Government of Canada Gouvernement du Canada

Directive on Accounting Standards: GC 4100 Specified Purpose Accounts

Note to reader

This document is part of the Appendix A of the Directive on Accounting Standards.

A. Primary PSAS reference

PS 3100 Restricted assets and revenues

B. Effective date

April 1, 2017

C. Government of Canada Consolidated Financial Statements

1. Specified purpose accounts (SPAs) is a classification of accounts established in the Accounts of Canada used to record revenues deposited into, and money payable out of, the Consolidated Revenue Fund (CRF) under statutory authorities for specified purposes.

2. SPAs are established in one of two ways:
    a. SPAs that record special purpose money (money received or collected from outside parties and deposited in the CRF pursuant to section 21(1) of the Financial Administration Act) are established based on an agreement (such as an act, trust, treaty, or contract) with an external party. The money may only be disbursed for the purpose specified in the agreement under which it is received. Additionally, there must be a direct link between monies received and monies disbursed, including any interest that may be authorized. Section 21(1) is also the authority for the creation of these SPAs.
    b. For SPAs that do not record special purpose money, the authority to open an SPA is the specific legislation that either expressly creates the account, or implies authority for its creation. The Government may earmark or place its own restrictions on the use of this money through legislation; however, this does not make it special purpose money.
3. In order to determine whether the establishment of an SPA is permitted and how to account for the money, each arrangement must be evaluated on a case-by-case basis. Refer to the Directive on Charging and Special Financial Authorities for further details.
4. For accounting purposes in the Government of Canada's consolidated financial statements and in Departmental Financial Statements, SPAs are categorized as consolidated, non-consolidated, or deferred revenue SPAs, based on the nature of the money received and the related restrictions.
    a. **Consolidated specified purpose accounts**

Consolidated specified purpose accounts are a category of SPAs where legislation requires that revenues received for a specified purpose must be credited to the account and that related payments must be charged to the account. Fundamentally, these accounts represent internally restricted entities as per PS 3100.04(b) and the restrictions are imposed by the Government's own legislation (PS 3100.20). These accounts are principally used where the activities are similar in nature to departmental activities; the transactions do not represent a future liability to a third party; and in essence they represent government revenues and expenses. The net balance of consolidated SPAs is reported separately as a component of the Government's accumulated deficit.

Examples: Employment insurance operating account; specifically earmarked court awards; and certain endowment accounts.

b. **Non-consolidated specified purpose accounts**

Non-consolidated specified purpose accounts are recorded as liabilities, as they represent a financial obligation of the Government, either to the parties from whom the funds were received or where a statutory or contractual obligation exists. Notwithstanding PS 1300.04, trusts are recorded as liabilities by the Government to comply with section 21(1) of the FAA. In the case of a cost-sharing or joint project arrangement, when the funds received from an outside party are an advance to cover future expenses that belong to the outside party, the funds are to be recorded as a liability of the department.

Examples: Deposit accounts, trusts, certain cost-sharing agreements, certain insurance and pension accounts.

c. **Deferred revenue specified purpose accounts**

Deferred revenue specified purpose accounts represent an obligation of the Government to spend funds received for a specified purpose. The revenues and expenditures of the account are included in those of the Government once the specified purpose has been realized. In the case of a cost-sharing or joint project agreement, when funds received from an outside party are considered a contribution towards expenses to be incurred by the department, the funds are to be recorded as deferred revenue of the department.

Examples: Restricted donations and bequests of financial assets, certain endowment accounts and certain cost-sharing agreements.

D. Departmental Financial Statements

Applies without additional policy choices or interpretation for Departmental Financial Statements.

E. Other related references

PS 1300 Government reporting entity [1]

PSG-4 Funds and Reserves [1]

Financial Administration Act, Section 21(1)

Footnotes

1 Please note that a CPA Canada membership or annual subscription is necessary to access this content.

Date modified: 2023-05-01