

Modified Accrual Accounting Option

GENERAL INFORMATION

The Modified Accrual Accounting Option (MAAO) is an optional CAIS program feature that allows participants to adjust their reference margin for net changes in inventories, deferred income and receivables, and accounts payable over the 1998 - 2002 reference period. To substantiate their inventories, deferred income and receivables, and accounts payable for each year in the reference period, participants must submit either:

- a) financial statements that were submitted to and accepted by a lending institution, detailing the applicant's opening and ending inventories, deferred income and receivables, and accounts payable for each of the reference years; or,
- b) completed Modified Accrual Accounting Option Schedules for each of the reference years.

MAAO Schedules and financial statements are subject to verification by the CAIS Administration.

IMPORTANT NOTE: Once the MAAO is used by a participant, they will have modified accrual reference margins applied for the remainder of their participation in the CAIS program.

The MAAO form is only one part of the CAIS application. You must also complete form T1163 – *CAIS Program Information and Statement of Farming Activities for Individuals and the CAIS Supplementary Form* to be eligible to participate in CAIS.

ELIGIBILITY

CAIS participants must meet the eligibility criteria set out in Section 3.1 of the *CAIS Program Handbook*.

CAIS Participants may only use modified accrual adjustments for those reference years reported on the cash basis. Reference years reported to Canada Revenue Agency (CRA) on the cash basis but to NISA on the accrual basis cannot be adjusted using the MAAO form.

Partnerships: Each partner in a partnership must submit separate MAAO forms, reporting 100% of the partnership's information.

USING THE MAAO

For the 2003 program year, a completed MAAO form may be submitted at any time up to ninety (90) days after the date indicated on a participant's original Calculation of Program Benefits Notice for the 2003 program year. Where possible, the MAAO form should be submitted with a participant's Supplementary Form.

Send completed MAAO forms to:

CAIS Administration
PO Box 3200 Station Main
Winnipeg, MB R3C 5R7

A participant will have ninety (90) days from the date indicated on their Calculation of Program Benefits Notice to request an adjustment to information submitted on the MAAO, or to withdraw a MAAO submission.

COMPLETING THE SCHEDULES

If you wish to use the MAAO, you must complete and submit Schedules RA-1 through RA-6.

If you began farming after 1998, complete only those years in which you reported farming income to CRA by reporting the inventories, deferred income and receivables, and accounts payable for all years that you farmed.

The quantity of purchased inputs, crops, and livestock inventories, deferred income and receivables, and accounts payable at the end of 2002 must match the quantity of purchased inputs, crops, and livestock inventories, deferred income and receivables, and accounts payable at the start of 2003 that you report on your *CAIS 2003 Supplementary Form*. The acreage information reported on RA 2-6 must match the acreage information reported on the Historical Information page of your *CAIS 2003 Supplementary Form*.

Purchased Inputs: List all allowable purchased inputs and the dollar amounts that you had on hand (including those for prepaid inputs) at the start and the end of each fiscal year. Subtract the total of column "Start" from the total of column "End" to determine your net increase (decrease) in deferred income and receivables by year.

Deferred Income and Receivables: Provide a description of all allowable deferred income and receivables, and enter the dollar values that you had for each at the beginning in column "Start", and at the end in column "End" for each fiscal year. Subtract the total of column "Start" from the total of column "End" to determine your net increase (decrease) in deferred income and receivables by year.

Accounts Payable: Provide a description of all allowable accounts payable, and enter the dollar values that you had for each at the beginning in column "Start" and at the end in column "End" for each fiscal year. Subtract the total of column "End" from the total of column "Start" for each year to determine your net decrease (increase) in accounts payable by year.

Crops: List all the crops, their grades or varieties, and the detail of all production and usage information for each fiscal year.

Livestock: List all the livestock, their class, and the detail of all production and usage information for each fiscal year.

For the purposes of valuing the net change in your crops and livestock inventories over the reference period, you must use the prices provided on the *MAAO Price List*. The prices provided in this list are for each commodity for each year over the 1998-2002 period.

Using Fair Market Values (FMV's) other than those in the MAAO Price List: You may use alternative FMV's than those in the *MAAO Price List* only if:

- your commodity is substantially different than the commodity listed on the published price list; or,
- your method of marketing the commodity was substantially different than the general marketing practice reflected in the published price list.

In either of these cases, you may use FMV's based on sales or purchases of the specific commodity in your name occurring within 30 days before or after your fiscal year-end. For your own FMV's to be accepted, you must submit copies of receipts and/or supporting documents that substantiate these FMV's with your form.

FMV's for Commodities not listed in the MAAO Price List: Where the *MAAO Price List* does not provide a FMV for a specific commodity, you must provide a FMV for your commodity. Although it is not mandatory for you to provide documentation supporting prices submitted for unpublished commodities, doing so will assist the CAIS Administration in determining whether the FMV you have submitted is reasonable for your farming operation. Supporting documentation includes:

- receipts from sales or purchases of the commodity;
- price information from appropriate commodity marketing agencies.

Note: CAIS reserves the right to determine whether submitted prices are reasonable for your farming operation.

SCHEDULE RA-1

Complete Schedule RA-1 if you cannot provide the CAIS Administration with copies of financial statements submitted to and accepted by a lending institution detailing your inventories. For further information on purchased inputs, deferred income and receivables, and accounts payable, refer to the *CAIS Program Handbook* and the *CAIS Guide to Completing the Supplementary Form*.

SCHEDULE RA-2, RA-3, RA-4, RA-5, AND RA-6

Complete Schedule(s) RA-2, RA-3, RA-4, RA-5 and RA-6 (each year that is applicable) if you cannot provide the CAIS Administration with copies of financial statements submitted to and accepted by a lending institution detailing your inventories. For further information on purchased inputs, deferred income and receivables, and accounts payable, refer to the *CAIS Program Handbook* and the *CAIS Guide to Completing the Supplementary Form*.