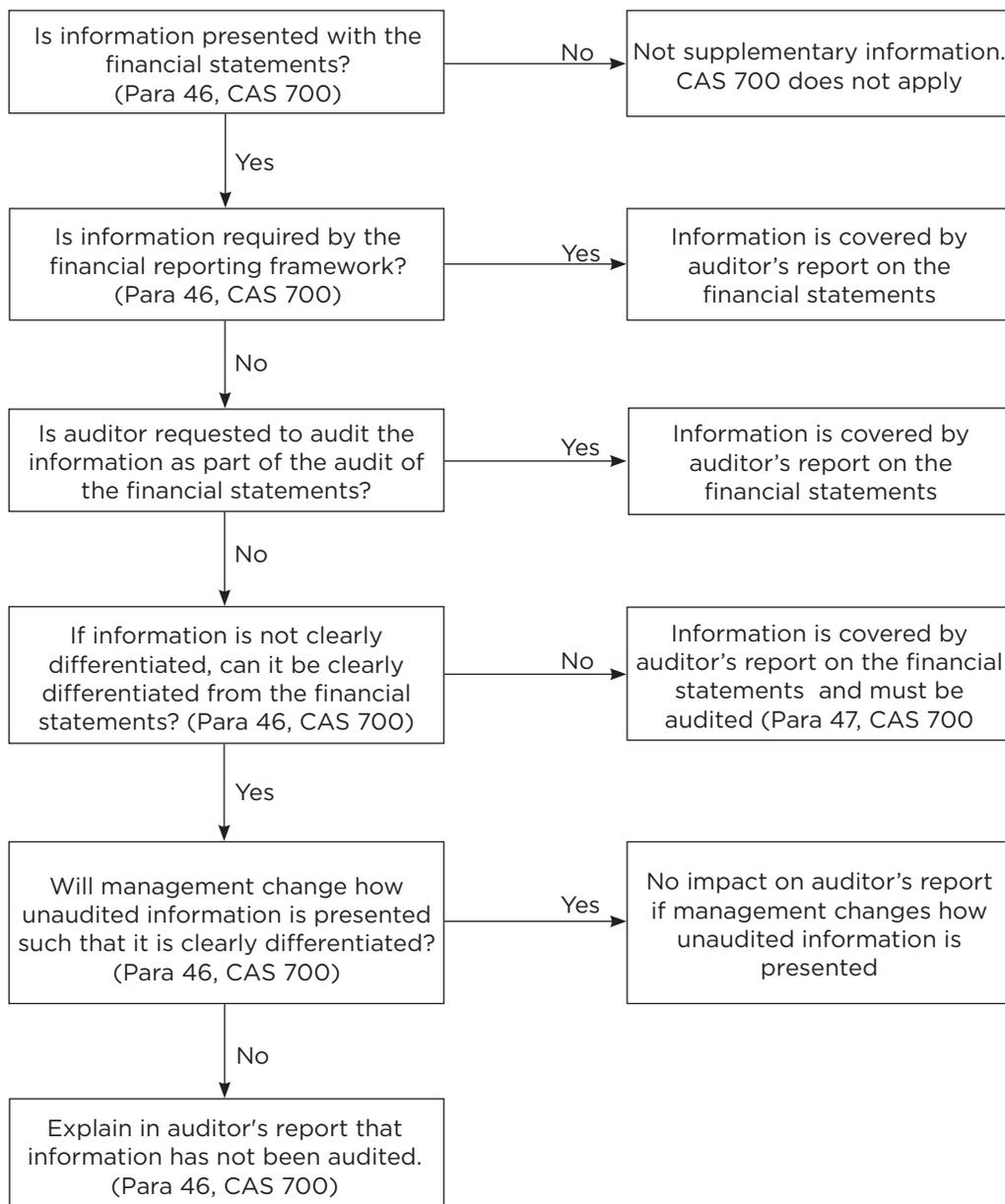
15. When supplementary information can be, but is not, clearly differentiated from the audited financial statements, as discussed in paragraph 13 of this Q&A, and management refuses to do so, the auditor is required to explain in the auditor’s report that such supplementary information has not been audited. Such an explanation would be made in an Other Matter paragraph in the auditor’s report.

Unaudited supplementary information

16. Paragraph A51 of CAS 700 states that the fact that supplementary information is unaudited does not relieve the auditor of the responsibility to read the information to identify material inconsistencies with the audited financial statements. The auditor’s responsibilities with respect to unaudited supplementary information are consistent with those described in CAS 720, *The Auditor’s Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*.

APPENDIX

Decision tree to assist in understanding the implications of supplementary information on the auditor's report



Q&A 2(j) Determining the Acceptability of a General Purpose Framework and Reporting on an Unacceptable Framework

Q&A 2(j)(i) What factors does the auditor consider in determining whether a general purpose framework (other than an AcSB or PSAB framework) is acceptable?

1. Paragraph 6(a) of CAS 210, *Agreeing the Terms of Audit Engagements*, requires the auditor to determine whether the financial reporting framework to be applied in the preparation of the financial statements is acceptable.
2. Paragraph A4 of CAS 210 indicates that factors that are relevant to the auditor's determination of the acceptability of the financial reporting framework to be applied in the preparation of the financial statements include:
 - (a) the nature of the entity (for example, whether it is a business enterprise, a public sector entity or a not-for-profit organization);
 - (b) the purpose of the financial statements (for example, whether they are prepared to meet the common financial information needs of a wide range of users or the financial information needs of specific users);
 - (c) the nature of the financial statements (for example, whether the financial statements are a complete set of financial statements or a single financial statement); and
 - (d) whether law or regulation prescribes the applicable financial reporting framework.
3. Paragraph CA8a of CAS 210 indicates that accounting standards promulgated by the Accounting Standards Board and the Public Sector Accounting Board (AcSB and PSAB frameworks) are generally accepted and are relevant in determining the acceptability of the applicable financial reporting framework even when incorporating or other governing legislation does not specify that generally accepted accounting principles be used when preparing general purpose financial statements. Paragraph CA8b of CAS 210 states that some legislation and regulation also permits certain reporting issuers to use International Financial Reporting Standards, promulgated by the International Accounting Standards Board, or United States generally accepted accounting principles, promulgated by the US Financial Accounting Standards Board.
4. Paragraph A9 of CAS 210 states that law or regulation may prescribe the financial reporting framework to be used in the preparation of general purpose financial statements for certain types of entities. In the absence of indications to the contrary, such a financial reporting framework is presumed to be acceptable for general purpose financial statements prepared by such entities. Appendix 2 of CAS 210 identifies the attributes — relevance, completeness, reliability, neutrality and understandability — normally exhibited by acceptable general purpose frameworks that result in information provided in financial statements that is useful to the intended users.

5. Where law or regulation prescribes a general purpose framework other than AcSB or PSAB frameworks, the guidance in CAS 210 and the following factors may be considered in determining whether there are indications to the contrary:
 - (a) The process followed to develop the financial reporting framework, including the opportunity for input from stakeholders and deliberation of their views so that the financial reporting framework exhibits the attributes of an acceptable general purpose framework — For example, when a regulator issues a proposed financial reporting framework for public comment and the final financial reporting framework reflects deliberation of comments received, such a financial reporting framework is more likely to be acceptable than a financial reporting framework developed by the regulator in isolation that may reflect the regulator's individual preferences. As a result, it will not exhibit the attributes of relevance, completeness or neutrality.
 - (b) The reasons for development of the financial reporting framework — For example, where law or regulation addresses the circumstances of a particular type of entity, such a financial reporting framework may be acceptable if the applicable AcSB and PSAB frameworks do not provide specific guidance on the accounting for that type of entity. However, if the Accounting Standards Board and the Public Sector Accounting Board have already considered a particular issue and reached a conclusion on the appropriate recognition, measurement and disclosure, a financial reporting framework that conflicts with that conclusion is an indicator that the financial reporting framework may not exhibit attributes of an acceptable general purpose framework such as completeness and neutrality.
 - (c) The body prescribing the financial reporting framework — For example, some governments and government organizations have legislative authority with respect to the application of a financial reporting framework in the preparation of general purpose financial statements. There is the potential in this situation that the financial reporting framework applied may reflect the government or government organization's individual preferences and information needs, and may not be neutral and free from bias.
 - (d) Whether the resulting financial statements prepared in accordance with the financial reporting framework will be misleading.

Q&A 2(j)(ii) What are the reporting implications if a general purpose framework is unacceptable (other than an AcSB or PSAB framework)?

6. Paragraph 8 of CAS 210 states that unless required by law or regulation to do so, the auditor shall not accept a proposed audit engagement if the auditor has determined that the financial reporting framework to be applied in the preparation of the financial statements is unacceptable, except as provided in paragraph 19.

7. Paragraph 19 of CAS 210 requires that if the auditor has determined that the financial reporting framework prescribed by law or regulation would be unacceptable but for the fact that it is prescribed by law or regulation, the auditor shall accept the audit engagement only if the following conditions are present:
- (a) Management agrees to provide additional disclosures in the financial statements required to avoid the financial statements being misleading. (Whether, and if so, what additional disclosures in the financial statements can avoid financial statements being misleading is a matter of professional judgment for the auditor.)
 - (b) It is recognized in the terms of the audit engagement that:
 - (i) the auditor's report on the financial statements will incorporate an Emphasis of Matter paragraph, drawing users' attention to the additional disclosures, in accordance with CAS 706, *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*; and
 - (ii) unless the auditor is required by law or regulation to express the auditor's opinion on the financial statements by using the phrases "present fairly, in all material respects," or "give a true and fair view" in accordance with the applicable financial reporting framework, the auditor's opinion on the financial statements will not include such phrases.

8. The following is an example of an Emphasis of Matter paragraph in accordance with paragraph 19(b)(i) of CAS 210:

Emphasis of Matter (or other appropriate heading)

Without modifying our opinion, we draw attention to Note X to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and [AcSB or PSAB framework, as appropriate to the type of entity].

9. Paragraph 19(b)(ii) of CAS 210 prohibits the use of the phrase "presents fairly, in all material respects" or "give a true and fair view" in the auditor's opinion unless required by law or regulation to do so. Accordingly, unless required by law or regulation to refer to "presents fairly, in all material respects" or "give a true and fair view", the auditor's opinion would be in the form of an auditor's opinion on financial statements prepared in accordance with a compliance framework as required by paragraph 36 of CAS 700, *Forming an Opinion and Reporting on Financial Statements* (i.e., that the financial statements are prepared, in all material respects, in accordance with [the applicable financial reporting framework]).
10. Paragraph A6 of CAS 700 states that a description that the financial statements are prepared in accordance with a particular applicable financial reporting framework is appropriate only if the financial statements comply with all the requirements of that framework that are effective during the period covered by the financial statements.

11. The auditor may also need to consider the wording of other sections of the auditor's report, depending on the circumstances. For example, the auditor may conclude that the financial reporting framework is not a fair presentation framework and, therefore, the auditor's report should not include the additional references included in the management responsibility and auditor's responsibility sections of the auditor's report required by paragraphs 27 and 32 of CAS 700 when the financial reporting framework is a fair presentation framework (i.e., the explanation of management's responsibility for the financial statements as being for "the preparation and fair presentation of these financial statements" or "the preparation of financial statements that give a true and fair view," and the description of the audit in the auditor's report referring to "the entity's preparation and fair presentation of the financial statements" or "the entity's preparation of financial statements that give a true and fair view," as appropriate in the circumstances).
12. When law or regulation requires the auditor to express an opinion whether the financial statements are "presented fairly, in all material respects", or other similar phrases, the auditor would refer to the relevant law or regulation in developing the wording of the auditor's opinion in the auditor's report and would use the wording required by law or regulation.
13. Paragraph A35 of CAS 210 indicates that in a case where law or regulation prescribes that the wording of the auditor's opinion use the phrases "presents fairly, in all material respects" or "give a true and fair view" and the auditor believes that the applicable financial reporting framework prescribed by law or regulation would otherwise have been unacceptable, the terms of the prescribed wording of the auditor's report in law or regulation are significantly different from the CASs. Paragraph A35 of CAS 210 refers the auditor to paragraph 21 of CAS 210, which requires the auditor to evaluate:
 - (a) whether users might misunderstand the assurance obtained from the audit of the financial statements and, if so,
 - (b) whether additional explanation in the auditor's report can mitigate possible misunderstanding.
14. In performing the evaluation required by paragraph 21 of CAS 210, the auditor may consider it necessary to alert readers that law or regulation requires the auditor to express an opinion using wording that is otherwise prohibited by the CASs. Such an alert may be included in an Other Matter paragraph or in the section of the auditor's report subtitled "Reporting on Other Legal and Regulatory Requirements," as appropriate. The following is an example of such an alert:

Other Matter (or other appropriate heading)

We wish to alert readers that we are required by [specify legislation or regulation] to express our opinion on the financial statements using the phrase “presents fairly, in all material respects”, which would not be the case under Canadian generally accepted auditing standards as we have determined that the financial reporting framework prescribed by [legislation or regulation] would be unacceptable for the Company but for the fact that it is prescribed by law or regulation.

15. Paragraph 20 of CAS 210 states that if the conditions outlined in paragraph 19 are not present and the auditor is required by law or regulation to undertake the audit engagement, the auditor shall:
 - (a) evaluate the effect of the misleading nature of the financial statements on the auditor’s report; and
 - (b) include appropriate reference to this matter in the terms of the audit engagement.
16. In performing such evaluation, the auditor would make reference to CAS 705, *Modifications to the Opinion in the Independent Auditor’s Report*, and modify his or her opinion accordingly.

Q&A 2(k) Prior period financial statements audited by a predecessor auditor

What are the implications for the successor auditor's report when prior period financial statements were audited by a predecessor auditor?

1. Q&A 2(a) discusses comparative information and its effect on the auditor's report, including the difference between "corresponding figures" and "comparative financial statements". This Q&A discusses the similarities and differences between these two reporting approaches in the context of the requirements in CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, when prior period financial statements are audited by a predecessor auditor. It also addresses reporting implications when financial information in the prior period financial statements audited by a predecessor auditor is restated. Where necessary to improve the clarity of this Q&A, the word "successor" has been added to text of requirements and application material in the CASs.

Reference to a predecessor auditor

2. Paragraph 13 of CAS 710, which applies to the corresponding figures reporting approach, indicates that if the financial statements of the prior period were audited by a predecessor auditor and the successor auditor is not prohibited by law or regulation from referring to the predecessor auditor's report on the corresponding figures and decides to do so, the successor auditor shall state in an Other Matter paragraph in the successor auditor's report:
 - (a) that the financial statements of the prior period were audited by the predecessor auditor;
 - (b) the type of opinion expressed by the predecessor auditor and, if the opinion was modified, the reasons therefore; and
 - (c) the date of that report.
3. Accordingly, under the corresponding figures reporting approach, the successor auditor may, but is not required to, include an Other Matter paragraph referring to a predecessor auditor. Illustrative Reports in this Guide dealing with the corresponding figures reporting approach when a predecessor auditor is involved (Illustrative Reports 7(b), 7(f), 7(j), 7(n) and 7(t)) assume the successor auditor has decided to refer to the predecessor auditor and, therefore, include such an Other Matter paragraph.
4. Paragraph 17 of CAS 710, which applies to the comparative financial statements reporting approach, indicates that if the financial statements of the prior period were audited by a predecessor auditor and the predecessor auditor's report on the prior period's financial statements is not reissued with the current period financial statements, in addition to expressing an opinion on the current period's financial statements, the successor auditor shall state in an Other Matter paragraph:
 - (a) that the financial statements of the prior period were audited by a predecessor auditor;

- (b) the type of opinion expressed by the predecessor auditor and, if the opinion was modified, the reasons therefore; and
- (c) the date of that report.
5. Accordingly, under the comparative financial statements reporting approach, the successor auditor is required to include an Other Matter paragraph referring to a predecessor auditor when the predecessor auditor does not reissue his or her report. Illustrative Reports in this Guide dealing with the comparative financial statements reporting approach when a predecessor auditor is involved (Illustrative Reports 7(d), 7(h), 7(l), 7(p), 7(q), 7(r) and 7(v)) assume the predecessor auditor's report on the prior period's financial statements is not reissued with the current period financial statements and, therefore, include such an Other Matter paragraph.
 6. When the predecessor auditor's report on the prior period's financial statements is not reissued with the financial statements, the successor auditor's report will include an Other Matter paragraph referring to a predecessor auditor. Consequently, the successor auditor's report under the comparative financial statements reporting approach will often be identical to the auditor's report under the corresponding figures reporting approach with respect to reference to the predecessor auditor when the successor auditor decides to refer to the predecessor auditor's report under the corresponding figures reporting approach.
 7. When the predecessor auditor's report on the prior period's financial statements is reissued, the successor auditor may, but is not required to, include an Other Matter paragraph referring to a predecessor auditor. Consequently, the successor auditor under the comparative financial statements reporting approach has a choice with respect to reference to the predecessor auditor similar to the successor auditor under the corresponding figures reporting approach. As a result, the successor auditor's report under the comparative financial statements reporting approach may be identical to the auditor's report under the corresponding figures reporting approach with respect to reference to the predecessor auditor in this circumstance.
 8. The following is an example of an Other Matter paragraph referring to the predecessor auditor included in the successor auditor's report:

Other Matter (or other appropriate heading)

The financial statements of ABC Company for the year ended [end of prior reporting period] were audited by another auditor who expressed an unmodified opinion on those financial statements on [date].
 9. The Other Matter paragraph referred to in paragraph 8 of this Q&A may need to be revised when the comparative information in the current period financial statements has been restated from the prior period financial statements, and the predecessor auditor has not reported on the restated comparative information or the

restated and reissued financial statements. The following is an example of an Other Matter paragraph referring to the predecessor auditor in this circumstance (underlining has been used to identify differences in the wording from the example in paragraph 8 of this Q&A):

Other Matter (or other appropriate heading)

The financial statements of ABC Company for the year ended [end of prior reporting period] (prior to the restatement described in Note X to the financial statements) were audited by another auditor who expressed an unmodified opinion on those financial statements on [date].

Restatement of financial information in prior period financial statements

10. The financial information in the prior period financial statements may be restated for a number of reasons, (for example, to reflect the correction of an error, the retrospective application of an accounting policy or reclassification of amounts). Depending on various factors (for example, the nature of the restatement and whether the issuance of financial statements for a subsequent period is imminent), the entity may adopt either of two possible approaches to reflect the restatement:
- (a) restating and reissuing the prior period financial statements, or
 - (b) restating the comparative information in the current period financial statements.

Irrespective of the approach followed by the entity, the successor auditor is required by paragraph 6 of CAS 510, *Initial Audit Engagements – Opening Balances*, to obtain sufficient appropriate audit evidence about whether the opening balances contain misstatements that materially affect the current period's financial statements, including determining whether the prior period's closing balances have been correctly brought forward to the current period or, when appropriate, have been restated. However, the implications for the successor auditor's report on the current period financial statements will depend on the approach followed by the entity and the respective involvement of the successor auditor and the predecessor auditor.

11. The following sets out the two possible approaches discussed in paragraph 10 of this Q&A:
- (a) When the entity restates and reissues the prior period financial statements, as discussed in paragraph 10(a) of this Q&A, the predecessor auditor, in most circumstances, will be engaged to reissue the auditor's report on the restated and reissued prior period financial statements or, in rare circumstances, the successor auditor will be engaged to audit the restated and reissued prior period financial statements. Paragraphs 2-8 of this Q&A include guidance when the predecessor auditor's report is reissued on the restated and reissued prior period financial statements. When the successor auditor has audited both the restated and reissued prior period financial statements and the current period financial statements, and assuming no other comparative information is being presented, this Q&A does not apply because there is no predecessor auditor involved.

- (b) When the entity does not restate and reissue the prior period financial statements but restates the comparative information in the current period financial statements, as discussed in paragraph 10(b) of this Q&A, the reporting implications will depend on the respective involvement of the successor auditor and the predecessor auditor. This involvement may be affected by such things as the needs of the users of the financial statements, including the requirements of securities regulators (who may require that there be an audit opinion on all periods presented), and the willingness of the respective auditor to be involved. For example:
 - (i) the successor auditor may be engaged to report on the proper application of the restatement (i.e., the appropriateness of the adjustments to the comparative information in the current period financial statements) but neither the successor auditor nor the predecessor auditor is engaged to opine on the restated comparative information taken as a whole; (however, this does not mean that the comparative information is described as being unaudited);
 - (ii) the predecessor auditor may be engaged to report on the comparative information included in the current period financial statements and the successor auditor engaged to report only on the current period financial statements, other than the comparative information; or
 - (iii) the successor auditor may be engaged to report on the comparative information included in the current period financial statements in addition to the current period financial statements.
12. The following sets out the circumstance in paragraph 11(b)(i) of this Q&A when the successor auditor is engaged to report on the proper application of the restatement:
- (a) Under the corresponding figures reporting approach, there is no requirement for the successor auditor to explain in his or her report that the application of the restatement to the comparative information has been audited. However, when the successor auditor is engaged to report on the proper application of the restatement (i.e., the appropriateness of the adjustments to the comparative information in the current period financial statements), the successor auditor may consider it appropriate to include an Other Matter paragraph reporting on the proper application of the restatement. In that situation, the successor auditor may also refer to the predecessor auditor as having audited the comparative information before the restatement, as discussed in paragraph 9 of this Q&A.
 - (b) Under the comparative financial statements reporting approach, when the predecessor auditor does not reissue his or her report on the prior period financial statements, paragraph A11 of CAS 710 states that if the successor auditor is engaged to audit and obtains sufficient appropriate audit evidence to be satisfied as to the appropriateness of the amendment, the auditor's report may include an Other Matter paragraph. Such an Other Matter paragraph reports on the proper application of the restatement (i.e., the appropriateness of the adjustments

to the comparative information in the current period financial statements). In that situation, the successor auditor must also refer to the predecessor auditor as having audited the comparative information before the restatement, as discussed in paragraph 9 of this Q&A.

- (c) The following is an example of an extension of the Other Matter paragraph (referred to in paragraph 9 of this Q&A) included in the successor auditor's report referring to the audit of the restatement :

As part of our audit of the financial statements of ABC Company for the year ended [end of current reporting period], we also audited the adjustments described in Note X that were applied to restate the financial statements for the year ended [end of prior reporting period]. In our opinion, such adjustments are appropriate and have been properly applied.

- (d) When the successor auditor has been engaged to report on the proper application of the restatement (i.e., the appropriateness of the adjustments to the comparative information in the current period financial statements) but has not been engaged to perform any other procedures related to the comparative information or the prior period financial statements audited by the predecessor auditor, the successor auditor may determine it necessary to clearly communicate this fact. The successor auditor may consider it appropriate to extend the Other Matter paragraph (referred to in paragraphs 9 and 12(c) of this Q&A) to clarify the successor auditor's involvement in the comparative information.
- (e) The following is an example of an extension of the Other Matter paragraph (referred to in paragraph 12(d) of this Q&A) to clarify the successor auditor's involvement in the comparative information:
- We were not engaged to audit, review, or apply any procedures to the financial statements of ABC Company for the year ended [end of prior reporting period] other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the financial statements for the year ended [end of prior reporting period] taken as a whole.
- (f) See Illustrative Report 7(p) for an example of the Other Matter paragraph that includes the extensions discussed in paragraphs 12(c) and 12(e) of this Q&A.

13. The following sets out the circumstance in paragraph 11(b)(ii) of this Q&A when the predecessor auditor is engaged to report on the comparative information included in the current period financial statements and the successor auditor is engaged to report only on the current period financial statements, other than the comparative information:
- (a) The successor auditor and the predecessor auditor would need to consider how to clearly describe their respective responsibilities with respect to the entity's current period financial statements.
- (b) The predecessor auditor would describe what financial information comprises the comparative information on which the auditor is reporting. The predecessor auditor also may decide to include an Other Matter paragraph describing the

information in the current period financial statements that has been audited by the successor auditor. The following is an example of such an Other Matter paragraph for financial statements prepared in accordance with IFRSs:

Other Matter (or other appropriate heading)

The accompanying financial statements of ABC Company, which comprise the statement of financial position as at [end of current reporting period], the statement of comprehensive income, statement of changes in equity, and statement of cash flows of ABC Company for the year ended [end of current reporting period], and the summary of significant accounting policies and other explanatory information, were audited by another auditor who expressed an unmodified opinion on [date].

- (c) Since the predecessor auditor is issuing an opinion on the comparative information, the successor auditor is not required to add an Other Matter paragraph referring to the predecessor auditor. However, to clarify the respective responsibilities of the successor auditor and the predecessor auditor, the successor auditor may wish to include an Other Matter paragraph stating that the comparative information, including Note X, which describes the restatement of the comparative information, was audited by another auditor. The following is an example of such an Other Matter paragraph for financial statements prepared in accordance with IFRSs:

Other Matter (or other appropriate heading)

The accompanying comparative information of ABC Company, which comprises the statement of financial position as at [end of prior reporting period], the statement of comprehensive income, statement of changes in equity, and statement of cash flows of ABC Company for the year then ended, and the summary of significant accounting policies and other explanatory information, including Note X, which explains that certain comparative information has been restated, were audited by another auditor who expressed an unmodified opinion on [date].

Restatement of financial information in prior period financial statements when an opening statement of financial position is presented

14. Some financial reporting frameworks require that an entity present a third statement of financial position (“opening balance sheet”) as at the beginning of the preceding period in addition to the minimum comparative financial statements required by the financial reporting framework (for example, see paragraph 40A of IAS 1 *Presentation of Financial Statements*, when an entity applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements and the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period). In this circumstance, the opening balance sheet reflects the statement of financial position as at the end of the prior period, audited by the predecessor

auditor, subsequent to the adjustments applied to restate the financial information.

15. The following assumptions are used as a basis for examples of the reporting implications discussed in paragraphs 16 and 17 of this Q&A in respect of the two reporting approaches discussed in paragraph 11(b) of this Q&A:
- The financial statements are for the year ended December 31, 20X2 with comparative information for the year ended December 31, 20X1.
 - The predecessor auditor audited the financial statements for the years ended December 20X1 and prior.
 - The successor auditor audited the December 20X2 financial statements.
 - The December 20X1 comparative information has been restated and an opening balance sheet as at January 1, 20X1, derived from the statement of financial position as at December 31, 20X0, is presented.
16. The following are examples of references to the audit of the restatement, applying the assumptions in paragraph 15 of this Q&A, when the successor auditor is engaged to report on the proper application of the restatement as discussed in paragraph 11(b)(i) of this Q&A. Adjustments arising from such application were applied to restate the December 20X1 comparative information, and derive the opening balance sheet as at January 1, 20X1. (underlining has been used to identify differences in the wording from the examples included in paragraphs 9, 12(c) and 12(e) of this Q&A):
- (a) When the successor auditor's report includes the Other Matter paragraph referred to in paragraph 9 of this Q&A:
- Other Matter** (or other appropriate heading)
- The statement of financial position as at January 1, 20X1 of ABC Company has been derived from the statement of financial position as at December 31, 20X0 (not presented herein). The financial statements of ABC Company for the years ended December 31, 20X1 and 20X0 (prior to the restatement described in Note X to the financial statements) were audited by another auditor who expressed an unmodified opinion on those financial statements on [dates] respectively.
- (b) When the successor auditor's report includes the extension of the Other Matter paragraph referred to in paragraph 12(c) of this Q&A:
- As part of our audit of the financial statements of ABC Company for the year ended December 31, 2012, we also audited the adjustments described in Note X that were applied to restate the financial statements for the year ended December 31, 20X1 and to derive the statement of financial position as at January 1, 20X1. In our opinion, such adjustments are appropriate and have been properly applied.

- (c) When the successor auditor's report includes the extension of the Other Matter paragraph referred to in paragraph 12(e) of this Q&A:

We were not engaged to audit, review, or apply any procedures to the financial statements of ABC Company for the years ended December 31, 20X1 and 20X0, or to the statement of financial position as at January 1, 20X1 other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the financial statements for the years ended December 31, 20X1 and 20X0, or the statement of financial position as at January 1, 20X1, taken as a whole.

See Illustrative Report 7(q) for an example of the auditor's report in this circumstance.

17. The following addresses references in the predecessor auditor's report and the successor auditor's report, applying the assumptions in paragraph 15 of this Q&A, when the predecessor auditor is engaged to report on the comparative information included in the current period financial statements and the successor auditor is engaged to report only on the current period financial statements, other than the comparative information, as discussed in paragraph 11(b)(ii) of this Q&A:

- (a) When the predecessor auditor's report contains the Other Matter paragraph referred to in paragraph 13(b) of this Q&A, the Other Matter paragraph would be unchanged.
- (b) When the successor auditor's report includes the Other Matter paragraph referred to in paragraph 13(c) of this Q&A (underlining has been used to identify differences in the wording from the example included in paragraph 13(c) of this Q&A):

Other Matter (or other appropriate heading)

The accompanying comparative information of ABC Company, which comprises the statements of financial position as at [end of prior reporting period] and [beginning of prior reporting period], the statement of comprehensive income, statement of changes in equity, and statement of cash flows of ABC Company for the year then ended [end of prior reporting period], and the summary of significant accounting policies and other explanatory information, including Note X, which explains that certain comparative information has been restated, were audited by another auditor who expressed an unmodified opinion on [date].

See Illustrative Report 7(r) for an example of the auditors' reports in this circumstance.

QUESTIONS & ANSWERS ON REPORTING ON A SINGLE FINANCIAL STATEMENT AND A SPECIFIC ELEMENT, ACCOUNT OR ITEM OF A FINANCIAL STATEMENT

Q&A 3(a) Reporting on a Single Financial Statement and a Specific Element, Account or Item of a Financial Statement

Q&A 3(a)(i) Which CASs apply to the audit of a single financial statement and a specific element, account or item of a financial statement?

1. The CASs are to be applied in the audit of financial statements and other historical financial information. Other Canadian Standards, in the CPA Canada Handbook – Assurance, contains engagement standards that are applied in the audit of a variety of engagements other than audits of financial statements and other historical financial information. In some cases, it may not be clear which engagement standards the practitioner uses when engaged to report on information. (See the Appendix to this Q&A for a decision tree that assists in deciding which standards are applicable to the information under audit.)

Q&A 3(a)(ii) Is the information “historical financial information”?

2. Paragraph 13(g) of CAS 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Canadian Auditing Standards*, defines “historical financial information” as information expressed in financial terms in relation to a particular entity, derived primarily from that entity’s accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.
3. An entity may prepare information that is not historic financial information. The information may, for example, not be expressed in financial terms, such as the number of containers processed in a recycling facility, or it may not relate to economic events occurring in past time periods (for example, projections or forecasts of financial performance). An audit of such information is not conducted in accordance with the CASs. The auditor may refer to Other Canadian Standards for guidance.
4. In some circumstances, the information the practitioner is engaged to audit may be a combination of non-financial and historical financial information. [This issue will be addressed in a subsequent issue of this Guide.]

Q&A 3(a)(iii) Does the historical financial information comprise a complete set of financial statements?

5. When the auditor is engaged to report on a complete set of financial statements, the auditor makes reference to CAS 700, *Forming an Opinion and Reporting on Financial Statements* (for a complete set of financial statements prepared in accordance with a general purpose framework), or CAS 800, *Special Considerations – Audits of Financial Statements Prepared in Accordance with*

Special Purpose Frameworks (for a complete set of financial statements prepared in accordance with a special purpose framework), as appropriate, in determining how to report. When the auditor concludes that historical financial information the auditor is engaged to audit is not a complete set of financial statements, the auditor not only makes reference to CAS 700 or CAS 800, as appropriate, the auditor also makes reference to CAS 805, *Special Considerations — Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*.

6. Paragraph 13(f) of CAS 200 defines the term “financial statements” as a structured representation of historical financial information, including related notes, intended to communicate an entity’s economic resources or obligations at a point in time, or the changes therein for a period of time, in accordance with a financial reporting framework. It also states that the term ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework.
7. When the applicable financial reporting framework is one of the financial reporting frameworks in the CPA Canada Handbook – Accounting or the CPA Canada Public Sector Accounting Handbook, or another generally accepted general purpose framework such as US GAAP, the application of all of the requirements of such a framework typically results in the preparation of a complete set of financial statements.
8. A complete set of financial statements comprises financial statements that are designed as an integrated package to provide information for users. For example, general purpose financial statements comprising a balance sheet, income statement and statement of cash flows are designed to present, as an integrated package, the financial position, financial performance/results of operations and cash flows of an entity. However, some financial reporting frameworks may prescribe financial information that is not integrated but comprises a package of individual financial statements or schedules (for example, when a lender requires separate statements identifying financial statement items for debt covenant purposes). Such a package of financial information would likely not constitute a complete set of financial statements. Therefore, the auditor may need to consider the underlying objective of the package of financial information in determining whether the package is a complete set of financial statements or not and whether or not to apply the requirements in CAS 805.
9. When a special purpose framework prescribes the financial statements, and the related notes, that must be prepared to communicate the economic resources or obligations at a point in time or the changes therein for a period of time, these financial statements comprise a complete set of financial statements, even though the special purpose financial reporting framework does not require all of the financial statements or disclosures that would be required by a general purpose framework. This is because paragraph 13(f) of CAS 200 contemplates a complete set of financial statements “as determined by the requirements

of the applicable financial reporting framework,” and the financial reporting framework is designed to meet the financial information needs of specific users.

Q&A 3(a)(iv) What are the implications of CAS 805 on the work effort relating to the audit of a single financial statement and a specific element, account or item of a financial statement?

10. When the auditor is engaged to audit a complete set of financial statements, the scope of the engagement and the expected form of the auditor’s report are generally clear. However, when the auditor is engaged to audit a single financial statement and a specific element, account or item of a financial statement, the auditor may need to clarify the scope of the engagement, as this will affect how the auditor plans and performs the engagement and the form of the auditor’s report. This is particularly the case when the auditor is reporting on a schedule of specific elements, accounts or items of a financial statement. For example, management may be required to prepare a schedule containing bank balances, inventory, accounts receivable, accounts payable and a net balance. The auditor may need to determine whether the audit engagement is to opine on the individual financial statement items in the schedule or on the net balance. In the former case, the auditor’s consideration of such things as materiality, assessing compliance with the financial reporting framework, assessing the adequacy of disclosures and fair presentation (when the financial reporting framework is a fair presentation framework), would be made in relation to the individual financial statement items. In the latter case, the auditor’s consideration would be made in relation to the presentation of the net balance.

Q&A 3(a)(v) How is the financial reporting framework described in the auditor’s report when reporting on a single financial statement and a specific element, account or item of a financial statement?

11. The CASs in the 100-700 series, and CAS 800, if applicable, apply to an audit of financial statements and are to be adapted as necessary in the circumstances when applied to audits of other historical financial information, such as audits of single financial statements and specific elements, accounts or items of a financial statement. CAS 805 deals with the special considerations in the application of those CASs to an audit of a single financial statement or of a specific element, account or item of a financial statement.
12. Accordingly, before accepting an engagement to report on a single financial statement and a specific element account or item of a financial statement, paragraph 6(a) of CAS 210, *Agreeing the Terms of Audit Engagements*, requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation of the financial statement or the specific element account or item of a financial statement. Paragraph 8 of CAS 805 indicates that such determination includes whether application of the financial reporting framework will result in a presentation that provides adequate disclosures to enable intended users to understand the information conveyed in the single financial statement or the specific element, account or item of a financial

statement and the effect of material transactions and events conveyed in the single financial statement or specific element, account or item of a financial statement.

13. Paragraph 15 of CAS 700 requires the auditor to evaluate whether the financial statements adequately refer to or describe the applicable financial reporting framework. In the case of financial statements prepared in accordance with the provisions of a contract, paragraph 12 of CAS 800 requires that the auditor shall evaluate whether the financial statements adequately describe any significant interpretations of the contract on which the financial statements are based. Paragraph A6 of CAS 200 states that a financial reporting framework ordinarily embodies sufficient broad principles that can serve as a basis for developing and applying accounting policies that are consistent with the concepts underlying the requirements of the framework. Accordingly, even when a financial reporting framework requires minimal disclosures be provided in notes to the single financial statement or the specific element, account or item of a financial statement, the single financial statement or the specific element, account or item of a financial statement should include a description of the applicable financial reporting framework. In some cases, a simple reference (for example, to the financial reporting provisions of a contract) may be sufficient to describe the financial reporting framework. This would be the case, for example, when the financial reporting provisions of the contract are sufficiently detailed and not subject to significant interpretation. In other cases, more detail may need to be provided as to the principles and any significant interpretations used as a basis for developing and applying accounting policies in the preparation of the single financial statement or the specific element, account or item of a financial statement.
14. Paragraph A7 of CAS 805 deals with when a single financial statement or a specific element, account or item of a financial statement is prepared in accordance with an applicable financial reporting framework that is based on a financial reporting framework established by an authorized or recognized standards setting organization for the preparation of a complete set of financial statements (for example, International Financial Reporting Standards or Canadian accounting standards for private enterprises). In this case, determination of the acceptability of the applicable financial reporting framework may involve considering whether the applicable framework includes all the recognition, measurement, presentation and disclosure requirements of the framework on which it is based that are relevant to the preparation of a single financial statement or of a specific element, account or item of a financial statement.
15. In many cases, the financial reporting framework for preparation of a single financial statement and a specific element, account or item of a financial statement may not be specific enough to serve as a basis for management to develop and apply accounting policies, as discussed in paragraph A6 of CAS 200, or may make a general statement (for example, that the single financial statement or the specific element, account or item of a financial statement

be prepared in accordance with “Canadian generally accepted accounting principles”. This creates the following challenges for management and the auditor:

- (a) Because Canadian GAAP includes different financial reporting frameworks, management needs to identify an appropriate financial reporting framework for the purpose of the single financial statement or the specific element, account or item of a financial statement that is being prepared. This financial reporting framework is often, but not always, the same financial reporting framework that is used in preparing the entity’s complete set of financial statements.
- (b) The financial reporting framework may not explicitly address the preparation of the single financial statement or the specific element, account or item of a financial statement. Therefore, management may need to make accounting policy choices designed to ensure recognition and measurement that is consistent with the financial reporting framework.
- (c) When other financial statement items are interrelated with the financial statement items included in the single financial statement or the specific element, account or item of a financial statement being prepared by management, determining the accounting policy choices relevant to preparation of the single financial statement or the specific element, account or item of a financial statement may be complex.
- (d) In prescribing that the single financial statement or the specific element, account or item of a financial statement be prepared in accordance with “Canadian generally accepted accounting principles,” for example, the intention of those prescribing the financial reporting framework may only have been that the elements, accounts or items of the financial statement be prepared in accordance with the recognition, measurement and presentation requirements of Canadian GAAP and not all the related disclosures that Canadian GAAP would require for those elements, accounts or items be provided.

16. For these reasons, the auditor’s decision as to the acceptability of the financial reporting framework and the form of opinion that the auditor can express on the single financial statement or the specific element, account or item of a financial statement requires the use of professional judgment. For example, when the single financial statement or the specific element, account or item of a financial statement is extracted directly from the entity’s complete set of financial statements and the related accounting policies and disclosures are easy to identify, the auditor considers whether the financial reporting framework can be appropriately described as one of the financial reporting frameworks in Canadian GAAP and the auditor’s opinion expressed in relation to that framework. In reaching a conclusion, the auditor would consider whether the single financial statement or the specific element, account or item of a financial statement takes into account all relevant requirements of the financial reporting framework, including those dealing with such things as subsequent events, related party disclosures, and financial instrument recognition and measurement. In such a circumstance, the financial reporting framework is a general purpose framework and the auditor’s report would be based on

the requirements in CAS 700 and CAS 805. (Refer to Q&A 2(c) in this Guide, which deals with the form of the auditor's report on financial statements prepared in accordance with different general purpose frameworks.) Q&A 2(c) addresses the circumstance when financial statements prepared for a specific purpose are prepared in accordance with a general purpose financial reporting framework.

17. In other circumstances (for example, for a schedule of operating costs prepared in accordance with the terms of a lease agreement where the specific element, accounts or items included in the schedule are specifically defined in the lease agreement), the auditor may conclude that the financial reporting framework applied in the preparation of the single financial statement or the specific element, account or item of a financial statement cannot be appropriately described as one of the financial reporting frameworks in Canadian GAAP and it would not be appropriate for the auditor's opinion to be expressed in relation to that framework. In such a circumstance, the financial reporting framework might be described by reference to the financial reporting provisions of the lease agreement, for example. Such a financial reporting framework is a special purpose framework and the auditor's report would be based on the requirements in CAS 800 and CAS 805 in addition to CAS 700.
18. Paragraph 13 of CAS 800 requires that if management has a choice of financial reporting frameworks in the preparation of a single financial statement or the specific element, account or item of a financial statement, the explanation of management's responsibility for the single financial statement or the specific element, account or item of a financial statement shall also make reference to its responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances. (Refer to Q&A 2(g) in this Guide for guidance when management has a choice of financial reporting frameworks in the preparation of special purpose financial statements.)

Q&A 3(a)(vi) Is the financial reporting framework a fair presentation or a compliance framework?

19. In reporting in accordance with CAS 805, the auditor needs to consider whether the financial reporting framework is a fair presentation or a compliance financial reporting framework. (Refer to Q&A 2(d) in this Guide for guidance on fair presentation versus compliance frameworks.)

Q&A 3(a)(vii) How does the auditor describe in the auditor's report the financial information on which the auditor is reporting?

20. As discussed in paragraph 10 of this Q&A, when the auditor is engaged to audit a single financial statement and a specific element, account or item of a financial statement, the auditor may need to clarify the scope of the engagement as this will affect how the auditor plans and performs the engagement and the form of the auditor's report. Doing so may become more important when the entity is required to prepare a package of financial information comprising separate individual financial statements or schedules. It

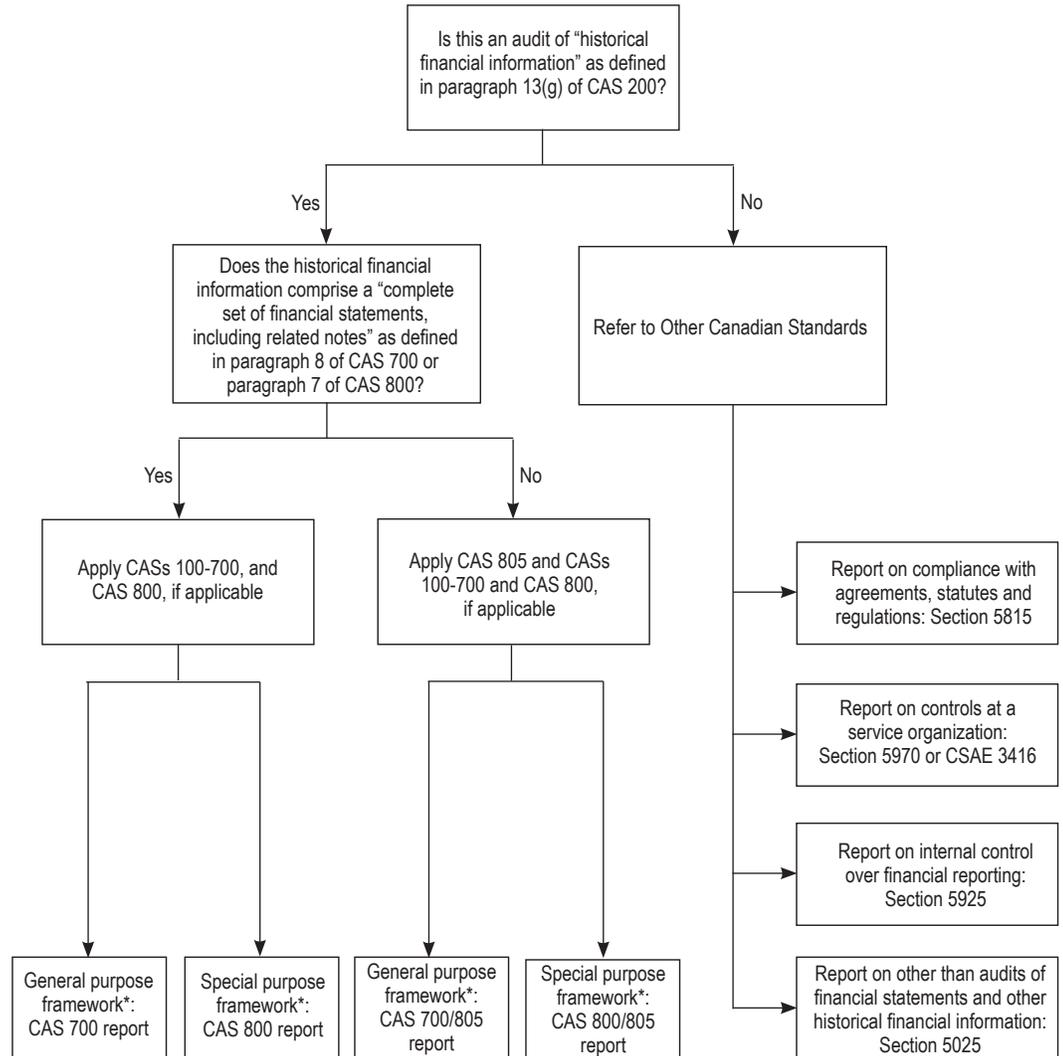
is important that the auditor's report clearly explain the information on which the auditor is reporting so that readers can understand, for example, whether the auditor is reporting on the package taken as a whole or separately on single financial statements and specific elements, accounts or items of a financial statement. In some cases, the auditor may consider it more appropriate to issue two or more auditor's reports on the package of financial information to facilitate this understanding.

Q&A 3(a)(viii) How does the auditor describe in the opinion paragraph in the auditor's report the information in the single financial statement, specific element, account or item of a financial statement?

21. Q&A 1(c) in this Guide discusses this topic in the context of a complete set of financial statements and refers to paragraph A29 of CAS 700, which states that, in the case of financial statements prepared in accordance with a fair presentation framework, the auditor's opinion states that the financial statements presents fairly, in all material respects, or give a true and fair view of the information that the financial information is designed to present. Paragraph A29 of CAS 700 would also be applied in the context of an audit of a single financial statement and a specific element, account or item of a financial statement. For example, when the auditor is reporting on a balance sheet prepared in accordance with a fair presentation framework, the opinion paragraph in the auditor's report would be worded as follows: "In our opinion, the financial statement presents fairly, in all material respects, the financial position of [the Company] as at [date] in accordance with [the applicable financial reporting framework]."
22. Paragraph 36 of CAS 700 states that when expressing an unmodified opinion on financial statements prepared in accordance with a compliance framework, the auditor's opinion shall be that the financial statements are prepared, in all material respects, in accordance with [the applicable financial reporting framework]. When the auditor is reporting on a single financial statement and a specific element, account or item of a financial statement prepared in accordance with a compliance framework, the auditor's opinion may be worded as follows: "In our opinion, the ["financial statement" or "schedule", as appropriate] of ABC Company ["as at" or "for the period ended", as appropriate] December 31, 2011 is prepared, in all material respects, in accordance with [the applicable financial reporting framework]."

APPENDIX

Decision tree for deciding which standards apply to information under audit.



* In each case, the financial reporting framework may be either a fair presentation or compliance framework

ILLUSTRATIVE REPORTS

INTRODUCTION TO ILLUSTRATIVE REPORTS

1. These Illustrative Reports reflect the principles discussed in Q&A 1(b) of this Guide.
2. The transition provisions in certain parts of the CPA Canada Handbook – Accounting require that the financial statements in the first year of adoption of a new financial reporting framework contain an opening statement of financial position. For example, for an entity with a calendar year end, the entity's first financial statements would include the entity's statements of financial position as at:
 - (a) December 31, 2011;
 - (b) December 31, 2010; and
 - (c) January 1, 2010 (opening statement of financial position).

The effective date for adoption of International Financial Reporting Standards (IFRSs) and Canadian accounting standards for private enterprises is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier application is permitted. Illustrative Reports indicate whether the financial statements are prepared in accordance with IFRSs or Canadian accounting standards for private enterprises on their effective date or whether these accounting standards have been early adopted. Illustrative Reports, based on the calendar periods referred to above, would also be appropriate in circumstances where an entity transitions to a new financial reporting framework at later dates, with appropriate changes to the dates in the reports.

3. Illustrative Reports may differ depending on whether the auditor's report extends to the comparative information in the financial statements and whether the auditor's report is prepared in accordance with the reporting requirements in effect prior to or after the issuance of the CASs. Q&As 1(d) and 2(a) in this Guide discusses comparative information and the audit reporting differences under the CASs depending on whether the auditor's opinion on the financial statements refers to the current period only or to each period for which financial statements are presented.
4. Illustrative Reports have been grouped together into similar topics.
5. Underlining has been used, where appropriate, to help readers identify differences in the wording of the Illustrative Reports.

FIRST FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

1(a) IFRSs Are Adopted for Financial Statement Periods Ending Prior to December 14, 2010 — Auditor's Report Refers to Each Period for which Financial Statements Are Presented

- **The financial statement period for the first financial statements prepared in accordance with IFRSs is the year ended December 31, 2009.**
- **The auditor's report refers to each period for which financial statements are presented.**
- **The audit is conducted in accordance with Canadian GAAS prior to the effective date of the CASs.**

(Please read Introduction to Illustrative Reports)

1. The entity's first financial statements prepared in accordance with IFRSs would include the entity's statement of financial position as at:
 - (a) December 31, 2009;
 - (b) December 31, 2008; and
 - (c) January 1, 2008 (opening statement of financial position prepared in accordance with IFRSs).
2. The auditor may have performed an audit of the entity's financial statements prepared in accordance with pre-changeover accounting standards for the years ended December 31, 2008 and December 31, 2007. However, these financial statements are not included in the first financial statements of the entity prepared in accordance with IFRSs. Rather, the first financial statements prepared in accordance with IFRSs include the financial statements for the year ended December 31, 2008 and the January 1, 2008 opening statement of financial position prepared in accordance with IFRSs. Unless specifically engaged to do so, the auditor will not have audited and reported on these financial statements. Accordingly, in order for the auditor's report to refer to each period for which financial statements are presented, the auditor would need to audit the financial statements for the year ended December 31, 2008 and the January 1, 2008 opening statement of financial position prepared in accordance with IFRSs.
3. Section 5400, *The Auditor's Standard Report*, requires that in the opinion paragraph the auditor express his or her opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the entity in accordance with Canadian GAAP. (Refer to Q&A 1(b) in this Guide for guidance on the form of opinion.)
4. This Illustrative Report is based on Example A in Assurance and Related Services Guideline AuG-8, *Auditor's Report on Comparative Financial Statements*, which provides guidance

when the auditor's report is extended to the comparative financial statements.

AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the statements of financial position of ABC Company as at December 31, 2009, December 31, 2008 and January 1, 2008, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2009 and December 31, 2008. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of ABC Company as at December 31, 2009, December 31, 2008 and January 1, 2008, and its financial performance and its cash flows for the years ended December 31, 2009 and December 31, 2008 in accordance with International Financial Reporting Standards.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

1(b) IFRSs Are Adopted on the Effective Date — Auditor's Report Refers to Each Period for which Financial Statements Are Presented

- **The financial statement period for the first financial statements prepared in accordance with IFRSs is the year ended December 31, 2011.**
- **The auditor's report refers to each period for which financial statements are presented.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. The entity's first financial statements prepared in accordance with IFRSs would include the entity's statements of financial position as at:
 - (a) December 31, 2011;
 - (b) December 31, 2010; and
 - (c) January 1, 2010 (opening statement of financial position prepared in accordance with IFRSs).

2. The auditor may have performed an audit of the entity's financial statements prepared in accordance with pre-changeover accounting standards for the years ended December 31, 2010 and December 31, 2009. However, these financial statements are not included in the first financial statements of the entity prepared in accordance with IFRSs. Rather, the first financial statements prepared in accordance with IFRSs include the financial statements for the year ended December 31, 2010 and the January 1, 2010 opening statement of financial position prepared in accordance with IFRSs. Unless specifically engaged to do so, the auditor will not have audited and reported on these financial statements. Accordingly, in order for the auditor's report to refer to each period for which financial statements are presented, the auditor would need to audit the financial statements for the year ended December 31, 2010 and the January 1, 2010 opening statement of financial position prepared in accordance with IFRSs.

3. Under paragraph 6(c) of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, the comparative information is "comparative financial statements". Comparative financial statements are included for comparison with the financial statements of the current period. The level of information included in those comparative financial statements is comparable with that of the financial statements of the current period. This Illustrative Report is based on Illustration 4 in CAS 710.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Company, which comprise the statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, and the statements of comprehensive income, statements of changes in equity

and statements of cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Company as at December 31, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

1(c) IFRSs Are Adopted on the Effective Date — Auditor's Report Refers to the Current Period Only

- **The financial statement period for the first financial statements prepared in accordance with IFRSs is the year ended December 31, 2011.**
- **The auditor's report refers to the current period only.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. The entity's first financial statements prepared in accordance with IFRSs would include the entity's statements of financial position as at:
 - (a) December 31, 2011;
 - (b) December 31, 2010; and
 - (c) January 1, 2010 (opening statement of financial position prepared in accordance with IFRSs).
2. The auditor may have performed an audit of the entity's financial statements prepared in accordance with pre-changeover accounting standards for the years ended December 31, 2010 and December 31, 2009. However, these financial statements are not included in the first financial statements of the entity prepared in accordance with IFRSs. Rather, the first financial statements prepared in accordance with IFRSs include the financial statements for the year ended December 31, 2010 and the January 1, 2010 opening statement of financial position prepared in accordance with IFRSs. Unless specifically engaged to do so, the auditor will not have audited and reported on these financial statements. The auditor will have performed procedures with respect to the comparative information as required by paragraph 7-9 of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, but these procedures are not necessarily themselves sufficient for the auditor to opine on the comparative information.
3. Under paragraph 6(b) of CAS 710 the comparative information is "corresponding figures". Corresponding figures are amounts and disclosures for the prior period included as an integral part of the current period financial statements, and are intended to be read only in relation to the amounts and other disclosures relating to the current period (referred to as "current period figures"). The level of detail presented in the corresponding amounts and disclosures is dictated primarily by its relevance to the current period figures. This Illustrative Report is based on Illustration 3 in CAS 710.
4. The auditor's report indicates that the comparative information is unaudited in a paragraph after the opinion paragraph in accordance with paragraph 14 of CAS 710 in order to clearly indicate to readers that the December 31, 2010 financial statements and the January 1, 2010 opening statement of financial position prepared in accordance with IFRSs have not been audited. The paragraph also makes reference to the note to the financial

statements that describes the transition to IFRSs. This form of paragraph has been developed to address the specific circumstances discussed in Q&A 1(d) in this Guide when the comparative information is unaudited and is not intended to address other circumstances.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Company, which comprise the statement of financial position as at December 31, 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Company as at December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Comparative Information

Without modifying our opinion, we draw attention to Note X to the financial statements which describes that ABC Company adopted International Financial Reporting Standards on January 1, 2011 with a transition date of January 1, 2010. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at December 31, 2010 and January 1, 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended December 31, 2010 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

FIRST FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH OTHER FINANCIAL REPORTING FRAMEWORKS

2(a) Canadian Accounting Standards for Private Enterprises Are Adopted for Financial Statement Periods Ending Prior to December 14, 2010 — Auditor's Report Refers to the Current Period Only

- **The financial statement period for the first financial statements prepared in accordance with Canadian accounting standards for private enterprises is the year ended December 31, 2009**
- **The auditor's report refers to the current period only.**
- **The audit is conducted in accordance with Canadian GAAS prior to the effective date of the CASs.**
- **The corresponding figures are not marked as unaudited.**
- **The fact that the corresponding figures are unaudited is not disclosed in the notes to the financial statements.**

(Please read Introduction to Illustrative Reports)

1. The entity's first financial statements prepared in accordance with Canadian accounting standards for private enterprises would include the entity's balance sheet as at:
 - (a) December 31, 2009;
 - (b) December 31, 2008; and
 - (c) January 1, 2008 (opening balance sheet prepared in accordance with Canadian accounting standard for private enterprises).
2. The auditor may have performed an audit of the entity's financial statements prepared in accordance with pre-changeover accounting standards for the years ended December 31, 2008 and December 31, 2007. However, these financial statements are not included in the first financial statements of the entity prepared in accordance with Canadian accounting standards for private enterprises. Rather, the first financial statements prepared in accordance with Canadian accounting standards for private enterprises include the financial statements for the year ended December 31, 2008 and the January 1, 2008 opening balance sheet prepared in accordance with Canadian accounting standards for private enterprises. Unless specifically engaged to do so, the auditor will not have audited and reported on these financial statements.
3. Section 5701, *Other Reporting Matters*, states that where financial statements include unaudited comparative figures for a prior period, they should preferably be clearly marked as unaudited in order to make it clear that the auditor's opinion does not extend to them. If the comparative figures are not marked as unaudited, disclosure should be made, either in the notes to the financial statements or in the auditor's report following the opinion paragraph, that the auditor has not examined, and does not express an opinion on, the financial statements for the preceding period. A paragraph after the opinion paragraph has been included in this Illustrative Report. The paragraph also makes reference to the note to the financial statements that describes the transition

to Canadian accounting standards for private enterprises. This form of paragraph has been developed to address the specific circumstances discussed in Q&A 1(d) in this Guide when the comparative information is unaudited and is not intended to address other circumstances.

4. Because the financial statements are for the year ended December 31, 2009 (i.e., prior to the issuance of the CASs), the audit is conducted in accordance with Canadian GAAS in effect prior to the issuance of the CASs. Section 5400, *The Auditor's Standard Report*, requires that in the opinion paragraph the auditor express his or her opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the entity in accordance with Canadian GAAP. (Refer to Q&A 1(b) in this Guide for guidance on the form of opinion.)

AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the balance sheet of ABC Company as at December 31, 2009 and the statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of ABC Company as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Without modifying our opinion, we draw attention to Note X to the financial statements which describes that ABC Company adopted Canadian accounting standards for private enterprises on January 1, 2009 with a transition date of January 1, 2008. These standards were applied retrospectively by management to the comparative information in these financial statements, including the balance sheets as at December 31, 2008 and January 1, 2008, and the statements of income, retained earnings and cash flows for the year ended December 31, 2008 and related disclosures. We were not engaged to report on the restated comparative information, and as such, we have not audited, and do not express an opinion on, the comparative information.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

2(b) Canadian Accounting Standards for Private Enterprises Are Adopted for Financial Statement Periods Ending Prior to December 14, 2010 — Review Engagement Report Refers to the Current Period Only

- **The financial statement period for the first financial statements prepared in accordance with Canadian accounting standards for private enterprises is the year ended December 31, 2009.**
- **The review engagement report refers to the current period only.**
- **The review is conducted in accordance with Section 8200, Public Accountant's Review of Financial Statements.**
- **The fact that the corresponding figures are neither audited nor reviewed is not disclosed in the financial statements.**

(Please read Introduction to Illustrative Reports)

1. The entity's first financial statements prepared in accordance with Canadian accounting standards for private enterprises would include the entity's balance sheet as at:
 - (a) December 31, 2009;
 - (b) December 31, 2008; and
 - (c) January 1, 2008 (opening balance sheet prepared in accordance with Canadian accounting standards for private enterprises).
2. The public accountant may have performed a review of the entity's financial statements prepared in accordance with pre-changeover accounting standards for the years ended December 31, 2008 and December 31, 2007. However, these financial statements are not included in the first financial statements of the entity prepared in accordance with Canadian accounting standards for private enterprises. Rather, the first financial statements prepared in accordance with Canadian accounting standard for private enterprises include the financial statements for the year ended December 31, 2008 and the January 1, 2008 opening balance sheet prepared in accordance with Canadian accounting standards for private enterprises. Unless specifically engaged to do so, the public accountant will not have reviewed and reported on these financial statements.
3. *General Review Standards*, paragraph 8100.41, requires that when comparative figures were neither audited nor reviewed, and disclosure of such matters is not made in the information on which the public accountant reports, disclosure should be made in a separate and final paragraph of the review engagement report. A final paragraph has been included in this Illustrative Report. The paragraph also makes reference to the note to the financial statements that describes the transition to Canadian accounting standards for private enterprises. This form of paragraph has been developed to address the specific circumstances discussed in Q&A 1(d) in this Guide when the comparative information is neither audited nor reviewed and is not intended to address other circumstances.

4. *General Review Standards*, paragraph 8100.15, requires that in the negative assurance paragraph, the public accountant should express negative assurance as to whether the financial statements are, in all material respects, in accordance with appropriate criteria. (Refer to the Q&A 1(b) in this Guide for guidance on the form of report.)

REVIEW ENGAGEMENT REPORT

[Appropriate Addressee]

We have reviewed the balance sheet of ABC Company as at December 31, 2009 and the statements of income, retained earnings and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the company.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for private enterprises.

We draw attention to Note X to the financial statements which describes that ABC Company adopted Canadian accounting standards for private enterprises on January 1, 2009 with a transition date of January 1, 2008. These standards were applied retrospectively by management to the comparative information in these financial statements, including the balance sheets as at December 31, 2008 and January 1, 2008, and the statements of income, retained earnings and cash flows for the year ended December 31, 2008 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is neither audited nor reviewed.

[Public accountant's signature]

[Date of the review engagement report]

[Public accountant's address]

2(c) Canadian Accounting Standards for Private Enterprises Are Adopted on the Effective Date — Auditor's Report Refers to Each Period for which Financial Statements Are Presented

- **The financial statement period for the first financial statements prepared in accordance with Canadian accounting standards for private enterprises is the year ended December 31, 2011.**
- **The auditor's report refers to each period for which financial statements are presented.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

- 1 The entity's first financial statements prepared in accordance with Canadian accounting standards for private enterprises would include the entity's balance sheets as at:
 - (a) December 31, 2011;
 - (b) December 31, 2010; and
 - (c) January 1, 2010 (opening Canadian accounting standard for private enterprise balance sheet).
- 2 The auditor may have performed an audit of the entity's financial statements prepared in accordance with pre-changeover accounting standards for the years ended December 31, 2010 and December 31, 2009. However, these financial statements are not included in the first financial statements of the entity prepared in accordance with Canadian accounting standards for private enterprises. Rather, the first financial statements prepared in accordance with Canadian accounting standards for private enterprises include the financial statements for the year ended December 31, 2010 and the January 1, 2010 opening balance sheet prepared in accordance with Canadian accounting standards for private enterprises. Unless specifically engaged to do so, the auditor will not have audited and reported on these financial statements. Accordingly, in order for the auditor's report to refer to each period for which financial statements are presented, the auditor would need to audit the financial statements for the year ended December 31, 2010 and the January 1, 2010 opening balance sheet prepared in accordance with Canadian accounting standards for private enterprises.
- 3 Under paragraph 6(c) of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, the comparative information is "comparative financial statements". Comparative financial statements are included for comparison with the financial statements of the current period. The level of information included in those comparative financial statements is comparable with that of the financial statements of the current period. This Illustrative Report is based on Illustration 4 in CAS 710.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheets as at December 31, 2011, December 31, 2010 and January 1, 2010, and the statements of income, retained earnings and cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Company as at December 31, 2011, December 31, 2010 and January 1, 2010, and the results of its operations and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with Canadian accounting standards for private enterprises.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

2(d) Canadian Accounting Standards for Private Enterprises Are Adopted on the Effective Date — Auditor's Report Refers to the Current Period Only

- **The financial statement period for the first financial statements prepared in accordance with Canadian accounting standards for private enterprises is the year ended December 31, 2011.**
- **The auditor's report refers to the current period only.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. The entity's first financial statements prepared in accordance with Canadian accounting standards for private enterprises would include the entity's balance sheet as at:
 - (a) December 31, 2011;
 - (b) December 31, 2010; and
 - (c) January 1, 2010 (opening Canadian accounting standard for private enterprise balance sheet).
2. The auditor may have performed an audit of the entity's financial statements prepared in accordance with pre-changeover accounting standards for the years ended December 31, 2010 and December 31, 2009. However, these financial statements are not included in the first financial statements of the entity prepared in accordance with Canadian accounting standards for private enterprises. Rather, the first financial statements prepared in accordance with Canadian accounting standards for private enterprises include the financial statements for the year ended December 31, 2010 and the January 1, 2010 opening balance sheet prepared in accordance with Canadian accounting standards for private enterprises. Unless specifically engaged to do so, the auditor will not have audited and reported on these financial statements. The auditor will have performed procedures with respect to the comparative information as required by paragraphs 7-9 of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, but these procedures are not necessarily themselves sufficient for the auditor to opine on the comparative information.
3. Under paragraph 6(b) of CAS 710, these figures are "corresponding figures". Corresponding figures are amounts and disclosures for the prior period included as an integral part of the current period financial statements, and are intended to be read only in relation to the amounts and other disclosures relating to the current period (referred to as "current period figures"). The level of detail presented in the corresponding amounts and disclosures is dictated primarily by its relevance to the current period figures. This Illustrative Report is based on Illustration 3 in CAS 710.
4. The auditor's report indicates that the comparative information is unaudited in a paragraph after the opinion paragraph in accordance with paragraph 14 of CAS 710 in order to clearly indicate to readers that the December 31, 2010 financial statements

and the January 1, 2010 opening balance sheet prepared in accordance with Canadian accounting standards for private enterprises have not been audited. The paragraph also makes reference to the note to the financial statements that describes the transition to Canadian accounting standards for private enterprises. This form of paragraph has been developed to address the specific circumstances discussed in Q&A 1(d) in this Guide when the comparative information is unaudited and is not intended to address other circumstances.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 2011, and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Company as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Comparative Information

Without modifying our opinion, we draw attention to Note X to the financial statements which describes that ABC Company adopted Canadian accounting standards for private enterprises on January 1, 2011 with a transition date of January 1, 2010. These standards were applied retrospectively by management to the comparative information in these financial statements, including the balance sheets as at December 31, 2010 and January 1, 2010, and the statements of income, retained earnings and cash flows for the year ended December 31, 2010 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

2(e) Canadian Accounting Standards for Private Enterprises Are Adopted on the Effective Date — Review Engagement Report Refers to the Current Period Only

- **The financial statement period for the first financial statements under accounting standards for private enterprises is the year ended December 31, 2011.**
- **The review engagement report refers to the current period only.**
- **The review is conducted in accordance with Section 8200, Public Accountant's Review of Financial Statements.**
- **The fact that the corresponding figures are neither audited nor reviewed is not disclosed in the financial statements.**

(Please read Introduction to Illustrative Reports)

1. The entity's first financial statements prepared in accordance with Canadian accounting standards for private enterprises would include the entity's balance sheet as at:
 - (a) December 31, 2011;
 - (b) December 31, 2010; and
 - (c) January 1, 2010 (opening Canadian accounting standard for private enterprise balance sheet).
2. The public accountant may have performed a review of the entity's financial statements prepared in accordance with pre-changeover accounting standards for the years ended December 31, 2009 and December 31, 2010. However, these financial statements are not included in the first financial statements of the entity prepared in accordance with Canadian accounting standards for private enterprises. Rather, the first financial statements prepared in accordance with Canadian accounting standard for private enterprises include the financial statements for the year ended December 31, 2010 and the January 1, 2010 opening balance sheet prepared in accordance with Canadian accounting standards for private enterprises. Unless specifically engaged to do so, the public accountant will not have reviewed and reported on these financial statements.
3. *General Review Standards*, paragraph 8100.41, requires that when comparative figures were neither audited nor reviewed, and disclosure of such matters is not made in the information on which the public accountant reports, disclosure should be made in a separate and final paragraph of the review engagement report. A final paragraph has been included in this Illustrative Report. The paragraph also makes reference to the note to the financial statements that describes the transition to Canadian accounting standards for private enterprises. This form of paragraph has been developed to address the specific circumstances discussed in Q&A 1(d) in this Guide when the comparative information is neither audited nor reviewed and is not intended to address other circumstances.
4. *General Review Standards*, paragraph 8100.15, requires that in the negative assurance paragraph, the public accountant should express negative assurance as to whether the financial statements

are, in all material respects, in accordance with appropriate criteria. (Refer to the Q&A 1(b) in this Guide for guidance on the form of report.)

REVIEW ENGAGEMENT REPORT

[Appropriate Addressee]

We have reviewed the balance sheet of ABC Company as at December 31, 2011 and the statements of income, retained earnings and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the company.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for private enterprises.

We draw attention to Note X to the financial statements which describes that ABC Company adopted Canadian accounting standards for private enterprises on January 1, 2011 with a transition date of January 1, 2010. These standards were applied retrospectively by management to the comparative information in these financial statements, including the balance sheets as at December 31, 2010 and January 1, 2010, and the statements of income, retained earnings and cash flows for the year ended December 31, 2010 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is neither audited nor reviewed.

[Public accountant's signature]

[Date of the review engagement report]

[Public accountant's address]

2(f) Canadian Accounting Standards for Not-for-Profit Organizations Are Adopted on the Effective Date — Auditor’s Report Refers to Each Period for which Financial Statements Are Presented

- **The financial statement period for the first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations is the year ended December 31, 2012.**
- **The auditor’s report refers to each period for which financial statements are presented.**
- **The auditor’s report on the prior year, as previously issued, included a qualified opinion arising from a scope limitation.**
- **The matter giving rise to the modification is unresolved.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. The entity’s first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations would include the entity’s statements of financial position as at:
 - (a) December 31, 2012;
 - (b) December 31, 2011; and
 - (c) January 1, 2011 (opening statement of financial position prepared in accordance with Canadian accounting standards for not-for-profit organizations).

2. The auditor may have performed an audit of the entity’s financial statements prepared in accordance with pre-changeover accounting standards for the years ended December 31, 2011 and December 31, 2010. However, these financial statements are not included in the first financial statements of the entity prepared in accordance with Canadian accounting standards for not-for-profit organizations. Rather, the first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations include the financial statements for the year ended December 31, 2011 and the January 1, 2011 opening statement of financial position prepared in accordance with Canadian accounting standards for not-for-profit organizations. Unless specifically engaged to do so, the auditor will not have audited and reported on these financial statements. Accordingly, in order for the auditor’s report to refer to each period for which financial statements are presented, the auditor would need to audit the financial statements for the year ended December 31, 2011 and the January 1, 2011 opening statement of financial position prepared in accordance with Canadian accounting standards for not-for-profit organizations.

3. Under paragraph 6(c) of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, the comparative information is considered to be “comparative financial statements”. Comparative financial statements are included for comparison with the financial statements of the current period. The level of information included in those comparative financial statements is comparable with that of the financial statements of the current period. This Illustrative Report is based on Illustration 4 in CAS 710.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Not-for-Profit Organization, which comprise the statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, and the statements of operations, changes in net assets and cash flows for the years ended December 31, 2012 and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, ABC Not-for-Profit Organization derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of ABC Not-for-Profit Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of

revenues over expenses, and cash flows from operations for the years ended December 31, 2012 and December 31, 2011, current assets and net assets as at December 31, 2012, December 31, 2011 and January 1, 2011.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of ABC Not-for-Profit Organization as at December 31, 2012, December 31, 2011 and January 1, 2011, and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

2(g) Canadian Accounting Standards for Not-for-Profit Organizations Are Adopted on the Effective Date — Auditor's Report Refers to the Current Period Only

- **The financial statement period for the first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations is the year ended December 31, 2012.**
- **The auditor's report refers to the current period only.**
- **The auditor's report on the prior year, as previously issued, included a qualified opinion arising from a scope limitation.**
- **The matter giving rise to the modification is unresolved.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. The entity's first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations would include the entity's statements of financial position as at:
 - (a) December 31, 2012;
 - (b) December 31, 2011; and
 - (c) January 1, 2011 (opening statement of financial position prepared in accordance with Canadian accounting standards for not-for-profit organizations).
2. The auditor may have performed an audit of the entity's financial statements prepared in accordance with pre-changeover accounting standards for the years ended December 31, 2011 and December 31, 2010. However, these financial statements are not included in the first financial statements of the entity prepared in accordance with Canadian accounting standards for not-for-profit organizations. Rather, the first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations include the financial statements for the year ended December 31, 2011 and the January 1, 2011 opening statement of financial position prepared in accordance with Canadian accounting standards for not-for-profit organizations. Unless specifically engaged to do so, the auditor will not have audited and reported on these financial statements. The auditor will have performed procedures with respect to the comparative information as required by paragraphs 7-9 of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, but these procedures are not necessarily themselves sufficient for the auditor to opine on the comparative information.
3. Under paragraph 6(b) of CAS 710, the comparative information is considered to be "corresponding figures". Corresponding figures are amounts and disclosures for the prior period included as an integral part of the current period financial statements, and are intended to be read only in relation to the amounts and other disclosures relating to the current period (referred to as "current period figures"). The level of detail presented in the corresponding amounts and disclosures is dictated primarily by its relevance to the current period figures. This Illustrative Report is based on Illustration 3 in CAS 710.

4. The auditor's report indicates that the comparative information is unaudited in a paragraph after the opinion paragraph in accordance with paragraph 14 of CAS 710 in order to clearly indicate to readers that the December 31, 2011 financial statements and the January 1, 2011 opening statement of financial position prepared in accordance with Canadian accounting standards for not-for-profit organizations have not been audited. The paragraph also makes reference to the note to the financial statements that describes the transition to Canadian accounting standards for not-for-profit organizations. This form of paragraph has been developed to address the specific circumstances discussed in Q&A 1(d) in this Guide when the comparative information is unaudited and is not intended to address other circumstances.
5. Because the comparative information is unaudited, the Basis for Qualified Opinion paragraph makes reference only to the possible effects of the scope limitation on the financial statements for the year ended December 31, 2012.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Not-for-Profit Organization, which comprise the statement of financial position as at December 31, 2012, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, ABC Not-for-Profit Organization derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of ABC Not-for-Profit Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2012, current assets as at December 31, 2012 and net assets as at January 1 and December 31, 2012.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of ABC Not-for-Profit Organization as at December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Comparative Information

Without modifying our opinion, we draw attention to Note X to the financial statements which describes that ABC Not-for-Profit Organization adopted Canadian accounting standards for not-for-profit organizations on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at December 31, 2011 and January 1, 2011, and the statements of operations, changes in net assets and cash flows for the year ended December 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

2(h) Canadian Accounting Standards for Pension Plans Are Adopted on the Effective Date — Auditor's Report Refers to Each Period for which Financial Statements Are Presented

- **The financial statement period for the first financial statements prepared in accordance with Canadian accounting standards for pension plans is the year ended December 31, 2011.**
- **An opening statement of financial position is not presented.**
- **The auditor's report refers to each period for which financial statements are presented.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. A pension plan applies the general financial statement presentation requirements, including "comparative information", in either IFRSs in Part I or Canadian accounting standards for private enterprises in Part II of the CPA Canada Handbook - Accounting (see *Pension Plans*, paragraphs 4600.07-.08, in Part IV of the CPA Canada Handbook - Accounting). When a pension plan adopts Canadian accounting standards for pension plans for the first time, it is required to apply the standards retrospectively to all periods presented. It is not required to refer to the requirements in IFRS 1 *First-time Adoption of International Financial Reporting Standards* in Part I, or Section 1500, *First-time Adoption* in Part II of the CPA Canada Handbook - Accounting. Instead, a pension plan applies the general guidance on accounting policy changes in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in Part I, or Section 1506, *Accounting Changes* in Part II of the CPA Canada Handbook - Accounting, depending on the basis of accounting chosen. Therefore, a pension plan that chooses to apply IFRSs as its basis of accounting and applies an accounting policy change retrospectively to the comparative information is required by paragraph 39 of IAS 1 *Presentation of Financial Statements* in Part I to present an opening statement of financial position on adoption of Section 4600, *Pension Plans*, in Part IV of the CPA Canada Handbook - Accounting. In contrast, those pension plans that choose to apply Canadian accounting standards for private enterprises are not faced with a similar requirement.
2. The auditor may have performed an audit of the entity's financial statements prepared in accordance with pre-changeover accounting standards for the year ended December 31, 2010. However, these financial statements are not included in the first financial statements of the entity prepared in accordance with Canadian accounting standards for pension plans. Rather, the first financial statements prepared in accordance with Canadian accounting standards for pension plans include the financial statements for the year ended December 31, 2010 prepared in accordance with Canadian accounting standards for pension plans. Unless specifically engaged to do so, the auditor will not have audited and reported on these financial statements. Accordingly, in order for the auditor's report to refer to each period for which financial statements are presented, the auditor would need to audit

the financial statements for the year ended December 31, 2010 prepared in accordance with Canadian accounting standards for pension plans.

3. Under paragraph 6(c) of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, the comparative information is considered to be “comparative financial statements”. Comparative financial statements are included for comparison with the financial statements of the current period. The level of information included in those comparative financial statements is comparable with that of the financial statements of the current period. This Illustrative Report is based on Illustration 4 in CAS 710.

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Pension Plan, which comprise the statements of financial position as at December 31, 2011 and December 31, 2010, and the statements of changes in net assets available for benefits and changes in pension obligations for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Pension Plan as at December 31, 2011 and December 31, 2010, and the changes in its net assets available for benefits and changes in its pension obligations for the years then ended in accordance with Canadian accounting standards for pension plans.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

2(i) Canadian Accounting Standards for Pension Plans Are Adopted on the Effective Date — Auditor’s Report Refers to the Current Period Only

- **The financial statement period for the first financial statements prepared in accordance with Canadian accounting standards for pension plans is the year ended December 31, 2011.**
- **An opening statement of financial position is not presented.**
- **The auditor’s report refers to the current period only.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. A pension plan applies the general financial statement presentation requirements, including “comparative information”, in either IFRSs in Part I or Canadian accounting standards for private enterprises in Part II of the CPA Canada Handbook – Accounting (see *Pension Plans*, paragraphs 4600.07-.08, in Part IV of the CPA Canada Handbook – Accounting). When a pension plan adopts Canadian accounting standards for pension plans for the first time, it is required to apply the standards retrospectively to all periods presented. It is not required to refer to the requirements in IFRS 1 *First-time Adoption of International Financial Reporting Standards* in Part I, or Section 1500, *First-time Adoption* in Part II of the CPA Canada Handbook – Accounting. Instead, a pension plan applies the general guidance on accounting policy changes in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in Part I, or Section 1506, *Accounting Changes* in Part II of the CPA Canada Handbook – Accounting, depending on the basis of accounting chosen. Therefore, a pension plan that chooses to apply IFRSs as its basis of accounting and applies an accounting policy change retrospectively to the comparative information is required by paragraph 39 of IAS 1 *Presentation of Financial Statements* in Part I to present an opening statement of financial position on adoption of Section 4600, *Pension Plans*, in Part IV of the CPA Canada Handbook – Accounting. In contrast, those pension plans that choose to apply Canadian accounting standards for private enterprises are not faced with a similar requirement.
2. The auditor may have performed an audit of the entity’s financial statements prepared in accordance with pre-changeover accounting standards for the year ended December 31, 2010. However, these financial statements are not included in the first financial statements of the entity prepared in accordance with Canadian accounting standards for pension plans. Rather, the first financial statements prepared in accordance with Canadian accounting standards for pension plans include the financial statements for the year ended December 31, 2010 prepared in accordance with Canadian accounting standards for pension plans. Unless specifically engaged to do so, the auditor will not have audited and reported on these financial statements. The auditor will have performed procedures with respect to the comparative information as required by paragraphs 7-9 of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial*

Statements, but these procedures are not necessarily themselves sufficient for the auditor to opine on the comparative information.

3. Under paragraph 6(b) of CAS 710, the comparative information is considered to be “corresponding figures”. Corresponding figures are amounts and disclosures for the prior period included as an integral part of the current period financial statements, and are intended to be read only in relation to the amounts and other disclosures relating to the current period (referred to as “current period figures”). The level of detail presented in the corresponding amounts and disclosures is dictated primarily by its relevance to the current period figures. This Illustrative Report is based on Illustration 3 in CAS 710.
4. The auditor’s report indicates that the comparative information is unaudited in a paragraph after the opinion paragraph in accordance with paragraph 14 of CAS 710 in order to clearly indicate to readers that the December 31, 2010 financial statements prepared in accordance with Canadian accounting standards for pension plans have not been audited. The paragraph also makes reference to the note to the financial statements that describes the adoption of Canadian accounting standards for pension plans. This form of paragraph has been developed for the same reasons discussed in Q&A 1(d) in this Guide when the comparative information is unaudited and is not intended to address other circumstances.

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Pension Plan, which comprise the statement of financial position as at December 31, 2011, and the statements of changes in net assets available for benefits and changes in pension obligations for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Pension Plan as at December 31, 2011, and the changes in its net assets available for benefits and changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Comparative Information

Without modifying our opinion, we draw attention to Note X to the financial statements, which describes that ABC Pension Plan adopted Canadian accounting standards for pension plans on January 1, 2011 with a transition date of January 1, 2010. These standards were applied retrospectively by management to the comparative information in these financial statements. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

2(j) Canadian Public Sector Accounting Standards Are Adopted on the Effective Date By an Entity Transitioning from Another Basis of GAAP — Auditor's Report Refers to Each Period for which Financial Statements Are Presented

- **The financial statement period for the first financial statements prepared in accordance with Canadian public sector accounting standards is the year ended March 31, 2012.**
- **The auditor's report refers to each period for which financial statements are presented.**
- **The auditor is required by legislation to report on the consistent application of accounting principles in the applicable financial reporting framework.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. When an entity is transitioning from another basis of GAAP, the entity is required to follow Section PS 2125, *First-Time Adoption by Government Organizations*, in the CPA Canada Public Sector Accounting Handbook. Section PS 2125 requires that the adoption of Canadian public sector accounting standards is to be accounted for by retroactive application with restatement of prior periods subject to the requirements in the Section.
2. The entity's first financial statements prepared in accordance with Canadian public sector accounting standards would include the entity's statements of financial position as at:
 - (a) March 31, 2012;
 - (b) March 31, 2011; and
 - (c) April 1, 2010 (opening statement of financial position prepared in accordance with Canadian public sector accounting standards).
3. The auditor may have performed an audit of the entity's financial statements prepared in accordance with another basis of GAAP for the years ended March 31, 2011 and March 31, 2010. However, these financial statements are not included in the first financial statements of the entity prepared in accordance with Canadian public sector accounting standards. Rather, the first financial statements prepared in accordance with Canadian public sector accounting standards include the financial statements for the year ended March 31, 2011 and the April 1, 2010 opening statement of financial position prepared in accordance with Canadian public sector accounting standards. Unless specifically engaged to do so, the auditor will not have audited and reported on these financial statements. Accordingly, in order for the auditor's report to refer to each period for which financial statements are presented, the auditor would need to audit the financial statements for the year ended March 31, 2011 and the April 1, 2010 opening statement of financial position prepared in accordance with Canadian public sector accounting standards.

4. Under paragraph 6(c) of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, the comparative information is considered to be “comparative financial statements”. Comparative financial statements are included for comparison with the financial statements of the current period. The level of information included in those comparative financial statements is comparable with that of the financial statements of the current period. This Illustrative Report is based on Illustration 4 in CAS 710.
5. Assurance and Related Services Guideline AuG-48, *Legislative Requirements to Report on the Consistent Application of Accounting Principles in the Applicable Financial Reporting Framework*, provides guidance when the auditor is required to report on the consistent application of accounting principles in the applicable financial reporting framework.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Financial Statements

We have audited the accompanying financial statements of ABC Government Organization, which comprise the statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010, and the statements of operations, change in net debt and cash flow for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Government Organization as at March 31, 2012, March 31, 2011 and April 1, 2010, and the results of its operations, changes in its net debt, and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

As required by [specify legislation or regulation], we report that, in our opinion, the accounting principles in Canadian public sector accounting standards have been applied on a consistent basis.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

2(k) Canadian Public Sector Accounting Standards Are Adopted on the Effective Date By an Entity Transitioning from Another Basis of GAAP — Auditor’s Report Refers to the Current Period Only

- **The financial statement period for the first financial statements prepared in accordance with Canadian public sector accounting standards is the year ended March 31, 2012.**
- **The auditor’s report refers to the current period only.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. When an entity is transitioning from another basis of GAAP, the entity is required to follow *First-Time Adoption by Government Organizations*, Section PS 2125 in the CPA Canada Public Sector Accounting Handbook. Section PS 2125 requires that the adoption of Canadian public sector accounting standards is to be accounted for by retroactive application with restatement of prior periods subject to the requirements in the Section.
2. The entity’s first financial statements prepared in accordance with Canadian public sector accounting standards would include the entity’s statements of financial position as at:
 - (a) March 31, 2012;
 - (b) March 31, 2011; and
 - (c) April 1, 2010 (opening standard statement of financial position prepared in accordance with Canadian public sector accounting standards).
3. The auditor may have performed an audit of the entity’s financial statements prepared in accordance with another basis of GAAP for the years ended March 31, 2011 and March 31, 2010. However, these financial statements are not included in the first financial statements of the entity prepared in accordance with Canadian public sector accounting standards. Rather, the first financial statements prepared in accordance with Canadian public sector accounting standards include the financial statements for the year ended March 31, 2011 and the April 1, 2010 opening statement of financial position prepared in accordance with Canadian public sector accounting standards. Unless specifically engaged to do so, the auditor will not have audited and reported on these financial statements. The auditor will have performed procedures with respect to the comparative information as required by paragraphs 7-9 of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, but these procedures are not necessarily themselves sufficient for the auditor to opine on the comparative information.
4. Under paragraph 6(b) of CAS 710, the comparative information is considered to be “corresponding figures”. Corresponding figures are amounts and disclosures for the prior period included as an integral part of the current period financial statements, and are intended to be read only in relation to the amounts and other disclosures relating to the current period (referred to as “current

period figures”). The level of detail presented in the corresponding amounts and disclosures is dictated primarily by its relevance to the current period figures. This Illustrative Report is based on Illustration 3 in CAS 710.

5. The auditor’s report indicates that the comparative information is unaudited in a paragraph after the opinion paragraph in accordance with paragraph 14 of CAS 710 in order to clearly indicate to readers that the March 31, 2011 financial statements and the April 1, 2010 opening statement of financial position prepared in accordance with Canadian public sector accounting standards have not been audited. The paragraph also makes reference to the note to the financial statements that describes the transition to Canadian public sector accounting standards. This form of paragraph has been developed to address the specific circumstances discussed in Q&A 1(d) in this Guide when the comparative information is unaudited and is not intended to address other circumstances.
6. Assurance and Related Services Guideline AuG-48, *Legislative Requirements to Report on the Consistent Application of Accounting Principles in the Applicable Financial Reporting Framework*, provides guidance when the auditor is required to report on the consistent application of accounting principles in the applicable financial reporting framework. This is a common requirement in the public sector. As discussed in paragraph 10 of Q&A 1(d) in this Guide, when the auditor’s report refers to the current period only the auditor’s work effort to comply with CAS 510, *Initial Engagements — Opening Balances*, may not be significantly different than the work effort required to report on all periods presented. Accordingly, the auditor may have performed sufficient audit procedures to be able to report on the consistent application of accounting principles. Illustrative Report 2(j) contains an example of such a report.

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Government Organization, which comprise the statement of financial position as at March 31, 2012, and the statements of operations, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Government Organization as at March 31, 2012, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative Information

Without modifying our opinion, we draw attention to Note X to the financial statements, which describes that ABC Government Organization adopted Canadian public sector accounting standards on April 1, 2011 with a transition date of April 1, 2010. These standards were applied retroactively by management to the comparative information in these financial statements, including the statements of financial position as at March 31, 2011 and April 1, 2010, and the statements of operations, change in net debt and cash flow for the year ended March 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

2(l) Canadian Public Sector Accounting Standards Are Adopted on the Effective Date By an Entity Not Transitioning from Another Basis of GAAP — Auditor’s Report Refers to Each Period for which Financial Statements Are Presented

- **The financial statement period for the first financial statements prepared in accordance with Canadian public sector accounting standards is the year ended March 31, 2012.**
- **The new accounting standards have been applied retroactively.**
- **An opening statement of financial position is not presented.**
- **The auditor’s report refers to each period for which financial statements are presented.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. When an entity that is not transitioning from another basis of GAAP adopts Canadian public sector accounting standards for the first time, *Accounting Changes*, paragraph PS 2120.13 in the CPA Canada Public Sector Accounting Handbook permits the new accounting standards to be applied retroactively or prospectively. However, regardless of whether the accounting standards are applied retroactively or prospectively, such an entity is not required to present an opening statement of financial position and other related disclosures as are required by Section PS 2125, *First-Time Adoption by Government Organizations*. Because it is extremely rare for such an entity to apply the new accounting standards prospectively, the Illustrative Reports in this Guide only deal with retroactive application.
2. The auditor may have performed an audit of the entity’s financial statements not prepared in accordance with another basis of GAAP for the year ended March 31, 2011. However, these financial statements are not included in the first financial statements of the entity prepared in accordance with Canadian public sector accounting standards. Rather, the first financial statements prepared in accordance with Canadian public sector accounting standards include the financial statements for the year ended March 31, 2011 prepared in accordance with Canadian public sector accounting standards. Unless specifically engaged to do so, the auditor will not have audited and reported on these financial statements. Accordingly, in order for the auditor’s report to refer to each period for which financial statements are presented, the auditor would need to audit the financial statements for the year ended March 31, 2011 prepared in accordance with Canadian public sector accounting standards.
3. Under paragraph 6(c) of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, the comparative information is considered to be “comparative financial statements”. Comparative financial statements are included for comparison with the financial statements of the current period. The level of information included in those comparative financial statements is comparable with that of the financial statements of

the current period. This Illustrative Report is based on Illustration 4 in CAS 710.

4. Assurance and Related Services Guideline AuG-48, *Legislative Requirements to Report on the Consistent Application of Accounting Principles in the Applicable Financial Reporting Framework*, provides guidance when the auditor is required to report on the consistent application of accounting principles in the applicable financial reporting framework. This is a common requirement in the public sector. Illustrative Report 2(j) in this Guide contains an example of such a report.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Government Organization, which comprise the statements of financial position as at March 31, 2012 and March 31, 2011, and the statements of operations, change in net debt and cash flow for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Government Organization as at March 31, 2012 and March 31, 2011 and the results of its operations, changes in its net debt, and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

2(m) Canadian Public Sector Accounting Standards Are Adopted on the Effective Date By an Entity Not Transitioning from Another Basis of GAAP — Auditor’s Report Refers to the Current Period Only

- **The financial statement period for the first financial statements in accordance with Canadian public sector accounting standards is the year ended March 31, 2012.**
- **The new accounting standards have been applied retroactively.**
- **An opening statement of financial position is not presented.**
- **The auditor’s report refers to the current period only.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. When an entity that is not transitioning from another basis of GAAP adopts Canadian public sector accounting standards for the first time, *Accounting Changes*, paragraph PS 2120.13 in the CPA Canada Public Sector Accounting Handbook permits the new accounting standards to be applied retroactively or prospectively. However, regardless of whether the accounting standards are applied retroactively or prospectively, such an entity is not required to present an opening statement of financial position and other related disclosures as are required by Section PS 2125, *First-Time Adoption by Government Organizations*. Because it is extremely rare for such an entity to apply the new accounting standards prospectively, the Illustrative Reports in this Guide only deal with retroactive application.
2. The auditor may have performed an audit of the entity’s financial statements not prepared in accordance with another basis of GAAP for the year ended March 31, 2011. However, these financial statements are not included in the first financial statements of the entity prepared in accordance with Canadian public sector accounting standards. Rather, the first financial statements prepared in accordance with Canadian public sector accounting standards include the financial statements for the year ended March 31, 2011 prepared in accordance with Canadian public sector accounting standards. Unless specifically engaged to do so, the auditor will not have audited and reported on these financial statements. The auditor will have performed procedures with respect to the comparative information as required by paragraphs 7-9 of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, but these procedures are not necessarily themselves sufficient for the auditor to opine on the comparative information.
3. Under paragraph 6(b) of CAS 710, the comparative information is considered to be “corresponding figures”. Corresponding figures are amounts and disclosures for the prior period included as an integral part of the current period financial statements, and are intended to be read only in relation to the amounts and other disclosures relating to the current period (referred to as “current period figures”). The level of detail presented in the corresponding amounts and disclosures is dictated primarily by its relevance

to the current period figures. This Illustrative Report is based on Illustration 3 in CAS 710.

4. The auditor's report indicates that the comparative information is unaudited in a paragraph after the opinion paragraph in accordance with paragraph 14 of CAS 710 in order to clearly indicate to readers that the March 31, 2011 financial statements prepared in accordance with Canadian public sector accounting standards have not been audited. The paragraph also makes reference to the note to the financial statements that describes the adoption of Canadian public sector accounting standards. This form of paragraph has been developed for the same reasons discussed in Q&A 1(d) in this Guide when the comparative information is unaudited and is not intended to address other circumstances.
5. Assurance and Related Services Guideline AuG-48, *Legislative Requirements to Report on the Consistent Application of Accounting Principles in the Applicable Financial Reporting Framework*, provides guidance when the auditor is required to report on the consistent application of accounting principles in the applicable financial reporting framework. This is a common requirement in the public sector. As discussed in paragraph 10 of Q&A 1(d) in this Guide, when the auditor's report refers to the current period only the auditor's work effort to comply with CAS 510, *Initial Engagements — Opening Balances*, may not be significantly different than the work effort required to report on all periods presented. Accordingly, the auditor may have performed sufficient audit procedures to be able to report on the consistent application of accounting principles. Illustrative Report 2(j) contains an example of such a report.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Government Organization, which comprise the statement of financial position as at March 31, 2012, and the statements of operations, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Government Organization as at March 31, 2012, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative Information

Without modifying our opinion, we draw attention to Note X to the financial statements, which describes that ABC Government Organization adopted Canadian public sector accounting standards on April 1, 2011 with a transition date of April 1, 2010. These standards were applied retroactively by management to the comparative information in these financial statements. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

SPECIAL PURPOSE FINANCIAL STATEMENTS

3(a) Pension Fund Financial Statements Filed with a Regulator — Transition to New Financial Reporting Framework — Auditor’s Report Refers to the Current Period Only

- The financial statements are for the year ended December 31, 2011 to meet the expressed needs of the pension regulator.
- The financial reporting framework is prescribed by law or regulation, which requires that pension fund financial statements be prepared in accordance with “Canadian generally accepted accounting principles” (GAAP) except that they exclude information relating to pension obligations.
- As indicated in “Changes to accounting standards” in the introduction to this Guide, the CPA Canada Handbook - Accounting has been restructured to move away from a single financial reporting framework referred to as Canadian GAAP to include various different financial reporting frameworks in Canadian GAAP. Many laws and regulations have not been changed to reflect this fact. Therefore, management chooses the financial reporting framework in Canadian GAAP that is designed for that type of entity. For some entities, the CPA Canada Handbook - Accounting provides a choice of financial reporting frameworks. For pension plans, CPA Canada Handbook - Accounting requires the entity to apply Part IV, Canadian accounting standards for pension plans. Accordingly, the financial statements for filing with the pension regulator have been prepared by management in accordance with Canadian accounting standards for pension plans excluding information relating to pension obligations.
- In applying Canadian accounting standards for pension plans excluding information relating to pension obligations, the pension plan has chosen to apply the general financial statement presentation requirements in Part II of the CPA Canada Handbook - Accounting.
- The financial statements describe the financial reporting framework by reference to the financial reporting provisions of the respective legislation or regulation.
- The notes to the financial statements describe the significant interpretations of the law or regulation that management made in the preparation of the financial statements, including that management has applied Canadian accounting standards for pension plans excluding information relating to pension obligations.
- The auditor’s report refers to the current period only.
- The audit is conducted in accordance with Canadian Auditing Standards.
- An Emphasis of Matter paragraph is required. Use of the auditor’s report is restricted but distribution of the auditor’s report is not restricted. Other choices are permitted. (Refer to Q&A 2(b) in this Guide for the permitted choices.)

(Please read Introduction to Illustrative Reports)

1. When Canadian accounting standards for pension plans are adopted, a pension plan applies the general financial statement presentation requirements, including “comparative information”, in either IFRSs in Part I or Canadian accounting standards for private enterprises in Part II of the CPA Canada Handbook – Accounting. A pension plan that applies Canadian accounting standards for pension plans for the first time, including the general financial statement presentation requirements in Part II of the CPA Canada Handbook – Accounting, is not required to include an opening statement of financial position and other related disclosures.
2. Accordingly, the entity’s first financial statements prepared in accordance with Canadian accounting standards for pension plans excluding information relating to pension obligations would include the entity’s statement of net assets as at:
 - (a) December 31, 2011; and
 - (b) December 31, 2010.
3. The auditor may have performed an audit of the entity’s financial statements prepared using pre-changeover accounting standards excluding information relating to pension obligations for the year ended December 31, 2010. However, these financial statements are not included in the first financial statements of the entity prepared in accordance with Canadian accounting standards for pension plans excluding information relating to pension obligations. Rather, the first financial statements prepared in accordance with Canadian accounting standards for pension plans excluding information relating to pension obligations include the financial statements for the year ended December 31, 2010 prepared in accordance with Canadian accounting standards for pension plans excluding information related to pension obligations. Unless specifically engaged to do so, the auditor will not have audited and reported on these financial statements. The auditor will have performed procedures with respect to the comparative information as required by paragraphs 7-9 of CAS 710, *Comparative Information – Corresponding Figures and Comparative Financial Statements*, but these procedures are not necessarily themselves sufficient for the auditor to opine on the comparative information.
4. These are special purpose financial statements because the financial reporting framework used in preparing the financial statements is designed to meet the needs of specific users, as discussed in paragraph 6 of CAS 800, *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*. Accordingly, the special considerations in CAS 800 apply.
5. Because the financial reporting framework comprises financial reporting standards established by an authorized or recognized standards setting organization, supplemented by law or regulation, the auditor considers the requirements in paragraph 18 of CAS 210, *Agreeing the Terms of Audit Engagements*. One of the considerations in accepting the engagement will be whether the description of the applicable financial reporting framework in the

financial statements is amended accordingly (i.e., the description of the framework does not imply full compliance with Canadian accounting standards for pension plans).

6. Paragraph A6 of CAS 800 applies. In the absence of indications to the contrary, a financial reporting framework established by a regulator for a certain type of entity to meet the financial reporting requirements of that regulator is presumed acceptable for special purpose financial statements prepared by such an entity.
7. It has been assumed that this is a fair presentation framework. (Refer to Q&A 2(d) in this Guide with respect to fair presentation and compliance frameworks.)

INDEPENDENT AUDITOR'S REPORT

[Trustees of ABC Pension Plan]

We have audited the accompanying fund financial statements of ABC Pension Plan, which comprise the statement of net assets available for benefits as at December 31, 2011, and the statement of changes in net assets available for benefits for the year then ended, and a summary of significant accounting policies and other explanatory information. The fund financial statements have been prepared by management based on the financial reporting provisions of Section X of the Y Act.

Management's Responsibility for the Fund Financial Statements

Management is responsible for the preparation and fair presentation of these fund financial statements in accordance with the financial reporting provisions of Section X of the Y Act, and for such internal control as management determines is necessary to enable the preparation of fund financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these fund financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the fund financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the fund financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the fund financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the fund financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the fund financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the fund financial statements present fairly, in all material respects, the net assets available for benefits of ABC Pension Plan as at December 31, 2011, and the changes in net assets available for benefits for the year then ended in accordance with the financial reporting provisions of Section X of the Y Act.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note Z to the fund financial statements, which describes the basis of accounting. The fund financial statements are prepared to assist the Trustees of ABC Pension Plan to meet the requirements of Pension Regulator. As a result, the fund financial statements may not be suitable for another purpose. Our report is intended solely for the Trustees of ABC Pension Plan and Pension Regulator, and should not be used by parties other than the Trustees of ABC Pension Plan or Pension Regulator.

Comparative Information

Without modifying our opinion, we draw attention to Note Z to the financial statements which describes that ABC Pension Plan adopted Canadian accounting standards for pension plans excluding information relating to pension obligations on January 1, 2011 with a transition date of January 1, 2010 to assist ABC Pension Plan to comply with Section X of the Y Act. These standards were applied retrospectively by management to the comparative information in these fund financial statements. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

3(b) Pension Fund Financial Statements Filed with a Regulator — Auditor's Report Refers to the Current Period Only

- **The financial statements are for the year ended December 31, 2010 to meet the expressed needs of the pension regulator.**
- **The financial reporting framework is prescribed by law or regulation, which requires the financial statements to be prepared in accordance with pre-changeover standards except that they exclude disclosures relating to pension obligations. This example is also relevant if the financial reporting framework prescribed by law or regulation requires the financial statements to be prepared in accordance with Part IV of the CPA Canada Handbook – Accounting. (Refer to Q&A 1(c) in this Guide for the wording of the opinion paragraph for different financial reporting frameworks.)**
- **The financial statements describe the financial reporting framework by reference to the financial reporting provisions of the respective legislation or regulation.**
- **The auditor's report refers to the current period only.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**
- **An Emphasis of Matter paragraph is required. Use of the auditor's report is restricted but distribution of the auditor's report is not restricted. Other choices are permitted. (Refer to Q&A 2(b) in this Guide for the permitted choices.)**

(Please read Introduction to Illustrative Reports)

1. These are special purpose financial statements because the financial reporting framework used in preparing the financial statements is designed to meet the needs of specific users, as discussed in paragraph 6 of CAS 800, *Special Considerations — Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*. Accordingly, the special considerations in CAS 800 apply.
2. Because the financial reporting framework comprises financial reporting standards established by an authorized or recognized standards setting organization, supplemented by law or regulation, the auditor considers the requirements in paragraph 18 of CAS 210, *Agreeing the Terms of Audit Engagements*. One of the considerations in accepting the engagement will be whether the description of the applicable financial reporting framework in the financial statements is amended accordingly, (i.e., the description of the framework does not imply full compliance with pre-changeover accounting standards).
3. Paragraph A6 of CAS 800 applies. In the absence of indications to the contrary, a financial reporting framework established by a regulator for a certain type of entity to meet the financial reporting requirements of that regulator is presumed acceptable for special purpose financial statements prepared by such an entity.
4. It has been assumed that this is a fair presentation framework. (Refer to Q&A 2(d) in this Guide with respect to fair presentation and compliance frameworks.)

INDEPENDENT AUDITOR'S REPORT

[Trustees of ABC Pension Plan]

We have audited the accompanying fund financial statements of ABC Pension Plan, which comprise the statement of net assets available for benefits as at December 31, 2010, and the statement of changes in net assets available for benefits for the year then ended, and a summary of significant accounting policies and other explanatory information. The fund financial statements have been prepared by management based on the financial reporting provisions of Section X of the Y Act.

Management's Responsibility for the Fund Financial Statements

Management is responsible for the preparation and fair presentation of these fund financial statements in accordance with the financial reporting provisions of Section X of the Y Act, and for such internal control as management determines is necessary to enable the preparation of fund financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these fund financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the fund financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the fund financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the fund financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the fund financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the fund financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the fund financial statements present fairly, in all material respects, the net assets available for benefits of ABC Pension Plan as at December 31, 2010, and the changes in net assets available for benefits for the year then ended in accordance with the financial reporting provisions of Section X of the Y Act.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note Z to the fund financial statements, which describes the basis of accounting. The fund financial statements are prepared to assist the Trustees of ABC Pension Plan to meet the requirements of Pension Regulator. As a result, the fund financial statements may not be suitable for another purpose. Our report is intended solely for the Trustees of ABC Pension Plan and Pension Regulator and should not be used by parties other than the Trustees of ABC Pension Plan or Pension Regulator.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

3(c) Financial Statements Prepared in Accordance with the Terms of a Purchase and Sale Agreement — Auditor's Report Refers to the Current Period Only

- The financial statements are for the year ended December 31, 2010 to meet the expressed needs of the parties to the purchase and sale agreement.
- The financial reporting framework is prescribed by the purchase and sale agreement, which requires the financial statements to be prepared in accordance with pre-changeover standards except that the property has been valued at appraised values rather than in accordance with the accounting standards. This example is also relevant if the financial reporting framework prescribed by the purchase and sale agreement requires the financial statements to be prepared in accordance with other Parts of the CPA Canada Handbook - Accounting. (Refer to Q&A 1(c) in this Guide for the wording of the opinion paragraph for different financial reporting frameworks.)
- The financial statements describe the financial reporting framework by reference to the financial reporting provisions of the purchase and sale agreement.
- The auditor's report refers to the current period only.
- The audit is conducted in accordance with Canadian Auditing Standards.
- An Emphasis of Matter paragraph is required. Use of the auditor's report is restricted and distribution of the auditor's report is not restricted. Other choices are permitted. (Refer to Q&A 2(b) in this Guide for the permitted choices.)

(Please read Introduction to Illustrative Reports)

1. These are special purpose financial statements because the financial reporting framework used in preparing the financial statements is designed to meet the needs of specific users, as discussed in paragraph 6 of CAS 800, *Special Considerations — Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*. Accordingly, the special considerations in CAS 800 apply.
2. Paragraph A8 of CAS 800 applies to this situation. The financial reporting framework is acceptable if it exhibits the attributes normally exhibited by acceptable financial reporting frameworks as described in Appendix 2 to CAS 210, *Agreeing the Terms of Audit Engagements*.
3. It has been assumed that this is a fair presentation framework. (Refer to Q&A 2(d) in this Guide for guidance with respect to fair presentation and compliance frameworks.)

INDEPENDENT AUDITOR'S REPORT

[Directors of ABC Company]

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 2010, and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions of Section X of the purchase and sale agreement between ABC Company and DEF Company.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Section X of the purchase and sale agreement between ABC Company and DEF Company, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Company as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with the financial reporting provisions of Section X of the purchase and sale agreement between ABC Company and DEF Company.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note Y to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist ABC Company to comply with the financial reporting provisions of the purchase and sale agreement referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Directors of ABC Company and DEF Company and should not be used by parties other than the Directors of ABC Company or DEF Company.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

3(d) *Financial Statements of a Co-operative Housing Association Filed with Canada Mortgage and Housing Corporation — Auditor's Report Refers to the Current Period Only*

- The financial statements are for the year ended December 31, 2010 to meet the expressed needs of Canada Mortgage and Housing Corporation (CMHC) under the terms of the mortgage agreement.
- The financial reporting framework is prescribed by the mortgage agreement, which requires the financial statements to be prepared in accordance with pre-changeover standards except that the property has been amortized at a rate equal to the annual principal reduction on the mortgage rather than in accordance with the accounting standards; capital assets purchased from accumulated surplus are charged to operations in the year the expenditure is incurred, and capital assets purchased from the replacement reserve are charged against the replacement reserve account, rather than being capitalized on the balance sheet and amortized over their estimated useful lives; and, a reserve for future capital replacement is appropriated annually from operations. (Refer to Q&A 1(c) in this Guide for the wording of the opinion paragraph for different financial reporting frameworks.)
- The financial statements describe the financial reporting framework by reference to the financial reporting provisions of the mortgage agreement with CMHC.
- The auditor's report refers to the current period only.
- The audit is conducted in accordance with Canadian Auditing Standards.
- An Emphasis of Matter paragraph is required. Use of the auditor's report is restricted but distribution of the auditor's report is not restricted. Other choices are permitted. (Refer to Q&A 2(b) in this Guide for the permitted choices.)

(Please read Introduction to Illustrative Reports)

1. These are special purpose financial statements because the financial reporting framework used in preparing the financial statements is designed to meet the needs of specific users, as discussed in paragraph 6 of CAS 800, *Special Considerations — Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*. Accordingly, the special considerations in CAS 800 apply.
2. Because the financial reporting framework comprises financial reporting standards established by an authorized or recognized standards setting organization, supplemented by law or regulation, the auditor considers the requirements in paragraph 18 of CAS 210, *Agreeing the Terms of Audit Engagements*. One of the considerations in accepting the engagement will be whether the description of the applicable financial reporting framework in the financial statements is amended accordingly, (i.e., the description of the framework does not imply full compliance with pre-changeover accounting standards).

3. Paragraph A8 of CAS 800 applies to this situation. The financial reporting framework is acceptable if it exhibits the attributes normally exhibited by acceptable financial reporting frameworks as described in Appendix 2 to CAS 210.
4. It has been assumed that this is a fair presentation framework. (Refer to Q&A 2(d) in this Guide for guidance with respect to fair presentation and compliance frameworks.).

INDEPENDENT AUDITOR'S REPORT

[Directors of ABC Housing Co-operative]

We have audited the accompanying financial statements of ABC Housing Co-operative, which comprise the balance sheet as at December 31, 2010, and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions of Section X of the mortgage agreement between ABC Housing Co-operative and Canada Mortgage and Housing Corporation (CMHC).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Section X of the mortgage agreement between ABC Housing Co-operative and CMHC, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Housing Co-operative as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with the financial reporting provisions of Section X of the mortgage agreement between ABC Housing Co-operative and CMHC.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note Y to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist ABC Housing Co-operative to comply with the reporting provisions of the mortgage agreement referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Directors of ABC Housing Co-operative and CMHC and should not be used by parties other than the Directors of ABC Housing Co-operative or CMHC.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

3(e) Non-consolidated Financial Statements Prepared for a Specific Purpose in Accordance with a General Purpose Financial Reporting Framework (Canadian accounting standards for private enterprises) — Auditor's Report Refers to the Current Period Only

- The entity is a private enterprise.
- The financial statements are for the year ended December 31, 2010 to assist ABC Company to prepare its corporate income tax returns filed with the income tax authorities.
- This is not the entity's first financial statements prepared in accordance with Canadian accounting standards for private enterprises.
- The auditor's report refers to the current period only.
- The audit is conducted in accordance with Canadian Auditing Standards.
- An Other Matter paragraph has been added in accordance with paragraph A9 of CAS 706, Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report, to highlight to readers that the financial statements have been prepared for a specific purpose and to restrict use of the auditor's report to these users. Other choices are permitted. (Refer to Q&A 2(c) in this Guide for further discussion of this paragraph.)

(Please read Introduction to Illustrative Reports)

1. These financial statements are prepared for a specific purpose in accordance with a general purpose framework. They do not meet the definition of special purpose financial statements as discussed in paragraphs 12-15 of Q&A 2(c) in this Guide. The auditor's report on such financial statements is prepared in accordance with CAS 700, *Forming an Opinion and Reporting on Financial Statements*.
2. *Subsidiaries*, paragraph 1590.23 in Part II of the CPA Canada Handbook - Accounting requires that when an enterprise presents non-consolidated financial statements, it shall describe its financial statements as being prepared on a non-consolidated basis and each statement shall be labeled accordingly. The auditor's report would refer to each statement as being non-consolidated.

INDEPENDENT AUDITOR'S REPORT

[Appropriate addressee]

We have audited the accompanying non-consolidated financial statements of ABC Company, which comprise the non-consolidated balance sheet as at December 31, 2010, and the non-consolidated statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with Canadian accounting standards for private enterprises, and for such

internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of ABC Company as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Other Matter

These non-consolidated financial statements have been prepared to assist ABC Company to prepare its corporate income tax returns. Our report is intended solely for ABC Company and the income tax authorities and should not be used by parties other than ABC Company or the income tax authorities.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

3(f) *Non-consolidated Financial Statements Prepared in Accordance with a Special Purpose Financial Reporting Framework (Pre-changeover accounting standards) — Auditor’s Report Refers to the Current Period Only*

- **The entity is not a qualifying enterprise for purposes of selecting differential reporting options, or is a qualifying enterprise but has not elected the differential reporting option to use either the equity method or cost method to account for subsidiaries (i.e., it prepares consolidated financial statements).**
- **The financial statements are for the year ended December 31, 2010 to assist ABC Company to prepare its corporate income tax returns filed with the income tax authorities.**
- **The income tax authorities do not specify the financial reporting framework. Therefore, management has a choice of financial reporting frameworks in the preparation of the financial statements and has determined that preparing them in accordance with Part V of the CPA Canada Handbook - Accounting, except that they are non-consolidated, is acceptable in the circumstances.**
- **Each statement in the financial statements is described as being non-consolidated.**
- **The auditor’s report refers to the current period only.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**
- **An Emphasis of Matter paragraph is required. Use of the auditor’s report is restricted but distribution of the auditor’s report is not restricted. Other choices are permitted. (Refer to Q&A 2(b) in this Guide for the permitted choices.)**

(Please read Introduction to Illustrative Reports)

1. The financial reporting framework is not considered to be a general purpose framework for this type of entity because Part V of the CPA Canada Handbook - Accounting does not permit non-consolidated financial statements except when the entity is a qualifying enterprise for purposes of selecting differential reporting options and elects to use either the equity method or cost method to account for subsidiaries in its general purpose financial statements. These are special purpose financial statements because the financial reporting framework used in preparing the financial statements is designed to meet the needs of specific users, as discussed in paragraph 6 of CAS 800, *Special Considerations - Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*. Accordingly, the special considerations in CAS 800 apply.
2. Paragraph A8 of CAS 800 applies to this situation. The financial reporting framework is acceptable if it exhibits the attributes normally exhibited by acceptable financial reporting frameworks as described in Appendix 2 to CAS 210, *Agreeing the Terms of Audit Engagements*.

3. Because management has a choice of financial reporting frameworks, paragraph 13(b) of CAS 800 requires the auditor's report to make reference to management's responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances.
4. It has been assumed that this is a fair presentation framework. (Refer to Q&A 2(d) in this Guide for guidance with respect to fair presentation and compliance frameworks.)

INDEPENDENT AUDITOR'S REPORT

[Appropriate addressee]

We have audited the accompanying non-consolidated financial statements of ABC Company, which comprise the non-consolidated balance sheet as at December 31, 2010, and the non-consolidated statements of income, changes in shareholders' equity, comprehensive income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The non-consolidated financial statements have been prepared by management using the basis of accounting described in Note X.

Management's Responsibility for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with the basis of accounting described in Note X; this includes determining that the basis of accounting is an acceptable basis for the preparation of the non-consolidated financial statements in the circumstances, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of ABC Company as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in Note X.

Basis of Accounting

Without modifying our opinion, we draw attention to Note X to the non-consolidated financial statements, which describes the basis of accounting. The non-consolidated financial statements are prepared to assist ABC Company to prepare its corporate income tax returns. As a result, the non-consolidated financial statements may not be suitable for another purpose. Our report is intended solely for ABC Company and the income tax authorities and should not be used by parties other than ABC Company or the income tax authorities.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

REPORTS ON FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH NATIONAL INSTRUMENT 52-107

Introduction

On October 1, 2010, the Canadian Securities Administrators published National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* to reflect new requirements when preparing financial statements, financial information, operating statements and *pro forma* financial statements for periods relating to financial years beginning on or after January 1, 2011.

4(a) Financial Statements of a Registrant Prepared in Accordance with National Instrument 52-107, subsection 3.2(4) — Auditor's Report

- The financial statements are for the year ended December 31, 2011 to comply with the securities regulatory requirements for registrants, and comparative information is not presented.
- Registrants are required to prepare financial statements in accordance with paragraph 3.2(3)(a) of National Instrument 52-107. For periods relating to a fiscal year beginning in 2011, section 3.2 permits registrants to prepare financial statements in accordance with either paragraph 3.2(3)(a) or subsection 3.2(4). The entity has chosen to prepare financial statements in accordance with subsection 3.2(4). (Refer to Illustrative Report 4(b) for an auditor's report on financial statements prepared in accordance with paragraph 3.2(3)(a).)
- The entity prepared annual financial statements that comply with the financial reporting framework prescribed by subsection 3.2(4) of National Instrument 52-107 for financial statements delivered by registrants.
- The financial reporting framework requires the financial statements to:
 - (i) be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises, except that any investments in subsidiaries, jointly controlled entities and associates must be accounted for as specified for separate financial statements in International Accounting Standard 27;
 - (ii) exclude comparative information relating to the preceding year; and
 - (iii) use the first day of the financial year to which the financial statements relates as the date of transition to the financial reporting framework.
- The financial statements describe the financial reporting framework by reference to subsection 3.2(4) of National Instrument 52-107.
- The audit is conducted in accordance with Canadian Auditing Standards.
- An Emphasis of Matter paragraph is required. Use of the auditor's report is restricted but distribution of the auditor's report is not restricted. Other choices are permitted. (Refer to Q&A 2(b) in this Guide for the permitted choices.)

(Please read Introduction to Illustrative Reports)

1. These financial statements are not prepared for filing with securities regulators as part of the continuous disclosure obligations of a reporting issuer. Rather, they must be delivered to the securities regulators using the financial reporting framework prescribed by the regulators in order to meet the specific needs of those regulators ("special purpose framework"). Financial statements prepared in accordance with a special purpose framework are special purpose financial statements. Accordingly, the special considerations of CAS 800, *Special Considerations — Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, apply.

2. One of the considerations in forming an opinion on financial statements is whether the financial statements adequately refer to or describe the applicable financial reporting framework. In this case, the financial reporting framework is described by reference to National Instrument 52-107.
3. Paragraph A6 of CAS 800 indicates that the applicable financial reporting framework may encompass the financial reporting standards established by an organization that is authorized or recognized to promulgate standards for special purpose financial statements. In that case, those standards will be presumed to be acceptable for that purpose if the organization follows an established and transparent process involving deliberation and consideration of the views of relevant stakeholders.
4. It has been assumed that this is a fair presentation framework. (Refer to Q&A 2(d) in this Guide for guidance with respect to fair presentation and compliance frameworks.)

INDEPENDENT AUDITOR'S REPORT

[Directors of ABC Company]

We have audited the accompanying financial statements of ABC Company, which comprise the statements of financial position as at December 31, 2011 and January 1, 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended December 31, 2011, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management to meet the requirements of National Instrument 31-103 *Registration Requirements and Exemptions*, based on the financial reporting framework specified in subsection 3.2(4) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for financial statements delivered by registrants.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting framework specified in subsection 3.2(4) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for financial statements delivered by registrants, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Company as at December 31, 2011 and January 1, 2011, and its financial performance and its cash flows for the year ended December 31, 2011 in accordance with the financial reporting framework specified in subsection 3.2(4) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for financial statements delivered by registrants.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist ABC Company to meet the requirements of National Instrument 31-103 *Registration Requirements and Exemptions*. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Directors of ABC Company and Regulator DEF, and should not be used by parties other than the Directors of ABC Company or Regulator DEF.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

4(b) *Financial Statements of a Registrant Prepared in Accordance with National Instrument 52-107, paragraph 3.2(3)(a) — Auditor’s Report*

- The financial statements are for the year ended December 31, 2011 to comply with the securities regulatory requirements for registrants, and comparative information is presented.
- Registrants are required to prepare financial statements in accordance with paragraph 3.2(3)(a) of National Instrument 52-107. For periods relating to a fiscal year beginning in 2011, section 3.2 permits registrants to prepare financial statements in accordance with either paragraph 3.2(3)(a) or subsection 3.2(4). The entity has chosen to prepare financial statements in accordance with paragraph 3.2(3)(a). (Refer to Illustrative Report 4(a) for an auditor’s report on financial statements prepared in accordance with subsection 3.2(4).)
- The entity prepared annual financial statements that comply with the financial reporting framework prescribed by paragraph 3.2(3)(a) of National Instrument 52-107 for financial statements delivered by registrants. The framework requires the financial statements to be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises, except that any investments in subsidiaries, jointly controlled entities and associates must be accounted for as specified for separate financial statements in IAS 27 Consolidated and Separate Financial Statements.
- The financial statements describe the financial reporting framework by reference to paragraph 3.2(3)(a) of National Instrument 52-107.
- The audit is conducted in accordance with Canadian Auditing Standards.
- An Emphasis of Matter paragraph is required. Use of the auditor’s report is restricted but distribution of the auditor’s report is not restricted. Other choices are permitted. (Refer to Q&A 2(b) in this Guide for the permitted choices.)

(Please read Introduction to Illustrative Reports)

1. These financial statements are not prepared for filing with securities regulators as part of the continuous disclosure obligations of a reporting issuer. Rather, they must be delivered to the securities regulators using the financial reporting framework prescribed by the regulators in order to meet the specific needs of those regulators (“special purpose framework”). Financial statements prepared in accordance with a special purpose framework are special purpose financial statements. Accordingly, the special considerations of CAS 800, *Special Considerations — Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, apply.
2. One of the considerations in forming an opinion on financial statements is whether the financial statements adequately refer to or describe the applicable financial reporting framework. In this case, the financial reporting framework is described by reference to National Instrument 52-107.

3. Paragraph A6 of CAS 800 indicates that the applicable financial reporting framework may encompass the financial reporting standards established by an organization that is authorized or recognized to promulgate standards for special purpose financial statements. In that case, those standards will be presumed to be acceptable for that purpose if the organization follows an established and transparent process involving deliberation and consideration of the views of relevant stakeholders.
4. It has been assumed that this is a fair presentation framework. (Refer to Q&A 2(d) in this Guide for guidance with respect to fair presentation and compliance frameworks.)

INDEPENDENT AUDITOR'S REPORT

[Directors of ABC Company]

We have audited the accompanying financial statements of ABC Company, which comprise the statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management to meet the requirements of National Instrument 31-103 *Registration Requirements and Exemptions*, based on the financial reporting framework specified in paragraph 3.2(3)(a) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for financial statements delivered by registrants.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting framework specified in paragraph 3.2(3)(a) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for financial statements delivered by registrants, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Company as at December 31, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with the financial reporting framework specified in paragraph 3.2(3)(a) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for financial statements delivered by registrants.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist ABC Company to meet the requirements of National Instrument 31-103 *Registration Requirements and Exemptions*. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Directors of ABC Company and Regulator DEF, and should not be used by parties other than the Directors of ABC Company or Regulator DEF.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

4(c) Acquisition Statement for an Oil and Gas Property Prepared in Accordance with National Instrument 52-107, subsection 3.11(5) — Auditor's Report

- **Company DEF acquired the oil and gas property ABC.**
- **DEF must file a business acquisition report with securities regulators.**
- **Management of DEF prepared the operating statement of ABC for the years ended December 31, 2011 and December 31, 2010.**
- **The financial reporting framework is prescribed by subsection 3.11(5) of National Instrument 52-107 for operating statements of acquired oil and gas properties.**
- **The financial reporting framework requires the operating statement to:**
 - (i) include line items for at least gross revenue, royalty expenses, production costs and operating income; and**
 - (ii) for each line use accounting policies permitted by one of Canadian GAAP applicable to publicly accountable enterprises, IFRSs, US GAAP or Canadian GAAP applicable to private enterprises, and would apply to those line items if those line items were presented as part of a complete set of financial statements.**
- **The operating statement describes the financial reporting framework, by reference to subsection 3.11(5) of National Instrument 52-107, and the accounting policies used to prepare the operating statement.**
- **The auditor's report refers to the most recently completed financial period presented.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. The financial reporting framework has been designed by the securities regulators to meet the common information needs of a broad range of users ("general purpose framework"). Financial statements prepared in accordance with a general purpose framework are general purpose financial statements. However, the securities regulators have determined that users do not need a complete set of financial statements to meet their information needs. Accordingly, CAS 805, *Special Considerations — Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement applies, and the form of report is based on CAS 700, Forming an Opinion and Reporting on Financial Statements.*
2. One of the considerations in forming an opinion on financial statements is whether the financial statements adequately refer to or describe the applicable financial reporting framework. In this case, the financial reporting framework is described by reference to National Instrument 52-107.
3. Paragraph 8 of CAS 805 requires the auditor to determine the acceptability of the financial reporting framework, including whether application of the financial reporting framework will result

in a presentation that provides adequate disclosures to enable the intended users to understand the information conveyed in the financial statement, and the effect of material transactions and events on the information conveyed in the financial statement.

4. Because the comparative operating statement is unaudited, the auditor is required by paragraph 14 of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, to include an Other Matter paragraph stating that the comparative operating statement is unaudited.
5. It has been assumed that this is a compliance framework. (Refer to Q&A 2(d) in this Guide for guidance with respect to fair presentation and compliance frameworks.)

INDEPENDENT AUDITOR'S REPORT

[Directors of DEF Company]

We have audited the accompanying operating statement containing gross revenues, royalty expenses, production costs and operating income of ABC for the year ended December 31, 2011, and a summary of significant accounting policies and other explanatory information (together "the operating statement").

Management's Responsibility for the Operating Statement

Management of DEF Company is responsible for the preparation of this operating statement of ABC in accordance with the financial reporting framework specified in subsection 3.11(5) of National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards for operating statements of an acquired oil and gas property, and for such internal control as management determines is necessary to enable the preparation of the operating statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the operating statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the operating statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the operating statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the operating statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the operating statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting

estimates, if any, made by management, as well as evaluating the overall presentation of the operating statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the operating statement of ABC for the year ended December 31, 2011 is prepared, in all material respects, in accordance with the financial reporting framework specified in subsection 3.11(5) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for operating statements of an acquired oil and gas property.

Other Matter

The operating statement of ABC for the year ended December 31, 2010, is unaudited.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

REPORTS FOR AUDITS CONDUCTED IN ACCORDANCE WITH BOTH CANADIAN AUDITING STANDARDS AND THE STANDARDS OF THE PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD (UNITED STATES)

Introduction

1. These Illustrative Reports deal with the specific circumstances of reporting in accordance with the reporting standards in the Canadian Auditing Standards (CASs) and in the standards of the Public Company Accounting Oversight Board (United States) (PCAOB). It is assumed that the auditor has complied with the requirements in paragraphs 44 and 45 of CAS 700, *Forming an Opinion and Reporting on Financial Statements*. Paragraph A44 of CAS 700 indicates that when there is a conflict between the requirements in the CASs and the requirements in national auditing standards, the auditor's report refers only to the auditing standards in accordance with which the auditor's report has been prepared. The PCAOB standards require an explanatory paragraph in certain circumstances. CAS 706, *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, permits the auditor to add an emphasis of matter paragraph or an other matter paragraph to the auditor's report. Accordingly, CAS 706 permits the auditor to avoid conflicts with PCAOB reporting standards by adding the relevant explanatory paragraph to the auditor's report.
2. The Illustrative Reports have been designed to comply with the reporting standards of both the CASs and the PCAOB standards.
3. The Illustrative Reports assume that the auditor has audited the entity's internal control over financial reporting but chooses to issue separate reports on the financial statements and internal control over financial reporting. The auditor may choose to issue a combined report on the financial statements and internal control over financial reporting. An example of a combined report is not included in these Illustrative Reports.
4. Accordingly, each Illustrative Report omits reference in the auditor's responsibility section to the phrase that the auditor's consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of internal control, as required by paragraph 31(b) of CAS 700. Each Illustrative Report also includes an Other Matter paragraph referring to the fact that the auditor has audited, in accordance with the standards of the PCAOB, the entity's internal control over financial reporting. This Other Matter paragraph is required under PCAOB standards; however, it is permitted but not required under the CASs.
5. The US Securities and Exchange Commission requires that when financial statements are prepared in accordance with IFRSs the financial reporting framework should be described as "International Financial Reporting Standards as issued by the International Accounting Standards Board." This wording is required to be reflected in the auditor's report. (Refer to Q&A 1(b) in this Guide for discussion of the reference to the financial reporting framework in the practitioner's report.)

6. In the event that the auditor is not engaged to report on internal control over financial reporting, the Illustrative Reports 5(a)-(c) would be affected as follows:
- (a) the Other Matter paragraph referred to above would not be required;
 - (b) the sentence “In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.” would be deleted; and
 - (c) the following would be added to the end of the first paragraph of the auditor’s responsibility section of the auditor’s report:

We were not engaged to perform an audit of the Company’s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

5(a) *Financial Statements Prepared in Accordance with Pre-Changeover Accounting Standards for the Year Ended December 31, 2010, with Reconciliation between United States (US) GAAP and Pre-changeover Accounting Standards — Auditor’s Report*

- **The financial statements are prepared in accordance with pre-changeover accounting standards.**
- **The auditor’s report refers to all periods presented.**
- **The audit is conducted in accordance with Canadian Auditing Standards and with the standards of the Public Company Accounting Oversight Board (PCAOB).**
- **The auditor’s report includes an Other Matter paragraph referring to the separate report on internal control over financial reporting.**

(Please read Introduction to Illustrative Reports)

1. Paragraph A10 of CAS 700, *Forming an Opinion and Reporting on Financial Statements*, states that when financial statements prepared in accordance with one financial reporting framework describe the extent to which the financial statements comply with another financial reporting framework, such description is supplementary financial information and is considered an integral part of the financial statements and, accordingly, is covered by the auditor’s opinion. When the reconciliation between US GAAP and pre-changeover accounting standards is included in the notes to the financial statements, it is integral to the financial statements and is covered by the auditor’s opinion. Paragraph A47 of CAS 700 indicates that supplementary information that is covered by the auditor’s opinion does not need to be specifically referred to in the introductory paragraph of the auditor’s report when the reference to the notes in the description of the statements that comprise the financial statements in the introductory paragraph is sufficient.

INDEPENDENT AUDITOR’S REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheets as at December 31, 2010 and December 31, 2009, and the statements of income, changes in shareholders’ equity, comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.⁹

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Company as at December 31, 2010 and December 31, 2009, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2010 in accordance with Canadian generally accepted accounting principles.

Other Matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), ABC Company's internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated [date of auditor's report on internal control over financial reporting] expressed an unqualified opinion on ABC Company's internal control over financial reporting.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

⁹ See paragraph 4 of the Introduction to Illustrative Reports for Audits Conducted in Accordance with Both the CASs and PCAOB Standards

5(b) Financial Statements Prepared in Accordance with IFRSs for the Year Ended December 31, 2010 — Auditor's Report

- **The financial statements are prepared in accordance with IFRSs for the first time in 2010.**
- **The auditor's report refers to all periods presented.**
- **The audit is conducted in accordance with Canadian Auditing Standards and with the standards of the Public Company Accounting Oversight Board (PCAOB).**
- **The auditor's report includes an Other Matter paragraph referring to the separate report on internal control over financial reporting.**

(Please read Introduction to Illustrative Reports)

INDEPENDENT AUDITOR'S REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders

We have audited the accompanying financial statements of ABC Company, which comprise the statements of financial position as at December 31, 2010, December 31, 2009 and January 1, 2009, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2010 and December 31, 2009, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.¹⁰

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements

¹⁰ See paragraph 4 of the Introduction to Illustrative Reports for Audits Conducted in Accordance with Both the CASs and PCAOB Standards

in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Company as at December 31, 2010, December 31, 2009 and January 1, 2009, and its financial performance and its cash flows for the years ended December 31, 2010 and December 31, 2009 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), ABC Company's internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated [date of auditor's report on internal control over financial reporting] expressed an unqualified opinion on ABC Company's internal control over financial reporting.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

5(c) *Financial Statements Prepared in Accordance with US GAAP for the Year Ended December 31, 2010 — Auditor's Report*

- **The financial statements are prepared in accordance with US GAAP.**
- **The auditor's report refers to all periods presented.**
- **The audit is conducted in accordance with Canadian Auditing Standards and with the standards of the Public Company Accounting Oversight Board (PCAOB).**
- **The auditor's report includes an Other Matter paragraph referring to the separate report on internal control over financial reporting.**

(Please read Introduction to Illustrative Reports)

INDEPENDENT AUDITOR'S REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheets as at December 31, 2010 and December 31, 2009, and the statements of income, changes in shareholders' equity, comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with United States generally accepted accounting principles,¹¹ and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.¹²

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the

¹¹ The term "accounting principles generally accepted in the United States of America" is also acceptable when describing US GAAP in the auditor's report.

¹² See paragraph 4 of the Introduction to Illustrative Reports for Audits Conducted in Accordance with Both the CASs and PCAOB Standards.

entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Company as at December 31, 2010 and December 31, 2009, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2010 in accordance with United States generally accepted accounting principles.

Other Matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), ABC Company's internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated [date of auditor's report on internal control over financial reporting] expressed an unqualified opinion on ABC Company's internal control over financial reporting.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

REPORTS FOR AUDITS OF SINGLE FINANCIAL STATEMENTS AND SPECIFIC ELEMENTS, ACCOUNTS OR ITEMS OF A FINANCIAL STATEMENT

Introduction

1. These Illustrative Reports deal with reports on audits of single financial statements and specific elements, accounts or items of a financial statement. The CASs in the 100-700 series and CAS 800, *Special Considerations — Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, if applicable, apply to an audit of financial statements and are to be adapted as necessary in the circumstances when applied to audits of other historical financial information, such as single financial statements and specific elements, accounts or items of a financial statement. CAS 805, *Special Considerations — Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*, deals with the special considerations in the application of those CASs to an audit of a single financial statement or of a specific element, account or item of a financial statement. (Refer to Q&A 3(a) in this Guide, which provides guidance with respect to reporting in accordance with CAS 805.)
2. In the Illustrative Reports, it has been assumed that the single financial statement or specific element, account or item of a financial statement discloses, for example, the applicable financial reporting framework, accounting policy choices, and significant interpretations of any contract, legislation or regulation, made by management in preparing the single financial statements and specific elements, accounts or items of a financial statement.
3. It has been assumed in Illustrative Report 6(a) that management does not have a choice of financial reporting frameworks in the preparation of the financial information. It has been assumed in Illustrative Report 6(b) that management does have a choice of financial reporting frameworks in the preparation of the financial information. Accordingly, paragraph 13(b) of CAS 800 applies to Illustrative Report 6(b). (Refer to Q&A 2(g) in this Guide, which provides guidance when management has a choice of financial reporting frameworks in the preparation of special purpose financial statements.)
4. It has been assumed in the Illustrative Reports that comparative information is not required to be presented by the financial reporting framework.

6(a) Schedule of Operating Costs Prepared in Accordance with the Terms of a Lease Agreement — Auditor's Report

- **The schedule of operating costs of DEF Property is for the year ended December 31, 2010 and is prepared to assist in meeting the requirements of the lease agreement of DEF Property.**
- **The tenants of DEF Property are provided with the schedule of operating costs as required by Section Z of ABC Company's lease agreement for DEF Property. The tenants are an intended user of the schedule.**
- **The financial reporting framework is prescribed by Section X of ABC Company's lease agreement for DEF Property. Management does not have a choice of financial reporting frameworks in the preparation of the schedule.**
- **The notes to the schedule describe the financial reporting framework by reference to the financial reporting provisions of Section C of ABC Company's lease agreement for DEF Property.**
- **The auditor's report refers to the current period only as comparative information is not presented.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**
- **An Emphasis of Matter paragraph is required. Use of the auditor's report is restricted but distribution of the auditor's report is not restricted. Other choices are permitted. (Refer to Q&A 2(b) in this Guide for the permitted choices.)**

(Please read Introduction to Illustrative Reports)

1. The schedule of operating costs does not constitute a complete set of financial statements as defined in paragraph 13(f) of CAS 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Canadian Auditing Standards*, because the schedule is not a structured representation of historical financial information, including related notes, intended to communicate the entity's economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The schedule consists of a number of items of a financial statement and, therefore, CAS 805, *Special Considerations — Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*, applies. Further, the financial reporting framework used in preparing the schedule is designed to meet the needs of specific users as discussed in paragraph 6 of CAS 800, *Special Considerations — Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*. Accordingly, when reporting on the schedule of operating costs, the auditor also makes reference to the CASs in the 100-700 series and the special considerations in CAS 800.
2. One of the considerations in forming an opinion on a schedule of specific elements, accounts or items of a financial statement is whether the schedule of specific elements, accounts or items of a financial statement adequately refers to or describes the applicable financial reporting framework. In this case, it has been assumed that the financial reporting framework is described in the notes to the schedule of specific elements, accounts or items of a financial

statement by reference to Section X of ABC Company's lease agreement for DEF Property, and that this provision in the lease agreement is sufficiently detailed, and not subject to significant interpretation, to be an adequate description of the financial reporting framework.

3. Paragraph 6(a) of CAS 210, *Agreeing the Terms of Audit Engagements*, requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation of the financial statement or the specific element account or item of a financial statement. Paragraph 8 of CAS 805 indicates that such determination includes whether application of the financial reporting framework will result in a presentation that provides adequate disclosures to enable the intended users to understand the information conveyed in the schedule, and the effect of material transactions and events on the information conveyed in the schedule.
4. Paragraph A8 of CAS 800 provides guidance on determining the acceptability of a financial reporting framework that encompasses the financial reporting provisions of a contract. The financial reporting framework is acceptable if it exhibits the attributes normally exhibited by acceptable financial reporting frameworks as described in Appendix 2 to CAS 210.
5. It has been assumed that this is a compliance framework. (Refer to Q&A 2(d) in this Guide for guidance with respect to fair presentation and compliance frameworks.)

INDEPENDENT AUDITOR'S REPORT

To the Directors of ABC Company

We have audited the accompanying schedule of operating costs for DEF Property for the year ended December 31, 2010 and a summary of significant accounting policies and other explanatory information (together "the schedule"). The schedule has been prepared by management based on the financial reporting provisions in Section X of ABC Company's lease agreement for DEF Property.

Management's Responsibility for the Schedule

Management of ABC Company is responsible for the preparation of the schedule in accordance with the financial reporting provisions in Section X of ABC Company's lease agreement for DEF Property, and for such internal control as management determines is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the schedule based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the schedule of operating costs for DEF Property for the year ended December 31, 2010 is prepared, in all material respects, in accordance with the financial reporting provisions in Section X of ABC Company's lease agreement for DEF Property.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note Y to the schedule, which describes the basis of accounting. The schedule is prepared to assist ABC Company to meet the requirements of Section Z of ABC Company's lease agreement for DEF Property. As a result, the schedule may not be suitable for another purpose. Our report is intended solely for ABC Company and the tenants of DEF Property and should not be used by parties other than ABC Company and the tenants of DEF Property.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

6(b) Schedule of Gross Sales Prepared in Accordance with the Terms of a Lease Agreement — Auditor’s Report

- The schedule of gross sales of tenant DEF Company at Store GHI is for the year ended December 31, 2010 and is prepared to assist in meeting the requirements of the lease agreement between ABC Company and DEF Company for the store.
- The landlord, ABC Company, is provided with the schedule of gross sales as required by Section Z of the lease agreement. The landlord is an intended user of the schedule.
- The financial reporting framework is prescribed by Section X of the lease agreement. The financial reporting framework requires that the schedule of gross sales be prepared in accordance with “Canadian GAAP”. Because Canadian GAAP includes different financial reporting frameworks, management has a choice of financial reporting frameworks in the preparation of the schedule.
- The notes to the schedule describe the financial reporting framework by reference to the financial reporting provisions of the lease agreement, management’s choice of financial reporting framework and any interpretations of the provisions of the lease agreement.
- The auditor’s report refers to the current period only.
- The audit is conducted in accordance with Canadian Auditing Standards.
- An Emphasis of Matter paragraph is required. Use of the auditor’s report is restricted but distribution of the auditor’s report is not restricted. Other choices are permitted. (Refer to Q&A 2(b) in this Guide for the permitted choices.)

(Please read Introduction to Illustrative Reports)

1. The schedule of gross sales does not constitute a complete set of financial statements as defined in paragraph 13(f) of CAS 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Canadian Auditing Standards*, because the schedule is not a structured representation of historical financial information, including related notes, intended to communicate the entity’s economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The schedule consists of a number of items of a financial statement and, therefore, CAS 805, *Special Considerations — Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*, applies. Further, the financial reporting framework used in preparing the schedule is designed to meet the needs of specific users, as discussed in paragraph 6 of CAS 800, *Special Considerations — Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*. Accordingly, when reporting on the schedule of gross sales, the auditor also makes reference to the CASs in the 100-700 series and the special considerations in CAS 800.
2. One of the considerations in forming an opinion on a schedule of specific elements, accounts or items of a financial statement is whether the schedule of specific elements, accounts or items of a financial statement adequately refers to or describes the

applicable financial reporting framework. In this case, it has been assumed that a note to the schedule of gross sales describes the financial reporting framework by reference to Section X of the lease agreement and that such note also indicates which Part of the CPA Canada Handbook – Accounting has been chosen by management. Therefore, in the auditor’s report, the reference to the applicable financial reporting framework could be made by either a reference to Section X of the lease agreement or by a reference to the note to the schedule of gross sales. The latter option has been selected in this Illustrative Report.

3. Paragraph 6(a) of CAS 210, *Agreeing the Terms of Audit Engagements*, requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation of the financial statement or the specific element account or item of a financial statement. Paragraph 8 of CAS 805 indicates that such determination includes whether application of the financial reporting framework will result in a presentation that provides adequate disclosures to enable the intended users to understand the information conveyed in the schedule, and the effect of material transactions and events on the information conveyed in the schedule.
4. Paragraph A8 of CAS 800 provides guidance on determining the acceptability of a financial reporting framework that encompasses the financial reporting provisions of a contract. The financial reporting framework is acceptable if it exhibits the attributes normally exhibited by acceptable financial reporting frameworks as described in Appendix 2 to CAS 210.
5. Because management has a choice of financial reporting frameworks, paragraph 13(b) of CAS 800 requires the auditor’s report to make reference to management’s responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances. (Refer to Q&A 2(g) in this Guide for guidance when management has a choice of financial reporting frameworks in the preparation of special purpose financial statements.)
6. It has been assumed that this is a compliance framework. (Refer to Q&A 2(d) in this Guide for guidance with respect to fair presentation and compliance frameworks.)

INDEPENDENT AUDITOR’S REPORT

To the Directors of DEF Company

We have audited the accompanying schedule of gross sales at store GHI for the year ended December 31, 2010 and a summary of significant accounting policies and other explanatory information (together “the schedule”). The schedule has been prepared by management of DEF Company using the basis of accounting described in Note Y.

Management's Responsibility for the Schedule

Management of DEF Company is responsible for the preparation of the schedule in accordance with the basis of accounting described in Note Y; this includes determining that the applicable financial reporting framework is acceptable for the preparation of the schedule in the circumstances, and for such internal control as management determines is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the schedule based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the schedule of gross sales at store GHI for the year ended December 31, 2010 is prepared, in all material respects, in accordance with the basis of accounting described in Note Y.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note Y to the schedule, which describes the basis of accounting. The schedule is prepared to assist DEF Company to meet the requirements of Section Z of the lease agreement. As a result, the schedule may not be suitable for another purpose. Our report is intended solely for ABC Company and DEF Company and should not be used by parties other than ABC Company and DEF Company.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

REPORTS ARISING FROM CIRCUMSTANCES ADDRESSED IN CAS 710, COMPARATIVE INFORMATION – CORRESPONDING FIGURES AND COMPARATIVE FINANCIAL STATEMENTS

Introduction

1. These Illustrative Reports deal with circumstances addressed in CAS 710, *Comparative Information – Corresponding Figures and Comparative Financial Statements*. Q&A 2(a) in this Guide discusses comparative information and its effect on the auditor's report. Q&A 2(k) in this Guide discusses prior period financial statements audited by a predecessor auditor.
2. The Illustrative Reports also reflect specific requirements in CAS 705, *Modifications to the Opinion in the Independent Auditor's Report*, relating to the form of report containing a modification of opinion, as follows:
 - (a) Paragraph 17 of CAS 705 states that if there is a material misstatement of the financial statements that relates to specific amounts in the financial statements (including quantitative disclosures), the auditor shall include in the basis for modification paragraph a description and quantification of the financial effects of the misstatements, unless impracticable. If it is not practicable to quantify the financial effects, the auditor is required to so state in the basis for modification paragraph. In these Illustrative Reports, it has been assumed that it is practicable to quantify the financial effects of the misstatements in such circumstances.
 - (b) Paragraph 22 of CAS 705 states that when the auditor modifies the audit opinion, the auditor shall use the heading "Qualified Opinion," "Adverse Opinion," or "Disclaimer of Opinion," as appropriate, for the opinion paragraph. Paragraph 26 of CAS 705 states that when the auditor expresses a qualified or adverse opinion, the auditor shall amend the description of the auditor's responsibility to state that the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's modified audit opinion.
 - (c) Paragraph 23 of CAS 705 states that when the auditor expresses a qualified opinion due to a material misstatement in the financial statements, the auditor shall state in the opinion paragraph that in the auditor's opinion, "except for the effects of the matter(s) described in the Basis for Qualified Opinion paragraph." When the modification arises from an inability to obtain sufficient appropriate audit evidence, the auditor shall use the corresponding phrase "except for the possible effects of the matter(s) described in the Basis for Qualified Opinion paragraph" for the modified opinion.
 - (d) Paragraph 19 of CAS 705 contains requirements when there is a material misstatement of the financial statements that relates to non-disclosure of information required to be disclosed. Illustrative Reports do not address this circumstance.
3. Although there is no specific requirement in CAS 710 to do so, the Basis for Qualified Opinion paragraphs in the illustrations of auditor's reports in CAS 710 contain a reference to the auditor's opinion in the prior year. For example, these paragraphs use wording such as: "Our audit opinion on the financial statements for the period ended... was modified accordingly." or "This caused us to modify our audit opinion on the

financial statements relating to that period.” Both practices have been followed in the Illustrative Reports. Similarly, when a predecessor auditor is involved, the equivalent wording is reflected as “The predecessor auditor’s opinion on the financial statements for the period ended ... was modified accordingly.” or “This caused the predecessor auditor to modify the audit opinion on the financial statements relating to that period.”

4. When a predecessor auditor is involved, Illustrative Reports also include, for information purposes, an excerpt from the predecessor auditor’s report on the prior year’s financial statements to assist understanding of the wording of the auditor’s report on the current year’s financial statements.
5. The Illustrative Reports in this section of the Guide do not address specific reporting issues that arise when reporting on the first financial statements under a new accounting framework. (Refer to Illustrative Reports 1(a)-(c) and 2(a)-(d) in this Guide for such reports.)
6. Throughout the Illustrative Reports in this Guide, the generic term “comparative information” is used in the auditor’s report. This is to reflect the fact that this term is used in many financial reporting frameworks, (for example, in the CPA Canada Handbook - Accounting and the CPA Canada Public Sector Accounting Handbook), and is one with which readers of financial statements are generally familiar. Some Illustrative Reports in CAS 710 may refer to comparative information as “corresponding figures”. “Corresponding figures” is terminology used in the CASs but may not be understood by financial statement readers.

Summary of Auditor's Reports Arising from Circumstances Addressed in CAS 710, Comparative Information — Corresponding Figures and Comparative Financial Statements

	Corresponding Figures — Same Auditor	Corresponding Figures — Predecessor Auditor	Comparative Financial Statements — Same Auditor	Comparative Financial Statements — Predecessor Auditor
Unresolved qualification from a prior year				
Departure from financial reporting framework	Matter affects current year 7(a) page 171	Matter affects current year 7(b) page 173	Matter affects both years 7(c) page 176	Matter affects both years 7(d) page 178
Scope limitation	Matter affects current year 7(e) page 181	Matter affects current year 7(f) page 184	Matter affects both years 7(g) page 187	Matter affects both years 7(h) page 189
	Matter affects comparability of current and prior years 7(i) page 192	Matter affects comparability of current and prior years 7(j) page 195	Matter affects prior year only 7(k) page 199	Matter affects prior year only 7(l) page 202
Restated comparative information				
Unmodified opinion in prior year	7(m) page 203	7(n) page 206	7(o) page 209	7(p) page 210 Opening statement of financial position 7(q) page 213 Predecessor auditor reporting on comparative information 7(r) page 216
Qualified opinion in prior year	7(s) page 220	7(t) page 222	7(u) page 224	7(v) page 227
Misstatement discovered after financial statements issued				
Financial statements reissued	7(w) page 2319	N/A	7(x) page 235	N/A

7(a) — Corresponding Figures**Unresolved Qualification in a Prior Year Arising From a Departure from the Financial Reporting Framework**

Effects of the Matter on the Current Year are Material — Same Auditor for Prior Year

Report illustrative of the following circumstances:

- **The financial statements for the year ended December 31, 2011 are prepared in accordance with Canadian accounting standards for private enterprises.**
- **The auditor is required to report only on the current year financial statements.**
- **The auditor for the current year was also the auditor for the prior year.**
- **The auditor's report on the prior year, as previously issued, included a qualified opinion arising from a departure from Canadian accounting standards for private enterprises.**
- **The matter giving rise to the modification is unresolved.**
- **The effects of the matter on the current year's figures are material and require a modification to the auditor's opinion regarding the current year figures.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. Paragraph 11 of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, states that if the auditor's report on the prior period, as previously issued, included a qualified opinion, a disclaimer of opinion, or an adverse opinion and the matter which gave rise to the modification is unresolved, the auditor shall modify the auditor's opinion on the current period's financial statements.
2. Paragraph 11(a) of CAS 710 requires that in the Basis for Modification paragraph in the auditor's report, when the effects or possible effects of the matter on the current period's figures are material, the auditor shall refer to both the current period's figures and the corresponding figures in the description of the matter giving rise to the modification.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 2011, and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as

management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As discussed in Note X to the financial statements, no depreciation has been provided in the financial statements, which constitutes a departure from Canadian accounting standards for private enterprises. This is the result of a decision taken by management at the start of the preceding financial year. This caused us to modify our audit opinion on the financial statements relating to that year. Based on the straight-line method of depreciation and annual rates of 5% for the building and 20% for the equipment, the loss for the year should be increased by \$xxx in 2011 and \$xxx in 2010, property, plant and equipment should be reduced by accumulated depreciation of \$xxx in 2011 and \$xxx in 2010, and retained earnings should be decreased by \$xxx in 2011 and \$xxx in 2010.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of ABC Company as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

7(b) — Corresponding Figures**Unresolved Qualification in a Prior Year Arising From a Departure from the Financial Reporting Framework**

Effects of the Matter on the Current Year are Material — Predecessor Auditor for Prior Year

Report illustrative of the following circumstances:

- **The financial statements for the year ended December 31, 2011 are prepared in accordance with Canadian accounting standards for private enterprises.**
- **The auditor is required to report only on the current year financial statements.**
- **The financial statements for the prior year were audited by a predecessor auditor.**
- **The predecessor auditor's report on the prior year, as previously issued, included a qualified opinion arising from a departure from Canadian accounting standards for private enterprises.**
- **The matter giving rise to the modification is unresolved.**
- **The effects of the matter on the current year's figures are material and require a modification to the auditor's opinion regarding the current year figures.**
- **The auditor has decided to add an Other Matter paragraph referring to the predecessor auditor's report on the corresponding figures.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. Paragraph 11 of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, states that if the auditor's report on the prior period, as previously issued, included a qualified opinion, a disclaimer of opinion, or an adverse opinion and the matter which gave rise to the modification is unresolved, the auditor shall modify the auditor's opinion on the current period's financial statements.
2. Paragraph 11(a) of CAS 710 requires that in the Basis for Modification paragraph in the auditor's report, when the effects or possible effects of the matter on the current period's figures are material, the auditor shall refer to both the current period's figures and the corresponding figures in the description of the matter giving rise to the modification.
3. Paragraph 13 of CAS 710 states that if the financial statements of the prior period were audited by a predecessor auditor and the auditor is not prohibited by law or regulation from referring to the predecessor auditor's report on the corresponding figures and decides to do so, the auditor shall state in an Other Matter paragraph in the auditor's report:
 - (a) that the financial statements of the prior period were audited by the predecessor auditor;
 - (b) the type of opinion expressed by the predecessor auditor and, if the opinion was modified, the reasons therefore; and
 - (c) the date of that report.

4. Excerpt from the predecessor auditor's report on the financial statements of ABC Company for the year ended December 31, 2010:

Basis for Qualified Opinion

As discussed in Note X to the financial statements, no depreciation has been provided in the financial statements, which constitutes a departure from Canadian accounting standards for private enterprises. This is the result of a decision taken by management at the start of the financial year. Based on the straight—line method of depreciation and annual rates of 5% for the building and 20% for the equipment, the loss for the year should be increased by \$xxx, property, plant and equipment should be reduced by accumulated depreciation of \$xxx, and retained earnings should be decreased by \$xxx.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 2011, and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As discussed in Note X to the financial statements, no depreciation has been provided in the financial statements, which constitutes a departure from Canadian accounting standards for private enterprises. This is the result of a decision taken by management at the start of the preceding financial year. This caused the predecessor auditor to modify the audit opinion on the financial statements relating to that year. Based on the straight-line method of depreciation and annual rates of 5% for the building and 20% for the equipment, the loss for the year should be increased by \$xxx in 2011 and \$xxx in 2010, property, plant and equipment should be reduced by accumulated depreciation of \$xxx in 2011 and \$xxx in 2010, and retained earnings should be decreased by \$xxx in 2011 and \$xxx in 2010.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of ABC Company as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Other Matter

The financial statements of ABC Company for the year ended December 31, 2010 were audited by another auditor who expressed a qualified opinion on those financial statements on March 31, 2011 for the reasons described in the Basis for Qualified Opinion paragraph.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

7(c) — Comparative Financial Statements

Unresolved Qualification in a Prior Year Arising from a Departure from the Financial Reporting Framework

Matter Affects Both Years — Same Auditor for Prior Year

Report illustrative of the following circumstances:

- **The financial statements for the year ended December 31, 2011 are prepared in accordance with Canadian accounting standards for private enterprises.**
- **The auditor is required to report on each year for which financial statements are presented and on which an audit opinion is expressed.**
- **The auditor for the current year was also the auditor for the prior year.**
- **The auditor's report on the prior year, as previously issued, included a qualified opinion arising from a departure from Canadian accounting standards for private enterprises.**
- **The matter giving rise to the modification is unresolved.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheets as at December 31, 2011 and 2010, and the statements of income, retained earnings and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As discussed in Note X to the financial statements, no depreciation has been provided in the financial statements, which constitutes a departure from Canadian accounting standards for private enterprises. This is the result of a decision taken by management at the start of the preceding financial year. Based on the straight-line method of depreciation and annual rates of 5% for the building and 20% for the equipment, the loss for the year should be increased by \$xxx in 2011 and \$xxx in 2010, property, plant and equipment should be reduced by accumulated depreciation of \$xxx in 2011 and \$xxx in 2010, and retained earnings should be decreased by \$xxx in 2011 and \$xxx in 2010.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of ABC Company as at December 31, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian accounting standards for private enterprises.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

7(d) — Comparative Financial Statements**Unresolved Qualification in a Prior Year Arising From a Departure from the Financial Reporting Framework**

Matter Affects Both Years — Predecessor Auditor for Prior Year

Report illustrative of the following circumstances:

- **The financial statements for the year ended December 31, 2011 are prepared in accordance with Canadian accounting standards for private enterprises.**
- **The auditor is required to report on each year for which financial statements are presented and on which an audit opinion is expressed.**
- **The financial statements for the prior year were audited by a predecessor auditor.**
- **The predecessor auditor's report on the prior year, as previously issued, included a qualified opinion arising from a departure from Canadian accounting standards for private enterprises.**
- **The matter giving rise to the modification is unresolved.**
- **The predecessor auditor's report on the prior year's financial statements was not reissued with the current year's financial statements.**
- **An Other Matter paragraph is required referring to the predecessor auditor's report on the prior year's financial statements.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. Paragraph 17 of CAS 710 states that if the financial statements of the prior period were audited by a predecessor auditor, in addition to expressing an opinion on the current period's financial statements, the auditor shall state in an Other Matter paragraph:
 - (a) that the financial statements of the prior period were audited by a predecessor auditor;
 - (b) the type of opinion expressed by the predecessor auditor and, if the opinion was modified, the reasons therefore; and
 - (c) the date of that report, unless the predecessor auditor's report on the prior period's financial statements is reissued with the financial statements.

2. Excerpt from predecessor auditor's report on the financial statements of ABC Company for the year ended December 31, 2010:

Basis for Qualified Opinion

As discussed in Note X to the financial statements, no depreciation has been provided in the financial statements, which constitutes a departure from Canadian accounting standards for private enterprises. This is the result of a decision taken by management at the start of the financial year. Based on the straight-line method of depreciation and annual rates of 5% for the building and 20% for the equipment, the loss for the year should be increased by \$xxx, property, plant and equipment should be reduced by accumulated depreciation of \$xxx, and retained earnings should be decreased by \$xxx.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 2011, and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As discussed in Note X to the financial statements, no depreciation has been provided in the financial statements, which constitutes a departure from Canadian accounting standards for private enterprises. This is the result of a decision taken by management at the start of the preceding financial year. This caused the predecessor auditor to modify the audit opinion on the financial statements relating to that year. Based on the straight-line method of depreciation and annual rates of 5% for the building and 20% for the equipment, the loss for the year should be increased by \$xxx in 2011 and \$xxx in 2010, property, plant and equipment should be reduced by accumulated depreciation

of \$xxx in 2011 and \$xxx in 2010, and retained earnings should be decreased by \$xxx in 2011 and \$xxx in 2010.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of ABC Company as at December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Other Matter

The financial statements of ABC Company for the year ended December 31, 2010 were audited by another auditor who expressed a qualified opinion on those financial statements on March 31, 2011 for the reasons described in the Basis for Qualified Opinion paragraph.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

7(e) — Corresponding Figures**Unresolved Qualification in a Prior Year Arising from a Scope Limitation**

Possible Effects of the Matter on the Current Year Are Material — Same Auditor for Prior Year

Report illustrative of the following circumstances:

- **The financial statements for the year ended December 31, 2011 are prepared in accordance with Part V of the CPA Canada Handbook – Accounting.**
- **The auditor is required to report only on the current year financial statements.**
- **The auditor for the current year was also the auditor for the prior year.**
- **The auditor’s report on the prior year, as previously issued, included a qualified opinion arising from a scope limitation.**
- **The matter giving rise to the modification is unresolved.**
- **The possible effects of the matter on the current year’s figures are material and require a modification to the auditor’s opinion regarding the current year figures.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. Paragraph 11 of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, states that if the auditor’s report on the prior period, as previously issued, included a qualified opinion, a disclaimer of opinion, or an adverse opinion and the matter which gave rise to the modification is unresolved, the auditor shall modify the auditor’s opinion on the current period’s financial statements.
2. Paragraph 11(a) of CAS 710 requires that in the Basis for Modification paragraph in the auditor’s report, when the effects or possible effects of the matter on the current period’s figures are material, the auditor shall refer to both the current period’s figures and the corresponding figures in the description of the matter giving rise to the modification.

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Not-for-Profit Organization, which comprise the statement of financial position as at December 31, 2011, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as

management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, ABC Not-for-Profit Organization derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of ABC Not-for-Profit Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2011 and 2010, current assets as at December 31, 2011 and 2010, and net assets as at January 1 and December 31 for both the 2011 and 2010 years. Our audit opinion on the financial statements for the year ended December 31, 2010 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of ABC Not-for-Profit Organization as at December 31, 2011, and the results of its

operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

7(f) — Corresponding Figures**Unresolved Qualification in a Prior Year Arising from a Scope Limitation**

Possible Effects of the Matter on the Current Year Are Material —
Predecessor Auditor for Prior Year

Report illustrative of the following circumstances:

- **The financial statements for the year ended December 31, 2011 are prepared in accordance with Part V of the CPA Canada Handbook – Accounting.**
- **The auditor is required to report only on the current year financial statements.**
- **The financial statements for the prior year were audited by a predecessor auditor.**
- **The predecessor auditor’s report on the prior year, as previously issued, included a qualified opinion arising from a scope limitation.**
- **The matter giving rise to the modification is unresolved.**
- **The possible effects of the matter on the current year’s figures are material and require a modification to the auditor’s opinion regarding the current year figures.**
- **The auditor has decided to add an Other Matter paragraph referring to the predecessor auditor’s report on the corresponding figures.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. Paragraph 11 of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, states that if the auditor’s report on the prior period, as previously issued, included a qualified opinion, a disclaimer of opinion, or an adverse opinion and the matter which gave rise to the modification is unresolved, the auditor shall modify the auditor’s opinion on the current period’s financial statements.
2. Paragraph 11(a) of CAS 710 requires that in the Basis for Modification paragraph in the auditor’s report, when the effects or possible effects of the matter on the current period’s figures are material, the auditor shall refer to both the current period’s figures and the corresponding figures in the description of the matter giving rise to the modification.
3. Paragraph 13 of CAS 710 states that if the financial statements of the prior period were audited by a predecessor auditor and the auditor is not prohibited by law or regulation from referring to the predecessor auditor’s report on the corresponding figures and decides to do so, the auditor shall state in an Other Matter paragraph in the auditor’s report:
 - (a) that the financial statements of the prior period were audited by the predecessor auditor;
 - (b) the type of opinion expressed by the predecessor auditor and, if the opinion was modified, the reasons therefore; and
 - (c) the date of that report.

4. Excerpt from the predecessor auditor's report on the financial statements of ABC Company for the year ended December 31, 2010:

Basis for Qualified Opinion

In common with many not-for-profit organizations, ABC Not-for-Profit Organization derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of ABC Not-for-Profit Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2010 and 2009, current assets as at December 31, 2010 and 2009, and net assets as at January 1 and December 31 for both the 2010 and 2009 years. Our audit opinion on the financial statements for the year ended December 31, 2009 was modified accordingly because of the possible effects of this limitation in scope.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Not-for-Profit Organization, which comprise the statement of financial position as at December 31, 2011, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements

in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, ABC Not-for-Profit Organization derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of ABC Not-for-Profit Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2011, current assets as at December 31, 2011, and net assets as at January 1, 2011 and December 31, 2011. The predecessor auditor's opinion on the financial statements for the year ended December 31, 2010 was modified because of the possible effects of a similar limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of ABC Not-for-Profit Organization as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matter

The financial statements of ABC Not-for-Profit Organization for the year ended December 31, 2010 were audited by another auditor who expressed a qualified opinion on those financial statements on March 31, 2011 for the reasons described in the Basis for Qualified Opinion paragraph.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

7(g) — Comparative Financial Statements**Unresolved Qualification in a Prior Year Arising from a Scope Limitation**

Matter Affects Both Years — Same Auditor for Prior Year

Report illustrative of the following circumstances:

- **The financial statements for the year ended December 31, 2011 are prepared in accordance with Part V of the CPA Canada Handbook – Accounting.**
- **The auditor is required to report on each year for which financial statements are presented and on which an audit opinion is expressed.**
- **The auditor for the current year was also the auditor for the prior year.**
- **The auditor’s report on the prior year, as previously issued, included a qualified opinion arising from a scope limitation.**
- **The matter giving rise to the modification is unresolved.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Not-for-Profit Organization, which comprise the statements of financial position as at December 31, 2011 and 2010, and the statements of operations, changes in net assets and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements

in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, ABC Not-for-Profit Organization derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of ABC Not-for-Profit Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2011 and 2010, current assets as at December 31, 2011 and 2010, and net assets as at January 1 and December 31 for both the 2011 and 2010 years.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of ABC Not-for-Profit Organization as at December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

7(h) — Comparative Financial Statements**Unresolved Qualification in a Prior Year Arising from a Scope Limitation**

Matter Affects Both Years — Predecessor Auditor for Prior Year

Report illustrative of the following circumstances:

- **The financial statements for the year ended December 31, 2011 are prepared in accordance with Part V of the CPA Canada Handbook – Accounting.**
- **The auditor is required to report on each year for which financial statements are presented and on which an audit opinion is expressed.**
- **The financial statements for the prior year were audited by a predecessor auditor.**
- **The predecessor auditor’s report on the prior year, as previously issued, included a qualified opinion arising from a scope limitation.**
- **The matter giving rise to the modification is unresolved.**
- **The predecessor auditor’s report on the prior year financial statements is not reissued with the current year’s financial statements.**
- **An Other Matter paragraph is required referring to the predecessor auditor’s report on the prior year’s financial statements.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. Paragraph 17 of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, states that if the financial statements of the prior period were audited by a predecessor auditor, in addition to expressing an opinion on the current period’s financial statements, the auditor shall state in an Other Matter paragraph:
 - (a) that the financial statements of the prior period were audited by a predecessor auditor;
 - (b) the type of opinion expressed by the predecessor auditor and, if the opinion was modified, the reasons therefore; and
 - (c) the date of that report,
 unless the predecessor auditor’s report on the prior period’s financial statements is reissued with the financial statements.
2. Excerpt from the predecessor auditor’s report on the financial statements of ABC Not-for-profit Organization for the year ended December 31, 2010:

Basis for Qualified Opinion

In common with many not-for-profit organizations, ABC Not-for-Profit Organization derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of ABC Not-for-Profit Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2010 and 2009,

current assets as at December 31, 2010 and 2009, and net assets as at January 1 and December 31 for both the 2010 and 2009 years.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Not-for-Profit Organization, which comprise the statements of financial position as at December 31, 2011, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, ABC Not-for-Profit Organization derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of ABC Not-for-Profit Organization. Therefore, we were not able to determine whether any

adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2011, current assets as at December 31, 2011, and net assets as at January 1, 2011 and December 31, 2011. The predecessor auditor's opinion on the financial statements for the year ended December 31, 2010 was modified because of the possible effects of a similar limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of ABC Not-for-Profit Organization as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matter

The financial statements of ABC Not-for-Profit Organization for the year ended December 31, 2010 were audited by another auditor who expressed a qualified opinion on those financial statements on March 31, 2011 for the reasons described in the Basis for Qualified Opinion paragraph.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

7(i) — Corresponding Figures**Unresolved Qualification in a Prior Year Arising from a Scope Limitation**

Possible Effects of the Matter Affect the Comparability of the Current and Prior Years — Same Auditor for Prior Year

Report illustrative of the following circumstances:

- **The financial statements for the year ended December 31, 2011 are prepared in accordance with Canadian accounting standards for private enterprises. The entity uses the indirect method for reporting cash flows from operating activities.**
- **The auditor is required to report only on the current year financial statements.**
- **The auditor for the current year was also the auditor for the prior year.**
- **The auditor's report on the prior year, as previously issued, included a qualified opinion arising from a scope limitation.**
- **The matter giving rise to the modification is unresolved.**
- **The possible effects of the matter are limited to the comparability of the current year's figures and the corresponding figures.**
- **The balance sheet as at December 31, 2011 is fairly presented. An opinion that is qualified regarding comparability of the results of operations and cash flows and unmodified regarding the financial position as at December 31, 2011 is considered appropriate in the circumstances.**
- **Law or regulation does not prohibit an opinion which is qualified or disclaimed, as appropriate, regarding the results of operations, and cash flows, where relevant, and unmodified regarding financial position.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. Paragraph 11 of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, states that if the auditor's report on the prior period, as previously issued, included a qualified opinion, a disclaimer of opinion, or an adverse opinion and the matter which gave rise to the modification is unresolved, the auditor shall modify the auditor's opinion on the current period's financial statements.
2. Paragraph 11(b) of CAS 710 requires that in the Basis for Modification paragraph in the auditor's report, when the effects or possible effects of the matter on the current period's figures are not material, the auditor shall explain that the audit opinion has been modified because of the effects or possible effects of the unresolved matter on the comparability of the current period's figures and the corresponding figures.
3. Paragraph A8 of CAS 510, *Initial Audit Engagements — Opening Balances*, states that CAS 705, *Modifications to the Opinion in the Independent Auditor's Report*, establishes requirements and provides guidance on circumstances that may result in a modification to the auditor's opinion on the financial statements, the type of opinion appropriate in the circumstances, and the

content of the auditor's report when the auditor's opinion is modified. The inability of the auditor to obtain sufficient appropriate audit evidence regarding opening balances may result in one of the following modifications to the opinion in the auditor's report:

- (a) a qualified opinion or a disclaimer of opinion, as is appropriate in the circumstances; or
- (b) unless prohibited by law or regulation, an opinion which is qualified or disclaimed, as appropriate, regarding the results of operations, and cash flows, where relevant, and unmodified regarding financial position.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 2011, and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on the results of operations and cash flows and our unmodified audit opinion on the financial position.

Basis for Qualified Opinion on the Results of Operations and Cash Flows

Because we were appointed auditors of ABC Company during 2010, we were not able to observe the counting of the physical inventories at the beginning of that year or satisfy ourselves concerning those inventory quantities by alternative means. Since opening inventories affect the determination of the results of operations and cash flows, we were unable to determine whether adjustments to the results of operations and cash flows might be necessary for 2010. Our audit opinion on the financial statements for the year ended December 31, 2010 was modified accordingly. Our opinion on the current year's financial statements is also modified because of the possible effects of this matter on the comparability of the current period's figures and the comparative information.

Qualified Opinion on the Results of Operations and Cash Flows

In our opinion, except for the possible effects on the comparative information of the matter described in the Basis for Qualified Opinion on the Results of Operations and Cash Flows paragraph, the statements of income, retained earnings and cash flows present fairly, in all material respects, the results of operations and cash flows of ABC Company for the year ended December 31, 2011 in accordance with Canadian accounting standards for private enterprises.

Opinion on the Financial Position

In our opinion, the balance sheet presents fairly, in all material respects, the financial position of ABC Company as at December 31, 2011 in accordance with Canadian accounting standards for private enterprises.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

7(j) — Corresponding Figures**Unresolved Qualification in a Prior Year Arising from a Scope Limitation**

Possible Effects of the Matter Affect the Comparability of the Current and Prior Years — Predecessor Auditor for Prior Year

Report illustrative of the following circumstances:

- **The financial statements for the year ended December 31, 2011 are prepared in accordance with Canadian accounting standards for private enterprises. The entity uses the indirect method for reporting cash flows from operating activities.**
- **The auditor is required to report only on the current year financial statements.**
- **The financial statements for the prior year were audited by a predecessor auditor.**
- **The predecessor auditor's report on the prior year, as previously issued, included a qualified opinion arising from the scope limitation.**
- **The matter giving rise to the modification is unresolved.**
- **The possible effects of the matter are limited to the comparability of the current year's figures and the corresponding figures.**
- **The balance sheet as at December 31, 2011 is fairly presented. An opinion that is qualified regarding comparability of the results of operations and cash flows and unmodified regarding the financial position as at December 31, 2011 is considered appropriate in the circumstances.**
- **Law or regulation does not prohibit an opinion which is qualified or disclaimed, as appropriate, regarding the results of operations, and cash flows, where relevant, and unmodified regarding financial position.**
- **The auditor has decided to add an Other Matter paragraph referring to the predecessor auditor's report on the corresponding figures.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. Paragraph 11 of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, states that if the auditor's report on the prior period, as previously issued, included a qualified opinion, a disclaimer of opinion, or an adverse opinion and the matter which gave rise to the modification is unresolved, the auditor shall modify the auditor's opinion on the current period's financial statements.
2. Paragraph 11(b) of CAS 710 requires that in the Basis for Modification paragraph in the auditor's report, when the effects or possible effects of the matter on the current period's figures are not material, the auditor shall explain that the audit opinion has been modified because of the effects or possible effects of the unresolved matter on the comparability of the current period's figures and the corresponding figures.

3. Paragraph 13 of CAS 710 states that if the financial statements of the prior period were audited by a predecessor auditor and the auditor is not prohibited by law or regulation from referring to the predecessor auditor's report on the corresponding figures and decides to do so, the auditor shall state in an Other Matter paragraph in the auditor's report:
 - (a) that the financial statements of the prior period were audited by the predecessor auditor;
 - (b) the type of opinion expressed by the predecessor auditor and, if the opinion was modified, the reasons therefore; and
 - (c) the date of that report.

4. Excerpt from the predecessor auditor's report on the financial statements of ABC Company for the year ended December 31, 2010:

Basis for Qualified Opinion on the Results of Operations and Cash Flows

We were not able to observe the counting of the physical inventories at the beginning of the year or satisfy ourselves concerning those inventory quantities by alternative means. Since opening inventories affect the determination of the results of operations and cash flows, we were unable to determine whether adjustments to the results of operations and cash flows might be necessary for 2010.

Qualified Opinion on the Results of Operations and Cash Flows

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the statements of income, retained earnings and cash flows present fairly, in all material respects, the results of operations and cash flows of ABC Company for the year ended December 31, 2010 in accordance with Canadian accounting standards for private enterprises.

Opinion on the Financial Position

In our opinion, the balance sheet presents fairly, in all material respects, the financial position of ABC Company as at December 31, 2010 in accordance with Canadian accounting standards for private enterprises.

5. Paragraph A8 of CAS 510, *Initial Audit Engagements — Opening Balances*, states that CAS 705, *Modifications to the Opinion in the Independent Auditor's Report*, establishes requirements and provides guidance on circumstances that may result in a modification to the auditor's opinion on the financial statements, the type of opinion appropriate in the circumstances, and the content of the auditor's report when the auditor's opinion is modified. The inability of the auditor to obtain sufficient appropriate audit evidence regarding opening balances may result in one of the following modifications to the opinion in the auditor's report:
 - (a) a qualified opinion or a disclaimer of opinion, as is appropriate in the circumstances; or

- (b) unless prohibited by law or regulation, an opinion which is qualified or disclaimed, as appropriate, regarding the results of operations, and cash flows, where relevant, and unmodified regarding financial position.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 2011, and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on the results of operations and cash flows and our unmodified audit opinion on the financial position.

Basis for Qualified Opinion on the Results of Operations and Cash Flows

The predecessor auditor was not able to observe the counting of the physical inventories at the beginning of 2010 or be satisfied concerning those inventory quantities by alternative means. Since opening inventories affect the determination of the results of operations and cash flows, the predecessor auditor was unable to determine whether adjustments to the results of operations and cash flows might be necessary for 2010. The predecessor auditor's opinion on the financial statements for the year ended December 31, 2010 was modified accordingly. Our opinion on the current year's financial statements is also modified because of the possible effects of this matter on the comparability of the current year's figures and the comparative information.

Qualified Opinion on the Results of Operations and Cash Flows

In our opinion, except for the possible effects on the comparative information of the matter described in the Basis for Qualified Opinion on the Results of Operations and Cash Flows paragraph, the statements of income, retained earnings and cash flows present fairly, in all material respects, the results of operations and cash flows of ABC Company for the year ended December 31, 2011 in accordance with Canadian accounting standards for private enterprises.

Opinion on the Financial Position

In our opinion, the balance sheet presents fairly, in all material respects, the financial position of ABC Company as at December 31, 2011 in accordance with Canadian accounting standards for private enterprises.

Other Matter

The financial statements of ABC Company for the year ended December 31, 2010 were audited by another auditor who expressed a modified opinion on March 31, 2011 on the statements of income, retained earnings and cash flows for the year ended December 31, 2010 for the reasons described in the Basis for Qualified Opinion on the Results of Operations and Cash Flows paragraph, and an unmodified audit opinion on the financial position as at December 31, 2010.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

7(k) — Comparative Financial Statements**Unresolved Qualification in a Prior Year Arising from a Scope Limitation**

Possible Effects of the Matter Affect the Prior Year Only — Same Auditor for Prior Year

Report illustrative of the following circumstances:

- **The financial statements for the year ended December 31, 2011 are prepared in accordance with International Financial Reporting Standards. The entity uses the indirect method for reporting cash flows from operating activities.**
- **The auditor is required to report on each year for which financial statements are presented and on which an audit opinion is expressed.**
- **The auditor for the current year was also the auditor for the prior year.**
- **The auditor's report on the prior year, as previously issued, included a qualified opinion arising from a scope limitation.**
- **The matter giving rise to the modification is unresolved.**
- **The statements of financial position as at December 31, 2011 and 2010 are fairly presented.**
- **An opinion that is qualified regarding the financial performance and cash flows the year ended December 31, 2010 and unmodified regarding the financial performance and cash flows for the year ended December 31, 2011 and the statements of financial position as at December 31, 2011 and 2010 is considered appropriate in the circumstances.**
- **Law or regulation does not prohibit an opinion which is qualified or disclaimed, as appropriate, regarding the results of operations, and cash flows, where relevant, and unmodified regarding financial position.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. Paragraph A8 of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, states that because the auditor's report on comparative financial statements applies to the financial statements for each of the periods presented, the auditor may express a qualified opinion or an adverse opinion, disclaim an opinion, or include an Emphasis of Matter paragraph with respect to one or more periods, while expressing a different auditor's opinion on the financial statements of the other period.
2. Paragraph A8 of CAS 510, *Initial Audit Engagements — Opening Balances*, states that CAS 705, *Modifications to the Opinion in the Independent Auditor's Report*, establishes requirements and provides guidance on circumstances that may result in a modification to the auditor's opinion on the financial statements, the type of opinion appropriate in the circumstances, and the content of the auditor's report when the auditor's opinion is modified. The inability of the auditor to obtain sufficient appropriate audit evidence regarding opening balances may result

in one of the following modifications to the opinion in the auditor's report:

- (a) a qualified opinion or a disclaimer of opinion, as is appropriate in the circumstances; or
- (b) unless prohibited by law or regulation, an opinion which is qualified or disclaimed, as appropriate, regarding the results of operations, and cash flows, where relevant, and unmodified regarding financial position.

3. This Illustrative Report can be contrasted with the equivalent Illustrative Report under the corresponding figures approach (see Illustrative Report 7(i) in this Guide). A reference to the possible effects on the comparability of the current period's figures and the corresponding figures, as required by paragraph 11(b) of CAS 710 and included in Illustrative Report 7(i), is not required under the comparative financial statements approach because the auditor's opinion refers to each period for which financial statements are presented.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Company, which comprise the statements of financial position as at December 31, 2011 and 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our qualified opinion on the financial performance and cash flows for the year ended December 31, 2010 and our unmodified audit opinion on the financial position as at December 31, 2010 and on the financial statements for the year ended December 31, 2011.

Basis for Qualified Opinion on the Financial Performance and Cash Flows

Because we were appointed auditors of ABC Company during 2010, we were not able to observe the counting of the physical inventories at the beginning of that year or satisfy ourselves concerning those inventory quantities by alternative means. Since opening inventories affect the determination of the financial performance and cash flows, we were unable to determine whether adjustments to the financial performance and cash flows might be necessary for the year ended December 31, 2010.

Qualified Opinion on the Financial Performance and Cash Flows

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion on the Financial Performance and Cash Flows paragraph, the statement of comprehensive income, statement of changes in equity and statement of cash flows present fairly, in all material respects, the financial performance and cash flows of ABC Company for the year ended December 31, 2010 in accordance with International Financial Reporting Standards.

Opinion on the Financial Position, Financial Performance and Cash Flows

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Company as at December 31, 2011 and 2010 and its financial performance and its cash flows for the year ended December 31, 2011 in accordance with International Financial Reporting Standards.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

7(l) — Comparative Financial Statements**Unresolved Qualification in a Prior Year Arising from a Scope Limitation**

Possible Effects of the Matter Affect Prior Year Only — Predecessor Auditor for Prior Year

Report illustrative of the following circumstances:

- **The financial statements for the year ended December 31, 2011 are prepared in accordance with Canadian accounting standards for private enterprises. The entity uses the indirect method for reporting cash flows from operating activities.**
- **The auditor is required to report on each year for which financial statements are presented and on which an audit opinion is expressed.**
- **The financial statements for the prior year were audited by a predecessor auditor.**
- **The predecessor auditor's report on the prior year, as previously issued, included a qualified opinion arising from a scope limitation.**
- **The matter giving rise to the modification is unresolved.**
- **The predecessor auditor's report on the prior year financial statements is not reissued with the financial statements.**
- **An Other Matter paragraph is required referring to the predecessor auditor's report on the prior year's financial statements.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. The form of this illustrative Report would be identical to illustrative Report 7(j) in this Guide.

7(m) — Corresponding Figures**Financial Statements with Restated Comparative Information**

Unmodified Opinion in Prior Year — Same Auditor for Prior Year

Report illustrative of the following circumstances:

- **The financial statements for the year ended December 31, 2011 are prepared in accordance with Canadian accounting standards for private enterprises.**
- **The auditor is required to report only on the current year financial statements.**
- **The auditor for the current year was also the auditor for the prior year.**
- **The auditor obtained audit evidence that a material misstatement exists in the prior year financial statements on which an unmodified opinion has previously been expressed.**
- **The previously issued financial statements for the prior year were not amended (i.e., they were not restated and reissued).**
- **The comparative information has been restated in the current year's financial statements. A note to the financial statements explains the restatement.**
- **The auditor has obtained sufficient appropriate audit evidence that the prior year's closing balances have been appropriately restated.**
- **The auditor has decided to add an Emphasis of Matter paragraph referring to disclosures that fully describe the restatement of the corresponding figures.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. Paragraph A6 of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, states that when prior period financial statements that are misstated have not been amended and an auditor's report has not been reissued, but the corresponding figures have been properly restated or appropriate disclosures have been made in the current period financial statements, the auditor's report may include an Emphasis of Matter paragraph describing the circumstances and referring, where relevant, to disclosures that fully describe the matter that can be found in the financial statements.
2. Although the auditor would obtain sufficient appropriate audit evidence that the prior year's closing balances have been appropriately restated, there is no requirement in CAS 710 for the auditor to explain in the auditor's report that the adjustments made to the corresponding figures have been audited. However, the auditor may consider it appropriate to include a statement along the following lines: "We also audited the adjustments described in Note X to the financial statements that were applied to restate the comparative information for the year ended December 31, 2010. In our opinion, such adjustments are appropriate and have been properly applied." Such a statement might be added by including it in a new paragraph (perhaps titled "Restated Comparative Information") that includes the content of, and replaces, the Emphasis of Matter paragraph, or by including it in an Other Matter

paragraph. The statement is consistent with the example wording included in paragraph A11 of CAS 710. Such a statement has not been included in this Illustrative Report.

3. *CAS 706, Emphasis of Matter Paragraphs and Other Matter Paragraphs* in the Independent Auditor's Report, requires the auditor to include an Emphasis of Matter paragraph in the auditor's report if the auditor considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements. In such a circumstance, the auditor may include an Emphasis of Matter paragraph to alert readers that the comparative information in the financial statements has been restated.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 2011, and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Company as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note X to the financial statements, which explains that certain comparative information for the year ended December 31, 2010 has been restated.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

7(n) — Corresponding Figures**Financial Statements with Restated Comparative Information**

Unmodified Opinion in Prior Year — Predecessor Auditor for Prior Year

Report illustrative of the following circumstances:

- **The financial statements for the year ended December 31, 2011 are prepared in accordance with Canadian accounting standards for private enterprises.**
- **The auditor is required to report only on the current year financial statements.**
- **The financial statements for the prior year were audited by the predecessor auditor.**
- **The auditor obtained audit evidence that a material misstatement exists in the prior year financial statements on which an unmodified opinion has previously been expressed by the predecessor auditor.**
- **The previously issued financial statements for the prior year were not amended (i.e., they were not restated and reissued).**
- **The comparative information has been restated in the current year financial statements. A note to the financial statements explains the restatement.**
- **The auditor has obtained sufficient appropriate audit evidence that the prior year's closing balances have been appropriately restated, as required by paragraph 6 of CAS 510, Initial Audit Engagements —Opening Balances.**
- **The auditor has decided to add an Emphasis of Matter paragraph referring to disclosures that fully describe the restatement of the corresponding figures. The auditor has also decided to add an Other Matter paragraph that refers to the predecessor auditor's report on the corresponding figures. Because both paragraphs are interrelated, the auditor has decided to combine the paragraphs into one paragraph entitled "Restated Comparative Information".**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. Paragraph 13 of CAS 710, *Comparative Information —Corresponding Figures and Comparative Financial Statements*, states that if the financial statements of the prior period were audited by a predecessor auditor and the auditor is not prohibited by law or regulation from referring to the predecessor auditor's report on the corresponding figures and decides to do so, the auditor shall state in an Other Matter paragraph in the auditor's report:
 - (a) that the financial statements of the prior period were audited by the predecessor auditor;
 - (b) the type of opinion expressed by the predecessor auditor and, if the opinion was modified, the reasons therefore; and
 - (c) the date of that report.
2. Paragraph A6 of CAS 710 states that when prior period financial statements that are misstated have not been amended and an auditor's report has not been reissued, but the corresponding figures have been properly restated or appropriate disclosures have been made in the current period financial statements, the auditor's report may include an Emphasis of Matter paragraph

describing the circumstances and referring, where relevant, to disclosures that fully describe the matter that can be found in the financial statements.

3. Although the auditor is required to obtain sufficient appropriate audit evidence that the prior year's closing balances have been appropriately restated, as required by paragraph 6 of CAS 510, *Initial Audit Engagements — Opening Balances*, there is no requirement in CAS 710 for the auditor to explain in the auditor's report that the adjustments made to the corresponding figures have been audited. However, the auditor may consider it appropriate to include a statement along the following lines: "We audited the adjustments described in Note X to the financial statements that were applied to restate the comparative information for the year ended December 31, 2010. In our opinion, such adjustments are appropriate and have been properly applied." Such a statement might be added by including it in the Restated Comparative Information paragraph. The statement is consistent with the example wording included in paragraph A11 of CAS 710. Such a statement has not been included in this Illustrative Report.
4. CAS 706, *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, requires the auditor to include an Emphasis of Matter paragraph in the auditor's report if the auditor considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements. In such a circumstance, the auditor may include an Emphasis of Matter paragraph to alert readers that the comparative information in the financial statements has been restated.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 2011, and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards

require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Company as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Restated Comparative Information

Without modifying our opinion, we draw attention to Note X to the financial statements, which explains that certain comparative information for the year ended December 31, 2010 has been restated. The financial statements of ABC Company for the year ended December 31, 2010 (prior to the restatement of the comparative information) were audited by another auditor who expressed an unmodified opinion on those financial statements on March 31, 2011.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

7(o) — Comparative Financial Statements**Financial Statements with Restated Comparative Information**

Unmodified Opinion in Prior Year — Same Auditor for Prior Year

Report illustrative of the following circumstances:

- **The financial statements for the year ended December 31, 2011 are prepared in accordance with International Financial Reporting Standards.**
- **The auditor is required to report on each year for which financial statements are presented and on which an audit opinion is expressed.**
- **The auditor for the current year was also the auditor for the prior year.**
- **The auditor obtained evidence that a material misstatement exists in the prior year financial statements on which an unmodified opinion has previously been expressed.**
- **The previously issued financial statements for the prior year were not amended (i.e., they were not restated and reissued).**
- **The comparative information has been restated in the current year's financial statements. A note to the financial statements explains the restatement.**
- **The auditor has obtained sufficient appropriate audit evidence that the prior year's closing balances have been appropriately restated.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. The auditor's opinion on the prior year's financial statements was appropriately unmodified. The auditor's opinion on the restated comparative financial statements is also unmodified. *CAS 710, Comparative Information — Corresponding Figures and Comparative Financial Statements*, does not require the auditor to make any specific references in the auditor's report in this circumstance. The auditor would issue a report with an unmodified opinion.
2. *CAS 706, Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, requires the auditor to include an Emphasis of Matter paragraph in the auditor's report if the auditor considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements. In such a circumstance, the auditor may include an Emphasis of Matter paragraph to alert readers that the comparative information in the financial statements has been restated, along the following lines: "Without modifying our opinion, we draw attention to Note X to the financial statements, which explains that certain comparative information for the [period ended] has been restated." Such wording is consistent with other Illustrative Reports in this Guide (see, for example, Illustrative Report 7(m)).

7(p) — Comparative Financial Statements**Financial Statements with Restated Comparative Information**

Unmodified Opinion in Prior Year — Predecessor Auditor for Prior Year

Report illustrative of the following circumstances:

- **The financial statements for the year ended December 31, 2011 are prepared in accordance with International Financial Reporting Standards.**
- **The auditor is required to report on each year for which financial statements are presented and on which an audit opinion is expressed.**
- **The financial statements for the prior year were audited by a predecessor auditor.**
- **The auditor obtained evidence that a material misstatement exists in the prior year financial statements on which an unmodified opinion has previously been expressed.**
- **The previously issued financial statements for the prior year were not amended (i.e., they were not restated and reissued).**
- **The comparative information has been restated in the current year's financial statements. A note to the financial statements explains the restatement.**
- **The predecessor auditor's report on the prior year's financial statements was not reissued with the current year's financial statements.**
- **An Other Matter paragraph is required referring to the predecessor auditor's report on the prior year's financial statements.**
- **The auditor has obtained sufficient appropriate audit evidence that the prior year's closing balances have been appropriately restated, as required by paragraph 6 of CAS 510, Initial Audit Engagements — Opening Balances.**
- **The auditor was engaged to report as to the appropriateness of the restatement. Accordingly, the auditor expanded the Other Matter paragraph for additional explanation indicating that the auditor audited the adjustments that were applied to restate the comparative financial statements and titled it "Restated Comparative Information".**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. Paragraph 17 of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, states that if the financial statements of the prior period were audited by a predecessor auditor, in addition to expressing an opinion on the current period's financial statements, the auditor shall state in an Other Matter paragraph:
 - (a) that the financial statements of the prior period were audited by a predecessor auditor;
 - (b) the type of opinion expressed by the predecessor auditor and, if the opinion was modified, the reasons therefore; and
 - (c) the date of that report,
 unless the predecessor auditor's report on the prior period's financial statements is reissued with the financial statements.

2. Paragraph 18 of CAS 710 states that if the auditor concludes that a material misstatement exists that affects the prior period financial statements on which the predecessor auditor had previously reported without modification, the auditor shall communicate the misstatement with the appropriate level of management and, unless all of those charged with governance are involved in managing the entity, those charged with governance and request that the predecessor auditor be informed.
3. Paragraph A11 of CAS 710 states that the predecessor auditor may be unable or unwilling to reissue the auditor's report on the prior period financial statements. An Other Matter paragraph of the auditor's report may indicate that the predecessor auditor reported on the financial statements of the prior period before amendment. In addition, if the auditor is engaged to audit and obtains sufficient appropriate audit evidence to be satisfied as to the appropriateness of the amendment, the auditor's report may also include an Other Matter paragraph indicating that the auditor was so engaged.
4. As discussed in paragraph 2 of Illustrative Report 7(o), the auditor may consider it necessary to alert readers by using an Emphasis of Matter paragraph that the comparative information in the financial statements has been restated. This has not been done in this Illustrative Report because the Restated Comparative Information paragraph draws readers' attention to the fact that the comparative information has been restated and refers to the note to the financial statements, which explains the restatement.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Company, which comprise the statement of financial position as at December 31, 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform

the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Company as at December 31, 2011 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Restated Comparative Information

The financial statements of ABC Company for the year ended December 31, 2010 (prior to the restatement of the comparative information described in Note X to the financial statements) were audited by another auditor who expressed an unmodified opinion on those financial statements on March 31, 2011.

As part of our audit of the financial statements of ABC Company for the year ended December 31, 2011, we also audited the adjustments described in Note X that were applied to restate the financial statements for the year ended December 31, 2010. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the financial statements of ABC Company for the year ended December 31, 2010 other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the financial statements for the year ended December 31, 2010 taken as a whole.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

7(q) — Comparative Financial Statements**Financial Statements with Restated Comparative Information**

Unmodified Opinion in Prior Year — Predecessor Auditor for Prior Year

Report illustrative of the following circumstances:

- **The financial statements for the year ended December 31, 2013 are prepared in accordance with International Financial Reporting Standards.**
- **The comparative information (i.e., for the year ended December 31, 2012) has been retrospectively restated for a change in accounting policy. A note to the financial statements explains the restatement.**
- **The previously issued financial statements for the prior year were not amended (i.e., they were not restated and reissued).**
- **An opening statement of financial position (i.e., as at January 1, 2012) is included in the financial statements because the retrospective restatement has a material effect on the information in the statement of financial position at the beginning of the preceding period. A note to the financial statements explains the restatement.**
- **The financial statements for the prior year (and earlier years) were audited by a predecessor auditor.**
- **The predecessor auditor's report on the prior year's financial statements was not reissued with the current year's financial statements. Accordingly, an Other Matter paragraph is required referring to the predecessor auditor's report on the prior year's financial statements.**
- **Neither the successor auditor nor the predecessor auditor was engaged to provide an audit opinion on the restated information. The successor auditor was engaged to report as to the appropriateness of the restatement. Accordingly, the successor auditor expanded the Other Matter paragraph for additional explanation indicating that the successor auditor audited the adjustments that were applied to restate the comparative financial statements and titled it "Restated Comparative Information".**
- **The successor auditor has obtained sufficient appropriate audit evidence about whether opening balances contain misstatements that materially affect the current period's financial statements, as required by paragraph 6 of CAS 510, Initial Audit Engagements — Opening Balances.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. Paragraph 17 of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, states that if the financial statements of the prior period were audited by a predecessor auditor, in addition to expressing an opinion on the current period's financial statements, the auditor shall state in an Other Matter paragraph:
 - (a) that the financial statements of the prior period were audited by a predecessor auditor;

- (b) the type of opinion expressed by the predecessor auditor and, if the opinion was modified, the reasons therefore; and
- (c) the date of that report, unless the predecessor auditor's report on the prior period's financial statements is reissued with the financial statements.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Company, which comprise the statement of financial position as at December 31, 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Company as at December 31, 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Restated Comparative Information

The statement of financial position as at January 1, 2012 has been derived from the statement of financial position as at December 31, 2011 (not presented herein). The financial statements of ABC Company for the years ended December 31, 2012 and 2011 (prior to the restatement described in Note X to the financial statements) were audited by another auditor who expressed an unmodified opinion on those financial statements on [dates] respectively.

As part of our audit of the financial statements of ABC Company for the year ended December 31, 2013, we also audited the adjustments described in Note X that were applied to restate the financial statements for the year ended December 31, 2012 and to derive the statement of financial position as at January 1, 2012. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the financial statements of ABC Company for the years ended December 31, 2012 and 2011 or to the statement of financial position as at January 1, 2012 other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the financial statements for the years ended December 31, 2012 and 2011 or the statement of financial position as at January 1, 2012 taken as a whole.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

7(r) — Comparative Financial Statements**Financial Statements with Restated Comparative Information**

Unmodified Opinion in Prior Year — Predecessor Auditor for Prior Year is Reporting on Comparative Information

Report illustrative of the following circumstances:

- **The financial statements for the year ended December 31, 2013 are prepared in accordance with International Financial Reporting Standards.**
- **The comparative information (i.e., for the year ended December 31, 2012) has been retrospectively restated for a change in accounting policy. A note to the financial statements explains the restatement.**
- **The previously issued financial statements for the prior year were not amended (i.e., they were not restated and reissued).**
- **An opening statement of financial position (i.e., as at January 1, 2012) is included in the financial statements because the retrospective restatement has a material effect on the information in the statement of financial position at the beginning of the preceding period. A note to the financial statements explains the restatement.**
- **The financial statements for the prior year (and earlier years) were audited by a predecessor auditor.**
- **The predecessor auditor's report on the prior year's financial statements was not reissued with the current year's financial statements.**
- **The securities regulator requires an audit opinion on all periods presented.**
- **The predecessor auditor has been engaged to audit the comparative information in the financial statements and the related summary of significant accounting policies and other explanatory information (i.e., for the year ended December 31, 2012 and as at January 1, 2012). The predecessor auditor has decided to add an Other Matter paragraph to the predecessor auditor's report explaining that the financial statements for the year ended December 31, 2013, other than the comparative information, were audited by another auditor.**
- **The successor auditor has been engaged to only report on the current reporting period information in the financial statements (i.e., for the year ended December 31, 2013).**
- **The successor auditor has decided to add an Other Matter paragraph that refers to the predecessor auditor's report on the comparative information and titled it "Restated Comparative Information".**
- **The audits were conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. Paragraph 17 of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, states that if the financial statements of the prior period were audited by a predecessor auditor, in addition to expressing an

opinion on the current period's financial statements, the auditor shall state in an Other Matter paragraph:

- (a) that the financial statements of the prior period were audited by a predecessor auditor;
 - (b) the type of opinion expressed by the predecessor auditor and, if the opinion was modified, the reasons therefore; and
 - (c) the date of that report,
- unless the predecessor auditor's report on the prior period's financial statements is reissued with the financial statements.

Successor Auditor's Report

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Company, which comprise the statement of financial position as at December 31, 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Company as at December 31, 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Restated Comparative Information

The accompanying comparative information of ABC Company, which comprises the statements of financial position as at December 31, 2012 and January 1, 2012, the statement of comprehensive income, statement of changes in equity, and statement of cash flows of ABC Company for the year ended December 31, 2012, and the summary of significant accounting policies and other explanatory information, including Note X, which explains that certain comparative information has been restated, were audited by another auditor who expressed an unmodified opinion on [date].

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

Predecessor Auditor's Report

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying comparative information of ABC Company, which comprises the statements of financial position as at December 31, 2012 and January 1, 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended December 31, 2012, and the summary of significant accounting policies and other explanatory information, including Note X, which explains that certain comparative information has been restated.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the comparative information in these accompanying financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the comparative information in these financial statements presents fairly, in all material respects, the financial position of ABC Company as at December 31, 2012 and January 1, 2012, and its financial performance and its cash flows for the year ended December 31, 2012, in accordance with International Financial Reporting Standards.

Other Matter

The accompanying financial statements of ABC Company, which comprise the statement of financial position as at December 31, 2013, the statement of comprehensive income, statement of changes in equity, and statement of cash flows of ABC Company for the year then ended, and the summary of significant accounting policies and other explanatory information, were audited by another auditor who expressed an unmodified opinion on [date].

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

7(s) — Corresponding Figures**Financial Statements with Restated Comparative Information**

Qualified Opinion in Prior Year — Same Auditor for Prior Year

Report illustrative of the following circumstances:

- **The financial statements for the year ended December 31, 2011 are prepared in accordance with Canadian accounting standards for private enterprises.**
- **The auditor is required to report only on the current year financial statements.**
- **The auditor for the current year was also the auditor for the prior year.**
- **The auditor's report on the prior year, as previously issued, included a qualified opinion because the entity did not depreciate property, plant and equipment as required by Canadian accounting standards for private enterprises. The entity has decided to depreciate property, plant and equipment as required by Canadian accounting standards for private enterprises with retrospective application.**
- **The previously issued financial statements for the prior year were not amended (i.e., they were not restated and reissued).**
- **The comparative information has been restated in the current year's financial statements. A note to the financial statements explains the restatement.**
- **The auditor has obtained sufficient appropriate audit evidence that the prior year's closing balances have been appropriately restated.**
- **The audit is conducted in accordance with Canadian Auditing Standards**

(Please read Introduction to Illustrative Reports)

1. The auditor's opinion on the prior year's financial statements was appropriately modified. There is no requirement for the auditor to make reference in the auditor's report on the current year's financial statements to the fact that the comparative information in the current year's financial statements has been restated. Paragraph A3 of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, states that when the auditor's report on the prior period, as previously issued, included a qualified opinion, a disclaimer of opinion, or an adverse opinion and the matter which gave rise to the modified opinion is resolved and properly accounted for or disclosed in the financial statements in accordance with the applicable financial reporting framework, the auditor's opinion on the current period need not refer to the previous modification. Accordingly, the auditor would issue a report with an unmodified opinion.
2. Although the auditor would obtain sufficient appropriate audit evidence that the prior year's closing balances have been appropriately restated, there is no requirement in CAS 710 for the auditor to explain in the auditor's report that the adjustments made to the corresponding figures have been audited. However, the auditor may consider it appropriate to include a statement along the following lines: "We audited the adjustments described

in Note X to the financial statements that were applied to restate the comparative information for the year ended December 31, 2010. In our opinion, such adjustments are appropriate and have been properly applied.” Such a statement might be added by including it in a new paragraph (perhaps titled “Restated Comparative Information”). The statement is consistent with the example wording included in paragraph A11 of CAS 710. Such a statement has not been included in this Illustrative Report.

3. CAS 706, *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report*, requires the auditor to include an Emphasis of Matter paragraph in the auditor’s report if the auditor considers it necessary to draw users’ attention to a matter presented or disclosed in the financial statements that, in the auditor’s judgment, is of such importance that it is fundamental to users’ understanding of the financial statements. In such a circumstance, the auditor may include an Emphasis of Matter paragraph to alert readers that the comparative information in the financial statements has been restated, along the following lines: “Without modifying our opinion, we draw attention to Note X to the financial statements, which explains that certain comparative information for the [period ended] has been restated.” Such wording is consistent with other Illustrative Reports in this Guide (see, for example, Illustrative Report 7(m)).

7(t) — Corresponding Figures**Financial Statements with Restated Comparative Information**

Qualified Opinion in Prior Year — Predecessor Auditor for Prior Year

Report illustrative of the following circumstances:

- **The financial statements for the year ended December 31, 2011 are prepared in accordance with Canadian accounting standards for private enterprises.**
- **The auditor is required to report only on the current year financial statements.**
- **The financial statements for the prior year were audited by a predecessor auditor.**
- **The predecessor auditor's report on the prior year, as previously issued, included a qualified opinion because the entity did not depreciate property, plant and equipment as required by Canadian accounting standards for private enterprises. The entity has decided to depreciate property, plant and equipment as required by Canadian accounting standards for private enterprises with retrospective application.**
- **The previously issued financial statements for the prior year were not amended (i.e., they were not restated and reissued).**
- **The comparative information has been restated in the current year's financial statements. A note to the financial statements explains the restatement.**
- **The auditor has obtained sufficient appropriate audit evidence that the prior year's closing balances have been appropriately restated, as required by paragraph 6 of CAS 510, Initial Audit Engagements — Opening Balances.**
- **The audit is conducted in accordance with Canadian Auditing Standards**

(Please read Introduction to Illustrative Reports)

1. Paragraph 13 of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, states that if the financial statements of the prior period were audited by a predecessor auditor and the auditor is not prohibited by law or regulation from referring to the predecessor auditor's report on the corresponding figures and decides to do so, the auditor shall state in an Other Matter paragraph in the auditor's report:
 - (a) that the financial statements of the prior period were audited by the predecessor auditor;
 - (b) the type of opinion expressed by the predecessor auditor and, if the opinion was modified, the reasons therefore; and
 - (c) the date of that report.
2. The predecessor auditor's opinion on the prior year's financial statements was appropriately modified. There is no requirement for the auditor to make reference in the auditor's report on the current year's financial statements to the fact that the comparative information in the current year's financial statements has been restated. Paragraph A3 of CAS 710 states that when the auditor's report on the prior period, as previously issued, included a qualified opinion, a disclaimer of opinion, or an adverse opinion and the

matter which gave rise to the modified opinion is resolved and properly accounted for or disclosed in the financial statements in accordance with the applicable financial reporting framework, the auditor's opinion on the current period need not refer to the previous modification. Accordingly, the auditor would issue a report with an unmodified opinion. In addition, the auditor may decide to add an Other Matter paragraph referring to the predecessor auditor's report on the corresponding figures.

3. Although the auditor is required to obtain sufficient appropriate audit evidence that the prior year's closing balances have been appropriately restated, as required by paragraph 6 of CAS 510, *Initial Audit Engagements — Opening Balances*, there is no requirement in CAS 710 for the auditor to explain in the auditor's report that the adjustments made to the corresponding figures have been audited. However, the auditor may consider it appropriate to include a statement along the following lines: "We audited the adjustments described in Note X to the financial statements that were applied to restate the comparative information for the year ended December 31, 2010. In our opinion, such adjustments are appropriate and have been properly applied." Such a statement might be added by including it in a new paragraph (perhaps titled "Restated Comparative Information") or including it in the Other Matter paragraph referring to the predecessor auditor, if any. The statement is consistent with the example wording included in paragraph A11 of CAS 710.
4. As discussed in paragraph 2 of Illustrative Report 7(s), the auditor may consider it necessary to alert readers by using an Emphasis of Matter paragraph that the comparative information in the financial statements has been restated (see, for example, Illustrative Report 7(n)).

7(u) — Comparative Financial Statements**Financial Statements with Restated Comparative Information**

Qualified Opinion in Prior Year — Same Auditor for Prior Year

Report illustrative of the following circumstances:

- **The financial statements for the year ended December 31, 2011 are prepared in accordance with Canadian accounting standards for private enterprises.**
- **The auditor is required to report on each year for which financial statements are presented and on which an audit opinion is expressed.**
- **The auditor for the current year was also the auditor for the prior year.**
- **The auditor's report on the prior year, as previously issued, included a qualified opinion because the entity did not depreciate property, plant and equipment as required by Canadian accounting standards for private enterprises. The entity has decided to depreciate property, plant and equipment as required by Canadian accounting standards for private enterprises with retrospective application.**
- **The previously issued financial statements for the prior year were not amended (i.e., they were not restated and reissued).**
- **The comparative information has been restated in the current year's financial statements. A note to the financial statements explains the restatement.**
- **The auditor has obtained sufficient appropriate audit evidence that the prior year's closing balances have been appropriately restated.**
- **The auditor's opinion on the prior year financial statements in connection with the current year's audit (an unmodified opinion) differs from the opinion the auditor previously expressed (a qualified opinion). Accordingly, an Other Matter paragraph is required referring to the fact that the auditor's opinion on the prior year financial statements differs from the opinion previously expressed. The auditor has also decided to add an Emphasis of Matter paragraph referring to the note to the financial statements explaining that comparative financial information has been restated. Because both paragraphs are interrelated, the auditor has decided to combine the paragraphs into one paragraph entitled "Restated Comparative Information".**
- **The audit is conducted in accordance with Canadian Auditing Standards**

(Please read Introduction to Illustrative Reports)

1. Paragraph 16 of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, states that when reporting on prior period financial statements in connection with the current period's audit, if the auditor's opinion on such prior period financial statements differs from the opinion the auditor previously expressed, the auditor shall disclose the substantive reasons for the different opinion in an Other Matter paragraph in accordance with CAS 706.

2. CAS 706, *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, requires the auditor to include an Emphasis of Matter paragraph in the auditor's report if the auditor considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements. In such a circumstance, the auditor may include an Emphasis of Matter paragraph to alert readers that the comparative information in the financial statements has been restated, along the following lines: "Without modifying our opinion, we draw attention to Note X to the financial statements, which explains that certain comparative information for the [period ended] has been restated." Such wording is consistent with other Illustrative Reports in this Guide (see, for example, Illustrative Report 7(n)).

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheets as at December 31, 2011 and 2010, and the statements of income, retained earnings and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Company as at December 31, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian accounting standards for private enterprises.

Restated Comparative Information

Without modifying our opinion, we draw attention to Note X to the financial statements, which explains that certain comparative information for the year ended December 31, 2010 has been restated to record depreciation not previously recorded.

In our report dated March 20, 2011, our opinion on the financial statements of ABC Company for the year ended December 31, 2010 contained a qualified opinion because ABC Company did not depreciate property, plant and equipment as required by Canadian accounting standards for private enterprises. Accordingly, our opinion on the financial statements for the year ended December 31, 2010 expressed in that report is different from that expressed on those financial statements in this report because of the restatement of comparative information.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

7(v) — Comparative Financial Statements**Financial Statements with Restated Comparative Information**

Qualified Opinion in Prior Year — Predecessor Auditor for Prior Year

Report illustrative of the following circumstances:

- **The financial statements for the year ended December 31, 2011 are prepared in accordance with Canadian accounting standards for private enterprises.**
- **The auditor is required to report on each year for which financial statements are presented and on which an audit opinion is expressed.**
- **The financial statements for the prior year were audited by a predecessor auditor.**
- **The predecessor auditor's report on the prior year, as previously issued, included a qualified opinion because the entity did not depreciate property, plant and equipment as required by Canadian accounting standards for private enterprises. The entity has decided to depreciate property, plant and equipment as required by Canadian accounting standards for private enterprises with retrospective application.**
- **The previously issued financial statements for the prior year were not amended (i.e., they were not restated and reissued).**
- **The comparative information has been restated in the current year's financial statements. A note to the financial statements explains the restatement.**
- **The predecessor auditor's report on the prior year's financial statements was not reissued with the current year's financial statements.**
- **An Other Matter paragraph is required referring to the predecessor auditor's report on the prior year's financial statements.**
- **The auditor has obtained sufficient appropriate audit evidence that the prior year's closing balances have been appropriately restated, as required by paragraph 6 of CAS 510, Initial Audit Engagements — Opening Balances.**
- **The auditor was engaged to report as to the appropriateness of the restatement. Accordingly, the auditor expanded the Other Matter paragraph for additional explanation indicating that the auditor audited the adjustments that were applied to restate the comparative financial statements. The paragraph has been entitled "Restated Comparative Information".**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. Paragraph 17 of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, states that if the financial statements of the prior period were audited by a predecessor auditor, in addition to expressing an opinion on the current period's financial statements, the auditor shall state in an Other Matter paragraph:
 - (a) that the financial statements of the prior period were audited by a predecessor auditor;
 - (b) the type of opinion expressed by the predecessor auditor and, if the opinion was modified, the reasons therefore; and

(c) the date of that report, unless the predecessor auditor's report on the prior period's financial statements is reissued with the financial statements.

2. Paragraph A11 of CAS 710 states that the predecessor auditor may be unable or unwilling to reissue the auditor's report on the prior period financial statements. An Other Matter paragraph of the auditor's report may indicate that the predecessor auditor reported on the financial statements of the prior period before amendment. In addition, if the auditor is engaged to audit and obtains sufficient appropriate audit evidence to be satisfied as to the appropriateness of the amendment, the auditor's report may also include an Other Matter paragraph indicating that the auditor was so engaged.

3. Excerpt from the predecessor auditor's report on the financial statements of ABC Company for the year ended December 31, 2010:

Basis for Qualified Opinion

As discussed in Note X to the financial statements, no depreciation has been provided in the financial statements, which constitutes a departure from Canadian accounting standards for private enterprises. This is the result of a decision taken by management at the start of the financial year. Based on the straight-line method of depreciation and annual rates of 5% for the building and 20% for the equipment, the loss for the year should be increased by \$xxx, property, plant and equipment should be reduced by accumulated depreciation of \$xxx, and retained earnings should be decreased by \$xxx.

4. As discussed in paragraph 2 of Illustrative Report 7(u), the auditor may consider it necessary to alert readers by using an Emphasis of Matter paragraph that the comparative information in the financial statements has been restated. This has not been done in this Illustrative Report because the information that would be included in such a paragraph is already included in the Restated Comparative Information paragraph. A separate Emphasis of Matter paragraph would be of limited value.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 2011, and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as

management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Company as at December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Restated Comparative Information

The financial statements of ABC Company for the year ended December 31, 2010 (prior to the restatement of the comparative information described in Note X to the financial statements) were audited by another auditor who expressed a qualified opinion on those financial statements on March 31, 2011 because no depreciation had been provided in the financial statements, which constituted a departure from Canadian accounting standards for private enterprises.

As part of our audit of the financial statements of ABC Company for the year ended December 31, 2011, we also audited the adjustments described in Note X that were applied to restate the financial statements for the year ended December 31, 2010. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the financial statements of ABC Company for the year ended December 31, 2010.

other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the financial statements for the year ended December 31, 2010 taken as a whole.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

7(w) — Corresponding Figures**Reissued Financial Statements — Same Auditor for Prior Year****Report illustrative of the following circumstances:**

- **The financial statements for the year ended December 31, 2011 are prepared in accordance with Canadian accounting standards for private enterprises.**
- **The auditor is required to report only on the current year financial statements.**
- **The auditor for the current year was also the auditor for the prior year.**
- **The auditor obtained audit evidence that a material misstatement exists in the prior year financial statements on which an unmodified opinion has previously been expressed.**
- **This fact became known to the auditor after the financial statements were issued that, had it been known to the auditor at the date of the auditor’s report, would have caused the auditor to amend the auditor’s report.**
- **Management amended and reissued the financial statements, including a note to the financial statements entitled “Amended Financial Statements” that describes the reason for the amendment of the previously issued financial statements, and the auditor issued an amended auditor’s report.**
- **The amended auditor’s report included an additional date restricted to the amendment to the financial statements.**
- **An Emphasis of Matter or Other Matter paragraph is required referring to a note to the financial statements that more extensively discusses the reason for the amendment of the previously issued financial statements and to the earlier report provided by the auditor.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. Paragraph 12 of CAS 560, *Subsequent Events*, states that where law, regulation or the financial reporting framework does not prohibit management from restricting the amendment of the financial statements to the effects of the subsequent event or events causing that amendment and those responsible for approving the financial statements are not prohibited from restricting their approval to that amendment, the auditor is permitted to restrict the audit procedures on subsequent events required in paragraph 11(b)(i) of CAS 560 to that amendment. In such cases, the auditor shall either:
 - (a) amend the auditor’s report to include an additional date restricted to that amendment that thereby indicates that the auditor’s procedures on subsequent events are restricted solely to the amendment of the financial statements described in the relevant note to the financial statements; or
 - (b) provide a new or amended auditor’s report that includes a statement in an Emphasis of Matter paragraph or Other Matter paragraph that conveys that the auditor’s procedures on subsequent events are restricted solely to the amendment of

the financial statements as described in the relevant note to the financial statements.

2. In this Illustrative Report, it has been assumed that law, regulation or the financial reporting framework does not prohibit management from restricting the amendment of the financial statements to the effects of the subsequent event or events causing that amendment and those responsible for approving the financial statements are not prohibited from restricting their approval to that amendment.
3. Paragraph 14 of CAS 560 states that if, after the financial statements are issued, a fact becomes known to the auditor that, had it been known to the auditor at the date of the auditor's report, may have caused the auditor to amend the auditor's report, the auditor shall:
 - (a) Discuss the matter with management and, where appropriate, those charged with governance;
 - (b) Determine whether the financial statements need amendment; and, if so,
 - (c) Inquire how management intends to address the matter in the financial statements.
4. Paragraph 15 of CAS 560 states that if management amends the financial statements, the auditor shall:
 - (a) carry out the audit procedures necessary in the circumstances on the amendment.
 - (b) review the steps taken by management to ensure that anyone in receipt of the previously issued financial statements together with the auditor's report thereon is informed of the situation.
 - (c) unless the circumstances in paragraph 12 apply:
 - (i) extend the audit procedures referred to in paragraphs 6 and 7 of CAS 560 to the date of the new auditor's report, and date the new auditor's report no earlier than the date of approval of the amended financial statements; and
 - (ii) provide a new auditor's report on the amended financial statements.
 - (d) when the circumstances in paragraph 12 apply, amend the auditor's report or provide a new auditor's report as required by paragraph 12.
5. Paragraph 16 of CAS 560 requires the auditor to include in the new or amended auditor's report an Emphasis of Matter paragraph or Other Matter paragraph referring to a note to the financial statements that more extensively discusses the reason for the amendment of the previously issued financial statements and to the earlier report provided by the auditor.
6. Paragraph A12 of CAS 560 states that when, in the circumstances described in paragraph 12(a), the auditor amends the auditor's report to include an additional date restricted to that amendment, the date of the auditor's report on the financial statements prior to their subsequent amendment by management remains unchanged because this date informs the reader as to when the audit work on those financial statements was completed. However, an additional

date is included in the auditor's report to inform users that the auditor's procedures subsequent to that date were restricted to the subsequent amendment of the financial statements.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 2011, and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Company as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Amended Financial Statements

Without modifying our opinion, we draw attention to Note X to the financial statements, which explains that the financial statements for the year ended December 31, 2011 have been amended from those on which we originally reported on March 20, 2012.

[Auditor's signature]

March 20, 2012, except as to Note X, which is as of April 15, 2012

[Auditor's address]

7(x) — Comparative Financial Statements**Reissued Financial Statements — Same Auditor for Prior Year****Report illustrative of the following circumstances:**

- **The financial statements for the year ended December 31, 2011 are prepared in accordance with International Financial Reporting Standards.**
- **The auditor is required to report on each year for which financial statements are presented and on which an audit opinion is expressed.**
- **The auditor for the current year was also the auditor for the prior year.**
- **The auditor obtained audit evidence that a material misstatement exists in the prior year financial statements on which an unmodified opinion has previously been expressed.**
- **This fact became known to the auditor after the financial statements were issued that, had it been known to the auditor at the date of the auditor's report, may have caused the auditor to amend the auditor's report.**
- **Management amended and reissued the financial statements, referring to them as "Amended Financial Statements", and the auditor issued an amended auditor's report.**
- **An Emphasis of Matter or Other Matter paragraph is required referring to a note to the financial statements that more extensively discusses the reason for the amendment of the previously issued financial statements and to the earlier report provided by the auditor.**
- **The audit is conducted in accordance with Canadian Auditing Standards.**

(Please read Introduction to Illustrative Reports)

1. Paragraph 12 of CAS 560, *Subsequent Events*, states that where law, regulation or the financial reporting framework does not prohibit management from restricting the amendment of the financial statements to the effects of the subsequent event or events causing that amendment and those responsible for approving the financial statements are not prohibited from restricting their approval to that amendment, the auditor is permitted to restrict the audit procedures on subsequent events required in paragraph 11(b)(i) of CAS 560 to that amendment. In such cases, the auditor shall either:
 - (a) amend the auditor's report to include an additional date restricted to that amendment that thereby indicates that the auditor's procedures on subsequent events are restricted solely to the amendment of the financial statements described in the relevant note to the financial statements; or
 - (b) provide a new or amended auditor's report that includes a statement in an Emphasis of Matter paragraph or Other Matter paragraph that conveys that the auditor's procedures on subsequent events are restricted solely to the amendment of the financial statements as described in the relevant note to the financial statements.

2. In this Illustrative Report, it has been assumed that law, regulation or the financial reporting framework does prohibit management from restricting the amendment of the financial statements to the effects of the subsequent event or events causing that amendment and those responsible for approving the financial statements are prohibited from restricting their approval to that amendment.
3. Paragraph 14 of CAS 560 states that if, after the financial statements are issued, a fact becomes known to the auditor that, had it been known to the auditor at the date of the auditor's report, may have caused the auditor to amend the auditor's report, the auditor shall:
 - (a) discuss the matter with management and, where appropriate, those charged with governance;
 - (b) determine whether the financial statements need amendment; and, if so,
 - (c) inquire how management intends to address the matter in the financial statements.
4. Paragraph 15 of CAS 560 states that if management amends the financial statements, the auditor shall:
 - (a) carry out the audit procedures necessary in the circumstances on the amendment.
 - (b) review the steps taken by management to ensure that anyone in receipt of the previously issued financial statements together with the auditor's report thereon is informed of the situation.
 - (c) unless the circumstances in paragraph 12 apply:
 - (i) extend the audit procedures referred to in paragraphs 6 and 7 of CAS 560 to the date of the new auditor's report, and date the new auditor's report no earlier than the date of approval of the amended financial statements; and
 - (ii) provide a new auditor's report on the amended financial statements.
 - (d) when the circumstances in paragraph 12 apply, amend the auditor's report or provide a new auditor's report as required by paragraph 12.
5. Paragraph 16 of CAS 560 requires the auditor to include in the new or amended auditor's report an Emphasis of Matter paragraph or Other Matter paragraph referring to a note to the financial statements that more extensively discusses the reason for the amendment of the previously issued financial statements and to the earlier report provided by the auditor.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Company, which comprise the statements of financial position as at December 31, 2011 and 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Company as at December 31, 2011 and 2010, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Amended Financial Statements

Without modifying our opinion, we draw attention to Note X to the financial statements, which explains that the financial statements for the year ended December 31, 2011 have been amended from those on which we originally reported on March 20, 2012.

[Auditor's signature]

April 15, 2012

[Auditor's address]

CORRECTION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH PARAGRAPH PS 2120.31

8 — Corresponding Figures

Qualification Arising from a Correction of Financial Statements in Accordance with Paragraph PS 2120.31 — Effects of the Matter on the Comparability of the Current and Prior Years — Same Auditor for Prior Year

Report illustrative of the following circumstances:

- The financial statements for the years ended March 31, 2011 and 2012 are prepared in accordance with Canadian public sector accounting standards.
- The auditor is required to report only on the current year financial statements.
- The auditor for the current year was also the auditor for the prior year.
- The auditor's report on the prior year, as previously issued, included a qualified opinion arising from a departure from the financial reporting framework because of a failure to record a material liability as at March 31, 2011.
- The departure from the financial reporting framework has been corrected in accordance with paragraph PS 2120.31 of CPA Canada Public Sector Accounting Handbook by the recognition of an expense and a liability in the current year's financial statements.
- The entity has decided to include a note to the 2012 financial statements explaining the matter.
- The audit is conducted in accordance with Canadian Auditing Standards.

(Please read Introduction to Illustrative Reports)

1. Paragraph 11 of CAS 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*, states that if the auditor's report on the prior period, as previously issued, included a qualified opinion, a disclaimer of opinion, or an adverse opinion and the matter that gave rise to the modification is unresolved, the auditor shall modify the auditor's opinion on the current period's financial statements.
2. Paragraph 11(b) of CAS 710 requires that in the Basis for Modification paragraph in the auditor's report, when the effects or possible effects of the matter on the current period's figures are not material, the auditor shall explain that the audit opinion has been modified because of the effects or possible effects of the unresolved matter on the comparability of the current period's figures and the corresponding figures.
3. Because the comparative information in the 2011 financial statements is still materially misstated, the matter has not been resolved for the purposes of paragraph 11 of CAS 710 even though the entity correctly accounted for the error in the current year's figures in the 2012 financial statements for financial reporting purposes in accordance with paragraph PS 2120.31. Accordingly,

the auditor would apply paragraph 11(b) of CAS 710 and modify the auditor's opinion because, notwithstanding the correction of the error, there are effects on the comparability of the current year's figures and the corresponding figures.

4. This Illustrative Report can be compared with the auditor's report under the comparative financial statements reporting approach. Under this approach, the auditor's opinion on the current year's figures in the 2012 financial statements would be an unmodified opinion because the entity correctly accounted for the error in accordance with paragraph PS 2120.31. Also, the auditor's report on the comparative information in the 2012 financial statements would contain a qualified opinion because the financial statements contain a material departure from Canadian public sector accounting standards.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Government Organization, which comprise the statement of financial position as at March 31, 2012, and the statements of operations, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As discussed in Note X to the financial statements, ABC Government Organization did not accrue for liabilities of \$xxx for XYZ program at March 31, 2011, which constitutes a departure from Canadian public sector accounting standards. The program expenses should have been increased and the results of operations should have been decreased for the year ended March 31, 2011 by \$xxx, and accrued liabilities and net debt should have been increased as at March 31, 2011 by \$xxx. This caused us to modify our opinion on the financial statements for that year.

In accordance with Canadian public sector accounting standards, ABC Government Organization corrected the error in the current year's figures rather than correcting the comparative information. Our opinion on the current year's financial statements is modified because of the effects of this matter on the comparability of the current year's figures and the comparative information.

Qualified Opinion

In our opinion, except for the effects on the comparative information of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of ABC Government Organization as at March 31, 2012 and the results of its operations, changes in its net debt, and its cash flows for the year ended March 31, 2012 in accordance with Canadian public sector accounting standards.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

SUMMARY OF CHANGES TO THIS GUIDE

This section of the Guide summarizes new material, or changes to existing material, in each edition.

Highlights of the changes between the 11th edition (January 2014) and the 12th edition (April 2014)

- The Introduction has been updated relating to changes to accounting standards.
- The last sentence in paragraph 4 of Q&A 1(i) has been deleted.
- Q&A 1(j) has been added.
- Illustrative Report 8 has been added.

**TASK FORCE ON AUDIT REPORTING IMPLICATIONS OF NEW
CANADIAN AUDITING STANDARDS****Member**

Gord Briggs

Julie Corden

Sophie Gaudreault

Claudia Leonardi

Dave Rasmussen

Gregg Ruthman

Jean-Francois Trepanier

Organization

Ernst & Young LLP

Deloitte LLP

PricewaterhouseCoopers LLP

KPMG LLP

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Ontario Securities Commission

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