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### INTRODUCTION

1. This chapter outlines the requirements for financial statements and describes the accounts, formats, and procedures used for preparing financial statements.

### FISCAL YEAR

2. The fiscal year for most NPP operations is from 1 April of the current year to 31 March of the following year with all accounting periods/accounting months ending on the last day of the calendar month. The exceptions are the NPF Employees Pension Fund, SISIP FS, and CFPAP where the period of operation is 1 January to 31 December.

### PURPOSE OF FINANCIAL STATEMENTS

3. Financial statements are intended to be understandable by readers who have a reasonable knowledge of business activities, a basic understanding of accounting and who are willing to study the information diligently. The purpose of financial statements is to provide relevant and reliable financial information to help decision makers assess the entity's ability to meet financial obligations, achieve both short-term and long-term goals and also to evaluate management's stewardship. Financial statements are prepared in accordance with Canadian generally accepted accounting principles, to fairly present the financial position and the results of operations for the period ending as at the balance sheet date. A set of financial statements for each entity shall consist of the following and are submitted in the order indicated:
  - a. **Balance Sheet including the Equity Statement** (reporting assets, liabilities and equity - reflecting the current financial position);
  - b. **Notes/schedules to the Balance Sheet;**
  - c. **Cash Flow Statement** (reporting the change in financial position);
  - d. **General Revenue and Expense Statement and/or Income Statement(s)** (reporting revenues and expenses - directly related to an entity's financial performance);
  - e. **Notes/schedules to the General Revenue and Expense and/or Income Statement(s);** and
  - f. **Departmental Analysis Report (DAR)** (for resale activities).

### FREQUENCY OF FINANCIAL STATEMENTS

4. **CANEX** financial statements shall be prepared:
  - a. as at the end of each accounting month for all outlets and distributed to managers within 10 working days after the closing date.
5. **Base Fund, Subsidiaries, Messes and Units** Financial statements shall be prepared:
  - a. normally, as at the end of each accounting month and distributed to managers within 10 working days after the closing date. However, with CFO approval, a RAM may issue statements less frequently than monthly, but in no event shall they be issued less

frequently than quarterly (30 Jun, 30 Sep, 31 Dec, and 31 Mar).

6. **Reserves** Financial statements shall be prepared:
  - a. normally, as at the end of each accounting month and distributed to managers within 15 working days after the closing date. However, with CFO approval, a RAM may issue statements less frequently than monthly, but in no event shall they be issued less frequently than quarterly (30 Jun, 30 Sep, 31 Dec, and 31 Mar).

## DISTRIBUTION OF FINANCIAL STATEMENTS

7. All entity financial statements are verified and approved prior to distribution by the National Financial Reporting Office (NFRO) monthly. Once approved completed and verified, the statements are sent from the Base Accounting Office to entity managers. CFMWS Headquarter financial statements are prepared and distributed by the Management Accountant.
8. NPPAMs are responsible to ensure that all managers requiring financial statements receive them. Managers include BComd or their designate, B Adm O, B Compt, PSP Manager, PMC, and entity or other managers as required.) RAMs will provide guidance on financial statement distribution where needed.

## REQUIREMENT PRIOR TO PREPARATION OF STATEMENTS

9. Prior to the preparation of the financial statements, the NPPAM shall ensure that all known material transactions affecting the operation of the entity concerned have been recorded in the books of account.

## GUIDE TO THE PREPARATION OF FINANCIAL STATEMENTS

10. **Entity Balance Sheet:** A standard balance sheet format is used however, accounts receivable and accounts payable have been bought by the CFCF - thus they are not reflected on the Balance Sheet. Explanations for items on the balance sheet are as follows, with items that are only applicable to specific entities annotated as such:
  - a. **Assets**
    - i. **Current Assets.** These are those assets ordinarily realized in cash or consumed within one year from the date of the balance sheet or, within the normal operating cycle when the cycle is longer than a year. Such assets include but are not limited to:
      - (a) cash;
      - (b) inventory;
      - (c) prepaid expense; and
      - (d) loan receivable current.

**NOTE:** An asset subject to restrictions that prevent its use for current operating purposes should not be included as a current asset.
    - ii. **Petty Cash and Change Funds.** This includes all petty cash, change, and imprest funds;
    - iii. **Share of Consolidated Bank Account (CBA).** This is the amount on deposit by each entity in the CBA. If this account reflects a credit balance, it must be shown as a current liability under the same heading;
    - iv. **Foreign Exchange Position. (European Operations).** This account represents the exchange rate variance or difference between the amount shown in a foreign currency bank account and the actual value, using Director of Pay

- Services (DPS) rates, shown on the European Operations control balance sheet;
- v. **NPP Transfers.** Central Processing asset account used for internal transfers;
  - vi. **Inventory.** This is the total value of merchandise inventories at cost held by the entity;
  - vii. **Prepaid Expenses.** These are expenses paid in advance for goods or services acquired to earn revenues in future periods, such as, one-year inventory of consumable supplies or equipment maintenance contracts that will expire over a specific period. When assessing the requirement to establish prepaid expense accounts, the materiality of the amounts involved and the remaining period should be considered. (Note: the administrative burden precludes recording prepaid expense for total amounts less than \$200.00). The total expense amount will be prorated over the period of usage specified on invoice posting and expense recognition will commence on the expense allocation start date;
  - viii. **Loans Receivable - Current.** This is the portion of loan that is receivable within one year of the balance sheet date;
  - ix. **Total Current Assets.** This is the total of all the individual current assets;
  - x. **Work in Progress.** This account records the value of incomplete capital projects that have not yet been transferred to fixed assets;
  - xi. **Loans Receivable - Non-Current.** This is the total of loans outstanding at the date of the balance sheet less any current portion at subparagraph 8 above);
  - xii. **Fixed Assets - Net Book Value.** This is the total net value of the original acquisition cost of all depreciable fixed assets less the accumulated amortization recorded in the books of the entities, as at the Balance Sheet date;
  - xiii. **Investments.** These are monies that, have been approved by the CFO (in accordance with Chapter 9 (Consolidated Banking System)) to be invested in third party organizations. This item requires a note to the financial statements indicating the authority for such investments.
  - xiv. **Investment in Subsidiaries.** This item reflects the subsidiary's net worth/investment, for entities such as golf clubs, curling clubs, etc. The amount will be the sum of the subsidiaries' balances for Retained Earnings, Prior Year Adjustments, Year to Date (YTD) Net Income, and Contributed Capital;
  - xv. **Total Assets.** This is the total of all assets;

**b. Liabilities**

- i. **Current Liabilities.** These are those short-term obligations payable within one year from the date of the balance sheet or, within the normal operating cycle when the cycle is longer than a year (the normal operating cycle should be the same as used for current assets);
- ii. **Share of Base CBA.** This is the entity's Share of the CBA, if it reflects a credit balance (overdraft);
- iii. **NPP Transfer.** Central Processing liability account used for internal transfers;
- iv. **Public Grants.** This represents the total of the public grant trust account balances, included in the entity's (e.g. Base Fund) Share of the CBA;
- v. **Trust Funds.** This represents the total of the non-NPP trust account balances, included in the entity's (e.g. Base Fund) Share of the CBA;
- vi. **Entity Funds.** This represents the total of the entity fund balances, included in the entity's (e.g. Base Fund) Share of the CBA;
- vii. **Accrued Liabilities.** These are liabilities which have been incurred, but for which payment has not yet made by the end of the current accounting period.

An example would be wages earned but not yet paid; “Accrued Wages”;

- viii. **Unearned (Deferred) Revenue.** Unearned revenue is revenue received in advance of being earned and thus, revenue recognition must be deferred until the future period or periods in which the revenue is to be recognized/earned. Examples include such things as payments received in advance of providing the goods or services to the customer for which the revenue will be recorded at a later date (e.g. CANEX Special Orders, associate members mess dues, layaway deposits).;
- ix. **Loans Payable - Current Portion.** These are the principal payments on loans outstanding due within one year of the balance sheet date;
- x. **Total Current Liabilities.** This is the total of all the individual current liabilities;
- xi. **Long-Term Liabilities.** These are those liabilities payable at a future date greater than one year from the date of the balance sheet or, after the normal operating cycle when the cycle is longer than a year;
- xii. **Loans Payable – Non-Current.** This includes the residual portion of all loans after the current portion is deducted. The National Fixed Assets Office (NFAO) will confirm all CFCF loan balances with the base annually.
- xiii. **Total Liabilities.** This is the total of all liabilities.

#### c. **Equity**

- i. **Opening Retained Earnings.** This normally is the same figure as the closing Retained Earnings of the prior year-end. For entities with subsidiaries, the total under this item will be the sum of the entity and the subsidiaries’ Retained Earnings balances;
- ii. **Prior Year Adjustments.** Prior Year Adjustments (PYA) are rare and shall be used for adjustments related to changes in accounting policy (as directed) or for a correction of an error in prior period financial statements. Errors include a mistake in computation, misinterpretation, or misrepresentation of information, an oversight of information and a misappropriation of assets. To ensure materiality, thresholds are established whereby the value per occurrence must be in excess of \$10,000 for CANEX and \$2,000 for Non-CANEX activities;

#### **NOTES:**

- (a) Each PYA shall be explained in the notes to the financial statements; [Annex A](#) is to be completed at the base accounting level and submitted to the NPP Regional Accounting Manager. The RAM will forward to the appropriate level for approval. Once approval has been obtained, the National Financial Reporting Office will action and annotate an explanatory note on the financial statement.
- (b) Adjustments that would otherwise qualify as a PYA but do not exceed the applicable threshold shall be charged against the Miscellaneous Expense or Revenue account of the outlet or entity.
- iii. **Net Income/Loss.** This is the entity’s net income earned or loss incurred for the period ending as at the Balance Sheet date and is the total of all revenue and expense accounts of the entity. At fiscal year-end all revenue and expense accounts are closed to Retained Earnings;
- iv. **Increase/ (decrease) in Investment in Subsidiaries** This item shows the sum of the subsidiaries’ income/(loss) and any PYA’s actioned in the current year;
- v. **Closing Retained Earnings.** This is the total of subparagraphs (1) to (4),

**NOTE:** After the year-end Financial Statements have been prepared, all revenue, expense, and PYA accounts must be closed to the entity's Retained Earnings account.

- vi. **Contributed Capital.** This is the portion of an entity's equity that represents investments in the entity by its stakeholders. By definition, the Contributed Capital account cannot have a debit balance unless a bookkeeping error is made. For entities with subsidiaries, the total under this item will be the sum of the entities and the subsidiaries' Contributed Capital balances. This account is not closed to Retained Earnings at fiscal year-end;
  - vii. **Total Equity.** This is the total of subparagraphs (5) and (6), and
  - viii. **Total Liabilities and Equity.** This is the total of subparagraphs 10 (b)(13) & 10 (c)(7) and should balance to Total Assets – paragraph 10 (a)(15)
11. **General Revenue and Expense Statement.** This statement presents the consolidated results of all outlets and activities operating within the entity. Explanations for items on the statement are as follows with items that are only applicable to specific entities are annotated accordingly:
- a. **General Revenue**
    - i. **Operating Income/Loss.** This is the operating income or loss carried forward from the income statements of each outlet;
    - ii. **Contribution from CANEX (Base Fund only).** This is the CANEX Royalty received by Base Fund;
    - iii. **Contributions from Messes/Others (Base Fund only).** This is the revenue received from the messes and other entities in accordance with CFAO 27-6;
    - iv. **Interest Revenue.** This includes interest earned from cash deposited with the CFCF and from CFO authorised bank accounts or investments;
    - v. **Mess Membership (Mess only).** This is the general mess assessment received from mess members;
    - vi. **Sports Functions.** These are revenues incurred as a result of sporting events held for the benefit of military members. (All sports revenues and expenses are to be Special Function (SF) accounts linked to the applicable control account.)
    - vii. **Entertainment Functions.** These are revenues related to functions held for the benefit/entertainment of mess members. (All entertainment revenues/expenses are to be SF accounts linked to the applicable control account.)
    - viii. **Private Functions.** These are the revenues related to functions held in a mess other than for the benefit of members (e.g., weddings, etc). All private function revenues and expenses are to be recorded against private function SF accounts linked to the applicable control account.
    - ix. **Official Function** See Chapter 38 (Function Recapitulation Voucher). These revenues are recorded in a SF account linked to the applicable control account.
    - x. **Miscellaneous General Revenue.** This includes miscellaneous revenues that do not regularly occur and for which a separate account has not been established in the chart of accounts;
    - xi. **Total General Revenue.** This is the total of subparagraphs (1) to (10);
  - b. **General Expense**
    - i. **Payroll Cost-Salaries/Employer Payroll.** These are the gross amounts paid as calculated from the payroll journal. This includes all salaries, incentives, and bonuses paid by the employer for employees directly involved with the operations of the outlet. Also included are all costs to the employer resulting from employing personnel such as premiums to Canada Pension Plan (CPP), Vacation Pay, Group Medical, Government Employees' Compensation Act (GECA), bereavement commemoration, etc. For full-time employees the



- employer payroll costs will be a percentage amount of the gross amount paid (includes salaries, incentives, and bonuses paid by the employer);
- ii. **Accounting Services.** These are the accounting services user fees charged to entities based upon the costs of accounting operations. These costs may be recovered from each entity, based on a predetermined allocation;
  - iii. **Human Resources (HR) Services.** These reflect the costs of HR operations;
  - iv. **Administrative Services.** This relates solely to payroll expenses for administrative services incurred. Miscellaneous administrative expenses shall be charged against Miscellaneous General Expense;
  - v. **Maintenance and Other Support Services.** This is the cost of cleaning services, salaries for building maintenance, etc;
  - vi. **Depreciation.** This is the depreciation expense for fixed assets that cannot be logically charged to a specific outlet (e.g. equipment in the mall and common areas);
  - vii. **Travel.** This is the travel expenses incurred by the manager and staff of each outlet;
  - viii. **Contributions to Base Fund.** These are the funds remitted by the messes and other entities to the Base Fund in accordance with CFAO 27-6;
  - ix. **Loan Interest.** This reflects all interest charges on loans payable shown on the balance sheet;
  - x. **Cash Discounts Lost.** This represents all purchase discounts lost by the entity, where discount terms had been offered by suppliers for prompt payment for goods and services. This expense shall not be allocated to the outlets as the expense is incurred primarily by delays in payment of invoices;
  - xi. **Sports Functions.** These are expenses incurred as a result of sporting events held for the benefit of military members. All sports revenues and expenses are to be SF accounts linked to the applicable control account.
  - xii. **Entertainment Functions.** These are expenses related to functions held for the benefit/entertainment of mess members. All entertainment revenues/expenses are to be SF accounts linked to the applicable control account.
  - xiii. **Private Functions.** This is the expenses related to functions held in a mess other than for the benefit of mess members (e.g., weddings, etc). All private function revenues and expenses are to be recorded against private function SF accounts linked to the applicable control account.
  - xiv. **Official Function (see Chapter 38 Function Recapitulation Voucher).** These functions are linked to the applicable control account.
  - xv. **CO's Representation (Base Fund only).** This represents the expenses incurred by the CO to meet obligations to represent the Department, Command or the unit as authorized by CFAO 27-6;
  - xvi. **CFPAF Levies (Welfare Contributions Only).** In accordance with Chapter 10 (CFCF Contributions – Loans and Grants), Base Fund, subsidiaries, messes, clubs and ships' retail activities and unit, branch, regimental and group fund retail activities (e.g. kitshops) must allocate a percentage of sales to CFPAF – (0.25 % of all bar, food and retail sales. CANEX – .15 % of total sales);
  - xvii. **Contribution to HQ (CANEX only).** In accordance with Chapter 10, 1% of all sales is charged to each CANEX for CANEX HQ Expenses;
  - xviii. **Bad Debts.** Since CFCF has purchased the accounts receivable from each Base/Wing/Unit, the responsibility for bad debts and payment now rests with CFCF. Since the accounts receivable account represents uncollected amounts

already included in revenue, losses that may arise through failure to collect any of the receivables should be recognized as an expense of doing business during the same period in which the revenue was made. To cover these losses, each item reported as accounts receivable by CFCF will be charged a percentage fee to cover the estimated percentage that will not be collected. This charge will be reflected in the Base/Wing/Unit bad debt expense account. If, at the end of the fiscal year, the result indicates that the actual recovery experience of accounts receivable for an entity was different from the estimated percentage, the actual experience percentage will be utilized for the following fiscal year. Any amount charged in excess of the actual experience will be returned to the entity in the year it was charged.

- xix. **Loss/ (Gain) on Exchange Rate.** This represents the loss or gain on the revaluation of foreign currency holdings;
- xx. **Loss/ (Gain) on Disposal of Fixed Assets.** This is the amount received below or in excess of the net book value of disposed assets;
- xxi. **Base Fund Internal Grant Expense.** In accordance with Chapter 10 (CFCF Contributions – Loans and Grants), Base Funds may grant funds (Internal Grant) to Subsidiaries, Entity Funds, Units, Messes, and Institutes in support of Morale and Welfare activities to offset prior period losses, operating expenses in the current period, and/or to reduce the cost of acquiring or constructing fixed assets. All Base Fund internal grants are recorded as Base Fund grant expense and as a credit to the receiving entity’s grant revenue in the current accounting period.  
**NOTE:** Recurring grants such as annual Base Fund per capita activity grants to lodger units in support of social and recreational activities are not, for the purpose of this regulation, considered Base “internal grants” and thus are recorded as a component of normal operations.
- xxii. **Miscellaneous General Expense.** This includes miscellaneous expenses that do not regularly occur and for which a separate account has not been established in the chart of accounts;
- xxiii. **Total General Expense.** This is the total of subparagraphs (1 to (22));

- c. **Income/ (Loss) Before Internal Grant, and Extraordinary Items** section of the General Revenue and Expense (GR&E) statement. This is the result of subtracting Total General Expenses from Total General Revenues.
  - i. **Internal Grant Revenue.** In accordance with Chapter 10 (CFCF Contributions – Loans and Grants), Base Funds may grant funds (Internal Grant) to Subsidiaries, Entity Funds, Units, Messes and Institutes in support of Morale and Welfare activities to offset prior period losses, operating expenses in the current period, and/or to reduce the cost of acquiring or constructing fixed assets. All Base Fund internal grants are recorded as Base Fund grant expense and as a credit to the receiving entity’s grant revenue in the current accounting period.

**NOTES:**

- i. Recurring grants such as annual Base Fund per capita activity grants to lodger units in support of social and recreational activities are not, for the purpose of this regulation, considered Base “internal grants” and thus are recorded as a component of normal operations.

Internal grants affect the Entity profitability therefore appropriate disclosure in a note to the financial statements is necessary to assist in evaluating the impact of internal grant funds on Entity operations. The following disclosure of grant assistance shall be made:

- (a) the amount and purpose of the grant; and
- (b) the accounting month and year, the entry was actioned (see **11.(c)(1)b.**).

- ii. Disclosure notes shall be carried forward for as long as relevant for historical and comparative purposes.
- d. **Extraordinary Items.** These include revenue, expenses, gains, or losses exceeding \$2,000 resulting from transactions or events that are not expected to occur frequently over several years, do not typify the normal business activities of the entity; and do not depend primarily on decisions or determinations by management or owners. D Acct or D Fin approval (dependent upon the chain of command) is required prior to being actioned in the books of account. [Annex A](#) is to be completed and sent to NFRO. Upon approval, NFRO will record the extraordinary item(s) in the books of account and disclose in a note to the financial statements the nature of the transactions or events giving rise to the extraordinary items(s), the amount, and when the item was recorded. An example of an extraordinary item is:
- i. a hurricane causes severe damage to a Yacht Club Marina in a location where storms of this magnitude are a very rare occurrence. This situation has all the characteristics of an extraordinary item;
12. **Net Income/ (Loss) Before Distribution.** This is the net amount earned during the period by the entity;
13. **Royalties (CANEX only).** These are the amounts paid by CANEX to each Base Fund. The amount of royalties paid each month consists of the following two components:
- a. sales royalties of 0.6% (5% for CFB Suffield) of total sales (i.e. consumer plus wholesale sales);
  - b. concession royalties of 15% of YTD concession net income is paid to base fund. In circumstances when YTD Concession Net Income is negative, this royalty component will not apply.
14. **Distribution to Units.** This is the amount of funds distributed to units or organizations in accordance with special agreements;
15. **Distribution to Base Fund (Non-CANEX entities only).** This is the portion of net income transferred from entities to Base Fund. This is set at the local level by each base fund and applicable representatives.
16. **Operational Support Grant.** This is a grant given from Base Fund in support of operations under authority of Chapter 2 (Financial Concepts).
17. **Net Income/ (Loss) After Royalties and Distribution.** This is the amount which is included in Retained Earnings;
- NOTE:** The CANEX General Revenue and Expense Statement will show the total Consumer Sales and the total Wholesale Sales for all outlets at the end of the statement.
18. **Income Statement.** This statement shall be prepared for all outlets. Explanations of the items shown on the statement are as follows
- a. **Operating Revenue**
    - i. **Consumer Sales.** These are the sales of merchandise or services to consumers. Payment is generally made with cash, cheque, credit card or under the credit plan;
    - ii. **Wholesale Sales.** These are the sales of merchandise or services by CANEX outlets to non-CANEX NPP organizations (e.g. mess, Base Fund clubs). Normally these sales generate a lower gross profit margin than Consumer Sales;
    - iii. **NPP Transfers.** This is the total of NPP goods transferred from CANEX to the Public in the period. To ensure that there is no conflict of interest; goods transferred from CANEX to the Public shall be excluded from all royalty calculations. NPP Transfers are recorded net of federal and provincial sales taxes;



- iv. **Total Sales.** This is the total of amounts recorded as "Consumer Sales", "Wholesales Sales", and "NPP Transfers" for the period.
- v. **Cost of Goods Sold.** This is the difference between the cost of goods available for sale during a period and the cost of the unsold goods on the hand at the end of the period. (Beginning inventory plus cost of purchases less ending inventory). Can be estimated based on a fixed cost multiplier, perpetual inventory system or adjusted to actual based on a physical stock count.
- vi. **Gross Profit.** This is the net difference between Total Sales and the Cost of Goods Sold;

**b. Operating Expenses**

- i. **Payroll Cost-Salaries/Employer Payroll Expense.** These are the gross amounts paid as calculated from the payroll journal. This includes all salaries, incentive, and bonuses paid by the employer for employees directly involved with the operations of the outlet. Also included are all costs to the employer (the outlet) resulting from employing personnel such as premiums to Canada Pension Plan (CPP), Vacation Pay, Group Medical, Government Employees' Compensation Act (GECA), bereavement commemoration, etc. For full-time employees the employer payroll costs will be a percentage of the gross amount paid (includes salaries, incentives, and bonuses paid by the employer);
- ii. **Depreciation.** This is the charge to depreciation expense for the decline in the net book value of fixed asset items during the reporting period;
- iii. **Utilities.** This includes the cost of heating, ventilation, air conditioning services, electricity and electricity systems, water and water systems, and sewage and sewage systems;
- iv. **Advertising/Promotions.** This covers all costs (production, printing, and distribution) of advertising material used in or by the outlet. This could include local newspaper advertising or in store promotional material, promotions, special events, special entertainment or activities, public relations, prizes, gifts, draws, etc;
- v. **Club Xtra.** This covers the cost of Club Xtra gift cards redeemed at CANEX outlets;
- vi. **Supplies.** This includes the cost of supply materials (bags, wrapping paper, string, etc.) consumed in support of the sale of merchandise or services;
- vii. **Repairs and Maintenance - Furniture and Effects (F&E)** (See Chapter 28 Fixed Assets). This covers non-capitalized repairs and maintenance to F&E (e.g. repairs to electrical motors in freezer equipment, painting of vehicles, etc);
- viii. **Repairs and Maintenance - Buildings.** (See Chapter 28 Fixed Assets). This covers non-capitalized repairs and maintenance to the building not considered a public responsibility (e.g. floor cleaning);
- ix. **Telecommunications.** This includes all telecommunication costs (telephone, mobile, message centre, and technical services) that are not a public responsibility. See A-PS-110-001/AG-002 for further information.
- x. **Cash (Over)/Short.** This includes the daily cashiers over/short reported on the Daily Sales Report (DSR) and any verified differences reported by the bank;
- xi. **Equipment Rental.** This includes the cost of any rented equipment;
- xii. **Travel.** This includes all costs of travel incurred by NPP outlet employees on behalf of the outlet;
- xiii. **Stationery.** This covers all expenditures for outlet office supplies;
- xiv. **Postage.** This includes all outlet postage and courier services expenses.

- xv. **Credit Card Fees.** These are the service charges associated with processing credit cards and debit cards;
- xvi. **Terminal Fees.** These are the fees paid for each terminal setup within an outlet;
- xvii. **Bar Mix.** This includes bar mix costs which, as a matter of policy, are expensed immediately;
- xviii. **Bar Snacks.** This includes those bar snack items provided free of charge which, as a matter of policy, are expensed immediately;
- xix. **Janitorial/Cleaning.** This covers all cleaning expenses except payroll which will be charged against the payroll expense account;
- xx. **Vehicle Expense** This includes vehicle costs such as gas, and repairs incurred in maintaining vehicles for outlet use;
- xxi. **Loan Interest.** This reflects all interest charges on loans payable shown on the balance sheet;
- xxii. **Miscellaneous Operating Expense.** This includes miscellaneous expenses which do not regularly occur and for which a separate account has not been established.
- xxiii. **Total Operating Expense.** This is the total of subparagraphs (1) to (22).

c. **Other Revenue**

- i. **Commission Revenue.** This is, for example, a commission paid to the outlet by the Lottery Corporation when a winning lottery ticket is sold to a customer. Commission on the sale of Money Orders is another example;
  - ii. **Miscellaneous Revenue.** This includes miscellaneous revenues which do not regularly occur and for which a separate account has not been established in the chart of accounts;
- d. **Operating Income/ (Loss).** This is the total of gross profit minus operating expenses plus other revenue. This amount is carried over to the General Revenue and Expense Statement.

**NOTE:** For CANEX Income Statements that include Department 40 (gasoline) or Department 46 (propane), the number of litres sold is to be indicated at the bottom of the Income Statement.

## NOTES TO FINANCIAL STATEMENTS

- 19. Notes are an integral part of the financial statements required in circumstances where there is a need to provide management with further clarification and/or an explanation of financial items presented. Notes may take the form of an explanation in narrative form or a schedule. Schedules are generally used to break down an amount in the financial statements (e.g., when that amount is a total of more than one general ledger account). When a narrative format is used, the financial statement item is cross-referenced to the note and the note shall include the amount of the entry, the date the entry was made, and a brief narrative of the issue giving rise to the note.
- 20. Circumstances requiring a note to the financial statements include but are not limited to:
  - a. All contributed capital entries;
  - b. All prior year adjustments;
  - c. All extraordinary revenue or expense items;
  - d. Financial statements deemed incomplete or inaccurate;

- e. All investments in third party organizations; and
- f. Any direct adjustment to retained earnings other than the normal year-end closing of the operating revenue and expense accounts.

[Annex A - Request approval for prior year adjustment and extraordinary item](#)