Message

From: Betik, Matthew [mbetik@kpmg.ca]
Sent: 2016-11-15 6:55:39 PM
To: Susan Nicholson [/O=IMO/OU=MSX1/cn=Recipients/cn=Susan Nicholson]
CC: Kevin Reid [/O=IMO/OU=MSX1/cn=Recipients/cn=Kevin Reid]
Subject: RE: Capital Threshold Change - Proposal

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Yes, but this is not a change in accounting policy. It is merely an administrative practice in the application of that policy (and not really a pervasive one at that). So I stick to my original view in that the change would not be made retrospectively.

Matt.

From: Susan Nicholson [mailto:susan.nicholson@ieso.ca]
Sent: November 15, 2016 3:15 PM
To: Betik, Matthew <mbetik@kpmg.ca>
Cc: Kevin Reid <kevin.reid@ieso.ca>; Susan Nicholson <susan.nicholson@ieso.ca>
Subject: FW: Capital Threshold Change - Proposal

Hi Matt – further to our discussion this morning, in his research Kevin noted that section PS2120 calls for changes to be made retroactively unless the financial data is not reasonably determinable (not the case if the capitalized threshold is changed). You had indicated that the change would not be made retrospectively so I just want to confirm my understanding of the treatment.

Thanks, Susan

From: Kevin Reid
Sent: November 15, 2016 10:52 AM
To: Susan Nicholson
Subject: RE: Capital Threshold Change - Proposal

Hi Susan,

I am resending the PSAB handbook excerpts I previously sent.

I read through the handbook sections again and I still feel that the retroactive application follows the rules best. I don't have any new sections to add but the two I previously provided sums it up pretty well.

Note – there is also a section that discusses the disclosure requirements for the accounting change that we should look at later.

Here it is:

Consulting the Public Sector handbook, *Section PS 2120 – Accounting Changes (note 14 & 17)*, changes in accounting policy should be made retroactively with prior periods restated (for comparison purposes) unless the effect of the change is not reasonably determinable by period. In that case, the total dollar amount of the change for prior periods is shown as an adjustment to the opening accumulated deficit.

SECTION PS 2120
accounting changes

.14 *When there is a choice from among two or more appropriate principles or methods used in their application and a change is made, the new accounting policy should be applied retroactively, unless the necessary financial data are not reasonably determinable.* [SEPT. 1997]

.17 *When a change in an accounting policy is applied retroactively, the financial statements of all prior periods presented for comparative purposes should be restated to give effect to the new accounting policy, except in those circumstances when the effect of the new accounting policy is not reasonably determinable for individual prior periods. In such circumstances, an adjustment should be made to the opening balance of the accumulated surplus / deficit of the current period, or such earlier period as is appropriate, to reflect the cumulative effect of the change on prior periods.* [SEPT. 1997]
