

BooksBetter

News & Information for Canadian QuickBooks Users | Edited by Arlene Nora Arlow | No. 2, February 2006

A Newsletter to Serve and Celebrate Serious QuickBooks ® Users

THANK YOU:

The Official Book Launch of *Bookkeeping with QuickBooks ® The Canadian Guide* was a lot of fun. A special thank-you to those who donated to the event at Victory Hall here in Keremeos, BC, February 25th, 2006:

Colleen Christensen, Keremeos, BC
Similkameen Country Chamber, Keremeos, BC
Signz.Ca, Keremeos, BC
Predator Pest Management Inc., Penticton, BC
White Kennedy CA's, Penticton, BC
Environ Geomatics, Penticton, BC
Richter Pass Motor Inn Ltd., Osoyoos, BC
Desert Oasis Fashions & Giftware, Osoyoos, BC
Colleen Bell, Okanagan Falls, BC

TAX TIPS

Non-capital losses can be carried forward 10 years instead of 7. If you have an allowable business investment loss that is more than your other sources of income for the same year, the difference is a non-capital loss. For more information, see page 36 of guide T4037, *Capital Gains*.

The CCA rate has increased from 30% to 45% for computer equipment acquired after March 22, 2004. This equipment is now included in class 45. The rule allowing a separate class election for each piece of computer equipment is not available for equipment qualifying for the 45% rate. However, you may elect to have the current rule apply to computer equipment acquired before 2005. For details, see page 31 of guide T4002, *Business and Professional Income*.


WHAT IS GAAP?

GAAP stands for "Generally Accepted Accounting Principles". It is the set of commonly-accepted accounting rules, standards and procedures that govern the financial reporting requirements of businesses, not-for-profit and (more-recently) government bodies. GAAP in Canada is set by the Accounting Standards Board (AcSB). GAAP principles are intrinsically similar around the world, although exact details and applications can differ greatly between countries. Canadian GAAP and United States GAAP are very similar.

WHAT IS THE ACCOUNTING STANDARDS BOARD?

The AcSB is an independent Canadian body with the authority to develop and establish standards and guidance for financial accounting and reporting in Canada. The AcSB operates under the umbrella of the Canadian Institute of Chartered Accountants. Its nine members are appointed by the Accounting Standards Oversight Council (AcSOC) to ensure a variety of backgrounds and competencies.

The "Accounting Standards" developed by the AcSB are the source for GAAP - Generally Accepted Accounting Principles.

 Have an idea for our newsletter? Would you like to submit an article?

Submit your ideas and feedback to the Editor:
arlene@addventive.com

HOW HAS GAAP CHANGED FOR GOVERNMENT?

Many public sector (government) bodies were or are legislated to use financial reporting methods other than GAAP. The Public Sector Accounting Board (PSAB) - another body under the umbrella of The Canadian Institute of Chartered Accountants - sets the accounting guidelines for public sector bodies. PSAB consulted widely over 20 years to gain a consensus among stakeholders. The result is GAAP for the public sector.

At its November 2004 meeting, PSAB approved a new section to the Canadian Institute of Chartered Accountants (CICA) Public Sector Accounting (PSA) Handbook: "Section PS 1150, *Generally Accepted Accounting Principles*". The new section was formally issued in February of 2005. The changes include elements such as recognizing unrealized gains and losses in the year in which they occur instead of deferring (or "smoothing") them to future periods.

Local governments required to report on a basis other than GAAP have an effective date for conforming for the fiscal years **beginning** on or after April 1, 2006. For all other public sector bodies, the effective date for conforming is for years **beginning** on or after April 1, 2005.

http://www.cica.ca/index.cfm/ci_id/3945/la_id/1.htm

http://www.cica.ca/index.cfm/ci_id/11280/la_id/1.htm

http://www.cica.ca/index.cfm/ci_id/3790/la_id/1.htm

HOW HAS GAAP CHANGED FOR SECURITIES COMPANIES?

Effective March 8, 2005, a cross-border public company incorporated under the Canada Business Corporations Act having securities registered with the US Securities and Exchange Commission can prepare its financial statements using US GAAP if the statements are mailed to shareholders on or after March 8, 2005:

<http://strategis.ic.gc.ca/epic/internet/incd-dgc.nsf/en/cs02779e.html>

HOW IS GAAP CHANGING IN THE FUTURE?

It is predicted that Canada will move away from its own GAAP to instead encompass International Financial Reporting Standards (IFRS) or US GAAP.

In 1998, The Canadian Institute of Chartered Accountants penned a "Final report: CICA Taskforce On Standard Setting". That paper indicated:

We believe, in the long term, internationalization of standard setting for private sector accounting and auditing is inevitable. The increasing globalization of business activities and the related need for standards accepted in the world's capital markets will demand it.

http://www.cica.ca/multimedia/Download_Library/About_the_Profession/e_tfoss.pdf

In 1999, Alan J. Richardson and Ian R. Hutchison drafted "The Case for International Accounting Standards in Canada" on behalf of the Certified General Accountants Association of Canada.

<http://www.nysscpa.org/cpajournal/nv3b.html>

Go to the CGA Canada website, click on 'Advocacy and Research' and click on 'Reports':

www.cga-online.org/canada

Currently, the Accounting Standards Board of Canada (AcSB) is pursuing international standardization of financial reporting with a timeline of 2010. The focus is two-fold:

1. convergence with US and international accounting agencies: the Financial Accounting Standards Board (FASB), the International Accounting Standards Board (IASB) and other standard-setting bodies
2. harmonization with US GAAP to eliminate unnecessary differences

http://www.acsbcanada.org/index.cfm/ci_id/193/la_id/1.htm

<http://www.fasb.org/>

<http://www.iasb.org/standards/summaries.asp>