

**QUARTERLY SURVEY OF FINANCIAL STATEMENTS**

**ADDENDUM AND REPORTING GUIDE**

**FOR**

**SEGREGATED FUNDS**



## QUARTERLY SURVEY OF FINANCIAL STATEMENTS

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

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

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Items appear in the same order as on the actual questionnaires

#### ADDITIONS

##### Balance Sheet

##### Assets

##### ITEM 19900: DERIVATIVES

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

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

##### ITEM 69100: REVERSE REPURCHASE AGREEMENTS

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

## Liabilities and Equity

### ITEM 29900: DERIVATIVES

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

### ITEM 69200: OBLIGATIONS RELATED TO REPURCHASE AGREEMENTS

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

### ITEM 29950: EQUITY SECURITIES CLASSIFIED AS LIABILITIES

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

### ITEM 32300: UNITHOLDERS' CAPITAL

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

### ITEM 36000: ACCUMULATED OTHER COMPREHENSIVE INCOME

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

### ITEM 38000: RETAINED EARNINGS

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

### ITEM 38300: INCOME TRUST DISTRIBUTIONS

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

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

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

## Income Statement

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

Include all interest revenue earned through financial leases.

### ITEM 56400: DERIVATIVE GAIN (LOSSES)

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

**ITEM 62310: PENSION EXPENSE**

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

**ITEM 62340: STOCK OPTIONS EXPENSED**

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

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

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

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

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

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

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

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

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

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

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

**ITEM 57300: INCOME TAXES**

Related to other comprehensive income.

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

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

**ITEM 66000: PENSION PLAN FUNDING**

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

**ITEM 66100: PLAN ASSETS**

Assets held by the trustee at market (fair) value

**ITEM 66200: BENEFIT OBLIGATION**

Actuarial obligation at the end of the quarter

**ITEM 66300: FUNDED STATUS**

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

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

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

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

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

**DELETIONS**

Item 34000 Appraisal increase credits (debits)

Item 35000 Retained earnings

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

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

Item 38810 Retained earnings - Total cash dividends declared

Item 38880 Retained earnings - Other

Item 52380 Amortization - Other

Item 55003 Other expenses

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

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

Item 80003 Average number of people employed during the reporting period

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

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

Cash and deposits are now requested in two cells:

11300 Canadian Currency

11400 Foreign Currency

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

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

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

1) credit card receivables

2) lines of credit

These two variables were previously combined.

**Liabilities and Equity**

## ITEMS 25700 and 25800: BORROWING FROM NON-AFFILIATES

a) loans and overdrafts:

- 1) from lenders in Canada
- 2) from lenders outside of Canada

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

**Income Statement**

## ITEM 52100: DEPRECIATION

This item was previously requested in two parts:

- a) depreciation on construction, buildings, structures and leasehold improvements
- b) depreciation on machinery and equipment.

**FORMAT CHANGES**

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

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## **INTRODUCTION**

### **AUTHORITY**

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

### **CONFIDENTIALITY**

Statistics Canada is prohibited by law from publishing any statistics which would divulge information obtained from this survey that relates to any identifiable business without the previous written consent of that business. The data reported to this survey will be treated in confidence, used for statistical purposes, and published in aggregate form only. The confidentiality provisions of the Statistics Act are not affected by either the Access 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. Although you have been granted 45 calendar days to return the completed copy of the questionnaire, it would be appreciated if the survey data were made available within this 30 day period.

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.

### **COMPARABILITY AND PREDICTIVE VALUE OF QUARTERLY FINANCIAL STATISTICS**

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

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

### **YEAR-END AND PRIOR YEAR'S ADJUSTMENTS**

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

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

## **ACCOUNTING PRINCIPLES - FINANCIAL STATEMENT PRESENTATION AND DISCLOSURE**

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

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

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

### **Balance Sheet**

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

### **Retained Earnings**

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

### **Income Statement**

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

### **Real Estate Industry**

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

### **Discontinued Operations**

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

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

**ITEM NO. 10000****TOTAL ASSETS (AT BOOK VALUE)****Definition**

Total assets is the sum total of the book value of resources owned by the reporting entity.

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

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

**Exclusions**

- a) bank overdrafts - see item 25110 (Loans and Overdrafts with Chartered Bank Branches in Canada)
- b) overdrafts and deposit accounts with other financial institutions - see item 25180 (Loans and Overdrafts with Others)
- c) guaranteed investment certificates, term deposit certificates and bearer term notes - see item 11600 (Term Deposits)
- d) swapped deposits - see item 11600 (Term Deposits)

**Detail**

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

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

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

**Inclusions**

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

**Exclusions**

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

**Detail**

11600	Term Deposits
11630	Canadian Currency
11631	Chartered Bank Branches in Canada
11638	Other Institution
11680	Foreign Currency

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

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

**Valuation**

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

**Inclusions**

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

**Exclusions**

- a) loans receivable - see item 16000 (Mortgage Loans to Non-Affiliates)
- b) balance owing represented by the excess of GST collections over GST input tax credits claimed - see item 22100 (Accounts Payable and Accrued Liabilities)

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

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

**ITEM NO. 15000****INVESTMENTS IN NON-AFFILIATES****Definition**

This category covers investments in securities issued by other entities.

**Valuation**

Except as noted below, debt securities and equity securities should be valued at market value. 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)

- b) term deposits, guaranteed investment certificates, bearer deposit notes, swapped deposits - see item 11600 (Term Deposits)

**Detail**

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

**ITEM NO. 15110**

**GOVERNMENT OF CANADA TREASURY BILLS**

**Definition**

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

**Valuation**

Canada treasury bills should be shown at market value.

**Inclusions**

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

**ITEM NO. 15120**

**BANKERS' ACCEPTANCES AND FINANCE AND OTHER SHORT-TERM PAPER**

**Definition**

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

**Valuation**

These investments should be shown at market value.

**Inclusions**

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

**Exclusions**

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

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

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

**Valuation**

These investments should be shown at market value.

**Inclusions**

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

**Exclusions**

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

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

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

**Valuation**

These investments should be shown at market value.

**Inclusions**

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

**Exclusions**

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

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

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

**Valuation**

These investments should be shown at market value. 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) debt securities issued by separately constituted government enterprises and not guaranteed by a Canadian government
- d) government guaranteed debt securities of private sector enterprises

**Exclusions**

- a) short-term paper - see item 15120 (Bankers' Acceptances and Finance and Other Short-Term Paper)
- b) government business enterprise debt guaranteed by a Canadian government - see items 15130 (Government of Canada Debt) and 15140 (Provincial and Municipal Government Debt)
- c) debt securities of foreign governments and corporations - see item 15200 (Foreign Investments)
- d) accrued interest receivable - see item 12100 (Accounts Receivable and Accrued Revenue)

**ITEM NO. 15160****CORPORATE SHARES****Definition**

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

**Valuation**

Investments in shares should be shown at market value.

**Inclusions**

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

**Exclusions**

- a) shares in foreign corporations - see item 15200 (Foreign Investments)
- b) dividends receivable - see item 12100 (Accounts Receivable and Accrued Revenue)

**ITEM NO. 15180****OTHER CANADIAN INVESTMENTS****Definition**

This item covers Canadian investments not elsewhere classified.

**Valuation**

These investments should be valued at market.

**Inclusions**

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

**Exclusions**

- a) mortgage loans - see items 16000 (Mortgage Loans to Non-Affiliates)



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

This item covers investments in foreign securities.

**Valuation**

Marketable and equity securities should be shown at market value. Debt securities should be valued at market. Foreign investments should be expressed in Canadian dollars using the rate of exchange in effect on the balance sheet date.

**Inclusions**

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

**Exclusions**

- a) foreign mortgage loans - see item 16000 (Mortgage Loans to Non-Affiliates)
- b) accrued interest and dividends receivable - see item 12100 (Accounts Receivable and Accrued Revenue)
- c) term deposits, bearer deposit notes, deposit receipts and like instruments in foreign financial institutions - items 11638 and 11680 (Term Deposits in Other Institutions)

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

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

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

**Valuation**

Mortgages and sales agreements should be shown before deducting provision for mortgage loan losses (item 19810).

**Inclusions**

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

**Exclusions**

- a) mortgage bonds, debentures and notes - see item 15150 (Corporate Bonds and Debentures)
- b) accrued interest receivable - see item 12100 (Accounts Receivable and Accrued Revenue)

**Detail**

16000	Mortgage Loans to Non-Affiliates
16100	Secured by Property in Canada
16110	Residential, Properties in Canada
16120	Non-Residential, Properties in Canada
16200	Secured by Property outside Canada

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

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

**ITEM NO. 18320****REAL ESTATE AND GROUND RENTS HELD FOR INCOME - GROSS****Definition**

This category includes real estate held for rent. 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. This item covers the accumulated depreciation and amortization on "real estate held for income" and "fixed assets."

**Inclusions**

- a) land
- b) real estate held for rent
- c) leasehold improvements

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

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

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

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

**Exclusions**

- a) allowance for doubtful accounts - see item 12800 (Allowance for Doubtful Accounts)

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

This item covers all assets not elsewhere classified.

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

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

**Inclusion**

- a) interest and rent payable
- b) accrued expenses such as management fees

- c) debt arising from the purchase of investments
- d) outstanding cheques
- e) balance owing represented by the excess of GST collections over GST input tax credits claimed

**Exclusions**

- a) advances and unearned income - see item 29000 (Other Liabilities)
- b) loans payable - see items in 25100 series (Loans and Overdrafts)
- c) balance recoverable represented by the excess of GST input tax credits claimed over GST collections - see item 12100 (Accounts Receivable and Accrued Revenue)

**ITEM NO. 25110**

**LOANS AND OVERDRAFTS WITH CHARTERED BANK BRANCHES IN CANADA**

**Definition**

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

**Valuation**

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

**Inclusions**

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

**Exclusions**

- a) mortgage loans - see item 25180 (Other Loans)
- b) outstanding cheques - see item 22100 (Accounts Payable and Accrued Liabilities)
- c) accrued interest payable - see item 22100 (Accounts Payable and Accrued Liabilities)
- d) loans from foreign branches of Canadian Chartered Banks - see item 25180 (Loans and Overdrafts with Others)

**ITEM NO. 25180**

**LOANS AND OVERDRAFTS WITH OTHERS**

**Definition**

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

**Valuation**

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

**Inclusions**

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

**Exclusions**

- a) outstanding cheques - see item 22100 (Accounts Payable and Accrued Liabilities)
- b) accrued interest payable - see item 22100 (Accounts Payable and Accrued Liabilities)

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

This item covers liabilities not elsewhere classified.

**Inclusions**

- a) advances received, deferred income and unearned revenue
- b) provision for future expenditures but recognized in current operations as a charge against current income
- c) unamortized deferred credits/debits such as unamortized foreign exchange gains/losses
- d) unrealized gains/losses on the translation of foreign currency

**Exclusions**

- a) trade and other accounts and notes payable - see item 22100 (Accounts Payable and Accrued Liabilities)
- b) accrued expenses - see item 22100 (Accounts Payable and Accrued Liabilities)

**ITEM NO. 32100****LIABILITY TO POLICYHOLDERS****Definition**

This item represents the liabilities of segregated funds to their policyholders.

**Detail**

32100 Liability to Policyholders  
 32110 RRSP Funds  
 32180 Other Funds

**ITEM NO. 35000****SURPLUS****Definition**

Surplus refers to the accumulated undistributed earnings derived from all sources, including capital or extraordinary gains and losses. This item should equal item 38000 (Surplus - Closing Balance).

**ITEM NO. 38000****SURPLUS - CLOSING BALANCE****Definition**

This item is the balance at the end of the period and should be equal to and as defined in item 35000 (Surplus).

**ITEM NO. 38100****SURPLUS - OPENING BALANCE****Definition**

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

**ITEM NO. 38200****NET INCOME/LOSS****Definition**

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

**ITEM NO. 38700****OTHER ADDITIONS/DEDUCTIONS****Definition**

These are changes in surplus arising from events other than those described or through allocations to policyholders and income from operations.

**Inclusions**

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

**ITEM NO. 38840****ALLOCATION OF NET INVESTMENT INCOME TO POLICYHOLDERS' ACCOUNT****Definition**

An amount determined by the fund managers to be allocated to policyholders.

**ITEM NO. 39000****TOTAL LIABILITIES****Definition**

This is the sum of the reporting entity's obligations to other parties and policyholders. It should be equal to item 61300 (Total Assets at Market Value).

**ITEM NO. 43000****RENTAL REVENUE****Definition**

This item consists of revenue resulting from the rental 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.

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

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

Interest revenue should not be netted against interest expense.

**Inclusions**

- a) amortization of discounts and premiums on the purchase of fixed income securities and the lending of money

- b) interest on deposits
- c) interest on income bonds and debentures
- d) finance charges on accounts receivable
- e) interest on small business development bonds
- f) interest on small business bonds
- g) imputed interest or discounts from commercial paper, financial paper, and treasury bills

**Exclusions**

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

**Detail**

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

**ITEM NO. 46000**

**DIVIDENDS RECEIVED FROM CANADIAN CORPORATIONS**

**Definition**

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

**Inclusions**

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

**Exclusions**

- a) patronage dividends - see item 49000 (Other Revenue)
- b) stock dividends - common or preferred - see item 49000 (Other Revenue)
- c) interest on small business bonds, small business development bonds and income bonds - see items 45100 (Interest Revenue - Bonds and Debentures) or 47000 (Foreign Dividend and Interest Revenue)

**ITEM NO. 47000**

**FOREIGN DIVIDEND AND INTEREST REVENUE**

**Definition**

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

**Valuation**

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

**Inclusions**

- a) refer to the "Inclusions" for items 45000 (Interest Revenue from Canadian Sources) and 46000 (Dividends Received from Canadian Corporations)

**Exclusions**

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

**Detail**

- 47000 Foreign Dividend and Interest Revenue

47100 Dividends Received from Foreign Corporations  
 47200 Interest Revenue from Foreign Sources

#### **ITEM NO. 48000**

##### **GAINS/LOSSES ON THE SALE OF ASSETS (OPERATING)**

###### **Definition**

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

###### **Valuation**

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

###### **Inclusion**

a) future gains and losses

###### **Exclusions**

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

#### **ITEM NO. 49000**

##### **OTHER REVENUE**

###### **Definition**

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

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

###### **Inclusions**

- a) patronage dividends
- b) stock dividends
- c) revenue from royalties and franchise fees

###### **Exclusions**

- a) liquidating dividends - see items 46000 (Dividends Received from Canadian Corporations) and 47000 (Foreign Dividend and Interest Revenue)
- b) realized and unrealized gains/losses - see items 48000, 56100, 56200 and 58310

#### **ITEM NO. 52100**

##### **DEPRECIATION**

###### **Definition**

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

###### **Inclusions**

- a) depreciation of buildings and structures
- b) amortization of leasehold improvements

**Exclusions**

- a) one-time nature write-offs or write-downs - see item 56200 (Write-Offs and Valuation Adjustments)

**ITEM NO. 53000****INTEREST EXPENSE****Definition**

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

**Valuation**

Interest expense should not be netted against interest revenue.

**Inclusions**

- a) finance charges
- b) interest paid on all other borrowing

**Exclusions**

- a) debt issue expenses - see item 55000 (Other Expenses)

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

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

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

**Inclusions**

- a) provision for bad debts
- b) bad debts recovered
- c) advertising, marketing, insurance, other administrative expenses not elsewhere classified
- d) withholding tax
- e) debt issue expenses
- f) commissions to outside agents
- g) indirect taxes such as property taxes, insurance premium taxes, land transfer tax, business and capital taxes

**Exclusions**

- a) all expenses classified elsewhere

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

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

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

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



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

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

**Valuation**

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

**Inclusions**

- a) the revaluation of assets from book value to market value
- b) write-offs or write-downs of investments and loans in circumstances where their values are permanently impaired

**Exclusions**

- a) realized gains/losses on sale of assets - see item 48000 (Gains/Losses on the Sale of Assets)
- b) extraordinary gains/losses - see item 58300 (Extraordinary Gains/Losses)
- c) current period provision for losses with respect to bad debts - see item 55000 (Other Expenses)

**ITEM NO. 58310****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, and are not considered as recurring factors in ordinary business operations.

**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

**ITEM NO. 58470****INCOME/LOSS BEFORE EXTRAORDINARY ITEMS****Definition**

Net income before extraordinary gains/losses.

**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.

**ITEM NO. 61100****UNREALIZED APPRECIATION ON ASSETS****Definition**

This item represents the difference between the book value and the market value of assets held by the fund on the balance sheet date.

**ITEM NO. 61300****TOTAL ASSETS AT MARKET VALUE****Definition**

This represents a reporting entity's assets valued at the price they could be sold for on the balance sheet date.

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

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

**Inclusions**

- a) transactions, events or circumstances recognized in the income statement that are reported as operating revenues (40,000's accounts) operating expenses (50,000's accounts) gains/losses on disposal of assets (item 58300)
- 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 58300)

**Exclusions**

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

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

This schedule details the realized and unrealized gains and losses on the assets and liabilities of the reporting entity. The assets and liabilities are as defined for the balance sheet. Total gains/losses and write-ups/write-downs should equal the sum of items 48000, 56100, 56200 and 58300 in the Income Statement.