September 2025

In Brief

A plain and simple overview of the AcSB's Consultation Paper, "Detailed Review of Accounting Standards for Private Enterprises (ASPE)"

"The AcSB has heard that certain standards in ASPE are either complex to apply or result in information that is not decision-useful. Based on this feedback, the Board is conducting a detailed review of ASPE to identify the requirements that are most complex to apply and propose practical solutions."

– Armand Capisciolto, AcSB Chair

Project objectives:	This project strives to simplify the application of ASPE while maintaining the decision-usefulness of the financial statements for entities of all sizes and complexities. The AcSB aims to achieve this objective by identifying the most complex ASPE requirements, where the Board's cost/benefit threshold is not met and the issue is pervasive among private entities. The Consultation Paper proposes practical solutions to simplify the standards, particularly benefiting smaller entities. The Board will rank the proposed solutions and will consider this assessment when setting its future work plans.
The project stage:	The AcSB is seeking feedback on its Consultation Paper. We have asked specific questions but welcome any additional information you would like to provide.
Next steps:	The AcSB will gather input in a variety of ways, as indicated below, and will consider all feedback received on the Consultation Paper.
Comment deadline:	Comments are requested by January 31, 2026.
How to provide feedback:	• Submit a response letter via our online form. • Participate in our Connect.FRASCanada.ca surveys, which will go live later in our consultation period. • Attend a roundtable. Registration details coming soon via our project page.

Why Is the AcSB Undertaking This Project?

Through its research and consultation on this project, the AcSB has identified several ASPE requirements where the expected benefits of providing information in the financial statements may not exceed the costs for certain entities, such as smaller or less complex ones.

The 2022-2027 Strategic Plan

AcSB committed to exploring scaling the standards for non-listed entities to better meet their diverse reporting needs.

Board noted that entities vary widely in size and complexity, so the information needs of financial statement users can vary significantly.

→

Consultation Paper I, "Exploring Scalability in Canada"

AcSB released this in March 2023 to identify key issues and explore potential solutions for scaling the standards.

Respondents noted that several standards in ASPE are challenging to apply or result in information that is not decision-useful to financial statement users.

→

Detailed Review of ASPE

Project initiated to identify the most complex requirements in ASPE and to explore practical solutions to reduce their complexity while maintaining the overall usefulness of the information produced for users.

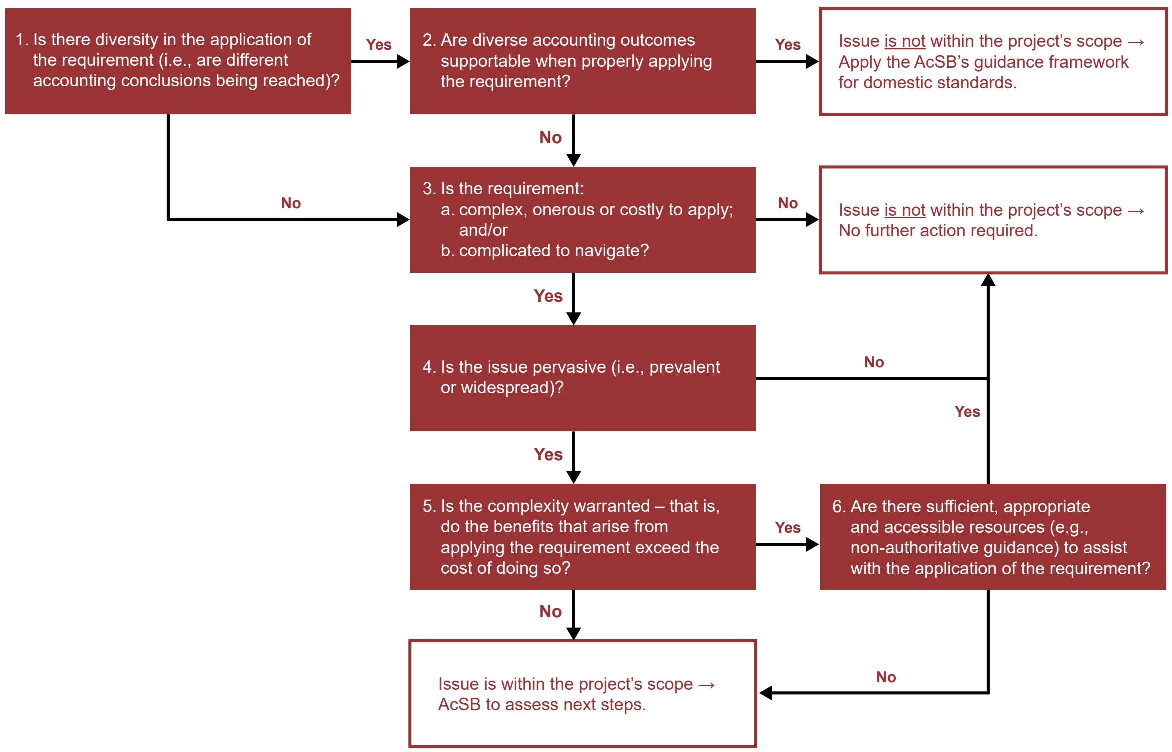
What Is the Project's Scope?

The AcSB developed a framework to identify which issues it intends to address within the project's scope (see Figure A). It is critical to establish a clear scope, as the Board does not intend for this project to resolve every issue identified within each standard in ASPE and it would not be practical to do so.

In line with the AcSB's strategic objective related to scalability, the project's scope focuses on unnecessarily complex, onerous and/or costly requirements in ASPE while considering the needs of and benefits for financial statement users.

Figure A – Scoping framework

Detailed explanations on how to apply this decision tree are provided in Table 1 in the Consultation Paper.



What Application Issues Are Addressed in the Consultation Paper?

Interested and affected parties raised the following ASPE application issues, which the AcSB analyzed in the Consultation Paper. Respondents are encouraged to highlight any additional challenges with these or other standards that might be within the project's scope that the Board may not have considered.

In-scope application issues

The AcSB identified the following application issues as meeting the project scoping criteria and proposed the following solutions.

Standard	Issue description	Proposed solution
INVENTORIES, Section 3031	Issue 1a: Allocating overhead costs to the cost of inventories is challenging.	Explore an **accounting policy choice** that would allow entities to exclude overhead costs from the cost of manufactured inventories.
IMPAIRMENT OF LONG-LIVED ASSETS, Section 3063	Issue 2a: There is diversity in determining when an impairment test is required.	Propose **no changes** to the requirements, but to **develop guidance** on identifying whether events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable.
	Issue 2b: Performing the impairment test is challenging.	Propose **no changes** to the requirements, but to **develop guidance** on performing the tests for recoverability and the fair value test.
REVENUE, Section 3400	Issue 5a: Applying the percentage of completion method is challenging.	For both issues, explore an **accounting policy choice** that would expand the applicability of the completed contract method to contracts meeting certain criteria.
	Issue 5b: Accounting for multiple element arrangements is challenging.	

Standard	Issue description	Proposed solution
EMPLOYEE FUTURE BENEFITS, Section 3462	Issue 6c: The accounting requirements for termination benefits are often misapplied.	Propose **no changes** to the requirements for termination benefits, but consider **reviewing the drafting** of the requirements for understandability and **developing guidance** to raise awareness of the requirements.
INCOME TAXES, Section 3465	Issue 7a: Preparing the disclosure requirements when applying the taxes payable method is challenging.	Propose **developing additional guidance** to illustrate the required level of detail in this disclosure.
DISPOSAL OF LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS, Section 3475	Issue 8a: The accounting requirements for the disposal of long-lived assets are often misapplied because entities often view them as part of the discontinued operations assessment.	**Review the drafting** of the requirements for the disposal of long-lived assets and explore separating them into their own standard for greater visibility.
FINANCIAL INSTRUMENTS, Section 3856	Issue 9a: Measuring the fair value of loans with non-market interest rates is challenging.	Explore an **accounting policy choice** that would allow entities to measure financial liabilities with non-market interest rates at face value (i.e., the present value of future cash flows, discounted using the contractual interest rate).
	Issue 9c: The application guidance on liabilities and equity classification is often misapplied.	**Review the drafting** of the application guidance related to classification of financial instruments as liabilities or equity.

Out-of-scope application issues

The AcSB identified the following application issues as not meeting the project scoping criteria and, therefore, proposed taking no further action.

INVENTORIES, Section 3031

- Issue 1b: Disclosing the amount of inventories recognized as an expense during the period is challenging.

LEASES, Section 3065

- Issue 3: Straight-line recognition of rent expense for operating leases is challenging.

ASSET RETIREMENT OBLIGATIONS, Section 3110

- Issue 4a: Measuring asset retirement obligations (AROs) is challenging.
- Issue 4b: There is diversity in discount rates used to measure AROs.

EMPLOYEE FUTURE BENEFITS, Section 3462

- Issue 6a: Accounting for individual pension plans as defined benefit plans is challenging.
- Issue 6b: Preparing the disclosure requirements for defined benefit plans is challenging.

INCOME TAXES, Section 3465

- Issue 7b: Applying the future income taxes method is challenging.
- Issue 7c: There is no guidance in ASPE on the accounting for uncertain tax treatments.

DISPOSAL OF LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS, Section 3475

- Issue 8b: Applying the requirements for discontinued operations is challenging.

FINANCIAL INSTRUMENTS, Section 3856

- Issue 9d: Assessing whether an arrangement meets the criteria to qualify for hedge accounting is challenging.
- Issue 9e: The disclosure of financial risks is often boilerplate.

STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS, Section 3870

- Issue 10: Measuring employee stock options and other equity instruments in stock-based compensation plans is challenging.

Prioritizing Potential Projects and the Approach for Addressing Issues

The AcSB will assign a priority level to each of the financial reporting issues identified during its Detailed Review of ASPE and will consider this assessment when setting its work plans in the coming years.

The Consultation Paper outlines the key issues with ASPE identified to date. The AcSB is seeking feedback to ensure it has a complete picture of the issues within this project's scope, and that any proposed solutions are feasible and effectively address the concerns raised.

The AcSB will evaluate the feedback to determine which solutions it should develop into standard-setting projects. Standard setting is a time-intensive process because the Board adheres to a rigorous set of procedures to develop and adopt standards, outlined in its Due Process Manual. Therefore, the Board is seeking input on which solutions to prioritize.

The AcSB plans to begin deliberating feedback on this Consultation Paper in the first quarter of 2026. Based on its deliberations, the Board will decide on the next steps for each issue identified. In considering the feedback, the Board might propose to address issues in one or more of the following ways:

(a) **Consider the issue(s) as part of an existing standard-setting project (either on the current work plan or on the Board's future projects list).** For example, if there is an existing project on a similar topic, the Board might expand that project's scope to include an issue.

(b) **Bundle several issues together in one exposure draft.** The AcSB may use this approach when it is best to address several issues through narrow-scope amendments.

(c) **Initiate separate projects and/or develop separate consultation papers for issues to explore them further.** The AcSB may use this approach for issues that are complex or broader in scope.

Therefore, this Consultation Paper will likely result in multiple standard-setting projects (and, ultimately, exposure drafts).

We Want Your Feedback!

The deadline to comment is January 31, 2026.

The AcSB provides several ways for you to provide feedback on this Consultation Paper.

Get involved and share your views!

How can I provide feedback on the proposals?

- Submit a response letter via our online form.
- Participate in our Connect.FRASCanada.ca surveys, which will go live later in our consultation period.
- Attend a roundtable. Registration details coming soon via our project page.

Stay informed!

Watch our educational webinar, and stay up to date on this project by visiting the Detailed Review of ASPE project page.

Contacts:

Jamie Goodman, CPA, CA
Principal, Accounting Standards Board
Phone: +1 (416) 204-3294
Email: jgoodman@acsbcanada.ca

Kimberley Héroux, CPA
Principal, Accounting Standards Board
Phone: +1 (416) 204-3952
Email: kheroux@acsbcanada.ca

Danielle MacLeod, CPA, CA
Associate Director, Accounting Standards Board
Phone: +1 (416) 204-3951
Email: dmacleod@acsbcanada.ca