CHARTERED PROFESSIONAL ACCOUNTANTS CANADA

Guide to Accounting Standards for Not-for-Profit Organizations in Canada

SEPTEMBER 2012

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Foreword

The accounting framework for not-for-profit organizations (NFPOs) in Canada is changing. The Public Sector Accounting Board and the Accounting Standards Board separately issued accounting standards for not-for-profit organizations in 2010 and 2011, respectively. The standards for private sector not-for-profit organizations can be found in Part III of the *CICA Handbook–Accounting*. A not-for-profit organization controlled by a government would, however, refer to the *CICA Public Sector Accounting Handbook* for applicable standards. In both cases, the standards are effective for annual financial statements for fiscal years beginning on or after January 1, 2012, with earlier application permitted.

Given the potentially significant impacts on existing financial reporting that could result from the application of the different accounting frameworks, the determination of the correct category of NFPO is critical. This *Guide* is intended to be a reference for preparers of financial statements and their auditors when they need to choose an appropriate accounting framework for their organization. It will also assist the individuals responsible for the transition to the new Canadian accounting standards by providing high-level comparative information on the old and new standards. Highlights of the more significant changes will assist in preparing for and planning the implementation.

The CICA expresses its appreciation to Jane Bowen, FCA, and Terry Corrigan, CA, who contributed to the preparation of this Guide and to Andrée Lavigne, CPA, CA, who directed the project.

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Table of Contents

I Introduction

Canadian accounting and auditing standards have been going through significant changes. The Accounting Standards Board (AcSB) has decided to pursue separate reporting strategies for each major category of reporting entity: publicly accountable enterprises, private enterprises and not-for-profit organizations.

As a result, the *CICA Handbook – Accounting* (*Accounting Handbook*) has been restructured to move away from a single financial reporting framework, referred to as Canadian generally accepted accounting principles (GAAP), to include various different financial reporting frameworks in Canadian GAAP. These different financial reporting frameworks are identified in the *Accounting Handbook* as follows:

Part I — International Financial Reporting Standards;

Part II — Accounting standards for private enterprises;

Part III — Accounting standards for not-for-profit organizations;

Part IV — Accounting standards for pension plans; and

Part V — The pre-changeover accounting standards, containing a complete set of the archived *CICA Handbook – Accounting* contents as of December 2009.

The AcSB, along with the Public Sector Accounting Board (PSAB), has developed a reporting strategy tailored specifically to meet the unique needs of Canadian not-for-profit organizations (NFPOs). In December 2008, the AcSB and PSAB issued a joint Invitation to Comment, "Financial Reporting by Not-for-Profit Organizations," to solicit the views of not-for-profit organizations' stakeholders on this strategy. Both Boards considered the comments received on the Invitation to Comment and individually released exposure drafts outlining proposed changes to accounting standards for NFPOs in March 2010.

Both Boards proposed that NFPOs in the private sector and those controlled by a government could continue to use the current 4400 series of standards, supported by different underlying reference standards. The approach proposed recognizes the distinction between not-for-profit organizations in the private sector and those controlled by a government.

The AcSB issued the "Accounting Standards for Not-for-Profit Organizations," contained in Part III of the *Accounting Handbook* as accounting standards for NFPOs in the private sector. Part III not only encompasses the 4400 series of Sections in Part V, but also incorporates Part V material relating specifically to not-for-profit organizations in FINANCIAL STATEMENT CONCEPTS, Section 1000; GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, Section 1100; GENERAL STANDARDS OF FINANCIAL STATEMENT PRESENTATION, Section 1400; as well as INVENTORIES, Section 3031; and FIRST TIME ADOPTION, Section 1500 in Part II, with minor drafting changes. Private sector NFPOs would also apply the standards for private enterprises in Part II of the *Accounting Handbook* to the extent that the standards address topics not addressed in Part III.

The PSAB issued the "Accounting Standards for Government Not-for-Profit Organizations" based on the premise that not-for-profit organizations controlled by a government (GNFPOs) would be best served by using the accounting standards applicable to the public sector. This decision recognizes that the focus of GNFPO operations is on the provision of public services and that GNFPOs are accountable to a broad group of users, including legislators and the general public. As a consequence, the PSAB incorporated the 4400 series from Part V of the *Accounting Handbook* into the *CICA Public Sector Accounting Standards Handbook* (*PSA Handbook*) as Sections PS 4200 to PS 4270 and required GNFPOs to adhere to the standards in the *PSA Handbook*.

In summary, the new standards for NFPOs are derived, to a large extent, from standards for not-for-profit organizations in Part V of the *Accounting Handbook*. NFPOs still have choices to make with regard to the selection of an appropriate accounting framework. The appropriate framework for a specific entity will depend on the type of NFPO involved. As a consequence, in selecting an appropriate accounting framework, the first step in the transition is to determine the type of NFPO. The balance of this *Guide* defines the different types of NFPOs, outlines factors to consider in determining the type of NFPO, highlights the choices of accounting frameworks for each type of NFPO and offers a high-level analysis of the effect on financial reporting of the alternatives.

II NFPOs given choices

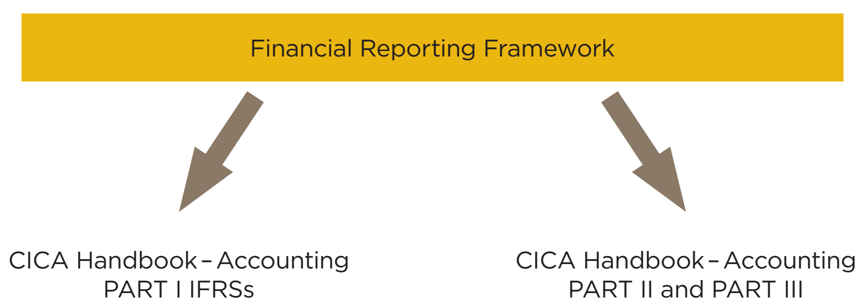
Private sector NFPOs

The AcSB recognizes the diversity of Canadian private sector NFPOs and the resultant diversity in the needs of the users of their financial statements. For this reason, private sector NFPOs have different options for financial reporting. These NFPOs can apply either:

(a) the International Financial Reporting Standards (IFRSs) in Part I of the *Accounting Handbook*; or

(b) accounting standards for NFPOs in Part III supplemented, when appropriate, with standards for private enterprises in Part II of the *Accounting Handbook*.

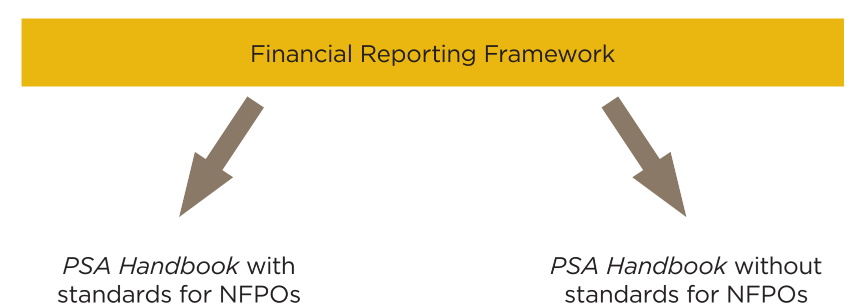
Private sector NFPOs



Government-controlled NFPOs (GNFPOs)

NFPOs controlled by a government fall within the scope of the *PSA Handbook*. The PSAB changed the Introduction to Public Sector Accounting Standards to require that GNFPOs adhere to the standards in the *PSA Handbook*. To assist government-controlled NFPOs with the transition to the new accounting framework, the 4400 series of the pre-changeover accounting standards was appropriately modified to fit with public sector standards and incorporated into the *PSA Handbook*. The PSAB provided a choice of adhering to the standards in the *PSA Handbook*, with or without the standards for not-for-profit organizations (the PS 4200 series).

Government-controlled NFPOs



III Is my organization a private sector or a government-controlled NFPO?

As a result of the strategy adopted by the AcSB, the standards for private sector NFPOs are not changing substantially. This means that they are not likely to result, initially, in significant changes to many of the accounting policies and practices used by private sector NFPOs. This should make understanding and adopting the new standards more straightforward than implementing a completely new accounting framework. As these standards are linked to the accounting standards for private enterprises in Part II of the *Accounting Handbook*, however, the application of these standards — where appropriate — may result in some changes, particularly in the accounting for financial instruments.

The standards in the *PSA Handbook*, with or without the PS 4200 series, will have significantly greater implications for a GNFPO than transitioning to Part II and Part III of the *Accounting Handbook*. This is because there are differences between pre-changeover standards in Part V of the *Accounting Handbook* and the reference standards in the *PSA Handbook*. For example, accounting for retirement benefits and post-employment benefits, compensated absences and termination benefits could change significantly. Therefore, the determination of the correct category of NFPO is critical.

The definition of a NFPO has not changed. A NFPO is an entity, normally without transferable ownership interests, organized and operated exclusively for social, educational, professional, religious, health, charitable or any other not-for-profit purpose. An NFPO's members, contributors and other resource providers do not, in such capacity, receive any financial return directly from the organization.

Generally, if an organization meets this definition and is not controlled by a government, by default it falls within the scope of the *Accounting Handbook*. If an organization is controlled by a government, it falls within the scope of the *PSA Handbook*. To establish which standards apply, a determination must be made whether an organization is a GNFPO.

IV How do I determine if my organization is a GNFPO?

The definition of a GNFPO in the *PSA Handbook* has not changed. A GNFPO is an organization controlled by a government and exhibits **all** four of the following characteristics:

1. It has counterparts outside the public sector.
2. It is an entity normally without transferable ownership interests.
3. It is an entity organized and operated exclusively for social, educational, professional, religious, health, charitable or any other not-for-profit purpose.
4. Its members, contributors and other resource providers do not receive any financial return directly from the organization.

The first step in the categorization is the determination of whether an organization is controlled by a government. A government may already have made that determination since, for the purposes of preparing its general-purpose financial statements, all organizations controlled by it are included in the government reporting entity. For example, most provincial governments have determined that public hospitals, school boards and colleges are government organizations.

If the status of an organization has not been predetermined, the determination often requires the exercise of judgment based on the definition of control and the particular circumstances of each case. GOVERNMENT REPORTING ENTITY, Section PS 1300 in the *PSA Handbook*, defines control as the power to govern the financial and operating policies of another organization, with the government expecting benefits or risking loss from the other organization's activities.

In some cases, it will be clear that an organization does not have the power to act independently and is controlled by a government. In other cases, it will be clear the organization has the power to act independently and, while a government may have a level of influence on the organization, it does not have control. The extent of an organization's dependence on government funding is not necessarily a conclusive factor. The governing body of that organization may make independent decisions on its financial and operating policies, including whether it will take funding from, or do business with, the government.

For organizations that fall somewhere between the two extremes, it is necessary to determine the substance of the relationship between the government and the organization. Section PS 1300 provides guidance that could assist in making the determination of whether an organization is controlled by a government. The relevant paragraphs are reproduced below:

Indicators of control

.18 There are certain indicators that provide more persuasive evidence of control:
   (a) government has the power to unilaterally appoint or remove a majority of the members of the governing body of the organization;

(b) government has ongoing access to the assets of the organization, has the ability to direct the ongoing use of those assets, or has ongoing responsibility for losses;
(c) government holds the majority of the voting shares or a "golden share"[1] that confers the power to govern the financial and operating policies of the organization; and
(d) government has the unilateral power to dissolve the organization and thereby access its assets and become responsible for its obligations.

.19 Other indicators that may provide evidence of control exist when the government has the power to:
(a) provide significant input into the appointment of members of the governing body of the organization by appointing a majority of those members from a list of nominees provided by others or being otherwise involved in the appointment or removal of a significant number of members;
(b) appoint or remove the CEO or other key personnel;
(c) establish or amend the mission or mandate of the organization;
(d) approve the business plans or budgets for the organization and require amendments, either on a net or line-by-line basis;
(e) establish borrowing or investment limits or restrict the organization's investments;
(f) restrict the revenue-generating capacity of the organization, notably the sources of revenue; and
(g) establish or amend the policies that the organization uses to manage, such as those relating to accounting, personnel, compensation, collective bargaining or deployment of resources.

.20 For each indicator that applies in a particular circumstance, the degree of government influence would determine its importance as evidence of control. In weighing the evidence, it would be necessary to consider the indicators collectively as well as individually. For example, where an organization is governed by a publicly elected board, this is not necessarily, in and of itself, sufficient evidence to conclude that the government does not control the organization. Similarly, where a government appoints a majority of the members of the governing body of an organization, this is not necessarily, in and of itself, sufficient evidence that the government controls the organization.

.21 The degree of importance of the indicators of control, as set out in paragraphs PS 1300.18 - .19, further depends on the particular circumstances in each case. In some situations, a particular indicator may provide a high degree of evidence of control whereas, in other situations, the importance of the same indicator may not be as significant.

As indicated, the assessment of control is a matter of judgment, but it was not the intention that the change of the accounting framework would change the fact of whether control exists. Generally, if an entity was not controlled by a government before, it will not be controlled simply by a change in the accounting framework applied. It is important that the determination of the type of NFPO be formally documented.

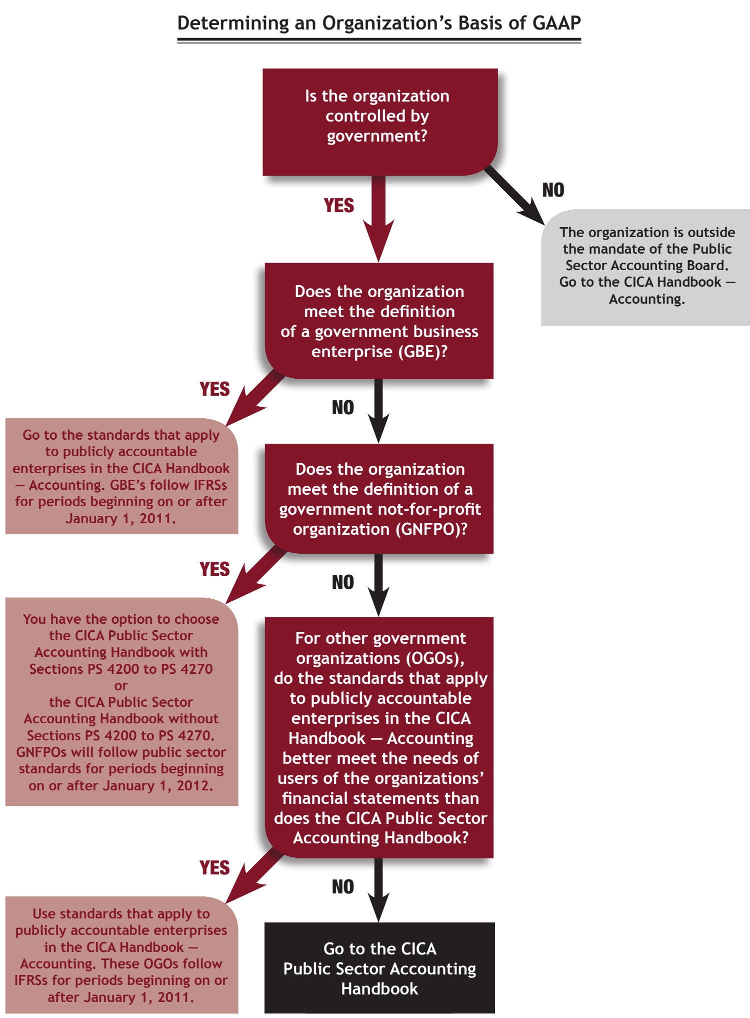
1 "Golden share" refers to a class of share that entitles the holder to specified powers or rights generally exceeding those normally associated with the holder's ownership interest or representation on the governing body.

Not all organizations that are controlled by a government are GNFPOs. The Introduction to Public Sector Accounting in the *PSA Handbook* defines the different types of government organizations for the purposes of selecting an appropriate basis of accounting. For example, an organization could be a government business enterprise. In this case, the Introduction directs that it should apply Part I of the *Accounting Handbook*.

To be classified as GNFPO, a government organization must have all of the characteristics of a GNFPO. One of the more controversial criteria is that the organization has counterparts outside the public sector. The exercise of judgment is required in making this determination.

The diagram in Exhibit 1 will help with the determination of the appropriate accounting framework for government organizations:

Exhibit 1: Determining an organization's basis of GAAP



Source: CICA Public Sector Accounting Board.

Section V of this *Guide* provides additional guidance to private sector NFPOs transitioning to Part III of the *Accounting Handbook*. Section VI provides additional guidance for GNFPOs transitioning to the *PSA Handbook*. Exhibit 2 provides a summary of the types of NFPOs, their definitions, as well as applicable accounting frameworks and their effective dates.

Exhibit 2: Summary of applicable accounting frameworks

Type of organization	Definition	Applicable Accounting Standards	Required adoption date
Not-for-profit organization	An entity that is: (a) normally without transferable ownership interests; and (b) organized and operated exclusively for social, educational, professional, religious, health, charitable or any other not-for-profit purpose. A not-for-profit organization's members, contributors and other resource providers do not, in such capacity, receive any financial return directly from the organization.	Part III — Accounting Standards for Not-for-Profit Organizations *or* Part I — International Financial Reporting Standards	Mandatory for fiscal periods beginning on or after January 1, 2012. Earlier application is permitted.
Government not-for-profit organization	An organization controlled by a government that has **all** of the following characteristics: (a) It has counterparts outside the public sector. (b) It is an entity normally without transferable ownership interests. (c) It is an entity organized and operated exclusively for social, educational, professional, religious, health, charitable or any other not-for-profit purpose. (d) Its members, contributors and other resource providers *do not*, in such capacity, *receive any financial return* directly from the organization. "Public sector" refers to federal, provincial, territorial and local governments, government organizations, government partnerships, and school boards. *CICA PSA Handbook*, GOVERNMENT REPORTING ENTITY, SECTION, PS 1300, provides guidance on the interpretation and application of control.	Standards for not-for-profit organizations in the *CICA Public Sector Accounting Handbook* *or* Standards in the *CICA Public Sector Accounting Handbook* without Sections PS 4200 to PS 4270	Mandatory for fiscal periods beginning on or after January 1, 2012.

V Private sector NFPOs

Key changes

The accounting standards in Part III of the *Accounting Handbook* replicate the pre-changeover accounting standards for NFPOs archived in Part V. A Table of Concordance that relates each accounting standard for private sector NFPOs in Part III and Part II to the corresponding standard in Part V is included in Appendix 1 of this *Guide*. The significant change does not arise from specific Part III sections as much as it does from the reference standards for private enterprises in Part II.

Some key changes are as follows:

(i) Measurement Simplification

FINANCIAL INSTRUMENTS, Section 3856, in Part II replaces the various financial instrument sections in the pre-changeover accounting standards archived in Part V. Section 3856 requires most financial instruments to be measured at cost (or amortized cost). Although only equities quoted in an active market and derivatives are required to be measured at fair value, there is an option to measure other financial instruments at fair value as well. The standard also simplifies a number of other important aspects of accounting for financial instruments. The impact of Section 3856 will depend on the nature of the financial instruments held.

Notable simplifications were also made to other accounting standards in Part II including:
(a) ASSET RETIREMENT OBLIGATIONS, Section 3110;
(b) EMPLOYEE FUTURE BENEFITS, Section 3461; and
(c) GOODWILL AND INTANGIBLE ASSETS, Section 3064 (specifically related to development costs).

(ii) Disclosure Requirements

In developing the accounting standards for private enterprises, the AcSB undertook a comprehensive re-evaluation of required disclosures in the pre-changeover accounting standards Part V. The re-evaluation was based on the needs of private sector financial statement users. It was concluded that some disclosure requirements in the pre-changeover standards may not have served the needs of users in the private enterprise sector. The goal of the disclosure requirements for the accounting standards for private enterprises is to provide enough information for users to understand the financial statements and to be able to make informed inquiries about financial statement items or transactions when they require further details. Cost/benefit considerations were also used as an aid in creating the disclosure requirements in Part II. In assessing costs versus benefits, consideration was given not only to individual disclosure requirements but also to the overall number and extent of disclosures.

This re-evaluation resulted in a significant reduction in the number of specific disclosure requirements. Many of the disclosure requirements for NFPOs will be derived from Part II of the *Accounting Handbook*. To facilitate compliance with disclosure requirements, Part II contains a "Compilation of Disclosure Requirements" that reproduces all the specific disclosure requirements in the standards.

(iii) Emerging Issues Committee Abstracts

In creating a principles-based financial reporting system, the AcSB concluded that it would not be appropriate to include the type of detailed guidance contained in the Emerging Issues Committee (EIC) Abstracts. Therefore, the Abstracts have not been carried forward to the new standards. The parts of the Abstracts that were considered to contain significant guidance have been incorporated into the standards in Part II.

First-time adoption

For those private sector NFPOs that choose to apply the standards in Part III, guidance for first-time adoption is contained in FIRST-TIME ADOPTION BY NOT-FOR-PROFIT ORGANIZATIONS, Section 1501. If a private sector NFPO chooses to apply the IFRSs in Part I, guidance for first-time adoption is contained in IFRS 1, FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS. As a significant amount of literature and guidance on first-time adoption of IFRSs already exists, this *Guide* focuses on Section 1501.

To ensure that an entity's first set of financial statements prepared under the new standards is transparent for users and comparable over all periods presented, the overall approach under Section 1501 is a retrospective application with a restatement. This means that all comparative amounts presented in the first set of financial statements prepared under the new accounting framework have to be restated in accordance with the new standards and presented as if the entity always applied these standards.

In some cases, however, retrospective application may lead to costs that outweigh the benefits. Section 1501 provides some specific exemptions from the general retrospective application requirement for certain specific areas. As a result of these exemptions, first-time adoption of the new standards may be straightforward. The exemptions available are related to standards concerning:

- business combinations;
- fair value;
- employee future benefits;
- cumulative translation differences;
- financial instruments; and
- asset retirement obligations.

Section 1501 also includes specific prohibitions of the general retrospective application requirement. These are for areas where changes would involve hindsight. For example, Section 1501 prohibits retrospective application of some aspects of other standards in Part II of the *Accounting Handbook* relating to derecognition of financial assets and financial liabilities, hedge accounting, estimates and non-controlling interests.

To ensure that users can understand the changes when the new standards are adopted, Section 1501 requires an organization to prepare and present an opening statement of financial position at the date of transition. This opening statement of financial position is the starting point for the organization's accounting under the new accounting standards for not-for-profit organizations. The date of transition is the beginning of the earliest period for which an organization presents full comparative information under accounting standards for not-for-profit organizations.

An organization shall use the same accounting policies in its opening statement of financial position and throughout all periods presented in its first financial statements prepared using accounting standards for not-for-profit organizations. In other words, financial statements show the comparative amounts on the same basis of accounting as the amounts for the current period.

The accounting policies that an organization uses in its opening statement of financial position may differ from those it used for the same date under its previous accounting policies. Any resulting adjustments arise from events and transactions before the date of transition to accounting standards for not-for-profit organizations. An organization recognizes such adjustments directly in net assets at the date of transition to accounting standards for not-for-profit organizations. In the year the accounting standards for not-for-profit organizations are adopted, an organization discloses the amount of each charge to net assets at the date of transition and the reason for the charge as well as a reconciliation of the excess of revenue over expenses previously reported in its financial statements to its excess of revenue over expenses under accounting standards for not-for-profit organizations for the same period. Similarly, if an organization presented a statement of cash flows under its previous accounting policies, it shall explain the material adjustments to the statement of cash flows.

For example, for an entity's 2012 calendar year-end, retrospective application of the accounting policies under Section 1501 will require the entity to restate the:

(a) opening statement of financial position as at January 1, 2011 (date of transition);
(b) comparative statement of operations and statement of cash flows for the period ended December 31, 2011;
(c) statement of changes in net assets and statement of financial position as at December 31, 2011; and
(d) comparatives included in the notes to the financial statements for the period 2011.

In addition, the entity needs to disclose, in notes or supporting schedules, the amount of each charge to net assets from that previously reported at January 1, 2011, resulting from the adoption of accounting standards for not-for-profit organizations and the reason therefor; and a reconciliation of the excess of revenues over expenses as previously reported in its financial statements for the period ended December 31, 2011, to its excess of revenue over expenses as restated under accounting standards for not-for-profit organizations for the same period.

Preparing for the transition

Choice of appropriate standards

The implications of the transition to the new accounting standards will depend on what accounting policies an organization is currently applying as well as the nature of its transactions and events. Regardless of the circumstances, becoming familiar with the applicable standards should be the organization's first step.

Once an entity has become familiar with the NFPO standards, it has to decide whether adopting the Part III standards and applicable reference standards in Part II, or IFRSs in Part I, best meets the needs of the users of its financial statements.

Assessing user needs

Financial statements are designed to meet the common information needs of external users of financial information about an entity. External users of the financial statements of private sector NFPOs include members, contributors, creditors and others who do not have internal access to entity information. Determining the most appropriate basis of accounting for NFPOs requires the application of professional judgment. Factors to consider in assessing users' needs include, but are not limited to:
(a) types of users and their information requirements;
(b) need for comparability with peers;
(c) the nature of financing;
(d) related parties; and
(e) reporting requirements.

For example, users may want the entity to report on the same basis as its peers for comparison purposes. If others in an NFPO's peer group report using IFRSs, the NFPO may opt to adopt the standards in Part I to satisfy the users' need for comparability. Similarly, if the NFPO has an association with an international not-for-profit organization, it may wish to adopt Part I. It may also be appropriate for a NFPO to adopt Part I if it is reliant on international sources of financing, for example, United Nations' agencies that require reporting under IFRSs.

Consolidated financial statements are prepared to provide an understandable overview of the full nature and extent of the financial affairs and resources controlled by an organization. Consolidation combines the accounts of organizations within an economic entity on a line-by-line basis, using a uniform basis of accounting and eliminating inter-organizational balances and transactions. The consolidation process is facilitated by having all organizations within the economic group prepare their individual financial statements according to a consistent basis of accounting. The choice of accounting framework may be influenced by the accounting framework used by a controlling entity or other entities within the economic group.

The degree of importance of the factors depends on the particular circumstances in each case, including the nature of an organization's mandate, purpose and objectives. If an organization makes a decision that the most appropriate accounting framework is accounting standards for not-for-profit organizations in Part III, it should carefully consider the exemptions available under FIRST-TIME ADOPTION BY NOT-FOR-PROFIT ORGANIZATIONS, Section 1501, as well as accounting-policy choices under the various sections of the new standards going forward.

Timing of transition

Although the standards in Part III are effective for fiscal years beginning on or after January 1, 2012, private sector NFPOs have the option of early adoption. An entity may wish to adopt the standards for its 2011/12 fiscal year to take advantage of simplified standards, such as employee future benefits, or reduced disclosure requirements. Of course, the decision to adopt early will affect the entity's transition timeline.

An entity should also consider which exemptions in Section 1501 it may want to select. For example, it may choose to apply fair value to its tangible capital assets. (This exemption allows a one-time revaluation of tangible capital assets to fair value and may be desirable for some entities.)

Implementation plan

While implementation of the new standards will differ from entity to entity depending on the type of transactions and events encountered, the choice of an applicable accounting framework and the existing accounting standards used, there are some basic steps to follow:

1. Identify the person or team who will be implementing the new standards.
2. Determine the required training and impact on the entity's human and other resources (e.g., information technology systems to capture and produce the required information).
3. Review FIRST-TIME ADOPTION BY NOT-FOR-PROFIT ORGANIZATIONS, Section 1501, and assess options.
4. Review the entity's financial statement items, transactions and events (as well as familiarize yourself with the applicable sections of the standards) to determine the magnitude of change from current accounting policies.
5. Draft new notes to the financial statements rather than adapting existing notes to the new requirements. This will ensure the entity is not just adding to the notes but is benefiting from the reduction in disclosure. Use the Compilation of Disclosure Requirements in Part II of the *Accounting Handbook*.
6. Consider the impact on other areas of operations, such as funding requirements and applications, debt covenants, banking agreements and employee bonuses.
7. Communicate the differences in the financial statements to key stakeholders such as members, funders, board members, auditors, etc.

VI Government-controlled NFPOs (GNFPOs)

As discussed in the first part of this *Guide*, the *PSA Handbook* was revised and will be the primary source of GAAP for NFPOs controlled by governments. If an organization is controlled by a government and exhibits all the essential characteristics of a GNFPO, it must follow the *PSA Handbook*.

The *PSA Handbook* was revised in December 2010 as part of the transition process, and the revisions included the following:

- Amendments to the Introduction to Public Sector Accounting Standards;
- An Introduction to Accounting Standards that Apply Only to Government Not-for-Profit Organizations;
- FINANCIAL STATEMENT PRESENTATION BY NOT-FOR-PROFIT ORGANIZATIONS, Section PS 4200;
- CONTRIBUTIONS—REVENUE RECOGNITION, Section PS 4210;
- CONTRIBUTIONS RECEIVABLE, Section PS 4220;
- CAPITAL ASSETS HELD BY NOT-FOR-PROFIT ORGANIZATIONS, Section PS 4230;
- COLLECTIONS HELD BY NOT-FOR-PROFIT ORGANIZATIONS, Section PS 4240;
- REPORTING CONTROLLED AND RELATED ENTITIES BY NOT-FOR-PROFIT ORGANIZATIONS, Section PS 4250;
- DISCLOSURE OF RELATED PARTY TRANSACTIONS BY NOT-FOR-PROFIT ORGANIZATIONS, Section PS 4260; and
- DISCLOSURE OF ALLOCATED EXPENSES BY NOT-FOR-PROFIT ORGANIZATIONS, Section PS 4270.

Key changes

Many of the principles and concepts underlying the *Accounting Handbook* and the *PSA Handbook* are similar. If a GNFPO chooses to adopt the *PSA Handbook* with the accounting standards for GNFPOs (the PS 4200 series), it will be able to continue (with a few exceptions) its existing accounting policies for transactions and events covered in the PS 4200 series. Transactions and balances not addressed in the PS 4200 series are, however, covered by other *PSA Handbook* sections, where the accounting requirements may be significantly different from the pre-changeover ones.

If a GNFPO adopts the *PSA Handbook* without the PS 4200 series, there may be other significant changes to its accounting policies. For example, accounting-policy changes may be required in areas such as retirement benefits and post-employment benefits, leased tangible capital assets, financial instruments, revenue recognition and financial statement presentation.

Some of the more significant differences for a GFNPO adopting the *PSA Handbook* without the PS 4200 series include:

- Section PS 1201 requires that financial statements present aggregate information in a different way from fund accounting. When a government organization chooses to provide information about any funds or reserves, it does so only in the notes and schedules to the financial statements.
- Section PS 1201 indicates the statement of financial position should segregate financial and non-financial assets and include a net debt indicator.
- Section PS 1201 requires that a statement of change in net debt be included rather than a statement of changes in net assets.
- Section PS 1201 requires that budgeted information be included on both the statement of operations and statement of change in net debt.
- The *PSA Handbook* does not allow the choice of the deferral method or restricted fund method to recognize revenue.
- Intangible assets, with the exception of computer software, are not recognized.
- The *PSA Handbook* does not have a "size test" for recording tangible capital assets.
- The *PSA Handbook* requires all government not-for-profit organizations to be consolidated and all government business enterprises to be consolidated on a modified equity basis.

For a GNFPO to fully understand the implications of adhering to the *PSA Handbook*, either with or without the PS 4200 series, reference must be made to the standards themselves.

Appendix 2 to this *Guide* includes a Table of Concordance which relates each accounting standard for GNFPOs in the *PSA Handbook* to the corresponding standard in Part V of the *Accounting Handbook*. In addition, for GNFPOs that elect to adopt the *PSA Handbook* with standards for not-for-profit organizations, the following table, contained in the "Introduction to accounting standards that apply only to government not-for-profit organizations," sets out the applicability of other Sections. It points out that Sections are considered to be of general applicability if they address matters that should be considered by all GNFPOs. Other Sections are applicable to the extent that a particular organization has the transactions or circumstances dealt with in the Section. The remaining Sections are of very limited or no applicability to GNFPOs:

Section	General applicability	Applies to GNFPOs with relevant transactions or circumstances	Limited or no applicability to GNFPOs
PS 1000, FINANCIAL STATEMENT CONCEPTS	X[2]		
PS 1100, FINANCIAL STATEMENT OBJECTIVES	X		

2 In the event that the provisions of Section PS 1000 conflict with Sections PS 4210 and PS 4230 on the deferral of contributions and costs, Sections PS 4210 and PS 4230, respectively, apply.

Section	General applicability	Applies to GNFPOs with relevant transactions or circumstances	Limited or no applicability to GNFPOs
PS 1150, GENERALLY ACCEPTED ACCOUNTING PRINCIPLES	X		
PS 1201, FINANCIAL STATEMENT PRESENTATION	X[3]		
PS 1300, GOVERNMENT REPORTING ENTITY			X[4]
PS 2100, DISCLOSURE OF ACCOUNTING POLICIES	X		
PS 2120, ACCOUNTING CHANGES	X		
PS 2130, MEASUREMENT UNCERTAINTY	X		
PS 2400, SUBSEQUENT EVENTS	X		
PS 2500, BASIC PRINCIPLES OF CONSOLIDATION		X	
PS 2510, ADDITIONAL AREAS OF CONSOLIDATION		X	
PS 2601, FOREIGN CURRENCY TRANSLATION		X	
PS 2700, SEGMENT DISCLOSURES	X		
PS 3041, PORTFOLIO INVESTMENTS		X	
PS 3050, LOANS RECEIVABLE		X	
PS 3060, GOVERNMENT PARTNERSHIPS		X	

3 Section PS 1201 applies for preparing the statement of cash flows and statement of remeasurement gains and losses. Section PS 4200 applies for the remaining financial statements.

4 Section PS 4250 applies.

Section	General applicability	Applies to GNFPOs with relevant transactions or circumstances	Limited or no applicability to GNFPOs
PS 3070, INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES			X[5]
PS 3100, RESTRICTED ASSETS AND REVENUES			X[6]
PS 3150, TANGIBLE CAPITAL ASSETS			X[7]
PS 3200, LIABILITIES		X	
PS 3230, LONG-TERM DEBT		X	
PS 3250, RETIREMENT BENEFITS		X	
PS 3255, POST-EMPLOYMENT BENEFITS, COMPENSATED ABSENCES AND TERMINATION BENEFITS		X	
PS 3270, SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE LIABILITY		X	
PS 3300, CONTINGENT LIABILITIES	X		
PS 3310, LOAN GUARANTEES		X	
PS 3390, CONTRACTUAL OBLIGATIONS	X		
PS 3410, GOVERNMENT TRANSFERS			X[8]
PS 3450, FINANCIAL INSTRUMENTS		X	

5 Section PS 4250 applies.

6 Section PS 4210 applies.

7 Section PS 4230 applies.

8 Section PS 3200 applies for grants made. Section PS 4210 applies for government grants received.

First-time adoption

FIRST-TIME ADOPTION BY GOVERNMENT ORGANIZATIONS, Section PS 2125, applies to the first financial statements prepared in accordance with Public Sector Accounting Standards when an organization is transitioning from another basis of GAAP. To ensure that an entity's first set of financial statements prepared under the new standards is transparent for users and comparable over all periods presented, the overall approach requires retroactive application, with restatement of prior periods. This means that all comparative amounts presented in the financial statements have to be restated in accordance with the new standards and presented as if the entity has always applied these standards.

In some cases, however, retroactive application could incur costs that outweigh the benefits. Section PS 2125 provides some specific exemptions from the general retroactive application requirement for certain specific areas. As a result of these exemptions, the first-time adoption of the new standards can be less onerous. A GNFPO may elect to use one or more of the following exemptions related to standards concerning:

- retirement and post-employment benefits;
- business combinations;
- investments in government business enterprises;
- government business partnerships; and
- tangible capital asset impairment.

Section PS 2125 also prohibits retroactive application to accounting estimates. This prohibition has the general intention of eliminating the use of hindsight in the measurement of estimates.

To ensure users will be able to understand the changes when the new standards are adopted, Section PS 2125 requires a GNFPO to prepare and present an opening statement of financial position at the date of transition to Public Sector Accounting Standards. This statement is the starting point for the GNFPO's accounting in accordance with Public Sector Accounting Standards. The date of transition is the beginning of the earliest period for which a GNFPO presents full comparative information in accordance with Public Sector Accounting Standards.

A GNFPO should use the same accounting policies in its restatement of all prior periods presented as it does in its opening statement of financial position prepared in accordance with Public Sector Accounting Standards. In other words, the financial statements show comparative amounts on the same basis as the actual amounts for the current period.

The accounting policies that a GNFPO uses in its opening statement of financial position prepared in accordance with Public Sector Accounting Standards may differ from those it used for the same date under its previous accounting policies. Any resulting adjustments arise from events and transactions before the date of transition to Public Sector Accounting Standards. A GNFPO should recognize such adjustments directly in net assets (if the *PSA Handbook* with the PS 4200 series is adopted) or accumulated surplus or deficit (if the *PSA Handbook* without the PS 4200 series is adopted) at the date of transition to Public Sector Accounting Standards. In the year of adopting the Public Sector Accounting Standards, a GNFPO discloses the amount of each charge at the date of transition to net assets as previously reported in its statement of financial position along with the reasons for the changes. It also discloses a reconciliation of the excess of revenue over expenses, previously reported in its statement of operations, to its excess of revenue over expenses (if the *PSA Handbook* with the PS 4200 series is adopted) or annual surplus or deficit (if the *PSA Handbook* without the PS 4200 series is adopted) under Public Sector Accounting Standards for the same period.

For example, for an entity's March 31, 2013, fiscal period, retroactive application of the accounting policies under Section PS 2125 will require restating the:
(a) opening statement of financial position as at April 1, 2011 (date of transition);
(b) comparative statements of operations, cash flows and, if the *PSA Handbook* with the PS 4200 series is adopted, change in net assets for the period ended March 31, 2012;
(c) statement of financial position as at March 31, 2012; and
(d) comparatives included in the notes to the financial statements for the period 2012.

In addition, the entity needs to disclose in the notes the amount of each charge to net assets as previously reported in its statement of financial position as at March 31, 2011, resulting from the adoption of Public Sector Accounting Standards to arrive at its net assets (if the *PSA Handbook* with the PS 4200 series is adopted) or accumulated surplus or deficit (if the *PSA Handbook* without the PS 4200 series is adopted) at April 1, 2011, as well as the reasons for the charges. The entity also needs to disclose a reconciliation of the excess of revenue over expense reported in its statement of operations for the period ended March 31, 2012, to its excess of revenues over expenses (if the *PSA Handbook* with the PS 4200 series is adopted) or its annual surplus or deficit (if the *PSA Handbook* without the PS 4200 series is adopted) under Public Sector Accounting Standards for the same period.

As well, if the GNFPO adopts the *PSA Handbook* without the PS 4200 series, the reporting model in PS 1201 would require a statement of changes in net debt. Comparative amounts would be required in this statement.

Preparing for the transition

Choice of standards

The implications of the transition to Public Sector Accounting Standards will depend on what accounting policies the GNFPO is currently applying and the nature of its transactions and events. Regardless of the GNFPO's circumstances, becoming familiar with the applicable standards should be the first step.

As discussed earlier, GNFPOs will be required to adopt the standards in the *PSA Handbook* either with or without Sections PS 4200 to PS 4270. Transitioning to Public Sector Accounting Standards from Part V may be a significant undertaking for a GNFPO because of the differences between them, for example, concerning the following topics:

- financial instruments;
- employee future benefits;
- business combinations;
- loan guarantees;
- impairment of assets; and
- revenue and deferred revenue.

Once a GNFPO has become familiar with the standards, it needs to decide which option best meets the needs and expectations of its financial statement users. Determining the most appropriate basis of accounting for a GNFPO requires the application of professional judgment. The standards in the *PSA Handbook* generally meet the needs of users of general purpose financial statements of government organizations. When these standards do not meet these users' needs, the GNFPO should consider adopting the *PSA Handbook* with the sections for NFPOs. FINANCIAL STATEMENT CONCEPTS, Section PS 1000 include factors to consider in assessing user needs.

Once an entity has decided to adopt the *PSA Handbook* with or without accounting standards for not-for-profit organizations, it should carefully consider the exemptions available under FIRST-TIME ADOPTION BY GOVERNMENT ORGANIZATIONS, Section PS 2125, as well as accounting-policy choices under the various sections of the *PSA Handbook* going forward.

It should be noted, that unlike private NFPOs, GNFPOs do not have the option of adopting IFRSs.

Timing of transition

For fiscal periods beginning on or after January 1, 2012, GNFPOs are required to transition from Part V (pre-changeover accounting standards) of the *Accounting Handbook* to the *PSA Handbook*, with or without Sections PS 4200 to PS 4270.

A GNFPO can elect to adopt the *PSA Handbook* early. A GNFPO that chooses to do so should be prepared to adopt new standards for financial instruments and foreign currency translation early to avoid having to transition to the new standards on their effective date.

Implementation plan

While implementation of the *PSA Handbook* will differ from entity to entity depending on the type of transactions and the existing set of accounting standards used, there are some basic steps to follow:

1. Identify the person or team who will be implementing the new standards.
2. Determine the required training and impact on the entity's human and other resources (e.g., information technology systems to capture and produce the required information).
3. Review FIRST-TIME ADOPTION BY GOVERNMENT ORGANIZATIONS, Section PS 2125, and assess options and requirements.
4. Review the entity's transactions and events and become familiar with the applicable sections of the standards to determine the magnitude of change from current financial statements.
5. Draft new notes to the financial statements rather than adapting the existing notes to new requirements. This will ensure compliance with the *PSA Handbook* requirements.
6. Consider the impact on other areas of operations such as funding requirements and applications, debt covenants, banking agreements and employee bonuses.
7. Communicate the differences in the financial statements with key stakeholders such as funders, board members, etc.

VII Keeping abreast of changes

The AcSB and the PSAB are committed to ensuring that accounting standards for NFPOs keep pace with the dynamic and changing needs of this vital segment of the Canadian economy. Like all standards, the accounting standards for NFPOs will not remain static. The AcSB, in collaboration with the PSAB, will continue to review the standards to identify necessary improvements. The objective of the collaborative review will be to have similar treatment accorded to similar transactions by all not for-profit organizations. Additionally, changes may also result from a need to address new circumstances and to keep the standards current. For example, at the date of writing, the AcSB is considering comments received on an Exposure Draft proposing amendments to the standards for employee future benefits. Amendments to existing standards will affect private enterprises, not-for-profit organizations and pension plans that have chosen the deferral and amortization approach for their defined-benefit plans.

A Joint Not-for-Profit Task Force has been established to review the accounting standards for NFPOs in both the private and public sectors. Members of the Task Force are volunteers from across Canada who represent a cross-section of stakeholders, including financial statement users, financial statement preparers and accounting professionals.

The primary objective of the project is to propose improvements to the specific standards for not-for-profit organizations in each of the *Accounting Handbook* and the *PSA Handbook* (the 4400/PS 4200 series) to achieve an appropriate level of consistency between private and public sector standards while still meeting the financial statement objectives and user needs in the two sectors.

Any changes to the standards will go through the AcSB's and PSAB's normal due process, including exposure of draft proposals for comment.

The Joint Not-for-Profit Task Force commenced its review in January 2011. It is expected to develop an omnibus Statement of Principles (SOP) for release, subject to review and approval by the two Boards, for public comment in late 2012. The Task Force does acknowledge, however, that this is an ambitious schedule given the complexity of a number of the issues and some fundamental differences that currently exist between the private and public sector "reference standards," i.e., the standards in Part II of the *Accounting Handbook* and the *PSA Handbook* excluding the PS 4200 series.

The SOP would communicate the general principles proposed for each topic covered in the 4400/PS 4200 series and the basis for these principles. Some of the principles are likely to require changes in the accounting policies presently being followed by not-for-profit organizations in both sectors, and many of these changes are significant.

VIII Additional resources

Other resources include:

1. Summary Comparison of *CICA Public Sector Accounting Handbook* and *CICA Handbook–Accounting* as of June 30, 2011.
2. Summary Comparison of the PS 4200 Series and Other Standards in the *CICA Public Sector Accounting Handbook* as of March 31, 2011.
3. FAQ: Accounting Standards for Government Not-for-Profit Organizations (GNFPOs).
4. FAQ: Accounting Standards for Private Sector Not-for-Profit Organizations (NFPOs).
5. Accounting Standards for Not-for-Profit Organizations, *CICA Handbook–Accounting*, Part III, Background Information and Basis for Conclusions, March 2011.
6. Accounting Standards that Apply Only to Government Not-for-Profit Organizations, Sections PS 4200 to PS 4270, Basis for Conclusion, December 2010.

Article

1. The Canadian Institute of Chartered Accountants (CICA), "Public Sector Not-for-profit Organizations Face Decisions," *FMI*IGF JOURNAL*, VOLUME 22, NO. 3 (Spring/Summer 2011).

Other material for NFPO accounting standards is available on the CICA websites at: **www.cica.ca/applying-the-standards/not-for-profit-organizations**.

For more information, visit the CICA website at **www.cica.ca** or your provincial institute/Ordre website.

Appendix 1

Table of concordance—*CICA Handbook–Accounting* Part III and Part II

The following Table of concordance relates each accounting standard for private sector not-for-profit organizations in Part III and Part II of the *CICA Handbook–Accounting* to the corresponding standard in Part V of the *CICA Handbook–Accounting*. The table does not include differences in disclosure requirements which, however, are discussed in Section V of this *Guide*.

CICA Handbook–Accounting Part V	*CICA Handbook–Accounting* Part III and Part II	Comparison of accounting treatments	Significance of differences*
Section 1000, *Financial Statement Concepts*	Section 1001, *Financial Statement Concepts for Not-for-profit Organizations*	With respect to financial statement concepts for not-for-profit organizations, Section 1001, Part III, is **converged** with Section 1000, Part V.	Not significant
Section 1100, *Generally Accepted Accounting Principles*	Section 1101, *Generally Accepted Accounting Principles for Not-for-profit Organizations*	Section 1101, Part III, is **converged** with Section 1100, Part V.	Not significant
Section 1400, *General Standards of Financial Statement Presentation*	Section 1401, *General Standards of Financial Statement Presentation for Not-for-profit Organizations*	With respect to the general standards of financial statement presentation for not-for-profit organizations, Section 1401, Part III, is **converged** with Section 1400, Part V.	Not significant
—	Section 1501, *First-time Adoption by Not-for-profit Organizations*	**No corresponding standard** in Part V.	Significant on first-time adoption of Part III
Section 1505, *Disclosure of Accounting Policies*	Section 1505, *Disclosure of Accounting Policies*	All requirements in this Section relate to disclosures, which are outside the scope of this summary comparison.	N/A

* Assessment of the significance of the differences is a judgment made by the author in general terms. A difference may be significant to a particular transaction or entity depending on its materiality or nature.

CICA Handbook–Accounting **Part V**	*CICA Handbook–Accounting* **Part III and Part II**	**Comparison of accounting treatments**	**Significance of differences**
Section 1506, *Accounting Changes*	Section 1506, *Accounting Changes*	Section 1506, Part II, is **converged** with Part V, except that Section 1506, Part II, permits certain accounting policy choices to be changed without meeting the criterion in 1506.06 for providing more relevant or reliable information (see 1506.09).	Significant
Section 1508, *Measurement Uncertainty*	Section 1508, *Measurement Uncertainty*	All requirements in this Section relate to disclosures, which are outside the scope of this summary comparison.	N/A
Section 1510, *Current Assets and Current Liabilities*	Section 1510, *Current Assets and Current Liabilities*	Section 1510, Part II, is **converged** with Part V. The following Sections in Part V have been incorporated into Section 1510, Part II: • Section 3000 (see 1510.07); and • Section 3040 (see 1510.06). Certain guidance from the following EIC Abstracts has been included in Section 1510, Part II: • EIC-59 (see 1510.14); and • EIC-122 (see 15010.13).	None
Section 1535, *Capital Disclosures*	—	**No corresponding standard** in Part II.	N/A
Section 1540, *Cash Flow Statement*	Section 1540, *Cash Flow Statement*	Section 1540, Part II, is **converged** with Part V. However, under Part II, all enterprises must provide a cash flow statement.	Significant for not-for-profit organizations that do not provide a cash flow statement under Part V standards.
Section 1601, *Consolidated Financial Statements*	Section 1601, *Consolidated Financial Statements*	Section 1601, Part II, is **converged** with Part V.	None

CICA Handbook – Accounting Part V	*CICA Handbook – Accounting* Part III and Part II	Comparison of accounting treatments	Significance of differences*
Section 1602, *Non-controlling Interests*	Section 1602, *Non-controlling Interests*	Section 1602, Part II, is **converged** with Part V.	Not significant
Section 1651, *Foreign Currency Translation*	Section 1651, *Foreign Currency Translation*	Section 1651, Part II, is **converged** with Part V.	Not significant
Section 1751, *Interim Financial Statements*	—	**No corresponding standard** in Part II.	N/A
Section 3000, *Cash*	—	**No corresponding standard** in Part II. Guidance from Part V incorporated in Section 1510, Part II (see 1510.07).	N/A
Section 3020, *Accounts and Notes Receivable*	—	**No corresponding standard** in Part II. Guidance from Part V incorporated in Section 3856, Part II (see 3856.39).	N/A
Section 3025, *Impaired Loans*	—	**No corresponding standard** in Part II. Guidance provided in Section 3856, Part II, differs from that in Section 3025 (see 3856.16-.19) in that alternative measurements are possible. When measurement of impairment is based on recoverable amount, these estimates are discounted using market interest rates rather than the original effective interest rate.	Not significant
Section 3031, *Inventories*	Section 3032, *Inventories Held by Not-for-profit Organizations*	With respect to inventories held by not-for-profit organizations, Section 3032, Part III, is **converged** with Section 3031, Part V.	Not significant
Section 3040, *Prepaid Expenses*	—	**No corresponding standard** in Part II. Guidance from Part V incorporated in Section 1510, Part II (see 1510.06).	N/A
Section 3051, *Investments*	Section 3051, *Investments*	Section 3051, Part II, is **converged** with Part V.	Not significant

CICA Handbook – Accounting Part V	*CICA Handbook – Accounting* Part III and Part II	Comparison of accounting treatments	Significance of differences
Section 3055, *Interests in Joint Ventures*	Section 3055, *Interests in Joint Ventures*	Section 3055, Part II, **differs** from Part V. Significant differences are noted below. Under Section 3055, Part II, an enterprise may account for interests in joint ventures using proportionate consolidation, the cost method or the equity method. This is consistent with the differential reporting options in Part V. The impairment provisions in Section 3055, Part II, are consistent with those in Section 3856, Part II.	Not significant
Section 3065, *Leases*	Section 3065, *Leases*	Section 3065, Part II, is **converged** with Part V, except that the requirements for (a) removing a lease liability from a lessee's balance sheet, and (b) the impairment testing of lease receivables of a lessor in Section 3065, Part II, are consistent with those in Section 3856, Part II. Certain guidance from the following EIC Abstracts has been incorporated into Section 3065, Part II: • EIC-19 (see 3065.03(r)); • EIC-21 (see 3065.27); • EIC-25 (see 3065.64 and Illustrative Examples 3 and 4); • EIC-52 (see 3065.25 and Illustrative Example 5); and • EIC-97 (see 3065.26).	Not significant
Section 3110, *Asset Retirement Obligations*	Section 3110, *Asset Retirement Obligations*	Section 3110, Part II, is **converged** with Part V except that the measurement requirements have been simplified. Under Section 3110, Part II, asset retirement obligations are measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, rather than at fair value.	Not significant

CICA Handbook – Accounting Part V	*CICA Handbook – Accounting* Part III and Part II	Comparison of accounting treatments	Significance of differences*
Section 3210, *Long-term Debt*	—	**No corresponding standard** in Part II. Guidance provided in Section 3856, Part II.	N/A
Section 3280, *Contractual Obligations*	Section 3280, *Contractual Obligations*	All requirements in this Section relate to disclosures, which are outside the scope of this summary comparison.	N/A
Section 3290, *Contingencies*	Section 3290, *Contingencies*	Section 3290, Part II, is **converged** with Part V.	None
Section 3400, *Revenue*	Section 3400, *Revenue*	Section 3400, Part II, is **converged** with Part V. Certain guidance from the following EICs has been incorporated into Section 3400, Part II: • EIC-78 (see 3400.17); • EIC-79 (see 3400.22); • EIC-123 (see 3400.23-.24); • EIC-141 (see 3400.07-.10); • EIC-142 (see 3400.11); • EIC-144 (see 3400.25-.27); and • EIC-156 (see 3400.28).	None

CICA Handbook – Accounting Part V	*CICA Handbook – Accounting* Part III and Part II	Comparison of accounting treatments	Significance of differences
Section 3461, *Employee Future Benefits*	Section 3461, *Employee Future Benefits*	Section 3461, Part II **differs** from Part V. Section 3461, Part II, permits defined benefit plans to be recognized and measured using either: • an "immediate recognition approach," whereby the accounting is based on a funding valuation, the funded status of the plan is recognized on the balance sheet and there is no deferral or amortization of actuarial gains and losses or past service costs; or • the "deferral and amortization approach" as in Part V, which requires a separate valuation for accounting purposes and deferral and amortization is required for past service costs and permitted for actuarial gains and losses. The definition of a defined-benefit and a defined-contribution plan has been modified. The difference is not expected to be significant for most not-for-profit organizations.	Not significant
Section 3475, *Disposal of Long-lived Assets and Discontinued Operations*	Section 3475, *Disposal of Long-lived Assets and Discontinued Operations*	Section 3475, Part II, is **converged** with Part V.	None
Section 3480, *Extraordinary Items*	—	**No corresponding standard** in Part II.	N/A
Section 3820, *Subsequent Events*	Section 3820, *Subsequent Events*	Section 3820, Part II, is **converged** with Part V.	None
Section 3831, *Non-monetary Transactions*	Section 3831, *Non-monetary Transactions*	Section 3831, Part II, is **converged** with Part V.	None

CICA Handbook – Accounting Part V	*CICA Handbook – Accounting* Part III and Part II	Comparison of accounting treatments	Significance of differences*
Section 3850, *Interest Capitalized*	Section 3850, *Interest Capitalized*	All requirements in this Section relate to disclosures, which are outside the scope of this summary comparison.	N/A
Section 3855, *Financial Instruments – Recognition and Measurement*	Section 3856, *Financial Instruments*	With respect to categorization of financial instruments, Section 3856, Part II, **differs** from Section 3855, Part V. With respect to measurement of financial instruments, Section 3856, Part II, is **converged** with Section 3855, Part V.	The change in categorization of financial instruments and related measurement may be significant to some not-for-profit organizations.
Section 3861, *Financial Instruments – Disclosure and Presentation*	Section 3856, *Financial Instruments*	With respect to presentation, Section 3856, Part II, is **converged** with Section 3861, Part V.	Not significant
Section 3862, *Financial Instruments – Disclosures*	Section 3856, *Financial Instruments*	All requirements in this Section relate to disclosures, which are outside the scope of this summary comparison.	N/A
Section 3863, *Financial Instruments – Presentation*	Section 3856, *Financial Instruments*	With respect to presentation, Section 3856, Part II, is **converged** with Section 3863, Part V.	Not significant
Section 3865, *Hedges*	Section 3856, *Financial Instruments*	With respect to hedge accounting, Section 3856, Part II, **differs** from Section 3865, Part V.	Not significant
Section 4250, *Future-oriented Financial Information*	—	**No corresponding standard** in Part II.	N/A

CICA Handbook – Accounting Part V	*CICA Handbook – Accounting* Part III and Part II	Comparison of accounting treatments	Significance of differences
Section 4400, *Financial Statement Presentation by Not-for-profit Organizations*	Section 4400, *Financial Statement Presentation by Not-for-profit Organizations*	Section 4400, Part III, is **converged** with Part V. Section 4400 has been amended to remove material related to interim financial statements and material that conformed with the concept of other comprehensive income, which previously required some results to be reported in the statement of changes in net assets. Those two matters are not included in the standards in Part II.	None
Section 4410, *Contributions – Revenue Recognition*	Section 4410, *Contributions – Revenue Recognition*	Section 4410, Part III, is **converged** with Part V.	None
Section 4420, *Contributions Receivable*	Section 4420, *Contributions Receivable*	Section 4420, Part III, is **converged** with Part V.	None
Section 4430, *Capital Assets Held by Not-for-profit Organizations*	Section 4431, *Tangible Capital Assets Held by Not-for-profit Organizations*, Section 4432, *Intangible Assets Held by Not-for-profit Organizations*, Section 3064, *Goodwill and Intangible Assets*	Sections 4431 and 4432, Part III, are **converged** with Section 4430, Part V. However, Section 4432, Part III, **differs** from Section 4430, Part V, because it directs not-for-profit organizations to apply the requirements in Section 3064, Part II (other than those dealing with impairment of intangible assets). Section 3064, Part II, applies, for example, to: development costs (e.g., costs related to a series of plays or concerts, gallery exhibitions, and fundraising events and campaigns), selling, administrative and other general overhead expenditures.	Not significant The requirement to apply Section 3064, Part II may be significant to some not-for-profit organizations.
Section 4440, *Collections Held by Not-for-profit Organizations*	Section 4440, *Collections Held by Not-for-profit Organizations*	Section 4440, Part III, is **converged** with Part V.	None

CICA Handbook – Accounting Part V	*CICA Handbook – Accounting* Part III and Part II	Comparison of accounting treatments	Significance of differences*
Section 4450, *Reporting Controlled and Related Entities by Not-for-profit Organizations*	Section 4450, *Reporting Controlled and Related Entities by Not-for-profit Organizations*	Section 4450, Part III, is **converged** with Part V. BUSINESS COMBINATIONS, Section 1582 in Part II of the *Accounting Handbook*, does not apply to a combination of not-for-profit organizations, nor does it apply to the acquisition of a profit-oriented enterprise by a not-for-profit organization.	None
Section 4460, *Disclosure of Related Party Transactions by Not-for-profit Organizations*	Section 4460, *Disclosure of Related Party Transactions by Not-for-profit Organizations*	All requirements in this Section relate to disclosures, which are outside the scope of this summary comparison.	N/A
Section 4470, *Disclosure of Allocated Expenses by Not-for-profit Organizations*	Section 4470, *Disclosure of Allocated Expenses by Not-for-profit Organizations*	All requirements in this Section relate to disclosures, which are outside the scope of this summary comparison.	N/A

Appendix 2

Table of concordance—*PSA Handbook*

The following Table of concordance relates each accounting standard for government not-for-profit organizations in the *CICA Public Sector Accounting Handbook* (*PSA Handbook*) to the corresponding standard in Part V of the *CICA Handbook–Accounting*. The table does not include differences in disclosure requirements. The assessment of the significance of differences is based on the assumption that a government not-for-profit organization has chosen to adhere to the standards for not-for-profit organizations in the *PSA Handbook*. The significance of differences may be greater for those government not-for-profit organizations transitioning to the standards in the *PSA Handbook* without Sections PS 4200 to PS 4270. For more information on these differences, refer to the Summary Comparison of the PS 4200 Series and Other Standards in the *CICA Public Sector Accounting Handbook* prepared by the staff of the Public Sector Accounting Board.

CICA Handbook– Accounting Part V	*CICA Public Sector Accounting Handbook*	Comparison of accounting treatments	Significance of differences*
Section 1000, *Financial Statement Concepts*	PS 1000, *Financial Statement Concepts*	PS 1000 is **converged** with Section 1000, Part V except with respect to the elements of financial statements. Accumulated surplus or deficit represents the net economic resources of a public sector entity. It is the residual between assets and liabilities. Specific categories of items comprising accumulated surplus or deficit, such as reserves and reserve funds, are not disclosed on the face of the statements. Under Public Sector Guideline PSG 4, *Funds and Reserves* information about funds and reserves is disclosed in notes and schedules.	Not significant
Section 1100, *Generally Accepted Accounting Principles*	PS 1150, *Generally Accepted Accounting Principles*	PS 1150 is **converged** with Section 1100, Part V.	Not significant
—	PS 1100, *Financial Statement Objectives*	**No corresponding standard** in Part V.	Not significant
Section 1300, *Differential Reporting*	—	**No corresponding standard** in *PSA Handbook*.	N/A

* Assessment of the significance of the differences is a judgment made by the author in general terms. A difference may be significant to a particular transaction or entity depending on its materiality or nature.

CICA Handbook – Accounting Part V	*CICA Public Sector Accounting Handbook*	Comparison of accounting treatments	Significance of differences*
Section 1400, *General Standards of Financial Statement Presentation*	PS 1201, *Financial Statement Presentation*	With respect to general reporting requirements, PS 1201 is **converged** with Section 1400, Part V.	Not significant
Section 1505, *Disclosure of Accounting Policies*	PS 2100, *Disclosure of Accounting Policies*	All requirements in this Section relate to disclosures, which are outside the scope of this summary comparison.	N/A
Section 1506, *Accounting Changes*	PS 2120, *Accounting Changes*	PS 2120 is **converged** with Section 1506, Part V.	Not significant
—	PS 2125, *First-time Adoption by Government Organizations*	**No corresponding standard** in Part V.	Significant on first-time adoption of *PSA Handbook*
Section 1508, *Measurement Uncertainty*	PS 2130, *Measurement Uncertainty*	All requirements in this Section relate to disclosures, which are outside the scope of this summary comparison.	N/A
Section 1510, *Current Assets and Current Liabilities*	PS 1201, *Financial Statement Presentation*	With respect to classification in the statement of financial position, PS 1201 **differs** from Section 1510, Part V. While PS 1201 does not have a current/non-current classification requirement, a GNFPO adopting the *PSA Handbook* with the PS 4200 series would still perform a classification similar to 1510.	Significant
Section 1535, *Capital Disclosures*	—	**No corresponding standard** in *PSA Handbook*.	N/A
Section 1540, *Cash Flow Statement*	PS 1201, *Financial Statement Presentation*	With respect to the statement of cash flow, PS 1201 is **converged** with Section 1540, Part V. However, PS 1201 requires a separate capital category to be presented on the statement of cash flow.	Not significant

CICA Handbook – Accounting Part V	*CICA Public Sector Accounting Handbook*	Comparison of accounting treatments	Significance of differences
Section 1601, *Consolidated Financial Statements*	PS 2500, *Basic Principles of Consolidation*	PS 2500 is **converged** with Section 1601, Part V. However, PS 2500 requires government business enterprises (GBEs) to be accounted for by the modified equity method.	Not significant
Section 1602, *Non-controlling Interests*	PS 2510, *Additional Areas of Consolidation*	With respect to non-controlling interests, PS 2510 **differs** from Section 1602, Part V. When a non-controlling interest exists in a governmental unit, the governmental reporting entity is required by PS 2510 to include that governmental unit in its financial statements on a proportionate consolidation basis.	Not significant
Section 1651, *Foreign Currency Translation*	PS 2601, *Foreign Currency Translation*	PS 2601 is **converged** with Section 1651, Part V.	Not significant
Section 1701, *Segment Disclosures*	PS 2700, *Segment Disclosures*	Section 1701, Part V, has **limited** or **no** applicability to not-for-profit organizations. However, PS 2700 has **general** applicability to not-for-profit organizations. All requirements in this Section relate to disclosures, which are outside the scope of this summary comparison.	N/A
Section 1751, *Interim Financial Statements*	—	**No corresponding standard** in *PSA Handbook*.	N/A
Section 3000, *Cash*	—	**No corresponding standard** in *PSA Handbook*.	N/A
Section 3020, *Accounts and Notes Receivable*	—	**No corresponding standard** in *PSA Handbook*.	N/A
Section 3025, *Impaired Loans*	PS 3050, *Loans Receivable*	With respect to write-offs, PS 3050 is **converged** with Section 3020, Part V.	Not significant

CICA Handbook – Accounting Part V	*CICA Public Sector Accounting Handbook*	Comparison of accounting treatments	Significance of differences*
Section 3031, *Inventories*	—	**No corresponding standard** in *PSA Handbook*.	N/A
Section 3051, *Invest-ments*	PS 3041, *Portfolio Investments*	PS 3041 **differs** from Section 3051, Part V. PS 3041 does not contain a "signifi-cant influence" concept, which results in a difference in the method of accounting for some types of investments.	Not significant
Section 3055, *Interests in Joint Ventures*	PS 3060, *Government Partnerships*	PS 3060 **differs** from Section 3055, Part V. The modified equity basis is used, in accordance with PS 3060, to account for joint ventures in government business partnerships (i.e., GBEs).	Not significant
Section 3065, *Leases*	PSG-2, *Leased Tangible Capital Assets* and PSG-5, *Sale-Leaseback Transactions*	With respect to leases, PSG-2 is con-verged with Section 3065, Part V. With respect to sale-leasebacks, PSG-5 **differs** from Section 3065, Part V.	Not significant
Section 3110, *Asset Retirement Obligations*	PS 3200, *Liabilities*, PS 3260, *Liability for Contaminated Sites*, PS 3270, *Solid Waste Landfill Closure and Post-Closure Liability*	**No corresponding standard** in *PSA Handbook*. However, the general requirements of a liability in PS 3200 do apply. In addition, PS 3260 specifically addresses the accounting for the liability for the remediation of contaminated sites and PS 3270 specifically addresses the accounting for the liability for closure and post-closure care of a solid waste landfill site.	Not significant
Section 3210, *Long-term Debt*	PS 3230, *Long-term Debt*	Almost all requirements in this Section relate to disclosures, which are outside the scope of this summary comparison.	N/A
Section 3280, *Con-tractual Obligations*	PS 3390, *Contractual Obligations*	All requirements in this Section relate to disclosures, which are outside the scope of this summary comparison.	N/A

CICA Handbook – Accounting Part V	*CICA Public Sector Accounting Handbook*	Comparison of accounting treatments	Significance of differences
Section 3290, *Contingencies*	PS 3300, *Contingent Liabilities* and PS 3310, *Loan Guarantees*	PS 3300 and PS 3310 are **converged** with Section 3290, Part V.	Not significant
Section 3400, *Revenue*	PS 1000, *Financial Statement Concepts*	**No corresponding standard** in *PSA Handbook*. However, the general recognition criteria in PS 1000 apply for revenues. Revenues, including gains, are recognized in the period in which the transaction or event occurred that gave rise to the revenues.	Not significant
Section 3461, *Employee Future Benefits*	PS 3250, *Retirement Benefits* and PS 3255, *Post-employment Benefits, Compensated Absences and Termination Benefits*	PS 3250 and PS 3255 are **converged** with Section 3461, Part V. However, PS 3250 **differs** from Section 3461, Part V, with respect to the recognition of actuarial gains and losses for defined-benefit plans, the discount rate used in actuarial valuations and the accounting for sick-pay benefits that do not vest.	Significant
Section 3475, *Disposal of Long-lived Assets and Discontinued Operations*	—	With respect to discontinued operations, **no corresponding standard** in *PSA Handbook*.	N/A
Section 3480, *Extraordinary Items*	—	**No corresponding standard** in *PSA Handbook*.	N/A
Section 3820, *Subsequent Events*	PS 2400, *Subsequent Events*	PS 2400 is **converged** with Section 3820, Part V.	Not significant
Section 3831, *Non-monetary Transactions*	—	**No corresponding standard** in *PSA Handbook*.	N/A
Section 3855, *Financial Instruments – Recognition and Measurement*	PS 3450, *Financial Instruments*	With respect to categorization and measurement of financial instruments, PS 3450 **differs** from Section 3855, Part V.	Not significant

CICA Handbook – Accounting Part V	*CICA Public Sector Accounting Handbook*	Comparison of accounting treatments	Significance of differences*
Section 3861, *Financial Instruments – Disclosure and Presentation*	PS 3450, *Financial Instruments*	With respect to presentation, PS 3450 is **converged** with Section 3861, Part V.	Not significant
Section 3862, *Financial Instruments – Disclosures*	PS 3450, *Financial Instruments*	All requirements in this Section relate to disclosures, which are outside the scope of this summary comparison.	N/A
Section 3863, *Financial Instruments – Presentation*	PS 3450, *Financial Instruments*	With respect to presentation, PS 3450 is **converged** with Section 3863, Part V.	Not significant
Section 3865, *Hedges*	—	**No corresponding standard** in *PSA Handbook*.	N/A
Section 4250, *Future-oriented Financial Information*	—	**No corresponding standard** in *PSA Handbook*.	N/A
Section 4400, *Financial Statement Presentation by Not-for-profit Organizations*	PS 4200, *Financial Statement Presentation by Not-for-profit Organizations*	PS 4200 is **converged** with Section 4400, Part V.	Not significant
Section 4410, *Contributions – Revenue Recognition*	PS 4210, *Contributions – Revenue Recognition*	PS 4210 is **converged** with Section 4410, Part V.	Not significant
Section 4420, *Contributions Receivable*	PS 4220, *Contributions Receivable*	PS 4220 is **converged** with Section 4420, Part V.	Not significant
Section 4430, *Capital Assets Held by Not-for-profit Organizations*	PS 4230, *Capital Assets Held by Not-for-profit Organizations*	PS 4230 is **converged** with Section 4430, Part V.	Not significant
Section 4440, *Collections Held by Not-for-profit Organizations*	PS 4240, *Collections Held by Not-for-profit Organizations*	PS 4240 is **converged** with Section 4440, Part V.	Not significant

***CICA Handbook – Accounting* Part V**	***CICA Public Sector Accounting Handbook***	**Comparison of accounting treatments**	**Significance of differences**
Section 4450, *Reporting Controlled and Related Entities by Not-for-profit Organizations*	PS 4250, *Reporting Controlled and Related Entities by Not-for-profit Organizations*	PS 4250 is **converged** with Section 4450, Part V.	Not significant
Section 4460, *Disclosure of Related Party Transactions by Not-for-profit Organizations*	PS 4260, *Disclosure of Related Party Transactions by Not-for-profit Organizations*	All requirements in this Section relate to disclosures, which are outside the scope of this summary comparison.	N/A
Section 4470, *Disclosure of Allocated Expenses by Not-for-profit Organizations*	PS 4270, *Disclosure of Allocated Expenses by Not-for-profit Organizations*	All requirements in this Section relate to disclosures, which are outside the scope of this summary comparison.	N/A

List of acronyms

AcSB	Accounting Standards Board (Canada)
CICA	Canadian Institute of Chartered Accountants
EIC	Emerging Issues Committee
GAAP	Generally Accepted Accounting Principles
GNFPO	Government Not-for-profit Organization
Guide	**Guide to Accounting Standards for Not-for-Profit Organizations in Canada**
Accounting Handbook	*CICA Handbook–Accounting*
IFRSs	International Financial Reporting Standards
NFPO	Not-for-profit Organization
PSA Handbook	*CICA Public Sector Accounting Handbook*
PSAB	Public Sector Accounting Board
PICA/Ordre	Provincial Institutes of Chartered Accountants/Comptables Agréés

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