

QUARTERLY SURVEY OF FINANCIAL STATEMENTS

REPORTING GUIDE

FOR

LOCAL CREDIT UNIONS

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INTRODUCTION

AUTHORITY

The quarterly and annual surveys of financial statements are conducted under the authority of the Statistics Act, Revised Statutes of Canada 1985, Chapter S19.

CONFIDENTIALITY

Statistics Canada is prohibited by law from publishing any statistics which would divulge information obtained from this survey that relates to any identifiable business without the previous written consent of that business. The data reported to this survey will be treated in confidence, used for statistical purposes and published in aggregate form only. The confidentiality provisions of the Statistics Act are not affected by either the Access to Information Act or any other legislation.

PURPOSE OF THE QUARTERLY SURVEY

The data reported in the Quarterly Survey of Financial Statements is used to produce business financial statistics. The statistics are used in the national income and financial flow accounts, which are components of the Canadian System of National Accounts. The financial statements are aggregated to the industry level and are also published as a self-contained set of industry financial statistics. These statistics are available to the public and are used extensively by government, financial institutions, and industry associations.

TIMELINESS OF THE STATISTICS

Preliminary statistics must be prepared 45 calendar days after the quarter to meet the deadlines for the release of the quarterly national accounts. To meet these dates the survey data must be received within 30 calendar days after the quarter.

Late response to the survey causes delays in the release of the statistics. Since the usefulness of the statistics declines significantly if the releases are delayed, it is important to respond to the survey on time.

FOREIGN OPERATIONS OF CANADIAN ENTERPRISES

Definition: Foreign operations of Canadian enterprises include all business conducted by establishments that are situated outside Canada, including foreign branches, foreign divisions and foreign offices.

Report income from foreign operations as a net amount in item number 58100, "Equity in Net Income of Unconsolidated Affiliates." The assets of the foreign operations should not be reported on a line-by-line basis, but rather as a net amount in item number 14120, "Investments in Subsidiaries and Affiliates Outside Canada."

FOREIGN SUBSIDIARIES OF CANADIAN ENTERPRISES

Foreign subsidiaries should always be excluded from line-by-line consolidation and should be reported in either item 14120, "Investments in Subsidiaries and Affiliates Outside Canada," where control or significant influence exists, or in item 15200, "Foreign Investments in Non-Affiliates," for portfolio investments. Income from foreign investments reported on the cost basis, i.e., portfolio investments, should be reported in item 47000, "Foreign Dividend and Interest Revenue." Investments reported on the equity basis should include the investor's share of earnings in item 58100, "Equity in Net Income of Unconsolidated Affiliates," with the corresponding adjustment to the investment account in item 14200, "Accumulated Earnings Less Dividends Received."

Dividends received from foreign investments reported on the equity basis are excluded from the income statement and should be reported as supplementary item 75200, "Dividends Received from Corporations Accounted for on the Equity Method."

CLASSIFICATION OF CAPITAL AND HEAD OFFICE ACCOUNTS OF UNINCORPORATED REPORTING ENTITIES

Definition: Unincorporated entities include partnerships, joint ventures and Canadian branch operations of foreign corporations.

Temporary loans and advances that are intended to be repaid should be classified as a liability in item 24000, "Amounts Owing to Parent, Subsidiaries and Affiliates." Investments of capital of a permanent nature should be classified as owner's capital in item 31000, "Share Capital." Undistributed profits of the entity should be reported separately in item 38000, "Retained Earnings."

Summary:

Loans and advances to be repaid - item 24000

Permanent capital investment - item 31000

Undistributed profits - item 38000

COMPARABILITY AND PREDICTIVE VALUE OF QUARTERLY FINANCIAL STATISTICS

The quarterly statistics produced from this survey are used to analyze short- and long-term cyclical trends. They are also used as leading indicators to forecast future economic activity and business profits. In order for the statistics to be useful they should be free of volatile quarter to quarter changes which are caused by year-to-date bookkeeping adjustments included in the current quarter estimates. As well, changes in accounting policies and methods, changes in the corporations included in the financial statements, and changes resulting from mergers or amalgamations and other structural adjustments affect quarter to quarter comparability of the statistics.

Quarter to quarter changes in items such as depreciation, amortization, interest expense, income taxes and capital expenditures caused by year-to-date adjustments included in the current quarter should be documented in the questionnaire and brought to the attention of the Statistics Canada survey staff. These adjustments are reallocated to previous quarters in the current year to produce a better estimate of quarterly trends. As well, any other changes in the current quarter's financial statements that would render them incomparable with those of the previous quarter should be documented either in the reporting entity section on the front page of the questionnaire or on an insert.

YEAR-END AND PRIOR YEAR'S ADJUSTMENTS

One of the objectives of the statistical program is to get as accurate as possible a measurement of quarterly revenues, expenses, and profits. It is recognized that interim financial statements do in fact contain a number of estimates that are revised at year-end to actual amounts. Because of the preliminary nature of the interim financial statements, the quarterly statistical program provides for revisions to the statistics on an on-going basis. Revenues and expenses reported in the fourth fiscal quarter could include year-end adjustments from preliminary estimates to actual amounts for the year. The accounts could also include year-end accruals and reclassifications that are not made during the year in the interim financial statements. The adjustments can materially affect the fourth quarter revenue and expense accounts, which in turn could distort the fourth quarter profits. To eliminate the distortions respondents are asked to report year-end adjustments in excess of \$500 thousand in the appropriate section of the fourth quarter questionnaire.

Statistics Canada's annual financial statistics program uses the quarterly revenues, expenses, and profit accounts as reported to the quarterly survey to produce annual accounts. This eliminates the need to conduct an annual survey in addition to the quarterly survey. The sum of the accounts of the four quarters should agree with the annual accounts as published in the annual financial statements. Therefore, it is important to know about all year-end adjustments. There are situations where year-end adjustments have not been entered in the company books prior to the preparation of the Statistics Canada fourth quarter financial statement report. In these cases the reported fourth quarter closing balance of retained earnings will not agree with the year-end balance in the company's financial statements. In the report of the first quarter of the following fiscal year this imbalance will appear as an adjustment to retained earnings. This prior year's adjustment should be reported in the appropriate section of the first quarter questionnaire in the year-end and prior year's adjustments statement. In some cases the year-end adjustments may not be finalized until the second quarter subsequent to the year-end. In these cases the applicable information will be reported in the questionnaire for the second fiscal quarter.

ACCOUNTING PRINCIPLES - FINANCIAL STATEMENT PRESENTATION AND DISCLOSURE

The quarterly financial statements questionnaire is designed to collect structured information required for the industry financial statistics program, and the System of National Economic Accounts. The financial statements detail and supplementary questions and schedules which are not normally found in published business financial statements are required to make the necessary conceptual adjustments and to calculate the Statement of Change in Financial Position as prescribed by the program.

Generally, the financial statements should be prepared in accordance with the codified generally accepted accounting principles (GAAP) as set out in the Canadian Institute of Chartered Accountants (C.I.C.A.) Handbook.

Specific requirements of the survey that depart from the C.I.C.A. Handbook, other industry specific accounting principles, and financial statement disclosure standards are as follows:

Balance Sheet

- i) Bank account credit balances (overdrafts) should not be offset against bank account debit balances. All credit balances should be shown as liabilities.
- ii) Investments in subsidiaries, affiliates and joint ventures on the equity method are separated into two accounts, investment in the acquired shares, and post-acquisition accumulated equity in the investee.
- iii) Sinking funds related to funded debt should be shown separately as an asset in the investment category, not netted against the liability.
- iv) Fixed assets include assets leased to others under an operating lease, capitalized leases (lessee), and construction-in-progress (new capital projects). This category excludes intangible assets.
- v) Deferred Income Taxes: All balance sheet accounts including credit and debit balances, short and long term, should be shown net in one line on the liability side of the balance sheet in cell 27000.

Retained Earnings

- i) Prior Period Adjustments are to be included in cell 38700, "Other Additions or Deductions."

Income Statement

- i) Expenses related to the amortization of deferred debits and deferred charges should be included in cell 52320.
- ii) All unrealized losses, writedowns, and writeoffs of assets, including adjustments to net realizable values, should be included in cell 56200.
- iii) All realized gains and losses related to the disposal of investments, loans and capital assets (except extraordinary items) should be included in cell 48000.
- iv) Charges related to allowances and provisions for declines in values of assets should be included in cell 55000, "Other Expenses."
- v) Profits or losses accruing to minority shareholders of consolidated subsidiaries should include the minority shareholders' portion of extraordinary gains and losses of the subsidiary. This means that the entire extraordinary gain or loss attributable to the subsidiary must be included in the extraordinary gain or loss line item of the consolidated income statement.

Real Estate Industry

A common practice of this industry is to capitalize or defer operating expenses and revenues of new properties until they are substantially occupied. For purposes of the quarterly financial statement survey, all such operating revenues and expenses should be included in their appropriate categories in the income statement.

Discontinued Operations

Gains or losses from discontinued businesses related to operations should be disclosed as normal operations showing detailed revenues and expenses separately in the prescribed accounts in the income statement. As well, the balance sheet items related to discontinued operations should be shown separately in their respective accounts.

Estimated gains or losses forecasted from a future disposal of assets of a discontinued operation are classified as an unrealized gain or loss, and as such should be shown in the revaluation account (cell 56200).

ITEM NO. 11000**CASH AND DEMAND DEPOSITS****Definition**

Cash and demand deposits consist of coins, bank notes, money orders, postal notes, cheques, accepted sight drafts, demand and notice deposit balances with banks and other financial institutions. Cheques issued against the reporting entity's accounts but not yet cleared should be shown in item 22100 (Accounts Payable and Accrued Liabilities). If the reporting entity has more than one deposit account, debit balances should not be netted against credit balances. Credit balances should be classified as overdrafts in item 25110 or 25180 (Loans and Overdrafts).

Valuation

Cash items and deposit balances should be valued at their face value at the balance sheet date. Foreign currency should be expressed in terms of Canadian dollars using the exchange rate at the balance sheet date.

Inclusions

- a) demand, notice and savings deposits
- b) restricted demand deposits
- c) inter-credit union deposits

Exclusions

- a) bank overdrafts - see item 25110 (Loans and Overdrafts with Chartered Bank Branches in Canada)
- b) overdrafts in deposit accounts with other financial institutions - see item 25180 (Loans and Overdrafts with Others)
- c) investments in other credit unions - see item 15161 (Shares of Centrals, Leagues and Federations)
- d) items in transit (for deposit accepting institutions) - see item 11800 (Items in Transit)
- e) term deposits, guaranteed investment certificates, term deposit certificates, bearer deposit notes - see item 11600 - (Term Deposits)
- f) swapped deposits - see item 11600 (Term Deposits)

Detail

11000	Cash and Demand Deposits
11100	Cash and Canadian Currency Demand Deposits
11110	Cash and Demand Deposits in Chartered Bank Branches in Canada
11120	Deposits with Central Credit Unions
11180	Other Canadian Currency Demand Deposits (include Canadian currency deposits in other financial institutions and bank branches outside Canada)
11200	Foreign Currency Demand Deposits

ITEM NO. 11600**TERM DEPOSITS****Definition**

These are sums of money placed with another party, usually a deposit accepting financial institution, for a specified time period with the rate(s) of interest established in advance. Some term deposits may be cashable on demand, with a penalty before the maturity date.

Inclusions

- a) guaranteed investment certificates and debentures
- b) guaranteed savings certificates
- c) deposit receipts
- d) bearer deposit notes
- e) swapped deposits

Exclusions

- a) short-term notes of sales finance companies - see item 15120 (Bankers' Acceptances and Finance and Other Short-Term Paper)
- b) short-term commercial paper, including promissory notes of mortgage companies - see item 15120
- c) bankers' acceptances - see item 15120
- d) notice deposits - see item 11000 (Cash and Demand Deposits)

Detail

11600	Term Deposits
11610	Centrals, Leagues, Federations
11630	Canadian Currency
16631	Chartered Bank Branches in Canada
16638	Other Institutions
11680	Foreign Currency

ITEM NO. 11800**ITEMS IN TRANSIT (NET)****Definition**

This covers the net debit/credit balance of all accounts representing outstanding debits/credits to depositors' accounts and accounts with other institutions, cheques and other settlements, and all other similar accounts dealing with items in course of settlement or in transit.

Valuation

Items denominated in foreign currency should be translated to Canadian currency using the exchange rate at the balance sheet date.

Inclusions

- a) cheques from/to Bank of Canada, other deposit accepting institutions and customer accounts in course of settlement
- b) clearing house settlements
- c) redeemed Canada Savings Bonds, matured bonds and coupons, proceeds of sales of Canada Savings Bonds in course of settlement
- d) money orders, travellers' cheques and drafts issued but not cleared
- e) amounts received but not yet credited to customer accounts

ITEM NO. 12100**ACCOUNTS RECEIVABLE AND ACCRUED REVENUE****Definition**

All claims against debtors arising from the sale of goods and services. Also included is accrued revenue receivable.

Valuation

All accounts receivable should be shown gross before deducting allowance for doubtful accounts (item 12800).

Inclusions

- a) interest, dividend and other investment income receivable
- b) receivables in connection with the sale of investments and fixed assets
- c) income taxes recoverable
- d) patronage dividends receivable
- e) balance recoverable represented by the excess of GST input tax credits claimed over GST collections

Exclusions

- a) accounts receivables from affiliates - see item 14300 (Loans, Advances, Mortgages, Notes, Bonds and Other Claims of Affiliates)
- b) loans receivable - see items 16000 (Mortgage Loans to Non-Affiliates) or 17000 (Non-Mortgage Loans to Non-Affiliates)
- c) balance owing represented by the excess of GST collections over GST input tax credits claimed - see item 22100 (Accounts Payable and Accrued Liabilities)

ITEM NO. 12800**ALLOWANCE FOR DOUBTFUL ACCOUNTS****Definition**

The allowance for doubtful accounts is a deduction from the book value of accounts receivable to reduce them to the estimated realizable value.

ITEM NO. 14000**INVESTMENTS IN AND CLAIMS ON PARENT SUBSIDIARIES AND AFFILIATES****Definition**

This category covers all investments in and claims on non-consolidated parent, affiliated and subsidiary corporations, affiliated joint ventures and partnerships, head office, directors, officers and individual shareholders.

Subsidiary companies are corporations directly controlled (i.e., over 50% of the voting shares held) by the reporting entity.

Affiliated companies of the reporting entity are corporations which are:

- a) effectively controlled or whose operations are significantly influenced by the reporting entity despite its holding less than the majority of voting shares
- b) controlled or significantly influenced by another company under the reporting entity's control
- c) within the same family of corporations under common ownership and control

Valuation

Shares should be valued at acquisition cost and other investments should be shown at amortized cost.

In cases where the investment value is permanently impaired and a write-down is recorded, this write-down will be reflected in item 56200 (Write-Offs and Valuation Adjustments).

If the equity method is used, the cost of shares is shown separately in item 14100 from the accumulated earnings less dividends received which are shown in item 14200.

Inclusions

Claims:

- a) loans (including mortgage loans), notes and advances to "affiliates," and holdings of debt instruments issued by non-consolidated parent, subsidiary and affiliated corporations, head office, and affiliated joint ventures and partnerships
- b) loans, notes and advances to directors, officers, and individual shareholders
- c) dividends and other non-trade receivables from non-consolidated parent, subsidiary and affiliated corporations, head office, and affiliated joint ventures and partnerships

Detail

14000	Investments in and Claims on Parent, Subsidiaries and Affiliates
14100	Cost of Shares
14110	Canadian Corporations
14120	Foreign Corporations
14200	Accumulated Earnings Less Dividends Received
14300	Loans, Advances, Mortgages, Notes, Bonds and Other Claims

14310 Canadian Companies

14320 Foreign Companies

ITEM NO. 15000

INVESTMENTS IN NON-AFFILIATES

Definition

This category covers investments in securities issued by non-affiliated entities.

Valuation

Except as noted below, debt securities and fixed term equity securities should be valued at acquisition cost or at amortized cost. Other equity securities should be valued at acquisition cost.

In cases where the investment value is permanently impaired and a write-down is recorded, this write-down will be reflected in item 56200 (Write-Offs and Valuation Adjustments).

Exclusions

- a) loans receivable - see item 16000 (Mortgage Loans to Non-Affiliates) and 17000 (Non-Mortgage Loans to Non-Affiliates)
- b) investments in affiliates - see item 14000 (Investments in and Claims on Parent, Subsidiaries and Affiliates)
- c) term deposits, guaranteed investment certificates, bearer deposit notes, swapped deposits - see item 11600 (Term Deposits)

Detail

- 15000 Investments in Non-Affiliates
- 15100 Canadian Investments in Non-Affiliates
- 15110 Government of Canada Treasury Bills (see separate definition)
- 15120 Bankers' Acceptances and Finance and Other Short-Term Paper (see separate definition)
- 15130 Government of Canada Debt (see separate definition)
- 15140 Provincial and Municipal Government Debt (see separate definition)
- 15150 Corporate Bonds and Debentures (see separate definition)
- 15160 Corporate Shares (see separate definition)
- 15180 Other Canadian Investments (see separate definition)
- 15200 Foreign Investments (see separate definition)

ITEM NO. 15110

GOVERNMENT OF CANADA TREASURY BILLS

Definition

This item covers investments in short-term Government of Canada obligations issued at a discount in lieu of interest. These obligations may be issued in Canadian or other currencies.

Valuation

Canada treasury bills should be shown at acquisition cost. Some investors, however, record this item at amortized cost.

Inclusions

- a) Canada bills (bills issued in U.S. currency)

ITEM NO. 15120**BANKERS' ACCEPTANCES AND FINANCE AND OTHER SHORT-TERM PAPER****Definition**

This category covers investments in short-term debt securities issued by provincial and municipal governments, financial institutions and industrial corporations resident in Canada. Short-term securities are generally those with an original term to maturity of less than one year.

Valuation

These investments should be shown at acquisition cost. However, since short-term paper is generally purchased at a discount or premium and recorded at amortized cost, amortized cost is also acceptable.

Inclusions

- a) Canadian provincial and municipal government short-term bills and notes
- b) financial and commercial paper
- c) bankers' acceptances

Exclusions

- a) Government of Canada treasury bills - see item 15110 (Government of Canada Treasury Bills)
- b) term deposits, swapped deposits, guaranteed investment certificates, deposit certificates and collateral deposits - see item 11600 (Term Deposits)
- c) share options and warrants - see item 15160 or 15200 (Corporate Shares)
- d) foreign finance and other short-term paper - see item 15200 (Foreign Investments)
- e) bearer deposit notes - see item 11600 (Term Deposits)
- f) demand deposits - see item 11000 (Cash and Demand Deposits)

ITEM NO. 15130**GOVERNMENT OF CANADA DEBT****Definition**

This item covers investments in debt securities, other than treasury bills, issued by the Government of Canada.

Valuation

These investments should be shown at amortized cost.

Inclusions

- a) Government Business Enterprises' debt guaranteed by the Government of Canada

Exclusions

- a) debt issued by government enterprises and not guaranteed by the Government of Canada - see item 15150 (Corporate Bonds and Debentures)
- b) Government of Canada treasury bills and short-term notes - see item 15110 (Government of Canada Treasury Bills)
- c) debt issued by private sector enterprises and guaranteed by the Government of Canada - see item 15150 (Corporate Bonds and Debentures)
- d) debt issued by provincial and municipal governments and guaranteed by the Government of Canada - see item 15140 (Provincial and Municipal Government Debt)
- e) accrued interest receivable - see item 12100 (Accounts Receivable and Accrued Revenue)

ITEM NO. 15140**PROVINCIAL AND MUNICIPAL GOVERNMENT DEBT****Definition**

This item covers investments in debt securities, except treasury bills and notes with original terms to maturity of less than one year, issued by Canadian provincial and municipal governments. Also included are debt securities issued by provincial and municipal government business enterprises guaranteed by provincial or municipal governments.

Valuation

These investments should be shown at amortized cost.

Inclusions

- a) provincial and municipal government business enterprise debt guaranteed by provincial and/or municipal governments
- b) debt issued by school boards, commissions and districts
- c) provincial and municipal debt securities guaranteed by the Government of Canada

Exclusions

- a) debt issued by government enterprises and not guaranteed by a provincial or municipal government - see item 15150 (Corporate Bonds and Debentures)
- b) treasury bills and short-term notes - see item 15120 (Bankers' Acceptances and Finance and Other Short-Term Paper)
- c) debt issued by private sector enterprises and guaranteed by provincial or municipal governments - see item 15150 (Corporate Bonds and Debentures)
- d) accrued interest receivable - see item 12100 (Accounts Receivable and Accrued Revenue)

Detail

15140	Provincial and Municipal Government Debt
15141	Provincial Government Debt
15142	Municipal Government Debt

ITEM NO. 15150**CORPORATE BONDS AND DEBENTURES****Definition**

This item covers all debt securities issued by Canadian corporations, other than debt issued by government business enterprises and guaranteed by Canadian governments, and short-term paper.

Valuation

These investments should be shown at amortized cost. In cases where the investment value is permanently impaired and a write-down is recorded, this write-down will be reflected in item 56200 (Write-Offs and Valuation Adjustments).

Inclusions

- a) income debentures, mortgage bonds, small business development bonds and small business bonds
- b) notes with an original term to maturity of one year or over, except promissory notes arising from the sale of goods and services
- c) own debt securities held but not retired
- d) debt securities issued by separately constituted government enterprises and not guaranteed by a Canadian government
- e) government guaranteed debt securities of private sector enterprises

Exclusions

- a) short-term paper - see item 15120 (Bankers' Acceptances and Finance and Other Short-Term Paper)

- b) government business enterprise debt guaranteed by a Canadian government - see items 15130 (Government of Canada Debt) and 15140 (Provincial and Municipal Government Debt)
- c) debt securities of foreign governments and corporations - see item 15200 (Foreign Investments)
- d) accrued interest receivable - see item 12100 (Accounts Receivable and Accrued Revenue)
- e) debt securities of affiliates - see item 14000 (Investments in and Claims on Parent, Subsidiaries and Affiliates)
- f) promissory notes arising from the sale of goods and services - see item 12100 (Accounts Receivable and Accrued Revenue)

ITEM NO. 15160

CORPORATE SHARES

Definition

Investments in shares covers all holdings of common and preferred shares issued by non-affiliated Canadian corporations.

Valuation

Investments in shares should be shown at acquisition cost after adjustments to reflect permanent impairment in the underlying values. Fixed term equity securities should be carried at amortized cost.

Inclusions

- a) common and preferred shares of non-affiliated Canadian corporations
- b) fixed term equity securities
- c) closed-end and open-end funds
- d) credit union shares
- e) stock warrants and options

Exclusions

- a) shares in foreign corporations - see item 15200 (Foreign Investments)
- b) shares of affiliates - see item 14110 (Cost of Shares - Canadian Corporations)
- c) dividends receivable - see item 12100 (Accounts Receivable and Accrued Revenue)

Detail

15160	Corporate Shares
15161	Shares in Centrals, Leagues, Federations
15168	Corporate and Cooperative Shares

ITEM NO. 15180

OTHER CANADIAN INVESTMENTS

Definition

This item covers Canadian investments not elsewhere classified.

Valuation

These investments should be valued at acquisition or amortized cost.

Inclusions

- a) precious metals
- b) gold and silver certificates

Exclusions

- a) cash surrender value of life insurance policies - see item 19880 (Other Assets)
- b) mortgage loans and non-mortgage loans - see items 16000 (Mortgage Loans to Non-Affiliates) and 17000 (Non-Mortgage Loans to Non-Affiliates)

ITEM NO. 15200**FOREIGN INVESTMENTS****Definition**

This item covers investments in foreign securities other than securities issued by, and loans to, foreign affiliates.

Valuation

Marketable and equity securities should be valued at acquisition cost. Some investors, however, record marketable securities at amortized cost. This method is acceptable. Debt securities should be valued at amortized cost.

In cases where the investment value is permanently impaired and a write-down is recorded, this write-down will be reflected in item 56200 (Write-Offs and Valuation Adjustments).

Foreign investments should be expressed in Canadian dollars using the rate of exchange in effect on the balance sheet date.

Inclusions

- a) foreign marketable securities
- b) foreign debt securities
- c) foreign equity securities

Exclusions

- a) foreign mortgage loans - see item 16000 (Mortgage Loans to Non-Affiliates)
- b) accrued interest and dividends receivable - see item 12100 (Accounts Receivable and Accrued Revenue)
- c) claims on and investments in foreign affiliates - see item 14120 (Cost of Shares - Foreign Corporations and 14320 (Loans, Advances, Mortgages, Notes, Bonds and Other Claims - Foreign Corporations, Officers and Shareholders)
- d) term deposits, bearer deposit notes, deposit receipts and like instruments in foreign financial institutions - see item 11638 and 11680 (Term Deposits in Other Institutions)

ITEM NO. 16000**MORTGAGE LOANS TO NON-AFFILIATES****Definition**

Mortgage loans and sales agreements receivable are loans made to purchase real estate contingent upon the borrowers' conveying title to the underlying real property to the lender as security for the loan.

Mortgages on properties which are partially residential and partially non-residential should be classified according to the property's major use. If this is not possible, classify the mortgages involved as residential.

Valuation

Mortgages and sales agreements should be shown at amortized cost before deducting provision for mortgage loan losses (item 19811).

Inclusions

- a) advances or draws as well as completed loans
- b) mortgages purchased from another investor
- c) mortgages assumed by seller of real estate

Exclusions

- a) chattel or collateral mortgages - loans made for purposes other than the purchase of real estate but secured by real estate - see item 17000 (Non-Mortgage Loans to Non-Affiliates)
- b) mortgage bonds, debentures and notes - see item 15150 (Corporate Bonds and Debentures)
- c) advances made to finance real estate development and construction which are not secured by a mortgage, i.e., bridge financing - see item 17000 (Non-Mortgage Loans to Non-Affiliates)

- d) accrued interest receivable - see item 12100 (Accounts Receivable and Accrued Revenue)
- e) mortgage loans to affiliates - see item 14300 (Loans, Advances, Mortgages, Notes, Bonds and Other Claims on Affiliates)

Detail

16000	Mortgage Loans to Non-Affiliates
16100	Secured by Property in Canada
16110	Residential
16120	Non-Residential
16121	Non-Residential - Farms
16128	Non-Residential - Other
16200	Secured by Property Outside Canada

ITEM NO. 17000**NON-MORTGAGE LOANS TO NON-AFFILIATES****Definition**

Non-mortgage loans receivable refers to funds lent to borrowers, other than through mortgage loan contracts or the purchase of debt securities issued by borrowers. Loans may be demand or time loans and, within these categories, secured or unsecured.

Valuation

Non-mortgage loans receivable should be shown at amortized cost before deducting the loan loss provision (item 19812).

Loans denominated in foreign currency should be expressed in Canadian dollars using the exchange rate at the balance sheet date.

Inclusions

- a) day and call loans
- b) short-term and long-term loans
- c) overdrafts on depositors' accounts and drawings on lines-of-credit
- d) outstanding balances under credit card plans
- e) collateral or chattel mortgages

Exclusions

- a) bills, serial notes, bonds and like evidence of indebtedness - see items in 15000 series (Investments in Non-Affiliates)
- b) mortgage loans receivable and funds lent to purchase real estate - see item 16000 (Mortgage Loans to Non-Affiliates)
- c) accrued interest receivable - see item 12100 (Accounts Receivable and Accrued Revenue)
- d) loans to affiliates - see item 14300 (Loans, Advances, Mortgages, Notes, Bonds and Other Claims on Affiliates)

Detail

17000	Non-Mortgage Loans to Non-Affiliates
17100	To Individuals, Unincorporated Businesses and Non-Profit Institutions
17110	To Individuals to Purchase Consumer Goods
17181	Other - Farms
17188	Other
17310	Local Credit Unions
17320	Centrals Credit Unions
17400	To Corporations and Other Cooperative Enterprises
17500	Lines of Credit
17800	To Others

ITEM NO. 18100**REPOSSESSED ASSETS HELD FOR SALE****Definition**

This item covers properties, equipment, vehicles and other assets repossessed or foreclosed upon by the reporting entity as a result of default in loan repayments by the owner.

ITEM NO. 18310**LAND AND DEPRECIABLE ASSETS - GROSS****Definition**

These are tangible and intangible assets that are:

1. held by a corporation for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and may include items held for the maintenance or repair of such assets;
2. have been acquired or constructed with the intention of being used on a continuing basis;
3. not intended for sale in the ordinary course of business.

Also included are assets acquired under capital leases, which are leases where all the benefits and risks of ownership of leased property are transferred from the lessor to the lessee. Leased properties include land, buildings, machinery and equipment.

This category includes real estate held for rental.

Also included are properties which the reporting entity has classified as non-productive or non-operating (i.e., not part of its fixed assets) and of which it is in the process of divesting itself. This item covers the accumulated depreciation and amortization on "real estate held for income " and "fixed assets."

Valuation

Land and depreciable assets should be valued at acquisition cost including interest capitalized, or allowance for funds used for construction, plus the cost of betterments, less write-downs to reflect permanent impairment. Depreciable assets should be reported before deducting depreciation.

Inclusions

- a) land, roads, bridges and towers
- b) buildings and other structures
- c) leasehold improvements
- d) machinery and equipment
- e) assets acquired under capital leases

Exclusions

- a) intangible assets - see item 19880 (Other Assets)

ITEM NO. 18350**ACCUMULATED DEPRECIATION****Definition**

This is the accumulated periodic allocation of the cost of rental properties and fixed assets to expense.

ITEM NO. 19810**ACCUMULATED PROVISIONS AND ALLOWANCES FOR LOSSES****Definition**

This item is the sum of the various contra or valuation accounts pertaining to provisions and allowances for losses or decline in value of investments, loans, inventories and other assets.

Exclusions

- a) allowance for doubtful accounts - see item 12800 (Allowance for Doubtful Accounts)
- b) reserves for losses which are appropriations of retained earnings - see item 35100 (General and Other Reserves)

Detail

- 19810 Accumulated Provisions and Allowances for Losses
- 19811 Allowance for Doubtful Mortgage Loans
- 19812 Allowance for Doubtful Non-Mortgage Loans
- 19818 Other Allowances and Provisions for Losses

ITEM NO. 19820**STABILIZATION FUND DEPOSITS****Definition**

These are funds deposited by a credit union with its Central or some governmental body which is responsible for administering them for the purpose of providing financial aid to credit unions in financial difficulty. Contributions to a stabilization fund are mandatory and could be either refundable (at some future time) or non-refundable.

Other names for this account are:

1. Mutual Aid Fund;
2. Provincial Reserve Fund;
3. Emergency Reserve.

ITEM NO. 19880**OTHER ASSETS****Definition**

This item covers all assets not elsewhere classified.

Valuation

Other assets should be valued at acquisition or amortized cost.

Inclusions

- a) prepaid expenses and deferred charges - expenditures which are expected to yield benefits in the future and are carried forward to be allocated to current operations in subsequent periods, e.g., amounts paid for goods and services not yet received, prepaid insurance and rents, discount and expense on bond issues, organizational expense, and deferred pension costs
- b) cash surrender value of life insurance policies
- c) other unamortized deferred debits
- d) intangible assets

ITEM NO. 21000**DEPOSIT LIABILITIES****Definition**

Deposit liabilities are funds placed by other parties with a financial institution for the purpose of establishing and maintaining a credit balance with the institution. Such deposits may be payable on demand, after notice or on a fixed date. Also included are promissory notes issued by these institutions which are insurable under a deposit insurance act in Canada.

Valuation

Deposit balances should be valued at their face value at the balance sheet date. Foreign currency deposits should be translated to Canadian currency using the exchange rate at the balance sheet date.

Inclusions

- a) demand, notice and term deposits; special deposits such as RRSP accounts (deposit-accepting institutions)
- b) guaranteed investment certificates, certificates of deposit, and similar types of instruments
- c) inter-bank deposits
- d) bearer deposit notes
- e) swapped deposits

Exclusions

- a) advances and prepayments for goods to be delivered or services to be performed in a future period - see item 29000 (Other Liabilities)
- b) deposits of affiliates - see item 24000 (Amounts Owing to Parent, Subsidiaries and Affiliates)

Detail

21000	Deposit Liabilities
21210	Tax-Sheltered Deposits - RRSP
21280	Tax-Sheltered Deposits - Other
21300	Deposits of Individuals, Unincorporated Businesses and Non-Profit Institutions
21800	Other Deposits

ITEM NO. 22100**ACCOUNTS PAYABLE AND ACCRUED LIABILITIES****Definition**

Accounts payable covers all claims by creditors arising from the purchase of goods and services. Also included are accrued liabilities and amounts owing to governments, except corporate income taxes.

Inclusions

- a) interest, dividends and rent payable
- b) accrued expenses such as salaries, wages, payroll taxes, employee benefits, indirect taxes, capital taxes, guarantee and warranty costs
- c) debt arising from the purchase of fixed assets and investments
- d) patronage dividends and experience rating refunds payable
- e) outstanding cheques
- f) balance owing represented by the excess of GST collections over GST input tax credits claimed

Exclusions

- a) income taxes payable - see item 23000 (Income Taxes Payable)
- b) advances and unearned income - see item 29000 (Other Liabilities)
- c) lease contracts payable - see item 25180 (Loans and Overdrafts with Others)
- d) loans payable - see items in 25100 series (Loans and Overdrafts) and 25500 (Mortgage Loans)
- e) balance recoverable represented by the excess of GST input tax credits claimed over GST collections - see item 12100 (Accounts Receivable and Accrued Revenue)

ITEM NO. 23000**INCOME TAXES PAYABLE****Definition**

This item covers income taxes payable to provincial and federal governments.

Exclusions

- a) other taxes, such as municipal taxes, business taxes, payroll taxes, sales taxes, royalties, licences and fees payable to provincial and municipal governments - see item 22100 (Accounts Payable and Accrued Liabilities)
- b) capital taxes - see item 22100 (Accounts Payable and Accrued Liabilities)
- c) income taxes recoverable - see item 12100 (Accounts Receivable and Accrued Revenue)

ITEM NO. 24000**AMOUNTS OWING TO PARENT, SUBSIDIARIES AND AFFILIATES****Definition**

This category covers debt owed by the reporting entity to non-consolidated parent, subsidiary, and affiliated corporations, affiliated joint ventures and partnerships, head office, directors, officers and individual shareholders (cf. item 14000).

Valuation

Claims of affiliates should be shown at amortized value.

Inclusions

- a) all loans, advances, mortgages, bonds, debentures and notes held by non-consolidated parent, subsidiaries and affiliated corporations, affiliated joint ventures and partnerships, head office, directors, officers and individual shareholders
- b) dividends and other non-trade accounts payable to non-consolidated parent, subsidiaries and affiliated corporations, affiliated joint ventures and partnerships, head office, directors, officers and individual shareholders

Detail

24000 Amounts Owing to Parent, Subsidiaries and Affiliates
 24100 In Canada
 24200 Outside Canada

ITEM NO. 25110**LOANS AND OVERDRAFTS WITH CHARTERED BANK BRANCHES IN CANADA****Definition**

Bank loans refer to funds lent by chartered banks to the reporting entity other than through mortgage loan contracts or the banks' purchase of the reporting entity's securities. These loans may be demand or time loans and, within these categories, secured or unsecured.

Valuation

Loans denominated in foreign currency should be expressed in Canadian dollars using the exchange rate in effect on the balance sheet date.

Inclusions

- a) overdrafts on deposit accounts as shown in the banks' records
- b) chattel or collateral mortgages
- c) exercised lines of credit

Exclusions

- a) mortgage loans - see item 25500 (Mortgage Loans)
- b) holdings of own guaranteed investment certificates, certificates of deposit, bearer deposit notes - see item 21000 (Deposit Liabilities)
- c) outstanding cheques - see item 22100 (Accounts Payable and Accrued Liabilities)
- d) bankers' interest payable - see item 22100 (Accounts Payable and Accrued Liabilities)
- e) accrued interest payable - see item 22100 (Accounts Payable and Accrued Liabilities)

f) loans from foreign branches of Canadian chartered banks - see item 25180 (Loans and Overdrafts with Others)

ITEM NO. 25120

LOANS AND OVERDRAFTS WITH CENTRAL CREDIT UNIONS

Definition

This item refers to funds lent by central credit unions to the reporting entity other than through mortgage loan contracts. These loans may be demand or time loans.

Inclusions

- a) chattel or collateral mortgages
- b) overdrafts on deposit accounts as shown in the central's records
- c) exercised lines of credit

Exclusions

- a) deposit liabilities - see item 21000 (Deposit Liabilities)
- b) outstanding cheques - see item 22100 (Accounts Payable and Accrued Liabilities)
- c) accrued interest payable - see item 22100 (Accounts Payable and Accrued Liabilities)
- d) mortgage loans - see item 25500 (Mortgage Loans)

ITEM NO. 25180

LOANS AND OVERDRAFTS WITH OTHERS

Definition

This item covers funds borrowed from lenders other than chartered bank branches in Canada.

Valuation

Loans denominated in foreign currency should be expressed in Canadian dollars using the exchange rate in effect on the balance sheet date.

Inclusions

- a) chattel or collateral mortgages
- b) overdrafts on deposit accounts as shown in the financial institution records
- c) exercised lines of credit
- d) capital lease obligations
- e) loans from foreign branches of Canadian chartered banks and foreign banks

Exclusions

- a) deposit liabilities - see item 21000 (Deposit Liabilities)
- b) funds raised through mortgage loan contracts and the issuance of securities - see items 25500 (Mortgage Loans) and 29000 (Other Liabilities)
- c) outstanding cheques - see item 22100 (Accounts Payable and Accrued Liabilities)
- d) accrued interest payable - see item 22100 (Accounts Payable and Accrued Liabilities)
- e) mortgage loans - see item 25500 (Mortgage Loans)
- f) loans from parent, subsidiaries and affiliates - see item 24000 (Amounts Owing to Parent, Subsidiaries and Affiliates)

ITEM NO. 25500**MORTGAGE LOANS****Definition**

Mortgage loans payable are funds borrowed under a mortgage contract to purchase real estate.

Valuation

Loans denominated in foreign currency should be expressed in Canadian dollars using the exchange rate in effect on the balance sheet date.

Exclusions

- a) chattel or collateral mortgages - see items 25110 (Loans and Overdrafts with Chartered Bank Branches in Canada) and 25180 (Loans and Overdrafts with Others)
- b) accrued interest payable - see item 22100 (Accounts Payable and Accrued Liabilities)
- c) mortgages due to affiliates - see item 24000 (Amounts Owing to Parent, Subsidiaries and Affiliates)

ITEM NO. 27000**DEFERRED INCOME TAXES****Definition**

The excess or deficiency of income taxes payable based on taxable income in comparison to income taxes based on accounting income. The differences in income measurement between taxable income and accounting income are related to the timing of recognition of revenues and expenses. This account represents the accumulated amount by which income taxes charged in the accounts have been increased or decreased as a result of timing differences.

Inclusions

- a) all deferred income tax debits and credits arising from use of the income tax allocation method

Exclusions

- a) income taxes payable based on taxable income - see item 23000 (Income Taxes Payable)

ITEM NO. 28000**MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES****Definition**

This covers the equity in subsidiaries consolidated in a reporting unit's return that is applicable to shares not owned by the parent company or any other company that is included in the consolidated report.

ITEM NO. 29000**OTHER LIABILITIES****Definition**

This item covers liabilities not elsewhere classified.

Inclusions

- a) advances received, deferred income and unearned revenue
- b) provision for future expenditures recognized in current operations as a charge against current income, e.g., retroactive increases in wages, provision for pension costs, provision for warranty claims and retroactive adjustments
- c) unamortized deferred credits/debits such as unamortized foreign exchange gains/losses
- d) unrealized gains/losses on the translation of foreign currency
- e) unamortized balance of deferred gains/losses on investments

Exclusions

- a) accounts payable - see item 22100 (Accounts Payable and Accrued Liabilities)
- b) accrued expenses - see item 22100 (Accounts Payable and Accrued Liabilities)
- c) unrealized gains may be recognized as income (item 56100 - Gains/Losses on the Translation of Foreign Currency, item 56200 - Write-Offs and Valuation Adjustments, item 58310 - Extraordinary Gains/Losses - Before Taxes, or part of item 34000 - Appraisal Increase Credits/Debits)

ITEM NO. 31000**SHARE CAPITAL****Definition**

Share capital represents the ownership interest in a company as authorized by its instrument of incorporation. It covers all classes of share capital including qualifying membership shares, additional shares held by members and estate/endowment shares.

Valuation

Share capital issued and outstanding should be stated at par value or, if there is no par value, their stated value.

Inclusions

- a) qualifying membership units of credit unions (31300)
- b) additional members' shares (31800)
- c) estate and endowment shares (31800)

Exclusions

- a) retained earnings - see item 35200 (Undivided Surplus)
- b) appraisal increase credits/debits - see item 34000 (Appraisal Increase Credits/Debits)
- c) estate/endowment loans - see item 17188 (Loans to Individuals - Other)

Detail

31000 Share Capital
 31300 Qualifying Members' Shares
 31800 Others Shares

ITEM NO. 34000**APPRAISAL INCREASE CREDITS/DEBITS****Definition**

This refers to unrealized increases in the value of fixed assets arising from an appraisal. It represents the difference between the appraised value of the asset and its cost or depreciated cost.

Exclusions

- a) gains/losses resulting from the disposal of assets - these are recognized as income and flowed through the income statement under item 48000 (Gains/Losses on the Sale of Assets) or item 58300 (Extraordinary Gains/Losses - Net)

ITEM NO. 35000**RETAINED EARNINGS****Definition**

Retained earnings refers to the accumulated undistributed earnings derived from all sources, including capital or extraordinary gains and losses. Retained earnings may be appropriated (i.e., set aside at the discretion of management or in accordance with the requirements of a statute, by-law, trust indenture or other agreement for a specific or general purpose) or unappropriated. Both are included here. The unappropriated portion of retained

earnings is labelled as "undivided earnings." Thus, the "undivided earnings" covered by the Statement of Undivided Earnings refers only to unappropriated retained earnings.

Exclusions

- a) appraisal surplus or appraisal increase credits/debits - see item 34000 (Appraisal Increase Credits/Debits)
- b) share capital - see item 31000 (Share Capital)

Detail

35000 Retained Earnings
 35100 General and Other Reserves
 35200 Undivided Surplus

ITEM NO. 38000

UNDIVIDED SURPLUS - CLOSING BALANCE

Definition

This item is the balance at the end of the period and should be equal to and as defined in item 35200 (Undivided Surplus).

ITEM NO. 38100

UNDIVIDED SURPLUS - OPENING BALANCE

Definition

Undivided surplus is the accumulated balance of income less losses of a reporting entity, after taking into account dividends and other appropriate charges or credits. The amount here is the balance at the beginning of the period.

ITEM NO. 38200

NET INCOME/LOSS

Definition

This represents the current period net income as reported in the Income Statement - see item 58480 (Net Income/Loss).

ITEM NO. 38400

TRANSFERS FROM/TO OTHER ACCOUNTS

Definition

These are transfers between the undivided surplus account, share capital, and reserves of the reporting unit.

ITEM NO. 38700

OTHER ADDITIONS/DEDUCTIONS

Definition

These are changes in undivided surplus arising from events other than those described in item 38400 or through dividends paid.

Inclusions

- a) adjustments resulting from changes in accounting methods and basis of reporting
- b) prior period adjustments
- c) Part IV Refundable Taxes

ITEM NO. 38800**DIVIDENDS DECLARED****Definition**

An amount declared by the board of directors for distribution to members in proportion to their holdings.

Inclusions

- a) cash dividends declared - cash dividends declared
- b) other dividends - patronage dividends

Detail

38800 Dividends Declared
 38820 On Shares
 38830 Interest Rebates and Additional Interest on Savings Deposits

ITEM NO. 45000**INTEREST REVENUE FROM CANADIAN SOURCES****Definition**

Interest represents revenue earned with respect to the lending of money through loans and the holding of debt instruments such as bonds, mortgages and other financial claims.

Valuation

Interest revenue should not be netted against interest expense.

Inclusions

- a) amortization of discounts and premiums on the purchase of fixed income securities and the lending of money
- b) interest on deposits
- c) interest on income bonds and debentures
- d) finance charges on accounts receivable
- e) interest on small business development bonds
- f) interest on small business bonds
- g) imputed interest or discounts from commercial paper, financial paper, and treasury bills
- h) interest from affiliates (put entirely under item 45800)

Exclusions

- a) dividends on term and retractable preferred shares - see items 46000 (Dividends Received from Canadian Corporations) or 47000 (Foreign Dividend and Interest Revenue)
- b) interest revenue from foreign sources - see item 47000 (Foreign Dividend and Interest Revenue)

Detail

45000 Interest Revenue from Canadian Sources
 45100 Bonds and Debentures
 45200 Mortgage Loans
 45300 Consumer Loans
 45800 Other Interest Revenue

ITEM NO. 46000**DIVIDENDS RECEIVED FROM CANADIAN CORPORATIONS****Definition**

Receipts of cash arising from the reporting entity's shareholdings in corporations incorporated in Canada.

This item excludes dividends received when the equity method of accounting for investments is used.

Inclusions

- a) cash dividends on all common and preferred shares
- b) liquidating dividends

Exclusions

- a) patronage dividends - see item 49000 (Other Revenue)
- b) stock dividends - common or preferred - see item 49000 (Other Revenue)
- c) interest on small business bonds, small business development bonds and income bonds - see items 45100 (Interest Revenue on Bonds and Debentures) or 47000 (Foreign Dividend and Interest Revenue)
- d) cash dividends from affiliates accounted for on the equity method - see item 75000 (Dividends Received from Corporations - Equity Method)

ITEM NO. 47000**FOREIGN DIVIDEND AND INTEREST REVENUE****Definition**

This item covers all cash dividends received from corporations incorporated outside Canada and interest revenue from foreign sources.

Valuation

Interest and dividend income received from foreign sources should be shown before deduction of interest expenses and foreign withholding taxes.

Inclusions

- a) see items 45000 (Interest Revenue from Canadian Sources) and 46000 (Dividends Received from Canadian Corporations)

Exclusions

- a) patronage dividends - see item 49000 (Other Revenue)
- b) stock dividends - see item 49000 (Other Revenue)

Detail

47000 Foreign Dividend and Interest Revenue
 47100 Dividends Received from Foreign Corporations
 47200 Interest Revenue from Foreign Sources

ITEM NO. 48000**GAINS/LOSSES ON THE SALE OF ASSETS (OPERATING)****Definition**

This item covers realized gains or losses on the sale of assets that are not considered extraordinary items - see item 58310 (Extraordinary Gains/Losses - Before Taxes). The assets in this category are not considered part of stock-in-trade purchased or produced for sale from the normal operations of the business. They are considered to be of a capital nature such as fixed assets, investments, loans and securities.

Valuation

The accounting measure of the gain or loss on the sale of an asset represents the difference between its book value and the proceeds of disposition before the deduction of incidental costs and income taxes applicable.

Exclusions

- a) incidental costs, e.g., legal fees, commissions - see item 55000 (Other Expenses)
- b) unrealized gains/losses - see item 56200 (Write-Offs and Valuation Adjustments)

ITEM NO. 49000**OTHER REVENUE****Definition**

Receipts and inflows of cash, receivables or other considerations that are:

1. not elsewhere classified;
2. not related to income of prior periods;
3. not of a capital nature.

Inclusions

- a) patronage dividends
- b) stock dividends
- c) royalties and franchise fees
- d) operating subsidies received

Exclusions

- a) liquidating dividends - see items 46000 (Dividends Received from Canadian Corporations) and 47100 (Dividends Received from Foreign Corporations)
- b) realized and unrealized gains/losses - see items 48000, 56100, 56200 and 58310

ITEM NO. 52100**DEPRECIATION****Definition**

Depreciation is the accounting process whereby the cost of fixed assets is systematically allocated over the term of its useful life to current operations. This process recognizes the gradual exhaustion of the service capacity of the fixed asset.

Inclusions

Depreciation relates to fixed assets - item 18300 (Fixed Assets)

- a) depreciation of buildings and structures
- b) depreciation of machinery and equipment
- c) amortization of leasehold improvements
- d) depreciation on rental equipment
 - i) for operating leases (by lessor)
 - ii) for capital leases (by lessee)

Exclusions

- a) amortization of intangible assets and deferred charges - see item 52300 (Amortization)
- b) one-time nature write-offs or write-downs - see item 56200 (Write-Offs and Valuation Adjustments)

ITEM NO. 52300**AMORTIZATION****Definition**

Amortization is the gradual writing off of a balance in an asset account over an appropriate period. This balance usually arises from the capitalization of expenditures made to benefit future periods and includes intangible assets, special tooling costs, and other deferred charges.

Inclusions

- a) amortization of goodwill, franchises, organization expense

- b) amortization of set-up costs, financing costs of issuing debt and share capital, deferred compensation and pension costs
- c) amortization of deferred gains and losses on investments

Exclusions

- a) amortization of leasehold improvements - see item 52100 (Depreciation)
- b) amortization of premiums and discounts on investments - see appropriate interest income or expense item
- c) amortization of deferred losses on the translation of foreign currency - see item 56100 (Gains/Losses on the Translation of Foreign Currency)

Detail

52300 Amortization of
 52310 Intangible Assets
 52320 Deferred Charges
 52380 Other

ITEM NO. 53100

INTEREST EXPENSE ON DEBT

Definition

This represents payments for the use of funds raised through loans, bonds, short-term paper, notes and other debt instruments.

Valuation

Interest expense should be net of interest capitalized.

Interest expense should not be netted against interest revenue.

Inclusions

- a) amortization of bond discounts
- b) discount expense
- c) imputed interest expense on commercial and financial paper and treasury bills
- d) interest payments on capital leases
- e) finance charges
- f) interest on income bonds and debentures
- g) interest paid on all other borrowing
- h) interest paid to affiliates (put entirely under item 53130)

Exclusions

- a) dividends on term and retractable preferred shares - see item 38810 (Cash Dividends Declared)
- b) amortization of debt issue expenses - see item 52320 (Amortization - Deferred Charges)
- c) debt issue expenses - see item 55000 (Other Expenses)

Detail

53100 Interest Expense On Debt
 53120 Mortgages
 53130 Other

ITEM NO. 53200

INTEREST ON DEPOSITS

Definition

This item covers interest paid to depositors for the funds held on deposit by the deposit-accepting institutions.

Exclusions

- a) interest on deposits of affiliates - see item 53130 (Interest Expense - Other)

Detail

53200 Interest on Deposits
 53210 Demand and Notice Deposits
 53220 Term Deposits

ITEM NO. 55000**OTHER EXPENSES****Definition**

Expenses and outflows of cash, payables or other considerations that are:

1. not elsewhere classified;
2. not related to expenditures in prior periods;
3. not of a capital nature.

Inclusions

- a) salaries, wages and employee benefits including directors' fees, bonuses, contributions under profit-sharing plans, vacation pay, contributions to pension plans and other deferred compensation plans, workers' compensation, employee group insurance, employer's portion of contributions to the Canada Pension Plan, Quebec Pension Plan, Unemployment Insurance and other fringe benefits
- b) rental of land, buildings, office space, other leased real estate, equipment, automobiles and trucks, office machines, computers and computer hardware
- c) provision for bad debts
- d) charitable donations
- e) indirect taxes
- f) amount provided during the current period for future losses on investments, loans and other assets
- g) advertising, marketing, insurance, other administrative expenses not elsewhere classified
- h) withholding tax
- i) debt issue expenses
- j) commissions to outside agents
- k) amounts paid to outside organizations such as public relations agencies
- l) compensation for settlement of termination of an employee's contract

Exclusions

- a) payments made on capital leases - see item 53130 (Interest Expense - Other)
- b) expenditures which are considered additions to the capital cost of properties - see items 18310 (Land and Depreciable Assets - Gross) and 18100 (Repossessed Assets Held for Sale)
- c) leasehold improvements - see item 18310 (Land and Depreciable Assets - Gross)
- d) other expenses classified elsewhere

Detail

55000 Other Expenses
 55870 Provision for Losses on Loans
 55880 Other

ITEM NO. 56100**GAINS/LOSSES ON THE TRANSLATION OF FOREIGN CURRENCY****Definition**

Gains or losses will occur on the translation of foreign currency because of fluctuating exchange rates over time. This item will include unrealized gains and losses on foreign currency denominated monetary assets and liabilities.

This item will also include amortization of deferred exchange gains and losses on monetary assets and liabilities that have a fixed or ascertainable life extending beyond the end of the following fiscal year.

Also included are realized exchange gains and losses arising from the settlement of foreign currency denominated monetary items.

Exclusions

- a) unrealized gains/losses on the translation of financial statements of self-sustaining foreign operations - see item 29000 (Other Liabilities)

ITEM NO. 56200**WRITE-OFFS AND VALUATION ADJUSTMENTS****Definition**

This item covers unrealized gains or losses resulting from the adjustment of book values on the revaluation of assets which are not treated as extraordinary items on the income statement.

Valuation

Any gains or losses should be shown before the deduction of income taxes applicable.

Inclusions

- a) write-offs or write-downs of investments and loans in circumstances where their values are permanently impaired
- b) write-offs or write-downs of other assets

Exclusions

- a) realized gains/losses on sale of assets - see item 48000 (Gains/Losses on the Sale of Assets)
- b) extraordinary gains/losses - see item 58310 (Extraordinary Gains/Losses)
- c) current period provision for losses with respect to bad debts - see item 55000 (Other Expenses)
- d) credits to contra or valuation balance sheet accounts related to the establishment of a "provision" or "allowance" for decline in value of an asset - see asset item 19810 (Accumulated Provisions and Allowances for Losses) and see item 55000 (Other Expenses)
- e) amortization of deferred gains/losses on investments - see item 52380 (Amortization - Other)
- f) amortization deferred charges and deferred debits - see item 52320 (Amortization - Deferred Charges)
- g) revaluations resulting from appraisal increases/decreases in real estate - see item 34000 (Appraisal Increase Credits/ Debits)

ITEM NO. 57000**CANADIAN INCOME TAXES****Definition**

This item covers Canadian corporate income taxes including both current and deferred taxes.

Refundable taxes such as tax on capital gains under Part I and tax on taxable dividends under Part IV are to be included in item 19880 (Other Assets).

Inclusions

- a) current income taxes - the amount currently payable based on taxable income
- b) Financial Institutions Federal capital tax (Part VI tax)

- c) large corporations Federal capital tax (implemented July 1989)
- d) taxes related to all gains/losses except taxes on extraordinary items
- e) deferred income taxes - arises from timing differences in the recognition of revenue and expenses in the measurement of accounting and taxable income
- f) tax benefit of loss carryforward

Exclusions

- a) taxes related to extraordinary items - see item 58320 (Incomes Taxes on Extraordinary Items and Tax Benefits from Loss Carryforwards)
- b) indirect taxes - see item 55000 (Other Expenses)
- c) provincial capital taxes - see item 55000 (Other Expenses)
- d) income taxes paid to foreign governments - see item 55800 (Other Expenses)

Detail

57000 Canadian Income Taxes
 57100 Current
 57200 Deferred

ITEM NO. 58100

EQUITY IN NET INCOME/LOSS OF UNCONSOLIDATED AFFILIATES

Definition

This item is applicable only to reporting entities employing the equity method of accounting for investment in unconsolidated parent, affiliated and subsidiary corporations, affiliated joint ventures and partnerships.

It covers the reporting entity's portion of the profit or loss for the current period of affiliates.

Exclusions

- a) under the equity method of accounting for investments, dividends received from affiliates that are credited directly to the investment account will not appear in this item, nor will they be included in the measurement of net income - see items 75100 and 75200 (Dividends Received from Corporations Accounted for on the Equity Method)

ITEM NO. 58200

MINORITY SHAREHOLDERS' PORTION OF NET INCOME/LOSS

Definition

In cases where reporting entities consolidate a subsidiary which is not wholly owned, the portion of the subsidiary's profit or loss for the current period accruing to the minority shareholders will be shown in this item.

Contrary to C.I.C.A. treatment, which requires the exclusion of the minority shareholders' portion of extraordinary gains and losses of consolidated subsidiaries, the IOFD definition requires that this item include the minority shareholders' interest in all revenues, expenses, gains and losses, including extraordinary gains and losses. The consolidated accounts should include 100% of the subsidiary's revenues, expenses, gains and losses, including extraordinary gains and losses.

ITEM NO. 58300

EXTRAORDINARY GAINS/LOSSES - NET

Definition

Gains, losses and provision for losses which are not typical of the normal business activities of the reporting entity. In a business, the events giving rise to extraordinary gains/losses are not expected to occur regularly over a period of years, and are not considered as recurring factors in ordinary business operations.

In the case of consolidated financial statements, the parent's portion as well as the minority shareholders' share of extraordinary items (i.e., 100% of the gains or losses) should be included in this item. This treatment is contrary to C.I.C.A. guidelines which recommend that only the parent's portion of a subsidiary's extraordinary item be reported.

Inclusions

- a) events and circumstances that do not depend primarily on decisions or determinations by management or owners
- b) intervention by government or other regulatory bodies such as expropriations of property
- c) acts of God such as floods or earthquakes
- d) losses resulting from fires or other catastrophes

Exclusions

- a) tax benefit of a loss carried forward - see item 57000 (Canadian Income Taxes)
- b) gains/losses from discontinued operations
 - i) results of current operations should be reflected in appropriate revenue and expense items
 - ii) recognition of future gains or losses - see item 56200 (Write-offs and Valuation Adjustments)
 - iii) realized gains/losses - see item 48000 (Gains/Losses on the Sale of Assets)
- c) unusual and non-recurring items that do not meet the criteria set out in the definition of extraordinary gains/losses
 - i) asset valuation adjustments such as write-downs and write-offs to net realizable values - see item 56200 (Write-offs and Valuation Adjustments)
 - ii) gains and losses on the disposal of investments, fixed assets and loans - see item 48000 (Gains/Losses on the Sale of Assets)
 - iii) provisions for future liabilities for estimated costs that will be paid in the future - see item 55 000 (Other Expenses)

ITEM NO. 58460

INCOME/LOSS BEFORE INCOME TAXES

Definition

Net income before provision for income taxes, equity in net income of unconsolidated affiliates, minority shareholder's portion of net income, and extraordinary gains/losses.

ITEM NO. 58470

INCOME/LOSS AFTER INCOME TAXES

Definition

Net income after income taxes but before equity in net income of unconsolidated affiliates, minority shareholders' portion of net income/loss and extraordinary gains/losses.

ITEM NO. 58480

NET INCOME/LOSS

Definition

Net income represents the difference between all revenue and expenses, and gain and loss items for the reporting period.

ITEM NO. 61405**INTEREST BEARING DEBT****Definition**

This item covers both short and long term debt other than trade payables owed by the reporting entity to non-consolidated parent, subsidiary and affiliated corporations, affiliated joint ventures and partnerships, head office, directors, officers and individual shareholders in Canada and outside Canada (see item 24000 - Amounts Owing to Parent, Subsidiaries and Affiliates). The debt is interest bearing.

Valuation

Loans denominated in foreign currency should be expressed in Canadian dollars using the exchange rate in effect on the balance sheet date.

Claims of affiliates should be shown at amortized value.

Inclusions

- a) loans and advances from affiliates
- b) dividends and other non-trade accounts and notes payable to affiliates

Exclusions

- a) trade payables - see item 22100 (Accounts Payable and Accrued Liabilities)

ITEM NO. 61407**NON-INTEREST BEARING DEBT****Definition**

This item covers both short and long term debt other than trade payables owed by the reporting entity to non-consolidated parent, subsidiary and affiliated corporations, affiliated joint ventures and partnerships, head office, directors, officers and individual shareholders in Canada and outside Canada (see item 24000 - Amounts Owing to Parent, Subsidiaries and Affiliates). The debt does not bear interest.

Valuation

Loans denominated in foreign currency should be expressed in Canadian dollars using the exchange rate in effect on the balance sheet date.

Claims of affiliates should be shown at amortized value.

Inclusions

- a) loans and advances from affiliates
- b) dividends and other non-trade accounts and notes payable to affiliates

Exclusions

- a) trade payables - see item 22100 (Accounts Payable and Accrued Liabilities)

ITEM NO. 63000**DEPOSIT LIABILITIES****Definition**

See item 21000 (Deposit Liabilities) for definition.

Detail

63000	Deposit Liabilities
63100	Demand or Savings Deposits
63110	Chequing
63120	Non-Chequing
63200	Term Deposits

ITEM NO. 74100**INTEREST EXPENSE ON DEBT OWING TO PARENT, SUBSIDIARIES AND AFFILIATES****Definition**

This covers that portion of interest expense reported in item 53100 that is paid to parent, subsidiaries and affiliates.

ITEM NO. 74700**UNUSUAL REVENUES, EXPENSES, GAINS/LOSSES FROM CONTINUING BUSINESS OPERATIONS****Definition**

Transactions, events or circumstances recognized in the income statement that are not classified as extraordinary gains/losses but are not expected to occur frequently over several years, or do not typify normal business activities, and have a material impact on the current period's profits.

Inclusions

- a) transactions, events or circumstances recognized in the income statement that are reported as operating revenues (40,000's accounts), operating expenses (51,000's to 55,000's accounts), gains/losses on disposal of assets (account 56300)
- b) unrealized gains/losses, write-downs, write-offs and valuation adjustments included in account 56200
- c) non-operating gains and losses on the disposal of investments and capital assets (account 56300)

Exclusions

- a) extraordinary gains and losses (see accounts 58300, 58310, 58320)

ITEM NO. 75000**DIVIDENDS RECEIVED FROM CORPORATIONS ACCOUNTED FOR ON THE EQUITY METHOD****Definition**

Dividends received from unconsolidated subsidiaries and affiliates accounted for on the equity method.

Such dividends received are credited to the balance sheet investment account and do not appear as dividend income reported on the income statement.

Exclusions

- a) dividends received from corporations where the investment is accounted for on the cost method - see items 46000 (Dividends Received from Canadian Corporations) and 47100 (Foreign Dividend Revenue)

Detail

75000 Dividends Received from Corporations Accounted for on the Equity Method
 75100 Canadian
 75200 Foreign

ITEM NO. 81000**SCHEDULE A: DISTRIBUTION OF GAINS/LOSSES AND WRITE-UPS/WRITE-DOWNS****Definition**

This schedule details the realized and unrealized gains and losses on the assets and liabilities of the reporting entity. The assets and liabilities are as defined for the balance sheet. Total gains/losses and write-ups/write-downs should equal the sum of items 48000, 56100, 56200 and 58310 in the Income Statement.

ANNUAL SUPPLEMENT TO THE QUARTERLY SURVEY OF FINANCIAL STATEMENTS

CAPITAL LEASES

Explanation and Definitions for questions 1, 2 and 9

The classification of a lease depends on whether substantially all the benefits and risks of ownership are transferred from the lessor to the lessee. If they are not transferred, the lease is termed an "operating lease"; if they are, it is called a "capital lease" from the lessee's viewpoint, and a "sales-type" or "direct financing" lease for the lessor.

Under an operating lease, the lessor retains the leased assets on its books, depreciates it, and recognizes rental revenue as it becomes due. The lessee charges lease rentals to expense as incurred and its balance sheet is unaffected. Under a capital lease, the lessor recognizes, in essence, a loan receivable (a sale and then a loan receivable for a sales-type lease) and records finance income. The lessee records the acquisition of an asset, which is then depreciated on a basis consistent with assets of a similar nature, and the incurrence of an obligation similar to a loan. Lease payments are shown as a blend of interest expense and repayment of principal.

Questions 1, 2 and 9 relate only to those accounts maintained by a lessee for capital leases:

1. Assets acquired under capital leases - year-end balance:

The amount requested is the depreciated book value of assets acquired under capital leases. (In the quarterly survey of financial statements, this amount should have been reported as part of fixed assets in account 18310.)

2. Capital lease obligations - year-end balance:

This amount represents the year-end balance of the present value of the obligation under capital leases. (In the quarterly survey of financial statements, this amount should have been reported as part of non-mortgage loans or "other loans" - account 25180.)

9. (a) Rental or lease payments for the year:

This is the total payments made by the lessee to the lessor under a capital lease. The payments consist of two components, interest expense and reductions of principal. Expenses related to the operation and maintenance of leased machinery and equipment are not to be included here.

9. (b) Interest expense charged to current operations:

This represents that portion of the rental or lease payments charged to interest expense for the year.

9. (c) Depreciation charged to current operations:

This represents the depreciation expense related to assets acquired under capital leases.

DEFERRED CHARGES AND PROVISION FOR FUTURE OBLIGATIONS

Explanation and Definitions for questions three to six

Purpose

Business profits as reported on the quarterly survey of financial statements are used in the estimate of National Income. National Income is one of the ways that economic production for all of Canada is measured. The System of National Accounts (SNA) has a conceptual framework and set of definitions which are standardized for all sectors of the economy. Thus, the measurement of business income or profits is governed by the definitions of capital and current expenditures in the SNA. Capital expenditures relate to the purchases of fixed assets such as structures, buildings, machinery and equipment. All other expenditures are classified as current and, as such, are deducted from revenues in the measurement of profits.

However, accounting policies used by business recognize what is sometimes referred to as allocation accounting. Under this concept, expenditures which are not capital in nature can be deferred and appear as balance sheet assets. These deferred charges and debits will be charged to operations in future periods. To comply with the SNA concepts of profit measurement, Statistics Canada annually adjusts reported profits by adding back to profits expenditures that are booked during the year as deferred charges or debits. This, in effect, transfers the original expenditure from the balance sheet to the income statement to become a charge against profits in the period in which they were incurred.

QUESTIONS THREE AND FOUR - DEFERRED CHARGES

Questions three and four ask for the necessary information to make the adjustment described above. Question three asks for the amounts booked during the year as deferred charges or deferred debits. Question four asks for the amounts charged to current operations during the year, except amounts charged to current operations and reported in the quarterly questionnaires in the following expense accounts:

Account 52320 - Amortization of deferred charges

Account 56200 - Write-offs and valuation adjustments

Account 58310 - Extraordinary gains and losses

The reason for the exclusion of the above accounts is that the amounts reported in these accounts on the quarterly reports are already added back to profits on a quarterly basis. If the amounts were included in the answer to question four, the add-back to profits would be duplicated.

a) Deferred financing costs of new securities issues - Accounts 62110, 62210

Included in these accounts would be costs recognized in connection with the issuance of securities on the public market, such as bonds, debentures, and shares booked during the year as deferred charges/debits. Such costs usually include items such as underwriters' fees and commissions, advertising, issuing a prospectus, and legal and accounting fees.

b) Deferred preproduction costs - Accounts 62120, 62220

Included in these accounts would be costs incurred in developing and preparing a facility or a business for operations booked during the year as deferred charges/debits.

Items that should be excluded from deferred preproduction costs (accounts 62120 and 62220) are:

1. Deferred charges related to the purchase of machinery and equipment that will eventually be transferred to a fixed asset account and classified as a capital expenditure
2. Prepaid expenses
3. Deferred research and development costs - see item (c)

c) Deferred research and development costs - Accounts 62130, 62230

Research and development costs relate to costs incurred in the following activities:

Research involves planned investigation undertaken with the hope of gaining new scientific or technical knowledge and understanding. Such investigation may or may not be directed towards a specific practical aim or application.

Development is the translation of research findings or other knowledge into a plan or design for new or substantially improved materials, devices, products, processes, systems or services prior to the commencement of commercial production or use.

QUESTIONS FIVE AND SIX - PROVISION FOR FUTURE OBLIGATIONS

Questions five and six relate to liabilities established to recognize costs and charges against the current period's profits. The obligation to pay such costs or the incurring of such expenditures will not take place until sometime in the medium- to long-term future. Question five asks for amounts credited to the liability accounts and charged to the current year's profits. The recognition of this event does not involve a cash transaction. Question six asks for amounts actually paid during the year related to costs that were previously recognized and expensed when the liabilities were booked in earlier periods. Amounts actually paid include cash paid and accounts payable. Amounts reported in item 5 will be added back to reported profits, while amounts reported in item 6 will be deducted from profits to comply with SNA accounting concepts.

Provision for pension costs, retirement benefits, deferred compensation related to current and former employees - Accounts 62310, 62410

Included in these accounts are costs associated with all types of formal or informal deferred compensation plans for current and former employees credited to the liability accounts and charged to the current year's profits. The recognition of this obligation does not involve a cash transaction.

Deferred compensation is restricted to retirement income and post-employment compensation. This account does not include accruals and accounts payable classified as current liabilities.

Rental Revenue

Explanation and Definition for question seven

Rental revenue is required on an annual basis for the System of National Accounts. Accordingly, this question requests a split between rental revenue from all real estate properties (7 a), and rental revenue generated by other assets (7 b).

PROVISIONS FOR LOSSES, WRITE-DOWNS, AND WRITE-OFFS

Explanation and Definitions for question eight

Purpose

According to the definitions and concepts of business profits in the System of National Accounts (SNA), provision for losses related to financial assets such as accounts receivable, investments and loans are not recognized as charges against profits. Similarly, a provision for losses on discontinued operations is not considered a charge against profits. Therefore, to enable Statistics Canada to add these amounts back to profits annually, these charges are requested in column A. The actual write-offs of accounts previously set up as a provision or allowance are requested in column B.

Column A

Provisions charged to current operations during the year - Accounts 55400, 55873, 55871, 55872

The amounts requested in these accounts relate to all provisions for losses charged to current operations related to the uncollectability or the decline in value of accounts receivable, discontinued operations, investments, and loans. These charges to current operations are established by crediting a balance sheet valuation account.

Do not include in these accounts amounts that were reported in the following quarterly questionnaire expense accounts:

Account 56200 - Write-offs and valuation adjustments

Account 58310 - Extraordinary gains and losses

The reason for the exclusion of the above accounts is that the amounts reported in these accounts on the quarterly reports are already added back to profits.

Column B

Write-offs charged to balance sheet contra or valuation accounts - Accounts 71100, 71400, 71200, 71300

The amounts requested in these accounts relate to all write-offs of the categories of assets listed in 8(a), (b), (c) and (d) which cover accounts receivable, assets of discontinued operations, investments, and loans. These write-offs do not flow through the income statement as charges against profits. They represent a reduction in the asset account and an offsetting reduction in the related balance sheet valuation account.