

What's New?
2021 Assurance and
Accounting Update

ASK KSA Consulting Inc.

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Assurance Update
CAS

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Overview

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CAS – Upcoming (Approved)

Standard	Effective for
December 15, 2022	
CAS 700/CAS 701 Key Audit Matters	Audit reports of other listed entities for periods ending on or after December 15, 2022
December 15, 2021	
CAS 315 Identifying and Assessing RMM	Audits of FS for periods beginning on or after December 31, 2021
December 15, 2020	
CAS 700/CAS 701 Key Audit Matters	Audit reports of TSX listed entities for periods ending on or after December 15, 2022
December 15, 2019	
CAS 540 Auditing Estimates	Audits of FS for periods beginning on or after December 31, 2019

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CAS – Effective

Standard	Effective for
June 1, 2019	
Section 7170 Auditor's Consent	Consent issued on or after June 1, 2019
April 1, 2019	
CSAE 3531 Attestation Engagements on Compliance	Reports dated on or after April 1, 2019
CSAE 3530 Attestation Engagements on Compliance	Reports dated on or after April 1, 2019
December 15, 2018	
CAS 250 Laws and Regulations	Audits of FS for periods beginning on or after December 31, 2018
CAS 700 Auditors' Report Along with many other conforming changes to CASs 260/570/701/705/706/720/800/805/810	Audits of FS for periods beginning on or after December 31, 2018

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CAS 700 / CAS 701
*Forming an Opinion and
 Reporting on Financial
 Statements*

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CAS 700 Auditor Reporting

- CAS 700 effective periods ending on or after December 15, 2018
- Nothing new, just aspects of CAS 700 being “rolled in” for listed companies
 - All related to listed companies
- Name of the engagement partner disclosed in report
- CAS 701 Key audit matter disclosures required for:
 - Companies listed on the TSE (excluding *National Instrument 81-106*) for periods ending on or after December 15, 2020
 - Other listed companies (excluding *National Instrument 81-106*) for periods ending on or after December 15, 2022

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CAS 315 *Identifying and Assessing the Risks of Material Misstatement*

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CAS 315 Background

- Underlying objective has not changed
- Standard approved by the AASB in December 2019
- Why the revised standard?
 - Inconsistencies in the nature and number of significant risks identified in practice
 - Obtaining an understanding of the system of internal control was difficult in practice
 - IT risks were not sufficiently addressed in the extant standard
- Conforming amendments to 27 other standards

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CAS 315 (Revised)

- No changes to the key concepts underpinning audit risk
- Key changes:
 - Enhancing/clarifying many required procedures
 - Scalability
 - Updating many aspects related to the use of IT
 - Enhanced professional skepticism and the documentation thereof
 - Spectrum of inherent risk
 - Separately assessing inherent risk and control risk

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CAS 315 (Revised)

- Applicable financial reporting framework (FRF)
- Expansion of:
 - Requirement to understand FRF and the accounting policies used including changes

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CAS 315 (Revised)

- Updating the understanding of the system of internal control
- Clarification of:
 - Indirect controls versus direct controls
 - Matters to be understood within each component of internal control
 - Controls relevant to the audit

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CAS 315 (Revised)

- Information technology (IT)
- New requirements:
 - Understand related IT environment for significant classes of transactions, account balances and disclosures (COTABD)
 - Identify IT applications relevant to the audit
 - Identify risks arising from the use of IT and ITGCs

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CAS 315 (Revised)

- New concepts related to risk
- Inclusion of:
 - Inherent risk factors
 - Relevant assertions
 - Concept of significant classes of transactions, account balances and disclosures (COTABD)
 - Spectrum of risk

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CAS 315 (Revised)

- Improved link between the design and implementation (D&I) of controls and control risk
- Expanded upon and clarified requirements related to D&I of control activities:
 - Significant risk
 - Journal entries
 - Operating effectiveness
 - Other controls relevant to the audit

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CAS 315 (Revised)

- Definition of significant risks
- New definition:
 - Inherent risk close to the upper end of the spectrum
 - Significant in accordance with other CASs

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CAS 315 (Revised)

- "Stand-back" requirement
- New requirement:
 - Evaluate whether all significant classes of transactions, account balance and disclosures and relevant assertions have been identified

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CAS 540
*Auditing Accounting Estimates
and Related Disclosures*

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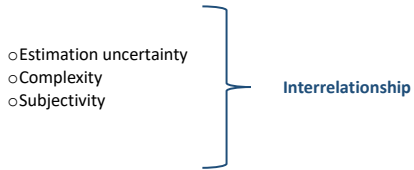
CAS 540 Auditing Estimates

- Responsibilities related to accounting estimates and disclosures
- Establishes robust requirements for:
 - Risk assessment procedures
 - Identifying and assessing the risk of material misstatement
 - Responding to the risk of material misstatement
 - Other considerations

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CAS 540 Auditing Estimates

- Spectrum of inherent risk (540.4)
- The susceptibility of a misstatement is affected by:



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CAS 540 Auditing Estimates

- Increased professional skepticism
 - Design and perform audit procedures in an unbiased manner
 - “Stand back” and evaluate evidence obtained
 - Use of stronger language

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CAS 540 Auditing Estimates

Risk Assessment Procedures and Related Activities

- To extent necessary, obtain an understanding of:
 - The entity and its environment and the applicable financial reporting framework (.13(a)-.13(d))
 - Entity's system of internal control (.13(e)-.13(i))
- Perform a retrospective review (.14)
- Determine if specialized skills or knowledge required (.15)

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CAS 540 Auditing Estimates

Identifying and Assessing the RMM

- Identify and assess the RMM at the assertion level (.16)
 - Separately assess inherent risk and control risk
 - Take into account uncertainty, complexity and subjectivity
- Determine if RMM is a significant risk
 - If so, obtain an understanding of relevant control activities (.17)
 - Evaluate design and determine if implemented

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CAS 540 Auditing Estimates

Responses to Assessed RMM

- Include one or more testing approaches: (.18)
 - Audit evidence from events occurring to date of audit report (.21)
 - Test how management made the accounting estimate (.22-.27)
 - Develop an auditor's point estimate or range (.28-.29)

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CAS 540 Auditing Estimates

Responses to Assessed RMM

- Design and perform tests of controls if: (.19)
 - Expectation that controls are operating effectively; or
 - Substantive procedures alone cannot provide sufficient appropriate audit evidence
- If a significant risk and rely on controls, test effectiveness in the current period (.20)

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CAS 540 Auditing Estimates

Responses to Assessed RMM – Subsequent Period

- Audit evidence from events occurring to date of audit report (.21)
 - Evaluate whether sufficient and appropriate to address RMM

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CAS 540 Auditing Estimates

Responses to Assessed RMM – Management’s Estimate

- Obtain evidence to test management’s estimate including: (.22)
 - Methods (.23)
 - Significant assumptions (.24)
 - Data (.25)
 - Management’s selection of point estimate and disclosures (.26)
 - Additional procedures (.27)

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CAS 540 Auditing Estimates

Responses to Assessed RMM – Auditor’s Estimate

- Factors to consider when developing an auditor’s point estimate or range (.28)
- Design and perform further audit procedures to obtain sufficient and appropriate audit evidence (.29)

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CAS 540 Auditing Estimates

• Other Considerations

- Comply with the relevant requirements on audit evidence (.30)
- Obtain sufficient appropriate evidence regarding disclosures (.31)
- Evaluate whether indicators of possible management bias (.32)

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CAS 540 Auditing Estimates

• Other Considerations

- Evaluate whether: (.33)
 - Assessments of RMM remain appropriate
 - Management’s decisions in accordance with financial reporting framework
 - Sufficient appropriate audit evidence has been obtained
- Evaluate implications if unable to obtain sufficient appropriate audit evidence (.34)
- Determine whether accounting estimates and related disclosures are reasonable (.35-.36)

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CAS 540 Auditing Estimates

- Other Considerations
 - Written representations from management (.37)
 - Communication with TCWG (.38)

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CAS 540 Auditing Estimates Documentation

- Documentation (.39)
- Summary of requirements:
 - Nature of estimates
 - Understanding of internal controls (pervasive level)
 - Retrospective review
 - Assess RMM at assertion level for each estimate
 - Testing approach and results
 - Stand-back and evaluate
 - Management representation
 - Communication with TCWG

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CAS 540 Auditing Estimates

- Key takeaways:
 - Impact on all clients
 - Increased documentation even for small clients
 - Include in team planning meeting
 - Implement new forms
 - Document

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Assurance Update Other Canadian Standards

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Other Canadian Standards – Upcoming (Approved)

Standard	Effective for
December 14, 2021	
CSRS 4200 Compilation Engagements	Periods ending on or after December 14, 2021
January 1, 2022	
CSRS 4400 Agreed Upon Procedures	Engagement terms agreed to on or after January 1, 2022

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CSRS 4200
Compilation Engagements

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CSRS 4200 *Compilation Engagements*

- New standard effective for periods ending on or after December 14, 2021
- Replaces Section 9200 *Compilation Engagements*
- Acknowledgement financial information used by third parties

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CSRS 4200 *Compilation Engagements*

- Scope exclusions
- Accepting/continuance procedures
 - Internal use only
 - Third party user
 - Access to further information
 - Agreed upon basis of accounting

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CSRS 4200 *Compilation Engagements*

- More robust performance requirements
 - Documentation of knowledge of the business
- Minimum documentation requirements

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CSRS 4200 *Compilation Engagements*

- Note required for basis of accounting
- New engagement report
 - Approval of the financial statements
- Stand-back requirement

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CSRS 4200 *Compilation Engagements*

- Start thinking about implementation now
- CPA Canada Implementation Tools
- ASK KSA PD Course
 - Path to implementation: CSRS 4200

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CSRS 4400
Agreed Upon Procedures

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CSRS 4400 Agreed-Upon Procedures

- New standard to open the door on a broader range of agreed-upon procedures (AUP)
- Effective where engagement terms are agreed on or after January 1, 2022
- Early adoption permitted
- Replaces:
 - Section 9100 *Reports on the Results of Applying Specified Auditing Procedures to Financial Information Other than Financial Statements*
 - Section 9110 *Agreed-Upon Procedures Regarding Internal Control over Financial Reporting*

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CSRS 4400 Agreed-Upon Procedures

- No assurance conclusion
- Specified procedures appropriate for the purpose of the engagement
- Practitioner communicates:
 - Procedures performed
 - Findings
- Users draw their own conclusions

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CSRS 4400 Agreed-Upon Procedures

- Changes throughout the standard
- Enhanced report
- Similar format to other new reports
- ASK KSA PD Course
 - Agreed Upon Procedures: CSRS 4400

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Other Active Assurance and Related Services Projects

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Active Projects – Other Canadian Standards

- Extended External Reporting Assurance
 - Consultation paper on various forms of reporting including
 - Sustainability reporting
 - Other reporting about environmental, social and governance matters

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Active Projects – CAS

- CAS 600 *Audits of Group Financial Statements*
 - Exposure draft issued
- Auditor Reporting
 - Post implementation review activities underway
- Audits of Less Complex Entities
 - Ongoing discussions

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Audits of LCEs

- Discussion paper:
 - Audits of LCEs: Exploring Possible Options to Address the Challenges in Applying the ISAs
- AASB formed an Advisory Group to address same topic including Canadian specific issues
- Ongoing discussions

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Accounting Updates ASPE

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ASPE Overview

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ASPE – Upcoming (Approved)

Standard	Effective for
January 1, 2022	
Section 3041 Agriculture	Periods beginning on or after January 1, 2022
Section 3400 Revenue	Periods beginning on or after January 1, 2022
January 1, 2021	
Section 3840 Related Parties	Periods beginning on or after January 1, 2021
Section 3856 Financial Instruments	Periods beginning on or after January 1, 2021
Section 3051 Investments	Periods beginning on or after January 1, 2021
Section 3465 Income Taxes	Periods beginning on or after January 1, 2021
December 31, 2020	
Section 3065 Leases	Periods ending on or after December 31, 2020

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Section 3840 Related Party Transactions

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Section 3840 Related Party Transactions

- What is it?
 - Standard to establish measurement of **non-financial items** in a related party transaction and disclosure of related party transactions
- What has changed?
 - Non-financial items only included in standard and related party FI are included in Section 3856 *Financial Instruments*
- Effective date:
 - Periods beginning on or after January 1, 2021
 - Retrospective
 - Earlier application permitted

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Section 3840 *Related Parties Identification*

- **Related parties (RP):**
 - When one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other

- **Related party transactions (RPT):**
 - Transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged

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Section 3840 *Related Parties Measurement*

- If RPT includes a financial instrument, transaction accounted for in accordance with Section 3856
- Substantially all RPT are measured at the carrying amount few exceptions:
 - In normal course of operations with commercial substance (unless a non-monetary transaction)
 - Not in the normal course of operations but has commercial substance *and* change in ownership interests is substantive *and* amount is supported by independent evidence

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Section 3840 *Related Parties Disclosure*

- **Disclosure of RPT:**
 - Description of the relationship
 - Description of the transaction
 - Including those for which no amount has been recognized
 - Amount
 - Measurement basis used
 - Amounts due to/from related parties along with terms and conditions
 - Contractual obligations with related parties
 - Contingencies involving related parties

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Section 3041
Agriculture

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Section 3041 *Agriculture* - Overview

- What is it?
 - Standard to establish recognition, measurement, presentation and disclosure of an agricultural producers agricultural inventories and productive biological assets
- What has changed?
 - New standard
- Effective date:
 - Periods beginning on or after January 1, 2022
 - Retrospective (with exemptions)
 - Earlier application permitted

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Section 3041 *Agriculture* - Overview

- Important to understand:
 - What is agricultural production?
 - What is **not** agricultural production?

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Section 3041 Agriculture – Key Terms

Biological assets

- Living animals or plants

Agricultural inventories

- Held for sale in the ordinary course of business

Inventory

- Assets resulting from secondary production

Productive biological assets

- Held for use in the production of productive biological assets

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Section 3041 Agriculture – Initial Recognition

Initial recognition

- Rebuttable presumption if not used in a productive capacity then agricultural inventories
- Gain on initial recognition using NRV model is included in the period in which it arises

Change in use

- Reclassify agricultural inventories if used in a productive capacity
 - Cannot reclassify productive biological assets to agricultural inventories

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Section 3041 Agriculture – Agricultural Inventories

- Measurement of agricultural inventories is an accounting policy choice
 - Cost model
 - NRV model
- Apply consistently
- Criteria to elect NRV model include:
 - Reliable, readily determinable and realizable market value price
 - Reliably measurable and predicative costs of disposal
 - Product is available for immediate delivery
- If not met, use cost model

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Section 3041 Agriculture – Cost Model

- Measure at the lower of cost or NRV
- Results in another accounting policy choice
 - Determine costs using either:
 - Full cost
 - Only input costs
- Extensive guidance on determination of costs
- When cost exceeds NRV, written down to NRV
- Carrying amount is recognized as an expense in period in which sold

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Section 3041 Agriculture – NRV Model

- Changes are recognized in net income in the period in which they arise
- Carrying amount of agricultural inventories recognized as an expense in period in which sold
- Losses recognized as an expense in period loss occurs

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Section 3041 Agriculture – Productive Biological Assets

- Productive biological assets are measured at cost less accumulated amortization
- Equivalent to accounting for property, plant and equipment
- Initial costs
 - Directly attributable to the acquisition, development or betterment of the assets, including delivering and stabilize them at the location and in the condition necessary for their intended use

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Section 3041 Agriculture – Productive Biological Assets

- Accumulated amortization:
 - Useful life
- If managed on a collective basis then:
 - Most likely indefinite lived
 - No amortization
- Review method and estimates on a regular basis
- Test for impairment

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Section 3041 Agriculture – Presentation and Disclosure

- Separate line on balance sheet
- Disclose:
 - Qualitative description of each major category
 - Quantities held for each major category
 - Accounting policies
- Additional disclosures for each model (cost and NRV)

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Section 3041 Agriculture – Other

- Transition
 - Early adoption permitted
 - Apply retrospectively in accordance with Section 1506 *Accounting Changes*
- Decision trees:
 - Scope of Section 3041
 - Recognition and measurement of agricultural inventories
 - Recognition and measurement of biological assets

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Section 3856
Financial Instruments

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Section 3856
Financial Instruments
Overview

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Section 3856 *Financial Instruments*

- What is it?
 - Standard to establish:
 - Recognition and measurement
 - Classification of financial instruments
 - Classification of related interest, dividends, losses and gains
 - Offsetting
 - Hedge accounting
 - Disclosure

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Section 3856 *Financial Instruments*

- What has changed?
 - Financial instruments issued in a related party transaction
 - Measurement, presentation and disclosure of retractable or mandatorily redeemable shares (ROMRS) issued in a tax planning arrangement
- Effective date for amendments:
 - Periods beginning on or after January 1, 2021
 - Retrospective (with exemptions)
 - Earlier application permitted

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Section 3856 *FI – Recognition*

- Financial asset:
 - Cash
 - Contractual right to receive cash or another financial asset from another party
 - Contractual right to exchange financial instruments with another party under conditions that are potentially favorable
 - Equity instrument of another enterprise

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Section 3856 *FI – Recognition*

- Financial liability:
 - Obligation to deliver cash or another financial asset to another party
 - Exchange financial instruments with another party under conditions that are potentially unfavorable

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Section 3856 FI – Initial Measurement

- Arm's length transactions
 - Measure at fair value adjusted by financing fees and transaction
- Related party transactions
 - Measure at cost except for:
 - FI traded on an active market or a derivative instrument
 - FI with a variable or contingent portion
 - Retractable or mandatorily redeemable share issued in a tax planning arrangement then at par (equity) or redemption value (liability) (**ROMRS**)

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Section 3856 FI – Subsequent Measurement

- Subsequent measurement based on initial measurement except for:
 - FI indexed to a measure of financial performance or changes in value of equity (para .14 and .14A)
 - ROMRS

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Section 3856 FI – Impairment

- Assess impairment at end of reporting period
- When adverse change occurs reduce the carrying value
 - Specific guidance for related party FI
- Reverse write-downs in certain circumstances

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Section 3856 FI – Presentation

- Investments
 - Income from investments at fair value or cost presented separately on the income statement
- Liabilities and equity
 - Classify as a liability or equity in accordance with the substance of the contractual arrangement upon initial recognition
 - Classify liability and equity elements separately
 - Guidance provided on acceptable methods of measurement

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Section 3856 *Financial Instruments* *ROMRS*

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Section 3856 FI – ROMRS Classification

- Shares presented in equity when:
 1. Control is retained by shareholder receiving the shares
 2. No consideration is received and only shares are exchanged
 3. No other written or oral arrangement exists that gives the holder the contractual right to require the enterprise to redeem the shares on/within a fixed or determinable date
- If any of the above conditions are not met
 - Classify as a financial liability

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Section 3856 FI – ROMRS Classification

Condition 1: Retain control

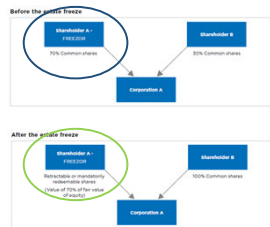
- Control is defined in Section 1591 *Subsidiaries*

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Section 3856 FI – ROMRS Classification

Example 1

- Shareholder A currently owns 70% of the voting common shares of Corporation A
- Shareholder A executes an estate freeze by exchanging voting common shares for ROMRS that carry the same voting rights as the common shares
- No new common shares or ROMRS were issued to Shareholder B (holder of the remaining 30% of the voting common shares)



CONCLUSION:
Shares meet criteria to be classified as equity (retained control)

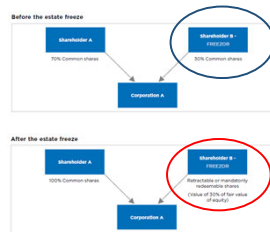
Source: CPA Canada ASPE Briefing: ROMRS Issued in Tax Planning Arrangement (March 2019)

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Section 3856 FI – ROMRS Classification

Example 2

- Shareholder B currently owns 30% of the voting common shares of Corporation A
- Shareholder B executes an estate freeze by exchanging voting common shares for ROMRS that carry the same voting rights as the common shares
- No new common shares or ROMRS were issued to Shareholder A (holder of the remaining 70% of the voting common shares)



CONCLUSION:
Shares do not meet criteria to be classified as equity (did not RETAIN control and change in substance of shares)

Source: CPA Canada ASPE Briefing: ROMRS Issued in Tax Planning Arrangement (March 2019)

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Section 3856 FI – ROMRS Classification

- Related party group complications:
 - When assessing the control, only one party can have control
 - Apply guidance in Section 1591 *Subsidiaries*
 - A related party has control when it has the continuing power to determine its strategic operating, investing and financing policies without the cooperation of another

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Section 3856 FI – ROMRS Classification

Example

- Two spouses each receive 50 percent of the ROMRS, when assessing the control condition in 3956.23A result may be:
 - One of either spouse controls the entity and the shares held by the spouse who controls the entity are classified as equity and other spouse's shares are classified as a financial liability
 - Neither spouse controls the entity as control is jointly held therefore all of the shares are classified as a financial liability

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Section 3856 FI – ROMRS Classification

Example 3

- All shareholders own 25% of the common shares (voting) of the corporation
- Decisions on the strategic operating, investing and financing policies require the consensus of all shareholders
- ROMRS (non-voting) were issued to a existing shareholders
- New shareholder received common shares (voting)



CONCLUSION:
Shares do not meet criteria to be classified as equity (did not RETAIN control and change in substance of shares)

Source: CPA Canada ASPE Briefing: ROMRS Issued in Tax Planning Arrangement (March 2019)

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Section 3856 FI – ROMRS Classification

Condition 2: No consideration other than shares

- Driven by view no substantive change
- Consideration other than shares change cash flows
 - Includes cash, notes receivable, property and equipment
- Covers two conditions:
 - No consideration is received by the entity issuing the ROMRS
 - Only shares of the entity issuing the ROMRS are exchanged

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Section 3856 FI – ROMRS Classification

- “Automatic” classification
 - Asset rollover transactions do not meet this condition
 - Consideration other than shares has been received
- Consider complete transaction
 - Step transactions
 - Look through to the end

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Section 3856 FI – ROMRS Classification

Condition 3: No agreements on redemption terms

- No arrangement requiring redemption within fixed or determinable period
- For shares to receive the preferential tax treatment, must be due on demand
 - This feature alone does not preclude ROMRS from being classified as equity

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Section 3856 FI – ROMRS Classification

- If any of the conditions are not met:
 - Classify as financial liability and measure at redemption value
 - Resulting adjustment is recognized in retained earnings or separate component of equity
- Can elect to present shares financial liability
 - Measure at redemption amount
- Once classified as liability cannot subsequently be reclassified to equity

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Section 3856 FI – ROMRS Reclassification

- ROMRS initially classified as equity are not reclassified unless conditions for equity are no longer met
- Examples:
 - Death
 - Change in ownership
 - Change in shareholders' agreement
 - Redemption
 - Creation of an agreement
 - Modifications

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Section 3856 FI – ROMRS Reclassification

- Reassessment does not automatically require reclassification
- When reclassification occurs
 - Measure at redemption amount on date when event occurs
- Resulting adjustment recorded in retained earnings or separate component of equity

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Section 3856 FI – ROMRS Measurement

- Measurement
 - ROMRS classified as equity measured at par value
 - ROMRS classified as liability measured at the redemption amount

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Section 3856 FI – ROMRS Measurement

- Redemption value often fair value
 - Income Tax Act requires ROMRS to be due on demand
- Fair value considerations
- Applies to both related and unrelated parties

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Section 3856 FI – ROMRS Measurement

- Upon transition:
 - Most likely equity value different from liability value
- Record difference in:
 - Retained earnings OR
 - Separate component of equity (in accordance with Section 3251 *Equity*)
- If recorded as a separate component of equity
 - Amount is charged to retained earnings upon redemption

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Section 3856 FI – ROMRS P&D (Equity)

- Equity presentation:
 - Presented at par, stated or assigned value
 - Separate component
- Disclosure:
 - Aggregate redemption amount for each class
 - Description of arrangement that gave rise to the ROMRS
 - On the face of the balance sheet, total redemption amount

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Section 3856 FI – ROMRS P&D (Liability)

- Liability presentation:
 - Redemption amount
 - Separately on the balance sheet
 - Generally classified as current unless:
 - Holder agrees not to redeem within the next 12 months
 - Callable debt presentation is explicitly prohibited

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Section 3856 FI – ROMRS P&D Liability

- Disclosure:
 - Liability disclosures in accordance with Section 3856
 - Description of arrangement that gave rise to the ROMRS
 - When difference in value included as a separate component of equity:
 - Disclose amount to be charged to retained earnings when redeemed
 - When difference in value is recorded in retained earnings:
 - Disclose on the balance sheet the amount charged to RE for all classes of such shares

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Section 3856 FI – ROMRS Transition

- Apply retrospectively
- An enterprise may choose to apply the new ROMRS standard either:
 - At the beginning of the earliest period presented
That is, the cumulative adjustment recorded as of January 1, 2020
 - At the beginning of the fiscal year in which the amendments are first applied
That is, the cumulative adjustment recorded as of January 1, 2021

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Section 3856 FI – ROMRS Transition

- Consider classification of all ROMRS
- Difference in classification criteria for shares issued before and after January 1, 2018
- To be classified as equity:
 - ROMRS issued *prior* to January 1, 2018 must meet:
 - Condition 1 (Retain Control)
 - Condition 3 (No Redemption Agreement)
 - ROMRS issued *after* January 1, 2018 must meet:
 - Condition 1 (Retain Control)
 - Condition 2 (No Consideration Other than Shares)
 - Condition 3 (No Redemption Agreement) do not have to meet

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Section 3856 FI – ROMRS Transition

- Consider control at date when amendments first applied
- Retrospective adjustment not required for ROMRS that were extinguished prior to the beginning of the fiscal year in which amendments first applied
 - Example: ROMRS redeemed May 2020 and the amendments are adopted for the year beginning January 1, 2021
- Can elect to classify as a financial liability and avoid analysis

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Section 3856
Financial Instruments
Other Topics

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Section 3856 FI – Other Topics

- Derecognition
 - Transfers of receivables
 - Financial liabilities
- Hedge Accounting
 - Optional
 - Purpose is to recognize offsetting gains, losses, revenue and expenses in net income in the same period
 - Complicated

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Section 3856 FI – Disclosure

- Specific requirements for:
 - Financial assets
 - Transfers of receivables
 - Impairment
 - Forgiveness
 - Financial liabilities
 - Derivatives
 - Hedge accounting
 - Items of income

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Section 3856 FI – Disclosure

- For each significant risk arising from financial instruments disclose:
 - Exposure to risk
 - How risks arise
 - Any change in risk exposure from the previous period
 - Information to enable users to evaluate the nature and extent of risks
 - Concentration of risk (industry, geography, counterparties)

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Section 3856 FI – Disclosure

- Financial risk
 - Credit risk
 - Currency risk
 - Interest rate risk
 - Liquidity risk
 - Other price risk

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Section 3400
Revenue

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Section 3400 Revenue

- What is it?
 - Standard to establish timing of revenue recognition
- What has changed?
 - Additional guidance on:
 - Percentage of completion method
 - Multiple element arrangements
 - Reporting revenue gross or net
 - Bill and hold arrangements
 - Upfront non-refundable fees/payments
- Effective date for amendments:
 - Periods beginning on or after January 1, 2022
 - Retrospective (with exemptions)
 - Earlier application permitted

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Section 3400 Revenue

- Continue to follow the risks and rewards model
 - versus control-based model under IFRS and US GAAP
- Expected minimal impact on:
 - Reporting revenue gross or net
 - Bill and hold arrangements
 - Upfront non-refundable fees/payment
- Potential impact on:
 - Percentage of completion method
 - Multiple element arrangements

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Section 3400 Revenue Recognition

- Revenue is recognized when:
 - Significant risks and rewards of ownership have been transferred
 - Reasonable assurance regarding measurement exists
 - Ultimate collection is reasonably assured

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Section 3400 Revenue Multiple Elements

Multiple element arrangements

- Single sales transaction involving multiple products or services
- Apply recognition criteria to the separately identifiable components
- Various methods

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Section 3400 Revenue Percentage of Completion

Percentage of completion

- Revenue recognized based on the amount of work completed
- Appendix A provides extensive guidance on:
 - Measurement factors
 - Input measures
 - Output measures
 - Computation of income
 - Revised estimates
 - Contract costs
 - Expected losses

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Section 3400 Revenue Upfront Fees/Payment

Upfront non-refundable fees or payments

- Revenue deferred when upfront fee in exchange for products/services that have no utility without other elements of the arrangement
- Fees are earned as the products or services are delivered and/or performed

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Section 3400 Revenue Bill and Hold Arrangements

Held for sale

- arrangements when product sold but "held" for certain circumstances
- Criteria provided as to when can recognize revenue when delivery has not occurred
- Requires analysis

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Section 3400 Revenue Gross or Net

Gross versus net presentation

- Revenue includes benefits received by the enterprise on its own account
- Amounts collected on behalf of third parties or in an agency relationship that do not result in increases in equity are not revenue
- Recognition depends on role in the transaction
 - Principal: GROSS SALES
 - Agent: NET SALES

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Section 3051
Investments

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Section 3051 *Investments*

- What is it?
 - Standard to establish guidance on investments subject to significant influence
 - Applies to an entity that uses equity method to account for subsidiaries (Section 1591 *Subsidiaries*) and an investor that uses the cost or equity method to account for interest in jointly controlled enterprise (Section 3056 *Interest in Joint Arrangements*)
- What has changed?
 - Cost method for joint arrangements and related parties
- Effective date for amendments:
 - Periods beginning on or after January 1, 2021

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Section 3051 *Investments*

- What has *really* changed?
 - Para .07A provides guidance on determining the initial measurement of cost when an investor elects to account for its investment subject to significant influence *or its interest jointly controlled enterprises* using the cost method
- Updated to reflect changes in Section 3056 *Interest in Joint Arrangements*
 - Section 3056 effective for periods ending on or after January 1, 2017 with the exception of Para .22
 - Updated for related parties which is effective for periods on or after January 1, 2021

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Section 3465 *Income Taxes*

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Section 3465 *Income Taxes*

- What is it?
 - Standard to establish the recognition, measurement, presentation and disclosure of income and refundable taxes
- What has changed?
 - Presentation and disclosure related to future income taxes method
- Effective date for amendments:
 - Periods beginning on or after January 1, 2021
 - Retrospective
 - Earlier adoption permitted

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Section 3465 *Income Taxes*

- What has really changed?
 - FIT balances should be classified as non-current
 - Disclose the amount of FIT assets and liabilities in respect of each type of temporary difference for each period presented

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Section 3065
Leases

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Section 3065 Leases

- What is it?
 - Standard to provide guidance on measurement and presentation of lease accounting
- What has changed?
 - Guidance on changes to existing lease provisions including the requirement that any such lease modification be considered as a new lease
- Effective date for amendments:
 - Amendments issued in November 2020
 - Immediately

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Section 3065 Leases

- What has *really* changed?
 - Amendments to lease agreements due to Covid-19 do not require analysis to determine if new lease
 - Main objective to simplify the accounting by lessees and lessors for certain lease concessions resulting directly from the COVID-19 Pandemic
 - Simpler accounting for rent concessions that meet requirements

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ASPE
Projects

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Active Projects – ASPE

- 2021 Annual Improvements
 - Exposure draft expected Q4 2020
- Financial statement concepts
 - Ongoing discussion
- Related party transactions
 - Ongoing Discussion

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Accounting Update
ASNPO

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ASNPO
Overview

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Standards in Effect – ASNPO

- Effective for periods beginning on or after January 1, 2019
 - Section 4433 *Tangible Capital Assets held by NPOs*
 - Section 4434 *Intangible Assets held by NPOs*
 - Section 4441 *Collections held by NPOs*

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Active Projects - ASNPO

- Combinations – Initial Measurement and Related Disclosures
 - Exposure Draft issued Q1 2020
 - Deliberating feedback
- Contributions – Revenue Recognition and Related Matters
 - Consultation Paper issued Q2 2020
 - Comment period open to December 15, 2020
- Financial Statement Concepts
 - Ongoing discussions
 - Project approved March 2019

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Accounting Update
PSAS

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Standards in Effect – PSAS

- Effective for periods beginning on or after April 1, 2023
 - PS 3400 *Revenue*
- Effective for periods beginning on or after April 1, 2022
 - PS 1201 *Financial Statement Presentation*
 - PS 2601 *Foreign Currency Translation*
 - PS 3041 *Portfolio Investments*
 - PS 3450 *Financial Instruments*
 - PS 3280 *Asset Retirement Obligations*

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Active Projects – PSAS

- Financial Instruments – Foreign Exchange Narrow Scope Amendments
 - Exposure draft issued
- Financial Instruments – Presentation Narrow Scope Amendments
 - Exposure draft issued
- Government Not-for-Profit Strategy
 - Deliberating feedback on consultation paper
- Review of International Strategy
 - Research on differences between Canadian PSAS and International PSAS
 - Decision to pursue Adapt IPSAS principles when developing future standards
- Ongoing discussions
 - 2019-2020 Annual Improvements
 - Concepts underlying financial performance
 - Employee benefits
 - Narrow Scope Amendment – Purchased Intangibles
 - Public Private Partnerships

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Quality Management
CSQM1, CSQM2, CAS 220

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Quality Management

- New suite of quality management standards
 - CSQM1 *Quality Management for Firms that Perform Audits or Review of FS or Other Assurance or Related Services*
 - CSQM2 *Engagement Quality Reviews*
 - CAS 220 *Quality Control for an Audit of Financial Statements*
- Replaces CSQC1
- Firms will be expected to have systems of quality management in place by December 15, 2022

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Quality Management – ISQM1

- Sets out requirements for a firm to design, implement and operate a system of quality management for audits or reviews of financial statements, or other assurance or related services engagements
- Takes a risk-based approach to designing an effective system of quality management

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Quality Management – ISQM1



Source: IAA58 Introduction to ISQM1 Fact Sheet December 2020

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Quality Management – ISQM1

- ASK KSA PD Courses
 - Overview of New Canadian Quality Management Standards (available now)
 - Implementing the New Quality Management Standards (coming summer 2021)

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Other Topics

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Standards Previously Issued

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Other Canadian Standards

Standard	Effective for
September 15, 2020	
CSAE 3416 Controls at a Service Organization	Service auditors' reports for periods ending on or after September 15, 2020
August 1, 2020	
AUG-50 Conducting a Performance Audit in the Public Sector	August 1, 2020
June 1, 2019	
Section 7170 Auditor's Consent	Consent issued on or after June 1, 2019
April 1, 2019	
CSAE 3531 Attestation Engagements on Compliance	Reports dated on or after April 1, 2019
CSAE 3530 Attestation Engagements on Compliance	Reports dated on or after April 1, 2019

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- ### CSAE 3000
- CSAE 3000 *Attestation Engagements Other than Audits or Review of Historical Financial Information*
 - Effective for reports dated on or after June 30, 2017
 - Umbrella standard to set out requirements for:
 - Ethical requirements
 - Acceptance and continuance
 - Quality control
 - Planning and performing the engagement
 - Obtaining evidence
 - Subsequent events
 - Concluding and reporting

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CSAE 3000

- Covers:
 - CSAE 3001 *Direct Engagements*
 - CSAE 3410 *Assurance Engagements on Greenhouse Gas Statements*
 - CSAE 3416 *Reporting on Controls at a Service Organization*
 - CSAE 3530 *Attestation Engagements to Report on Compliance*
 - CSAE 3531 *Direct Engagements to Report on Compliance*

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Focus on
Practice Inspection

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Focus on Practice Inspection

- Provincial reports recently released
- Summarizes commonly identified deficiencies
- Has not changed substantially from prior year's report

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Focus on Practice Inspection

- Audit Findings
 - A. Auditing Revenue (CAS 240 and 330)
 - B. Auditing Expenses (CAS 330)
 - C. Substantive Analytics (CAS 520)
 - D. Audit Sampling (CAS 530)
 - E. Other Areas
 - Risk assessment procedures documentation
 - Discussions with management and TCWG
 - Insufficient substantive audit procedures documentation
 - Journal entry testing
 - Communication with TCWG

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Focus on Practice Inspection

- Review Engagement Findings (CSRE 2400)
 - A. Understanding the Accounting System and Records (.43 & .44)
 - B. Areas where Material Misstatement is Likely to Arise (.45 & .46)
 - C. Related Party Balances (2400.104)

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Bringing It All Together
Key Takeaways and Goals

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