# QUARTERLY SURVEY OF FINANCIAL STATEMENTS

# REPORTING GUIDE

# FOR

# INVESTMENT FUNDS

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## INTRODUCTION

### AUTHORITY

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

### CONFIDENTIALITY

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

### PURPOSE OF THE QUARTERLY SURVEY

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

### TIMELINESS OF THE STATISTICS

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

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

### COMPARABILITY AND PREDICTIVE VALUE OF QUARTERLY FINANCIAL STATISTICS

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

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

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

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

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

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

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

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

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

**Balance Sheet**

i) Bank account credit balances (overdrafts) should not be offset against bank account debit balances. All credit balances should be shown as liabilities.

ii) Investments in subsidiaries, affiliates and joint ventures on the equity method are separated into two accounts, investment in the acquired shares, and post-acquisition accumulated equity in the investee.

iii) Sinking funds related to funded debt should be shown separately as an asset in the investment category, not netted against the liability.

iv) Fixed assets include assets leased to others under an operating lease, capitalized leases (lessee), and construction-in-progress (new capital projects). This category excludes intangible assets.

v) Deferred Income Taxes: All balance sheet accounts including credit and debit balances, short and long term, should be shown net in one line on the liability side of the balance sheet in cell 27000.

**Retained Earnings**

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

**Income Statement**

i) Expenses related to the amortization of deferred debits and deferred charges should be included in cell 52320.

ii) All unrealized losses, writedowns, and writeoffs of assets, including adjustments to net realizable values, should be included in cell 56200.

iii) All realized gains and losses related to the disposal of investments, loans and capital assets (except extraordinary items) should be included in cell 48000.

iv) Charges related to allowances and provisions for declines in values of assets should be included in cell 55000, "Other Expenses."

v) Profits or losses accruing to minority shareholders of consolidated subsidiaries should include the minority shareholders' portion of extraordinary gains and losses of the subsidiary. This means that the entire extraordinary gain or loss attributable to the subsidiary must be included in the extraordinary gain or loss line item of the consolidated income statement.

**Real Estate Industry**

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

**Discontinued Operations**

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

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

**ITEM NO. 10000**

**TOTAL ASSETS (AT COST)**

**Definition**

Total assets is the sum total of the 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 item 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, notice and savings deposits

b) restricted demand deposits

**Exclusions**

a) bank overdrafts - see item 25110 (Loans and Overdrafts with Chartered Bank Branches in Canada)

b) overdrafts in deposit accounts with other financial institutions - see item 25180 (Loans and Overdrafts with Others)

c) term deposit, 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 prom issory 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 Institutions
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 repossessed assets

c) income taxes recoverable

d) balance recoverable represented by the excess of GST input tax credits claimed over GST collections

**Exclusions**

a) loans receivable - see items 16000 (Mortgage Loans to Non-Affiliates) or 17000 (Non-Mortgage Loans to Non-Affiliates)

b) refundable taxes - see item 19880 (Other Assets)

c) balance owing represented by the excess of GST collections over GST input tax credits claimed - see item 22100 (Accounts Payable and Accrued Liabilities)

**ITEM NO. 12800**

**ALLOWANCE FOR DOUBTFUL ACCOUNTS**

**Definition**

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

**ITEM NO. 15000**

**INVESTMENTS IN NON-AFFILIATES**

**Definition**

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

**Valuation**

Except as noted below, debt securities and fixed term equity securities should be valued at acquisition cost or at amortized cost. Other equity securities should be valued at acquisition cost. In cases where the investment value is permanently impaired and a write-down is recorded, this write-down will be reflected in item 56200 (Write-Offs and Valuation Adjustments).

**Exclusions**

a) loans receivable - see item 16000 (Mortgage Loans to Non-Affiliates) and 17000 (Non-Mortgage Loans to Non-Affiliates)

b) term deposits, guaranteed investment certificates, term deposit certificates, bearer deposit notes and 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)
15170 Investment fund shares or units (see separate definition)
15180 Other Canadian Investments (see separate definition)
15200 Foreign Investments (see separate definition)

**ITEM NO. 15110**

**GOVERNMENT OF CANADA TREASURY BILLS**

**Definition**

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

**Valuation**

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

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

**Inclusions**

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

**ITEM NO. 15120**

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

**Definition**

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

**Valuation**

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

**Inclusions**

a) Canadian provincial and municipal government short-term bills and notes

b) financial and commercial paper

c) bankers' acceptances

**Exclusions**

a) Government of Canada treasury bills - see item 15110 (Government of Canada Treasury Bills)

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

c) demand and notice deposits - see item 11000 (Cash and Demand Deposits)

d) share options and warrants - see items 15160 or 15200 (Corporate Shares)

e) foreign finance and other short-term paper - see item 15200 (Foreign Investments)

f ) bearer deposit notes - see item 11600 (Term Deposits)

**ITEM NO. 15130**

**GOVERNMENT OF CANADA DEBT**

**Definition**

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

**Valuation**

These investments should be shown at amortized cost.

**Inclusions**

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

**Exclusions**

a) debt issued by government enterprises and not guaranteed by the Government of Canada - see item 15150 (Corporate Bonds and Debentures)

b) Government of Canada treasury bills and short-term notes - see item 15110 (Government of Canada Treasury Bills)

c) debt issued by private sector enterprises and guaranteed by the Government of Canada - see item 15150 (Corporate Bonds and Debentures)

d) debt issued by provincial and municipal governments and guaranteed by the Government of Canada - see item 15140 (Provincial and Municipal Government Debt)

e) accrued interest receivable - see item 12100 (Accounts Receivable and Accrued Revenue)

**ITEM NO. 15140**

**PROVINCIAL AND MUNICIPAL GOVERNMENT DEBT**

**Definition**

This item covers investments in debt securities, except treasury bills and notes with original terms to maturity of less than one year, issued by Canadian provincial and municipal governments.

Also included are debt securities issued by provincial and municipal government business enterprises guaranteed by provincial or municipal governments.

**Valuation**

These investments should be shown at amortized cost.

**Inclusions**

a) provincial and municipal government business enterprise debt guaranteed by provincial and/or municipal governments

b) debt issued by school boards, commissions and districts

c) provincial and municipal debt securities guaranteed by the Government of Canada

**Exclusions**

a) debt issued by government enterprises and not guaranteed by a provincial or municipal government - see item 15150 (Corporate Bonds and Debentures)

b) treasury bills and short-term notes - see item 15120 (Bankers' Acceptances and Finance and Other Short-Term Paper)

c) debt issued by private sector enterprises and guaranteed by provincial or municipal governments - see item 15150 (Corporate Bonds and Debentures)

d) accrued interest receivable - see item 12100 (Accounts Receivable and Accrued Revenue)

**ITEM NO. 15150**

**CORPORATE BONDS AND DEBENTURES**

**Definition**

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

**Valuation**

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

**Inclusions**

a) income debentures, mortgage bonds, small business development bonds and small business bonds

b) notes with an original term to maturity of one year or over, except promissory notes arising from the sale of goods and services

c) 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)

e) promissory notes arising from the sale of goods and services - see item 12100 (Accounts Receivable and Accrued Revenue)

**ITEM NO. 15160**

**CORPORATE SHARES**

**Definition**

Investments in shares covers all holdings of common and preferred shares issued by 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) 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. 15170**

**CANADIAN INVESTMENT FUND SHARES OR UNITS**

**Definition**

Investment in the shares or units of open-ended mutual funds.

**Valuation**

Investment in these shares or units should be shown at acquisition cost.

**Inclusions**

a) open ended fund shares or units

**Exclusions**

a) shares or units of closed-end funds - see item 15160 (Corporate Shares)

**ITEM NO. 15180**

**OTHER CANADIAN INVESTMENTS**

**Definition**

This item covers Canadian investments not elsewhere classified.

**Valuation**

These investments should be valued at acquisition or amortized cost.

**Inclusions**

a) precious metals
b) gold and silver certificates

**Exclusions**

a) mortgage loans and non-mortgage loans - see items 16000 (Mortgage Loans to Non-Affiliates) and 17000 (Non-Mortgage Loans to Non-Affiliates)

**ITEM NO. 15200**

**FOREIGN INVESTMENTS**

**Definition**

This item covers investments in foreign securities.

**Valuation**

Marketable and equity securities should be valued at acquisition cost. Some investors, however, record marketable securities at amortized cost. This method is acceptable. Debt securities should be valued at amortized cost. In cases where the investment value is permanently impaired and a write-down is recorded, this write-down will be reflected in item 56200 (Write-Offs and Valuation Adjustments). Foreign investments should be expressed in Canadian dollars using the rate of exchange in effect on the balance sheet date.

**Inclusions**

a) foreign marketable securities

b) foreign debt securities

c) foreign equity securities

**Exclusions**

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

b) accrued interest and dividends receivable - see item 12100 (Accounts Receivable and Accrued Revenue)

c) 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.

**Valuation**

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

**Inclusions**

a) advances or draws as well as completed loans

b) mortgages purchased from another investor

c) mortgages assumed by seller of real estate

**Exclusions**

a) chattel or collateral mortgages - loans made for purposes other than the purchase of real estate but secured by real estate - see item 17000 (Non-Mortgage Loans to Non-Affiliates)

b) mortgage bonds, debentures and notes - see item 15150 (Corporate Bonds and Debentures)

c) advances made to finance real estate development and construction which are not secured by a mortgage, i.e., bridge financing - see item 17000 (Non-Mortgage Loans to Non-Affiliates)

d) accrued interest receivable - see item 12100 (Accounts Receivable and Accrued Revenue)

**ITEM NO. 17000**

**NON-MORTGAGE LOANS TO NON-AFFILIATES**

**Definition**

Non-mortgage loans receivable refers to funds lent to borrowers, other than through mortgage loan contracts for 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 deduction the loan loss provision (item 19810). Loans denominated in foreign currency should be expressed in Canadian dollars using the exchange rate at the balance sheet date.

**Inclusions**

a) day and call loans

b) short-term and long-term loans

c) collateral or chattel mortgages

**Exclusions**

a) bills, serial notes, bonds and like evidence of indebtedness - see items in 15000 series (Investments)

b) mortgage loans receivable and funds lent to purchase real estate - see item 16000 (Mortgage Loans of Non-Affiliates)

c) accrued interest receivable - see item 12100 (Accounts Receivable and Accrued Revenue)

**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. 19810**

**ACCUMULATED PROVISIONS AND ALLOWANCES FOR LOSSES**

**Definition**

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

**Exclusions**

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

**ITEM NO. 19880**

**OTHER ASSETS**

**Definition**

This item covers all assets not elsewhere classified.

**Valuation**

Other assets should be valued at acquisition or amortized cost.

**Inclusions**

a) prepaid expenses and deferred charges - expenditures which are expected to yield benefits in the future and are carried forward to be allocated to current operations in subsequent periods, e.g., amounts paid for goods and services not yet received

b) deposits and advances - amounts lodged with or payments made to others to be either charged to expense or refunded at a later period

c) other unamortized deferred debits

d) refundable taxes

**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.

**Inclusions**

a) interest and dividends payable

b) accrued expenses such as fees

c) debt arising from the purchase of fixed assets and investments

d) outstanding cheques

e) 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 29800 (Other Liabilities)

c) loans payable - see item in 25100 series (Loans and Overdrafts)

d) balance recoverable represented by the excess of GST input tax credits claimed over GST collections - see item 12100 (Accounts Receivable and Accrued Revenue)

**ITEM NO. 23000**

**INCOME TAXES PAYABLE**

**Definition**

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

**Exclusions**

a) other taxes such as municipal taxes, business taxes, payroll taxes, sales taxes, royalties, licences and fees payable to provincial and municipal governments - see item 22100 (Accounts Payable and Accrued Liabilities)

b) capital taxes - see item 22100 (Accounts Payable and Accrued Liabilities)

c) income taxes recoverable - see item 12100 (Accounts Receivable and Accrued Revenue)

**ITEM NO. 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) outstanding cheques - see item 22100 (Accounts Payable and Accrued Liabilities)

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

c) 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 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) unamortized deferred credits/debits such as unamortized foreign exchange gains/losses

c) unrealized gains/losses on the translation of foreign currency

**Exclusions**

a) unrealized gains may be recognized as income (item 56100 - Gains/Losses on the Translation of Foreign Currency, item 56200 - Write-offs and Valuation Adjustments, item 58310 - Extraordinary Gains/Losses - Before Taxes)

b) accrued expenses - see item 22100 (Accounts Payable and Accrued Liabilities)

c) accounts payable - see item 22100 (Accounts Payable and Accrued Liabilities)

**ITEM NO. 32200**

**UNITHOLDERS' EQUITY**

**Definition**

Unitholders' equity represents payments made by the owners of the investment fund units to the investment fund plus the undistributed income of the fund allocated to them.

**Detail**

32200 Unitholders' Equity
32210 RRSP Funds
32220 Other Tax-Sheltered Funds
32230 Non Tax-Sheltered Funds

**ITEM NO. 38000**

**UNITHOLDERS' EQUITY - CLOSING BALANCE**

**Definition**

This item is the balance at the end of the period and should be equal to, and as defined in, item 32200 (Total Unitholders' Equity).

**ITEM NO. 38100**

**UNITHOLDERS' EQUITY - OPENING BALANCE**

**Definition**

The statement of Unitholders' Equity is the accumulated balance of:

1. income less losses of a reporting fund, after taking into account dividends and other appropriate charges or credits;
2. proceeds from the sale of units;
3. reinvestments of income;
4. redemptions.

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. 38610**

**PROCEEDS FROM THE SALE OF UNITS**

**Definition**

These are additions to unitholders' equity by investment fund investors other than through the reinvestment of dividends from the fund.

**ITEM NO. 38620**

**REINVESTMENT OF INCOME IN ADDITIONAL UNITS**

**Definition**

These are additions to equity caused by the reinvestment of dividends in additional units.

**ITEM NO. 38630**

**AMOUNTS PAID ON THE REDEMPTION OF UNITS**

**Definition**

These are decreases in unitholders' equity of investment funds as a result of investors redeeming their shares or units.

**ITEM NO. 38700**

**OTHER ADDITIONS/DEDUCTIONS**

**Definition**

These are changes in unitholders' equity arising from events other than those described in the 38600 series or through dividends paid.

**Inclusions**

a) adjustments resulting from changes in accounting methods and basis of reporting

b) prior period adjustments

**ITEM NO. 38800**

**DIVIDENDS DECLARED**

**Definition**

An amount declared for distribution to unitholders in proportion to their holdings.

**Inclusions**

a) cash dividends declared

**ITEM NO. 39000**

**TOTAL LIABILITIES AND EQUITY**

**Definition**

This the sum of the reporting entity's obligations to other parties and the entity's owners' equity. This item should equal item 10000 (Total Assets - At Cost).

**ITEM NO. 45000**

**INTEREST REVENUE FROM CANADIAN SOURCES**

**Definition**

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

**Valuation**

Interest revenue should not be netted against interest expense.

**Inclusions**

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

b) interest on deposits

c) interest on income bonds and debentures

d) interest on small business development bonds

e) interest on small business bonds

f ) 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 47100 (Dividends Received from Foreign Corporations)

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 47200 (Interest Revenue from Foreign Sources)

**ITEM NO. 47000**

**FOREIGN DIVIDEND AND INTEREST REVENUE**

**Definition**

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

**Valuation**

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

**Inclusions**

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

**Exclusions**

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

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

**Detail**

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

**ITEM NO. 48000**

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

**Definition**

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

**Valuation**

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

**Exclusions**

a) incidental costs, e.g., legal fees, commissions - see item 55000 (Other Expenses)

b) unrealized gains/losses - see item 56200 (Write-Offs and Valuation Adjustments)

**ITEM NO. 49000**

**OTHER REVENUE**

**Definition**

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

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

**Inclusions**

a) patronage dividends

b) stock dividends

**Exclusions**

a) realized and unrealized gains/losses - see items 48000, 56100, 56200 and 58310

**ITEM NO. 53000**

**INTEREST EXPENSE**

**Definition**

Interest expense represents payments for the use of funds.

**Valuation**

Interest expense should not be netted against interest revenue.

**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.

**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) write-offs or write-downs of investments and loans in circumstances where their values are permanently impaired

b) write-offs or write-downs of other assets

**Exclusions**

a) realized gains/losses on sale of assets - see item 48000 (Gains/Losses on the Sale of Assets)

b) extraordinary gains/losses - see item 58310 (Extraordinary Gains/Losses - Before Taxes)

c) credits to contra or valuation balance sheet accounts related to the establishment of a "provisions" or "allowance" for decline in value of an asset - see asset item 19800 (Other Assets) and see item 55000 (Other Expenses)

**ITEM NO. 57000**

**CANADIAN INCOME TAXES**

**Definition**

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

For incorporated investment corporations which are open-ended mutual funds, only interest income that is subject to Part 1 tax of the Federal Income Tax Act should be included in this item.

Refundable taxes such as tax on capital gains under Part 1 and tax on taxable dividends under Part IV are to be included in item 19880 (Other Assets).

In the case of unincorporated mutual funds which allocate income to their unitholders, there should be no taxes reported in this item.

**Inclusions**

a) current income taxes - the amount currently payable based on taxable income

b) large corporations Federal capital tax

c) taxes related to all gains/losses except taxes on extraordinary items

d) deferred income taxes - arises from timing differences in the recognition of revenue and expenses in the measurement of accounting and taxable income

e) tax benefit of loss carry forward

**Exclusions**

a) taxes related to extraordinary items - see item 58320 (Income Taxes on Extraordinary Items

b) income taxes paid to foreign governments - see item 55800 (Other Expenses)

**ITEM NO. 58300**

**EXTRAORDINARY GAINS/LOSSES - NET**

**Definition**

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

**Inclusions**

a) events and circumstances that do not depend primarily on decisions or determinations by management or owners

b) intervention by government or other regulatory bodies such as expropriations of property

c) acts of God such as floods or earthquakes

d) losses resulting from fires or other catastrophes

**Exclusions**

a) tax benefit of a loss carried forward - see item 57000 (Canadian Income Taxes)

b) gains/losses from discontinued operations

   i) results of current operations should be reflected in appropriate revenue and expense items

   ii) recognition of future gains or losses - see item 56200 (Write-offs and Valuation Adjustments)

   iii) realized gains/losses - see item 48000 (Gains/Losses on the Sale of Assets)

c) unusual and non-recurring items that do not meet the criteria set out in the definition of extraordinary gains/losses

   i) asset valuation adjustments such as write-downs and write-offs to net realizable values - see item 56200 (Write-offs and Valuation Adjustments)

ii) gains and losses on the disposal of investments, fixed assets and loans - see item 48000 Gains/Losses on the Sale of Assets)

iii) provisions for future liabilities for estimated costs that will be paid in the future - see item 55000 (Other Expenses)

**ITEM NO. 58460**

**INCOME/LOSS BEFORE INCOME TAXES**

**Definition**

Net income before provision for income taxes and extraordinary gains/losses.

**ITEM NO. 58470**

**INCOME/LOSS AFTER INCOME TAXES**

**Definition**

Net income after income taxes but before extraordinary gains/losses.

**ITEM NO. 58480**

**NET INCOME/LOSS**

**Definition**

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

**ITEM NO. 61100**

**UNREALIZED APPRECIATION ON ASSETS**

**Definition**

This item covers the upward or downward revaluations in the value of securities on hand to their current market value over the book value.

**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, operating expenses or gains/losses on disposal of assets

b) unrealized gains/losses, write-downs, write-offs, and valuation adjustments included in account 56200

**Exclusions**

a) extraordinary gains and losses (see account 58300)

**ITEM NO. 78300**

**INCOME ALLOCATED FROM OTHER INVESTMENT FUNDS**

**Definition**

These are amounts allocated by investment funds to the investor. They represent the investors' proportionate share in the earnings of the fund regardless of the nature of those earnings.

**Inclusions**

a) Interest, dividends, capital gains and other amounts allocated from open-ended investment funds

**Exclusions**

a) gains or losses on the sale of investment fund units - see item 48000 (Gains/Losses on the Sale of Assets)

**ITEM NO. 81000**

**SCHEDULE A: DISTRIBUTION OF GAINS/LOSSES AND WRITE-UPS/WRITE-DOWNS**

**Definition**

This schedule details the realized and unrealized gains and losses on the assets and liabilities of the reporting entity. The assets and liabilities are as defined for the balance sheet.

Total gains/losses and write-ups/write-downs should equal the sum of items 48000, 56100, 56200 and 58310 in the Income Statement.

## ANNUAL SUPPLEMENT TO THE QUARTERLY SURVEY OF FINANCIAL STATEMENTS

### CAPITAL LEASES

Explanation and Definitions for questions 1, 2 and 9

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

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

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

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

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

**2.** Capital lease obligations - year-end balance:

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

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

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

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

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

**9. (c)** Depreciation charged to current operations:

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

### DEFERRED CHARGES AND PROVISION FOR FUTURE OBLIGATIONS

Explanation and Definitions for questions three to six

**Purpose**

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

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

**QUESTIONS THREE AND FOUR - DEFERRED CHARGES**

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

**Account 52320** - Amortization of deferred charges

**Account 56200** - Write-offs and valuation adjustments

**Account 58310** - Extraordinary gains and losses

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

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

Included in these accounts would be costs recognized in connection with the issuance of securities on the public market such as bonds, debentures, and shares booked during the year as deferred charges/debits.

Such costs usually include items such as underwriters' fees and commissions, advertising, issuing a prospectus, and legal and accounting fees.

**b) Deferred preproduction costs - Accounts 62120, 62220**

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

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

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

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

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

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

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

**QUESTIONS FIVE AND SIX - PROVISION FOR FUTURE OBLIGATIONS**

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

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

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

Deferred compensation is restricted to retirement income and post employment compensation. This account does include accruals and accounts payable classified as current liabilities.

**Rental Revenue**

Explanation and Definition for question seven

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

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

Explanation and Definitions to question eight

**Purpose**

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

**Column A**

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

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

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

**Account 56200** - Write-offs and valuation adjustments

**Account 58310** - Extraordinary gains and losses

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

**Column B**

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

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