

NON-MONETARY TRANSACTIONS: ASPE 3831

Definition:

Non-monetary transactions are either:

- **non-monetary exchanges**, which are exchanges of non-monetary assets, liabilities or services for other non-monetary assets, liabilities or services with **little or no monetary** consideration involved; or
 - if you receive more than a little cash; it is no longer considered non-monetary
- **non-monetary non-reciprocal transfers**, which are transfers of non-monetary assets, liabilities or services **without consideration**. Non-reciprocal transfers include, but are not limited to:
 - donations of non-monetary assets or services;
 - payments of dividends-in-kind;
 - stock dividends when the shareholder has the option of receiving cash or shares; and
 - the distribution of assets to owners in the liquidation of all or part of an entity.

Measurement

- An entity shall measure an asset **exchanged** or **transferred** in a non-monetary transaction at the **more reliably measurable of the fair value of the asset given up** and the **fair value of the asset received**, unless:
 - 1) the transaction **lacks commercial substance**;
 - 2) the transaction is an exchange of a product held for sale in the ordinary course of business for a product to be sold in the same line of business to **facilitate sales to customers other than the parties to the exchange (i.e. trade blue car for red car by a dealership)**;
 - 3) neither the fair value of the asset received nor the fair value of the asset given up is reliably **measurable**; or
- assets not measured at fair value due to the 3 reasons above are measured at the **carrying value of the asset given up**
- **Commercial substance**
 - A non-monetary transaction has commercial substance when:
 - 1) the **risk, timing and amount** of the future cash flows of the asset received differs significantly from the risk, timing and amount of the cash flows of the asset given up; **or**
 - 2) the **entity-specific value** of the asset received differs from the entity-specific value of the asset given up
 - Entity-specific value, resulting from entity-specific measurement, differs from fair value. It attempts to capture the value of an item to the reporting entity. The entity uses its expectations about its use of the asset rather than the use assumed by marketplace participants.
- **gains and losses** resulting from a non-monetary transaction is recognized in **net income** for the period

Comparison to IFRS

- IFRS doesn't have a separate section for non-monetary transactions; instead it is covered in other standards such as (IAS 16 – PPE, IAS 18- Revenue, IAS 38 – Intangible assets)
- Under IFRS, the measurement is the same as ASPE; however, for **revenue earning transaction use FV of asset received (if known, if not known use FV of asset given up)**