

CANADA: FINANCIAL STATEMENTS AND ACCOUNTING STANDARDS

Chartered Professional Accountants of Canada (CPA Canada) is the national organization established to support a unified Canadian accounting profession. CPA Canada supports its members by conducting research into current and emerging business issues and supports the setting of accounting, auditing and assurance standards for businesses, not-for-profit organizations and government. The Accounting Standards Board determines the contents of the CPA Canada Handbook – Accounting. The following accounting standards apply:

1. Publicly accountable enterprises apply the International Financial Reporting Standards (IFRS).
2. Private enterprises apply either Accounting Standards for Private Enterprises (ASPE) or IFRS.
3. Not-For-Profit Organizations apply either Accounting Standards for Not-For-Profit Organizations or IFRS.
4. Pension plans, and benefit plans that characteristics similar to pension plans and provide benefits other than pensions, apply Accounting Standards for Pension Plans.

The Canadian Auditing and Assurance Standards Board determines the contents of the CPA Canada Handbook – Assurance.

The Canadian Professional Engagement Manual 2015 (CPEM) specifies the following types of engagements and reports on financial statements:

1. **Audit:** The auditor expresses an opinion on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework. In the case of most general purpose frameworks, that opinion is on whether the financial statements are presented fairly, in all material respects, or give a true and fair view in accordance with the framework. An audit conducted in accordance with CASs and relevant ethical requirements enables the auditor to form that opinion.
2. **Review:** Review engagements are designed for entities that do not require an audit opinion to meet their needs but that want some level of assurance, as opposed to compilation engagements that provide no assurance. A review engagement provides a limited level of assurance on the subject matter (usually annual financial statements), prepared in accordance with an applicable financial reporting framework.
3. **Compilation (Notice to Reader):** Compilations are the lowest rung on the ladder with regard to a public accountant's involvement with information. Compilations offer no assurance other than the involvement by the accountant in the preparation of the information.

In Canada, financial statements are comprised of the following components:

- **Audits and Review Engagements:** Balance Sheet, Statement of Earnings, Statement of Retained Earnings, Statement of Cash Flows, Notes to the Financial Statements (ASPE); or Statement of Financial Position, Statement of Earnings and Comprehensive Earnings and Statement of Changes in Equity (IFRS).
- **Compilation Engagements:** Balance Sheet, Statement of Earnings, Statement of Retained Earnings
- **Not-For-Profit Organizations Terminology:** Statement of Financial Position, Statement of Revenues and Expenditures, Statement of Changes in Net Assets, Statement of Cash Flows

The attached schedule outlines sample asset, liability, equity, revenue and expense categories that may be found in Canadian financial statements. Please note that this is not a finite list, entities may add disclosures as they deem appropriate.

CPA Canada offers a series of Model Financial Statements for sale at the following link:

<https://www.cpacanada.ca/en/business-and-accounting-resources/financial-and-non-financial-reporting/accounting-standards-for-private-enterprises-aspe/publications/Model-Financial-Statements-Series>



BALANCE SHEET

ASSETS

CURRENT ASSETS

Cash and cash equivalents
Short term investments
Accounts receivable
Income taxes receivable
Inventories
Work in progress
Prepaid expenses
Loans receivable - related parties
Loans receivable - others
Other receivables
Sundry assets
Future income taxes

LONG TERM ASSETS

Property, plant and equipment
(net of accumulated amortization)
Investments
Interest in joint ventures
Subsidiaries
Goodwill and intangible assets
Loans receivable
Related party loans receivable
Future income taxes (non-current)

LIABILITIES

CURRENT LIABILITIES

Bank indebtedness
Accounts payable and accrued liabilities
Income taxes payable
Current portion of long term debt
Loans payable
Related party loans payable
Deferred income

LONG TERM LIABILITIES

Bank loans
Capital lease obligations
Loans payable - related parties
Loans payable - others
Employee future benefits
Asset retirement obligations

EQUITY

Share capital
- Common shares
- Preferred shares
Contributed surplus
Retained earnings



STATEMENT OF EARNINGS

REVENUE

Sales of goods
Fees and services

COST OF SALES

(If applicable to a sales business)

GROSS PROFIT

Sales less Cost of Sales (if applicable to a sales business)

OTHER INCOME

Investment income
Share of income from joint ventures
Income from the sale of assets
Other income

EXPENSES

General and administrative expenses
Selling expenses
(Categories based on the significant amounts)

EARNINGS BEFORE INCOME TAXES

Revenues less expenses

PROVISION FOR INCOME TAXES

NET EARNINGS

Revenues less expenses, less provision for income taxes

STATEMENT OF RETAINED EARNINGS

BALANCE, BEGINNING OF YEAR

ADD: NET EARNINGS

LESS: DIVIDENDS PAID

LESS: PREMIUM ON REDEMPTION OF SHARES

BALANCE, END OF YEAR



STATEMENT OF CASH FLOWS

CASH WAS PROVIDED BY (USED IN)

OPERATING ACTIVITIES

Net earnings

Items not affecting cash

(eg. Amortization, unrealized gains and losses)

Change in non-cash operating working capital items

(eg. changes in operating current assets and liabilities)

FINANCING ACTIVITIES

Change in liabilities related to financing the company

INVESTING ACTIVITIES

Change in asset balances related to assets

CHANGE IN CASH POSITION

Total of the above 3 categories (Operating, Financing, Investing)

CASH, BEGINNING OF YEAR

CASH, END OF YEAR