Domestic Accounting Standards Update

November 6, 2024

Domestic Accounting Standards Update

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

Presenters

Armand Capisciolto, FCPA, FCA
Chair, Accounting Standards Board

Eric English, CPA, CA
Principal, Accounting Standards Board

AcSB

Agenda

- Recently Issued or Amended Domestic Standards
- Guidance and Other Resources
- AcSB Domestic Standards Work Plan
- AcSB 2025-2026 Planning Cycle

Polling Question #1

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)

Polling Question #2

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

Recently Issued or Amended Domestic Standards

Key Standards and Amendments

Topic	Effective Date
Amendments to Section 4600, Pension Plans	January 1, 2024
2023 Annual Improvements to Accounting Standards for Pension Plans	January 1, 2024
AcG-20, Customer's Accounting for Cloud Computing Arrangements	January 1, 2024
Related Party Combinations	January 1, 2025
Amendments to Section 3400, Revenue – Upfront Non-refundable Fees or Payments	January 1, 2025*
AcG-21, Accounting for Life Insurance Contracts with Cash Surrender Value	January 1, 2026

AcSB

*The AcSB has deferred the effective date of these amendments indefinitely. See slide 52 in the Appendix for further details.

Guidance and Other Resources

Guidance Framework

The AcSB has established processes for developing guidance to assist with:

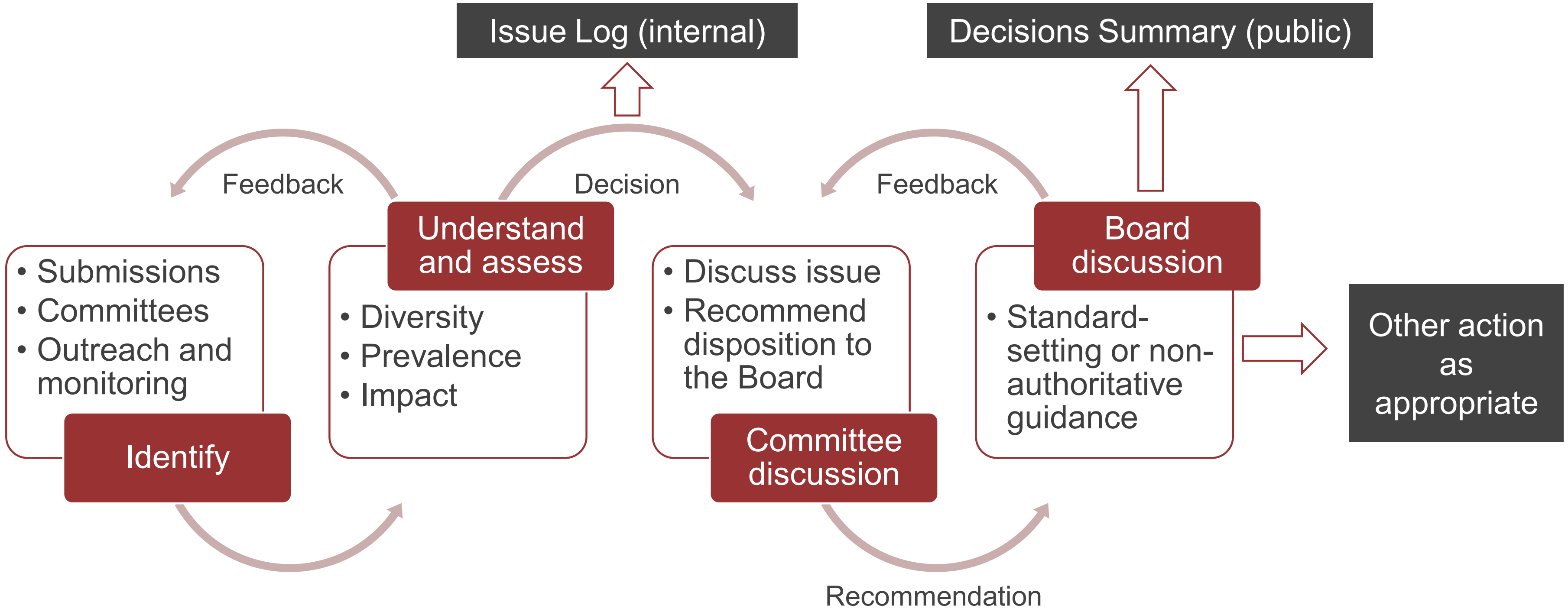
Application issues

Implementation of new/ amended standards

This framework will provide clarity and consistency in how the AcSB deals with these issues

AcSB

Guidance Framework – Application Issues Overview



Application issues can be submitted on our website here

**Note that the AcSB's narrow scope amendment regarding related party combinations, mentioned on slide 14, resulted from this process.*

Climate-related Risks and Opportunities – Mini-Series

- Potential impact on cashflows, business model, and financial performance
- No climate-specific standards included in Part II of the Handbook
- Applying existing standards in Part II for climate-related events
- Mini-series covering the effects for private-enterprises

Check out this resource, including our latest article in the series covering property, plant and equipment and intangible assets at this link.

AcSB Domestic Standards Work Plan

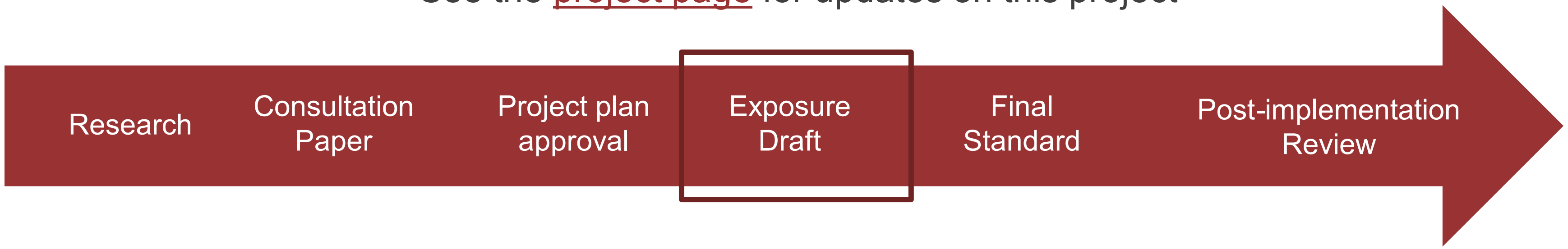
Related Party Business Combinations – Narrow Scope Amendment (Part II)

- The Private Enterprise Advisory Committee (PEAC) discussed an application question regarding the amendments issued in September 2023 to Section 3840, *Related Party Transactions* (see slide 51 in the Appendix)
- These amendments added an option to either:
  - retrospectively restate all prior periods when carrying values are used to account for a combination; or
  - prospectively account for these transactions from the date that the transfer occurred.
- The question raised is — When the new option is applied to account for a combination prospectively from the date that the transfer occurred, what comparative figures, if any, are presented?

Related Party Business Combinations – Narrow Scope Amendment (Part II) – Next Steps

- The AcSB considered feedback from PEAC at its June meeting, noting that diverse views have emerged on this topic.
- The Board decided to develop an exposure draft for a narrow scope amendment to Section 3840.
- They expect to issue an exposure draft in Q4 2024.

See the project page for updates on this project



AcSB

Detailed Review of ASPE (Part II)

- In response to feedback on Consultation Paper I – Exploring Scalability in Canada, a Detailed Review of ASPE was approved to:
  - determine specific challenges in each standard; and
  - explore potential solutions.
- The purpose is to identify the requirements that are most complex to apply and propose practical solutions without negatively impacting quality of information provided to users.
- The intent is not to address or fix every issue with each standard.

Detailed Review of ASPE (Part II)

- As part of this project, in July 2024 the AcSB's Advisory Committees discussed application issues across multiple standards including Section 3031, *Inventories.*
  - For example, staff have received feedback in the past that allocating overhead costs to inventories can be complex and time-consuming for some entities
- The Committee discussed whether this challenge meets the scoping criteria for this project as defined by the Board.
- Using feedback from its Advisory Committees, the Board will consider whether these challenges meet the project's scope, and if they should explore potential solutions.

Detailed Review of ASPE – Next Steps

- The AcSB is continuing to seek input from its Advisory Committees on standards to be considered as part of this project.
- After receiving input from the Advisory Committees, the Board intends to issue a Consultation Paper.

See the project page for updates on this project

Subsequent Measurement of Goodwill & Relief from Recognition of Intangible Assets (Parts II & III)

In response to challenges observed, the AcSB approved a project proposal that would:

Allow entities to amortize goodwill

Provide relief from recognizing intangible assets acquired in a business combination

AcSB

Relief from Recognition of Intangible Assets

Considering feedback from outreach, the AcSB has tentatively decided that the proposed relief would:

- Be provided as an **accounting policy choice**, on the condition that the entity amortizes its goodwill
- Apply to **all intangible assets** acquired in a business combination
- Require **disclosure** of qualitatively significant intangible assets

Subsequent Measurement of Goodwill

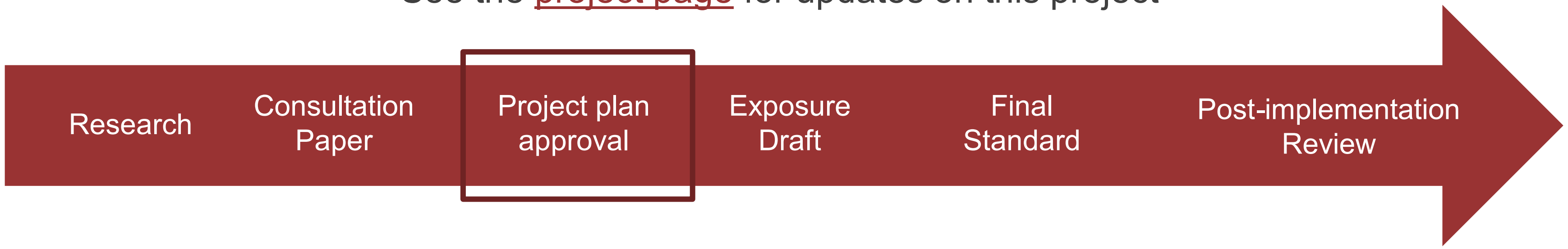
Considering feedback from outreach, the AcSB has tentatively proposed that:

- entities not opting for relief from recognition of intangible assets could **choose to amortize its goodwill**; and
- goodwill would be amortized on a **straight-line basis** over a **default period of 5 years**, unless the entity can demonstrate that another useful life **not exceeding 10 years** is more appropriate.

Subsequent Measurement of Goodwill

- Proposals are tentative as AcSB has not completed discussions or the balloting process.
- The Board will be seeking further input on the proposals from its Advisory Committees in November 2024.
- The Board will continue discussing the proposals at its November and December meetings and plans to issue an Exposure Draft for comment in 2025.

See the project page for updates on this project



AcSB

Agriculture (Part II)

- The AcSB typically decides whether a post-implementation review (PIR) is needed after a two-year period from when a new standard becomes effective.
- In September 2024, after considering input from its Agriculture Advisory Group, the Board approved a project proposal to address the following narrow-scope application issues instead of conducting a PIR:
    - **Net Realizable Value (NRV) model disclosures** – remove certain disclosure requirements for agricultural inventories that are measured using the NRV model; and
    - **Productive biological assets** – develop additional guidance to assist agricultural producers in determining productive capacity, particularly for productive biological assets managed on a collective basis.

Agriculture (Part II)

Next steps

- The AcSB will seek input from its Agriculture Advisory Group, Medium and Small Practitioners Advisory Committee, and Private Enterprise Advisory Committee as it develops exposure draft proposals.
- The Board will consider their input at its December 2024 meeting.

See the project page for updates on this project

AcSB

Financial Statement Concepts (Parts II & III)

Why is the AcSB taking this project on?

- Concepts in Parts II & III should be reviewed to ensure they continue to be fit-for-purpose in today's environment.
- The AcSB also expects that having an improved set of Concepts could benefit not only preparers and practitioners, but the Board itself.

Will this project make accounting standards in Parts II & III more complex?

- An updated set of financial statement concepts is **not expected** to significantly impact the application of existing accounting standards nor is it expected to increase the complexity of accounting standards.

Financial Statement Concepts (Parts II & III)

How could preparers and practitioners benefit from a Concepts improvement project?

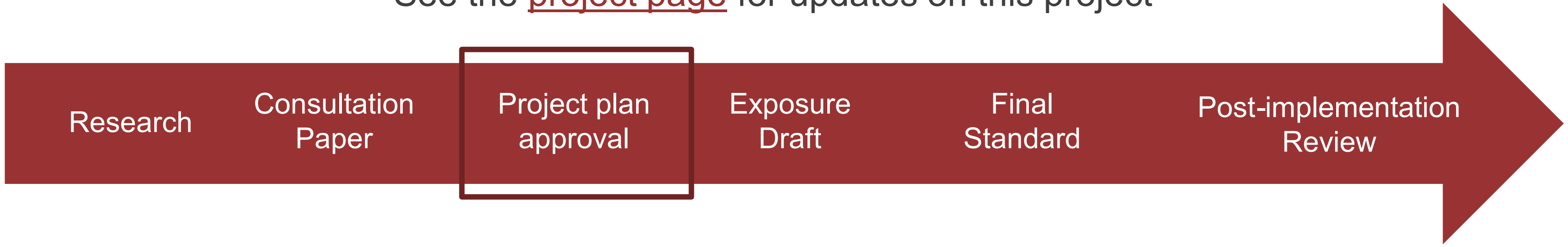
- Help determine accounting treatment in emerging areas where standards do not exist
- Assist in areas which require judgment
- Clarify the purpose of Concepts, including when and how they should be used

Updated definitions of financial statement elements will also help the Board to set standards in response to emerging issues that are impacting preparers and practitioners.

Financial Statement Concepts – Next Steps

- The AcSB is currently seeking feedback from its Advisory Committees on topics to be updated in Financial Statement Concepts.
- The Board will consider topics from the IASB's revised Conceptual Framework when developing proposals.
    - Each topic will be reviewed to determine if it is fit-for-purpose for Canadian entities
- Find out more about the benefits, background and approach to this project at the following link.

See the project page for updates on this project



AcSB

Financial Statement Concepts – Polling Question

Concepts identifies four qualitative characteristics that make financial information useful: **understandability**, **relevance**, **reliability** and **comparability**.

Which characteristic do you think is most important?

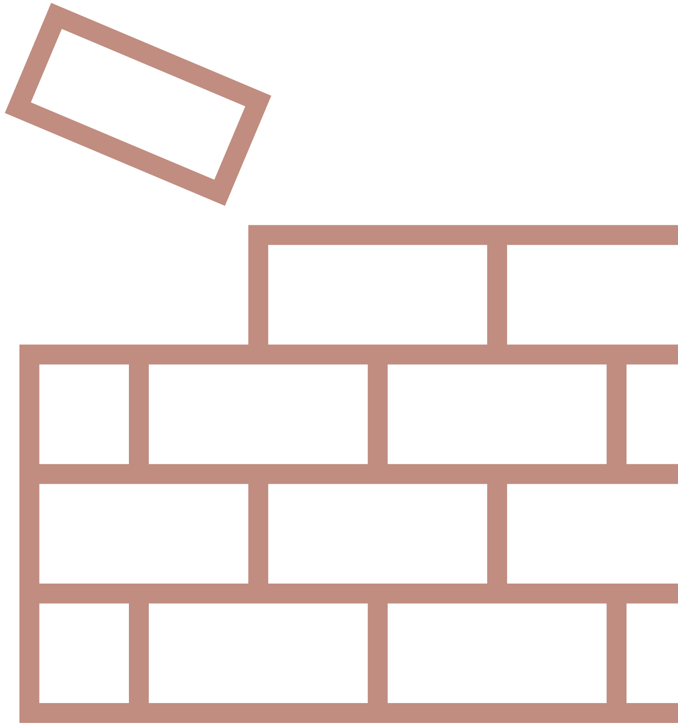
a) Understandability

b) Relevance

c) Reliability

d) Comparability

e) All qualitative characteristics are important



Contributions – Revenue Recognition and Related Matters (Part III)

- In March 2023, the AcSB issued an Exposure Draft which proposed a single approach for recognizing revenue from **restricted contributions**.
  - Mixed views on Exposure Draft proposals prompting additional outreach.
- The Board concluded that
  - a single recognition model may not meet diverse needs of NFPO sector; and
  - the cost of moving to a single recognition model may not exceed the benefit.
- Read the AcSB's Feedback Statement which summarizes the rationale for pivoting the project and next steps.

Contributions – Revenue Recognition and Related Matters (Part III)

The AcSB decided to revise the project direction to:

- continue to allow accounting policy choice for the recognition of contributions.
- develop a new exposure draft that proposes improvements to both methods while leveraging relevant aspects of the 2023 Exposure Draft

In July, a survey was conducted to collect data on:

- how the existing restricted fund method is being applied in practice;
- how fund accounting presentation is being applied in practice; and
- challenges with the existing restricted fund method requirements.

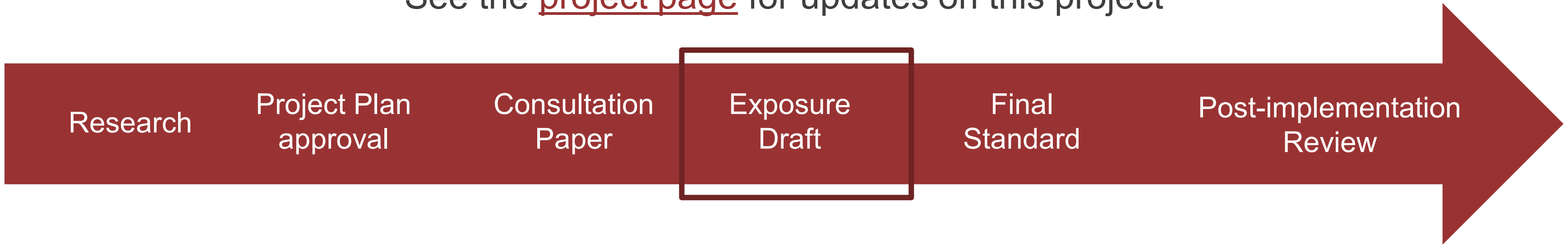
Pre-exposure draft targeted outreach sessions conducted during the summer.

- feedback from targeted outreach will be considered when developing proposals in the exposure draft

Contributions – Revenue Recognition and Related Matters (Part III) – Next Steps

- In September, the AcSB discussed potential areas for improvement including:
  - deferral method when applying the restricted fund method;
  - consistency of funds presented;
  - items presented within funds; and
  - definition of an endowment contribution.
- Next Steps
  - Continue to see feedback on the topics discussed and other aspects of the Contributions project from its Not-for-Profit Advisory Committee.

See the project page for updates on this project



AcSB

Reporting Controlled and Related Entities by NFPOs (Part III)

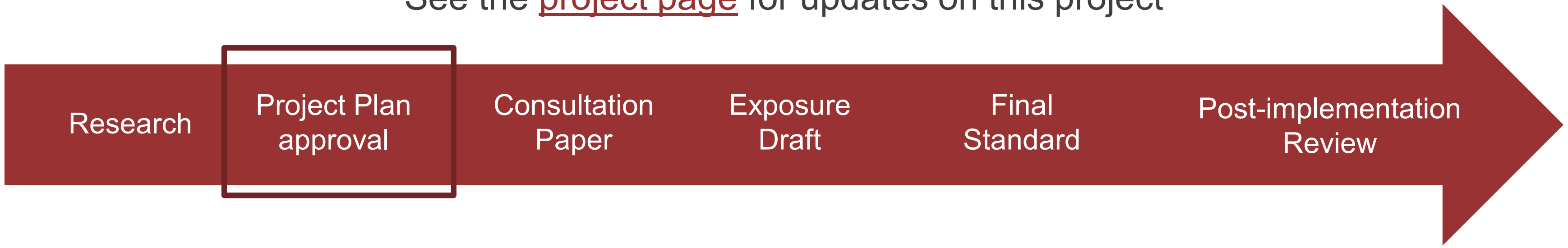
- The objective of this project is to improve the transparency of financial statements for users reviewing the relationship entities have with related and controlled entities
- Project will include:
  - re-evaluating the approach to determining relationships between entities and considering options to simplify;
  - improving disclosures;
  - introducing illustrative examples; and
  - reviewing the definitions, if necessary.

Reporting Controlled and Related Entities by NFPOs (Part III)

Next steps

- The AcSB will seek input from its Not-for-Profit Advisory Committee and Focus Group as it develops a Consultation Paper.

See the project page for updates on this project

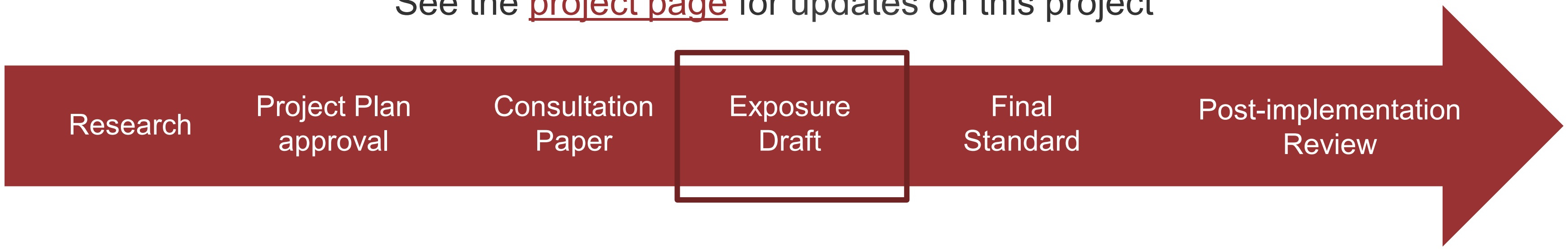


AcSB

Standards for Pension Plans (Part IV)

- In June 2024, the AcSB issued an Exposure Draft to improve presentation and disclosure of investments held by pension plans in Part IV of the Handbook. This Exposure Draft closed for comment in October 2024.
- The Exposure Draft includes:
  - updating fair value disclosure requirements;
  - new disclosures for interests in investment vehicles; and
  - amending presentation and disclosure requirements for investment expenses.

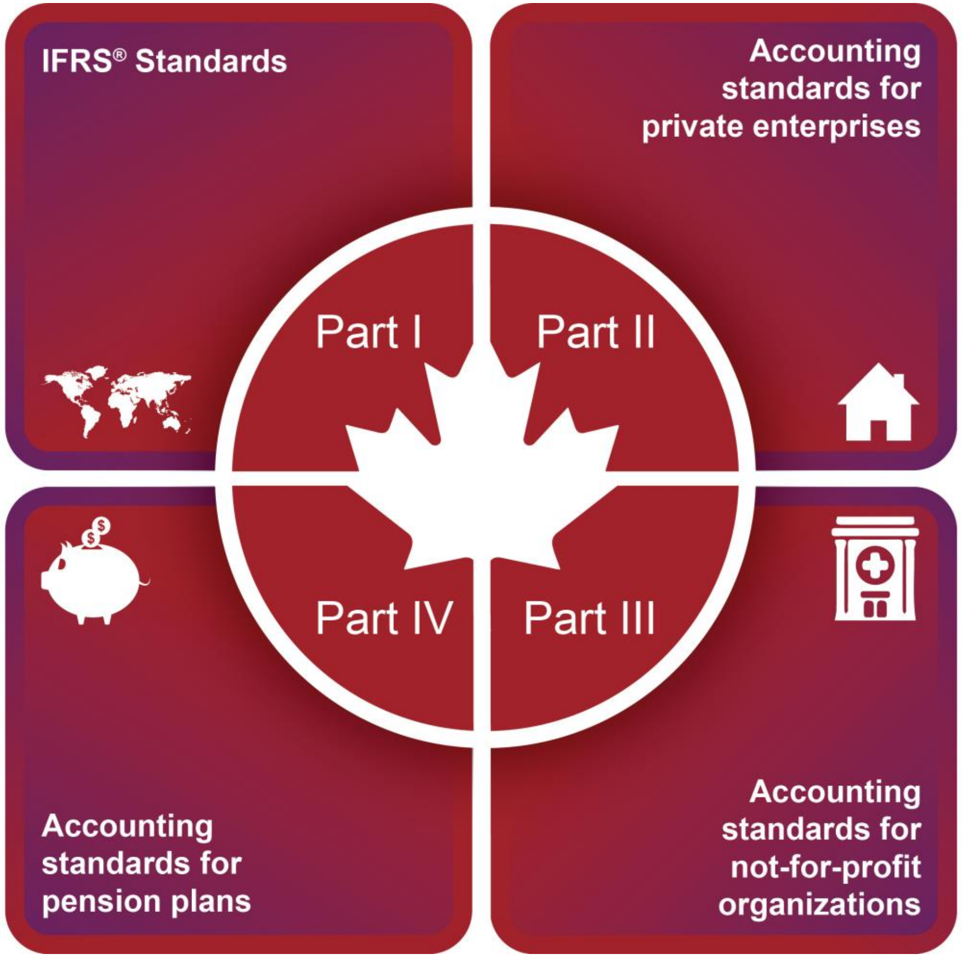
See the project page for updates on this project



AcSB

Other Research Projects

- Evaluating the Preface
  - The AcSB is evaluating whether any changes are needed to the Preface.



AcSB

AcSB 2025/2026 Annual Planning Cycle

2025-2026 Annual Planning Cycle

- As part of its annual planning process the AcSB will consider topics to add to its work plan for the upcoming year
- In making these considerations, the AcSB will seek feedback received from:
    - advisory committees;
    - post-implementation reviews;
    - review of amendments to accounting frameworks in other jurisdictions; and
    - feedback submitted through its guidance framework
- The Board will then consider any capacity constraints, as well as relevant external factors, to determine which projects should be prioritized for the upcoming year.

AcSB

Read about our 2024-2025 Annual Plan here

2025-2026 Annual Planning Cycle

Which of the below topics do you think the AcSB should consider as part of their 2025-2026 work plan?

a) Related party transactions

b) Definition of a business

c) Emerging topics such as accounting carbon credits

d) Application guidance

e) Prioritize completing projects in current work plan

f) Other topic not listed above

Get Involved

How to Get Involved

- Let us know what you think
  - Send a question or comment directly via our website.
- Volunteer for an Advisory Committee or Working Group
  - Apply to join the Private Enterprise Advisory Committee, Not-for-Profit Advisory Committee, Medium and Small Practitioners Advisory Committee, Pension Plan Advisory Committee, or Agriculture Advisory Group.

Section	Staff Contact	Phone	Email
Part II	Eric English	(647) 264-8277	eenglish@acsbcanada.ca
Part III	Amanda Winter	(416) 204-3241	awinter@acsbcanada.ca
Part IV	Amanda Winter	(416) 204-3241	awinter@acsbcanada.ca
All	Katharine Christopoulos	(416) 204-3270	kchristopoulos@acsbcanada.ca

Stay up to date

The Standard

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

Bi-weekly enewsletter frascanada.ca/my-account

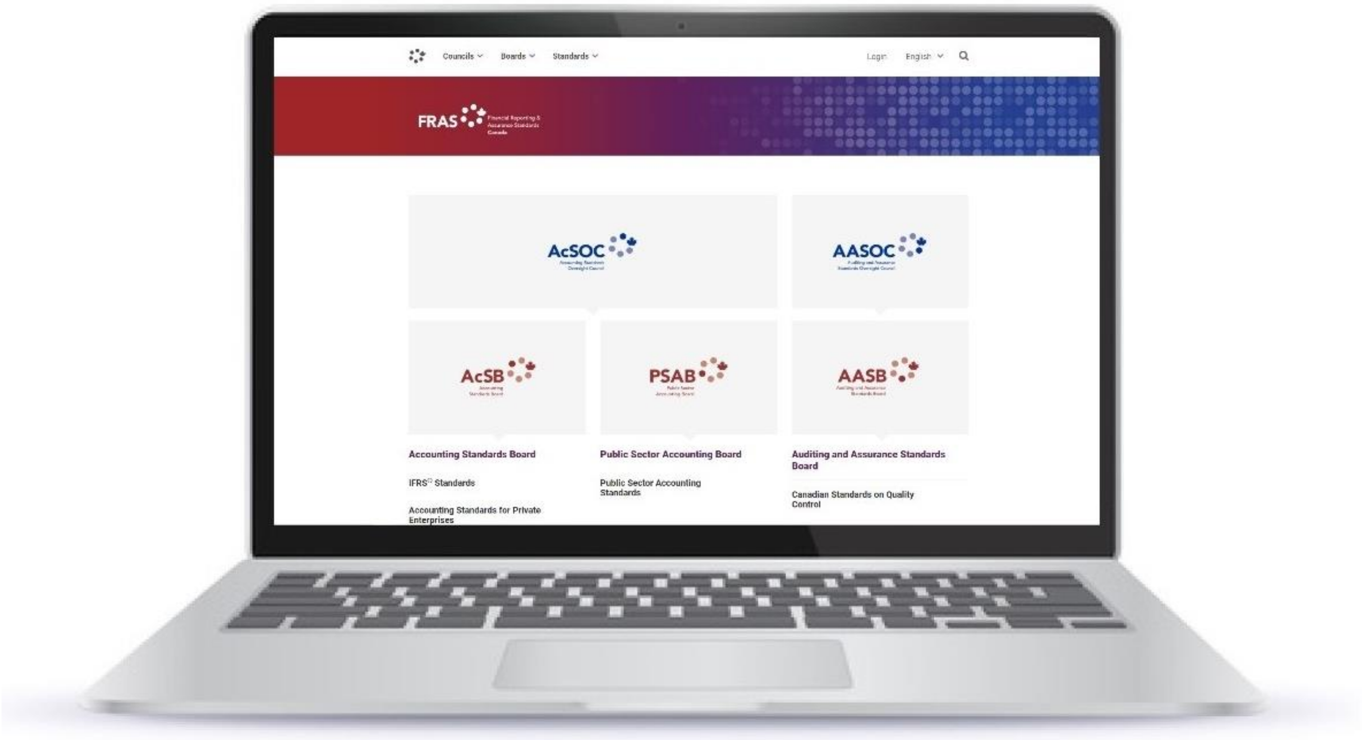
- Register to tailor your subscription

Follow us on social media

- @FRASCanada
- Accounting Standards Board (AcSB)

Stay up to date

For more information, visit www.frascanada.ca



AcSB

Post-webinar quiz

https://forms.office.com/r/y0HmD2vS7H

Accounting Standards Board

Questions?

AcSB
Accounting
Standards Board

Thank You!

Appendix – Recently Issued or Amended Domestic Standards

AcSB

Standards for Pension Plans (Part IV)

- The AcSB issued an Exposure Draft in March 2022, deliberated feedback, and deferred the effective date until **January 1, 2024**. The Board issued the amendments to the CPA Canada Handbook in December 2022.
- The amendments:
  - clarify that a statement of changes in pension obligations is not required for defined contribution pension plans;
  - provide guidance on determining the split or amalgamation date for pension plans;
  - provide recognition, measurement, and disclosure guidance on the accounting for guaranteed annuity contracts (commonly referred to as “buy-in” or “buy-out” annuity contracts);
  - clarify the presentation requirements for combination plans; and
  - require additional risk disclosures for investments in master trusts.

See the project page for more information

AcSB

2023 Annual Improvements to Accounting Standards for Pension Plans

- In December 2022, the AcSB amended Section 4600, *Pension Plans* to introduce new measurement and disclosure guidance for guaranteed annuity contracts, commonly referred to as “buy-in” annuity contracts.
- The Board explored providing relief from certain existing disclosure requirements that would become less relevant as a result of the new guidance.
- Exposure Draft issued in May 2023 proposed to amend the paragraph 4600.32 disclosure requirement to scope out investments that are not measured at fair value. In accordance with paragraph 4600.19, all investment assets and investment liabilities would be measured at fair value except for buy-in annuity contracts as described in paragraph 4600.21A.
- The AcSB issued the amendments in November 2023 as exposed with an effective date of **January 1, 2024**, with earlier application permitted.

See the project page for more information

Cloud Computing Arrangements

- In November 2022, AcG-20 *Customer's accounting for cloud computing arrangements* was issued in the CPA Canada Handbook.
- This guideline:
  - clarifies how existing Sections in ASPE are applied;
  - clarifies an entity may determine a method for allocating arrangement consideration to significant separable elements in a CCA;
  - provides new accounting policies that an entity could choose from that best suit its circumstances and would provide relevant information to its users; and
  - improves disclosures.
- **Effective** for years beginning on or after **January 1, 2024**.

Applies to both private enterprises and NFPOs

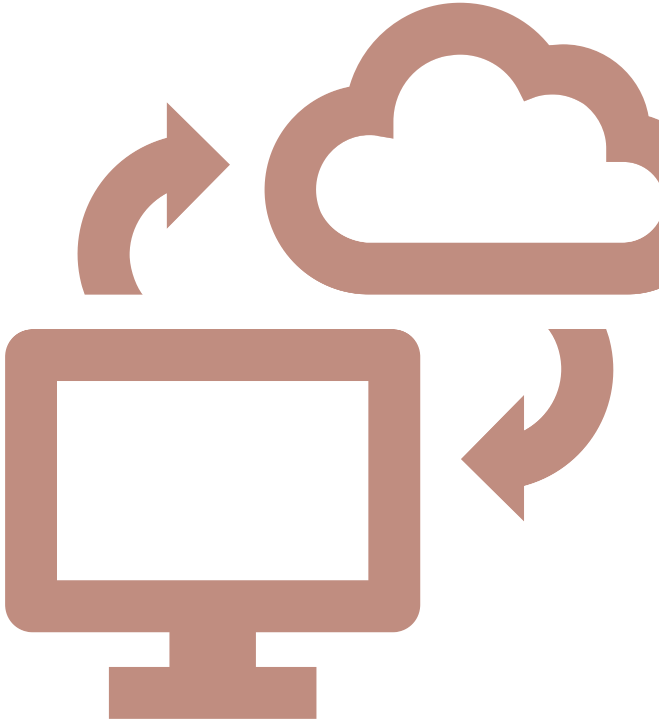
See the project page for more information

Research → Consultation Paper → Project plan approval → Exposure Draft → Final Standard → Post-implementation Review

AcSB

Cloud Computing Arrangements - Accounting Policy Choices in the Guideline

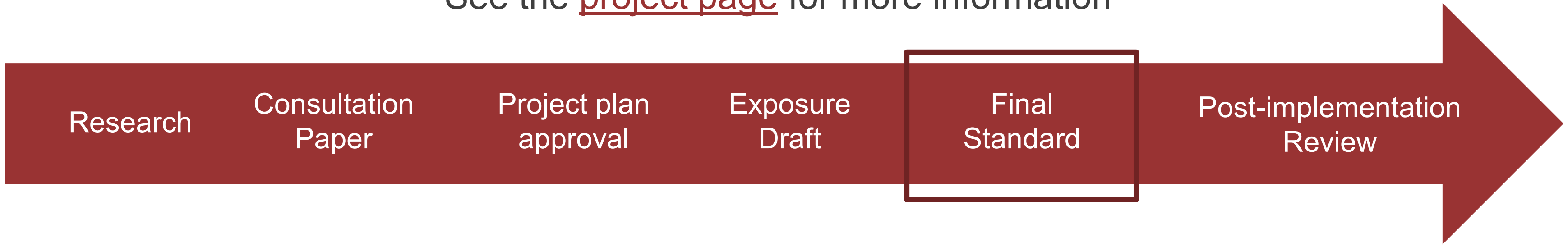
1. Apply **optional** simplification approach
   - Expense as incurred
2. If simplification approach not applied:
   - Must determine if software element is a software intangible asset or is a software service
   - If software intangible asset:
     - Follow guidance in Section 3064, *Goodwill and Intangible Assets*
   - If software service:
     - Then Guideline provides **policy choice** to capitalize or expense implementation costs



Related Party Combinations (Part II)

- **Final amendments issued** on September 1, 2023.
    - **Effective** for years beginning on or after **January 1, 2025.**
- The amendments:
  - clarify the application of Section 1582, *Business Combinations,* to business combinations under common control accounted for in accordance with *Related Party Transactions* paragraph 3840.44(a);
  - provide an option to retrospectively restate prior periods when carrying amounts are used to account for a combination or to prospectively account for these transactions; and
  - clarify that financial instruments acquired in a common control transaction should be measured in accordance with Section 3840, *Related Party Transactions*.

See the project page for more information

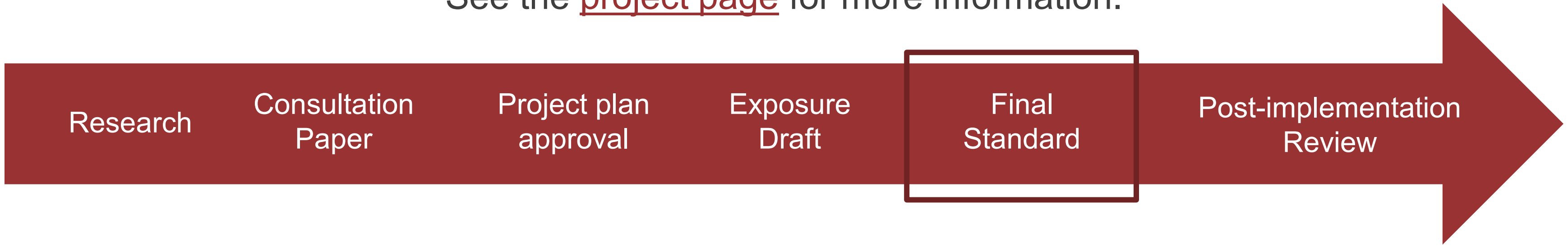


AcSB

Revenue – Upfront Non-Refundable Fees or Payments

- **Final amendments issued** on May 1, 2024.
- The effective date of these amendments have been deferred, with early application permitted, until the project on Evaluating the Preface is complete.
- The amendments also propose a new disclosure requirement for entities recognizing upfront non-refundable fees or payments in revenue upon entering into the arrangement.

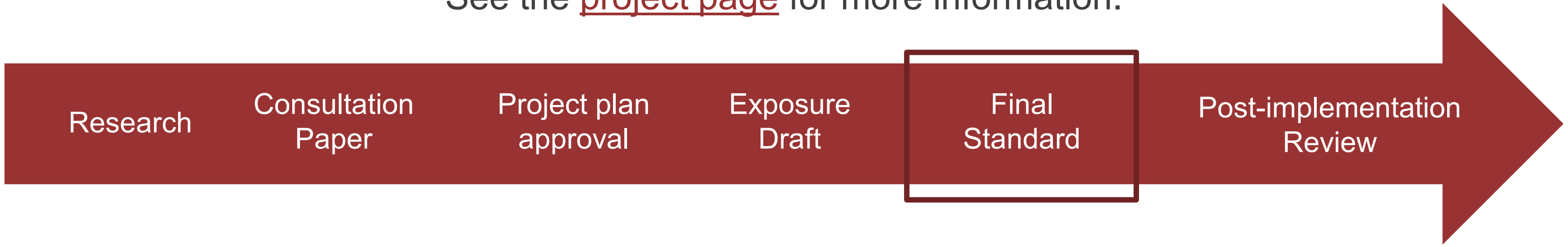
See the project page for more information.



Insurance Contracts with Cash Surrender Value

- Accounting Guideline (AcG) issued in September 2024. Effective January 1, 2026 with earlier application permitted.
- In accordance with the AcG an entity shall:
  - recognize CSV as an asset, measured at the cash surrender amount;
  - recognize annual change in CSV and premium payments in the income statement;
  - disclose the carrying amount in aggregate for all insurance policies, if not separately presented on the face of the balance sheet; and
  - disclose the caption that includes change in CSV; if not separately presented on the face of the income statement.

See the project page for more information.



AcSB