



# Domestic Accounting Standards Update

November 6, 2023

# 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 Capisciolto, FCPA, FCA**  
Chair, Accounting Standards Board



**Eric English, 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 & Activities

# 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, 2022
- Specific objectives and activities each year are set out in the AcSB's Annual Plan
  - Annual Plan for 2023-2024 was issued March 31, 2023



# 2022-2027 Strategic Plan

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



# 2023-2024 Annual Plan

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- The Annual Plan includes:
  - Leveraging our reputation to advance global standard-setting
  - Continuing work on domestic projects: accounting for insurance contracts with cash surrender value, scaling the standards, contributions, and pensions
  - Recognizing the need to be responsive to emerging issues as they arise
  - Advancing our understanding of reporting challenges related to goodwill and intangible asset accounting and reviewing financial statement concepts in the CPA Canada Handbook – Accounting
  - Working with the newly operational CSSB to identify opportunities and support the bringing together of financial and non-financial information

# Recently Issued or Amended Domestic Standards

# Key Standards and Amendments

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Topic	Effective Date
Amendments to Section 4600, Pension Plans	January 1, 2023
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*

\*The AcSB issued an Exposure Draft this month which proposes deferring the effective date of these amendments indefinitely. This will be further discussed later in the presentation.

# AcSB Domestic Standards Work Plan

# Insurance Contracts with Cash Surrender Value

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- The AcSB has undertaken a project to provide guidance on the recognition and measurement of the cash surrender value of an insurance contract.
- Currently, Accounting Standards for Private Enterprises and Accounting Standards for Not-for-Profit Organizations do not address accounting for cash surrender value of insurance.
- The AcSB has heard there is diversity in practice for:
  - recognition of cash surrender value as an asset; and
  - presentation of premiums paid and change in cash surrender value in the income statement.

# Insurance Contracts with Cash Surrender Value

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- The AcSB issued an Exposure Draft in November 2023, with a 90-day comment period, proposing guidance on:
  - recognition and measurement of cash surrender value as an asset;
  - presentation of annual change in cash surrender value and premiums paid; and
  - disclosure requirements that will provide decision useful information.
- This proposed guidance would apply to private profit-oriented enterprises and not-for-profit organizations applying Parts II and III of the Handbook.

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



# Scaling the Standards

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- To meet the needs of entities of all sizes, the AcSB is exploring options for scaling the standards.
- Scaling the standards may include:
  - providing accounting policy choices;
  - changing disclosure requirements; or
  - adding new frameworks to the CPA Canada Handbook – Accounting.
- The AcSB issued a [Consultation Paper](#) in March 2023 which closed for comment on July 31, 2023.
- For more information, watch our video – [What is Scalability?](#)

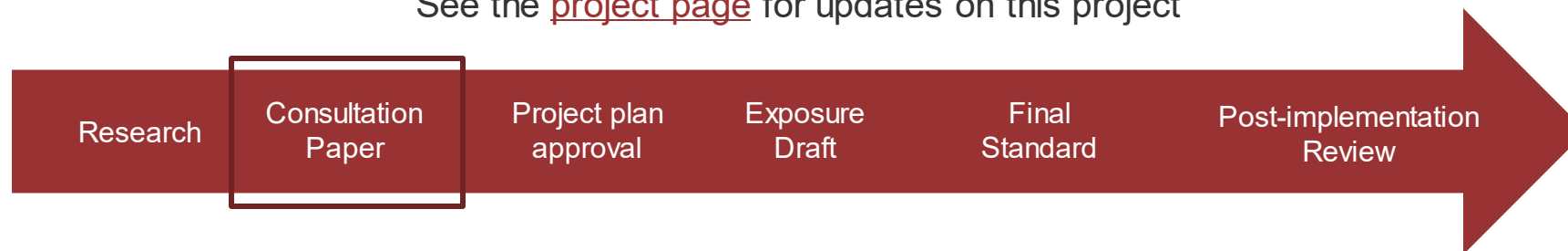


# Scaling the Standards – Next Steps

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- The Board discussed feedback received from the Consultation Paper as part of its September 2023 meeting.
- It decided not to pursue an intermediary accounting framework option between IFRS Accounting Standards and Parts II and III.
- Additional research and further consultation will be performed regarding the potential options to pursue tiering within the existing Parts II and III frameworks and the introduction of a new framework for small entities.

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



# Scaling the Standards – Polling Question

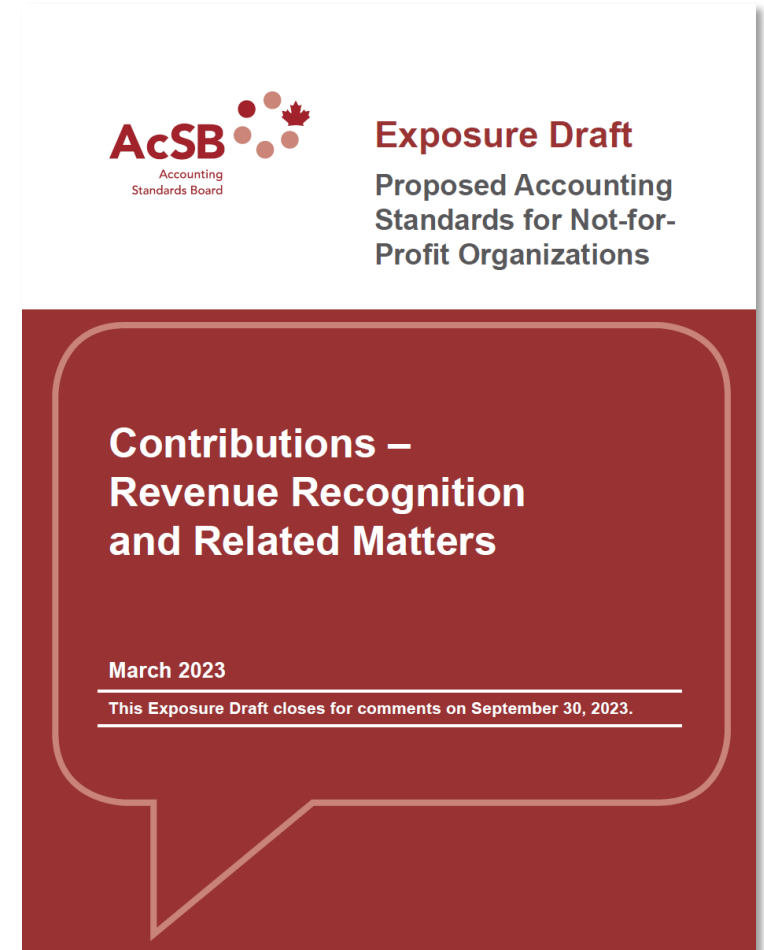
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Are the accounting standards in Parts II and III of the Handbook:

- a) Too simple
- b) Too complex
- c) Just right

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

- In March 2023, the AcSB issued an Exposure Draft which proposes:
  - a single approach for recognizing revenue from **restricted contributions**
  - specific guidance on **special types of contributions**
  - amendments to the current guidance **on financial statement presentation**
- The Exposure Draft closed for comment on September 30, 2023.



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

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- During the comment period, the AcSB completed extensive outreach activities and received feedback from in person and virtual roundtables, surveys, and comment letters.
- The Board will begin deliberating a complete analysis of all feedback on the Exposure Draft beginning at its November 2023 meeting.
- The effect of the feedback on the next steps and planned project timeline will also be considered.

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

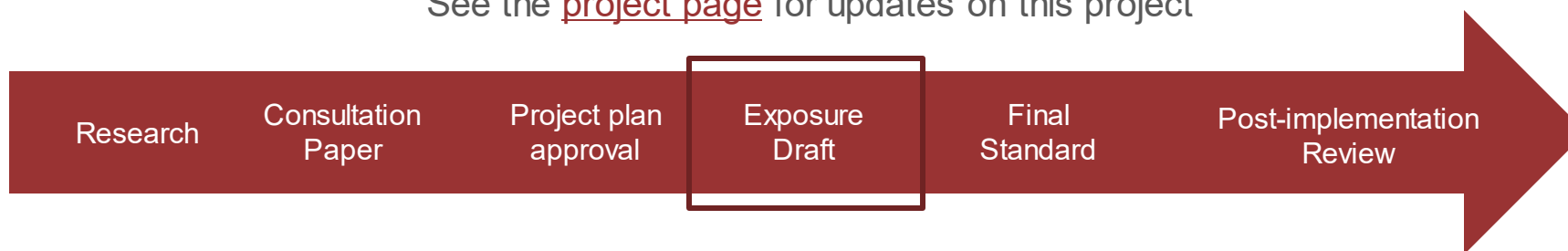


# Revenue – Upfront Non-Refundable Fees or Payments

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- The AcSB issued an Exposure Draft in November 2023 with a 90-day comment period.
- This Exposure Draft indefinitely defers the effective date of these amendments, with early application permitted, until the project on [Evaluating the Preface](#) is complete.
- It will 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 updates on this project



# Other Research Projects

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Reporting Controlled and Related Entities by NFPOs



Standards for Pension Plans



Subsequent Measurement of Goodwill & Relief from Recognition of Intangible Assets

# Goodwill – Polling Question

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Which approach to accounting for goodwill would you prefer:

- a) Amortization
- b) Impairment-only

# Other Current Events & Activities



# Revenue – Application Questions (Part II)

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- AcSB discussed application issues in June 2023 relating to amendments to Section 3400, *Revenue*, regarding:
  - Applicability of the percentage of completion method guidance to service contracts when revenue is recognized on a straight-line basis
  - Application of disclosure requirements for service contracts; and
  - Accounting for losses on contracts with multiple deliverables.
- AcSB considered input from PEAC and decided not to take standard-setting action on these items and encourages the use of professional judgment based on the facts and circumstances.

# Work Plan Survey

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- On October 10, 2023, the AcSB launched a consultation survey on its future domestic work plan.
- Seeks views on potential projects for Parts II-IV of the Handbook.
- The survey will be open until November 30, 2023.
- The results will help develop the 2024-25 annual plan and beyond.

Fill out our [Work Plan Survey](#) to share your thoughts!

# Accounting for Carbon Credits – Research Activity

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- Carbon credits are very prevalent in the Canadian marketplace. The voluntary market is growing at a fast pace, including stock exchanges.
- Research in this area is focused on IFRS<sup>®</sup> Accounting Standards. However, this work can be used to support our domestic standard setting.
- Key accounting issues:
- Do carbon credits meet the definition of an asset?
  - What are the obligations? Do they meet the definition of a liability?

# Accounting for Carbon Credits – Polling Question

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Do the entities you work with currently or anticipate buying, selling, or holding carbon credits?

- a) Yes
- b) No
- c) Not Sure

# 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 or Working Group
  - Apply to join the Private Enterprise Advisory Committee, Not-for-Profit Advisory Committee, Small Practitioners Working Group, Pension Plan Working Group, or Agriculture Advisory Group.

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# Stay up to Date

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

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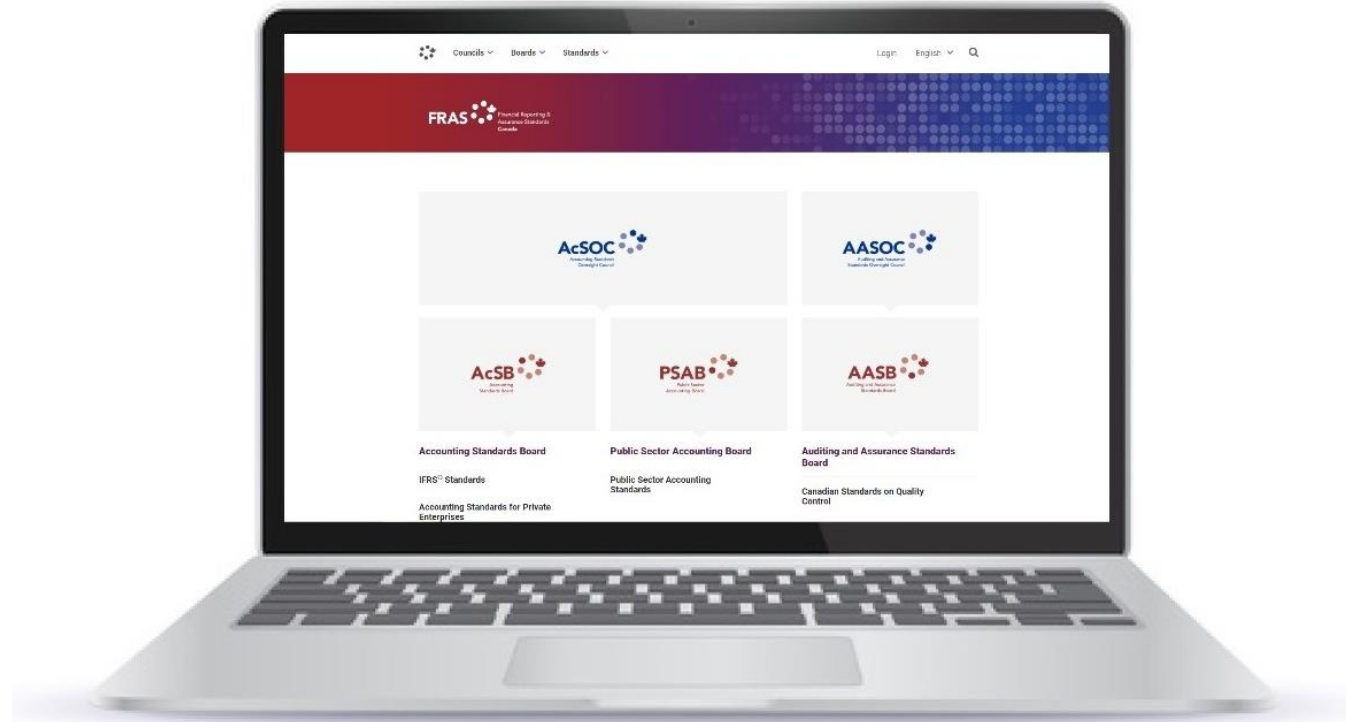
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# Stay up to Date

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





# Post-webinar quiz

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<https://forms.office.com/r/Q9aFaRmpAU>



Questions?



**Thank You!**



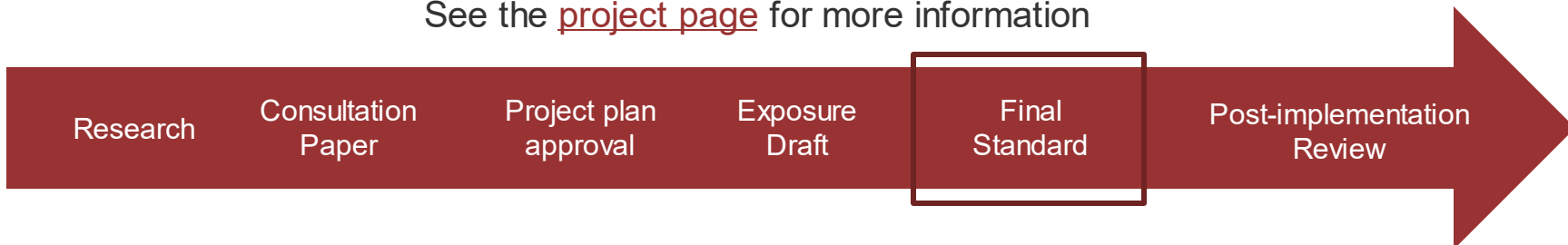
# Appendix – Recently Issued or Amended Domestic Standards

# Standards for Pension Plans (Part IV)

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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 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
  - require additional risk disclosures for investments in master trusts

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

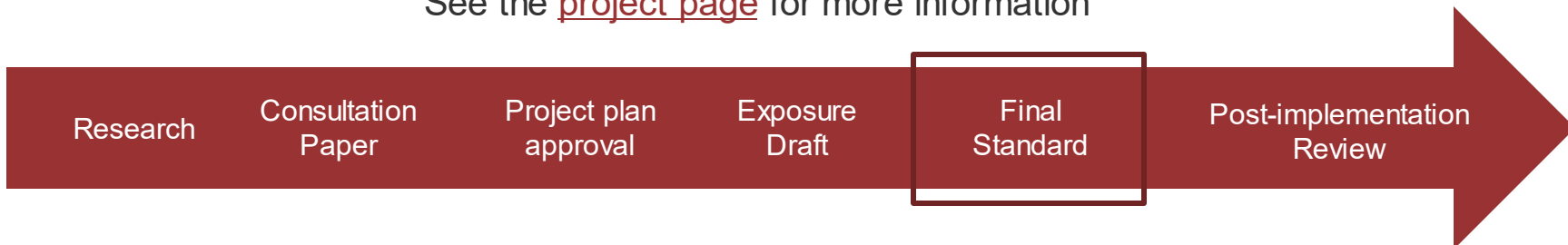


# 2023 Annual Improvements to Accounting Standards for Pension Plans

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- 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 AcSB 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

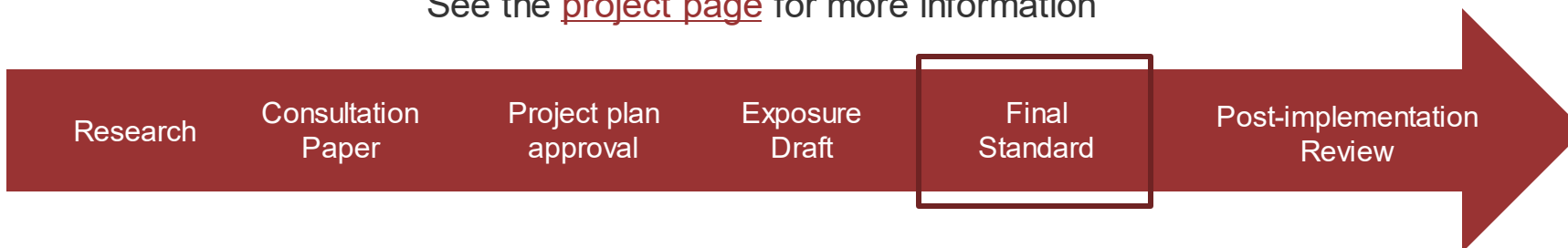


# Cloud Computing Arrangements

- 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
  - 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



# 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





# Related Party Combinations (Part II)

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- **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

