



Financial Statement Presentation¹

Effective Date
Fiscal years beginning on or after January 1, 2011²

OVERALL CONSIDERATIONS

FAIR PRESENTATION IN ACCORDANCE WITH GAAP

- Financial statements are required to present fairly in accordance with GAAP the financial position, results of operations and cash flows of an entity.
- Fair presentation in accordance with GAAP is accomplished by:
 - Applying Section 1100, *Generally Accepted Accounting Principles*.
 - Providing sufficient information about transactions or events that are of a size, nature and incidence that their disclosure is necessary to understand their effect on the entity's financial position, results of operations and cash flows for the periods presented; and
 - Providing information in a clear and understandable manner.

GOING CONCERN

- Financial statements are required to be prepared on a going concern basis, unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.
- Management must disclose material uncertainties about an entity's ability to continue as a going concern.
- If the financial statements are not prepared on a going concern basis, this fact, the reason why the entity is not considered a going concern and the basis on which the financial statements are prepared must be disclosed.

GENERAL PURPOSE FINANCIAL STATEMENTS

- An entity selects one set of accounting policies in a period to use to prepare its general purpose financial statements in accordance with ASPE. Any additional sets of financial statements prepared that use alternative accounting policies in accordance with ASPE, must refer to the general purpose financial statements.

COMPARATIVE INFORMATION

- Financial statements are prepared on a comparative basis unless comparative information is not significant or the standards in ASPE permit otherwise.

BASIS OF PREPARATION

- Financial statements prepared in accordance with ASPE must state this basis of presentation prominently in the notes.

ACCOUNTING POLICIES

- An enterprise's financial statements must include a clear and concise description of the significant accounting policies adopted.
- As a minimum, disclosure of information on accounting policies must be provided in the following situations:
 - When a selection is made from alternative acceptable accounting principles and methods;
 - When accounting principles and methods used are peculiar to an industry the enterprise operates in, even if these are predominately followed in the industry.
- Accounting policies should be provided in one of the first notes to the financial statements.

COMPONENTS OF FINANCIAL STATEMENTS

- A complete set of financial statements comprises:
 - Balance Sheet
 - Income Statement
 - Statement of Retained Earnings
 - Cash Flow Statement
 - Notes
 - Supporting schedules
- All statements are required to be presented with equal prominence.
- Notes and supporting schedules which the financial statements are cross-referenced to are an integral part of the financial statements. The same does not apply to information set out in other material attached to or submitted with the financial statements.

¹ Includes Sections 1400 - *General Standards of Financial Statement Presentation*, 1505 - *Disclosure of Accounting Policies*, 1510 - *Current Assets and Current Liabilities*, 1520 - *Income Statement*, 1521 - *Balance Sheet*, and 1540 - *Cash Flow Statement*

² Except as specified in paragraphs 1400.20, 1505.09, 1510.18, 1520.05, 1521.07 and 1540.49.

STRUCTURE AND CONTENT

BALANCE SHEET

MUST DISTINGUISH

- Must distinguish the following:
 - Current assets;
 - Long-term assets;
 - Total assets;
 - Current liabilities;
 - Long-term liabilities;
 - Total liabilities;
 - Equity; and
 - Total liabilities and equity.

ASSETS

- Must present separately on the face the following assets:
 - Main classes of current assets in accordance with paragraph 1510.04;
 - Investments in non-consolidated subsidiaries and joint arrangements accounted for using the cost or equity method showing separately:
 - Investments measured using the cost method;
 - Investments measured using the equity method; and
 - Investments measured at fair value;
 - Investments subject to significant influence and all other investments showing separately:
 - Investments measured using the cost method;
 - Investments measured using the equity method; and
 - Investments measured at fair value;
 - Intangible assets;
 - Goodwill;
 - Assets for current income taxes;
 - Assets for future income taxes;
 - Long-lived assets and disposal groups classified as held for sale;
 - Agricultural inventories;
 - Productive biological assets; and
 - Assets for implementation of software services
- Must present separately on the face or disclose in the notes these assets:
 - Government assistance receivable;
 - Other financial assets showing separately those measured using:
 - Amortized cost;
 - Fair value; and
 - Investments in equity instruments measured at cost;
 - Property, plant and equipment;
 - Assets leased under capital leases; and
 - Defined benefit assets.

LIABILITIES

- Must present separately on the face the following liabilities:
 - Main classes of current liabilities in accordance with paragraph 1510.11;
 - Retractable or mandatorily redeemable shares issued in a tax planning arrangement that are classified as a financial liability;
 - Liabilities for future income taxes;
 - Liabilities of disposal groups classified as held for sale; and
 - Long-term debt.
- Must present separately on the face or disclose in the notes these liabilities:
 - Obligations under capital leases;
 - Defined benefit liabilities;
 - Asset retirement obligations; and
 - Other financial liabilities.

EQUITY

- Equity must be presented in accordance with Section 3251, *Equity*.
- When the effect of classifying retractable or mandatorily redeemable shares issued in a tax planning arrangement as a financial liability is charged to retained earnings, an enterprise must disclose on the face of the balance sheet, the amount charged to retained earnings for all classes of such shares.

CURRENT ASSETS

- *Assets ordinarily realizable within one year from the balance sheet date or within the normal operating cycle, when longer than a year.*
- Segregated between main classes (i.e. cash, investments, accounts and notes receivable, inventories and prepaid expenses).
- Includes:
 - Investments capable of reasonably prompt liquidation; and
 - Prepaid assets that meet the definition of a current asset.
- Excludes:
 - Restricted cash; and
 - Cash appropriate for other than current purposes unless it offsets a current liability.

STRUCTURE AND CONTENT (CONTINUED)

BALANCE SHEET (CONTINUED)

CURRENT LIABILITIES

- *Amounts payable within one year from the balance sheet date or within the normal operating cycle, when longer than a year.*
- Segregated between main classes (i.e. bank loans, trade creditors and accrued liabilities, loans payable, taxes payable, dividends payable, deferred revenues, current payments on long-term debt and retractable or mandatorily redeemable shares issued in a tax planning arrangement).
- Amounts owing on loans from directors, officers and shareholders, and amounts owing to parent and other affiliated companies must also be shown separately.
- Includes:
 - Amounts received / due from customers / clients with respect to goods to be delivered / services to be performed within one year from the balance sheet date, if not offset against a related asset;
 - Portion of long-term debt obligations, including sinking-fund requirements, payable within one year from the date of the balance sheet; and
 - Government remittances payable (excluding income taxes). This must also be disclosed separately.
- Excludes:
 - Obligations that contractual arrangements have been made for settlement from other than current assets.
- For debt to be classified as non-current it must be based on facts that exist at the balance sheet date, instead of on expectations regarding future refinancing or renegotiation. The obligation is classified as a current liability, if the creditor has at the balance sheet date, or will have within one year (operating cycle if longer) of that date, the unilateral right to demand immediate repayment of all or any portion of the debt under any provision of the debt agreement, unless:
 - The creditor has waived, in writing, or subsequent lost, the right to demand payment for more than one year (operating cycle if longer) from the balance sheet date;
 - The obligation has been refinanced on a long-term basis before the balance sheet is completed; or
 - The debtor has entered into a non-cancellable agreement to refinance the short-term obligation on a long-term basis before the balance sheet is completed and there is nothing impeding the completion of the refinancing.
- Long-term debt with a measurable covenant violation is classified as a current liability unless:
 - The creditor has waived, in writing, or subsequent lost, the right, arising from the covenant violation at the balance sheet date, to demand payment for a period of more than one year from the balance sheet date; or
 - There is a grace period contained in the debt agreement during which the debtor may cure the violation and contractual arrangements have been made that ensure the violation will be cured within the grace period; and
 - It is not likely that a violation of the debt covenant which gives the creditor the right to demand repayment at a future compliance date within one year of the balance sheet date will occur.



STRUCTURE AND CONTENT (CONTINUED)

INCOME STATEMENT

- Must present separately on the face of the income statement:
 - Revenue recognized.
 - Income from investments, showing income from:
 - Non-consolidated subsidiaries and joint arrangements accounted for using the cost or equity method, showing separately:
 - Income from investments measured using the equity method; and
 - Income from all other investments in non-consolidated subsidiaries and joint arrangements accounted for using the cost method; and
 - All other investments showing separately:
 - Income from investments measured using the cost method, or financial instruments measured at cost;
 - Income from investments measured using the equity method; and
 - Income from investments measured at fair value.
 - Income tax expense included in determining income or loss before discontinued operations.
 - Income or loss before discontinued operations.
 - Results of discontinued operations.
 - Net income or loss for the period.
 - The attribution of net income to the parent company and to non-controlling interests.
- Must either present separately on the face of the income statement *or* disclose in the notes to the financial statements and identify the income statement caption that contains each of the following items:
 - Major categories of revenue recognized.
 - Government assistance credited directly to income.
 - Amount charged for amortization of property, plant and equipment.
 - Amount charged for amortization of intangible assets subject to amortization.
 - Amount of long-lived asset impairment losses, except for losses associated with discontinued operations that are included in the results of discontinued operations.
 - Amount of goodwill impairment losses, except for losses associated with discontinued operations that are included in the results of discontinued operations.
 - Amount of intangible asset impairment losses, except for losses associated with discontinued operations that are included in the results of discontinued operations.
 - Total compensation cost recognized in income for stock-based employee compensation awards.
 - Amount of exchange gain or loss included in net income. An entity may exclude from this amount exchange gains or losses arising on financial instruments measured at fair value in accordance with Section 3856, *Financial Instruments*.
 - The following amounts in respect of financial instruments:
 - Net gains or losses recognized;
 - Total interest income;
 - Total interest expense on current financial liabilities;
 - Interest expense on long-term financial liabilities, with separate identification of amortization of premiums, discounts and financing fees; and
 - The amount of any impairment loss or reversal of a previously recognized loss.
 - Interest expense related to capital lease obligations. The amount must be disclosed separately or as part of interest expense on indebtedness initially incurred for a term longer than one year.
 - Revenue, expenses, gains or losses resulting from transactions or events not expected to occur frequently over several years, or not characteristic of the entity's normal business activities.
 - Amount of inventories recognized as an expense during the period.
 - Amount of gains or losses recognized on a long-lived asset (or disposal group) that has been sold, classified as held for sale or disposed of other than by sale.
 - Amount of any gain recognized in a bargain purchase.
 - Amount of gains or losses recognized as a result of remeasuring to fair value the equity interest in the acquiree held by the acquirer prior to a business combination.
 - Amount of remeasurements and other items arising from defined benefit plans.
 - Amount of termination benefits.
 - Amount of any impairment loss or reversal of a previously recognized impairment loss on subsidiaries, investments and interests in joint arrangements accounted for using the cost or equity method this is included in net income.
 - The amount of any impairment loss or reversal of a previously recognized impairment loss on a lease asset, or group of similar lease assets that is included in net income.

STRUCTURE AND CONTENT (CONTINUED)

CASH FLOW STATEMENT

- Must report cash flows during the period classified by operating, investing and financing activities.
- Cash flows from operating activities must be reported using either the direct or indirect method.
- Major classes of gross cash receipts and gross cash payments arising from investing and financing activities must be presented separately, except for cash flows arising from the following operating, investing or financing activities which may be reported on a net basis:
 - Cash receipts and payments on behalf of customers when the cash flows reflect the activities of the customer rather than those of the enterprise; and
 - Cash receipts and payments for items in which the turnover is quick, the amounts are large and the maturities are short.
- Cash flows from foreign currency transactions shall be recorded in an enterprise's reporting currency by applying the exchange rate between the reporting and foreign currency to the foreign currency amount at the date of the cash flow.
- Cash flows of integrated foreign operations and of investing and financing activities of self-sustaining foreign operations must be translated at the exchange rates between the reporting and foreign currency at the dates of the cash flows. While cash flows from operating activities of self-sustaining foreign operations must be translated at the exchange rates at which the respective items are translated for income statement purposes.
- Cash flows from interest and dividends:
 - Received and paid which are:
 - Included in the determination of net income are classified as cash flows from operating activities.
 - Not included in the determination of net income are classified according to their nature.
 - Paid and charged to retained earnings are presented separately as cash flows used in financing activities.
- Cash flows from dividends paid by subsidiaries to non-controlling interests are presented separately as cash flows used in financing activities.
- Cash flows from income taxes are classified as cash flows from operating activities, unless they are specifically identified with financing and investing activities and then they are classified accordingly.
- The aggregate cash flows from each of business combinations and disposals of business units are presented separately and classified as cash flows from investing activities.
- Excluded from the cash flow statement are non-cash investing and financing activities.



20 Wellington Street East
Suite 500
Toronto ON M5E 1C5
416-865-0111
www.bdo.ca

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