

Evaluating the Preface Project Summary

May 2025

Table of Contents

Background.....	3
Research Activities	3
Key Messages	3
1 Social enterprises and other similar entities	4
2 Small health and wellness funds	5
3 Consideration of financial statement users' needs	5
4 Small GBEs	6
5 Definition of "publicly accountable enterprise"	7
Conclusion	8

Background

The [Preface to the CPA Canada Handbook – Accounting \(Handbook\)](#) sets out the applicability of the accounting frameworks in the four parts of the Handbook to entities that prepare financial statements in accordance with Canadian generally accepted accounting principles (GAAP). This includes publicly accountable enterprises, private enterprises, not-for-profit organizations (NFPOs), pension plans and benefit plans. Entities within the scope of the [CPA Canada Public Sector Accounting \(PSA\) Handbook](#) refer to that Handbook to determine the basis of accounting for purposes of their financial reporting.

Before developing its [2022-2027 Strategic Plan](#), the Accounting Standards Board (AcSB) heard that the [Preface](#) might have been directing entities to apply an accounting framework that was unsuitable given their size, complexity, operations and/or the information needs of financial statement users. As a result, the Board added evaluating the Preface as an objective to its 2022-2027 Strategic Plan and the [Evaluating the Preface](#) project began in 2022.

The [project's](#) purpose was to assess whether the applicability of each framework in the Handbook to each category of reporting entity met the needs of interested and affected parties in Canada. This included identifying the types of entities that were directed to apply an accounting framework, exploring if their financial reporting needs were adequately met, and, where applicable, considering if any changes to the [Preface](#) were needed.

Research Activities

In determining its focus areas for this project, the AcSB reviewed preliminary research on the [Preface](#) that was conducted during the development of its [2022-2027 Strategic Plan](#). This included feedback from respondents to the draft Strategic Plan and from consultation with practitioners, preparers at government business enterprises (GBEs) and Indigenous entities, and the Board's Committees.

As part of this project, the AcSB conducted additional outreach with its Committees to determine if there were any incremental issues with the application of the [Preface](#) and to ascertain whether any changes to the Preface were needed. This included discussions with its [Not-for-Profit Advisory Committee](#), [Private Enterprise Advisory Committee](#), [Medium and Small Practitioners Advisory Committee](#) and [Pension Plan Advisory Committee](#).

Key Messages

Based on its research activities, the AcSB identified five distinct issues with the application of the [Preface](#). This document does not fully analyze all the feedback; instead, it focuses on the key

messages received on each issue. The key messages and the Board's responses are summarized below.

1 Social enterprises and other similar entities

Description

Some Committee members noted that it can be unclear whether some social enterprises, B corporations and other similar entities meet the definition of a private enterprise or an NFPO.¹ Furthermore, these types of entities may transition from a primarily not-for-profit objective to a for-profit objective (or vice versa) over time. However, the [Preface](#) has no guidance on when an entity should reassess or change its accounting framework. Committee members were also unaware of any non-authoritative resources that provide guidance in this area.

Although this may be challenging in some scenarios, Committee members said that these issues are not prevalent. They noted that in most scenarios, social enterprises and other similar entities can use the definitions and guidance in the [Preface](#) to select an appropriate accounting framework. They also noted that it is rare for entities to undergo such significant changes to their structure or operations to warrant a change in accounting framework.

The AcSB's response

The AcSB decided not to make any changes to the [Preface](#) or issue any additional guidance. As these situations are expected to be rare in practice, the Board concluded that providing additional guidance would have limited benefits. The Board also noted that entities should use the current definitions and guidance in the Preface to determine which accounting framework should be applied in each of their reporting periods.

¹ B Corporations are for-profit companies that have received a certification for meeting standards of social and environmental performance, transparency and accountability.

2 Small health and wellness funds

Description

Small health and wellness funds normally meet the definition of a “benefit plan” in the Preface.² As a result, the Preface directs them to apply [Part IV](#) of the Handbook – Accounting Standards for Pension Plans. However, some Committee members thought that [Part II](#) of Handbook – Accounting Standards for Private Enterprises or [Part III](#) of the Handbook – Accounting Standards for Not-for-Profit Organizations might be more appropriate for some of these plans, particularly in cases when they act as a flowthrough to a larger benefit plan provider.

The AcSB met with its [Pension Plan Advisory Committee](#) for feedback on this issue. Committee members advised that further research would be needed to assess whether [Part IV](#) of the Handbook meets the financial reporting needs of small health and wellness funds, noting that this issue may not be limited to these types of funds.

The AcSB’s response

The AcSB decided that further research is needed to determine whether [Part IV](#) of the Handbook meets the reporting needs of specific pension and/or benefit plans. The Board discussed that this type of research initiative would be best included as part of a broader research project evaluating the applicability of Part IV. So, the Board will consider this issue when setting its future project priorities for Part IV.

3 Consideration of financial statement users’ needs

Description

Some Committee members noted that some entities with similar operations apply different frameworks depending on the structure of the organization. For example, member-benefit sports and social clubs are directed to apply [Part III](#) of the Handbook, whereas similar for-profit clubs are directed to apply [Part II](#) of the Handbook. As a result, they questioned whether paragraphs 5-6 of

² A benefit plan is any arrangement whereby an entity undertakes to provide employees with benefits during and/or after active service in exchange for their services.

the [Preface](#) are too prescriptive and whether member-benefit organizations should have the option to apply Part II if it meets the needs of their financial statement users.³

However, most Committee members thought that adding flexibility to the [Preface](#) could have unintended consequences and that the costs of doing so might outweigh the benefits. They also thought that there are often differences in the way member-benefit and for-profit clubs operate, which justify the use of different accounting frameworks.

The AcSB's response

Based on this feedback, the AcSB decided to take no further action on this issue.

4 Small GBEs

Description

The [Introduction to the PSA Handbook](#) directs GBEs to apply [Part I](#) of the Handbook – IFRS® Accounting Standards. However, some Committee members thought that [Part II](#) of the Handbook might be sufficient to meet the financial reporting needs of some smaller GBEs due to their size and low complexity of operations. They noted that this issue is particularly common among small Indigenous GBEs.

The AcSB's response

In response to this feedback, the AcSB considered whether it would be beneficial to remove paragraph 2 from the [Preface](#).⁴ However, the Board thinks that this would not solve the issue. This is because these entities would continue to meet the definition of a GBE in the [PSA Handbook](#),

³ Paragraph 5 of the [Preface](#) indicates that private enterprises apply either [Part II](#) or [Part I](#) of the Handbook. Paragraph 6 indicates that NFPOs apply either [Part III](#) or Part I of the Handbook.

⁴ Paragraph 2 of the [Preface](#) states, "Entities within the scope of the CPA Canada Public Sector Accounting Handbook refer to that Handbook to determine the basis of accounting for purposes of their financial reporting."

and therefore would continue to be directed by the Introduction of that Handbook to apply [Part I](#) of the Handbook.⁵

The AcSB staff discussed this feedback with the [Public Sector Accounting Board](#) (PSAB) staff. PSAB staff noted that the [Indigenous Advisory Group](#), recently created by PSAB to better understand Indigenous financial reporting issues, would continue to monitor the issue.

As a result, the AcSB decided to take no further action on this item at this time. However, the AcSB will continue to monitor the [Indigenous Advisory Group](#)'s discussions. If PSAB makes any changes to its [Introduction](#) to address this issue, the AcSB will actively engage in these discussions and monitor them for any potential implications to its standard-setting activities.

5 Definition of “publicly accountable enterprise”

Description

The definition of a “publicly accountable enterprise” in the [Preface](#) includes entities whose primary business involves holding assets in a fiduciary capacity for a broad group of outsiders.⁶ The Preface directs these types of entities to apply [Part I](#) of the Handbook. Some Committee members thought this guidance directs some entities to apply Part I when [Part II](#) of the Handbook might be sufficient to meet the needs of their financial statement users. Examples of such entities include certain mortgage investment corporations and some privately held investment companies. Committee members also noted that, because the phrase “broad group of outsiders” is not precisely defined, there are diverse interpretations in practice.

⁵ Paragraph .06 of the [Introduction to the PSA Handbook](#) defines a “government business enterprise” as “a government organization that has all of the following characteristics:

- (a) It is a separate entity with the power to contract in its own name and that can sue and be sued.
- (b) It has been delegated the financial and operational authority to carry on a business.
- (c) It sells goods and services to individuals and organizations outside of the government reporting entity as its principal activity.
- (d) It can, in the normal course of its operations, maintain its operations and meet its liabilities from revenues received from sources outside of the government reporting entity.”

⁶ Paragraph 3(a)(i) of the [Preface](#) defines a “publicly accountable enterprise” as “an entity, other than a not-for-profit organization, that:

- (i) has issued, or is in the process of issuing, debt or equity instruments that are, or will be, outstanding and traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or
- (ii) holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.”

When questioned about whether the AcSB should consider reviewing the definition of “publicly accountable enterprise” in the [Preface](#), most Committee members advised against making any changes. They noted that any changes could have significant unintended consequences, as some regulators rely on the definition in the Preface. Furthermore, they thought it might be challenging to define the phrase “broad group of outsiders”. In practice, there can be nuances in the facts and circumstances that need to be considered when determining whether an entity is holding assets in a fiduciary capacity for such a group. Therefore, they thought that allowing entities to apply judgment to their specific facts and circumstances works better than attempting to precisely define this phrase.

The AcSB’s response

Based on this feedback, the AcSB decided not to change the definition of “publicly accountable enterprise” in the [Preface](#).

Conclusion

The AcSB has met its strategic objective of evaluating the [Preface](#) to determine whether its application meets the needs of interested and affected parties in Canada.

Through its research activities described above, the AcSB has determined that no changes to the [Preface](#) are needed at this time. As a result, it has concluded its [Evaluating the Preface](#) project.

Staff Contact

Katharine Christopoulos, CPA, CA

Director, Accounting Standards

416-204-3270

kchristopoulos@acsbcanada.ca

Copyright © 2025 Financial Reporting & Assurance Standards, Chartered Professional Accountants of Canada

All rights reserved. This publication is protected by copyright and written permission is required to reproduce, store in retrieval system or transmit in any form or by any means (electronic, mechanical, photocopying, recording or otherwise).

For information regarding permission, please contact info@frascanada.ca.