



# New and Proposed Changes to ASPE

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For the two years ended December 31, 2021



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New and Amended Standards	Date Issued	Effective Date
ASPE 1500 First-time Adoption (Amendment)	April 2021	Effective for fiscal years beginning on or after January 1, 2022. Early adoption is permitted.
ASPE 1510 Current Assets and Current Liabilities (Amendment)	April 2021	Effective for fiscal years beginning on or after January 1, 2022. Early adoption is permitted.
ASPE 1540 Cash Flow Statement (Amendment)	April 2021	Effective for fiscal years beginning on or after January 1, 2022. Early adoption is permitted.
ASPE 1591 Subsidiaries (Amendment)	December 2018	Effective for fiscal years beginning on or after January 1, 2021. Early adoption is permitted.
ASPE 3041 Agriculture (New)	November 2019	Effective for fiscal years beginning on or after January 1, 2022. Early adoption is permitted.
ASPE 3051 Investments (Amendment)	June 2019	Effective for fiscal years beginning on or after January 1, 2021. Early adoption is permitted. Prospective application is permitted.
ASPE 3065 Leases (Amendment)	November 2020	Effective for fiscal years ending on or after December 31, 2020. Early adoption is permitted.
ASPE 3065 Leases (Amendment)	December 2021	Effective for fiscal years ending on or after December 31, 2021. Earlier adoption is permitted.
ASPE 3251 Equity (Amendment)	December 2018	Effective for fiscal years beginning on or after January 1, 2021. Early adoption is permitted.
ASPE 3400 Revenue (Amendment)	December 2019	Effective for fiscal years beginning on or after January 1, 2022. Early adoption is permitted.
ASPE 3462 Employee Future Benefits (Amendment)	November 2020	Effective for fiscal years beginning on or after January 1, 2022. Earlier adoption is permitted but only for all of an entity's defined benefit plans.
ASPE 3465 Income Taxes (Amendment)	June 2019	Effective for fiscal years beginning on or after January 1, 2021. Early adoption is permitted.
ASPE 3856 Financial Instruments (Amendment)	December 2018	Effective for fiscal years beginning on or after January 1, 2021. Early adoption is permitted.

New and Amended Standards	Date Issued	Effective Date
ASPE 3856 Financial Instruments (Amendment)	April 2021	Effective for fiscal years beginning on or after January 1, 2022. Early adoption is permitted.

Exposure Drafts	Date Issued	Effective Date
Financial Instruments (Proposed Amendments to ASPE 3856)	September 2021	Proposed to be effective for fiscal years ending on or after February 1, 2022. Earlier adoption will be permitted.

## New and Amended Standards

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### ASPE 1500 First-time Adoption (Amendment)

In April 2021, the Accounting Standards Board (AcSB) issued amendments to ASPE 1500 *First-time Adoption* to clarify that enterprises who have applied ASPE in a previous reporting period but whose most recent annual financial statements were not prepared in accordance with ASPE can choose to apply either ASPE 1500 or can apply ASPE retrospectively in accordance with ASPE 1506 *Accounting Changes*, as if the enterprise had never stopped applying ASPE. The amendments also introduce additional disclosure requirements, which include disclosure of the reason the enterprise stopped and the reason the enterprise is resuming the application of ASPE as well as whether the enterprise has chosen to apply ASPE 1500 or ASPE 1506 in doing so.

The amendments are effective for fiscal years beginning on or after January 1, 2022. Early application is permitted.

### ASPE 1510 Current Assets and Current Liabilities (Amendment)

In April 2021, the Accounting Standards Board (AcSB) issued amendments to ASPE 1510 *Current Assets and Current Liabilities* to provide an option to present amounts owing on loans from directors, officers and shareholders and amounts owing to parent and other affiliated companies either separately on the balance sheet or presented in aggregate on the balance sheet with amounts disclosed separately in the notes to the financial statements or supporting schedules.

The amendments are effective for fiscal years beginning on or after January 1, 2022. Early application is permitted.

### ASPE 1540 Cash Flow Statement (Amendment)

In April 2021, the Accounting Standards Board (AcSB) issued amendments to ASPE 1540 *Cash Flow Statement* to remove the requirement to disclose, in aggregate, in respect of both business combinations and disposals of business units during the period, the total assets, other than cash or cash equivalents, and total liabilities acquired or disposed of. The other three disclosure requirements remain the same.

The amendments are effective for fiscal years beginning on or after January 1, 2022. Early application is permitted.

### ASPE 1591 Subsidiaries (Amendment)

In December 2018, the Accounting Standards Board (AcSB) issued amendments to ASPE 1591 *Subsidiaries* as a consequence of approving amendments to ASPE 3856 *Financial Instruments*. The

amendments include guidance on assessing the effect of substantive rights in the control assessment.

On April 15, 2020, the AcSB made the decision to defer the effective date of the ASPE 3856 amendments issued in December 2018 by one year from its originally planned effective date due to the impact of the COVID-19 pandemic. As a result, the amendments to ASPE 1591 are now also deferred and effective for fiscal years beginning on or after January 1, 2021. Early application continues to be permitted.

## ASPE 3041 Agriculture (New)

In November 2019, the Accounting Standards Board (AcSB) issued a new Accounting Standard for Private Enterprises (ASPE) 3041 *Agriculture*. This new Section sets out the recognition, measurement, presentation and disclosure principles for agricultural inventories and productive biological assets. ASPE 3041 applies to transactions and events related to agricultural production, including the purchase of the harvested product of biological assets for use in agricultural production.

The main features of ASPE 3041 include:

- Recognition of agricultural inventories and productive biological assets in accordance with the definitions provided.
- A rebuttable presumption that biological assets not used in a productive capacity are agricultural inventory on initial recognition.
- Agricultural producers are required to make an accounting policy choice to measure their agricultural inventories using either the cost model or the net realizable value model when specific conditions are met.
- Agricultural producers that measure agricultural inventories using the cost model are required to choose whether to determine cost using full cost or only input costs.
- Productive biological assets, except those managed to maintain their collective productive capacity indefinitely, are measured at cost less accumulated amortization and impairment, if any.
- A productive biological asset is not reclassified to agricultural inventory.
- For agricultural inventories and productive biological assets, agricultural producers are required to disclose a qualitative description of the assets, the quantities of the assets held, measurement methodologies used, carrying amounts of the assets and the related amounts recognized in the income statement.

Significant consequential amendments include changes to:

- ASPE 1500 *First-time Adoption*, to permit a first-time adopter to apply the transitional provisions in ASPE 3041;
- ASPE 1510 *Current Assets and Current Liabilities* and ASPE 1521 *Balance Sheet*, to clarify the presentation requirements for agricultural inventories and productive biological assets; and
- ASPE 3031 *Inventories*, to remove the current exemption to measure living animals and plants and the harvested product of biological assets at net realizable value.

Less significant consequential amendments were also made to other Sections as a result of ASPE 3041.

On April 15, 2020, the AcSB made the decision to defer the effective date of this new Section by one year from its originally planned effective date due to the impact of the COVID-19 pandemic. The new Section is now effective for annual financial statements relating to fiscal years beginning on or after January 1, 2022. Early application continues to be permitted.

## ASPE 3051 Investments (Amendment)

In June 2019, the Accounting Standards Board (AcSB) issued amendments to ASPE 3051 *Investments* to clarify that the guidance relating to the cost method in ASPE 3051 also applies to interests in jointly controlled enterprises accounted for using the cost method.

Significant consequential amendments include changes to ASPE 1500 *First-time Adoption*, to permit a first-time adopter to apply the transitional provisions in amended ASPE 3051.

On April 15, 2020, the AcSB made the decision to defer the effective date of this amendment by one year from its originally planned effective date due to the impact of the COVID-19 pandemic. The amendments are now effective for annual financial statements relating to fiscal years beginning on or after January 1, 2021. Early application-continues to be permitted. Prospective application of these amendments is permitted.

## ASPE 3065 Leases (Amendment)

In November 2020, the Accounting Standards Board (AcSB) issued amendments to ASPE 3065 *Leases* to provide optional relief for both lessees and lessors on accounting for rent concessions received or granted as a result of the COVID-19 pandemic. Due to the pandemic, many enterprises are receiving rent concessions including lease payment deferrals or payment forgiveness. ASPE 3065 provides guidance on accounting for changes in the provisions of an existing lease and requires that any such lease modifications be accounted for as a new lease. As this could be onerous for private enterprises, particularly those with many leases, the AcSB decided that standard setting is needed in order to provide relief for lessees and lessors.

The key amendments are as follows:

- Providing an optional practical expedient for lessees and lessors that receive or grant rent concessions in the form of a deferral or waiver of lease payments so that changes to the provisions of an existing lease occurring as a direct result of the COVID-19 pandemic and meeting other specific conditions would not be accounted for as a new lease. Instead, the lessee and lessor would continue to account for the lease according to the terms of the original lease contract and the rent concession would be accounted for as follows:
  - For a rent concession resulting in a deferral of lease payments with no changes to the total payments required by the original lease contract, the lessee would recognize a lease payable and the lessor would recognize a lease receivable for the amount representing the deferred lease payments during the deferral period.



- For a rent concession resulting in a reduction in the total payments required, the lessee and lessor would recognize the reduction in total lease payments in net income in the period to which the lease payments relate.
- The relief is limited to only those lease payments originally due on or before December 31, 2021, and that result in total payments the same or less than the total payments required by the original lease contract.
- New disclosure requirements, including:
  - Where an enterprise has applied the optional practical expedient, that fact;
  - Where the optional relief has been used for some but not all leases that meet the conditions, that fact and the reasons therefor;
  - For rent concessions that result in a deferral of lease payments, the aggregate carrying amount of lease payables and lease receivables relating to the deferral; and
  - For rent concessions that result in a reduction of lease payments, the total amount recognized in net income for the reporting period relating to the reduced payments.

The amendments are effective for fiscal years ending on or after December 31, 2020. Earlier application is permitted, including in financial statements not yet authorized for issue, so that the practical expedient is available for most COVID-19 related lease modifications granted or received in 2020. An enterprise is permitted to apply this practical expedient on a lease-by-lease basis.

## ASPE 3065 Leases (Amendment)

In December 2021, the Accounting Standards Board (AcSB) issued amendments to ASPE 3065 *Leases* to extend the optional relief period for both lessees and lessors on accounting for rent concessions received or granted as a result of the COVID-19 pandemic by one year, to include lease payments originally due on or before December 31, 2022.

The amendments are effective for fiscal years ending on or after December 31, 2021, with earlier adoption permitted, including in financial statements not yet authorized for issue.

## ASPE 3251 Equity (Amendment)

In December 2018, the Accounting Standards Board (AcSB) issued amendments to ASPE 3251 *Equity* to include presentation and disclosure requirements for retractable or mandatorily redeemable shares issued in a tax planning arrangement. These requirements were consequential amendments resulting from the approval of amendments to ASPE 3856 *Financial instruments*.

The amendments to ASPE 3251 include the addition of:

- Guidance to present the effect of classifying the retractable or mandatorily redeemable shares as a financial liability either in retained earnings or as a separate component of equity.
- Disclosure requirements for those shares.

On April 15, 2020, the AcSB made the decision to defer the effective date of the ASPE 3856 amendments issued in December 2018 by one year from its originally planned effective date due to the

impact of the COVID-19 pandemic. As a result, the amendments to ASPE 3251 are now also deferred and effective for fiscal years beginning on or after January 1, 2021. Early application continues to be permitted.

## ASPE 3400 Revenue (Amendment)

In December 2019, the Accounting Standards Board (AcSB) issued amendments to ASPE 3400 *Revenue* to provide additional guidance on the application of certain requirements in ASPE 3400.

The following summarizes the amendments:

- Additional guidance, accompanied by illustrative examples, in the following areas:
  - Determining whether an arrangement consists of a group of contracts or a single contract and identifying the units of account in an arrangement;
  - Accounting for revenue under the percentage of completion method;
  - Allocation of consideration in multiple-element arrangements to separate unit of accounts on a relative stand-alone selling price basis;
  - Methods for estimating stand-alone selling price if not directly observable;
  - Indicators to consider in determining whether revenue should be reported gross or net;
  - Determining when to recognize revenue for a bill and hold arrangement; and
  - Determining when to recognize revenue for upfront non-refundable fees or payments.
- Additional disclosure requirements relating to contracts accounted for using the percentage of completion method.

Significant consequential amendments include changes to ASPE 1500 *First-time Adoption*, to permit a first-time adopter to apply the transitional provisions in ASPE 3400.

On April 15, 2020, the AcSB made the decision to defer the effective date of this amendment by one year from its originally planned effective date due to the impact of the COVID-19 pandemic. The amendments are now effective for annual financial statements relating to fiscal years beginning on or after January 1, 2022. Early application continues to be permitted.

## ASPE 3462 Employee Future Benefits (Amendment)

In November 2020, the Accounting Standards Board (AcSB) issued amendments to ASPE 3462 *Employee Future Benefits* to clarify the guidance related to the measurement of defined benefit obligation.

The key amendments are as follows:

- For defined benefit plans with a legislative, regulatory or contractual requirement to prepare a funding valuation, clarification of the measurement of the defined benefit obligation.
- For defined benefit plans without a legislative, regulatory or contractual requirement to prepare a funding valuation, removal of the accommodation which permitted an accounting policy choice to measure the defined benefit plan using an accounting valuation or a funding

valuation when certain conditions were met. As a result of these amendments, defined benefit obligations for plans without a funding valuation requirement shall be measured using an accounting valuation (i.e., use of a funding valuation for defined benefit plans without a funding valuation requirement is no longer permitted).

On May 13, 2020, the AcSB made the decision to defer the effective date of the amendments by one year from its originally planned effective date due to the impact of the COVID-19 pandemic. The amendments are now effective for fiscal years beginning on or after January 1, 2022. Earlier application is permitted but only for all of an entity's defined benefit plans. Transitional relief is provided for both defined benefit plans with and without a funding valuation requirement from retrospectively applying the amendments (i.e., restating comparative financial information is not required). In addition, for defined benefit plans with a funding valuation requirement, the enterprise is not required to obtain a new funding valuation on transition. Rather the enterprise may wait until they are required to obtain an updated funding valuation.

## ASPE 3465 Income Taxes (Amendment)

In June 2019, the Accounting Standards Board (AcSB) issued amendments to ASPE 3465 *Income Taxes*. The amendments:

- Remove the example that provides guidance on accounting for eligible capital property.
- Remove the requirement to classify future income tax assets and liabilities as current and non-current when the future income tax method is applied; instead a non-current classification would be required.
- Require disclosure of the amount of future income tax assets and liabilities for each type of temporary difference for each period presented.

On April 15, 2020, the AcSB made the decision to defer the effective date of this amendment by one year from its originally planned effective date due to the impact of the COVID-19 pandemic. The amendments are now effective for annual financial statements relating to fiscal years beginning on or after January 1, 2021. Early application continues to be permitted.

## ASPE 3856 Financial Instruments (Amendment)

In December 2018, the Accounting Standards Board (AcSB) issued amendments to ASPE 3856 *Financial Instruments* to revise the guidance on the classification of retractable or mandatorily redeemable shares issued in a tax planning arrangement. The amendments also provide new guidance on the accounting for financial instruments in a related party transaction by private enterprises and not-for-profit organizations and update the financial instrument risk disclosures.

The following summarizes the amendments:

### *Retractable or Mandatorily Redeemable Shares Issued in a Tax Planning Arrangement*

Amendments related to these types of shares include:

- Requiring classification as equity or a financial liability based on three conditions.
- An option to present the shares as a financial liability.
- Requiring reassessment of the shares classified as equity if an event or transaction occurs that indicates one of the conditions for equity classification is no longer met.
- A prohibition whereby these types of shares classified as a financial liability cannot subsequently be reclassified to equity.
- Requiring measurement at the redemption amount when these types of shares have been classified as financial liabilities.
  
- Additional disclosure requirements for the nature of:
  - The tax planning arrangement resulting in the issuance of the shares;
  - The separate component of equity or the amount charged to retained earnings (as applicable).

#### *Financial Instruments in a Related Party Transaction, Risk Disclosures and Other Amendments*

Amendments to ASPE 3856 to address financial instruments in a related party transaction include additional guidance to clarify the initial measurement of such instruments and to align the subsequent and initial measurement requirements. Further guidance related to impairment and forgiveness of related party financial assets, and the measurement of related party compound financial instruments has also been added. Financial instrument risk disclosure requirements have been amended and require a focus on relevant enterprise-specific information.

Significant consequential amendments include changes to:

- ASPE 1500 First-time Adoption, to permit a first-time adopter to apply the transitional provisions in ASPE 3856.
- ASPE 1510 Current Assets and Current Liabilities and ASPE 1521 Balance Sheet, to clarify the presentation requirements for retractable or mandatorily redeemable shares issued in a tax planning arrangement.
- ASPE 3840 *Related Party Transactions*, to clarify that ASPE 3840 does not apply to related party financial instruments.

On April 15, 2020, the AcSB made the decision to defer the effective date of these amendments by one year from its originally planned effective date due to the impact of the COVID-19 pandemic. The amendments are now effective for fiscal years beginning on or after January 1, 2021. Early application continues to be permitted.

## **ASPE 3856 Financial Instruments (Amendment)**

In April 2021, the Accounting Standards Board (AcSB) issued amendments to ASPE 3856 *Financial Instruments* to amend Illustrative Example 3 to use an assigned value of \$45,000 to reduce inconsistencies found with ASPE 3840 *Related Party Transactions*.

The amendments are effective for fiscal years beginning on or after January 1, 2022. Early application is permitted.

# Exposure Drafts

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## Financial Instruments (Proposed Amendments to ASPE 3856)

In September 2021, the Accounting Standards Board (AcSB) issued an Exposure Draft (ED) that proposes amendments to ASPE 3856 *Financial Instruments* to provide an optional expedient for applying debt modification accounting and an exception to certain hedge accounting requirements in order to ease the financial reporting burdens related to the market-wide interest rate benchmark transition to replace interbank offered rates (IBORs) with alternative benchmark rates (IBOR reform). The proposed amendments would also apply to not-for-profit organizations applying the standards in Part III of the CPA Canada Handbook - Accounting.

The key features of the ED include:

- Optional expedients for debt modifications that would allow an entity to account for debt modifications related to IBOR reform as a continuation of the existing contract instead of as an extinguishment. The expedient would apply only to debt instruments issued in an arm's length transaction that reference interest rate benchmarks expected to be replaced with an alternative benchmark interest rate as a direct consequence of IBOR reform.
- Temporary exceptions to hedge accounting guidance are proposed that would require the continuation of hedge accounting if the changes to the contractual terms meet the criteria for contractual modifications related to IBOR reform. These exceptions are proposed for the following two hedging relationships with critical terms expected to be modified because of IBOR reform:
  - An interest-bearing asset or liability hedged with an interest rate swap to mitigate the effect of changes in interest rates; and
  - A foreign currency denominated interest-bearing asset or liability hedged with a cross-currency interest rate swap to mitigate the effect of changes in interest rates and foreign currency exchange rates.
- Disclosure of the nature and carrying amount of the financial instruments subject to IBOR reform would be required.

The amendments would be effective for fiscal years ending on or after February 1, 2022. Earlier adoption will be permitted. Retrospective application would be required except in limited circumstances as specified in the proposed changes.

The AcSB plans to issue the final amendments on February 1, 2022.

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