



# Domestic Accounting Standards Update

February 24, 2022

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# Domestic Accounting Standards Update

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In Canada, accounting standards for all entities outside the public sector are issued by the Accounting Standards Board (AcSB).

The opinions stated are those of the presenters and do not necessarily reflect the views of the AcSB. Official positions of the AcSB are established only after due process.

Refer the links provided throughout the presentation for additional reference materials to assist with implementation of the standards.

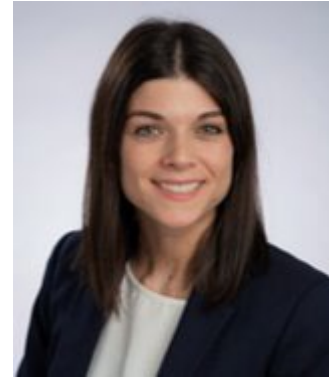
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# Presenters

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**Armand  
Capisciolto, FCPA, FCA**  
Vice-Chair,  
Accounting Standards  
Board  
National  
Accounting Standards  
Partner, BDO



**Danielle MacLeod, CPA,  
CA**  
Principal, Accounting  
Standards Board

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# Agenda

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Recently issued or amended domestic standards

AcSB domestic standards work plan

AcSB strategic plan

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# Polling Question #1

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What is your current role?

- a) Public practitioner or professional advisor
- b) Financial statement preparer (for example, controller, CFO, business owner)
- c) Financial statement user (for example, banker, private equity)
- d) Academic
- e) Other (for example, student)

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# Polling Question #2

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Which category of reporting entity is most relevant to your current role?

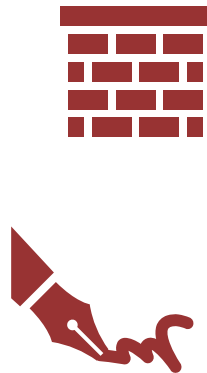
- a) Publicly Accountable Enterprise
- b) Private Enterprise
- c) Not-for-Profit Organization
- d) Pension Plan
- e) They are all relevant to my current role
- f) None

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# Recently issued or amended domestic standards

# Key Projects

Retractable or  
Mandatorily  
Redeemable  
Shares  
(ROMRS)



COVID-19  
Related Rent  
Concessions



Revenue

Interest Rate  
Benchmark  
Reform



Related Party  
Financial  
Instruments and  
Risk  
Disclosures

Not-for-Profit  
Combinations



Agriculture



Pension Plans



# Key Projects

Topic	Original Effective Date	Modified Effective Date
Retractable or Mandatorily Redeemable Shares (ROMRS)	January 1, 2020	January 1, 2021
Related Party Financial Instruments and Risk Disclosures	January 1, 2020	January 1, 2021
Agriculture	January 1, 2021	January 1, 2022
Revenue	January 1, 2021	January 1, 2022
COVID-19 Related Rent Concessions	N/A	See slide
Employee Future Benefits	N/A	January 1, 2022
Combinations by Not-for-Profit Organizations	N/A	January 1, 2022
Interest Rate Benchmark Reform (IBOR)	N/A	February 1, 2022

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# Amendments to Section 3856, *Financial Instruments* - ROMRS

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- Amendments for retractable or mandatorily redeemable shares (ROMRS) issued in December 2018 are effective for years beginning January 1, 2021
- Equity classification permitted if three conditions met:
  1. Control of the enterprise issuing the shares is retained by shareholder receiving the shares
  2. No consideration other than shares exchanged
  3. No repayment arrangement exists (e.g., redemption schedule)
- Amendments applicable to private enterprises only
- If any of the conditions not met, shares are classified as financial liabilities at their redemption amount

Research

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Paper

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# Amendments to Section 3856, *Financial Instruments* - ROMRS

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- AcSB receiving more questions from stakeholders on:
  - what constitutes a tax planning arrangement;
  - control assessments (direct vs indirect control); and
  - measurement of redemption amount of ROMRS classified as a liability.
- AcSB continues to encourage stakeholders to use judgment when applying the amendments

Listen to the [Podcast series](#) and read the Basis for Conclusions for context about applying judgment to the amendments. Also watch the previous [webinar](#) for more details about the proposals.



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# Amendments to Section 3856, *Financial Instruments* – RP financial instruments

- Amendments on the accounting for financial instruments in a related party transaction and significant risk disclosures were also issued in December 2018 and effective for years beginning January 1, 2021
- Amendments include:
  - Guidance on initial and subsequent measurement of related party financial instruments;
  - Guidance on impairment and forgiveness of related party financial assets; and
  - Retention of the significant risk disclosure requirements with some amendments.
- Amendments applicable to private enterprises and not-for-profit organizations (NFPOs)

Listen to the [webinar](#) for an overview of the amendments and read the [guide](#) and Basis for Conclusions



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# Agriculture

- Section 3041, *Agriculture* issued in Part II in November 2019
- The standard provides guidance on:

When agricultural inventories and productive biological assets are recognized

How agricultural inventories and productive biological assets are measured

What happens when the use of agricultural inventories and productive biological assets changes

What disclosures should be required by agriculture producers

What transitional relief is available for agricultural producers applying the standard for the first time

- New standard is effective for annual periods beginning on or after January 1, 2022

See the [project page](#), [briefing](#) and the Basis for Conclusions for more information



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# Revenue

See the [project page](#), [briefing](#), and the Basis for Conclusions for more information



- Narrow scope amendments in Part II issued in December 2019 applicable to private enterprises and NFPOs
- Amendments provide additional guidance in Section 3400 on:
  - Determining whether an arrangement consists of a group of contracts or a single contract and identifying the units of account in an arrangement
  - Allocating consideration in a multiple element arrangement
  - Accounting for revenue under the percentage of completion method
  - Indicators for reporting revenue gross vs net
  - Criteria to determine when to recognize revenue for a bill and hold arrangement
  - Determining when to recognize revenue for upfront non-refundable fees
- Amendments are effective for annual periods beginning on or after January 1, 2022

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# Employee Future Benefits

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- The amendments to Section 3462, *Employee Future Benefits*:
  - Clarify guidance about using a funding valuation in measuring the defined benefit obligation
  - Addresses diversity in practice in how the Section's requirements interact with recent changes to pension legislation
  - Removes accommodation to use a funding valuation for unfunded plans
- Final amendments issued in November 2020 with an effective date of January 1, 2022

See the [project page](#), [guide](#), and the Basis for Conclusions for more information



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A large, light-colored arrow pointing to the right, which serves as a background for the final step of the process flow.

# COVID-19-Related Rent Concessions - Update

- In November 2020, the AcSB provided an option to not account for COVID-19 related rent concession as new leases until December 31, 2021
- In December 2021, the AcSB:
  - extended the optional relief to December 31, 2022 for both lessees and lessors on accounting for rent concessions received or granted as a result of COVID-19.
- Extension effective December 2021 with earlier application permitted, including for financial statements not yet authorized for issue
- Applies to both private enterprises and not-for-profit organizations





# Combinations by NFPOs

- In March 2021, the AcSB issued a new standard to account for combinations by NFPOs effective January 1, 2022
- The new standard includes 5 criteria to determine if a combination should be accounted for as a merger:



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# Combinations by NFPOs

- All transactions not meeting these criteria will be accounted for as acquisitions
- Many combinations will be accounted for as mergers but some may be acquisitions

## Merger

- The carrying values of the combining entities become the combined carrying values as though they have always been combined, including comparative information

## Acquisition

- The acquisition method is applied unless an entity chooses to disclose its controlled NFPOs in accordance with Section 4450
- The exposure draft proposed some exceptions to the recognition and measurement principles of acquisition accounting that are specific to not-for-profit organizations



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# Interest Rate Benchmark Reform

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- In February 2022, the AcSB issued an amendment to Section 3856, *Financial Instruments*, to address the effects of interest rate benchmark reform on:
  - debt modification; and
  - hedge accounting
- Applies to both private enterprises and NFPOs
- Effective for fiscal years ending on or after February 1, 2022.

See the [project page](#) for more information



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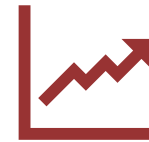
# AcSB Domestic Standards work plan

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# Key Projects - Domestic Standards

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Pension Plans



Contributions

Cloud  
computing



Related party  
transactions

# Cloud computing arrangements

- Identified as a priority project for private enterprises and NFPOs due to increased remote work and demand for cloud computing arrangements (CCAs)



Objective 1: Clarify which Section(s) in ASPE preparers should apply when accounting for a CCA



Objective 2: Simplify the current accounting requirements to reduce preparers' cost of going through a complex analysis



Objective 3: Address stakeholders' feedback – financial statements do not reflect the economic benefits that an entity receives over time for implementing a CCA in a situation when the entity does not control the software.

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# Cloud computing arrangements

- The AcSB plans to issue an Exposure Draft in March 2022 with a response deadline in June 2022.
- The Exposure Draft:
  - clarifies that an enterprise may determine a method for allocating arrangement consideration to significant separable elements in a CCA;
  - proposes an optional simplification approach to expense as incurred the elements;
  - provides factors for entities not applying the simplification approach to determine whether the arrangement includes a software intangible asset or software service; and
  - provides an accounting policy choice to either capitalize expenditures directly attributable with implementing the software service and present these costs as prepaids or continue to expense these costs as incurred.
- The Accounting Guideline is proposed to apply January 1, 2023.

See the [project page](#) for more information on how you can provide feedback on the proposals.



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# Related Party Transactions (Part II)

- AcSB is researching three key areas for related party transactions:

Business combinations under common control

Business combinations not under common control

Combinations not considered a business (i.e., acquisitions of assets)

- Working group of tax, assurance and advisory professionals are aiding with the research activities
- AcSB also consulted users to understand what their information needs are for related party combinations
- AcSB will continue its research and decide on the direction of the project in 2022.

See the [project page](#) for more information

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# Contributions

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- In May 2020, the AcSB issued a Consultation Paper (CP) with comments from stakeholders due in December 2020
  - Included 49 questions for input from stakeholders on a number of topics
- Extensive stakeholder outreach was conducted during the comment period
  - 25 comment letters received
  - 8 virtual roundtables held
- Stakeholder feedback has been generally supportive of an approach that recognizes revenue by considering the type of contribution and its characteristics

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# Contributions - Next Steps

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- The AcSB has analyzed and discussed the stakeholder feedback received on all topics in the Consultation Paper
- The Board has also consulted with its advisory committee on the feedback received
- At its March 2022 meeting, the Board will decide on the next steps for the project based on the feedback received

See the [project page](#) for more information



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# Pension Plans

See the [project page](#) for information about how you can provide feedback on the proposals.



- Part IV standards were effective in 2011. Since then, only minor amendments have been made to the standards
- The AcSB identified improvements to Part IV as a priority in its 2021-2022 Annual Plan
- AcSB approved a project in September 2021 to make targeted improvements to address the following:
  - Statement of Changes in Pension Obligations
  - Splits and Amalgamations
  - Accounting for Guaranteed Annuity Contracts (Buy-in and Buy-out)
  - Presentation of Hybrid Pension Plans
  - Disclosure of Investments in Master Trusts
- The AcSB will issue an Exposure Draft for comment on March 1, 2022 and will aim to issue amendments in Part IV by the end of the calendar year subject to feedback.

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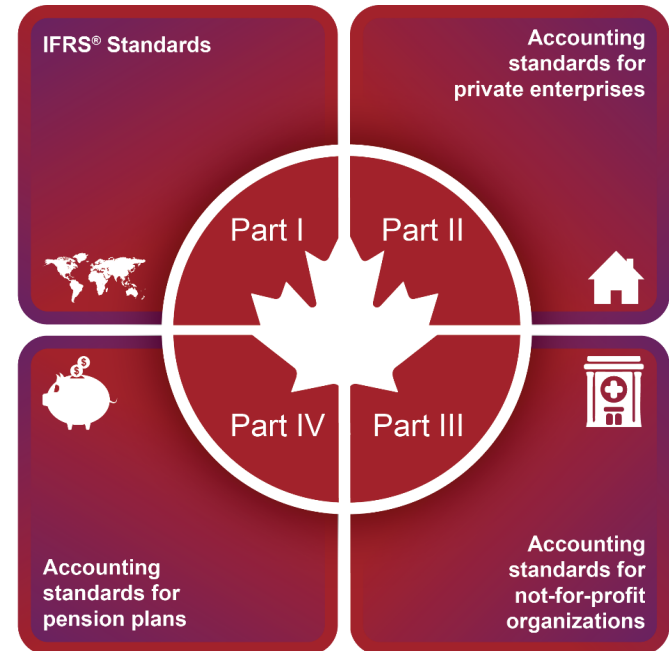
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# AcSB Strategic and Annual Plans

# Strategic and Annual Plans

- AcSB's strategic direction is set through its strategic plan
  - The Board is finalizing its next Strategic Plan for 2022-2027
- Specific objectives and activities each year are set out in the AcSB's annual plan
  - In 2022/2023, the Board will progress key domestic standards projects such as contributions, cloud computing and pensions.



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# 2022-2027 Strategic Plan

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- In May 2021, the AcSB issued its 2022-2027 [Draft Strategic Plan](#)
- The objectives of the plan are focused on enhancing the relevance of information reported to stakeholders
- AcSB has discussed stakeholder feedback from outreach activities and comment letters
- The Board expects to finalize its plan in March 2022 and begin implementing it on April 1, 2022
- Follow our [project page](#) for updates

# 2022-2027 Strategic Plan

- The strategic plan includes 3 key strategies to meet its objectives:



**Deliver relevant and high-quality accounting standards**



**Demonstrate leadership in reporting beyond traditional financial statements**



**Raise the AcSB's international influence**

**Enhance the relevance of financial and non-financial information reported**

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# Deliver relevant and high-quality accounting standards

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- The 2022-2027 Strategic Plan includes two strategic initiatives:
  - Evaluating the Preface to assess whether the applicability of each framework to each category of reporting meets stakeholders' needs; and
  - Exploring scaling the standards for non-listed entities to better meet the different reporting needs of stakeholders.



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# Get Involved

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# How to Get Involved

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- Let us know what you think
  - Send a question or comment directly on our [website](#)
  - Respond to the Exposure Draft on Cloud Computing Arrangements
- Volunteer for an Advisory Group
  - Watch our website or contact us:

Section	Staff Contact	Phone	Email
Part II	Danielle MacLeod	(416) 204-3951	<a href="mailto:dmacleod@acsbcanada.ca">dmacleod@acsbcanada.ca</a>
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All	Katharine Christopoulos	(416) 204-3270	<a href="mailto:kchristopoulos@acsbcanada.ca">kchristopoulos@acsbcanada.ca</a>

# Stay up to Date

## The Standard

Inside Canada's financial reporting and assurance standard-setting activities

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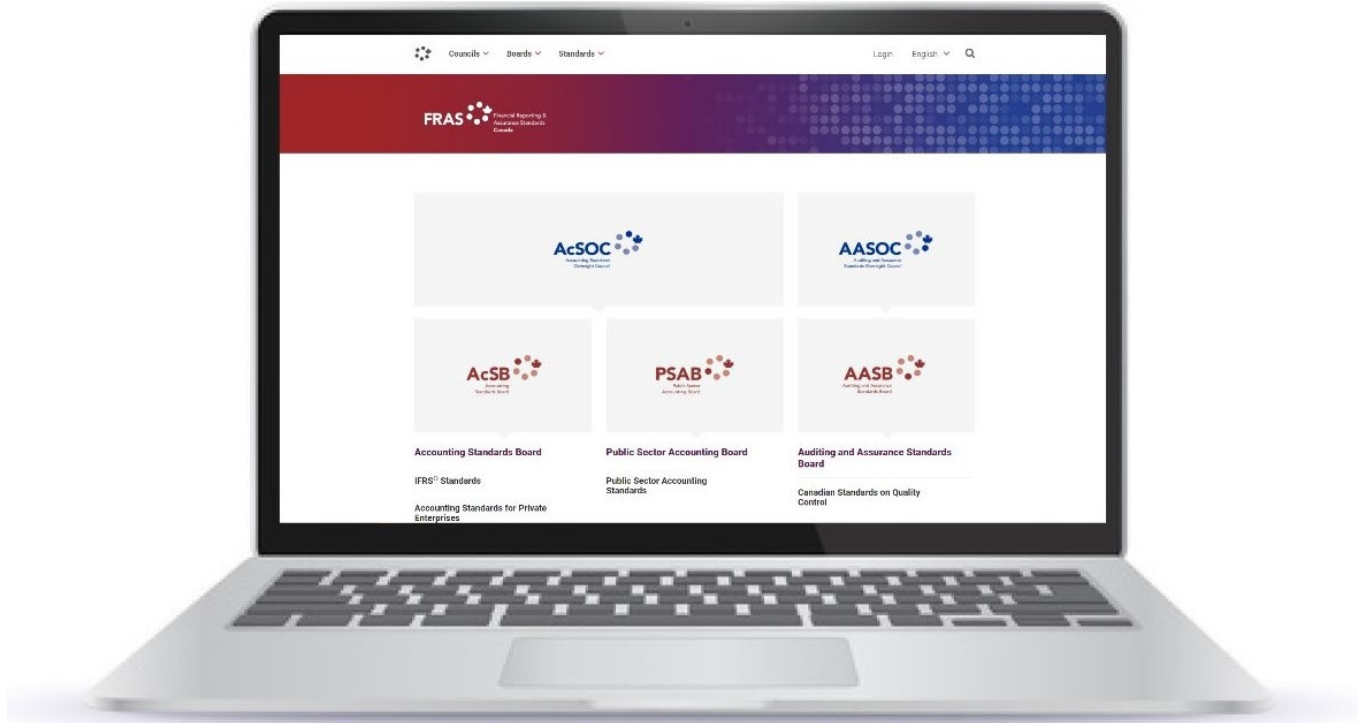
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# Stay up to Date

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For more information, visit [www.frascanada.ca](http://www.frascanada.ca)



**Questions?**





**Thank You!**

