

A decorative graphic consisting of two overlapping yellow ribbons or strips of paper, one slightly offset from the other, creating a layered effect at the top of the slide.

# **Non-GAAP Financial Measures 101**

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# Non-GAAP Financial Measures 101

A decorative graphic consisting of two overlapping, torn-edge yellow strips that create a horizontal band across the top of the slide.

Why do you care?

Because non-GAAP financial measures  
can mislead investors

# Non-GAAP Financial Measures 101

A decorative graphic consisting of two overlapping yellow ribbons or strips, one slightly offset from the other, creating a layered effect.

Why do the regulators care?

Because non-GAAP financial measures  
can mislead investors

# Non-GAAP Financial Measures 101

Why do we care?

Because it has the word GAAP in it...

**We love GAAP !**



# Non-GAAP Financial Measures 101

## NI 51-102CP - Part 4.2

### Non-GAAP Financial Measures

Reporting issuers that intend to publish financial measures other than those prescribed by Canadian GAAP applicable to publicly accountable enterprises should **refer to CSA Staff Notice 52-306 *Non-GAAP Financial Measures*** for a discussion of staff expectations concerning the use of non-GAAP measures.

# Non-GAAP Financial Measures 101

## *IAS 1 - Presentation of Financial Statements:*

- Balance Sheet
- Stmt of equity
- Stmt of cashflows
- Stmt of profit & loss

# Non-GAAP Financial Measures 101

## IAS 1.85

**An entity shall present additional line items** (including by disaggregating the line items listed in paragraph 82), headings and subtotals in the statement(s) presenting profit or loss and other comprehensive income **when such presentation is relevant** to an understanding of the entity's financial performance.

# Non-GAAP Financial Measures 101

## IAS 1.85A

**When an entity presents subtotals** in accordance with paragraph 85, those subtotals shall:

- (a) be comprised of line items made up of amounts **recognised and measured in accordance with IFRS;**
- (b) be presented and labelled in a manner that makes the line items that constitute the subtotal **clear and understandable;**
- (c) be **consistent from period to period,** in accordance with paragraph 45; and
- (d) **not be displayed with more prominence** than the subtotals and totals required in IFRS for the statement(s) presenting profit or loss and other comprehensive income.



# Non-GAAP Financial Measures 101

## IAS 1.85.B

An entity shall **present the line items** in the statement(s) presenting profit or loss and other comprehensive income **that reconcile any subtotals** presented in accordance with paragraph 85 **with the subtotals or totals required in IFRS** for such statement(s).

# Non-GAAP Financial Measures 101

## IAS 1.86

Because the effects of an entity's various activities, transactions and other events differ in frequency, potential for gain or loss and predictability, disclosing the components of financial performance assists users in understanding the financial performance achieved and in making projections of future financial performance. **An entity includes additional line items in the statement(s)** presenting profit or loss and other comprehensive income and it amends the descriptions used and the ordering of items when this is **necessary to explain the elements of financial performance.**

An entity **considers** factors including **materiality and the nature and function of the items** of income and expense. For example, a financial institution may amend the descriptions to provide information that is relevant to the operations of a financial institution. An entity does not offset income and expense items unless the criteria in paragraph 32 are met.

# Non-GAAP Financial Measures 101

In summary, it's all about the subtotals.

- Subtotals are GAAP so not subject to CSA Staff Notice 52-306.
- Subtotal should be clear and understandable.

# Non-GAAP Financial Measures 101

## Staff Notice 52-306:

**A non-GAAP financial measure** is a numerical measure of an issuer's historical or future financial performance, financial position or cash flow that:

- **Is not specified, defined or determined under the issuer's GAAP** or generally accepted accounting principles (e.g., IFRS (International Financial Reporting Standards) for many Canadian reporting issuers)

# Non-GAAP Financial Measures 101

## Staff Notice 52-306:

- **Is not presented in an issuer's financial statements**
- **Either (a) excludes an amount that is included** in the most directly comparable measure calculated and presented in accordance with the issuer's GAAP **or** **(b) includes an amount that is excluded from the most directly comparable measure** calculated and presented in accordance with the issuer's GAAP.

# Non-GAAP Financial Measures 101

## **Staff Notice 52-306:**

III. Disclosure Accompanying Non-GAAP Financial Measures

IV. Disclosing Additional Subtotals Before Filing Financial Statements

V. Presentation of Additional Subtotals in the Statement of Cash Flows for IFRS Financial Statements

# Non-GAAP Financial Measures 101

## **Staff Notice 52-306:**

Non-binding but CSA does conduct reviews and provide comment letters requesting changes

# Non-GAAP Financial Measures 101

CSA recently issued NI 52-112 *Non-GAAP and Other Financial Measures Disclosure*

Provides binding requirements for issuers disclosing non-GAAP and certain other financial measures.