

**QUARTERLY SURVEY OF FINANCIAL STATEMENTS**

**ADDENDUM AND REPORTING GUIDE**

**FOR**

**CENTRAL CREDIT UNIONS**



## QUARTERLY SURVEY OF FINANCIAL STATEMENTS

### Addendum to the Reporting Guides for Financial and Non-Financial Enterprises

The questionnaires used in the Quarterly Survey of Financial Statements have been modified as of the second quarter of 2007. The principal changes to the questionnaires are summarized below. These changes were implemented in response to evolving financial reporting standards as outlined by the Canadian Institute of Chartered Accountants as well as requirements of the System of National Accounts. The full reporting guide will be updated shortly.

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Items appear in the same order as on the actual questionnaires

#### ADDITIONS

##### Balance Sheet

##### Assets

###### ITEM 19900: DERIVATIVES

A derivative is a financial security whose value is dependent upon or derived from the value of one or more underlying assets. The derivative itself is a contract between two or more parties. Its value is determined by fluctuations in the underlying asset. The most common underlying assets include stocks, bonds, commodities, currencies, interest rates and market indexes. Futures contracts, forward contracts, options and swaps are the most common types of derivatives. Since derivatives are contracts, just about anything can be used as an underlying asset. Derivatives are generally used to protect against financial risk, interest rates or the levels of financial indices but can also be used for speculative purposes.

For a derivative asset to be recognized, it must provide future benefits that your enterprise controls and for which a transaction has occurred.

###### ITEM 69100: REVERSE REPURCHASE AGREEMENTS

Reverse repurchase agreements are the purchase of securities with the agreement to sell them at a higher price at a specific future date. For the party selling the security (and agreeing to repurchase in the future) it is a repurchase agreement also known as a repo; for the counterparty (buying the security and agreeing to sell in the future) it is a reverse repurchase agreement. A reverse purchase agreement is the same transaction as represented below in item 69200 (Obligation Related to Repurchase Agreement), but viewed from the perspective of the transferee.

## Liabilities and Equity

### ITEM 29900: DERIVATIVES

Same definition of derivatives as above (item 19900). For a derivative liability to be recognized, it must represent an obligation to transfer value to a third party and there must be no way for your enterprise to circumvent its obligation.

### ITEM 69200: OBLIGATIONS RELATED TO REPURCHASE AGREEMENTS

A repurchase agreement is an agreement with a commitment by the seller (dealer) to buy a security back from the purchaser (customer) at a specified price at a designated future date. Also called a repo, it represents a collateralized short-term loan for which, where the collateral may be a Treasury security, money market instrument, federal agency security, or mortgage-backed security. From the purchaser's (customer's) perspective, the deal is reported as a reverse repo. Repos are classified as a money-market instrument and are usually used to raise short-term capital.

### ITEM 29950: EQUITY SECURITIES CLASSIFIED AS LIABILITIES

Include equities classified as liabilities as required in section 3861 of the CICA handbook outlining the accounting treatment for financial instruments. In essence, they are convertible preferred shares.

### ITEM 32300: UNITHOLDERS' CAPITAL

Unitholders' capital represents the investment in the trust, fund or partnership by the owners.

### ITEM 36000: ACCUMULATED OTHER COMPREHENSIVE INCOME

Comprehensive income is the change in the company's net assets that result from transactions, events and circumstances from sources other than the company shareholders. It includes items that would not normally be included in net income. The accumulated other comprehensive income account includes the accumulated balance of amounts reported on the income statement under items 56500, 56600 and 57300.

### ITEM 38000: RETAINED EARNINGS

The statement of retained earnings has been integrated in to the balance sheet. Item 38880, other additions and deductions is removed.

### ITEM 38300: INCOME TRUST DISTRIBUTIONS

Distributions of funds to the owners of the trust, fund or partnership.

### ITEM 38400: TRANSFERS FROM/TO SHARE CAPITAL

Transfers between the retained earnings account and share capital accounts of the reporting unit. Also includes transfers between a reporting unit which is a branch of a company and its head office, or between two branches, each of which is a reporting unit.

## Income Statement

### ITEM 45400: INTEREST REVENUE FROM CANADIAN SOURCES – FINANCIAL LEASES

Include all interest revenue earned through financial leases.

### ITEM 56400: DERIVATIVE GAIN (LOSSES)

Same definition of derivatives as above (item 19900). Impairments of derivatives are recognized in net income immediately and should be reported in item 56400. For more information on how financial instruments should be presented in financial statements please refer to Section 3861 of the CICA Handbook.

**ITEM 62310: PENSION EXPENSE**

Include pension expense incurred by the reporting entity per CICA handbook section 3461. Report other benefits expenses under item 55220 (Employer Portion of Employee Benefits)

**ITEM 62340: STOCK OPTIONS EXPENSED**

Include employee stock options that were expensed during the current period per CICA handbook section 3870.

**ITEM 53400: DIVIDENDS PAID ON EQUITY SECURITIES CLASSIFIED AS LIABILITIES**

Include dividends paid on equity securities classified as liabilities as required in section 3861 of the CICA handbook outlining the accounting treatment for financial instruments. These financial instruments are shown under item no. 29950 on the balance sheet.

**ITEM 55600: BAD DEBTS EXPENSE AND CHARITABLE DONATIONS**

Include bad debt expense and charitable donations for the period. These amounts were previously included in item 55003, other expenses.

**ITEM 56500 / 56600 / 57300: OTHER COMPREHENSIVE INCOME**

Comprehensive income is the change in the company's net assets that result from transactions, events and circumstances from sources other than the company shareholders. It includes items that would not normally be included in net income. Report as per CICA section 1530 (Comprehensive Income). Report realized and unrealized gains and losses available-for-sale financial assets. If impaired, report in item 56400-Derivatives Gains (Losses)

**ITEM 56500: UNREALIZED GAINS (LOSSES)**

Include unrealized gains and (losses) on derivatives designated as cash flow hedges, non-derivative investments and unrealized translation gains and losses from integrated self-sustaining entities (if applicable).

**ITEM 56600: REALIZED GAINS (LOSSES)**

Report the realization of (gains) losses previously reported in item 56500.

**ITEM 57300: INCOME TAXES**

Related to other comprehensive income.

**Disclosure of Selected Accounts****ITEM 55700: SOFTWARE COSTS EXPENSED**

Include all computer software costs expensed directly in the current period. Report only the cost of own-use software whether purchased or licensed. Exclude any amounts deferred and amortized.

**ITEM 66000: PENSION PLAN FUNDING**

Report the closing balance for pension plans held through a trustee at the end of the quarter. Exclude other benefits plans.

**ITEM 66100: PLAN ASSETS**

Assets held by the trustee at market (fair) value

**ITEM 66200: BENEFIT OBLIGATION**

Actuarial obligation at the end of the quarter

**ITEM 66300: FUNDED STATUS**

Report the (deficit) or surplus net position (66100 minus 66200)

**ITEM 66500: ACCRUED BENEFITS (LIABILITY) OR ASSET**

Funded status adjusted for the unamortized amounts of transitional obligation, past service cost and net actuarial gain.

**ITEM 81000: MATCHING OF INCOME STATEMENT GAINS (LOSSES) WITH THE RELATED ASSETS AND LIABILITIES**

This statement is revamped to match the asset and liability items on the revised balance sheet.

**DELETIONS**

Item 34000 Appraisal increase credits (debits)

Item 35000 Retained earnings

Item 61405 Amounts owing to parents, subsidiaries and affiliates - Interest bearing debt

Item 61407 Amounts owing to parents, subsidiaries and affiliates - Non-interest bearing debt

Item 38810 Retained earnings - Total cash dividends declared

Item 38880 Retained earnings - Other

Item 52380 Amortization - Other

Item 55003 Other expenses

Item 74700 Unusual revenues, expenses, gains/losses from continuing business operations

Item 74100 Interest expense on debt owing to parent, subsidiaries and affiliates

Item 80003 Average number of people employed during the reporting period

Item 40012 Revenue between divisions that are eliminated upon consolidation of accounts

**MODIFICATIONS****Balance Sheet****Assets****ITEMS 11300 and 11400: CASH AND DEPOSITS**

Cash and deposits are now requested in two cells:

11300 Canadian Currency

11400 Foreign Currency

These cells include both demand and term deposits. Previously cash and demand deposits were requested separately from term deposits

**ITEMS 17112 and 17117: NON-MORTGAGE LOANS TO NON-AFFILIATES**

a) loans to individuals, unincorporated businesses and non-profit institutions:

1) credit card receivables

2) lines of credit

These two variables were previously combined.

### **Liabilities and Equity**

ITEMS 25700 and 25800: BORROWING FROM NON-AFFILIATES

a) loans and overdrafts:

1) from lenders in Canada

2) from lenders outside of Canada

Previously loans and overdrafts were requested separately for chartered bank branches in Canada and with others.

### **Income Statement**

ITEM 52100: DEPRECIATION

This item was previously requested in two parts:

a) depreciation on construction, buildings, structures and leasehold improvements

b) depreciation on machinery and equipment.

### **FORMAT CHANGES**

- Many cell names have been altered or shortened. For example, "Investments in and claims on parent, subsidiaries and affiliates" has been replaced with "Investments in affiliates." In such cases, as long as the SICA box number has not changed, the same definitions and reporting methods apply as before.
- All Supplementary questions have now been placed in the last section of the questionnaire, rather than at the end of each individual section.

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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 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.**

### REPORTING ENTITY

The term "reporting entity" referred to on the front page of the questionnaire means the business entity covered by the quarterly financial statements. It is important for Statistics Canada to know precisely what operations are covered in the report to ensure total and unduplicated survey coverage of all business activity in Canada.

**In almost all cases reporting entities fall into one of the following three categories:**

1. a single corporation
2. a consolidated family of corporations
3. a branch or division or part of a corporation

In cases where a corporation does not have any ownership and control relationships with other corporations, the reporting entity should be the single corporation. Families of corporations under common ownership and control should report a consolidated financial statement in the quarterly survey questionnaire, except for the following situations:

1. Foreign subsidiaries and foreign branches of Canadian corporations covering foreign operations are to be excluded.
2. Foreign parents of subsidiaries that operate in Canada are to be excluded to the extent that they do not have any of their own operations in Canada.
3. The family of corporations is not viewed as one economic unit, and consolidated financial statements are not prepared quarterly or annually.
4. The family of corporations whose major industrial activity is non-financial but include financial activities should report the two types of activities in separate reports. Financial activities include such things as banking, lending, investing, brokerage and insurance. Insurance corporations that are part of a family should report separately.
5. The family of corporations covers diverse and independent industry activities which are unrelated and organized as separate business segments for which separate financial statements are prepared. In such cases each business or business segment is to report separately. Each business must be capable of reporting separate financial statements including a complete balance sheet and income statement.

If a family of corporations does not consolidate the financial statements of the parent corporation, and the parent has operations in Canada or is resident in Canada, it will have to submit a separate financial statement report to the quarterly survey.

## **REPORTING ENTITY PROFILE**

You may find a separate document enclosed with the questionnaire listing the corporations included in the reporting entity. This document should be reviewed carefully, corrected if necessary, and returned with the completed questionnaire to Statistics Canada. Subsidiaries and affiliates that are accounted for in the financial statements as a one-line consolidation or net investment, using the equity method, should be excluded from the list of corporations on the reporting entity profile.

The register of all businesses maintained by Statistics Canada includes a list of corporations which are referred to as legal entities. To facilitate the matching of the reporting entities to the list of legal entities on the business register, the quarterly survey describes the reporting entities in the profile document in terms of the legal names of the corporations included in the report.

## **JOINT VENTURES AND PARTNERSHIPS**

The survey covers the activities of joint ventures and partnerships as separate businesses from those of the venturers or partners. Therefore, these businesses are surveyed as separate reporting entities. To avoid double counting of these businesses the investors, venturers, and partners should account for their investments using the cost or equity method. Complete or proportionate consolidations of joint ventures and partnerships should not be done for the quarterly survey of financial statements.

However, it is recognized in some cases that separate financial statements for the joint venture are not produced quarterly or annually and it is the practice of the venturers to account for their investment by consolidating their portion of the joint venture in their financial statements. In such cases the joint venture is not reported as a separate entity, but it is covered in the reports of the venturers.

## **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) Future 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/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 55870, "provision for Losses on Loans."
- 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 (Investments in Shares of Local Credit Unions)
- d) items in transit (for deposit-accepting institutions) - see item 11800 (Items in Transit)
- e) term deposit, 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/Local Credit Unions
11180	Other Canadian Currency Demand Deposits
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	Local Credit Unions
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 credit claimed over GST collections

**Exclusions**

- a) other 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 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, term deposit certificates, bearer deposit notes and 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.

Foreign currency should be expressed in terms of Canadian dollars using the exchange rate at the balance sheet date.

**Inclusions**

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**

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 of Local Credit Unions
- 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)
- c) goodwill, franchises, licences, rights and like items - see item 19100 (Intangible Assets)

**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) claims on and investments in foreign affiliates - see items 14120 (Cost of Shares - Foreign Corporations) and 14320 (Loans, Advances, Mortgages, Notes, Bonds and Other Claims - Foreign Corporations, Officers and Shareholders)
- c) accrued interest and dividends receivable - see item 12100 (Accounts Receivable and Accrued Revenue)
- d) term deposits, bearer deposit notes, deposit receipts and like instruments foreign financial institutions - see items 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 19810).

**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) mortgage loans to affiliates - see item 14300 (Loans, Advances, Mortgages, Notes, Bonds and Other Claims to Affiliates)
- b) 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)
- c) mortgage bonds, debentures and notes - see item 15150 (Corporate Bonds and Debentures)
- d) 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)
- e) accrued interest receivable - see item 12100 (Accounts Receivable and Accrued Revenue)

**Detail**

16000	Mortgage Loans to Non-Affiliates
16100	Secured by Property in Canada
16110	Residential, Properties in Canada
16120	Non-Residential, Properties in Canada
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 19810).

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) loans receivable from affiliates - see item 14300 (loans, Advances, Mortgages, Notes, Bonds and Other Claims from Affiliates)
- c) mortgage loans receivable and funds lent to purchase real estate - see item 16000 (Mortgage Loans to Non-Affiliates)
- d) accrued interest receivable - see item 12100 (Accounts Receivable and Accrued Revenue)

**Detail**

17000	Non-Mortgage Loans to Non-Affiliates
17100	To Individuals, Unincorporated Businesses and Non-Profit Institutions
17110	To Individuals to Purchase Consumer Goods
17180	Other
17310	To Local Credit Unions
17320	To Centrals, Leagues, Federations etc.
17400	To Corporations and Cooperative Enterprises Other than Credit Unions
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. 18300****FIXED ASSETS****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**

Fixed 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) inventories of assets held for leasing
- d) leasehold improvements
- e) machinery and equipment

#### **Exclusions**

Intangible assets - see item 19100 (Intangible Assets)

### **ITEM NO. 19100**

#### **INTANGIBLE ASSETS**

##### **Definition**

Long-term assets that lack physical substance.

##### **Valuation**

All such assets will be valued at cost less accumulated amortization.

##### **Inclusions**

- a) goodwill
- b) trademarks
- c) licences
- d) rights
- e) patents
- f) franchises

### **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)
- a) reserves for losses which are appropriations of retained earnings - see item 35100 (Reserve Fund)



**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

**Exclusions**

Intangible assets - see item 19100 (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
- 21100 Deposits of Local Credit Unions
- 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) other accounts payable to affiliates - see item 24000 (Amounts Owing to Parent, Subsidiaries and Affiliates)
- e) loans payable - see items in 25100 series (Loans and Overdrafts) and 25500 (Mortgage Loans)
- f) 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) loans from a parent, subsidiary or affiliate - see item 24000 (Amounts Owing to Parent, Subsidiaries and Affiliates)
- e) bankers' interest payable - see item 22100 (Accounts Payable and Accrued Liabilities)
- f) accrued interest payable - see item 22100 (Accounts Payable and Accrued Liabilities)
- g) loans from foreign branches of Canadian chartered banks - see item 25180 (Loans and Overdrafts with Others)

**ITEM NO. 25120****LOANS AND OVERDRAFTS WITH LOCAL 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/ local'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 25400 (Bonds and Debentures)
- c) bonds, debentures and serial notes outstanding -see item 25400 (Bonds and Debentures)
- d) outstanding cheques - see item 22100 (Accounts Payable and Accrued Liabilities)
- e) accrued interest payable - see item 22100 (Accounts Payable and Accrued Liabilities)
- f) loans from parent, subsidiaries and affiliates - see item 24000 (Amounts Owing to Parent, Subsidiaries and Affiliates)
- g) mortgage loans - see item 25500 (Mortgage Loans)

**ITEM NO. 25300****PROMISSORY NOTES PAYABLE OF NON-DEPOSIT-ACCEPTING ENTITIES****Definition**

Promissory notes are negotiable instruments which contain an unconditional promise by the borrower to a lender of funds to pay on demand or at a fixed date, a sum certain in money, to order or to bearer.

**Inclusions**

Secured and unsecured notes payable of a bank subsidiary

**Exclusions**

- a) bonds and debentures - see item 25400 (Bonds and Debentures)
- b) notes and other short-term paper insurable under a deposit insurance act - see item 21000 (Deposit Liabilities)

**ITEM NO. 25400****BONDS AND DEBENTURES****Definition**

This item covers bonds and debentures which represent long-term obligations. The instruments include a written promise to pay a specified sum of money at a fixed time in the future and to pay interest at a specified rate, and are usually secured by a pledge of assets. These debt instruments are usually marketable.

**Valuation**

This liability should be valued at proceeds of the issue before deducting fees or commissions. However, many issues are issued at a discount and may be recorded at amortized value. If data on proceeds are not available, amortized values are acceptable.

Sinking funds consisting of investments may be established by the debtor under the terms of the bond agreement. The value of these investments should not be deducted from the value of the bonds outstanding but, rather, be shown in the appropriate asset category and the amount of debt shown at the actual amount outstanding.

Bonds and debentures retired through the use of sinking funds or other resources should be deducted from the total debt outstanding.

Investments in own bonds and debentures should not be netted against the corresponding liabilities but, rather, be shown in the appropriate investment category.

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

**Inclusions**

- a) mortgage bonds
- b) collateral trust bonds
- c) own bonds held but not retired
- d) equipment trust certificates
- e) income bonds
- f) small business bonds and small business development bonds

**Exclusions**

- a) mortgage loans - see item 25500 (Mortgage Loans)
- b) bonds held by affiliates - see item 24000 (Amounts Owing to Parent, Subsidiaries and Affiliates)
- c) bank or other loans secured by bonds and debentures - see items 25110 (Loans and Overdrafts with Chartered Bank Branches in Canada) or 25180 (Loans and Overdrafts with Others), respectively

**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) mortgages due to affiliates - see item 24000 (Amounts Owing to Parent, Subsidiaries and Affiliates)
- c) accrued interest payable - see item 22100 (Accounts Payable and Accrued Liabilities)
- d) mortgage bonds - see item 25400 (Bonds and Debentures)

**ITEM NO. 27000****FUTURE 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**

All future income tax debits and credits arising from use of the income tax allocation method

**Exclusions**

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) accounts, notes, loans and all other claims owing to affiliates - see item 24000 (Amounts Owing to Parent, Subsidiaries and Affiliates)

- d) 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 of local credit unions, central credit unions and co-operatives.

#### **Valuation**

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

#### **Inclusions**

- a) common or ordinary shares
- b) preferred shares: cumulative, participating, non-cumulative, term, redeemable
- c) qualifying membership units of local credit unions, central credit unions and co-operatives

#### **Exclusions**

- a) retained earnings - see item 35000 (Retained Earnings)
- b) appraisal increase credits/debits - see item 34000 (Appraisal Increase Credits/Debits)

#### **Detail**

31000	Share Capital
31300	Qualifying Members' Shares
31310	Held by Local Credit Unions
31380	Held by Others including Central Credit Unions, Co-operatives and Special Shares as Authorized by Provincial Legislation

## **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**

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 simply 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 Reserve Fund  
 35200 Undivided Earnings

**ITEM NO. 38000**

**UNDIVIDED EARNINGS - CLOSING BALANCE**

**Definition**

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

**ITEM NO. 38100**

**UNDIVIDED EARNINGS - OPENING BALANCE**

**Definition**

Retained earnings 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 earnings account, share capital, and reserves of the reporting unit.

**ITEM NO. 38700**

**OTHER ADDITIONS/DEDUCTIONS**

**Definition**

These are changes in undivided earnings 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, having regard for the respective rights of various classes of stock.

**Inclusions**

- a) cash dividends declared - cash dividends declared on all common and preferred shares
- b) other dividends - patronage dividends

**Detail**

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

**ITEM NO. 40012****INTER-CORPORATE REVENUE (ELIMINATED ON CONSOLIDATION)****Definition**

This item represents the amount of inter-corporate revenue eliminated when reporting consolidated revenues. If your enterprise has revenue between plants, divisions, or companies that are eliminated upon the consolidation of your accounts, the value of that transaction is reported here.

**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

**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)
- b) 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**

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 55880 (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 47000 (Foreign Dividend and Interest Revenue)
- 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. 52120****DEPRECIATION/AMORTIZATION OF BUILDINGS****Definition**

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

**ITEM NO. 52130****DEPRECIATION/AMORTIZATION OF MACHINERY AND EQUIPMENT****Definition**

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

**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

**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 55880 (Other Expenses)

**Detail**

- 53100 Interest Expense On Debt
- 53110 Bonds and Debentures
- 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**

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. 55870**

**PROVISION FOR LOSSES ON LOANS**

**Definition**

This item refers to charges against current period income to cover expected losses on investments, loans and other assets. All charges to the income statement related to loan loss provisions and provisions for the decline in value of investments and other assets should be reflected in this item. These provisions are set up as separate valuation or contra accounts in the asset accounts.

**Exclusions**

Direct write-offs and write-downs - see item 56200 (Write-Offs and Valuation Adjustments)

**ITEM NO. 55880**

**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) cost of materials and supplies
- b) 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
- c) rental of land, buildings, office space, other leased real estate, equipment, automobiles and trucks, office machines, computers and computer hardware
- d) commission expense
- e) charitable donations
- f) indirect taxes
- g) amount provided during the current period for future losses on investments, loans and other assets
- h) advertising, marketing, insurance, other administrative expenses not elsewhere classified
- i) withholding tax
- j) debt issue expenses
- k) commissions to outside agents
- l) amounts paid to outside organizations such as public relations agencies
- m) 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 18300 (Fixed Assets) and 18100 (Repossessed Assets Held for Sale)
- c) leasehold improvements - see item 18300 (Fixed Assets)
- d) other expenses classified elsewhere

### **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**

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 - before taxes)
- c) current period provision for losses with respect to bad debts - see item 55870 (Provision for Losses on Loans)
- d) credits to contra or valuation balance sheet accounts related to the establishment of a "provisions" or "allowance" for decline in value of an asset - see asset item 19810 (Accumulated Provisions and Allowances for Losses) and see item 55870 (Provision for Losses on Loans)
- 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 future 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) future income taxes - arises from timing differences in the recognition of revenue and expenses in the measurement of accounting and taxable income
- f) tax benefit from loss carry-forward

**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 55880 (Other Expenses)
- c) provincial capital taxes - see item 55880 (Other Expenses)
- d) income taxes paid to foreign governments - see item 55880 (Other Expenses)

**Detail**

57000 Canadian Income Taxes  
 57100 Current  
 57200 Future

**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 of affiliates for the current period.

**Exclusions**

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.

**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 55880 (Other Expenses)

**Detail**

58300	Extraordinary Gains/Losses - Net
58310	Extraordinary Gains/Losses - Before Taxes
58320	Income Taxes on Extraordinary Items and Tax Benefits from Loss Carryforwards



**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. 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. 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**

- 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)
- unrealized gains/losses, write-downs, write-offs and valuation adjustments included in account 56200
- non-operating gains and losses on the disposal of investments and capital assets (account 56300)

**Exclusions**

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**

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. 80003****AVERAGE NUMBER OF PEOPLE EMPLOYED DURING THE REPORTING PERIOD****Inclusions**

Full-time, part-time, and temporary employees and employees absent with pay

**Exclusions**

Contract workers who are not part of your payroll

**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.