Who we are?

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A disclaimer before we begin...

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Session Objectives

- Accounting Standards Board Strategic Plan
- ASPE
  - ASPE updates
  - ASPE topics of interest
- NPO
  - Statement of Principles update
  - Differences between NPO vs ASPE standards
  - Incorporation Act updates
- Condominium corporations
  - Background
  - Special considerations
Accounting Standards – New Developments

- Website – Financial Reporting & Assurance Standards – Canada
  - [www.frascanada.ca](http://www.frascanada.ca)
AcSB Strategic Plan

- Strategic Plan lays out vision for 2016–2021

- IFRS
  - Continue supporting application of IFRS in Canada
  - Influence development of IFRS
  - Only approve IFRS if applicable to Canada

- ASPE
  - Retain and improve standards in Part II of HB
  - Keep focus on simplifying disclosures and lower costs – creditors receive additional information upon request
  - Principle-based – professional judgement
  - No plan to move to IFRS
AcSB Strategic Plan cont..

- NPO
  - Retain and improve current framework
  - Rely on an NPO committee and stakeholder consultations for input

- Pension plans
  - Continue applying current standards
  - No pressing matters to resolve
2015 Annual Improvements

- **S.1582 Business Combinations**
  - Disclosure clarified to include recognized amounts of each major asset and liability acquired

- **S.3051 Investments** and **S.3065 Leases**
  - Disclosure of impairment losses and reversals

- **S.3462 Employee Future Benefits**
  - Clarifies when funding valuation can be used instead
  - of accounting valuation
Agriculture

- What amount would you carry unharvested wheat at:
  A. Cost
  B. Fair value less costs to sell

- What amount would you carry chickens used to produce eggs at:
  A. Cost
  B. Fair value less costs to sell
# ASPE – active projects

## APPENDIX A

**COMPARISON OF ACCOUNTING REQUIREMENTS AND PRELIMINARY VIEWS**

<table>
<thead>
<tr>
<th>Asset</th>
<th>Predominant Canadian Practice</th>
<th>IFRSs</th>
<th>U.S. GAAP</th>
<th>Preliminary View</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unharvested crops</td>
<td>Cost</td>
<td>Fair value less costs to sell, except when fair value cannot be measured reliably</td>
<td>Cost except when it is not practicable</td>
<td>Cost</td>
</tr>
<tr>
<td>Agricultural produce</td>
<td>Net realizable value</td>
<td>At the point of harvest at fair value less costs to sell, after harvest at cost or net realizable value if in accordance with established practice under IAS 2 Inventories</td>
<td>At the point of harvest at cost; after harvest at cost or at sales price less estimated costs of disposal, if conditions are met</td>
<td>Current value when certain conditions are met and cost when those conditions are not met</td>
</tr>
<tr>
<td>Animals held for sale</td>
<td>Cost and net realizable value</td>
<td>Fair value less costs to sell, except when fair value cannot be measured reliably</td>
<td>Developing animals held for sale at cost; mature animals held for sale at cost or at sales price less estimated costs of disposal, if conditions are met</td>
<td>Current value when certain when those conditions are not met</td>
</tr>
<tr>
<td>Bearer animals</td>
<td>Cost and net realizable value</td>
<td>Fair value less costs to sell, except when fair value cannot be measured reliably</td>
<td>Cost</td>
<td>Cost</td>
</tr>
<tr>
<td>Bearer plants</td>
<td>Cost</td>
<td>Cost initially and subsequently either using a cost or revaluation model under IAS 16 Property, Plant and Equipment</td>
<td>Cost</td>
<td>Cost</td>
</tr>
</tbody>
</table>

IFRS and U.S. GAAP requirements are those in effect January 1, 2016. Measurements exclude impairment considerations (for example, lower of cost or market).
ASPE – active projects

- Agriculture cont..

• AcSB issued Discussion Paper
• Comments received by AcSB and roundtable discussions ongoing
• AcSB will set-up a agriculture advisory committee
ASPE – active projects

➢ Clarifications to Section 1591 *Subsidiaries* and 3056 *Interest Joint Arrangements*
  • Minor clarifications only, applicable to years beginning Jan.1 2017 and after
ASPE – active projects

- Accounting for subsidiaries and investments – ready for inclusion in accounting handbook
  - Section 1591 *Subsidiaries* and Section 3051 *Investments* updated to clarify application of cost and equity methods of accounting for subsidiaries
  - Section 1582 Business Combinations and Section 1500 First-time Adoption amended accordingly
  - Changes apply to years commencing on or after January 1, 2018 (early adoption is permitted)
Redeemable Preferred Shares–Classification

- **Current standard (Section 3856.23):**
  - Redeemable preferred shares issued in a tax planning arrangement such as S. 51, 85, 85.1, 86, 87, or 88 be reported under the equity section as a separate line.

- **Nature of the shares:**
  - Meet the definition of a liability as they are a contractual obligation to deliver cash to the holder of the shares.
Initial intended purpose of the section was to provide relief for estate freezes

Proposed change per Exposure Draft: to eliminate the section entirely and thus restate as a liability

Implications of proposed change

- Retrospective adjustment per ASPE
- Confusion to users
ASPE – active projects

- Redeemable Preferred Shares Issued in a Tax planning Arrangement – deliberating on comments
  - There are many inconsistencies with current standards being used
  - The scope of the project was more than an annual improvement to an existing standard thus a major project was undertaken and is still ongoing
  - No timeline provided by AcSB
ASPE – active projects

➢ 2017 Annual Improvements
  • Accounting policy note location
  • Accounting changes disclosure
  • Balance sheet capital lease presentation
  • Foreign exchange translation and inventory w/d
  • Lease receivable impairment disclosure
Held Cheques

- Definition

- Why it is important: impact on ratios, accuracy of cash and AP

- Classification: AP vs Cash
Common ratios
- debt to equity (leverage)
- current ratio (liquidity)

Impact of current vs. long term
- specifically for current ratio
Demand Loans– Related Party

- Current vs. Long-term

- Requirements if classified as long term – written representations from related party stating the loan will not be demanded within the next year

- Requirements if classified as current – no specific representations required
NPO – Statement of Principles Update

- A Statement of Principles was released

- Initial release of the Statement of Principles known as the “Improvements to Not-For-Profit Standards” was April 2013

- It suggested significant changes to the current Not-For-Profit standards in 4400 series (Part III)

- Goal was to better meet users’ needs
NPO – Statement of Principles Update

- The Statement of Principles generated significant amount of feedback from both preparers and users of Not-For-Profit financial statements
  - Most of the feedback was not positive

- The board has reviewed the feedback and anticipates an Exposure Draft to be released in the first quarter of 2017 addressing these issues
Significant changes proposed for private and public NPOs include:

- Size exemption ($500k revenue) for capital asset recognition would be eliminated

- Replacement of the current deferral and restricted fund methods for accounting for contributions (recognize as revenue at the same time an asset is received unless a liability exists)
Significant changes proposed for private NPOs include:

- Capital assets would follow the current standards in ASPE – impairments
- Changes to consolidation requirements
- Accounting for works of art and historical treasures
- Additional disclosure requirements for expenditures by function
Significant changes proposed for public (government) NPOs include:

- Changes to how tangible capital assets and controlled and related entities are accounted for and presented in the financials statements

- Accounting for intangibles, works of art and historical treasures
NPO – Statement of Principles Update

- Impact on you – currently there have been no changes that you need to incorporate or use.

- You need to be aware that there may be changes and don’t be afraid to comment on the next Exposure Draft if given the opportunity.

- Regardless of what is decided there will be sufficient time to make any necessary changes.
NPO vs. ASPE

- Capital asset – accounting for impairments
  - ASPE – impairments exist if carrying amount exceeds its fair value or its net recoverable amount (undiscounted cash flow from use and disposal)
  
  - NPO Standards – impairments exist if the capital asset does not have any service potential in the future to the entity
    - Service potential – considers useful life, output, operating costs
NPO vs. ASPE

- Inventory held but not for re-sale

- Non – Portfolio Investments
  - Accounting will depend on type of investment (NPO or For-Profit) and also if it is a joint venture, subsidiary or significant influence
    - NPO subsidiary – consolidate or cost
    - For-Profit subsidiary – consolidate or equity
    - NPO joint venture – proportionate consolidation or equity
    - For-Profit joint venture – proportionate consolidation or equity
    - NPO significant influence – cost (no choice)
    - For-Profit significant influence – equity (no choice)
Federally incorporated NPO – deadline is well passed – Oct 17, 2014
• Entities that do not make the transition by the deadline will be assumed to be inactive and will be dissolved
• Dissolution could lead to the revocation of their registration as a charity

Ontario incorporated NPO – the Act was to come into effect in 2013 but it did not
• When it does at least 24 months will be given to NPOs for compliance after proclamation
• No new date released when it will become effective
Condominium Corporations

Condominiums are a booming industry:

- Statistics Canada stated that 100,000 people are immigrating to Ontario each year.
- Supply of land to build low rise at all time low;
- Interest rates in Canada continue to be low (however, new mortgage rules may offset this in the future);
- Rent controls in Ontario have caused less rental buildings to be constructed;
- Condos are becoming bigger and focusing more on families (3 bedrooms similar to Chicago or NY);
- GTA – 5600 new condos sold in Q1 of 2016;
- 905 area code – 2112 units in Q1 of 2016.
Accounting for Condominium Corporations

- **Background/history**
  - Condominium Corporations are created and governed by the Condominium Act, 1998
  - Condo Act (s.66) states that financial statements should be prepared in accordance with CPA Canada HB, Part III (for NPOs)
Accounting for Condominium Corporations

Background/history

- Who are the important parties in a condo?
  - Board of directors
  - Owners
  - Property management
  - Other external parties – potential purchasers, auditors, lawyers, engineers
Accounting for Condominium Corporations

- Condo specific accounting
  - Fund accounting & contributions
    - Reserve fund
  - Banking and investments
  - Receivables from owners
Accounting for Condominium Corporations

- Condo specific accounting
  - Capitalization
    - Real property directly associated with units
    - Real property not directly associated with units
    - Common personal property
    - Amortization policy
Questions
Thank You!