



# Domestic Accounting Standards Update

November 7, 2022

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

# Presenters

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**Armand Capisciolo, FCPA, FCA**  
Interim Chair, Accounting Standards Board  
National Accounting Standards Partner, BDO



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

# Agenda

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- AcSB Strategic and Annual Plans
- Recently Issued or Amended Domestic Standards
- AcSB Domestic Standards Work Plan
- Other Current Events

# 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)

# 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

# AcSB Strategic and Annual Plans

# Strategic and Annual Plans

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- AcSB's strategic direction is set through its strategic plan
  - Strategic plan for 2022-2027 was issued March 31
- Specific objectives and activities each year are set out in the AcSB's annual plan
  - Annual plan for 2022-2023 was issued March 31



# 2022-2027 Strategic Plan

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



# 2022-2023 Annual Plan

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- 2022-2023 Annual Plan includes undertaking important projects, but with flexibility to ensure we can manage and adapt to changing stakeholder needs
- The Annual Plan includes:
  - Advancing our work in global standard-setting
  - Continuing work on the domestic projects: cloud computing arrangements, contributions and pensions
  - Recognizing the need to be responsive to emerging issues such as crypto-assets and climate related risks
  - Supporting the work of the ISSB and the CSSB

# Recently Issued or Amended Domestic Standards

# Key Standards and Amendments – now effective

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| Topic  | Original Effective Date | Modified Effective Date |
|--|-------------------------|-------------------------|
| Agriculture                                  | January 1, 2021         | January 1, 2022         |
| Revenue*                                     | January 1, 2021         | January 1, 2022         |
| COVID-19 Related Rent Concessions            | N/A                     | January 1, 2022         |
| 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        |

\*The AcSB deferred the effective date of the revenue amendments relating upfront non-refundable fees or payments. Refer to slides 17-18 for details.

# AcSB Domestic Standards Work Plan

# Cloud Computing Arrangements

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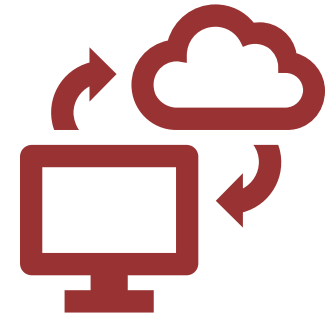
- In March 2022, the AcSB issued an Exposure Draft with a comment period that ended on June 20, 2022.
- Exposure Draft proposed **Accounting Guideline AcG-20** that:
  - clarifies how existing Sections in ASPE are applied
  - clarifies an entity may determine a method for allocating arrangement consideration 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
  - improves disclosures

Applies to both  
private enterprises  
and NFPOs

# Cloud Computing Arrangements - Accounting Policy Choices in the Guideline

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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



# Cloud Computing Arrangements - AcSB Deliberations

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- AcSB has completed its discussions of stakeholders' feedback on the Exposure Draft
- The Board decided to finalize the proposals subject to minor edits and revisions including:
  - creating a new balance sheet caption to present capitalized expenditures on implementation activities when the cloud computing arrangement is a software service
  - providing additional transition relief
  - deferring the effective date from January 1, 2023, to January 1, 2024, with early application permitted
- The Board expects to issue the Guideline mid-November 2022





# Revenue – Upfront Non-Refundable Fees or Payments

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- Stakeholders raised application challenges relating to the amendments for upfront non-refundable fees
  - Decision-usefulness of deferring upfront non-refundable fees for life memberships
  - Cost associated with estimating and tracking life membership
- AcSB considered feedback and decided more time is needed to research concerns

# Revenue – Upfront Non-Refundable Fees or Payments

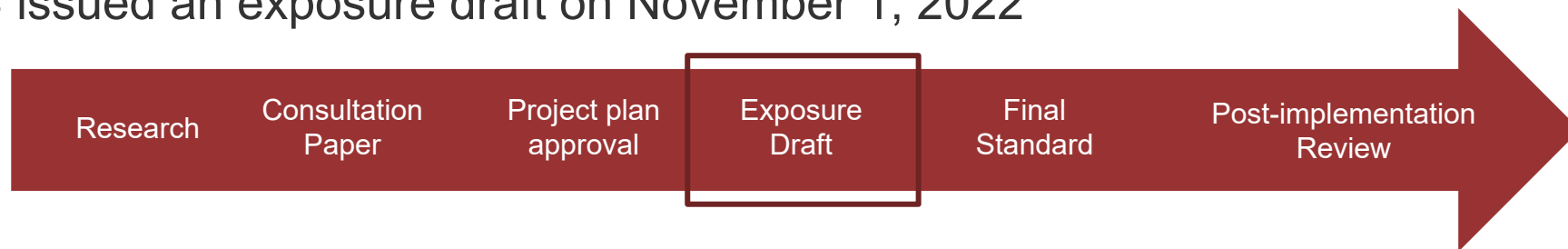
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- September 2022 – AcSB approved the proposal to defer effective date of amendments relating to upfront non-refundable fees or payments to January 1, 2025
- November 2022 – Amendment issued in Handbook
- AcSB currently undertaking research to inform the Board's decision on how to address concerns raised

# Related Party Transactions

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- In July 2022 the Board approved a project to address business combinations and financial instruments transactions between enterprises under common control
- Items to be addressed include:
  - Clarifying that business combinations under common control are accounted for as business combinations when certain criteria are met
  - Removing the requirement to retroactively restate comparatives when a business combination under common control occurs that are measured at carrying amount
  - Clarifying that financial instruments acquired in a common control transaction should be measured in accordance with Section 3840 *Related Party Transactions*
- The AcSB issued an exposure draft on November 1, 2022



# Contributions – Revenue Recognition and Related Matters (Part III)

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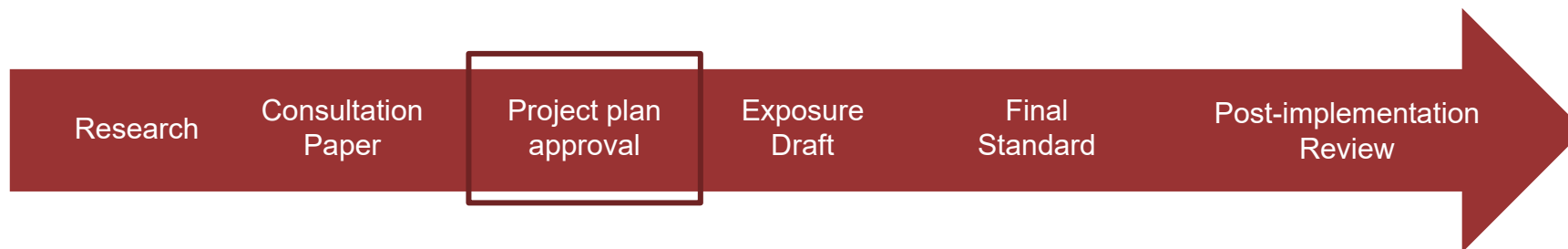
- In 2020, the AcSB issued a Consultation Paper (CP) on Contributions and Related Matters
  - Current guidance for NFPOs provides an accounting policy choice for recognizing revenue from restricted contributions
  - This accounting policy choice adds complexity to NFPO financial statements and results in a lack of comparability across organizations

# Contributions – Revenue Recognition and Related Matters (Part III)

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- In March 2022, considering feedback from its Consultation Paper, the AcSB approved a project plan to develop an **Exposure Draft**
  - Based on the proposed approach explored in the Consultation Paper, recognizing revenue from contributions based on the type of contribution and its characteristics
- The AcSB is currently discussing the draft proposals and plans to issue an Exposure Draft in **March 2023**

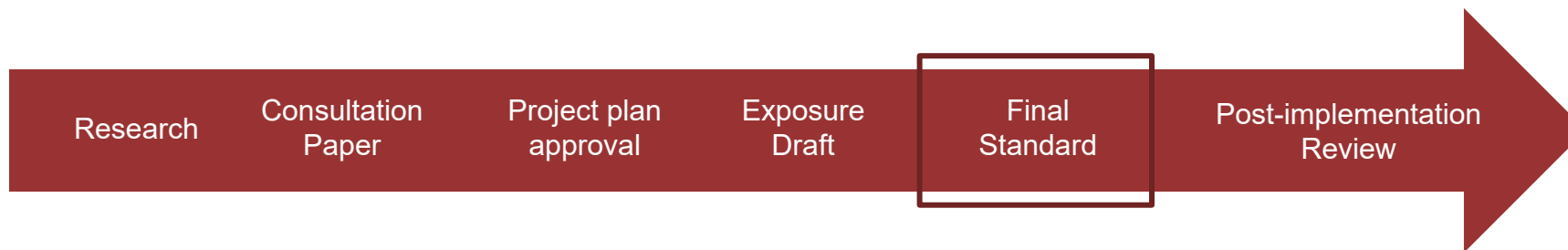
See the [project page](#) for updates on this project



# Standards for Pension Plans

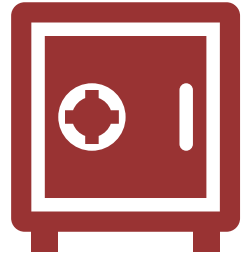
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- The AcSB issued an [Exposure Draft](#) in March 2022. The AcSB deliberated the feedback and decided to defer the effective date until January 1, 2024. The Board plans to issue the amendments in December 2022
- The amendments:
  - clarify that a statement 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
  - require additional risk disclosures for investments in master trusts

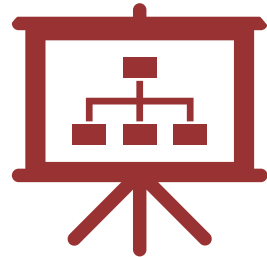


# Other Research Projects

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Insurance contracts with a cash surrender value (Parts II and III)



Reporting Controlled and Related Entities (Part III)

# Other Current Events



# Developments in Sustainability Standards

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- Investors have been calling for better information to be able to assess the effect of sustainability-related risks and opportunities on an entity's enterprise value
- In November 2021, the **IFRS Foundation Trustees** announced the **creation of the ISSB** to meet this need
- The ISSB's first two proposed disclosure standards will form a comprehensive global baseline of sustainability-related financial disclosures for capital markets
  - AcSB responded to these Exposure Drafts
  - ISSB is currently deliberating feedback

# Why Does it Matter to Canadian Private Enterprises and NFPOs?

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- ISSB standards are not limited to public companies applying IFRS Standards
- Whether or not a private enterprise or NFPO adopts ISSB standards or future Canadian sustainability standards, they may be impacted by the proposals
  - Increased pressure to provide sustainability information
    - Value Chain Reporting
    - Sources of Revenue and Capital

# Canadian Perspective

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- Currently there is no mechanism in place to formally adopt ISSB standards in Canada
- In June 2022, Accounting, Audit and Assurance Standards Oversight Councils mutually **approved the formation** of the **Canadian Sustainability Standards Board (CSSB)**
- Implementation committee formed to develop necessary groundwork for the CSSB
- Aim: a **fully operational CSSB by April 1, 2023**



Watch our video on Sustainability Reporting: *Where Canada Stands* and stay up to date on developments in Sustainability Standards [here](#).

# Get Involved

# How to Get Involved

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- Let us know what you think
  - Send a question or comment directly via our [website](#)
- Volunteer for an Advisory Group
  - Apply to join the Private Enterprise Advisory Committee or the Not-for-Profit Advisory Committee

| 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

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## The Standard

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

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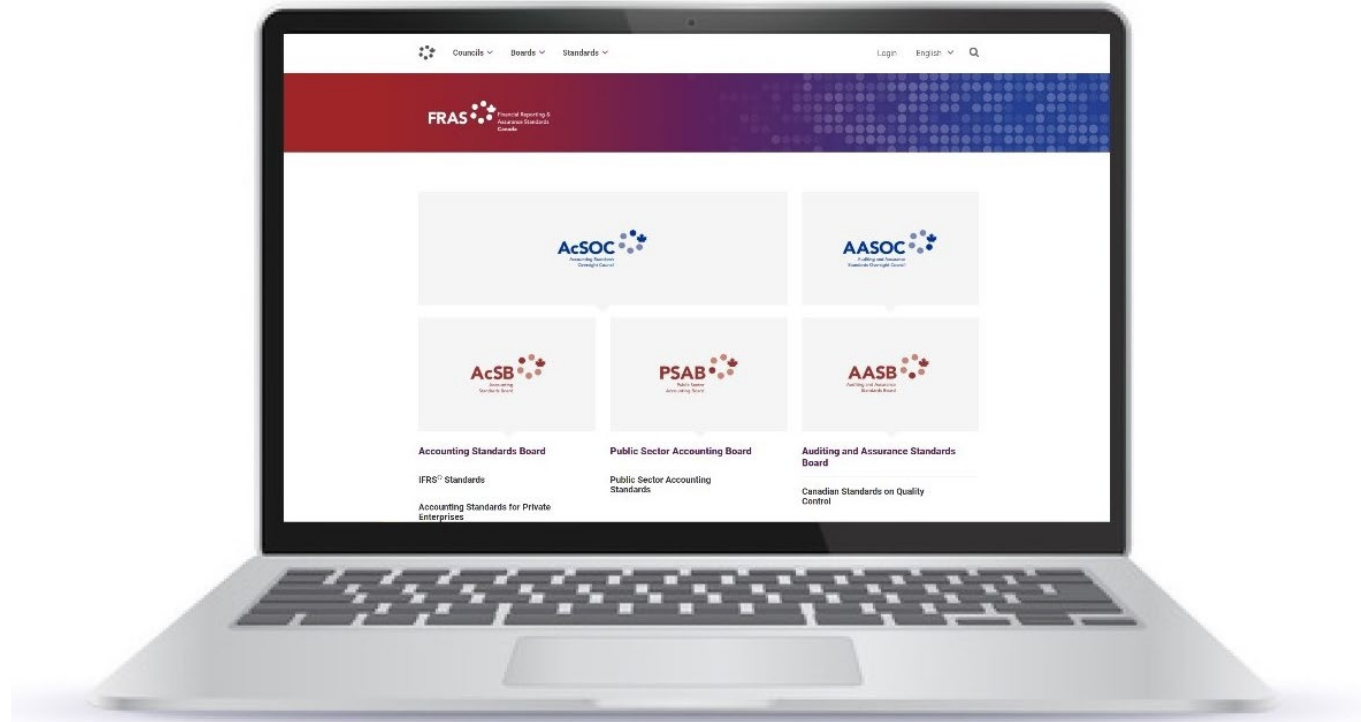
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# Stay up to Date

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Attendance at this webinar and successful completion of the quiz may count towards your CPD requirements. The link to the quiz is available [here](#). Upon successful completion of the quiz, you will be emailed a certificate for your records.



Questions?



**Thank You!**



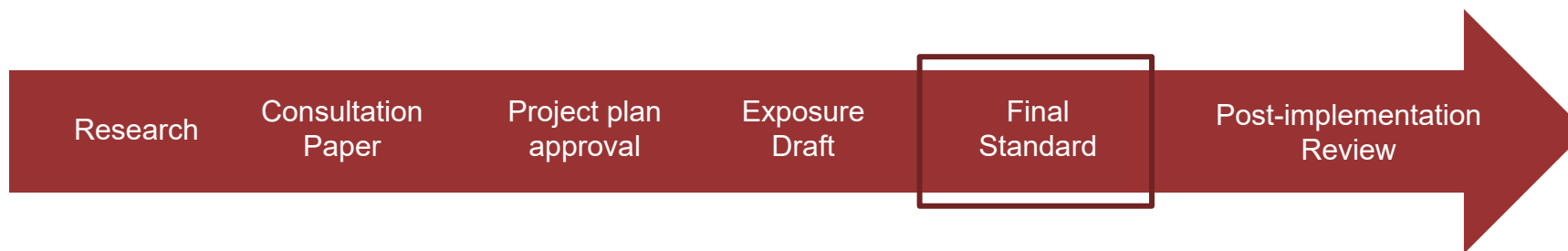
# Appendix – Recently Issued or Amended Domestic Standards

# Agriculture

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- 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

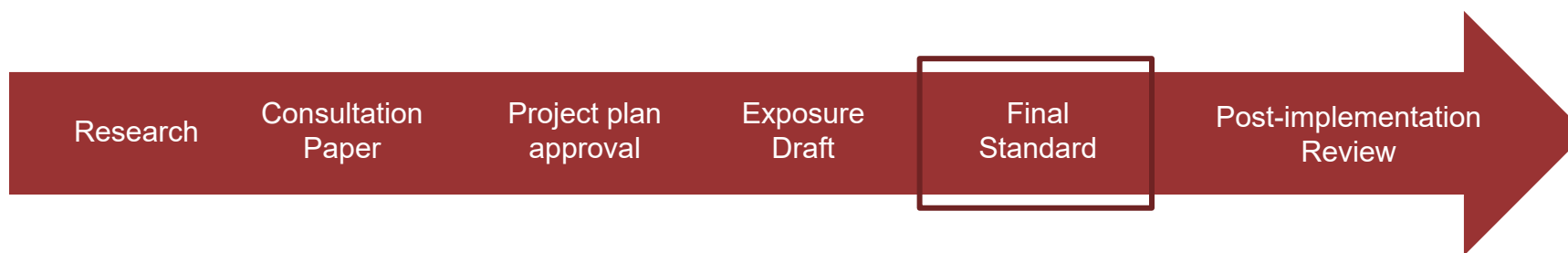


# Revenue

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- 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

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

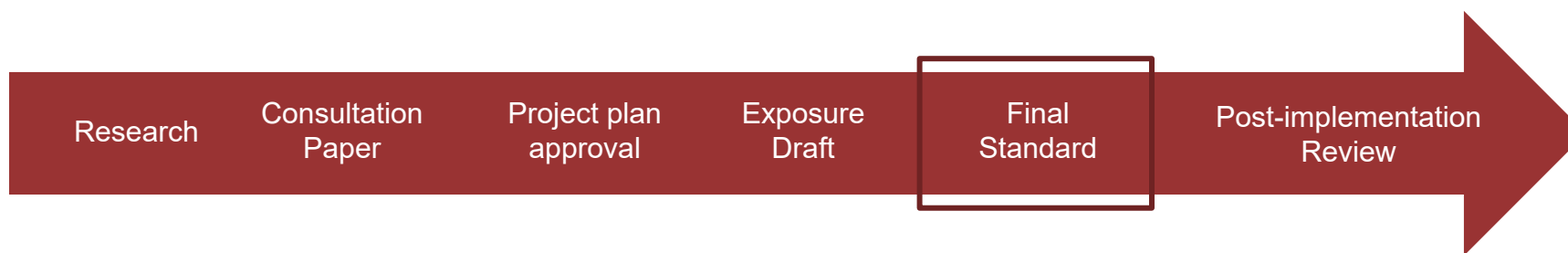


# Employee Future Benefits

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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



# COVID-19-Related Rent Concessions - Update

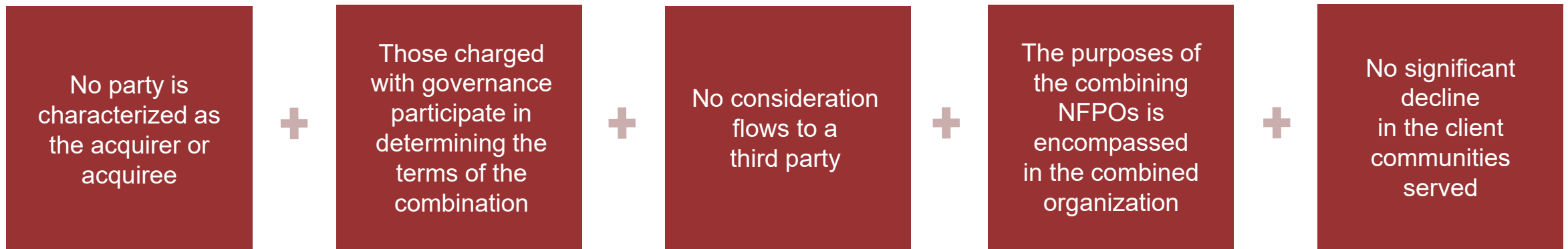
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- In November 2020, the AcSB provided an **option to not account for COVID-19 related rent concession as new leases** until December 31, 2021
- In December 2021, the AcSB:
  - extended the optional relief to **December 31, 2022**, for both lessees 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

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

# 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:





# Combinations by NFPOs

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- 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

# 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
  - 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