INTERMEDIATE FINANCIAL ACCOUNTING 1 · SPRING 2026

Watch-Along Workbook

One sheet per pre-lecture recording, in the order the videos run. Beats to follow, the figures worth having in front of you, and room to write down what to ask about — so you can watch without pausing to transcribe.

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1. **Before you press play** — read the beats. Eight lines tells you the shape of the video.
2. **While it runs** — the figures are already printed. Don't copy numbers; watch what is done to them.
3. **When something slides past** — write the question in the ruled space. Do not rewind yet.
4. **After** — tick the box, then take your questions to office hours or the Q&A session.

Revenue recognition — the two models

Built from the AFM 191 pre-lecture transcripts, Weeks 2–11. Week 1 (CPA Canada Handbook, Problem-Solving Approach) and Weeks 12–13 (impairment, cash flow capstone) are not covered. Companion to the interactive edition.

W2 · 1 Intro to IFRS revenue recognition ☐

> *ASPE asks "has the entity performed?" IFRS asks "what did you promise in the contract, and have you transferred control of it?"*

FOLLOW ALONG

1. Two models set side by side — ASPE performance-based, IFRS contract-based
2. The standard's objective: nature, amount, timing, uncertainty of revenue cash flows
3. Canadian Tire — why one revenue line can't do that job, and what Note 28 adds
4. The five steps introduced in order
5. Step 1 unpacked — the five sub-criteria for a contract
6. Step 2 — *distinct* needs both capable-of and in-context
7. Step 3 — the four adjustments that move contract price to transaction price
8. Steps 4 and 5 — allocate on standalone prices, recognise on transfer of control

ON SCREEN

Revenue line **$17.7bn** (Canadian Tire 2023, Note 28) · Step 1 has **5** sub-criteria · Step 3 has **4** price adjustments · Step 2 distinct = **capable + context**

ASK ABOUT

W2 · 2

Significant financing — MicroArm Limited

One transaction, two economic activities: selling a tractor and providing a financing service. Report them separately.

FOLLOW ALONG

1. Why the recording exists: splitting one payment stream into revenue and interest
2. The MicroArm facts — tractor, three payments, 10%
3. Step 1 walked against the facts (watch the commercial-substance argument)
4. Solving for the annuity payment from today's cash price
5. Building the timeline, then totalling the cash
6. Excel — the effective interest worksheet, year by year
7. Excel — the ASPE straight-line worksheet for comparison
8. The matching argument: why IFRS mandates effective interest

ON SCREEN

Cash price **85,000** · payment **34,179.76** ×3 · total cash **102,539.28** · interest **17,539.28**
Effective **8,500 / 5,932 / 3,107** · Straight-line **5,846.43** ×3

ASK ABOUT

W2 · 3

Intro to ASPE revenue recognition

Four criteria, all required. The mnemonic is deliberate and worth using.

FOLLOW ALONG

1. §3400 located in Part II of the Handbook
2. RCMP introduced as the four criteria
3. Performance broken into its three sub-conditions
4. Why §3400 is so much shorter than IFRS 15 — and what the new appendix added

ON SCREEN

Risks & rewards (goods only) · **C**ollection assured · **M**easurable · **P**erformance
Performance = arrangement + delivery/rendered + price fixed or determinable

ASK ABOUT

WEEK 3

Performance over time, warranties, provisions

W3 · 1 IFRS revenue recognition — performance over time

Step 5 unpacked. Three criteria, any one of which is sufficient; miss all three and you default to a point in time.

FOLLOW ALONG

1. Refresher on the five steps, landing on Step 5
2. The order of operations: test over-time first, default to point in time
3. Criterion (a) — simultaneous receipt and consumption; the cleaning contract
4. The re-performance test explained
5. Criterion (b) — asset created on the customer's land
6. Criterion (c) — no alternative use *plus* enforceable right to payment
7. Measuring progress: input vs output method, applied consistently
8. ASPE — percentage of completion vs completed contract, and why it isn't a choice

ON SCREEN

```
3 over-time criteria, any one suffices · none met → point in time
ASPE: more than one act → POC; single act or not estimable → completed contract
```

ASK ABOUT

W3 · 2

Revenue recognition — warranty concepts

> *Warranties are the course's cleanest example of two separate issues colliding: how many POs, and over time versus point in time.*

FOLLOW ALONG

1. The two issues warranties illustrate at once
2. Assurance warranty — why it fails *distinct*
3. One PO, no allocation, point in time — and the matching problem that creates
4. Service warranty — why it passes *distinct*
5. Reading a standard: appendices, application guidance, illustrative examples
6. The separate-purchase shortcut in IFRS 15's application guidance
7. ASPE — multiple deliverables, and falling back to the conceptual framework

ON SCREEN

```
Assurance = not distinct, 1 PO, point in time, accrue a provision
Service = distinct, 2 POs, allocate on SSP, over time via unearned revenue
```

ASK ABOUT

W3 · 3

Liabilities and contingencies

> *A provision is not "a liability we're unsure about." It's a liability we definitely owe, where the amount or timing is uncertain.*

FOLLOW ALONG

1. IAS 37 is under review — the 2024 exposure draft (not examinable)
2. The liability definition, near-identical in both frameworks
3. The three reporting buckets: provision, disclose, do nothing
4. Probability vocabulary — probable is >50%; remote is undefined
5. The IAS 37 decision tree walked end to end
6. Liability vs contingent liability — the aluminium and warranty pair
7. Measuring a provision: most likely / probability-weighted / midpoint
8. Canadian Tire's balance sheet provisions and note disclosure
9. ASPE §3290 — and the paragraph that excludes warranties

ON SCREEN

```
Provision = present obligation + probable outflow + reliable estimate
IFRS measurement: single most likely · probability-weighted · midpoint of a range
```

ASK ABOUT

W3 · 4

Warranty problem — the tablets

> *Everything from Weeks 2 and 3 in one problem: PO count, allocation, dual timing, provisions, and the input method.*

FOLLOW ALONG

1. Prerequisites named: over time, warranty concepts, contingencies
2. Read the problem — pause here
3. Tranche A: steps 1–5 for the 100 assurance-only tablets
4. Tranche A journal entries, including the provision and the actual costs
5. The IAS 37 three-criteria check applied to the warranty
6. Tranche B: two POs, and the standalone-price allocation in Excel
7. Tranche B entries — note the split of cash into revenue and unearned
8. The input method computed for the service revenue
9. The income statement pulled together

ON SCREEN

```
100 @ 500 · 150 @ 600 · cost 300 · assurance est. 25/unit · service est. 35/unit
SSP 500 / 125 → 80% / 20% → 480 / 120 · actual assurance 2,000 · actual service 2,100
Input method: 2,100 ÷ 5,250 = 40% → revenue 7,200
```

ASK ABOUT

WEEK 4

Long-term contracts

W4 · 1 Kennedy Construction — long-term contract

> *A fixed-price contract puts cost risk on the builder. The input method converts cost overruns into a smaller gross profit, prospectively.*

FOLLOW ALONG

1. Why long-term contracts need this: control over time across fiscal periods
2. Fixed price vs cost plus — who bears the cost risk
3. One PO — the hospital analogy applied to a warehouse
4. Steps 1–4 disposed of quickly; over-time criterion (b) met
5. Year 1 — the input method computed
6. Year 2 — estimates change; note the *cumulative* basis
7. Why Year 1 is never restated (forward reference to IAS 8)
8. Year 3 — completion and the final numbers

ON SCREEN

Price **40M** fixed · initial est. cost **36M**
Costs **6.5 / 18.1 / 13.0** · total est. **36 / 36.6 / 37.6** · progress **18.06% / 67.21% / 100%**
Revenue **7,222,222 / 19,663,000 / 13,114,778** · GP **722,222 / 1,563,000 / 114,778**

ASK ABOUT

W4 · 2 The accounting cycle for long-term contracts

☐

> *Billing and revenue recognition are entirely separate processes. That is the whole reason the Billings contra account exists.*

FOLLOW ALONG

1. The five phases, from the textbook chart
2. Phase 1 — costs into Construction in Progress, not cost of sales
3. Phase 2 — why billings credit a contra account, not revenue
4. Phase 3 — collections
5. Phase 4 — the periodic revenue entry, with gross profit added into CIP
6. Phase 5 — closing CIP against Billings at completion
7. The net balance sheet position each year — asset, then liability, then zero

ON SCREEN

```
Billings 7.2 / 20 / 12.8 · collections 7 / 19 / 14
CIP = cost + cumulative GP → 40M · Billings → 40M · net +22,222 / -314,778 / 0
```

ASK ABOUT

W4 · 3 Kennedy Construction — the onerous contract

☐

> *Same contract, worse costs. When total expected costs exceed the fixed price, you book the whole expected loss now rather than waiting to incur it.*

FOLLOW ALONG

1. The original numbers recapped, then the revised Year 2 estimates
2. The IFRS definition — unavoidable costs and least net cost of exiting
3. Why it falls under IAS 37, and the three provision criteria re-applied
4. ASPE — expected loss under the revenue guidance instead
5. Year 1 unchanged; Year 2 revenue via the same input method
6. Where the 697,000 comes from — the user's-eye argument
7. Year 3 — the reversal, and why it's needed

ON SCREEN

```
Total est. cost 36 / 41.7 / 41.9M · progress 18.06% / 59% / 100%
Revenue 7,222,222 / 16,374,900 / 16,402,878 · provision +697,000 then -697,000
Cumulative loss 1.7M at Y2 → 1.9M actual at Y3
```

ASK ABOUT

W4 · 4

Contingencies continued — the ASPE side and contingent assets

> *Same tree, different thresholds. And the asymmetry between assets and liabilities is a prudence argument you should be able to make out loud.*

FOLLOW ALONG

1. Reminder of the exposure draft
2. The IAS 37 decision tree revisited, all four routes
3. The textbook's colour-coded chart as an alternative view
4. Measurement recap — and the probable-but-not-measurable lawsuit
5. Canless Isotopes worked — watch how insurance fixes the estimate
6. ASPE — likely vs probable, and the consequence for recognition counts
7. ASPE measurement: minimum of a range, not midpoint
8. Contingent assets — virtual certainty, and prudence as the reason

ON SCREEN

IFRS **probable** (>50%) vs ASPE **likely** (high) → more recognised under **IFRS**
Range: IFRS **midpoint**, ASPE **minimum** · Canless deductible **1M**
Contingent assets: IFRS **virtual certainty**; ASPE **never accrued**

ASK ABOUT

WEEK 5

When new information arrives

W5 · 1

Subsequent events

> *One question decides everything: did the condition exist at the reporting date?*

FOLLOW ALONG

1. Why periodicity creates the problem
2. The subsequent events period defined — to authorisation for issue
3. Why this standard is on the recommended reading list
4. The IAS 10 ¶5 timeline example
5. Adjusting vs non-adjusting — the single differentiating question
6. The court case run twice — provision booked, then not booked

ON SCREEN

Window: **31 Dec X1** → draft **28 Feb X2** → board authorises **18 Mar X2**
Test: did the **condition exist** at the reporting date? · Case settles at **5M**

ASK ABOUT

W5 · 2

Changes in estimates, accounting policies, and prior period errors

> *Three kinds of change, two treatments. Getting the classification right is the entire question — the treatment follows automatically.*

FOLLOW ALONG

1. The three changes named up front
2. IAS 8 and ASPE §1506 located in the Handbook
3. Accounting policies defined; FIFO and investment property as real choices
4. Comparability vs consistency — and the earnings-management motive
5. The two conditions for a voluntary change → retrospective
6. Changes in estimate — the standard's own examples → prospective
7. Prior period errors — available and should have been used → retrospective
8. The textbook decision tree pulling all three together

ON SCREEN

```
Policy → retrospective · Estimate → prospective · Error → retrospective
Voluntary policy change needs both: still reliable and more relevant
```

ASK ABOUT

WEEK 6

Inventory

W6 · 1

Inventory — classification and initial measurement

> *What counts as inventory depends on what the entity is in the ordinary course of business of doing. That is a problem-solving-process question before it's an accounting one.*

FOLLOW ALONG

1. IAS 2 opened; the standard's architecture pointed out
2. The definition — identical wording under ASPE §3031
3. Ordinary business activity as the identifying test (the law firm example)
4. The asset definition revisited — where LC&NRV and control issues come from
5. What goes into cost: product vs period costs
6. Problem P6-5 — pause and attempt it
7. The three inventory types for a manufacturer
8. Fixed overhead and normal capacity — the three-scenario walkthrough
9. IFRS disclosure requirements, read from the standard
10. Linamar's annual report as the worked illustration

ON SCREEN

Fixed OH **300,000** ÷ normal **2,000** = **$150**/unit
Below (1,000): capitalise **150,000**, expense **150,000** · Above (3,000): rate cut to **$100**

ASK ABOUT

W6 · 2

Inventory — subsequent measurement and errors

> *Two subsequent-measurement jobs: split the cost pool between balance sheet and income statement, and test the remainder for impairment.*

FOLLOW ALONG

1. The two subsequent-measurement jobs named
2. The cost flow equation, and perpetual vs periodic systems
3. Cost flow assumptions; LIFO prohibited; consistency requirement
4. Two quick FIFO / weighted average examples to work yourself
5. Lower of cost and NRV — output market, unit basis, reversals allowed
6. Inventory errors and the two-period self-correction
7. The three situations worked one at a time
8. Earnings management — overproduction, capitalising, ignoring impairment

ON SCREEN

```
NRV = selling price − costs to complete − costs to sell · assessed unit by unit
A: EI overstated 20,000 · B: purchase unrecorded 25,000 · C: consignment 40,000 in Y2 count
```

ASK ABOUT

WEEK 7

Financial assets — definition, receivables, equity

W7 · 1

Introduction to financial assets

> *Inventory has future cash flows too. What financial assets have is a contractual right to them.*

FOLLOW ALONG

1. What separates a financial asset: a *contractual* right to cash flows
2. The IAS 32 definition — cash, equity of another entity, contractual right
3. Cash equivalents — the three-month rule
4. Two ways to group: by influence, and by nature of the cash flows
5. Strategic investments and the business reasons for them
6. The influence continuum — 0–19 / 20–50 / >50%
7. Significant influence: IFRS presumption vs ASPE's refusal to presume
8. Impairment introduced — expected loss vs incurred loss

ON SCREEN

Cash equivalents: **≤3 months**, insignificant risk of change in value
0–19% **fair value** · 20–50% **equity method** · >50% **consolidation** (guidelines, not lines)

ASK ABOUT

W7 · 2

Accounts receivable as a financial asset

> *AR is the financial asset you already know, re-read through the four-issue template: recognition, measurement, impairment, derecognition.*

FOLLOW ALONG

1. Why AR qualifies — the contract with the customer
2. The four issues: recognition, measurement, impairment, derecognition
3. Three routes off the balance sheet
4. Factoring explained — the cash conversion cycle motive
5. The one reporting question: have risks and rewards transferred?
6. Scope note — you are not responsible for the factoring journal entries
7. Expected loss vs incurred loss models
8. The simplified approach and the provision matrix
9. The two-region worked example — grouping, then forward-looking uplift

ON SCREEN

Risks/rewards **transferred** → derecognise · **retained** → stays on the balance sheet
IFRS **expected** loss (incl. forward-looking) · ASPE **incurred** loss (historical + current only)
Region 2 uplift **×1.10 → 3.11 / 5.21 / 7.53 / 15.57%**

ASK ABOUT

W7 · 3 Non-strategic equity investments

> *Equity fails SPPI, so it always defaults to FVTPL — and that default is precisely why the standard offers a separate irrevocable OCI election.*

FOLLOW ALONG

1. Strategic vs non-strategic, for both IFRS and ASPE
2. The three-plus-one classification set introduced
3. The two criteria: business model and contractual cash flows
4. The order of operations — and why equity fails SPPI twice
5. FVTPL accounting: transaction costs, holding gains, dividends
6. The statement of total comprehensive income and why EPS matters here
7. The irrevocable election — its four conditions
8. Election accounting — note what changes and what doesn't
9. The two decision trees, IFRS then ASPE

ON SCREEN

Equity **cannot** pass SPPI → defaults to **FVTPL**
FVTPL: transaction costs **expensed** · Election: transaction costs **capitalised**
Dividends → **net income** either way · Election gains **never recycled**

ASK ABOUT

WEEK 8

Debt investments

W8 · 1 Debt investments — initial recognition

> *Buying a bond is buying a stream of future cash flows. The price is simply their present value at the rate the market demands.*

FOLLOW ALONG

1. The three classifications previewed
2. What a bond contract specifies
3. Stated/coupon rate vs market/effective rate
4. Par, discount, premium — the three relationships
5. The Terrace facts introduced
6. Pricing as PV of a single sum plus PV of an annuity
7. The timeline of cash flows
8. Excel — par, then discount, then premium
9. Why table factors and Excel differ slightly

ON SCREEN

100 bonds × **1,000** face · **5** years · coupon **6%** → **6,000**/yr
@6.0% → **100,000** · @6.5% → **97,922** (disc. 2,078) · @5.5% → **102,135** (prem. 2,135)

ASK ABOUT

W8 · 2

Debt investments — interest income

When price ≠ face value, cash interest and interest income diverge. Amortising the difference is what closes the gap.

FOLLOW ALONG

1. Why amortised cost is used to isolate the interest mechanics
2. The three carrying-amount paths previewed
3. Par bond — entries and T-accounts
4. IFRS 18 note: interest income sits in the investing category of the P&L
5. Discount bond — why interest income exceeds cash interest
6. Effective interest computed off the opening carrying amount
7. The amortisation table, effective vs straight-line
8. Premium bond — the same machinery in reverse

ON SCREEN

```
Interest income = effective rate × opening carrying amount
Totals: par 30,000 · discount 32,078 · premium 27,865
Discount Y1: 6.5% × 97,922 = 6,365, amortisation 365 → 98,287
```

ASK ABOUT

W8 · 3

Non-strategic debt — classification and accounting

Debt is the only instrument that can land in all three buckets. Getting the bucket right decides everything downstream.

FOLLOW ALONG

1. Exhibit 7-7 — and what the table leaves out
2. Classification affects subsequent measurement only; made at acquisition
3. The order of operations restated
4. Amortised cost — business model and SPPI
5. FVOCI — hold to collect *and* sell
6. The three accounting treatments, one slide each
7. FVOCI on sale — the reclassification, flagged as hard
8. ASPE — why FVOCI can't exist, and what's in scope for 291

ON SCREEN

```
Transaction costs: AC capitalised · FVOCI capitalised · FVTPL expensed
Holding G/L: AC none · FVOCI OCI · FVTPL NI
FVOCI debt on sale → NI, prior OCI reclassified
```

ASK ABOUT

WEEK 9

Property, plant and equipment

W9 · 1 PP&E — classification and initial measurement

> *Inventory's cash flows come from sale. Financial assets' come from contract. PP&E's come from use — and that single distinction drives every rule that follows.*

FOLLOW ALONG

1. The three asset classes compared by source of cash flows
2. IAS 16 and §3061 located; standard architecture again
3. Scope — five exclusions, including investment property
4. The definition: tangible, held for use, more than one period
5. Recognition as a second gate — and where ASPE finds the criteria
6. What goes into initial cost, including dismantling estimates
7. Directly attributable costs, and the demolition example
8. IAS 23 borrowing costs — qualifying assets through to disclosure
9. The step-by-step capitalisation calculation
10. Non-monetary exchanges — the decision tree
11. Commercial substance — the trucks and the conveyor belt examples

ON SCREEN

Recognition = **probable** benefits + **reliably measurable**
Interest: IFRS **shall** · ASPE **policy choice** · applies to PP&E, **inventory**, **intangibles**
Exchange: fair value of the asset **given up** is the default

ASK ABOUT

W9 · 2

PP&E — subsequent measurement

> *One question governs every subsequent expenditure: does it merely maintain the existing service capability, or does it improve future cash flows?*

FOLLOW ALONG

1. The three subsequent-measurement issues named
2. Expense vs capitalise — maintains, or enhances?
3. Depreciation as allocation matched to the pattern of use
4. When depreciation begins and ceases
5. Reviewing the estimates — IFRS annually vs ASPE regularly
6. Components — the aircraft example
7. Replacing a component — recognition criteria re-applied
8. The two-step removal, and the roof illustration
9. Impairment raised and deferred to Chapter 10

ON SCREEN

Begins when **available for use**; ceases at **held for sale** or derecognition
Change in estimate → **prospective** (IAS 8) · Replacement: **remove the old carrying amount first**

ASK ABOUT

W9 · 3 PP&E, IFRS 18 and the statement of cash flows

> *PP&E income and expenses are operating in the P&L, but the cash is investing. Every indirect-method adjustment follows from that mismatch.*

FOLLOW ALONG

1. Direct vs indirect method, and why the starting number matters
2. IFRS 18 effective 2027 — but comparatives mean 2026 counts
3. The five P&L categories; specified main business activities excluded
4. Operating as the *default* category
5. What the investing category actually contains
6. The guidance that puts PP&E in operating
7. Cash, by contrast, is investing
8. The worked example — T-accounts, then Year 1, then Year 2
9. Impairment flagged as the same kind of adjustment

ON SCREEN

```
Cost 1,000,000 · residual 100,000 · 5 yr SL → 180,000/yr
NBV at sale 820,000 · proceeds 860,000 → gain 40,000
Indirect starts at operating profit · operating CF = nil both years
```

ASK ABOUT

WEEK 10

Fair value, investment property, grants

W10 · 1

Introduction to the revaluation model

> *Three measurement models exist under IFRS, and each asset class gets a choice between exactly two of them.*

FOLLOW ALONG

1. Three models: cost, revaluation, fair value — and who gets which choice
2. Relevance vs reliability as the underlying trade-off
3. Apply to an entire *class* — with examples of classes
4. Reliable fair value and sufficient regularity
5. Why switching back to cost is so hard
6. Intangibles — the active market requirement
7. IFRS 13 introduced as separate guidance
8. Fair value as an *exit price* in an orderly transaction
9. The three-level hierarchy with worked illustrations
10. The OCI vs net income rules, and the graphic

ON SCREEN

```
PP&E & intangibles: cost or revaluation · Investment property: cost or fair value
Election by class; tracking asset by asset
L1 quoted identical · L2 similar observable · L3 unobservable estimates
```

ASK ABOUT

W10 · 2

Revaluation worked — non-depreciable (land)

Land first, because there is no accumulated depreciation to complicate the entry. Two examples, run in opposite directions.

FOLLOW ALONG

1. Why land first: no accumulated depreciation to handle
2. Both examples previewed
3. Example 1 — the cost line graphic explained
4. Year 2 decrease booked through net income
5. Year 3 increase — reverse through NI first, then OCI
6. Year 4 sale — realised gain, and the optional OCI transfer
7. The shareholders' equity reconciliation
8. The cash flow footnote for the indirect method
9. The cost-model comparison — both must end in the same place
10. Example 2 — the mirror image

ON SCREEN

Ex 1: **100,000** → 90,000 (NI −10) → 150,000 (NI +10, OCI +50) → sold 160,000 (NI +10)
→ **RE 60,000, AOCI 0** — identical to the cost model
Ex 2: **300,000** → 350,000 (OCI +50) → 290,000 (OCI −50, NI −10)

ASK ABOUT

W10 · 3

Revaluation worked — depreciable assets

Once the asset depreciates, you must decide what to do with the accumulated depreciation. Two methods, identical net carrying amount, different balance sheet gross-ups.

FOLLOW ALONG

1. The question: what to do with accumulated depreciation
2. Proportional vs elimination introduced
3. Both scenarios previewed
4. Building 1 — the proportional gross-up computed
5. Why the cost / accumulated depreciation relationship is preserved
6. The journal entry, and the OCI destination
7. The new depreciation base, with the direction sanity-check
8. Building 2 — elimination at the end of Year 2
9. Recalculated depreciation for Years 3 and 4
10. Year 4 decrease — reversing the earlier OCI surplus
11. One-step vs two-step journal entry forms
12. Year 5 sale, and the accumulated OCI transfer

ON SCREEN

```
B1: cost 200,000, 20yr → NBV 150,000, FV 300,000 = +100% → new dep. 20,000
B2: cost 600,000, res 100,000, 10yr → 50,000/yr; revalue 530,000 → new dep. 53,750
End Y4 NBV 422,500 vs FV 400,000 → OCI -22,500 · AOCI left 7,500
```

ASK ABOUT

W10 · 4

Investment property

> *Land and buildings whose cash flows are independent of everything else the entity owns. That independence is the classification test and the IFRS 18 answer at once.*

FOLLOW ALONG

1. Where investment property sits among the classifications
2. The definition — rentals and/or capital appreciation
3. The seniors' housing example — significant services
4. The apartment block — incidental services
5. Cost or fair value, applied to all investment property
6. Fair value model details — and no depreciation
7. Change-in-use provisions flagged
8. ASPE has none of this
9. The fair value hierarchy applied to property
10. IAS 40 guidance read; cash flow independence explained
11. IFRS 18 — why this lands in the *investing* category

ON SCREEN

Test: services **significant** (PP&E) vs **incidental** (investment property)
Fair value model → all changes to **net income**, **no depreciation**
Cost model → depreciate, but **still disclose fair value**

ASK ABOUT

W10 · 5

Government grants

> *Grants are earned by satisfying conditions, so they belong in income — matched against the costs they were meant to compensate.*

FOLLOW ALONG

1. Scope first — tax benefits and agriculture excluded
2. What the standard covers, with examples of grant forms
3. The two reasonable assurances for recognition
4. Receipt is not conclusive evidence; forgivable loans
5. Non-cash forms — reduction of a liability
6. Capital approach vs income approach — and why income wins
7. Grants related to assets: deferred income vs cost reduction
8. Grants related to income: other income vs netting
9. Disclosure requirements

ON SCREEN

```
Recognise on reasonable assurance of compliance + receipt
Asset grant: deferred income or reduce the asset → lower depreciation
Net income and net assets are identical under gross and net
```

ASK ABOUT

WEEK 11

Intangible assets

W11 · 1

Intangibles I — classification, control, recognition

> *Control means two powers, not one: the power to obtain the benefits and the power to stop others obtaining them. Most internally built intangibles fail on the second.*

FOLLOW ALONG

1. Market value vs balance sheet — the value gap
2. CPA Canada's Foresight Commission on intangibles
3. Two different reasons something never gets recognised
4. Control defined — both powers, usually from legal rights
5. iRobot's patents as the clean case
6. Training — why control fails
7. Customer lists — internally built vs purchased
8. IAS 38 and §3064 shown to be harmonised
9. The three criteria: identifiable, non-monetary, no physical substance
10. Why goodwill is not an intangible
11. Recognition criteria, and the separate-acquisition shortcut
12. What goes into the cost of a purchased intangible

ON SCREEN

```
Control = power to obtain benefits + power to restrict others
Identifiable = separable or from legal rights → separates intangibles from goodwill
Purchased at arm’s length → recognition criteria deemed met
```

ASK ABOUT

W11 · 2

Intangibles II — internally generated

> *Research is expensed because nothing is identified yet. Development is expensed until six things are simultaneously true, and capitalised from that moment forward.*

FOLLOW ALONG

1. iRobot revisited — developed in-house vs purchased
2. The three phases named
3. Research defined; why everything is expensed
4. Example research activities — note the verbs
5. Development defined, with example activities
6. Why not everything in development is capitalised
7. The six criteria, one at a time — it is a *shall*, and it is *all*
8. The standard's worked example and timeline
9. No retroactive capitalisation
10. Costs in and costs out
11. IFRS shall vs ASPE policy choice

ON SCREEN

Research → **expense** · Development → expense until **all six**, then capitalise
Example: **1,000** spent, **900** before the gate, **100** after → capitalise **100** only
Excluded: selling, G&A, general overhead, **inefficiencies**, **training**

ASK ABOUT

W11 · 3

Intangibles III — subsequent measurement

Three questions after recognition: which model, does it amortise, and is it impaired.

FOLLOW ALONG

1. The three subsequent-measurement issues
2. Cost model vs revaluation model under IAS 38
3. The active market requirement, with the rare real examples
4. Impairment deferred to Chapter 10; cash-generating units previewed
5. Finite vs indefinite useful life
6. Indefinite is not infinite — and what follows
7. Factors in determining useful life (two slides of examples)
8. Legal life as a cap, and renewal options
9. Amortisation begins on *availability* — the patent example
10. Method: systematic, defaulting to straight line
11. Residual value presumed zero — the two escapes
12. ASPE §3064; then derecognition

ON SCREEN

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Indefinite → no amortisation, but test for impairment
Expected life < legal → use shorter; expected > legal → capped by legal
Residual zero unless third-party commitment, or active market probable at end of life
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ASK ABOUT