Understanding ASPE
Sections 1000, 1100 and 1400
Financial Statement Concepts, Generally Accepted Accounting Principles and General Standards of Financial Statement Presentation
Five questions for private business owners: Financial Statement Concepts, Generally Accepted Accounting Principles and General Standards of Financial Statement Presentation

A better working world begins with better questions. Asking better questions leads to better answers. To help preparers of financial statements with Canadian accounting standards for private enterprises (“ASPE”) Section 1000, Financial Statement Concepts, Section 1100, Generally Accepted Accounting Principles and Section 1400, General Standards of Financial Statement Presentation, we’ve summarized the key aspects of the Sections and offer relevant practical considerations for private mid-market companies through answering five commonly asked questions.

**Question 1**
What are the components of the financial statements of a profit-oriented enterprise?

As paragraph 1000.04 outlines, a set of financial statements normally includes: a balance sheet, income statement, statement of retained earnings and cash flow statement and notes to financial statements, which are an integral part of the financial statements.

**Question 2**
What elements are contained in a typical set of financial statements?

Paragraphs 1000.22-1000.35 outline the elements of financial statements, which are the basic categories within the statements that help meet the statements' objective. The seven main elements are:

- **Assets** - economic resources controlled by an entity as a result of past transactions or events and from which future economic benefits may be obtained
- **Liabilities** - obligations of an entity arising from past transactions or events, the settlement of which may result in the transfer or use of assets, provision of services or other yielding of economic benefits in the future
- **Equity** - the ownership interest in the assets of a profit-oriented enterprise after deducting its liabilities. While equity of a profit-oriented enterprise in total is a residual, it includes specific categories of items
- **Revenues** - increases in economic resources, either by way of inflows or enhancements of assets or reductions of liabilities, resulting from the ordinary activities of an entity
- **Expenses** - decreases in economic resources, either by way of outflows or reductions of assets or incurrences of liabilities, resulting from an entity’s ordinary revenue generating or service delivery activities
- **Gains** - increases in equity from peripheral or incidental transactions and events affecting an entity and from all other transactions, events and circumstances affecting the entity except those that result from revenues or equity contributions
- **Losses** - decreases in equity from peripheral or incidental transactions and events affecting an entity and from all other transactions, events and circumstances affecting the entity except those that result from expenses or distributions of equity

In order for an item to be included in the financial statements, the item should have an appropriate basis of measurement and reasonable estimate can be made of the amount involved and for items involving obtaining or giving up future economic benefits, it is probable that such benefits will be obtained or given up.
When are comparative financial statements required?

Per paragraphs 1400.12 and .13, financial statements shall always be prepared on a comparative basis, unless the comparative information is not meaningful or ASPE permits otherwise. While comparative information is normally meaningful, this may not be the case in some rare circumstances, such as when the financial structure of an enterprise has significantly changed, or when a comprehensive revaluation of assets and liabilities has been made in accordance with Section 1625, Comprehensive Revaluation of Assets and Liabilities.

What information is a company required to disclose related to going concern uncertainties?

Section 1400, general standards of financial statement presentation sets forth the disclosure requirements for going concern uncertainties. When preparing financial statements, management shall make an assessment of an entity’s ability to continue as a going concern. Financial statements shall be presented on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity’s ability to continue as a going-concern, those uncertainties shall be disclosed.

Where should prepares of financial statements turn to for guidance on transactions, events and circumstances not covered in ASPE?

When the primary sources of ASPE do not deal with the accounting and reporting of transactions or events encountered by the entity or additional guidance is needed to apply a primary source to specific circumstances, an entity shall adopt accounting policies consistent with ASPE or developed through professional judgement and the application of the financial concepts in ASPE.

Further, paragraph 1100.20 states, part I of the Handbook, International Financial Reporting Standards, may be an important source to consult on matters not covered by ASPE or to assist in applying a standard to specific circumstances. Pronouncements issued by bodies authorized to issue accounting standards in other jurisdictions may also be useful sources to consult. However, it is not necessary to comply with these other sources in order to comply with ASPE. Other sources that may be consulted include: background information and basis for conclusions documents issued by the board, pronouncements issued by bodies in other jurisdictions, exposure drafts and other documents for comment and approval by the board.

To learn more about these items or for application guidance, please contact our Private Mid-Market practice at privatecompanyinfo@ca.ey.com.
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