

## **Interim Financial Statements (CICA Handbook Section 1751)**

ASC staff reviewed a selection of 2001 quarterly financial statements and compared disclosures to reporting issuers' audited financial statements to assess compliance with new CICA Handbook Section 1751. This new standard is effective for public enterprises with fiscal year-ends beginning on or after January 1, 2001. Some observations from the review are:

### **Frequent omission of a specific statement in the interim financial statements:**

- that disclosures in the interim financial statements do not conform in all respects to the requirements of Generally Accepted Accounting Principles (GAAP) for annual statements and the statements should be read in junction with the most recent annual financial statements (1751.14(a))
- that the interim financial statements follow the same accounting policies and methods of application as the most recent annual financial statements (1751.14(b))

### **Failure to recognize costs in interim financial statements on the same basis as the annual financial statements (1751.29):**

- no provision for future income taxes made
- no amortization expense reported
- significant management fees recorded in last annual statements, but none recorded for the current interim period
- disclosure of capital lease obligation but no interest expense recorded

### **Failure to provide updated information where a material change has occurred since the annual financial statements (1751.13):**

- we noted an instance where an issuer provided no note disclosure regarding a material amount of contributed surplus that was disclosed on the interim balance sheet while there was none disclosed on the last annual balance sheet

### **Comparative balance sheet at inappropriate date (1751.16(a)):**

- a number of issuers used balance sheets at either the end of the previous quarter or at the end of the corresponding period of the prior year rather than using the balance sheet at the end of the immediately preceding year for comparative purposes

**All issuers** are reminded that the new section also requires disclosures regarding seasonality and cyclicity, certain segment information, and subsequent events information in relevant circumstances.

**Oil and gas issuers** are reminded that Accounting Guideline 5 requires the ceiling test be conducted at the interim balance sheet date, taking into account important changes in reserves, prices, taxes, etc. since the previous financial statement.

**All issuers** should also note that **National Instrument 62-102** requires disclosure of certain share data in interim financial statements filed under securities legislation.

Questions may be referred to either of:

Bill Lawes  
Securities Analysis  
Alberta Securities Commission  
(780) 422-2497

Fred Snell  
Chief Accountant  
Alberta Securities Commission  
(403) 297-6553

Dated: October 19, 2001.