

ADVISOR ALERT


How Section 3400 Revenue amendments could impact your enterprise's financial statements

November 2022 – (ASPE and ASNPO)

In December 2019, the Canadian Accounting Standards Board (AcSB) issued amendments to Section 3400 Revenue in Part II of the CPA Canada Handbook – Accounting to provide additional application guidance on several topics. The amendments are effective for fiscal years beginning on or after January 1, 2022 and affect private enterprises applying Accounting Standards for Private Enterprises (ASPE) and not-for-profit organizations (NPOs) applying Accounting Standards for Not-for-Profit Organizations (ASNPO).



The amendments relate to the following areas of revenue recognition:

-  identifying and accounting for multiple-element arrangements;
-  applying the percentage of completion method;
-  reporting revenue gross as a principal or net as an agent;
-  identifying and accounting for bill and hold arrangements; and
-  accounting for upfront non-refundable fees or payments.

Our thoughts

Prior to the amendments, the guidance included in Section 3400 was limited. As a result, many entities applied professional judgment when developing their revenue recognition accounting policies.

Although the amendments to Section 3400 were not intended as an overhaul of the revenue recognition guidance, the underlying intention of some of the existing principles were clarified.

As a result, some entities will need to change their existing accounting policies since the room for interpretation was eliminated in numerous areas.

As entities prepare their first financial statements under amended Section 3400, it's important to take note of CPA Canada's publication entitled "[ASPE Briefing: Additional Guidance Added to Section 3400 Revenue](#)" which provides:



detailed guidance on each of the areas of revenue recognition impacted by the amendments;



application guidance for not-for-profit organizations;



additional resources; and



comprehensive illustrative examples

We can help

If you have any questions about the amendments or need to understand how they could potentially impact your application, reach out to your Grant Thornton advisor today.

Contact your Grant Thornton advisor if you have any questions about the amended guidance and/or the potential impact of their application.



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