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# **Quarterly Survey of Financial Statements**

## **Addendum and Reporting Guide**

### **Non-Financial Enterprises**

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## 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.

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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.

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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)

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**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

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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

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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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# Quarterly Survey of Financial Statements

## Respondents' Reporting Guide

### 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 is treated in confidence, used for statistical purposes, and published in aggregate form only. The confidentiality provisions of the Statistics Act are not affected by either the Access to Information Act or any other legislation.

#### Purpose of the Quarterly Survey

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

#### Timeliness of the Statistics

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

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

#### 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 most 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 is the single corporation. Families of corporations under common ownership and control should report a

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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 operating 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 includes financial activities should report the two types of activities in separate reports. Financial activities include 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. These activities are unrelated and are 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.
6. 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 must submit a separate financial statement report to the quarterly survey.

### **Reporting Entity Profile**

A separate document may be 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

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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**

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 are 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 78700, "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 are 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**

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

Temporary loans and advances intended to be repaid are 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 are 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

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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, expenses, and capital expenditures 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.

### **Capital Expenditures**

Statistics Canada conducts an annual survey entitled "Capital and Repair Expenditures - Actual," which requests capital expenditures by the various types of new construction and machinery and equipment. The definitions and concepts for this survey are the same as in the quarterly survey of financial statements. Therefore, the sum of the four quarters' capital expenditures as reported on the quarterly



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survey should agree with the annual capital expenditures reported to the annual survey for the general category of new construction, machinery and equipment.

### **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) Unclassified balance sheet: Current assets and current liabilities are not separately itemized in the balance sheet but are requested as supplementary questions.
- ii) Bank account credit balances (overdrafts) should not be offset against bank account debit balances. All credit balances should be shown as liabilities.
- iii) 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.
- iv) Sinking funds related to funded debt should be shown separately as an asset in the investment category, and not netted against the liability.
- v) Fixed assets include assets leased to others under an operating lease, capitalized leases (lessee), depletable assets, deferred exploration and development costs, and construction-in-progress (new capital projects). This category excludes intangible assets.
- vi) 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.

#### **Capital Expenditures**

- i) Purchases of used building and structures and machinery and equipment are itemized separately from the purchase of new capital assets.
- ii) Capital expenditures include additions to the construction-in-progress accounts, not transfers from construction-in-progress to fixed assets accounts.
- iii) Capital expenditures should be reported at gross values before deducting credits such as government assistance, grants, donations, investment tax credits, and flow through share credits, but net of GST input tax credits claimed.

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**Retained Earnings**

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

**Income Statement**

- i) Expenses related to the amortization of deferred debits and deferred charges should be included in cell 52320.
- ii) All unrealized losses, write-downs, and write-offs 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 56300.
- iv) Charges related to allowances and provisions for declines in values of assets should be included in cells 55003 or 56200.
- 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).

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**Item No. 11000****Cash and Deposits****Definition**

Cash and deposits consist of coins; bank notes; money orders; postal notes; cheques; accepted sight drafts; demand, notice and term deposit balances with banks and other financial institutions. Term deposits which are cashable on demand should be classified under term deposits. Cheques issued against the reporting entity's accounts but not yet cleared by the financial institution should be shown in item 22100 (Accounts Payable). 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, savings and term deposits
- b) restricted demand deposits
- c) guaranteed investment certificates and debentures
- d) guaranteed savings certificates
- e) deposit receipts
- f) bearer deposit notes
- g) swapped deposits

**Exclusions**

- a) bank overdrafts - see item 25110 (Loans and Overdrafts from Chartered Bank Branches in Canada)
- b) overdrafts in deposit accounts with other financial institutions - see item 25180 (Loans and Overdrafts from Others)
- c) gold bullion held for sale - see item 13000 (Inventories)

**Detail**

- 11000 Cash and Deposits
- 11100 Cash and Canadian Currency Demand Deposits
- 11200 Foreign Currency Demand Deposits
- 11630 Canadian Currency Term Deposits
- 11680 Foreign Currency Term Deposits

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**Item No. 12100****Accounts Receivable****Definition**

All claims against debtors arising from the sale of goods and services. Also included are accrued revenue receivable and accrued government grants receivable. Trade receivables are claims against customers for goods and services sold in the ordinary course of business.

**Valuation**

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

**Inclusions**

- a) Trade Receivables
  - i) from affiliates arising from the sale of goods and services
  - ii) holdbacks receivable (construction activity)
  - iii) promissory notes and instalments receivable arising from sales of goods and services
- b) Other Accounts Receivable
  - i) interest, dividend and other investment income receivable
  - ii) grants, subsidies, and royalties receivable
  - iii) receivables in connection with the sale of investments and fixed assets
  - iv) income taxes recoverable
  - v) insurance claims
  - vi) patronage dividends receivable
  - vii) balance recoverable represented by the excess of GST input tax credits claimed over GST collections

**Exclusions**

- a) other accounts receivables from affiliates - see item 14300 (Loans, Advances, Mortgages, Notes, Bonds and Other Claims on Affiliates)
- b) loans receivable - see items 16000 (Mortgage Loans to Non-Affiliates) or 17000 (Non-Mortgage Loans to Non-Affiliates)
- c) balance owing represented by the excess of GST collections over GST input tax credits claimed - see item 22000 (Accounts Payable and Accrued Liabilities)

**Detail**

- 12100 Accounts Receivable
- 12110 Trade Accounts Receivable
- 12180 Other Accounts Receivable

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**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. 13000****Inventories****Definition**

Inventories are tangible property held for sale in the ordinary course of business, in the process of production for such sale, or to be consumed in the production of goods and services for sale.

**Valuation**

Inventories should be valued at the lower of cost or net realizable value. Cost may be determined by any of the generally accepted methods of costing inventories, such as LIFO, FIFO, and average cost. Provisions or reserves for future decline in inventory values should not be deducted - see item 19000 (Other Assets). For construction companies, work-in-progress should not include the profit element. It should be valued at cost.

**Inclusions**

- a) stocks of finished goods, raw materials, and work-in-progress
- b) repair and service parts
- c) supplies
- d) fuel
- e) containers
- f) repossessed assets held for sale
- g) ore and gold bullion on hand (for companies whose primary activity is mining)
- h) real estate held or being developed for sale (for companies whose primary activities are real estate and construction)
- i) costs of work-in-progress (for construction companies)

**Exclusions**

- a) inventories of leased assets - see item 18310 (Land and Depreciable Assets - Gross)
- b) progress billings on construction activities - see item 29000 (Other Liabilities)
- c) goods shipped outside Canada on consignment, considered sold

**Detail**

13000 Inventories

13100 Real Estate Held or Being Developed for Sale

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13800 Other Inventories

**Item No. 14000**

**Investments in and Claims on Parent, Subsidiaries, and Affiliates**

**Definition**

All investments in and claims, other than trade accounts receivable, 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

**Exclusions**

Trade accounts receivable - see item 12110 (Trade Accounts Receivable)

**Detail**

14000 Investments in and Claims on Parent, Subsidiaries and Affiliates  
14100 Cost of Shares

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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**

The 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 items 11630 and 11680 (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 Financial, Commercial 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)

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**Item No. 15110****Government of Canada Treasury Bills****Definition**

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

**Valuation**

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

**Inclusions**

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

**Item No. 15120****Bankers' Acceptances and Financial, Commercial and Other Short-Term Paper****Definition**

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, guaranteed investment certificates, swapped deposits, deposit certificates and collateral deposits - see items 11630 and 11680 (Term Deposits)
- c) demand, notice and savings deposits - see item 11000 (Cash and Deposits)
- d) share options and warrants - see item 15160 (Corporate Shares) or item 15200 (Foreign Investments)
- e) foreign finance and other short-term paper - see 15200 (Foreign Investments)



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- f) bearer deposit notes - see items 11630 and 11680 (Term Deposits)

### **Item No. 15130**

#### **Government of Canada Debt**

##### **Definition**

Investments in debt securities, other than treasury bills, issued by the Government of Canada. Included are debt securities issued by federal government business enterprises guaranteed by the Government of Canada.

##### **Valuation**

These investments should be shown at amortized cost.

##### **Inclusions**

Government business enterprise 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 12180 (Other Accounts Receivable)

### **Item No. 15140**

#### **Provincial and Municipal Government Debt**

##### **Definition**

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. 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 Financial, Commercial 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 12180 (Other Accounts Receivable)

**Item No. 15150**

**Corporate Bonds and Debentures**

**Definition**

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 Financial, Commercial 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)

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- c) debt securities of foreign governments and corporations - see item 15200 (Foreign Investments)
  - d) accrued interest receivable - see item 12180 (Other Accounts Receivable)
  - 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 12110 (Trade Accounts Receivable)

### **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 of affiliates - see item 14110 (Cost of Shares - Canadian Corporations)
- b) shares in foreign corporations - see item 15200 (Foreign Investments)
- c) dividends receivable - see item 12180 (Other Accounts Receivable)

### **Item No. 15180**

#### **Other Canadian Investments**

##### **Definition**

Canadian investments not elsewhere classified.

##### **Valuation**

These investments should be valued at acquisition or amortized cost.

##### **Inclusions**

- a) gold and silver certificates

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- b) precious metals (except for mining companies, where these should be part of inventory)

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**Exclusions**

- a) stock exchange seats - see item 19000 (Other Assets)
- b) cash surrender value of life insurance policies - see item 19000 (Other Assets)
- c) goodwill, trademarks, patents, franchises, licences, rights and like items - see item 19000 (Other Assets)
- d) mortgage loans and non-mortgage loans - see items 16000 (Mortgage Loans to Non-Affiliates) and 17000 (Non-Mortgage Loans to Non-Affiliates)

**Item No. 15200****Foreign Investments****Definition**

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 Affiliates, Officers and Shareholders)
- c) accrued interest and dividends receivable - see item 12180 (Other Accounts Receivable)
- d) term deposits, bearer deposits notes, deposit certificates and like instruments in foreign financial institutions - see items 11630 and 11680 (Term Deposits)

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**Item No. 16000****Mortgage Loans****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 - see item 19000 (Other Assets).

**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 12180 (Other Accounts Receivable)

**Item No. 17000****Non-Mortgage Loans****Definition**

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 - see item 19000 (Other Assets). Loans

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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 12180 (Other Accounts Receivable)

**Item No. 18300**

**Fixed Assets**

**Definition**

Tangible and intangible assets that:

1. are 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. are not intended for sale in the ordinary course of business

Depletable assets and deferred exploration and development costs represent costs incurred by the reporting entity in exploring and developing natural resource properties and the purchase of proven natural resource properties.

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 is in the process of divesting itself of them.

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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.

Depletable assets and deferred exploration and development costs should be shown net of amortization.

**Inclusions**

- a) land
- b) construction, structures, roads, bridges and towers
- c) construction in progress accounts related to new fixed assets
- d) real estate held for rent
- e) inventories of assets held for leasing
- f) leasehold improvements
- g) all types of machinery and equipment including transportation and mobile equipment
- h) depletable assets related to natural resource properties such as timber, water and power rights, mines, oil and gas wells, quarries and sandpits
- i) deferred exploration and development charges related to mining and petroleum properties
- j) assets acquired under capital leases

**Exclusions**

- a) repossessed assets held for sale by companies whose primary activities are non-financial - see item 13000 (Inventories)
- b) intangible assets - see item 19000 (Other Assets)
- c) tooling and special tooling costs (transportation, equipment manufacturers) - see item 19000 (Other Assets)

**Detail**

- 18300 Fixed Assets
- 18310 Land and Depreciable Assets - Gross
- 18350 Accumulated Depreciation
- 18360 Depletable Assets and Deferred Exploration and Development Charges (net of accumulated depletion and amortization)



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**Item No. 18310****Land and Depreciable Assets - Gross****Definition**

Property, plant, and equipment are tangible 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, building, 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.

**Valuation**

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

Depreciable assets should be reported before deducting depreciation.

**Inclusions**

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

**Item No. 18350****Accumulated Depreciation****Definition**

The accumulated periodic allocations of the cost of rental properties and fixed assets to expense.

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**Item No. 18360**

**Depletable Assets and Deferred Exploration and Development Charges (net of Accumulated Depletion and Amortization)**

**Definition**

The costs of acquiring proven or producing natural resource properties. The cost of exploring and developing new natural resource properties. For mining and oil and gas properties, the types of expenditures included in this category are listed in the capital expenditures section (59200 accounts).

**Item No. 19000**

**Other Assets**

**Definition**

All assets not elsewhere classified.

**Valuation**

Other assets should be valued at acquisition or amortized cost.

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**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, research and development costs, preproduction costs, and deferred pension costs
- b) deposits and advances - amounts lodged with or payments made to others to be either charged to expense or refunded at a later period, e.g., deposits on contracts and tenders, performance bonds, downpayments and advances to suppliers
- c) pipeline fill
- d) stock exchange seats
- e) cash surrender value of life insurance policies
- f) other unamortized deferred debits
- g) intangible assets - long-term assets that lack physical substance such as goodwill, trademarks, licences, rights, patents, and franchises. All such assets will be valued at cost less accumulated amortization
- h) accumulated provisions and allowances for losses on investments, loans and other assets charged to expenses
- i) tooling and special tooling costs less accumulated amortization - the cost of developing tools and dies used in the fabrication of durable goods such as transportation equipment

**Exclusions**

- a) deferred charges related to exploration and development cost (mining and petroleum properties) - see item 18300 (Fixed Assets - Net)
- b) allowance for doubtful accounts - see item 12800 (Allowance for Doubtful Accounts)
- c) reserves for losses which are appropriations of retained earnings - see item 38000 (Retained Earnings)

**Item No. 22100****Accounts Payable****Definition**

All claims by creditors arising from the purchase of goods and services. Included are accrued liabilities and amounts owing to governments except corporate income tax. Trade payables are amounts claimed by creditors arising from the purchase of goods and services used in the ordinary course of business.

**Inclusions**

- a) Trade Payables

- 
- i) trade accounts payable to affiliates
  - ii) holdbacks payable

- 
- b) Other Accounts Payable
    - i) interest, dividends and rent payable
    - ii) accrued expenses such as salaries, wages, payroll taxes, employee benefits, indirect taxes, capital taxes, guarantee and warranty costs
    - iii) debt arising from the purchase of fixed assets and investments
    - iv) patronage dividends and experience rating refunds payable
    - v) outstanding cheques
    - vi) 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 from 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 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)

**Detail**

22100 Accounts Payable  
22110 Trade Payables  
22180 Other Accounts Payable

**Item No. 23000**

**Income Taxes Payable**

**Definition**

Income taxes, provincial mining and logging 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 22180 (Other Accounts Payable)
- b) capital taxes - see item 22180 (Other Accounts Payable)
- c) income taxes recoverable - see item 12180 (Other Accounts Receivable)

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**Item No. 24000****Amounts Owing to Parent, Subsidiaries and Affiliates****Definition**

Debt other than trade payables owed by the reporting entity to non-consolidated parent, subsidiary, and affiliated corporations, affiliated joint ventures and partnerships, head office, directors, officers, and individual shareholders.

**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

**Exclusions**

Trade payables - see item 22110 (Trade Payables)

**Detail**

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

**Item No. 25110****Loans and Overdrafts from Chartered Bank Branches in Canada****Definition**

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

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**Exclusions**

- a) mortgage loans - see item 25500 (Mortgage Loans)
- b) outstanding cheques - see item 22100 (Accounts Payable)
- c) loans from a parent, subsidiary, or affiliates - see item 24000 (Amounts Owing to Parent, Subsidiaries and Affiliates)
- d) bankers' acceptances (drawers) - see item 25200 (Bankers' Acceptances and Short-Term Commercial Paper)
- e) accrued interest payable - see item 22180 (Other Accounts Payable)
- f) loans from foreign branches of Canadian Chartered Banks - see item 25180 (Loans and Overdrafts from Others)

**Item No. 25180****Loans and Overdrafts from Others****Definition**

Funds borrowed from lenders other than chartered bank branches in Canada, and affiliates.

**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) exercised lines of credit
- c) capital lease obligations
- d) loans from foreign branches of Canadian Chartered Banks and foreign banks

**Exclusions**

- a) finance and other short-term paper - see item 25200 (Bankers' Acceptances and Short-Term Commercial Paper)
- b) funds raised through mortgage loan contracts and the issuance of securities - see items 25500 (Mortgage Loans), 25200 (Bankers' Acceptances and Short-Term Commercial Paper) and 25400 (Bonds and Debentures)
- c) bonds and debentures outstanding - see item 25400 (Bonds and Debentures)
- d) outstanding cheques - see item 22100 (Accounts Payable)
- e) accrued interest payable - see item 22180 (Other Accounts Payable)
- 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)

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**Item No. 25200**

**Bankers' Acceptances and Short-Term Commercial Paper**

**Definition**

Short-term notes and paper issued and outstanding.



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**Valuation**

This liability should be valued at the 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 actual proceeds are not available, amortized values are acceptable. Loans, denominated in foreign currency, should be expressed in Canadian dollars using the exchange rate in effect on the balance sheet date.

**Inclusions**

- a) finance and commercial paper
- b) demand or call notes
- c) promissory notes not insurable under a deposit insurance act in Canada
- d) bankers' acceptances - bankers' acceptances is short-term money market financing that is guaranteed by a bank. It is a commercial draft or bill of exchange drawn by a corporate borrower for payment of a certain sum (usually a minimum of \$100,000) on a specified date and guaranteed by the borrower's bank. The acceptance must be drawn to finance the manufacture or marketing of a tangible good. In practice the maximum term has been 90 days, since the Bank of Canada will accept bankers' acceptances as collateral only for a term not exceeding 90 days. However there have been acceptances issued for longer than 90 days. Once a bank accepts or guarantees the draft, the draft is usually sold to a money market dealer, but banks have been known to provide the funds in some cases.

**Item No. 25400****Bonds and Debentures****Definition**

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 the proceeds of the issue before deducting fees or commission. 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 should be shown in the appropriate asset category and the amount of debt shown as the actual amount outstanding.

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

Investments in the reporting entity's bonds and debentures should not be netted against the corresponding liabilities, but should 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) small business bonds and small business development bonds
- f) income 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) finance and other short-term paper - see item 25200 (Bankers' Acceptances and Short-Term Commercial Paper)
- d) bank or other loans secured by bonds, debentures, and serial notes - see items 25110 (Loans and Overdrafts from Chartered Bank Branches in Canada) or 25180 (Loans and Overdrafts from Others), respectively

**Item No. 25500**

**Mortgage Loans**

**Definition**

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 from Chartered Bank Branches in Canada) and 25180 (Loans and Overdrafts from Others)
- b) mortgages due to affiliates - see item 24000 (Amounts Owing to Parent, Subsidiaries and Affiliates)
- c) accrued interest payable - see item 22180 (Other Accounts Payable)

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d) mortgage bonds - see item 25400 (Bonds and Debentures)

**Detail**

25500 Mortgage Loans  
25510 Residential  
25520 Non-Residential

**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**

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**

Liabilities not elsewhere classified.

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**Inclusions**

- a) advances received, deferred income, unearned revenue, and progress billings
- 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 the disposal of investments

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**Exclusions**

- a) trade and other accounts and notes payable - see item 22100 (Accounts Payable)
- b) accrued expenses - see item 22180 (Other Accounts Payable)
- 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 58300 "Extraordinary Gains/Losses," or part of item 34000 "Appraisal Increase Credits/Debits")

**Item No. 31000****Share Capital****Definition**

The ownership interest in a company as authorized by its instrument of incorporation. It covers all classes of share capital including membership shares, additional shares held by members and estate/endowment shares (such as in credit unions), and fund unitholders' contributions and similar capital contributions.

**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) membership units of co-operatives
- d) investments in unincorporated entities which represent permanent capital - this includes unincorporated partnerships, joint ventures, and Canadian branch operations of foreign corporations

**Exclusions**

- a) retained earnings - see item 38000 (Retained Earnings/Head Office Account)
- b) appraisal increase credits/debits - see item 34000 (Appraisal Increase Credits/Debits)
- c) the undistributed profits portions of the head office accounts and capital accounts of unincorporated entities - see item 38000 (Retained Earnings/Head Office Account)
- d) contributed surplus - see item 33000 (Contributed Surplus)

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**Detail**

31000 Share Capital  
31100 Preferred Shares  
31200 Common Shares

**Item No. 33000****Contributed Surplus****Definition**

The portion of paid-in capital (i.e., contributed capital) arising from:

1. premiums received on the issue of par value shares
2. that portion of no par value shares issued that have not been classified as part of share capital
3. proceeds of sale of donated shares
4. profit on forfeited shares
5. redemption or conversion of shares at an amount different from that set up as share capital
6. donations of capital

**Exclusions**

- a) undistributed earnings - see item 38000 (Retained Earnings/Head Office Account)
- b) appraisal increase credits/debits - see item 34000 (Appraisal Increase Credits/ Debits)
- c) share capital - see item 31000 (Share Capital)

**Item No. 34000****Appraisal Increase Credits/Debits****Definition**

The 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 56300 (Gains/Losses on the Sale of Assets) or item 58300 (Extraordinary Gains/Losses - Net)

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**Item No. 38000**

**Retained Earnings/Head Office Account - Closing Balance**

**Definition**

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.

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Head office account represents the undistributed profits a foreign company has retained in an unincorporated branch operating in Canada. Also, other incorporated entities such as partnerships and joint ventures, branches and divisions of corporations should include their undistributed profits in this account.

**Inclusions**

The undistributed profits portion of the head office accounts and capital accounts of unincorporated entities

**Exclusions**

- a) contributed surplus - see item 33000 (Contributed Surplus)
- b) appraisal surplus or appraisal increase credits/debits - see item 34000 (Appraisal Increase Credits/Debits)
- c) share capital - see item 31000 (Share Capital)
- d) permanent capital of unincorporated entities - see item 31000 (Share Capital)

**Item No. 38100**

**Retained Earnings/Head Office Account - Opening Balance**

**Definition**

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 and must agree with the closing balance of item 38000 of the prior period.

**Item No. 38200**

**Net Income/Loss**

**Definition**

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**

Transfers between the retained earnings account and share capital, reserves and contributed surplus 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.



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**Inclusions**

- a) transfers between a branch and its parent head office which are not included in the branch's report
- b) transfers between self-reporting branches

**Exclusions**

- a) infusion of funds which are treated by the reporting entity as loans or advances from the head office - see item 24200 (Amounts Owing to Parent, Subsidiaries and Affiliates - Outside Canada)
- b) loans and advances to head office - see item 14320 (Loans, Advances, Mortgages, Notes, Bonds and Other Claims on Affiliates - Foreign Companies)
- c) adjustments relating to prior years if they fall within the definition of item 38910 (Prior Period Adjustments - Gross)

**Item No. 38700****Other Additions/Deductions****Definition**

Changes in retained 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 the basis of reporting
- b) prior period adjustments
- c) part IV Refundable Taxes

**Exclusions**

- a) transfers between a branch and its parent head office which are not included in the branch's report - see item 38400 (Transfers from/to Other Accounts)
- b) transfers between self-reporting branches - see item 38400 (Transfers from/to Other Accounts)
- c) transfers from/to share capital, reserves, and contributed surplus - see item 38400 (Transfers from/to Other Accounts)

**Item No. 38800****Dividends Declared****Definition**

An amount declared by the board of directors for distribution to shareholders in proportion to their holdings, having regard for the respective rights of various classes of stock.

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**Inclusions**

- a) cash dividends declared
  - i) cash dividends declared on all common and preferred shares
- b) other dividends
  - i) stock dividends declared on common or preferred shares
  - ii) premium paid on redemption of any class of shares of corporations other than mutual fund corporations
  - iii) liquidating dividends
  - iv) patronage dividends

**Exclusions**

Interest expense on small business development bonds, small business bonds, income bonds and debentures - see item 53110 (Interest Expense on Bonds and Debentures)

**Detail**

38800 Dividends Declared  
38804 Preferred Shares  
38806 Common Shares

**Item No. 41000****Sales of Goods and Services****Definition**

The total proceeds of the disposition of stock-in-trade during the period. Sales of services represents the actual or expected cash inflow for services rendered during the period.

**Valuation**

Sales should be shown before deduction of royalty expenses, but net of sales and excise taxes, goods and services tax (GST), trade discounts, and returns and allowances. Sales should include shipping and freight charges to purchaser. Sales denominated in foreign currency should be translated to Canadian currency at the exchange rate on the transaction date.

**Inclusions**

- a) all goods sold including consignments shipped outside Canada
- b) all service revenue related to transportation, storage, communication, repairs, maintenance, cleaning, entertainment, computer, advertising, professional, accommodation, construction contracts, health services, recreational social services, services to business, food, management and administrative services
- c) sales of properties purchased for development and for resale
- d) sales of repossessed property
- e) revenue from hotel rooms, tourist cabins, lodges, and public parking charges

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**Exclusions**

For some industries, transactions that are considered as sales may be separately identified, such as:

- a) investment revenue - see items 78500 (Interest Revenue from Canadian Sources), 78600 (Dividends Received from Canadian Corporations), and 78700 (Foreign Dividend and Interest Revenue)
- b) rental revenue - see item 43000 (Rental Revenue)
- c) royalties and franchise fees income - see item 49000 (Other Revenue)
- d) operating subsidies - see item 49000 (Other Revenue)
- e) commission revenue - see item 44000 (Commission Revenue)

**Detail**

41000 Sales of Goods and Services

41101 Sales of Goods

41201 Sales of Services

**Item No. 43000****Rental Revenue****Definition**

Rental revenue resulting from the renting of real estate, machinery, equipment, and other properties.

**Valuation**

Rental revenue should be shown before deduction of expenses such as property taxes and repairs and maintenance, but net of the goods and services tax (GST).

**Inclusions**

- a) rental revenue generated from land, buildings, structures, transportation and other equipment, machinery, tools and furniture including railway sidings, commercial shopping centres, commercial buildings and offices, apartments, residential housing, tenant parking, dancing halls, grain elevators, wharves and warehouses
- b) rental revenue from property let under operating leases; an operating lease is a lease in which the lessor retains substantially all the benefits and risks incident to ownership of property

**Exclusions**

- a) finance revenue from financing and sales type leases - see items 78500 (Interest Revenue from Canadian Sources) or 78700 (Foreign Dividend and Interest Revenue)
- b) revenue from royalties, franchise fees - see item 49000 (Other Revenue)
- c) revenue from lease of oil, mineral, coal, and timber rights - see item 49000 (Other Revenue)

**Detail**

43000 Rental Revenue

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43100 Real Estate  
43110 Residential  
43120 Non-Residential  
43800 Other Rental Revenue

**Item No. 44000**

**Commission Revenue**

**Definition**

Remuneration to an agent or middleman for providing the service to the vendor or purchaser of bringing together the two parties to a transaction.

**Valuation**

Commission revenue should be shown before deductions for commissions paid, but net of the goods and services tax (GST).

**Inclusions**

- a) commissions earned on sales of real estate and securities
- b) commissions earned by insurance agents, travel agents, sales representatives, and grain dealers

**Exclusions**

Service and professional fees - see item 41000 (Sales of Goods and Services)

**Detail**

44000 Commission Revenue  
44100 Real Estate  
44800 Other

**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) royalty fees - revenue derived from the granting of rights or usage of patents, trademarks, copyrights, or natural resources exploitation rights.

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- d) franchise fees - these are derived from the granting of a privilege to others permitting the sale of a product, use of a trade name, or provision of a service within a specified territory and/or in a specified manner.
  - e) operating subsidies received - this covers government assistance to offset certain eligible current expenses or to supplement current revenues.
  - f) allowance for funds used during construction - this is a revenue account used by certain regulated industries. It represents the imputed interest foregone on the reporting entity's funds, whether debt or equity, used in the construction on acquisition of fixed assets during the construction period. The amount is credited to item 49000 (Other Revenue) and added to the capital cost of the new asset being constructed.

**Exclusions**

- a) government assistance toward the acquisition of fixed assets should be credited to the appropriate asset item - see item 59700 (Capital Cost Adjustments - Credits)
- b) government assistance related to future period expenses - defer and amortize to income as related expenses are incurred
- c) commission revenue - see item 44000 (Commission Revenue)
- d) liquidating dividends - see items 78600 (Dividends Received from Canadian Corporations) and 78700 (Foreign Dividend and Interest Revenue)
- e) realized and unrealized gains/losses - see items 56300, 56100, 56200, and 58300

**Item No. 50500**

**Cost of Goods Sold (include costs and depreciation initially inventoried that is now the Cost of Goods Sold expense)**

**Definition**

The direct costs of manufacturing or purchasing goods that are transferred from inventory to the income statement and reported as an expense when the goods are sold and sales revenue is reported.

**Inclusions**

- a) *Merchandising activity*: cost of goods purchased for resale
- b) *Manufacturing activity*: inventoried product costs including raw material, direct labour, sub-contracts, and manufacturing overhead
- c) *Construction and real estate development activity*: the costs that are deferred related to real estate held for sale and reported in the asset inventory account (13100); these costs would include direct materials and labour, sub-contracts, construction overhead and deferred financing and administrative costs

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- d) *Forestry, mining, petroleum, and natural gas extraction activity*: the costs of harvesting, extracting and processing the wood, minerals, and fuels; these costs would include direct labour and materials, fuels and energy consumed, sub-contracts, services, transportation, transmission, and production overhead that are assigned to the product inventory cost

**Exclusions**

- a) depletion charges - see item 52210  
b) amortization of special tooling and tooling costs - see item 52330  
c) amortization of deferred exploration and development charges - see item 52220  
d) depreciation of buildings and equipment used in a rental operation - see items 52120 and 52130

**Item No. 51000**

**Exploration and Development Costs Charged to Current Expense**

**Definition**

All costs involved in discovering and bringing a mineral or other natural resource property into production. Amount reported will be restricted to current period expenditures charged directly to current operations.

**Inclusions**

- a) mine-site exploration and development expenditures - this item refers to expenditures on properties which are in production, or are being prepared for production, and includes such expenditures as underground, surface, and airborne exploration, drifts, shafts, raises, diamond drilling and stripping.  
b) general exploration expenditures - expenditures other than those incurred on producing properties or on properties being prepared for production.  
c) land and lease acquisition and retention expenditures - this includes non-producing lease rentals, bonuses, legal fees, filing fees, land department salaries, taxes, and applicable overhead.  
d) exploration and development drilling expenditures - include the costs of physical work, casings and other materials, dry wells, productive wells, capped wells, wells in progress, administration and applicable overhead.  
e) geological and geophysical expenditures - these expenses pertain to costs of seismographs, velocity surveys, gravity meters, magnetometers, core drilling, digital processing, magnetic playbacks, camps, crews, dirt work, and applicable overhead.

**Exclusions**

- a) exploration and development expenditures capitalized - see item 18360 (Depletable Assets and Deferred Exploration and Development Charges)

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- b) subsequent write-offs of capitalized expenditures - see item 56200 (Write-Offs and Valuation Adjustments)
  - c) subsequent amortization of capitalized expenditures - see items 52210 (Depletion) and 52220 (Amortization of Deferred Exploration and Development Charges)

**Detail**

- 51000 Exploration and Development Costs Charged to Current Expense
- 51300 Land and Lease Acquisition and Retention Expenditures (Mining, Petroleum and Natural Gas Operations)
- 51600 Mine-Site Exploration and Development (Mining) and Exploration and Development Drilling (Petroleum) Expenditures
- 51700 General Exploration (Mining) and Geological and Geophysical (Petroleum) Expenditures

**Item No. 52151**

**Depreciation of Buildings (not included in Cost of Sales)**

**Definition**

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

**Inclusions**

Depreciation relates to fixed assets - item 18310 (Land and Depreciable Assets)

- a) depreciation of building and structures that is not allocated to the cost of production
- b) amortization of leasehold improvements (related to buildings)

**Exclusions**

Exclude depreciation that was inventoried as manufacturing overhead, or matched with service income as a direct cost of sales - see item 52160 (Cost of Sales)

- a) depreciation of buildings and equipment included in item 52160 (Cost of Sales)
- b) amortization of intangible assets and deferred charges - see item 52350 (Amortization)
- c) one-time write-offs or write-downs - see item 56200 (Write-Offs and Valuation Adjustments)
- d) amortization of tooling and special tooling costs - see item 52330 (Amortization of Tooling and Special Tooling Costs Capitalized)

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**Item No. 52152****Depreciation of Machinery and Equipment (not included in Cost of Sales)****Definition**

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

**Inclusions**

Depreciation relates to fixed assets - item 18310 (Land and Depreciable Assets)

- a) depreciation of machinery and equipment that is not allocated to the cost of production
- b) amortization of leasehold improvements (related to machinery and equipment)
- c) depreciation of rental assets
  - i) for operating leases (by lessor)
  - ii) for capital leases (by lessee)

**Exclusions**

Exclude depreciation that was inventoried as manufacturing overhead, or matched with service income as a direct cost of sales - see item 52160 (Cost of Sales)

- a) depreciation of buildings and equipment included in item 52160 (Cost of Sales)
- b) amortization of intangible assets and deferred charges - see item 52350 (Amortization)
- c) one-time write-offs or write-downs - see item 56200 (Write-Offs and Valuation Adjustments)
- d) amortization of tooling and special tooling costs - see item 52330 (Amortization of Tooling and Special Tooling Costs Capitalized)



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**Item No. 52210****Depletion****Definition**

Depletion is the systematic allocation of costs to current operations based on the reduction in the quantity of wasting assets as a result of consumption, removal, or passage of time. Depletion charges relate to the cost of depletable assets. Depletable assets represent the costs of purchasing proven resource or operating properties.

**Inclusions**

Depletion charges related to the cost of acquiring proven or producing resource properties

**Exclusions**

Write-offs of depletable assets of a one-time nature - see item 56200 (Write-Offs and Valuation Adjustments)

**Item No. 52220****Amortization of Deferred Exploration and Development Charges****Definition**

The gradual writing off of capitalized costs involved in discovering and bringing a mineral or other natural resource property into production.

**Inclusions**

Amortization of deferred exploration and development charges which covers:

- a) mine-site exploration and development expenditures capitalized - this refers to expenditures on properties which are in production or are being prepared for production, and includes such expenditures as underground, surface and airborne exploration, drifts, shafts, raises, diamond drilling and stripping.
- b) general exploration expenditures capitalized - this refers to expenditures other than those incurred on producing properties or on properties being prepared for production.
- c) land and lease acquisition and retention expenditures capitalized - this includes non-producing lease rental bonuses, legal fees, filing fees, land department salaries, taxes, and applicable overhead.
- d) exploration and development drilling expenditures capitalized - this refers to the costs of physical work, casings and other materials, dry wells, productive wells, capped wells, wells in progress, administration, and applicable overhead.

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- e) geological and geophysical expenditures capitalized - these expenses pertain to cost of seismographs, velocity surveys, gravity meters, magnetic playbacks, camps, crews, dirt work, and applicable overhead.

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**Exclusions**

- a) portion of the above exploration and development expenses not capitalized and charged directly to current operations - see item 51000 (Exploration and Development Costs Charged to Current Expense)
- b) write-offs as a result of dry holes, abandoned and unproductive properties – see items 56200 (Write-Offs and Valuation Adjustments) or 58300 (Extraordinary Gains/Losses)

**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, patents, franchises, copyrights, organization expense, trademarks
- b) amortization of research and development costs, set-up costs, financing costs of issuing debt and share capital, preproduction costs, deferred compensation and pension costs
- c) amortization of deferred gains and losses on investments
- d) amortization of tooling and special tooling costs (manufacturing)

**Exclusions**

- a) amortization of leasehold improvements - see items 52120 and 52130 (Depreciation - not included in cost of sales)
- b) amortization of premiums and discounts on investments - see appropriate interest income or expense item
- c) amortization of exploration and development expenses - see item 52200 (Depletion) or 52220 (Amortization of Deferred Exploration and Development Charges) for mining, petroleum, and natural gas operations
- d) amortization of deferred losses on the translation of foreign currency - see item 56100 (Gains/Losses on the Translation of Foreign Currency)
- e) amortization of intangibles and deferred costs normally included in item 52350 that are classified as direct costs and included in the cost of goods sold - see item 52160

**Detail**

52300 Amortization

52330 Amortization of Tooling and Special Tooling Costs Capitalized

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52350 Amortization of Intangible Assets, Deferred Charges and Deferred Debits

**Item No. 53100**

**Interest Expense on Debt**

**Definition**

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

**Valuation**

Interest expense should be shown 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 small business development bonds
- g) interest on small business bonds
- h) interest on income bonds and debentures
- i) interest paid on all other borrowing
- j) interest paid to affiliates

**Exclusions**

- a) allowance for funds used during construction - see item 49000 (Other Revenue)
- b) dividends on term and retractable preferred shares - see item 38800 (Dividends Declared)
- c) amortization of debt issue expenses - see item 52350 (Amortization of Deferred Charges and Deferred Debits)
- d) debt issue expenses - see item 55003 (Other Expenses)

**Detail**

(In items 53131 and 53132 below, a long-term debt is one which, in the ordinary course of business, will not be liquidated within one year or within the normal operating cycle where that is longer than one year.)

- 53100 Interest Expense on Debt
- 53110 Bonds and Debentures
- 53120 Mortgages
- 53131 Long-Term Debt Other than Bonds and Mortgages
- 53132 Interest Expense on Short-Term Debt

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**Item No. 55001****Purchased Goods, Materials and Services****Inclusions**

- a) direct cost of sales including the cost of goods purchased for resale and the cost of materials included in the cost of goods manufactured and sold
- b) supplies, parts, small tools and equipment and materials purchased and consumed in the production, distribution, marketing and administrative functions
- c) contractors and sub-contractors
- d) agents and self-employed persons (personal service contracts)
- e) professional, technical, administrative and security services
- f) information and data processing services
- g) repairs, maintenance and cleaning services
- h) water and sewer charges levied by municipalities
- i) rent and leasing of land, buildings and equipment
- j) advertising, promotion and marketing services
- k) insurance
- l) telephone and other communication services
- m) travel services
- n) memberships, licenses and fees

**Exclusions**

Bad debt expense, write-down of accounts receivable and inventory, charitable donations and resource royalties - see item 55003 (Other Expenses)

**Item No. 55002****Indirect Taxes****Salary Related**

- a) Ontario Employer Health Tax
- b) Quebec Contribution des employeurs au fonds des services de santé
- c) Manitoba Levy for Health and Education and the Newfoundland Payroll Tax

**Other**

- a) property taxes, business taxes and other fees
- b) licenses for which no goods or services are received from municipal, provincial and federal governments
- c) provincial capital taxes

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**Item No. 55003****Other Expenses****Include Only**

- a) bad debt expense
- b) write-down of accounts receivable and inventory
- c) charitable donations
- d) resource royalties

**Item No. 55210****Wages and Salaries****Definition**

Reported wages and salaries (including commissions) before deductions. An employee is defined as a worker for whom a Revenue Canada T4 Supplementary Form was completed.

**Inclusions**

- a) vacation pay
- b) director's fees
- c) bonuses (including profit-sharing)
- d) commissions
- e) gratuities
- f) taxable allowances (e.g., room and board)
- g) retroactive wage payments
- h) amounts deposited into foreign accounts

**Item No. 55220****Employer Portion of Employee Benefits****Inclusions**

- a) employee life and extended health care insurance plans (e.g., medical, dental, drug, vision care plans)
- b) CPP/QPP contributions
- c) employer pensions contributions
- d) Workers' Compensation contributions
- e) Employment Insurance premiums (E.I.)
- f) retiring allowances or lump sum payments to employees at time of termination or retirement

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- g) all other employee benefits such as childcare or supplementary unemployment benefit (SUB) plans

**Exclusions**

Ontario Employer Health Tax - see item 55002 (Indirect Taxes)

**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**

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 all assets other than inventories and accounts receivable
- b) write-offs of dry holes, abandoned and unproductive properties related to mining, petroleum and natural gas operations

**Exclusions**

- a) realized gains/losses on sale of assets - see item 56300 (Gains/Losses on the Sale of Assets)

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- b) extraordinary gains/losses - see item 58300 (Extraordinary Gains/Losses)
  - c) current period provision for losses with respect to bad debts and inventory - see item 55003 (Other Expenses)
  - d) amortization of deferred gains/losses on investments - see item 52300 (Amortization)
  - e) amortization of deferred charges and deferred debits - see item 52350 (Amortization - Deferred Charges and Deferred Debits)
  - f) revaluations resulting from appraisal increases/decreases in real estate - see item 34000 (Appraisal Increase Credits/Debits)

### **Item No. 56300**

#### **Gains/Losses on the Sale of Assets**

##### **Definition**

Realized gains or losses on the sale of assets that are not considered extraordinary items - see item 58300 (Extraordinary Gains/Losses). 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, and intangible assets.

##### **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 55001 (Purchased Goods, Materials and Services)
- b) unrealized gains/losses - see item 56200 (Write-Offs and Valuation Adjustments)

### **Item No. 57000**

#### **Canadian Income Taxes**

##### **Definition**

Canadian corporate income taxes including both current and future taxes. Also included are taxes levied by provincial governments on mining and logging operations.

##### **Inclusions**

- a) current income taxes - the amount currently payable based on taxable income
- b) large corporations - federal capital tax



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- c) provincial taxes on mining and logging operations
  - 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 of loss carryforward

**Exclusions**

- a) taxes related to extraordinary items - see item 58320 (Taxes Applicable to Extraordinary Items)
- b) indirect taxes - see item 55002 (Indirect Taxes)
- c) provincial capital taxes - see item 55002 (Indirect Taxes)
- d) income taxes paid to foreign governments - see item 55002 (Indirect Taxes)

**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 for the current period of affiliates.

**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.

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

**Item No. 58300**

**Extraordinary Gains/Losses**

**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, 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.

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**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 56300 (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 56300 (Gains/Losses on the Sale of Assets)
  - iii) provisions for future liabilities for estimated costs that will be paid in the future - see items 55003 or 56200

**Item No. 58410****Total Operating Revenue****Definition**

This item includes:

- 41000 Sales of Goods and Services
- 43000 Rental Revenue
- 44000 Commission Revenue
- 49000 Other Revenue

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**Item No. 58412****Inter-Corporate Sales (Eliminated on Consolidation)****Definition**

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

**Item No. 58420****Total Operating Expenses****Definition**

This item includes:

52000	Depreciation, Depletion and Amortization
55001	Purchased goods, materials and services
55220	Employer portion of employee benefits
55210	Wages and salaries
55002	Indirect taxes
55003	Other expenses

**Item No. 58430****Operating Income/Loss****Definition**

The difference between total operating revenue and total operating expenses.

**Item No. 58460****Income/Loss before Income Taxes****Definition**

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

**Item No. 58470****Income/Loss after Income Taxes****Definition**

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

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**Item No. 58480****Net Income/Loss****Definition**

Net income represents the difference between all revenue and expenses, gain and loss items for the reporting period. This item must coincide with the value reported in 38200 (Net Income/Loss).

**Item No. 59000****Capital Expenditures****Definition**

Gross additions to fixed assets and construction in progress accounts during the period.

**Valuation**

Capital expenditures should be reported at acquisition cost net of GST input tax credits claimed but before deducting any revenue credits, capital grants, donations, government assistance, investment tax credits and proceeds from disposal of assets. These credits are reported separately in item 59700.

The amount reported should also be before deduction for depreciation.

**Inclusions**

- a) all gross additions to land, depreciable and depletable assets
- b) capitalized interest
- c) assets acquired under financing or sales type leases (lessees) (capitalized leases)
- d) capitalized expenditures on exploration and development pertaining to mining, petroleum, and natural gas operations
- e) construction-in-progress

**Exclusions**

- a) properties developed for sale - see item 13000 (Inventories) or 13100 (Real Estate Held or Being Developed for Sale) for companies whose primary activities are real estate and construction
- b) land developed for sale - see item 13000 (Inventories) or 13100 (Real Estate Held or Being Developed for Sale) for companies whose primary activities are real estate and construction

**Detail**

59000 Capital Expenditures  
59100 Land and Depreciable Assets

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59112 New Rental Properties  
59113 New Construction, Buildings, Structures and Leasehold Improvements  
59114 New Machinery and Equipment  
59120 Capitalized Interest  
59121 Capitalized Interest on Borrowed Funds  
59122 Allowance for Funds Used during Construction  
59130 Capitalized Leases  
59160 Used Buildings, Structures, Machinery and Equipment and Land  
59200 Depletable Assets and Deferred Exploration and Development Expenses Capitalized  
59210 Depletable Assets  
59220 Deferred Exploration and Development Charges  
59221 Mine-Site Exploration and Development Expenditures  
59222 General Exploration Expenditures  
59223 Land and Lease Acquisition and Retention Expenditures  
59224 Exploration and Development Drilling Expenditures  
59225 Geological, Geophysical Expenditures  
59700 Capital Cost Adjustment (Credits)

**Item No. 59810**

**Tooling and Special Tooling Costs Capitalized**

**Definition**

Expenditures that are deferred and amortized over future periods (deferred charges). Tooling and special tooling costs represent the cost of developing tools and dies which are used in the fabrication of durable goods such as transportation equipment.

**Item No. 61200**

**Total Current Assets**

**Definition**

The total of cash and other resources that are expected to be realized in cash or sold or consumed within one year or within the normal operating cycle of the business, whichever is longer.

**Inclusions**

Current portion of long-term assets

**Item No. 61400**

**Total Current Liabilities**

**Definition**

A liability that in the ordinary course of business will be liquidated within one year or within the normal operating cycle, whichever is longer.

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**Inclusions**

Current portion of long-term debt

**Item No. 61410****Short-Term Amounts Owing to Parent, Subsidiaries and Affiliates****Definition**

Short-term debt other than trade payables owed by the reporting entity to non-consolidated parent, subsidiary and affiliated corporations, affiliated joint ventures and partnerships, head office, directors, officers and individual shareholders in Canada and outside Canada (see item 24000 Amounts Owing to Parents, Subsidiaries and Affiliates).

Short-term debt refers to borrowing with an original term to maturity of less than one year.

**Valuation**

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

Claims of affiliates should be shown at amortized value.

**Inclusions**

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

**Exclusions**

- a) trade payables - see item 22110 (Trade Payables)
- b) long-term loans, mortgages, bonds, debentures and notes held by affiliates - see item 24000 (Amounts Owing to Parent, Subsidiaries and Affiliates)
- c) current portion of mortgages, bonds, debentures and notes, and other long-term loans held by affiliates - see specific items

**Detail**

61410 Short-Term Amounts Owing to Parent, Subsidiaries and Affiliates  
61411 Interest Bearing Debt  
61415 Non-Interest Bearing Debt

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**Item No. 61420****Short-Term Loans from Chartered Bank Branches in Canada****Definition**

Funds lent by chartered banks to the reporting entity with an original term to maturity of less than one year.

**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) demand and short-term notes payable to chartered banks
- b) lines of credit to finance working capital and short-term assets
- c) overdrafts on deposit accounts as shown in the bank records

**Exclusions**

- a) bankers' acceptances - see item 25200 (Bankers' Acceptances and Short-Term Commercial Paper)
- b) current portion of long-term bank loans - see item 25110 (Loans and Overdrafts from Chartered Bank Branches in Canada)
- c) outstanding cheques - see item 22100 (Accounts Payable)
- d) short-term loans from parent, subsidiary or affiliates - see item 24000 (Amounts Owing to Parent, Subsidiaries and Affiliates) and 61410 (Short-Term Amounts Owing to Parent, Subsidiaries and Affiliates)
- e) short-term loans from foreign branches of Canadian chartered banks - see item 25180 (Loans and Overdrafts from Others) and 61430 (Short-Term Loans from Others)
- f) accrued interest payable - see item 22100 (Accounts Payable)



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- g) revolving lines of credit to purchase long-term assets - see item 25110 (Loans and Overdrafts from Chartered Bank Branches in Canada)
  - h) interim or bridging loans that will be converted to long-term debt to finance long-term assets - see item 25110 (Loans and Overdrafts from Chartered Bank Branches in Canada)

### **Item No. 61430**

#### **Short-Term Loans from Others**

##### **Definition**

Borrowing with an original term to maturity of less than one year from lenders other than chartered bank branches in Canada and affiliates.

##### **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) lines of credit to finance working capital and short-term assets from financial institutions other than chartered bank branches
- b) short-term loans from foreign branches of Canadian chartered banks and foreign banks
- c) short-term loans and overdrafts on deposit accounts from other financial institutions such as trust companies, credit unions, Caisses Populaires and acceptance companies

##### **Exclusions**

- a) short-term notes and paper (money market commercial and finance paper) - see item 25200 (Bankers' Acceptances and Short-Term Commercial Paper)
- b) revolving lines of credit to purchase long-term assets - see item 25180 (Loans and Overdrafts from Others)
- c) interim or bridging loans that will be converted to long-term debt to finance long-term assets - see item 25180 (Loans and Overdrafts from Others)
- d) current portion of long-term loans from others - see item 25180 (Loans and Overdrafts from Others)
- e) capital lease obligations - see item 25180 (Loans and Overdrafts from Others)

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**Item No. 61510****Long-Term Amounts Owing to Parent, Subsidiaries and Affiliates****Definition**

Long-term 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 in Canada and outside Canada (see item 24000 (Amounts Owing to Parents, Subsidiaries and Affiliates)). Long-term debt refers to borrowing with an original term to maturity of one year or longer.

**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) long-term loans and advances from affiliates
- b) other long-term non-trade accounts and notes payable to affiliates

**Exclusions**

Short-term loans and advances from affiliates

**Detail**

- 61510 Long-Term Amounts Owing to Parent, Subsidiaries and Affiliates
- 61511 Interest Bearing Debt (includes bonds and debentures)
- 61515 Non-Interest Bearing Debt

**Item No. 74100****Interest Expense on Debt Owing to Parent, Subsidiaries and Affiliates****Definition**

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

**Detail**

- 74100 Interest Expense on Debt Owing to Parent, Subsidiaries and Affiliates
- 74110 Short-Term
- 74120 Long-Term

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**Item No. 74710****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) or operating expenses (51,000's to 55,000's accounts)

**Exclusions**

- a) extraordinary gains and losses (see items 58300, 58310, 58320)
- b) unrealized gains/losses, write-downs, write-offs, and valuation adjustments included in item 56200
- c) non-operating gains and losses on the disposal of investments and capital assets (item 56300)

**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 78600 (Dividends Received from Canadian Corporations) and 78700 (Foreign Dividend and Interest Revenue)

**Detail**

- 75000 Dividends Received from Corporations Accounted for on the Equity Method
- 75100 Canadian
- 75200 Foreign (net of foreign withholding taxes)

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**Item No. 78500****Interest Revenue from Canadian Sources****Definition**

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) finance income from sales type and financing leases - a financing lease transfers substantially all the benefits and risks incident to the ownership of property to the lessee; this type of lease is incidentally a method of financing the purchase of property.
- h) imputed interest or discounts from commercial paper, financial paper, and treasury bills

**Exclusions**

- a) dividends on term and retractable preferred shares - see items 78600 (Dividends Received from Canadian Corporations) or 78700 (Foreign Dividend and Interest Revenue)
- b) allowance for funds used during construction - see item 49000 (Other Revenue)
- c) interest revenue from foreign sources - see item 78700 (Foreign Dividend and Interest Revenue)

**Item No. 78600****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.

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**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 78500 (Interest Revenue from Canadian Sources) or 78700 (Foreign Dividend and Interest Revenue)
- d) cash dividends from affiliates accounted for on the equity method - see item 75000 (Dividends Received from Corporations Accounted for on the Equity Method)

**Item No. 78700****Foreign Dividend and Interest Revenue****Definition**

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 but net of foreign withholding taxes.

**Inclusions**

See items 78500 (Interest Revenue from Canadian Sources) and 78600 (Dividends Received from Canadian Corporations)

**Exclusions**

- a) allowance for funds used during construction - see item 49000 (Other Revenue)
- b) patronage dividends - see item 49000 (Other Revenue)
- c) stock dividends - see item 49000 (Other Revenue)

**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

