
Exposure Draft
Accounting Standards Board
Proposed Accounting Standards for Private Enterprises

**2017 Annual Improvements
to Accounting Standards for
Private Enterprises**

September 2016

**COMMENTS TO THE AcSB MUST BE RECEIVED BY
DECEMBER 15, 2016**

Respondents are asked to email their comment letters (in a Word file) to: ed.accounting@cpacanada.ca
Please address your comments to:

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This Exposure Draft reflects proposals made by the Accounting Standards Board (AcSB).

Individuals and organizations are invited to send written comments on the Exposure Draft proposals. Comments are requested from those who agree with the Exposure Draft as well as from those who do not.

Comments are most helpful if they are related to a specific paragraph or group of paragraphs. Any comments that express disagreement with the proposals in the Exposure Draft should clearly explain the problem and include a suggested alternative, supported by specific reasoning. All comments received by the AcSB will be available on the website shortly after the comment deadline, unless confidentiality is requested. The request for confidentiality must be stated explicitly within the response.

Highlights

The Accounting Standards Board (AcSB) proposes, subject to comments received following exposure, to amend accounting standards for private enterprises in Part II of the CPA Canada Handbook – Accounting as set out in this Exposure Draft. These amendments would also apply to not-for-profit organizations using the standards in Part III.

Background

The AcSB has adopted an annual improvements process that will amend accounting standards for private enterprises to clarify guidance or wording and to correct for unintended consequences, conflicts or oversights. Major improvements to the standards, such as the issuance of a new standard, are not included in the annual improvements process.

Main features of the proposals

The following summarizes the proposed amendments:

Disclosure of Accounting Policies, Section 1505

- DISCLOSURE OF ACCOUNTING POLICIES, paragraph 1505.08, requires the disclosure of accounting policies to be provided “as the first note” to the financial statements. Some stakeholders have noted that this requirement is too prescriptive. The proposed amendment to paragraph 1505.08 requires that the disclosure of accounting policies should be provided “in one of the first notes”, rather than as the first note, to the financial statements.

Accounting Changes, Section 1506

- The disclosure requirements related to changes in accounting policy are set out in ACCOUNTING CHANGES, paragraphs 1506.34 and 1506.35. Existing paragraphs 1506.34(e) and 1506.35(c) require an enterprise to disclose the amount of an adjustment related to an accounting policy change “for the current period” and not for each of the prior period(s) presented. Some stakeholders have noted that disclosing the adjustment related to the prior period(s), rather than the current period, meets the needs of users. The proposed amendments to paragraphs 1506.34(e) and 1506.35(c) address this issue by deleting the requirement to disclose the amount of an adjustment related to an accounting policy change for the current period and requiring disclosure “for each of the prior period(s) presented”.

Balance Sheet, Section 1521

- BALANCE SHEET, Section 1521, identifies the items to be presented separately in the balance sheet as well as items that may be either presented separately in the balance sheet or the notes to the financial statement. Section 1521 is a compilation of the requirements of other standards. Some stakeholders have noted that Section 1521 does not include presentation and disclosure requirements related to assets under capital leases. The proposed amendments to Section 1521 clarify the existing presentation and disclosure requirements related to assets under capital leases. The AcSB also proposes to clarify the requirements of Section 1521, as they relate to the presentation and disclosure requirements of other standards in Part II of the Handbook.

Foreign Currency Translation, Section 1651

- FOREIGN CURRENCY TRANSLATION, paragraph 1651.53, requires that previously recorded write-downs of inventory should not be reversed in the translated financial statements of an integrated foreign operation. Some stakeholders have noted that this contradicts INVENTORIES, Section 3031, which requires that previous write-downs to inventory be reversed when the circumstances that previously caused inventories to be written down no longer exist or there is clear evidence of an increase in the net realizable value reflecting changes in economic circumstances. Consequentially, the AcSB proposes to amend Section 1651 by deleting paragraph 1651.53 and providing further clarification on the example included in paragraph 1651.51.

Leases, Section 3065

- LEASES, paragraph 3065.81, requires disclosure of the carrying amount of impaired operating lease receivables and the amount of any related allowance for impairment. However, as part of the "[2014 Improvements to Accounting Standards for Private Enterprises](#)," FINANCIAL INSTRUMENTS, Section 3856, was amended to only require the disclosure of any allowance for impairment for current trade receivables and not the carrying amount of impaired current trade receivables. Some stakeholders have noted that the impairment disclosure for operating lease receivables should be similar to the impairment disclosure for current trade receivables. The proposed amendment to paragraph 3065.81 clarifies that only the amount of the allowance for impairment is required to be disclosed and not the carrying amount of impaired operating lease receivables.

Timing of adoption and transitional provisions

The AcSB expects to issue the final amendments in the third quarter of 2017. The amendments will be effective for years beginning on or after January 1, 2018. Earlier application is permitted. The AcSB intends that the amendments be applied retrospectively.

Comments requested

While the AcSB welcomes comments on all changes proposed in this Exposure Draft, it particularly welcomes comments on the questions listed below. Any comments that express disagreement with the proposals in the Exposure Draft should clearly explain the problem and include a suggested alternative, supported by specific reasoning.

1. Do you agree with the proposed amendments to DISCLOSURE OF ACCOUNTING POLICIES, paragraph 1505.08, to clarify that the disclosure of accounting policies should be provided “in one of the first notes” to the financial statements?
2. Do you agree with the proposed amendments to ACCOUNTING CHANGES, paragraph 1506.34(e) and 1506.35(c), to require disclosure of the amount of an adjustment related to an accounting policy change “for each of the prior period(s) presented” and remove the requirement for the “current period”?
3. Do you agree with the proposed amendments to BALANCE SHEET, Section 1521, to clarify the existing presentation and disclosure requirements related to assets under capital lease, as well as clarify the requirements of Section 1521, as they relate to the presentation and disclosure requirements of other standards in Part II of the Handbook?
4. Do you agree with the proposed amendments to FOREIGN CURRENCY TRANSLATION, paragraph 1651.53, to remove the requirement that precludes previously recorded write-downs of inventory from being reversed in the translated financial statements of an integrated foreign operation?
5. Do you agree with the proposed amendments to LEASES, paragraph 3065.81, to clarify the disclosure requirements for impaired operating lease receivables?

The deadline for providing your comment letter to the AcSB is December 15, 2016. You may email your comments (in a Word file) to: ed.accounting@cpacanada.ca.

2017 Annual Improvements to Accounting Standards for Private Enterprises

PROPOSAL

Accounting standards for private enterprises would be amended as indicated below. Additional text is denoted by underlining and deleted text by strikethrough.

DISCLOSURE OF ACCOUNTING POLICIES, Section 1505

- .08 The Board recognizes the need for flexibility in matters of format and location in disclosing accounting policies in the financial statements. However, it is particularly useful in order to provide an overview of the accounting policies of an enterprise that these be disclosed together in the form of a summary rather than in individual notes to the financial statements. Therefore, the disclosure of accounting policies is provided in one of the first notes ~~as the first note~~ to the financial statements. Suitable titles would be "Summary of Accounting Policies" or "Accounting Policies".
- .09 Except as specified in paragraph 1505.10, ~~¶~~ this Section applies to annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier application is permitted.
- .10 Amendments to paragraph 1505.08, issued in [Month] 2017, apply to annual financial statements relating to fiscal years beginning on or after January 1, 2018. Earlier application is permitted.

ACCOUNTING CHANGES, Section 1506

- .34 *When initial application of a primary source of GAAP has an effect on the current period or any prior period or would have such an effect except that it is impracticable to determine the amount of the adjustment, an entity shall disclose:*
- ...
- (e) ~~for the current period~~ each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected;*
- ...
- Financial statements of subsequent periods need not repeat these disclosures.*
- .35 *When a voluntary change in accounting policy has an effect on the current period or any prior period or would have an effect on that period except that it is impracticable to determine the amount of the adjustment, an entity shall disclose:*

...

(c) ~~for the current period~~ each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected;

...

Financial statements of subsequent periods need not repeat these disclosures.

...

.38 Except as specified in paragraphs 1506.39-.41~~0~~, this Section applies to annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier application is permitted.

...

.41 Amendments to paragraphs 1506.34(e) and 1506.35(c), issued in [Month] 2017, apply to annual financial statements relating to fiscal years beginning on or after January 1, 2018. Earlier application is permitted.

BALANCE SHEET, Section 1521

.04 *The following assets ~~should~~ shall be separately presented on the face of the balance sheet:⁴*

(a) *cash and cash equivalents* (see CURRENT ASSETS AND CURRENT LIABILITIES, Section 1510);

(b) *accounts and notes ~~trade and other~~ receivables* (see CURRENT ASSETS AND CURRENT LIABILITIES, Section 1510);

~~(c) *government assistance receivable* (see GOVERNMENT ASSISTANCE, Section 3800);~~

(d) *prepaid expenses* (see CURRENT ASSETS AND CURRENT LIABILITIES, Section 1510);

~~(e) *other financial assets* (see FINANCIAL INSTRUMENTS, Section 3856);~~

(f) *inventories* (see INVENTORIES, Section 3031);

(g) *investments in non-consolidated subsidiaries and joint arrangements accounted for using the cost or equity method* (see SUBSIDIARIES, Section 1591, and INTERESTS IN JOINT ARRANGEMENTS, Section 3056) *showing separately:*

(i) *investments measured using the cost method;*

(ii) *investments measured using the equity method; and*

(iii) *investments measured at fair value;*

-
- (h) *all other investments showing separately:*
- (i) *investments measured using the cost method* (see INVESTMENTS, Section 3051, and FINANCIAL INSTRUMENTS, Section 3856);
 - (ii) *investments measured using the equity method* (see INVESTMENTS, Section 3051); *and*
 - (iii) *investments measured at fair value* (see FINANCIAL INSTRUMENTS, Section 3856);
- ~~(i) *property, plant and equipment* (see PROPERTY, PLANT AND EQUIPMENT, Section 3061);~~
- (j) *intangible assets* (see GOODWILL AND INTANGIBLE ASSETS, Section 3064);
 - (k) *goodwill* (see GOODWILL AND INTANGIBLE ASSETS, Section 3064);
 - (l) *assets for current income taxes* (see INCOME TAXES, Section 3465);
 - (m) *assets for future income taxes* (see INCOME TAXES, Section 3465); *and*
 - (n) *long-lived assets and disposal groups classified as held for sale* (see DISPOSAL OF LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS, Section 3475); *and*
- ~~(o) *defined benefit assets* (see EMPLOYEE FUTURE BENEFITS, Section 3462).~~

.04A The following assets shall either be separately presented on the face of the balance sheet, or disclosed in the notes to the financial statements or supporting schedules:

- (a) *government assistance receivable* (see GOVERNMENT ASSISTANCE, Section 3800);
- (b) *other financial assets* (see FINANCIAL INSTRUMENTS, Section 3856);
- (c) *property, plant and equipment* (see PROPERTY, PLANT AND EQUIPMENT, Section 3061);
- (d) *assets leased under capital leases* (see LEASES, Section 3065); *and*
- (e) *defined benefit assets* (see EMPLOYEE FUTURE BENEFITS, Section 3462).

When assets are disclosed in the notes to the financial statements or supporting schedules, a cross-reference is provided in the corresponding balance sheet line item.

.05 *The following liabilities shall be separately presented on the face of the balance sheet:²*

(a) main classes of current liabilities in accordance with CURRENT ASSETS AND CURRENT LIABILITIES, paragraph 1510.11;

(b) if the future income taxes method is chosen, liabilities for future income taxes³ (see INCOME TAXES, Section 3465);

*(c) liabilities of disposal groups classified as held for sale (see DISPOSAL OF LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS, Section 3475);
and*

~~*(d) obligations under capital leases (see LEASES, Section 3065);*~~

~~*(e) defined benefit liability (see EMPLOYEE FUTURE BENEFITS, Section 3462);*~~

~~*(f) long-term debt (see FINANCIAL INSTRUMENTS, Section 3856);*~~

~~*(g) asset retirement obligations (see ASSET RETIREMENT OBLIGATIONS, Section 3110); and*~~

~~*(h) other financial liabilities.*~~

.05A *The following liabilities shall either be separately presented on the face of the balance sheet, or disclosed in the notes to the financial statements or supporting schedules:*

(a) obligations under capital leases (see LEASES, Section 3065);

(b) defined benefit liabilities (see EMPLOYEE FUTURE BENEFITS, Section 3462);

(c) asset retirement obligations (see ASSET RETIREMENT OBLIGATIONS, Section 3110); and

(d) other financial liabilities.

When liabilities are disclosed in the notes to the financial statements or supporting schedules, a cross-reference is provided in the corresponding balance sheet line item.

¹ Some of these items may be set out more readily in notes to the financial statements or in attached schedules. When this is done, the balance sheet caption that contains these items is identified.

² Some of these items may be set out more readily in notes to the financial statements or in attached schedules. When this is done, the balance sheet caption that contains these items is identified.

~~³ This disclosure is only applicable if the future income taxes method is chosen.~~

...

.07 Except as specified in paragraphs 1521.08-~~1009~~, this Section applies to annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier application is permitted.

...

.10 Amendments to paragraphs 1521.04 and 1521.05 and new paragraphs 1521.04A and 1521.05A, issued in [Month] 2017, apply to annual financial statements relating to fiscal years beginning on or after January 1, 2018. Earlier application is permitted.

FOREIGN CURRENCY TRANSLATION, Section 1651

.51 When assets are valued at lower of cost and market, a write-down to market may be required in the translated financial statements even though no write-down is required in the foreign currency financial statements. For example, inventory purchased at a cost of FC 500 when the exchange rate is FC 1 = \$2 will have a translated historical cost of \$1,000. If, at the balance sheet date, its market amount is FC 600 and the exchange rate is FC 1 = \$1.50, the translated market amount of \$900 will be less than the translated historical cost of \$1,000, and a write-down of inventory in the translated financial statements will be required. If, at the subsequent balance sheet date, its market amount remains FC 600 and the exchange rate is FC 1 = \$2, the translated market amount of \$1,200 will be greater than both the translated historical cost of \$1,000 and translated market amount at the end of the previous balance sheet date of \$900. A reversal of the write-down of the translated amount of the inventory will be made in the translated financial statements. The foreign currency historical cost of FC 500 would then be translated at the historical rate FC 1 = \$2.

...

~~.53 Once the asset has been written down to market in the translated financial statements, that dollar amount continues to be the carrying amount in the translated financial statements until the asset is sold or a further write-down is necessary.~~

...

.58 Except as specified in paragraphs 1651.59-~~610~~, this Section applies to annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier application is permitted.

...

.61 Amendments to paragraph 1651.51, issued in [Month] 2017, apply to annual financial statements relating to fiscal years beginning on or after January 1, 2018. Earlier application is permitted.

LEASES, Section 3065

.81 *An entity shall disclose:*

(a) ~~the carrying amount of impaired operating lease receivables and the amount of any related allowance for impairment; and~~

...

.82 Except as specified in paragraphs 3065.83-.84, this Section applies to annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier application is permitted.

...

.84 Amendments to paragraph 3065.81(a), issued in [Month] 2017, apply to annual financial statements relating to fiscal years beginning on or after January 1, 2018. Earlier application is permitted.

CONSEQUENTIAL AMENDMENTS

The following significant consequential amendments have been identified. Additional text is denoted by underlining and deleted text by strikethrough.

INCOME STATEMENT, Section 1520

.04 *The following items shall either be presented separately on the face of the income statement, or disclosed in the notes to the financial statements or supporting schedules ~~with the income statement caption that contains the item identified:~~*

(a) Major categories of revenue recognized (see REVENUE, Section 3400);

...

When the items are disclosed in the notes to the financial statements or supporting schedules, a cross-reference is provided in the corresponding income statement line item.

.05 Except as specified in paragraphs 1520.06-.11~~0~~, this Section applies to annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier application is permitted.

...

.11 Amendments to paragraph 1520.04, issued in [Month] 2017, apply to annual financial statements relating to fiscal years beginning on or after January 1, 2018. Earlier application is permitted.

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