

**QUARTERLY SURVEY OF FINANCIAL STATEMENTS**

**ADDENDUM AND REPORTING GUIDE**

**FOR**

**PROPERTY AND CASUALTY INSURERS**



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

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

### REPORTING ENTITY

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

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

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

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

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

If a family of corporations does not consolidate the financial statements of the parent corporation, and the parent has operations in Canada or is resident in Canada, it will have to report separately to the Quarterly Survey of Financial Statements.

### **REPORTING ENTITY PROFILE**

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

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

### **JOINT VENTURES AND PARTNERSHIPS**

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

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

### **FOREIGN OPERATIONS OF CANADIAN ENTERPRISES**

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

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

### **FOREIGN SUBSIDIARIES OF CANADIAN ENTERPRISES**

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

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

### **CLASSIFICATION OF CAPITAL AND HEAD OFFICE ACCOUNTS OF UNINCORPORATED REPORTING ENTITIES**

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

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

**Summary:**

Loans and advances to be repaid - item 24000

Permanent capital investment - item 31000

Undistributed profits - item 38000

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

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

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

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

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

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

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

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

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

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

**Balance Sheet**

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

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

### **Retained Earnings**

- i) Prior Period Adjustments are to be included in cell 38700, "Other Additions 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 56200, "Write-offs and valuation adjustments."
- v) Profits or losses accruing to minority shareholders of consolidated subsidiaries should include the minority shareholders' portion of extraordinary gains and losses of the subsidiary. This means that the entire extraordinary gain or loss attributable to the subsidiary must be included in the extraordinary gain or loss line item of the consolidated income statement.

### **Real Estate Industry**

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

### **Discontinued Operations**

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

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

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

Cash and demand deposits consist of coins, bank notes, money orders, postal notes, cheques, accepted sight drafts, demand and notice deposit balances with banks and other financial institutions. Cheques issued against the reporting entity's accounts but not yet cleared should be shown in item 22180 (Other Accounts Payable). If the reporting entity has more than one deposit account, debit balances should not be netted against credit balances. Credit balances should be classified as overdrafts in 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, 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) bankers' acceptances - see item 15120 (Bankers' Acceptances and Finance and Other Short-Term Paper)
- d) guaranteed investment certificates, term deposit certificates and bearer deposit notes - see item 11600 (Term Deposits)
- e) 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.

**Inclusion**

- 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 (Bankers' Acceptances and Finance and Other Short-Term Paper)



- c) bankers' acceptances - see item 15120 (Bankers' Acceptances and Finance and Other Short-Term Paper)
- 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) Insurance Related Receivables
  - i) insurance premiums receivable, and amounts due from agents, other insurance companies and other branches and funds
  - ii) promissory notes and instalments receivable arising from insurance operations
- b) interest, dividend and other investment income receivable
- c) other accounts receivable
  - i) receivables in connection with the sale of investments and fixed assets
  - ii) income taxes recoverable
  - iii) 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) or items 15180 and 15280 (Other investments)
- b) other accounts receivable from affiliates - see item 14300 (Loans, Advances, Mortgages, Notes, Bonds and Other Claims of Affiliates)
- c) balance owing represented by the excess of GST collections over GST input tax credits claimed - see item 22100 (Accounts Payable and Accrued Liabilities)

**Detail**

12100	Accounts Receivable and Accrued Revenue
12131	Accounts Receivable
12135	Investment Income Due and Accrued and Other Receivables

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

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

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

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

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

Affiliated companies of the reporting entity are corporations which are:

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

**Valuation**

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

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

**Inclusions**

Claims:

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

**Exclusions**

Insurance related receivables - see item 12131 (Accounts Receivable)

**Detail**

14000	Investments in and Claims on Parent, Subsidiaries and Affiliates
14100	Cost of Shares
14110	Canadian Corporations
14120	Foreign Corporations
14200	Accumulated Earnings Less Dividends Received
14300	Loans, Advances, Mortgages, Notes, Bonds and Other Claims
14310	Canadian Companies, Officers and Shareholders
14320	Foreign Companies, Officers and Shareholders
14400	Investment in Net Assets of Foreign Offices (see separate definition)

**ITEM NO. 14400****INVESTMENT IN NET ASSETS OF FOREIGN OFFICES****Definition**

This represents the difference between the value of the assets and liabilities related to business conducted by a Canadian company's unincorporated branches and offices located outside Canada. (Please note that this differs from the Office of the Superintendent of Financial Institutions' assets and liabilities held for business outside Canada, the determination of which corresponds to the location of the risk insured.)

**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)
- b) investments in affiliates - see item 14000 (Investments in and Claims on Parent, Subsidiaries and Affiliates)
- c) term deposits, guaranteed investment certificates, term deposit certificates, bearer deposit notes and swapped deposits - see item 11600 (Term Deposits)

**Detail**

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

**ITEM NO. 15110****GOVERNMENT OF CANADA TREASURY BILLS****Definition**

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

**Valuation**

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

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

**Inclusions**

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

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

This category covers investments in short-term debt securities issued by provincial and municipal governments, financial institutions and industrial corporations resident in Canada.

Short-term securities are generally those with an original term to maturity of less than one year.

**Valuation**

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

**Inclusions**

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

**Exclusions**

- a) Government of Canada treasury bills - see item 15110 (Government of Canada Treasury Bills)
- b) term deposits, swapped deposits, guaranteed investment certificates, deposit certificates and collateral deposits - see item 11600 (Term Deposits)
- c) demand and notice deposits - see item 11000 (Cash and Demand Deposits)
- d) share options and warrants - see item 15160 or 15230 (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**

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 12135 (Investment Income Due and Accrued and Other Receivables)

**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 the 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 12135 (Investment Income Due and Accrued and Other Receivables)

**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 12135 (Investment Income Due and Accrued and Other Receivables)
- e) debt securities of affiliates - see item 14000 (Investments in and Claims on Parent, Subsidiaries and Affiliates)
- f) promissory notes arising from the sale of goods and services - see item 12131 (Accounts Receivable)

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

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

**Valuation**

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

**Inclusions**

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

**Exclusions**

- a) shares of affiliates - see item 14110 (Cost of Shares - Canadian Corporations)
- b) shares in foreign corporations - see item 15230 (Foreign Corporate Shares)
- c) dividends receivable - see item 12135 (Investment Income Due and Accrued and Other Receivables)

**Detail**

- 15160 Corporate Shares
- 15163 Preferred
- 15164 Common

**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) goodwill, trademarks, patents, franchises, licences, rights and like items - see item 19880 (Other Assets)
- b) mortgage loans - see item 16000 (Mortgage Loans to Non-Affiliates)

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

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

**Valuation**

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

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

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

**Inclusions**

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

- c) foreign equity securities

**Exclusions**

- a) foreign mortgage loans - see item 16000 (Mortgage Loans to Non-Affiliates)
- b) claims on and investments in foreign affiliates - see items 14120 (Cost of Shares - Foreign Corporations) and 14320 (Loans, Advances, Mortgages, Notes, Bonds and Other Claims - Foreign Corporations, Officers and Shareholders)
- c) accrued interest and dividends receivable - see item 12135 (Investment Income Due and Accrued and Other Receivables)
- d) term deposits, bearer deposit notes, deposit receipts and like instruments in foreign financial institutions - see item 11600 (Term Deposits)

**Detail**

- 15200 Foreign Investments
- 15210 Short-Term Bills and Notes
- 15220 Bonds and Debentures
- 15230 Corporate Shares
- 15231 Preferred
- 15232 Common
- 15280 Other Foreign Investments

**ITEM NO. 16000**

**MORTGAGE LOANS TO NON-AFFILIATES**

**Definition**

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

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

**Valuation**

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

**Inclusions**

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

**Exclusions**

- a) mortgage loans to affiliates - see item 14300 (Loans, Advances, Mortgages, Notes, Bonds and Other Claims to Affiliates)
- b) mortgage bonds and debentures - see item 15150 (Corporate Bonds and Debentures)
- c) accrued interest receivable - see item 12135 (Investment Income Due and Accrued and Other Receivables)

**Detail**

- 16000 Mortgage Loans to Non-Affiliates
- 16100 Secured by Property in Canada
- 16110 Residential
- 16111 National Housing Act Loans (NHA)
- 16115 Conventional
- 16120 Non-Residential
- 16200 Secured by Property Outside Canada

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

These are tangible and intangible assets that are:

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

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

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.

**Valuation**

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

Depreciable assets should be reported before deducting depreciation.

**Inclusions**

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

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

Investments in land, buildings and leaseholds for the production of income. Properties held for both own use and production of income should be apportioned between real estate investment and fixed assets according to the actual use of the property. If amounts are not material, however, such properties may be classified in their entirety as investment or fixed asset according to their major use.

**Valuation**

Real estate investment should be valued at acquisition cost including interest capitalized and cost of betterments, less write-downs to reflect permanent impairment. Amounts reported should be before deducting depreciation. Also, do not net encumbrances from the value of real estate - report encumbrances under account 25500 (Mortgage Loans).

**Detail**

18320	Real Estate Held for Income - Gross
18322	Canadian
18326	Foreign

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

This is the accumulated periodic allocations of the cost to current expenses of real estate held for income and fixed assets.



**Detail**

18350	Accumulated Depreciation
18351	On Real Estate Held for Income
18352	On Fixed Assets - Buildings, Leasehold Improvements, Other Improvements and Structures
18358	On Other Fixed Assets (e.g., equipment)

**ITEM NO. 19200****DEFERRED POLICY ACQUISITION EXPENSES****Definition**

Policy acquisition expenses are costs arising from the sale of insurance policies or annuity contracts. These expenses usually relate to the acquisition of new business and normally arise in the year of sale. The deferred portion is the amount the reporting unit has identified as appropriate for matching against future premiums arising from the new policies or contracts.

**Valuation**

Deferred policy acquisition expenses should be recorded net of amortization and net of amounts associated with reinsurance ceded.

**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)
- b) reserves for losses which are appropriations of retained earnings - see item 35100 (Retained Earnings - Reserves)

**ITEM NO. 19830****RECOVERABLE FROM REINSURERS****Definition**

This item represents amounts recoverable from reinsurers as a result of reinsurance agreements.

**Exclusions**

Other recoverables on unpaid claims representing the gross amount of recoverables (salvage and subrogation) - see item 19880 (Other Assets)

**Detail**

19830	Recoverable from reinsurers
19831	Unearned premiums
19832	Unpaid claims and adjustment expenses

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

This item covers all assets not elsewhere classified.

**Valuation**

Other assets should be valued at acquisition or amortized cost.

**Inclusions**

- a) prepaid expenses and deferred charges - expenditures which are expected to yield benefits in the future and are carried forward to be allocated to current operations in subsequent periods, e.g., amounts paid for goods and services not yet received, prepaid insurance and rents, discount and expense on bond issues, organizational expense, research and development costs, preproduction costs and deferred pension costs
- b) deposits and advances - amounts lodged with or payments made to others to be either charged to expense or refunded at a later period, e.g., deposits on contracts and tenders, downpayments, and advances to suppliers
- c) other unamortized deferred debits
- d) intangible assets

**Exclusions**

Deferred policy acquisition expenses - see item 19200 (Deferred Policy Acquisition Expenses)

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

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

**Inclusions**

- a) Insurance Related Accounts Payable
  - i) amounts due to insurance agents and brokers, other insurance companies, parent, subsidiaries and affiliates, and other branches and funds arising from insurance
  - ii) insurance premiums payable to policyholders
- b) Other Accounts Payable
  - i) interest, dividends and rent payable
  - ii) accrued expenses such as salaries, wages, payroll taxes, employee benefits, indirect taxes, capital taxes, guarantee and warranty costs
  - iii) debt arising from the purchase of fixed assets and investments
  - iv) outstanding cheques
  - v) 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 26200 (Unearned Premiums), 26811 (Unearned Commissions), 26700 (Deposits Received on Reinsurance Ceded) or 29000 (Other Liabilities)
- c) lease contracts payable - see item 25180 (Loans and Overdrafts with Others)
- d) loans payable - see items in 25100 series (Loans and Overdrafts) and 25500 (Mortgage Loans)
- e) other accounts payable to affiliates - see item 24000 (Amounts Owing to Parent, Subsidiaries and Affiliates)
- f) unpaid claims and adjustment expenses - see item 22120 (Unpaid Claims and Adjustment Expenses)
- g) balance recoverable represented by the excess of GST input tax credits claimed over GST collections - see item 12100 (Accounts Receivable and Accrued Revenue)

**Detail**

22100	Accounts Payable and Accrued Liabilities
22120	Unpaid Claims and Adjustment Expenses (see separate definition)
22130	Insurance Related Accounts Payable
22180	Other Accounts Payable

**ITEM NO. 22120****UNPAID CLAIMS AND ADJUSTMENT EXPENSES****Definition**

This covers all amounts necessary to pay all approved but unpaid claims and estimated amounts for insured risks that have occurred but are not yet reported by the statement date. It should include amounts associated with reinsurance assumed.

**ITEM NO. 23000****INCOME TAXES DUE AND ACCRUED****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 22180 (Other Accounts Payable)
- b) capital taxes - see item 22180 (Other Accounts Payable)
- c) income taxes recoverable - see item 12188 (Other Accounts Receivable)

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

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

**Valuation**

Claims of affiliates should be shown at amortized value.

**Inclusions**

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

**Exclusions**

Premiums and other amounts due to affiliates arising from insurance operations - see item 22130 (Insurance Related Accounts Payable)

**Detail**

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

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

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

**Valuation**

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

**Inclusions**

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

**Exclusions**

- a) mortgage loans - see item 25500 (Mortgage Loans)
- b) outstanding cheques - see item 22100 (Accounts Payable and Accrued Revenue)
- c) loans from a parent, subsidiary or affiliate - see item 24000 (Amounts Owing to Parent, Subsidiaries and Affiliates)
- 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 and affiliates.

**Valuation**

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

**Inclusions**

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

**Exclusions**

- a) outstanding cheques - see item 22180 (Other Accounts Payable)
- b) loans from parent, subsidiaries and affiliates - see item 24000 (Amounts Owing to Parent, Subsidiaries and Affiliates)
- c) mortgage loans - see item 25500 (Mortgage Loans)
- d) funds raised through mortgage loan contracts and the issuance of securities - see items 25500 (Mortgage Loans)

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

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

**Valuation**

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

**Exclusions**

- a) chattel or collateral mortgages - see items 25110 (Loans and Overdrafts with Chartered Bank Branches in Canada) and 25180 (Loans and Overdrafts with Others)
- b) mortgages due to affiliates - see item 24000 (Amounts Owing to Parent, Subsidiaries and Affiliates)

**ITEM NO. 26200****UNEARNED PREMIUMS****Definition**

Unearned premiums is that portion of premiums received related to the unexpired portion of insurance policies at any date.

**Valuation**

Unearned premiums should be presented at 100%. It should include unearned premiums on reinsurance assumed.

**Inclusions**

Unexpired portion of deposit premiums or reinsurance premiums received

**Exclusions**

Premiums received in advance - see item 29000 (Other Liabilities)

**ITEM NO. 26300****ADDITIONAL POLICY PROVISIONS****Definition**

These are provisions for losses that the Federal Office of the Superintendent of Financial Institutions requires for risks covered by certain types of contract (e.g., fidelity, surety, nuclear, mortgage).

**ITEM NO. 26500****PROVISION FOR POLICYHOLDER DIVIDENDS****Definition**

Dividends expected to be paid to participating policyholders as a result of savings or surpluses arising from differences between assumed and actual mortality and morbidity rates, claims experience, investment income, gains/losses from the sale of investments, and expenses. Also included are provisions for experience rating refunds. These are analogous to provisions for policyholder dividends except that they relate to group insurance policies.

**ITEM NO. 26700****DEPOSITS RECEIVED ON REINSURANCE CEDED****Definition**

Cash deposits held by the reporting entity from other insurers on insurance business ceded to them.

**Exclusions**

Deposits received on reinsurance ceded where such deposits cannot be used by the ceding insurer should be excluded from the reporting entity's financial statements

**ITEM NO. 26811****UNEARNED COMMISSIONS****Definition**

Unearned commissions arise in cases where, for a particular line of business, commission revenue on reinsurance ceded exceeds commission expense on direct and assumed business.

**Valuation**

Unearned commissions for each line of business should be calculated separately and the amount in one line of business should not be reduced by the amount of deferred commissions in other lines.

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

The excess or deficiency of income taxes payable based on taxable income in comparison to income taxes based on accounting income. The differences in income measurement between taxable income and accounting income are related to the timing of recognition of revenues and expenses.

This account represents the accumulated amount by which income taxes charged in the accounts have been increased or decreased as a result of timing differences.

**Inclusions**

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

**Exclusions**

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

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

This item covers liabilities not elsewhere classified.

**Inclusions**

- a) advances received, deferred income, unearned revenue (except unearned insurance premiums - see item 26200, and unearned commissions - see item and 26811) and progress billings
- b) provision for future expenditures recognized in current operations as a charge against current income, e.g., retroactive increases in wages, provision for pension costs, and retroactive adjustments
- c) unamortized deferred credits/debits such as unamortized foreign exchange gains/losses
- d) unrealized gains/losses on the translation of foreign currency
- e) unamortized balance of deferred gains/losses on the disposal of investments

**Exclusions**

- a) unrealized gains recognized as income (item 56100 - Gains/Losses on the Translation of Foreign Currency; item 56200 - Write-Offs and Valuation Adjustments; or item 58310 - Extraordinary Gains/Losses - Before Taxes)
- b) claims and other accounts and notes payable - see item 22100 (Accounts Payable and Accrued Liabilities) and 22120 (Unpaid Claims and Adjustment Expenses)
- c) accrued expenses - see item 22180 (Other Accounts Payable)
- d) accounts, notes, loans and all other claims owing to affiliates - see item 24000 (Amounts Owing to Parent, Subsidiaries and Affiliates)
- e) unearned insurance premiums - see item 26200 (Unearned Premiums)
- f) unearned commissions - see item 26811 (Unearned Commissions)

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

Share capital represents the ownership interest in a company as authorized by its instrument of incorporation. It covers all classes of share capital.

**Valuation**

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

**Inclusions**

- a) common or ordinary shares
- b) preferred shares: cumulative, participating, non-cumulative, term, redeemable

**Exclusions**

- a) head office accounts - see item 35250 (Head Office Account)
- b) contributed surplus - see item 33000 (Contributed Surplus)
- c) earned surplus - see item 35210 (Earned Surplus)

**Detail**

- 31000 Share Capital
- 31100 Preferred Shares
- 31200 Common Shares

**ITEM NO. 33000****CONTRIBUTED SURPLUS****Definition**

Contributed surplus represents that portion of paid-in capital (i.e. contributed capital) arising from:

- a) premiums received on the issue of par value shares
- b) that portion of no par value shares issued that have not been classified as part of share capital
- c) proceeds of sale of donated shares
- d) profit on forfeited shares
- e) redemption or conversion of shares at an amount different from that set up as share capital
- f) donations of capital

**Exclusions**

- a) undistributed earnings - see item 35210 (Earned Surplus) and 35250 (Head Office Account)
- b) share capital - see item 31000 (Share Capital)

**ITEM NO. 35000****RETAINED EARNINGS/HEAD OFFICE ACCOUNT****Definition**

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

In general, the unappropriated portion of retained earnings is usually labelled simply as "retained earnings." Thus, if an industry's questionnaire contains separate accounts for appropriated retained earnings, the "retained earnings" covered by the Statement of Retained Earnings refers only to unappropriated retained earnings.

Head office account represents the investment (in terms of capital and operating balances) a foreign company has in an unincorporated branch operating in Canada. In instances where a report covers less than an entire Canadian incorporated company, this account represents the head office's claim on the reporting unit.

**Inclusions**

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

**Exclusions**

- a) contributed surplus - see item 33000 (Contributed Surplus)
- b) share capital - see item 31000 (Share Capital)
- c) share capital - see item 31000 (Share Capital)

d) permanent capital of unincorporated entities - see item 31000 (Share Capital)

**Detail**

35000 Retained Earnings/Head Office Account  
 35100 Reserves  
 35210 Earned Surplus  
 35250 Head Office Account

**ITEM NO. 38000**

**EARNED SURPLUS/HEAD OFFICE ACCOUNT - CLOSING BALANCE**

**Definition**

This item is the balance at the end of the period and should be equal to item 35210 or 35250, as defined in item 35000 (Retained Earnings\Head Office Account).

**ITEM NO. 38100**

**EARNED SURPLUS/HEAD OFFICE ACCOUNT - OPENING BALANCE**

**Definition**

The amount here is the balance in the Earned Surplus/Head Office Account 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). This item equals the total of 58480 (Net Income/Loss) and 58510 (Net Income/Loss from Foreign Operations).

**ITEM NO. 38400**

**TRANSFERS FROM/TO OTHER ACCOUNTS**

**Definition**

These are transfers between the earned surplus/head office account and share capital, reserves and contributed surplus accounts of the reporting unit. Also include 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.

**Inclusions**

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

**Exclusions**

- a) current period credits (debits) to allowance for doubtful accounts - see item 54680 (Other General Expenses Applicable to Insurance Operations) or 54890 (Other Operating Expenses Applicable to Investment Operations)
- b) infusion of funds which are treated by the reporting entity as loans or advances from the head office - see item 24200 (Amounts Owing to Parent, Subsidiaries and Affiliates - Outside Canada)
- c) insurance related accounts payable and receivable - see item 22130 (Insurance Related Accounts Payables) or 12130 (Insurance Related Receivables)
- d) loans and advances to head office - see item 14320 (Loans, Advances, Mortgages, Notes, Bonds and Other Claims on Affiliates - Foreign Companies)
- e) adjustments relating to prior years if they fall within the definition of item 38910 (Prior Period Adjustments)



**Detail**

38400 Transfers From/To  
 38410 Required Reserves, General and Contingency Reserves  
 38420 Head Office  
 38480 Others

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

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

**Inclusions**

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

**Exclusions**

- a) transfers between a branch and its parent head office which are not included in the branch's report - see item 38420 (Transfers from/to Head Office)
- b) transfers between self-reporting branches - see item 38400 (Transfers from/to Other Accounts)
- c) transfers from/to share capital, reserves and contributed surplus - see item 38480 (Transfers from/to Others)
- d) adjustments to prior years which would by definition be included in item 38910 (Prior Period Adjustments)

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

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

**Inclusions**

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

**Detail**

38800 Dividends Declared  
 38810 Cash  
 38804 Preferred shares  
 38806 Common shares  
 38880 Other

**ITEM NO. 38900****PRIOR PERIOD ADJUSTMENTS****Definition**

This item does not pertain to gains or losses or adjustments of revenue or expense related to prior quarters of current fiscal year. If material, these type of quarter adjustments should be incorporated in a revised version of a prior quarter income statement.

These gains or losses are:

1. specifically identified with and directly related to the business activities of particular prior years;
2. not attributable to economic events occurring subsequent to such prior years;
3. arising primarily from decisions or determinations by persons other than management or owners; and
4. not reasonably estimable prior to such decisions or determination.

**Detail**

38900 Prior Period Adjustments - Net  
38910 Prior Period Adjustment – Gross

**ITEM NO. 40012**

**INTER-CORPORATE REVENUE (ELIMINATED ON CONSOLIDATION)**

**Definition**

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

**ITEM NO. 42100**

**INSURANCE PREMIUMS**

**Definition**

An Insurance Premium is a consideration received by the insurance company (the insurer) for assuming the risk of indemnifying the insured in the event of specified damage, loss or liability arising from the occurrence of certain events.

For non-life insurers, premiums written is the amount of premium revenue arising from contracts written during the period covered by the report. Premiums earned is that portion of premiums written that is earned during the period.

**Valuation**

All premium revenue should include premiums received on reinsurance assumed and net of amounts associated with reinsurance ceded. Policyholder dividends and experience rating refunds should be shown separately as expenses, not subtracted from insurance premiums.

**Detail**

42100 Insurance Premiums  
42110 Net Premiums Earned  
42111 Net Premiums Written  
42112 Increase (Decrease) in Unearned Premiums

**ITEM NO. 43100**

**RENTAL REVENUE FROM REAL ESTATE**

**Definition**

Revenue, including internal rent credited to investment income, from the renting of real estate.

**Valuation**

Rental revenue should be shown before deduction of expenses such as property taxes and repairs and maintenance but net of the goods and services tax (GST). Rent paid to others should not be netted from rental revenue.

**Inclusions**

Rental revenue generated from land, buildings, structures, commercial shopping centres, commercial buildings and offices, apartments, residential housing and tenants parking

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

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

**Valuation**

Interest revenue should not be netted against interest expense.

**Inclusions**

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

**Exclusions**

- a) dividends on term and retractable preferred shares - see items 46000 (Dividends Received from Canadian Corporations) or 47100 (Dividends Received from Foreign Corporations)
- b) interest revenue from foreign sources - see item 47200 (Interest Revenue from Foreign Sources)

**Detail**

45000	Interest Revenue from Canadian Sources
45100	Bonds and Debentures
45200	Mortgages
45800	Other

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

Receipts of cash arising from the reporting entity's shareholdings in corporations incorporated in Canada. This item excludes dividends received when the equity method of accounting for investments is used.

**Inclusions**

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

**Exclusions**

- a) patronage dividends - see item 49883 (Other Investment Revenue)
- b) stock dividends - common or preferred - see item 49883 (Other Investment 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)
- d) cash dividends from affiliates accounted for on the equity method - see item 75000 (Dividends Received from Corporations - Equity Method)

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

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

**Valuation**

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

**Inclusions**

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

**Exclusions**

- a) patronage dividends - see item 49883 (Other Investment Revenue)
- b) stock dividends - see item 49883 (Other Investment 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 54890 (Other Operating Expenses Applicable to Investment Operations)
- b) unrealized gains/losses - see item 56200 (Write-Offs and Valuation Adjustments)

**ITEM NO. 49881****OTHER ADJUSTMENTS TO PREMIUM REVENUE****Definition**

Adjustments to premium revenue not elsewhere included; e.g., increase (decrease) in additional policy reserves and service charges on instalment premiums.

**Exclusions**

- a) policy processing and premium acquisition expenses, such as salaries, wages, commissions, premium taxes, etc., should be classified under expense items specifically set up for them - see item 54680 (Other General Expenses Applicable to Insurance Operations)
- b) policyholder dividends and experience rating refunds - see item 54400 (Dividends and Rating Adjustments to Policyholders)

**ITEM NO. 49882****OTHER REVENUE FROM REAL ESTATE****Definition**

Revenue (such as from services not covered by the rental contract) generated by real property other than rent.

**ITEM NO. 49883****OTHER INVESTMENT REVENUE****Definition**

Investment revenue not elsewhere included.

**Exclusions**

- a) gains/losses on disposal of assets - see item 48000 (Gains/Losses on the Sale Assets - Operating)
- b) extraordinary gains/losses - see item 58300 (Extraordinary Gains/Losses)
- c) gains/losses on the translation of foreign currency - see item 56100 (Gains/Losses on the Translation of Foreign Currency)

**ITEM NO. 49888****OTHER REVENUES****Definition**

Revenue not elsewhere included.

**ITEM NO. 52110****DEPRECIATION****Definition**

Depreciation is the accounting process whereby the cost of rental properties and fixed assets are systematically allocated over the term of their useful life to current operations. This process recognizes the gradual exhaustion of the service capacity of the rental property or fixed asset.

**Inclusions**

Depreciation relates to fixed assets - items 18310 (Land and Depreciable Assets) and 18320 (Real Estate Held for Income).

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

**Exclusions**

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

**Detail**

- 52122 Underwriting Operations - New Construction, Buildings, Structures and Leasehold Improvements
- 52132 Underwriting Operations - Machinery and Equipment
- 52121 Investment Expenses - New Construction, Buildings, Structures and Leasehold Improvements

## 52131 Investment Expenses - Machinery and Equipment

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

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

**Inclusions**

- a) amortization of deferred acquisition expense
- b) amortization of goodwill, patents, franchises, copyrights, organization expense, trademarks
- c) amortization of research and development costs, set-up costs, financing costs of issuing debt and share capital, deferred compensation and pension costs
- d) amortization of deferred gains and losses on investments

**Exclusions**

- a) amortization of leasehold improvements - see item 52110 (Depreciation)
- b) amortization of premiums and discounts on investments - see appropriate interest income or expense item
- c) amortization of deferred losses on the translation of foreign currency - see item 56100 (Gains/Losses on the Translation of Foreign Currency)

**Detail**

52300 Amortization of  
 52320 Deferred Charges  
 52380 Other

**ITEM NO. 53100****INTEREST EXPENSE ON DEBT****Definition**

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

**Valuation**

Interest expense should be net of interest capitalized.

Interest expense should not be netted against interest revenue.

**Inclusions**

- a) interest payments on capital leases
- b) finance charges
- c) discount expense
- d) interest paid on all borrowing
- e) interest paid to affiliates (put entirely under item 53130)

**Detail**

53100 Interest Expense On Debt  
 53120 Mortgages  
 53130 Other

**ITEM NO. 54110****NET CLAIMS AND ADJUSTMENT EXPENSES INCURRED****Definition**

Payments and provisions for payments to insureds and to third parties who have claims against insured parties. Also included are related settlement and processing expenses.

**Valuation**

Net claims and adjustment expenses are net of reinsurance, salvage and subrogation recoveries.

**Exclusions**

- a) changes in additional policy reserves - see item 49881 (Other Adjustments to Premium Revenue)
- b) changes in unearned premiums - see item 42112 (Increase (Decrease) in Unearned Premiums)

**ITEM NO. 54400****DIVIDENDS AND EXPERIENCE RATING REFUNDS TO POLICYHOLDERS****Definition**

This item covers amounts distributed or credited to participating policyholders as well as increases (decreases) in the provisions during the period.

**ITEM NO. 54500****COMMISSIONS****Definition**

Amounts paid to insurance agents and brokers who are not employees for services rendered. Also included are reinsurance commissions paid by reinsurers (to the reinsured).

**Exclusions**

- a) salaries, wages, fees and commissions paid to employees, directors and officers - see item 54610 (Salaries, Wages and Employee Benefits)
- b) agency expenses such as payments for agents' licences and signs; training of agents; promotional and related material in agent's name; seminars, meetings and conventions for agents; and allowances, reimbursements and payments for agents which are not computed as a percentage of premiums - see item 54680 (Other General Expenses Applicable to Insurance Operations)

**ITEM NO. 54610****SALARIES, WAGES AND EMPLOYEE BENEFITS - INSURANCE OPERATIONS****Definition**

This covers salaries, wages and commissions paid to employees, officers and directors of the reporting entity in its underwriting operations. Also included are employee benefits.

**Inclusions**

The following relate to that portion charged to insurance operations only:

- a) directors' fees
- b) bonuses
- c) contributions under profit sharing plans
- d) vacation pay
- e) contributions to pension plans and other deferred compensation plans
- f) workers' compensation
- g) employee group insurance
- h) employer's portion of contributions to the Canada Pension Plan, Quebec Pension Plan, and Unemployment Insurance

- i ) severance pay
- j ) other fringe benefits

**Exclusions**

- a) compensation for settlement of termination of an employee's contract - see item 54680 (Other General Expenses Applicable to Insurance Operations)
- b) salaries, wages and employee benefits of investment and ancillary operations - see item 54890 (Other Operating Expenses Applicable to Investment Operations) or 58456 (Income/Loss from Ancillary Operations)

**ITEM NO. 54620**

**TAXES - INSURANCE OPERATIONS**

**Definition**

All taxes related in insurance operations levied on the reporting entity with the exception of income and real estate.

**Inclusions**

The insurance operation's portion of the following:

- a) insurance premium taxes
- b) land transfer tax
- c) motor vehicle and beverage licences
- d) business taxes
- e) capital taxes

**Exclusions**

- a) property taxes - see item 54680 or 54820 (general expenses) or 55888 (Real Estate Expenses)
- b) withholding tax - see item 55889 (Other Expenses)
- c) payroll taxes - see item 54610 (Salaries, Wages and Employee Benefits)

**ITEM NO. 54680**

**OTHER GENERAL EXPENSES APPLICABLE TO INSURANCE OPERATIONS**

**Definition**

Payments made that are directly related to the reporting entity's insurance business and not elsewhere included.

**Inclusions**

The insurance operation's portion of the following:

- a) occupancy costs
  - i) rent on real estate (including notional rent)
  - ii) municipal taxes
  - iii) maintenance, repair, renovation and alteration costs - (exclude salaries and wages of own employees)
- b) advertising costs
- c) agency costs
- d) automobile and travel costs
  - i) automobile rentals
  - ii) insurance premiums
  - iii) mileage charges by employees
  - iv) registration
  - v) gasoline
  - vi) automobile maintenance and repairs
  - vii) transportation, hotel, meals and entertainment



- viii) club fees
- ix) seminars, conventions and meetings
- e) allowance for doubtful accounts, including direct write-offs
- f) bureau and association assessments, fees, charges and other payments
- g) charitable donations
- h) EDP and statistical equipment and services
  - i) rental, service, repairs, maintenance and overhauls
  - ii) systems and software (exclude amortization)
  - iii) tapes and disks
  - iv) statistical services
- i) furniture and equipment
- j.) home office overhead
- k) inspections and investigations
- l) insurance
- m) management fees
- n) postage, express, freight, telephone and other communications
- o) printing and stationary
- p) professional fees
- q) bank charges and exchange
- r) employee acquisition expenses

**Exclusions**

- a) depreciation charges (e.g., on real estate, EDP hardware, automobiles, furniture and equipment) - see item 52111 (Depreciation - Underwriting)
- b) amortization charges (e.g., on leasehold improvements, EDP software) - see item 52380 (Other Amortization)
- c) director's remuneration - see item 54610 (Salaries, Wages and Employee Benefits)
- d) general expenses applicable to investment operations - see appropriate items for Investment Operations

**ITEM NO. 54810**

**COUNSELLING FEES**

**Definition**

Costs incurred for investment counselling services.

**Exclusions**

The investment operation's portion of the following:

- a) services provided by management corporations or agencies - see item 54890 (Other Operating Expenses Applicable to Investment Operations)
- b) accounting, legal, collection agency, employment agency and similar professional fees and expenses - see item 54890 (Other Operating Expenses Applicable to Investment Operations)
- c) brokerage commissions on investments - see item 54820 (Other Direct Expenses)

**ITEM NO. 54820**

**OTHER DIRECT EXPENSES**

**Definition**

Costs directly related to the investment activity (as opposed to general operating expenses) not elsewhere included.

**ITEM NO. 54890****OTHER OPERATING EXPENSES APPLICABLE TO INVESTMENT OPERATIONS****Definition**

General operating expenses incurred in the operation of the investment business.

**Inclusions**

The investment operation's portion of the following:

- a) occupancy costs
  - i) rent on real estate (including notional rent)
  - ii) municipal taxes
  - iii) maintenance, repair, renovation and alteration costs - (exclude salaries and wages of own employees)
- b) advertising costs
- c) agency costs
- d) automobile and travel costs
  - i) automobile rentals
  - ii) insurance premiums
  - iii) mileage charges by employees
  - iv) registration
  - v) gasoline
  - vi) automobile maintenance and repairs
  - vii) transportation, hotel, meals and entertainment
  - viii) club fees
  - ix) seminars, conventions and meetings
- e) allowance for doubtful accounts, including direct write-offs
- f) bureau and association assessments, fees, charges and other payments
- g) charitable donations
- h) EDP and statistical equipment and services
  - i) rental, service, repairs, maintenance and overhauls
  - ii) systems and software (exclude amortization)
  - iii) tapes and disks
  - iv) statistical services
- i) furniture and equipment
- j) home office overhead
- k) inspections and investigations
- l) insurance
- m) management fees
- n) postage, express, freight, telephone and other communications
- o) printing and stationary
- p) professional fees
- q) bank charges and exchange
- r) employee acquisition expenses

**Exclusions**

The investment operation's portion of the following:

Depreciation charges (e.g., on real estate, EDP hardware, automobiles, furniture and equipment) - see item 52112 (Depreciation - Investment)

**ITEM NO. 55001****PURCHASED GOODS, MATERIALS AND SERVICES****Inclusions**

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

**Exclusions**

Bad debt expense, write-down of accounts receivable and inventory, charitable donations and resource royalties  
**(Please report on line 9, Other Operating Expenses)**

**ITEM NO. 55002****INDIRECT TAXES****Salary Related**

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

**Other**

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

**ITEM NO. 55003****OTHER EXPENSES****Include Only**

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

**ITEM NO. 55210****WAGES AND SALARIES****Definition**

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

**Inclusions**

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

**ITEM NO. 55220****EMPLOYER PORTION OF EMPLOYEE BENEFITS****Inclusions**

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

**Exclusions**

Ontario Employer Health Tax (Please report on line 4, Indirect Taxes)

**ITEM NO. 55888****REAL ESTATE EXPENSES****Definition**

Real estate taxes and maintenance, repair, renovation and other costs (except depreciation) incurred on real estate held for income.

**Exclusions**

- a) depreciation - see item 52112 (Depreciation - Investment)
- b) real estate expenses relating to own premises - see item 54680 (Other General Expenses Applicable to Insurance Operations), 52112 (Depreciation - Underwriting) or 54890 (Other Operating Expenses Applicable to Investment Operations)
- c) real estate rental expense - see item 54680 (Other General Expenses Applicable to Insurance Operations) or 54890 (Other Operating Expenses Applicable to Investment Operations)

**ITEM NO. 55889****OTHER EXPENSES****Definition**

Expenses not elsewhere included.

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

Gains or losses will occur on the translation of foreign currency because of fluctuating exchange rates over time. This item will include unrealized gains and losses on foreign currency denominated monetary assets and liabilities. This item will also include amortization of deferred exchange gains and losses on monetary assets and liabilities that have a fixed or ascertainable life extending beyond the end of the following fiscal year. Also included are realized exchange gains and losses arising from the settlement of foreign currency denominated monetary items.

**Exclusions**

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

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

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

**Valuation**

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

**Inclusions**

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

**Exclusions**

- a) realized gains/losses on sale of assets - see item 48000 (Gains/Losses on the Sale of Assets)
- b) extraordinary gains/losses - see item 58310 (Extraordinary Gains/Losses - Before Taxes)
- c) current period provision for losses with respect to bad debts - see item 54680 (Other General Expenses Applicable to Insurance Operations) or 54890 (Other Operating Expenses Applicable to Investment Operations)
- d) credits to contra or valuation balance sheet accounts related to the establishment of a "provision" or "allowance" for decline in value of an asset - see items 19810 (Accumulated Provisions and Allowances for Losses) and 55889 (Other Expenses)
- e) amortization of deferred gains/losses on investments - see item 52380 (Amortization - Other)
- f) amortization of deferred acquisition expenses - see item 52320 (Amortization of Deferred Charges)

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

This covers Canadian corporate income taxes including both current and future taxes. Refundable taxes such as tax on capital gains under Part I and tax on taxable dividends under Part IV are to be included in item 19880 (Other Assets).

**Inclusions**

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

- b) large corporations Federal capital tax (implemented July 1989)
- c) taxes related to all gains/losses except taxes on extraordinary items
- d) future 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 and Tax Benefits from Loss Carryforwards)
- b) indirect taxes - see items 54620 (Taxes), 54680 (Other General Expenses Applicable to Insurance Operations), 54890 (Other Operating Expenses Applicable to Investment Operations) and 55889 (Other Expenses)
- c) provincial capital taxes - see items 54620, 54680, 54890 and 55889 as above
- d) income taxes paid to foreign governments - see item 55889 (Other Expenses)

**Detail**

57000 Canadian income taxes  
 57100 Current  
 57200 Future

**ITEM NO. 58100**

**EQUITY IN NET INCOME/LOSS OF UNCONSOLIDATED AFFILIATES**

**Definition**

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

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

**Exclusions**

- a) under the equity method of accounting for investments, dividends received from affiliates that are credited directly to the investment account will not appear in this item, nor will they be included in the measurement of net income - see items 75100 and 75200 (Dividends Received from Corporations Accounted for on the Equity Method)
- b) income from operations of foreign offices - see item 58150 (Net Income from Operations of Foreign Offices)

**ITEM NO. 58300**

**EXTRAORDINARY GAINS/LOSSES - NET**

**Definition**

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

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

**Inclusions**

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

**Exclusions**

- a) tax benefit of a loss carried forward - see item 57000 (Canadian Income Taxes)
- b) gains/losses from discontinued operations

- i) results of current operations should be reflected in appropriate revenue and expense items
  - ii) recognition of future gains or losses - see item 56200 (Write-offs and Valuation Adjustments)
  - iii) realized gains/losses - see item 48000 (Gains/Losses on the Sale of Assets)
- c) unusual and non-recurring items that do not meet the criteria set out in the definition of extraordinary gains/losses
- i) asset valuation adjustments such as write-downs and write-offs to net realizable values - see item 56200 (Write-offs and Valuation Adjustments)
  - ii) gains and losses on the disposal of investments, fixed assets and loans - see item 48000 (Gains/Losses on the Sale of Assets)
  - iii) provisions for future liabilities for estimated costs that will be paid in the future - see item 55001 (Purchased goods, materials and services)

**ITEM NO. 58440****UNDERWRITING GAIN/LOSS****Definition**

This represents the difference between an insurer's net premiums earned and its losses and other insurance related expenses; it excludes revenues and expenses arising from the investment and ancillary operations.

**ITEM NO. 58450****NET INVESTMENT AND ANCILLARY INCOME****Definition**

This is the difference between revenue generated by the investment and ancillary operations of an insurer and the associated expenses incurred.

**ITEM NO. 58460****INCOME/LOSS BEFORE INCOME TAXES****Definition**

Net income before provision for income taxes, equity in net income of unconsolidated affiliates, net income from operations of foreign offices, and extraordinary gains/losses.

**ITEM NO. 58470****INCOME/LOSS AFTER INCOME TAXES****Definition**

Net income after income taxes but before equity in net income of unconsolidated affiliates, net income from operations of foreign offices and 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. 58510****NET INCOME FROM FOREIGN OPERATIONS****Definition**

This represents current period net income related to the operations of unincorporated branches and offices of Canadian companies, located outside Canada.

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

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

**Valuation**

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

Claims of affiliates should be shown at amortized value.

**Inclusions**

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

**Exclusions**

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

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

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

**Valuation**

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

Claims of affiliates should be shown at amortized value.

**Inclusions**

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

**Exclusions**

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



**ITEM NO. 61840****ASSETS HELD FOR BUSINESS OUTSIDE CANADA****Definition**

Assets held by Canadian insurers with respect to insurance policies on non-resident persons and foreign properties written from offices and branches located inside and outside Canada.

**Valuation**

These assets should be recorded at acquisition or amortized cost. Assets denominated in foreign currency should be converted to Canadian dollars using the rate of exchange as at the balance sheet date.

**ITEM NO. 61940****LIABILITIES HELD FOR BUSINESS OUTSIDE CANADA****Definition**

These liabilities relate to insurance contracts issued and governed by jurisdictions outside Canada.

**Valuation**

Where contract obligations and other out of Canada liabilities are expressed in foreign currency, they should be converted to Canadian currency using the exchange rate at the balance sheet date.

**Inclusions**

Reinsurance assumed in respect of policies issued outside Canada

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

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

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

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

**Inclusions**

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

**Exclusions**

Extraordinary gains and losses (see accounts 58300, 58310, 58320)

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

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

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

**Exclusions**

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

**Detail**

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

**ITEM NO. 76100****SCHEDULE B: NET PREMIUMS WRITTEN****Definition**

This represents total premiums received on contracts entered into during the period (including premiums on reinsurance assumed), less returned premiums and premiums on reinsurance ceded.

**Detail**

76100 Net Premiums Written  
 76110 Property  
 76111 Personal  
 76112 Commercial  
 76120 Automobile  
 76130 Accident and Sickness  
 76140 Marine and Aircraft  
 76150 Liability  
 76180 Other Property and Casualty  
 76190 Totals  
 76191 Total Canadian Business  
 76192 Foreign Business Written by Offices in Canada  
 76193 Foreign Business Written by Offices Outside Canada

**ITEM NO. 76200****SCHEDULE B: NET PREMIUMS EARNED****Definition**

Net premiums earned refers to that portion of net premiums written that has been earned in the period.

**Detail**

76200 Net Premiums Earned  
 76210 Property  
 76211 Personal  
 76212 Commercial  
 76220 Automobile  
 76230 Accident and Sickness  
 76240 Marine and Aircraft  
 76250 Liability  
 76280 Other Property and Casualty  
 76290 Totals  
 76291 Total Canadian Business  
 76292 Foreign Business Written by Offices in Canada  
 76293 Foreign Business Written by Offices Outside Canada

**ITEM NO. 76300****SCHEDULE B: NET CLAIMS INCURRED****Definition**

Net claims incurred are payments an insurer makes to insured parties as a result of the occurrence of events covered in the terms of an insurance policy.

**Detail**

76300	Net Claims Incurred
76310	Property
76311	Personal
76312	Commercial
76320	Automobile
76330	Accident and Sickness
76340	Marine and Aircraft
76350	Liability
76380	Other Property and Casualty
76390	Totals
76391	Total Canadian Business
76392	Foreign Business Written by Offices in Canada
76393	Foreign Business Written by Offices Outside Canada

**ITEM NO. 80003****AVERAGE NUMBER OF PEOPLE EMPLOYED DURING THE REPORTING PERIOD****Inclusions**

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

**Exclusions**

Contract workers who are not part of your payroll

**ITEM NO. 81000****SCHEDULE A: DISTRIBUTION OF GAINS/LOSSES, AMORTIZATION OF DISCOUNT AND PREMIUMS****Definition**

This schedule details the realized and unrealized gains and losses on the assets and liabilities and amortization of discounts and premiums on fixed term investment securities of the reporting entity. The assets and liabilities are as defined for the balance sheet.

## 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 "loans and overdrafts with others" - account 25180.)

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

This is the total payment made by the lessee to the lessor during the year 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 current year depreciation expense related to assets acquired under capital leases.

### DEFERRED CHARGES AND PROVISION FOR FUTURE OBLIGATIONS

Explanation and Definitions for questions three to six

#### Purpose

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

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

### QUESTIONS THREE AND FOUR - DEFERRED CHARGES

Questions three and four ask for the necessary information to make the adjustment described above. Question three asks for the amounts booked during the year as deferred charges or deferred debits. Question four asks for the

amounts charged to current operations during the year, except amounts charged to current operations and reported in the quarterly questionnaires in the following expense accounts:

**Account 52320** - Amortization of deferred charges

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

**Account 58310** - Extraordinary gains and losses

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Rental Revenue**

Explanation and Definition for question seven

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

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

Explanation and Definitions for question eight

#### **Purpose**

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

#### **Column A**

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

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

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

**Account 62000** - 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

#### **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.