



# Domestic Accounting Standards Update

May 15, 2024

# 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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- The AcSB shapes its strategic direction based on its Strategic Plan

- Strategic Plan for 2022-2027 was issued March 31, 2022

- The AcSB's Annual Plan outlines specific yearly objectives and activities

- Annual Plan for 2024-2025 was issued March 31, 2024

# 2022-2027 Strategic Plan

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



# 2024-2025 Annual Plan

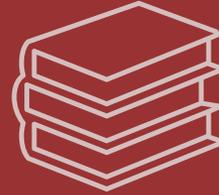
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Advance global  
standard setting



Continue  
domestic projects



Advance our  
research projects



Promote  
Sustainability and  
Interconnectivity



# Recently Issued or Amended Domestic Standards

# Key Standards and Amendments

Topic	Effective Date
Amendments to Section 4600, Pension Plans	January 1, 2024
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 has deferred the effective date of these amendments indefinitely. See [slide 47](#) in the Appendix for further details.

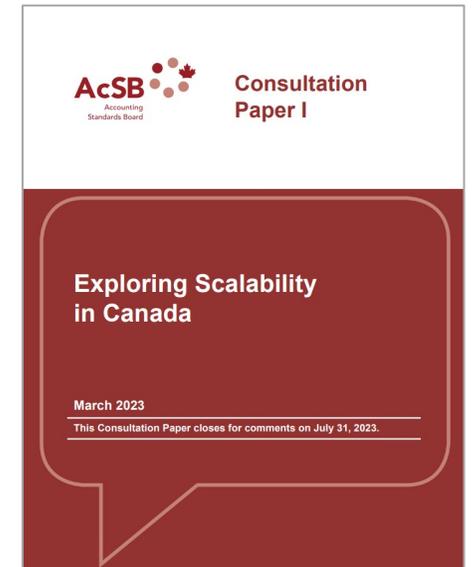
# AcSB Domestic Standards Work Plan



# Scaling the Standards (Parts II and III)

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- In March 2023, Consultation Paper issued to explore potential solutions for scaling domestic standards.
- Based on feedback, additional focused outreach was conducted on the effects of optionality, financial reporting needs, and complexity in domestic standards.
- In January 2024, the Board discussed feedback received from the Consultation Paper and additional outreach.
- Mixed feedback was received on complexity, simplification, and need for additional accounting policy choices.

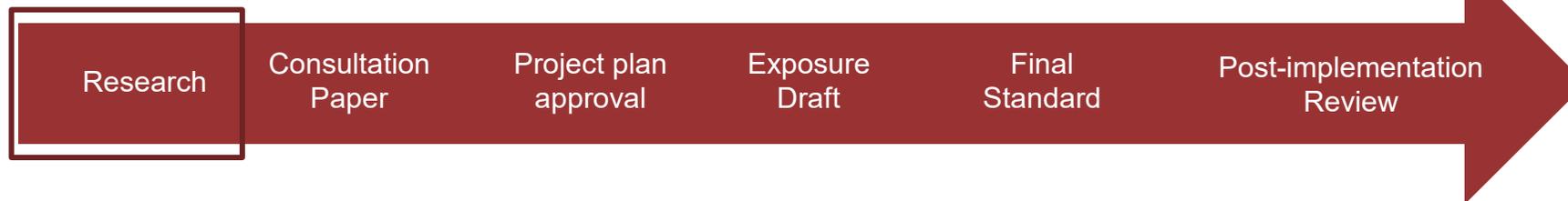


# Scaling the Standards (Parts II and III) – Next Steps

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- A detailed review of Part II of the Handbook was approved to:
  - Determine specific challenges in each standard; and
  - Explore potential solutions.
- Release a second consultation paper seeking feedback on findings from the comprehensive review of Part II of the Handbook.
- Pause research on potential new frameworks for:
  - Small for-profit entities due to limited demand; and
  - Small NFPOs while considering feedback on the Contributions project and review of Part II.

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

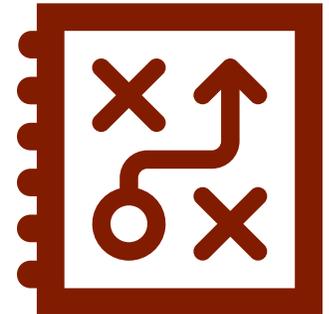


# Scaling the Standards – Polling Question

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Which accounting standard in Part II of the Handbook do you find the most challenging?

- a) Section 1582 *Business combinations*
- b) Section 3400 *Revenue*
- c) Section 3840 *Related party transactions*
- d) Section 3856 *Financial instruments*



# Subsequent Measurement of Goodwill & Relief from Recognition of Intangible Assets

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## Current requirements in ASPE

- Separate recognition of intangibles acquired in a business combination at fair value
- No option to amortize goodwill (impairment-only model)

## Observations

- Identifying and measuring intangibles acquired can be costly and values may be subjective
- Goodwill impairment test is costly to perform
- Goodwill and quantitative information about intangible assets may not be useful to users of private enterprise and NFPO financial statements

# Subsequent Measurement of Goodwill & Relief from Recognition of Intangible Assets – Next Steps

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- In response to the challenges observed, the AcSB approved a project proposal that would:
  - Allow entities to amortize goodwill; and
  - Provide relief from recognizing certain or all intangible assets acquired in a business combination.
- AcSB is conducting virtual public roundtables to inform the Exposure Draft proposals, register for these events [here](#).
  - English events on May 27, 2024, and June 12, 2024
  - French event on May 30, 2024

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



# Goodwill and Intangibles – Polling Question

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If amortization of goodwill is reintroduced, should it be optional?

- a) Yes – accounting policy choice
- b) No - it should be mandatory
- c) Not sure



# Goodwill and Intangibles – Polling Question

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Should relief from recognition of intangible assets be provided to all intangible assets acquired in a business combination?

- a) Yes
- b) No – certain intangible assets only
- c) No – no relief should be provided

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

- In March 2023, the AcSB issued an Exposure Draft
  - 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.



**Exposure Draft**  
Proposed Accounting  
Standards for Not-for-  
Profit Organizations

**Contributions –  
Revenue Recognition  
and Related Matters**

March 2023

This Exposure Draft closes for comments on September 30, 2023.



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

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- **Mixed views on Exposure Draft proposals prompting additional outreach**
  - Explored options for addressing the feedback with a single recognition model
  - Also met with financial statement users to better understand their needs
  - Users indicated that while a single model would be helpful, they can navigate the two current recognition models
- The Board concluded that
  - a single recognition model may not meet diverse needs of NFPO sector; and
  - the cost of moving to a single recognition model may not exceed the benefit.
- **Considering the feedback, the Board decided to continue to allow accounting policy choice for the recognition of contributions**

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

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- The AcSB plans to issue a Feedback Statement which summarizes the rationale for pivoting the project and next steps

## Next Steps:

- Develop a new exposure draft that proposes improvements to the two existing methods for recognizing restricted contributions.
- Incorporate the relevant proposals from the first Exposure Draft, including feedback received and relevant topics covered (e.g., definitions, disclosures, presentation)

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



# Standards for Pension Plans (Part IV)

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- The AcSB developed proposals to improve presentation and disclosure of investments held by pension plans in Part IV of the Handbook
- The project will include:
  - Updating fair value disclosure requirements
  - New disclosures for interests in investment vehicles
  - Amending presentation and disclosure requirements for investment expenses
- Exposure Draft expected to be issued in mid-2024

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



# Reporting Controlled and Related Entities by NFPOs (Part III)

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- The objective of this project is to improve the transparency of financial statements for users reviewing the relationship entities have with related and controlled entities
- The Board approved a project proposal to:
  - improve the disclosures for controlled and related entities;
  - introduce illustrative examples for applying the definition of control, significant influence, and economic interest; and
  - review the definitions of control, significant influence, and economic interests held in not-for-profit organizations, if necessary.



# Reporting Controlled and Related Entities by NFPOs (Part III)

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## Next steps

- Consultation with experts and advisory committees is ongoing until July 2024. After this, the Board will review feedback and begin developing proposals for the project.

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



# Insurance Contracts with Cash Surrender Value

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- An [Exposure Draft](#) was issued in November 2023, closed for comment January 31, 2024. The Accounting Guideline (AcG) is expected to be issued in September 2024.
- Based on feedback, the Board has decided under the AcG an entity shall:
  - Recognize CSV as an asset, measured at the cash surrender amount;
  - Recognize annual change in CSV and premium payments in the income statement;
  - Disclose the carrying amount in aggregate for all insurance policies, if not separately presented on the face of the balance sheet; and
  - Disclose the caption that includes change in CSV; if not separately presented on the face of the income statement.

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



# Other Research Projects

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Evaluating the Preface



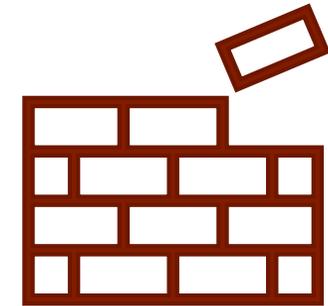
Financial Statement Concepts

# Financial Statement Concepts – Polling Question

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How do you use the Financial Statement Concepts in Parts II and/or III of the Handbook?:

- a) As application guidance
- b) As guidance when no standard exists
- c) As a replacement for Handbook standards
- d) I do not use the Financial Statement Concepts



# Other Current Events & Activities

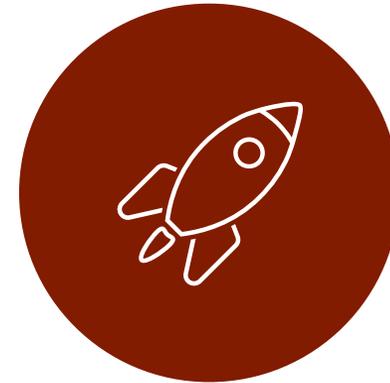
# Guidance Framework

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The AcSB is establishing processes for developing guidance to assist with:



Application issues

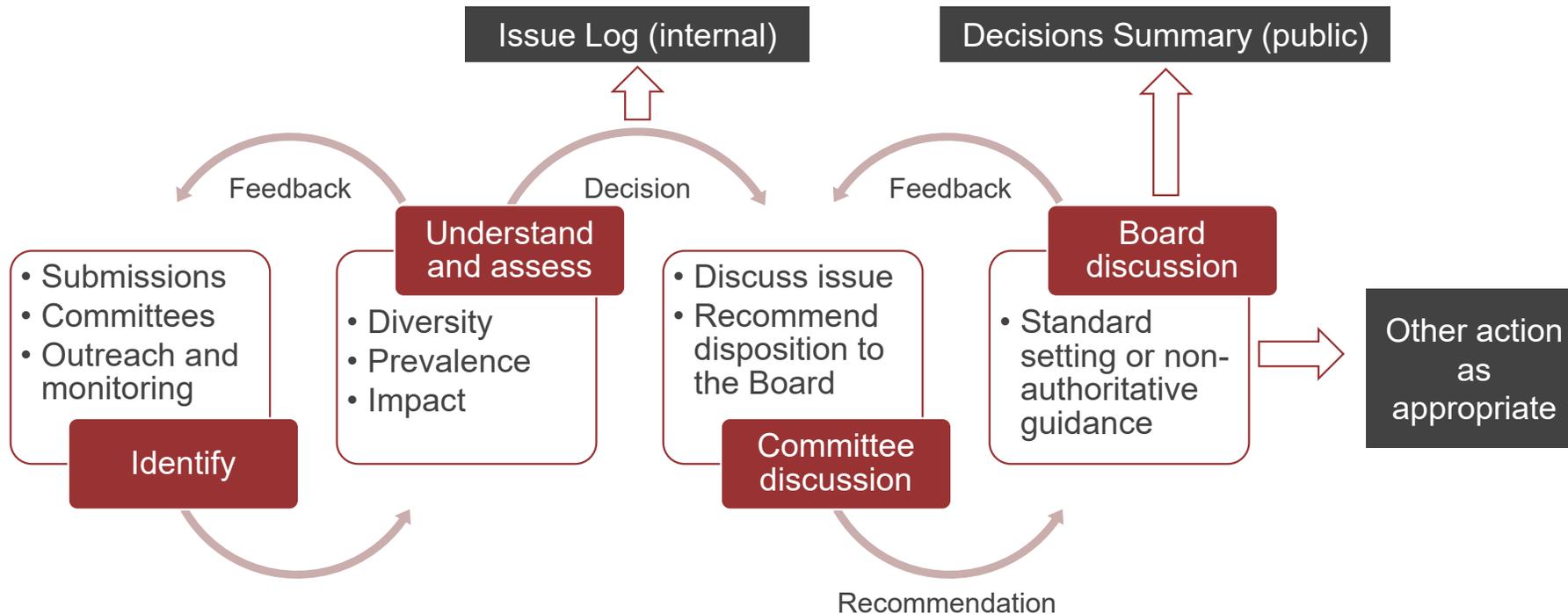


Implementation of new/  
amended standards

This framework will provide clarity and consistency in  
how the AcSB deals with these issues

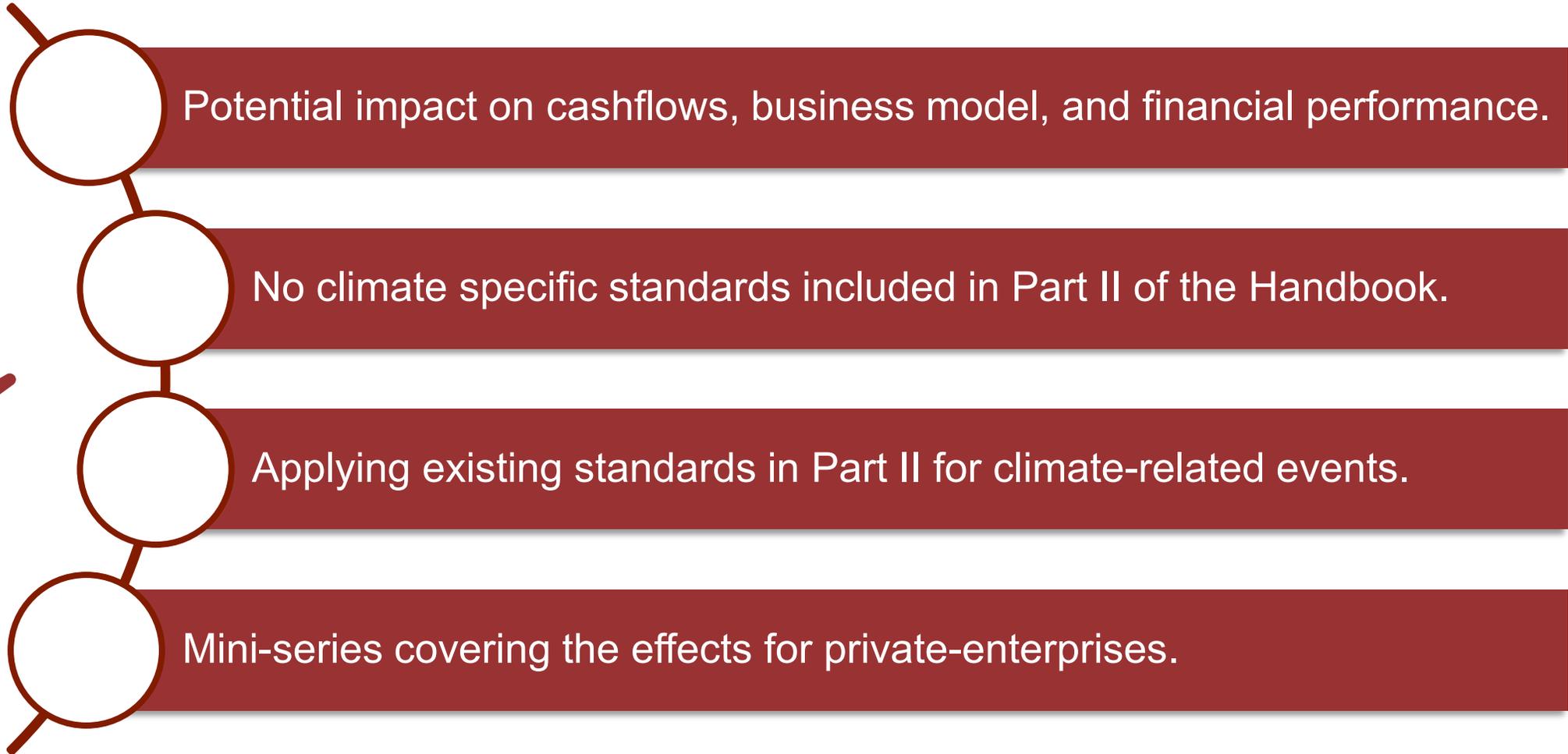
# Guidance Framework - Overview

## Application Issues - Overview



# Climate-related Risks and Opportunities – Mini-Series

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# 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 Advisory Committee, or Agriculture Advisory Group.

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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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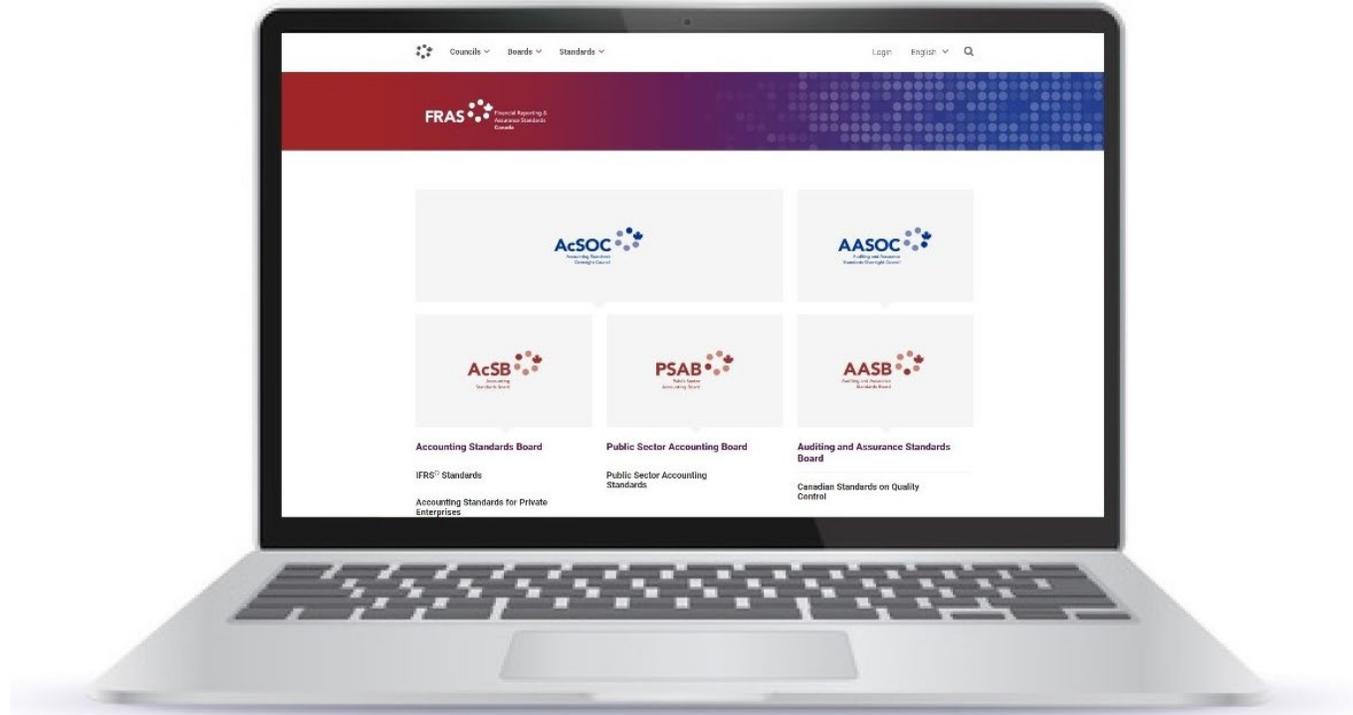
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# Stay up to date

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



# Post-webinar quiz

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<https://forms.office.com/r/gWXNWe4wB7>



Questions?



**Thank You!**



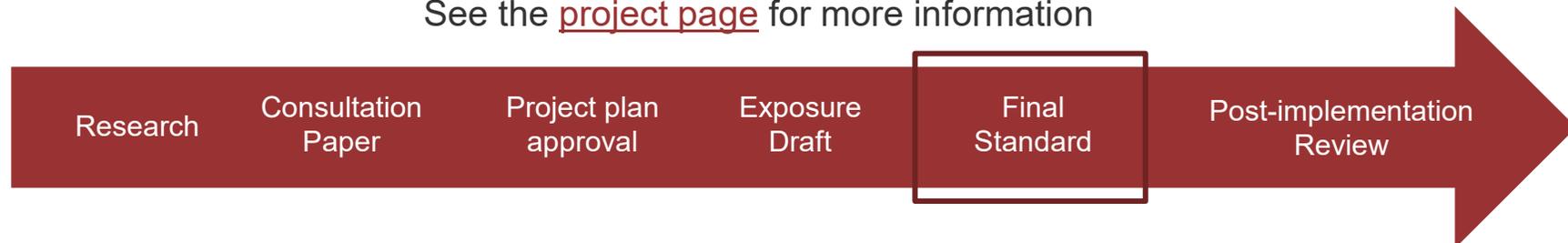
# Appendix – Recently Issued or Amended Domestic Standards

# Standards for Pension Plans (Part IV)

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- The AcSB issued an [Exposure Draft](#) in March 2022, deliberated feedback, and deferred 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; and
  - require additional risk disclosures for investments in master trusts.

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

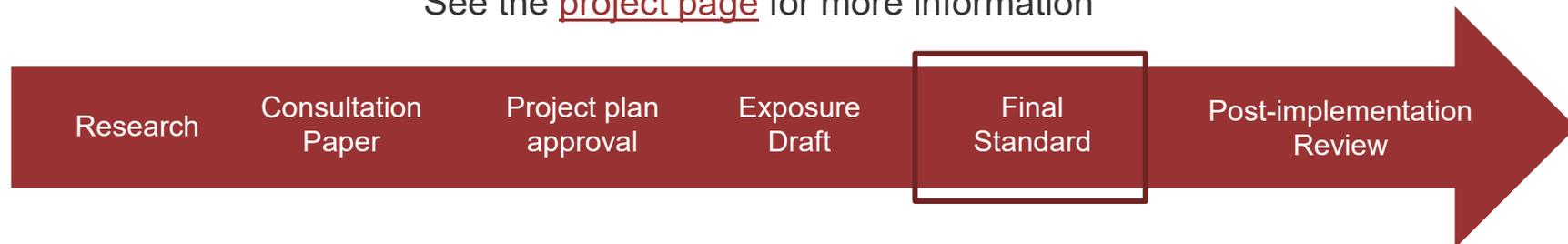


# 2023 Annual Improvements to Accounting Standards for Pension Plans

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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 Board 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

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- 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; and
  - improves disclosures.
- **Effective** for years beginning on or after **January 1, 2024**.

Applies to both  
private enterprises  
and NFPOs

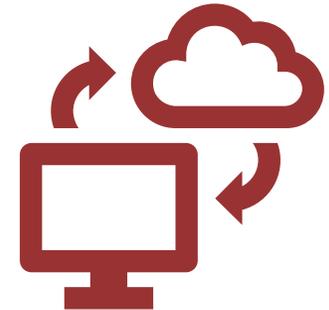
See the [project page](#) for more information



# 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

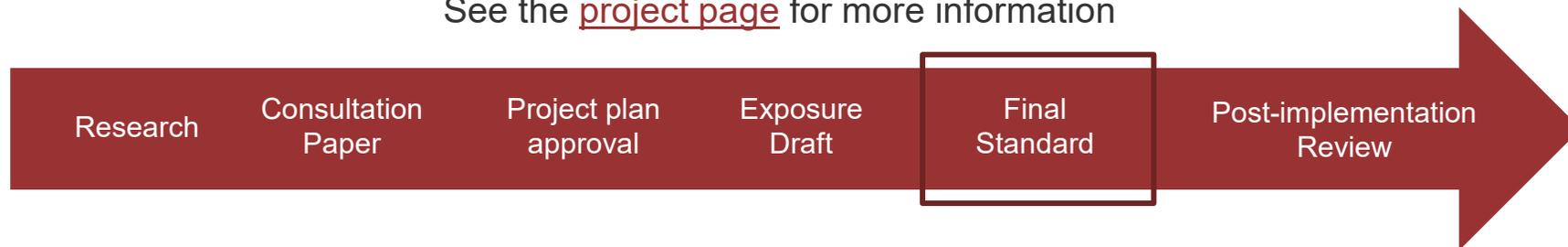


# Related Party Combinations (Part II)

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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



# Revenue – Upfront Non-Refundable Fees or Payments

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- **Final amendments issued** on May 1, 2024
- The effective date of these amendments have been deferred, with early application permitted, until the project on [Evaluating the Preface](#) is complete.
- The amendments 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

