

ASSURANCE AND ACCOUNTING

ASPE - IFRS: A Comparison

Financial Statement Presentation

In this publication we will examine the key differences between Accounting Standards for Private Enterprises (ASPE) and International Financial Reporting Standards (IFRS) related to financial statement presentation with a focus on the classification and presentation differences on the financial statements.

References

ASPE	IFRS
<ul style="list-style-type: none"> • Section 1505 <i>Disclosure of accounting policies</i> • Section 1506 <i>Accounting changes</i> • Section 1510 <i>Current Assets and Current Liabilities</i> • Section 1520 <i>Income Statement</i> • Section 1521 <i>Balance Sheet</i> • Section 1540 <i>Cash Flow Statements</i> • Section 3251 <i>Equity</i> 	<ul style="list-style-type: none"> • IAS 1 <i>Presentation of Financial Statements</i> • IAS 7 <i>Statement of Cash Flows</i> • IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>

Overview of Major Differences

While the requirements of financial statement structure and content are more prescribed under IFRS than ASPE, fundamentally both frameworks have the same requirements for financial statement presentation. A complete set of financial statements include a Statement of Financial Position, Statement of Comprehensive Income (IFRS) and Income Statement (ASPE), Statement of Changes in Equity, Statement of Cash Flows and appropriate note disclosure. While the naming conventions under IFRS are different than ASPE, an entity may use titles for the statements other than those used in IAS 1. There are some major differences in the requirements such as:

- Under IFRS, on the Statement of Financial Position, only conditions that exist at the year-end date are considered when classifying demand loans or loans with covenant violations. Therefore, waivers for violations must be obtained before the reporting date to be classified as non-current.
- IAS 1 requires the presentation of a third Statement of Financial Position in certain situations.



ASPE-IFRS differential rating scale



- IFRS has the concept of other comprehensive income which comprises of items of income and expense, including reclassification adjustments that are not recognized in profit or loss as required or permitted by specific IFRSs. These include: changes in revaluation surplus (IAS 16, IAS 38), actuarial gains and losses on defined benefit plans (IAS 19), gains and losses arising from translating the financial statements of a foreign operation (IAS 21), gains and losses on remeasuring available-for-sale / fair value through OCI financial assets (IAS 39/IFRS 9) and the effective portion of gains and losses on hedging instruments in a cash flow and net investment hedges (IAS 39/IFRS 9).

Financial Position

The presentation requirements of the Statement of Financial Position under ASPE and IFRS are very similar. The key difference is that there is a requirement to present a third Statement of Financial Position in certain circumstances under IFRS. Also, under IFRS, only conditions that exist at the year-end date are considered for classification.

ASPE	IFRS
The balance sheet distinguishes between current and non-current assets and liabilities. Liquidity based presentation is also permitted in specialized industries but is not a common practice.	IAS 1 allows for a classified, current and non-current statement of financial position, as well as a liquidity based presentation when it provides more reliable and more relevant information to the users. Liquidity based presentation is commonly used for financial institutions.
The minimum content requirements are similar between both frameworks. Many of the differences that exist relate to differences that exist in the recognition and measurement standards. For a complete list of minimum content requirements under ASPE, please see ASPE at a Glance: Financial Statement Presentation .	The minimum content requirements are similar between both frameworks. Many of the differences that exist relate to differences that exist in the recognition and measurement standards. For a complete list of minimum content requirements under IFRS, please see IFRS at a Glance: IAS 1 Presentation of Financial Statements .
Events subsequent to year-end may be considered when determining the classification of demand loans or loans with covenant violations. This results in more loans being classified as long term compared to IFRS. For example, if a waiver is obtained after the balance sheet date for a covenant violation but the waiver refers to conditions at the balance sheet date, the loan can be classified as long-term.	Only conditions that exist at the year-end date are considered when classifying demand loans or loans with covenant violations. This would result in more loans being classified as current. For example, if a waiver is obtained after the balance sheet date for a covenant violation but the waiver refers to conditions at the balance sheet date, the loan would be classified as current because the waiver was obtained after year-end.
There are no requirements to present a third balance sheet, other than on the initial adoption of ASPE.	IAS 1 requires an entity to present a statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements. This would result in three statements of financial position being presented for reclassifications and restatements. This is also required in the year of initial adoption of a new accounting standard that requires retrospective application.

	Other than disclosure of certain specific information, related notes are not required to accompany the opening statement of financial position as at the beginning of the preceding period.
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Changes in Equity

The presentation requirements related to changes in equity under ASPE and IFRS are very similar. The key difference that arises is that IFRS requires a reconciliation on the face of the financial statements.

ASPE	IFRS
<p>An entity is required to present separately changes in equity for the period arising from each of the following:</p> <ul style="list-style-type: none"> • Net income showing separately the total amounts attributable to owners of the parent and to non-controlling interests; • Other changes in retained earnings; • Changes in contributed surplus; • Changes in share capital; • Changes in reserves; and • Other changes in equity <p>Also, an enterprise should present separately the following components of equity:</p> <ul style="list-style-type: none"> • Retained earnings; • Contributed surplus; • Share capital; • Reserves; • Non-controlling interests; and • Other components of equity 	<p>IAS 1 requires an entity to present a statement of changes in equity showing in the statement:</p> <ul style="list-style-type: none"> • Total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests; • For each component of equity, the effects of retrospective application or retrospective restatement recognized in accordance with IAS 8; and • For each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from: <ul style="list-style-type: none"> • Profit or loss; • Each item of other comprehensive income; and • Transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.
<p>ASPE requires disclosure of the details of the changes in equity and an entity can present as a statement of changes in equity, like IFRSs, or disclose the details only in the notes to the financial statements, unlike IFRSs.</p>	<p>IFRS requires that the reconciliation of the carrying amount at the beginning and ending of the reporting period for each component of equity on the face of the financial statements.</p>

Income and Comprehensive Income

The requirements of ASPE and IFRS for the presentation of the Income Statement (ASPE) and the Statement of Comprehensive Income (IFRS) are similar. The differences arise on the classification of expenses, and the presentation of items as extraordinary or unusual.

ASPE	IFRS
<p>The minimum content requirements are similar between both frameworks. Many of the differences that exist relate to differences that exist in the recognition and measurement standards. For a complete list of minimum</p>	<p>The minimum content requirements are similar between both frameworks. Many of the differences that exist relate to differences that exist in the recognition and measurement standards. For a complete list of minimum</p>

content requirements under ASPE, please see ASPE at a Glance: Financial Statement Presentation .	content requirements under IFRS, please see IFRS at a Glance: IAS 1 Presentation of Financial Statements .
Harry123 ASPE has no presentation requirements for expense classification.	Expenses must be classified as either by nature or by function. There is no mixing of classification permitted. If an entity chooses to classify by function then additional disclosures relating to amortization, depreciation, and staff costs must be disclosed.
There is no concept of other comprehensive income.	There are two presentation alternatives for the statement of comprehensive income. It can either be presented as a standalone statement or as part of the income statement.

Cash Flows

In both ASPE and IFRS the requirements for the presentation of the Statement of Cash Flows are similar. However, differences exist between ASPE and IFRS in relation to the classification of various inflows and outflows.

ASPE	IFRS
<p>There is not an accounting policy choice on the presentation of interest and dividends:</p> <ul style="list-style-type: none"> - Interest and dividends (received and paid) included in the income statement must be classified as operating activities; and - Interest and dividends paid and charged to retained earnings must be presented as financing activities. <p>Interest income and interest expense is commonly seen as supplementary cash flow information and not classified as an activity on the statement.</p>	<p>There is an accounting policy choice of classifying interest and dividends:</p> <ul style="list-style-type: none"> - Interest and dividends received as operating or investing activities; and - Interest and dividends paid as operating or financing activities. <p>Also, interest income and expense is added back / deducted from the cash flow statement.</p>
<p>The working capital movement generally includes more accounts including cash payments made to and on behalf of employees and accruals.</p>	<p>The composition of the changes in working capital refers to only inventories, trade and other payables and receivables. Items such as provisions and employee benefits are presented outside of the working capital movement.</p>
<p>No such requirements for financing liabilities exist under ASPE.</p>	<p>The following changes in liabilities arising from financing activities are disclosed (to the extent necessary):</p> <ul style="list-style-type: none"> • changes from financing cash flows; • changes arising from obtaining or losing control of subsidiaries or other businesses; • the effect of changes in foreign exchange rates; • changes in fair values; and • other changes. <p>This disclosure can be made by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.</p>

	Changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities
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Conclusion

In general, the principles relating to accounting for subsidiaries and consolidation under ASPE and IFRS have a lot of similarities. However, when looking at the details of the standards there are also some major differences.

If you require further guidance on accounting for subsidiaries or consolidation under IFRS or ASPE, please contact your local BDO Canada LLP office. If you are considering the adoption of a new standard, learn how our BDO [Integrated Advisory Services Team](#) can help you with the transition.

To learn more about the differences between standards, view our [ASPE-IFRS: A Comparison Series](#).

The information in this publication is current as of January 1, 2017.

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