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GLOSSARY OF TERMS

**WHITE PAPER ON APPLYING THE ACQUISITION METHOD FOR A
BUSINESS COMBINATION**

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100. INTRODUCTION

101. REAL PROPERTY ASSOCIATION OF CANADA

101.1. The Canadian Institute of Public Real Estate Companies (CIPREC) was established in 1970 to represent the unique position of publicly-owned real estate investment and development companies. Since its inception, the Association has undergone two name changes. In 1999, the Association changed its name to the Canadian Institute of Public and Private Real Estate Companies (CIPPREC) to reflect its wider member base. On March 31, 2005, the Association changed its name from CIPPREC to the Real Property Association of Canada (REALPAC) to reflect the new vision of its members.

101.2. REALPAC continues to be Canada's premier industry association for investment real property leaders. The Association's mission is to bring together the country's investment real property leaders to collectively influence public policy, to educate government and the public, and to ensure stable and beneficial real estate capital and property markets in Canada.

101.3. REALPAC members currently own real estate assets located in the major centres across Canada and include real estate investment trusts, publicly traded and large private companies, banks, brokerages, crown corporations, investment dealers, life companies, lenders and pension funds. Assets include retail, office, industrial, hotel, multi-residential (apartments) and seniors housing.

101.4. REALPAC operates in several areas including advocacy, research, financial best practices, standard setting, publishing, conferences and networking events.

101.5. In regard to advocacy and the development of financial best practices involving global standards, that is, projects undertaken by the International Accounting Standards Board and/or the Financial Accounting Standards Board (U.S.), REALPAC partners with other global real estate associations through its active participation in the Real Estate Equity Securitization Alliance (REESA). REESA's objective is to develop consensus views globally on accounting and financial reporting matters, as well as on the application of accounting standards. Current REESA members include:

Asia Pacific Real Estate Association (APREA); Association of Real Estate Securitization (Japan) (ARES); British Property Federation (BPF); European Public Real Estate Association (EPRA); National Association of Real Estate Investment Trusts (NAREIT®); Property Council of Australia (PCA); and REALPAC.

102. THE ORIGINAL ACCOUNTING PRACTICES HANDBOOK

102.1. In 1970, the Association recognized the need to improve financial reporting within the real estate investment and development industry. At that time, there were considerable variations in accounting practices from company to company for similar transactions. The Association supported generally accepted accounting principles (GAAP) as standards for financial reporting and also recognized that the AcSB was the sole accounting standard-setting body in Canada. The Association further acknowledged that the CPA Canada Handbook – Accounting was the primary source for GAAP. However, since the AcSB had not issued rules for particular industries, a gap had developed in applying the AcSB rules to transactions within the real estate industry. The Association believed that the nature of the real estate industry was such that in certain areas, specialized accounting practices, consistent with GAAP, must be formulated and adopted together with a more meaningful disclosure of the practices used to enable investors and others to more fully understand the financial affairs of the companies involved. As a result, the Association published the first edition of its Handbook, *Recommended Accounting Practices for Real Estate Companies*.

102.2. Since 1970, the recommendations in the REALPAC Handbook have received widespread acceptance in the industry as evidenced by many companies disclosing in their financial statements that their accounting policies and standards of disclosure are substantially in accordance with such recommendations.

102.3. In January 2006, the AcSB announced its decision to require all publicly accountable enterprises (as defined by the AcSB) to report in accordance with International Financial Reporting Standards (IFRS) effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. In addition, in 2009, the AcSB announced that it approved Canadian financial reporting standards specifically for private enterprises (Accounting Standards for Private Enterprises (ASPE)), also for

years beginning on or after January 1, 2011. Early adoption was available for both IFRS and ASPE. Further, private enterprises are permitted to apply IFRS in place of ASPE.

102.4. The significant changes to GAAP in Canada meant that the current edition of the REALPAC Handbook would no longer be relevant for both publicly accountable enterprises and private enterprises by 2011. It would be necessary to re-write the REALPAC Handbook into two separate editions, one that addressed guidance for enterprises reporting in accordance with IFRS and one that addressed guidance for enterprises reporting in accordance with ASPE.

102.5. The first edition of the *REALPAC Handbook: Recommended Accounting Practices for Real Estate Investment and Development Entities Reporting in Accordance with IFRS* (also referred to as the “REALPAC IFRS Handbook”) was published in June 2010.

102.6. The first edition of the *REALPAC Handbook: Recommended Accounting Practices for Real Estate Investment and Development Entities Reporting in Accordance with ASPE* (referred to as the “REALPAC ASPE Handbook”) was published in 2011.

102.7. This second edition of the REALPAC ASPE Handbook addresses changes made to ASPE since 2011, including 1591 *Subsidiaries*, 3051 *Investments* and 3056 *Interests in Joint Arrangements*.

103. THE REALPAC ASPE HANDBOOK

103.1. PREPARATION

103.1.1. The real estate industry is an increasingly complex one whose only common denominator is that the activities of all entities involved are associated in some way with land or buildings or both. It includes entities that buy and sell undeveloped land, entities that develop land for sale or for construction of their own buildings thereon, entities that construct buildings for sale or for retention as income-producing properties and entities that engage in a combination of some or all of these activities. Often these activities are carried out through joint ownership arrangements. To further complicate matters from an accounting viewpoint, the accounting may be different depending on the stage of development or depending on the nature of the activities carried on

by a particular entity, that is, whether the related asset is held for inventory or investment purposes.

103.1.2. REALPAC continues to acknowledge that the AcSB is the organization authorized to establish financial accounting standards in Canada.

REALPAC believes that it has a responsibility to provide guidance to its members on the application of GAAP to enable members to both reflect the uniqueness of complex transactions and more consistently account for similar transactions. Accordingly, the REALPAC ASPE Handbook has been written to document currently acceptable practice in Canada for transactions that are occurring today for private enterprises choosing to report under Part II of the CPA Canada Handbook – Accounting (Accounting Standards for Private Enterprises).

103.1.3. The recommendations represent the views of REALPAC as to the interpretation and application of generally accepted accounting principles for the real estate investment and development industry in Canada. REALPAC believes that adherence to the recommendations will ensure compliance with generally accepted accounting principles in Canada.

103.1.4. With the addition of Part I – International Financial Reporting Standards (IFRS) to the CPA Canada Handbook – Accounting, REALPAC has considered IFRS in establishing its recommendations. In addition, because the codification of accounting principles from official standard-setting authorities in the United States is generally greater than in Canada, REALPAC has also considered the rules in the United States (U.S. GAAP) in establishing its recommendations since certain of those rules have been absorbed into Canadian practice. As with accounting in general, however, there are differences in accounting practice for the real estate industry between Canadian entities reporting under IFRS, entities reporting under U.S. GAAP and private entities reporting under ASPE.

103.1.5. REALPAC has attempted to eliminate the variations in accounting practices from entity to entity, and in most instances has chosen one practice as being the most appropriate in the circumstances. Where two or more practices for the same transaction have gained widespread acceptance, REALPAC has attempted to state a preference for one approach but, in some areas, has noted that another may also be acceptable.

103.2. APPLICATION

103.2.1. REALPAC has tried to make the REALPAC ASPE Handbook as inclusive as possible based on knowledge of the usual types of transactions and accounting issues being addressed at the time the material was prepared. Because of the unique nature of certain transactions and the ever-changing ways of undertaking real estate deals, the REALPAC ASPE Handbook cannot provide guidance in all situations. REALPAC recognizes that professional judgement forms the basis for the preparation of financial statements, which means that there may be more than one legitimate way of measuring events or presenting financial data in a particular case.

103.2.2. No recommendation is intended to override a governing statute. Similarly, in acknowledgement of the role of the AcSB, no recommendation is intended to override an AcSB recommendation.

103.2.3. Recommendations should not be considered to have retroactive effect, unless specified, although retroactive adjustments may be appropriate or desirable.

103.2.4. Recommendations are also not to be applied to immaterial items.

103.3. IDENTIFICATION OF RECOMMENDATIONS

103.3.1. All recommendations have been set in bold type in order to highlight them. In addition to recommendations, the material includes explanatory background material and suggestions as to other practices that REALPAC believes may be appropriate.

103.4. IDENTIFICATION OF DEFINED TERMS

103.4.1. All defined terms have been set in italics. The definitions can be found in the GLOSSARY OF TERMS section of the REALPAC ASPE Handbook.

103.5. ADDITIONS AND REVISIONS

103.5.1. As both the accounting and real estate environments change, REALPAC intends to update sections of the REALPAC ASPE Handbook to keep it current. Amendments will be issued periodically by REALPAC

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for insertion in the REALPAC ASPE Handbook, and changes in existing recommendations will be reflected by the replacement of the relevant page or pages.

103.5.2. REALPAC will monitor the activities of the AcSB on an ongoing basis. Any new or amended standard in Part II of the CPA Canada Handbook – Accounting issued will be reviewed to determine if a revision or update is required to the REALPAC ASPE Handbook.

103.5.3. Private entities have the choice of reporting under either IFRS (Part I of the CPA Canada Handbook – Accounting) or ASPE (Part II of the CPA Canada Handbook – Accounting) for years beginning on or after January 1, 2011. For REALPAC guidance on reporting under IFRS, refer to the REALPAC IFRS Handbook.

103.6. FURTHER INFORMATION

103.6.1. Reference should be made to REALPAC for further information on any of the topics covered in this REALPAC ASPE Handbook.

103.7. CONTENTS

103.7.1. The topics covered are listed in the TABLE OF CONTENTS and the INDEX.