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# Directive on Accounting Standards: GC 5100 Payables at Year-End

## Note to reader

This document is part of the Appendix A of the [Directive on Accounting Standards](#).

## A. Primary PSAS reference

N/A

## B. Effective date

April 1, 2017

## C. Overview

1. This section provides further guidance on the application of section 37.1 of the [Financial Administration Act \(FAA\)](#).
2. The timing of when a transaction should be recorded for accrual accounting purposes (i.e. an expense) may not coincide with the charging of the transaction as an expenditure against the

appropriation, since the basis of accounting is different (i.e. accrual accounting vs. expenditure basis of accounting). For the purpose of this section, the term “payable” is used to represent transactions that are to be charged against the appropriation at year-end. As a result, this section focuses on whether transactions are payables that are to be charged against appropriations at fiscal year-end. It does not cover whether transactions should be recorded in accordance with the Government’s stated accounting policies, which are based on Public Sector Accounting Standards. Liabilities, including allowances, should be recorded in the financial statements in accordance with Public Sector Accounting Standards and the Government of Canada Accounting Handbook.

3. Appropriations represent spending authority that is approved by Parliament. In order to accurately measure the use of this authority and to demonstrate accountability for departmental spending, the appropriate recording and reporting of all payables as at year-end is essential.
4. Payables resulting in a charge against an appropriation are certified in accordance with section 33 of the FAA, following certification pursuant to section 34 of the FAA by individuals who are responsible for the performance of account verification and who have delegated financial signing authority.
5. Payables can be determined and recorded on an individual basis, or by group or class of recipients when practical and economical to do so.
6. When the exact value of the payable cannot be determined, an estimate is used to record the amount of the payable, provided that a reasonably accurate value can be assigned. An audit trail allowing verification of the reasonableness of the estimate is to be kept.

7. Payables are to be charged to the appropriation if the following conditions are met at March 31:

- a. in the case of debt incurred for work, the work has been satisfactorily performed whether or not the amount of the debt is due;
- b. in the case of debt incurred for goods, the goods have been satisfactorily received and ownership is obtained whether or not the amount of the debt is due;
- c. in the case of debt incurred for services, the services have been satisfactorily rendered whether or not the amount of the debt is due;
- d. in the case of an amount payable between federal organizations, it is subject to conditions listed above as if it is a debt;
- e. in the case of a debt resulting from a transfer payment, the amount is due; that is, the Government's obligation to make a transfer payment and/or the entitlement of the recipient to receive a transfer payment has been established;
- f. in all other cases, the amount of the debt is due and owed according to a contractual agreement or other legally binding agreement or memorandum of understanding; and,
- g. in all cases, the amount of the debt should be substantiated (i.e. is auditable) and valued.

## D. Work-in-process

8. The value of work performed and services rendered is determined on the basis of performance up to year-end and on billings or estimates of the debt owing for the related performance.

## E. Acquisition of real property not already in the name of the Crown

9. A payable is recorded and charged to the appropriation when:
- a. there is a binding purchase agreement at year-end;
  - b. all required approvals have been obtained; and,
  - c. title to the property has been obtained or, under exceptional circumstances, title has not been obtained but the Crown has effective use and control over the real property.

## F. Salaries

10. Salaries and wages owed at year-end, such as regular salaries, overtime, unused compensatory leave, extra duty, shift work, and performance management pay for work performed as at year-end, or unused vacation leave in excess of carry-over provisions stipulated in collective agreements, are recorded as payables and charged to the relevant appropriation.
11. Payables owed to employees for severance pay or other separation entitlements are charged to the relevant appropriation when they become due and owing to the employee. The circumstances and related terms and conditions for each type of entitlement (e.g. severance pay, education allowance, transitional support measure) must be assessed individually in order to determine when the amount becomes due and owing to the employee.
12. Unpaid amounts for employees seconded or transferred are recorded as payables and charged to the appropriation.
13. Retroactive wage and salary settlements owed are recorded as payables and charged to the appropriation when salary agreements have been ratified and signed on or before March 31.

## **G. Advance payments**

14. Payables for advance payments that are due on or before year-end are recorded and charged to the appropriation if they meet the requirements described in the Directive on Payments.

## **H. Holdbacks**

15. Payables for which there is a holdback of payment for work performed, service rendered or goods received are recorded and charged to the appropriation for both the net amount due and the holdback at year-end. Payables relating to holdbacks on transfer payments are recorded and charged to the appropriation only when the amounts of holdbacks are due and owing at year-end.

## **I. Issuing of loans**

16. Payables for loans are recorded and charged to the appropriation if, in accordance with the loan agreement, the conditions for payment are met by year-end.

## **J. Transfer Payments**

17. Payables for transfer payments should be charged against the appropriation as long as:
  - a. the transfer payment is authorized;
  - b. all eligibility criteria have been met by the recipient;
  - c. a funding agreement has been signed by both parties, when an agreement is required by the program; and,
  - d. the Government's obligation to make the payment and/or the entitlement of the recipient to receive the payment has

been established at year-end.

18. The Government's obligation or recipient's entitlement is established at year-end only when:

a. Grants

- i. the grant payment is due and owing at year-end;
- ii. a commitment to payment has been made and approved by a designated authorized person pursuant to section 34 of the FAA.

b. Contributions

- i. for a shared cost reimbursement arrangement, the amount represents eligible expenses incurred by the recipient up to year-end and is determined by reference to a payment claim or based on an estimate with supporting documentation submitted by the recipient;
- ii. for a shared cost financing arrangement, all the conditions for payment are met and the amount is due and owing by year-end pursuant to the funding arrangement;
- iii. for all other cases, a claim for payment has to be received by the department to establish entitlement by the recipient by year-end. If, in exceptional circumstances, an advance payment has to be made, such condition is to be included in the funding arrangement.

19. Payables are not recorded at year-end for entitlements of certain continuing benefit programs (e.g. Old Age Security and Employment Insurance benefits) since such payments remain valid only on a

month-to-month basis. However, payables must be recorded for eligible retroactive payments that have been verified and quantified for the portion up to year-end or for the amounts already owed to eligible individuals but not yet paid at year-end.

20. In certain cases where an accrued allowance or liability has been recorded, such as for a series of payments in an up-front multi-year funding agreement, the previously accrued amount should be reduced by the amount payable recorded at March 31.

## **K. Departmental payables to Crown corporations**

21. Where a department provides financing to a Crown corporation through a drawdown of funds from an appropriation, the department is responsible for recording amounts payable to the Crown Corporation. However, when responsibility and signing authority to draw from the Consolidated Revenue Fund have been delegated to the corporation, the department must require a designated officer of the corporation to be responsible for recording payables and charges against appropriations according to this section.
22. The following amounts are recorded as payables, provided that all the requirements in the Directive on Public Money and Receivables are met:
- a. amounts payable to a Crown corporation as at year-end by the Government of Canada in accordance with the terms of a contribution arrangement;
  - b. amounts payable to a Crown corporation as at year-end by the Government of Canada under the provisions of a vote

which specifically provides for the reimbursement of expenses or costs incurred by the corporation and,  
c. amounts owing to a Crown corporation as at year-end by the Government of Canada in respect of program, operating or capital expenses incurred by the corporation as at year-end.

## **L. Ex gratia**

23. A payable is not charged against the appropriation for an ex gratia payment unless the deputy head or his/her delegate has formally approved such payment through section 34 of the FAA and the economic event, if applicable, occurred before year-end.

## **M. Claims against the Crown**

24. Payables are only charged against an appropriation if all required authorizations as specified in the Directive on Payments have been obtained before year-end.

## **N. Specified purpose accounts**

25. Payables are charged against the specified purpose accounts when appropriate.

## **O. Sales Tax**

26. Goods and Services Tax (GST) and Harmonized Sales Tax (HST) amounts are to be recorded in the GST-HST Refundable Advance Account when payables are recorded against an appropriation. Similarly, the amount of Quebec Sales Tax (QST), if applicable, is to



be recorded in the QST Refundable Advance Account when payables are recorded against an appropriation.

## **P. Materiality limit**

27. Payables incurred up to and including March 31 that exceed the lesser of \$5,000 or one-half of one percent of the appropriation authority are charged to existing voted or statutory appropriations and recorded in the appropriate payable account as described in the Government-wide Chart of Accounts for Canada.
28. A lower materiality limit, other than that referenced in paragraph 20.1 above, may be established as appropriate by departments.

## **Q. Settlement of payables – voted appropriations**

29. Payables recorded during the fiscal year or at year-end are either cleared following settlement or revalued before the close of the subsequent accounting period.
30. When the amount paid to settle a payable is less than the amount of the recorded payable, the excess is applied, as needed, against another debt that was underestimated or for which no payable was recorded, provided that both debts were chargeable to the same appropriation. This means that:
  - a. for voted appropriations, the appropriation was given for the same fiscal year; and,
  - b. all other authorities, such as those related to grants, are respected.
31. When the total of all settlements is less than the recorded payable, any remaining balance is to be credited to current year non-tax, non-

responsible revenue, rather than the current year appropriation.

32. When the total of all settlements exceeds the recorded payable, the excess is to be charged to the new fiscal year appropriation.

## **R. Settlement of payables – statutory appropriations**

33. Settlement of payables recorded during the year or at year-end, is treated in one of two methods:
- a. payments may be cleared against the payable account in which the payable was originally recorded; or
  - b. the balance of recorded payables may be reversed against the new fiscal year's appropriation and payments charged to the appropriation.

## **S. Carry-forward and removal of payables**

34. Payables to outside organizations or individuals remain recorded until settled or for as long as the debts exist. Therefore, they are to be carried forward from fiscal year to fiscal year until they cease to exist.
35. Payables to other government departments and Crown corporations are reversed based on mutual agreement.
36. Recorded amounts that cease to be payables are cleared from the accounts before the end of the fiscal year in which they cease to be debts. If this circumstance arises and relates to a payable set up in the current year, it should be credited to the original appropriation. Should the payable stem from a previous fiscal year, it is to be credited:

- a. to the other revenue authority code (Adjustments of Previous Years Accounts Payable (PAYE)) as specified in the Government-wide Chart of Accounts for Canada for amounts charged to lapsing or expired appropriations;
- b. to a revolving fund if the amount was originally charged against a revolving fund authority; or
- c. to the statutory authority against which the original debt was charged.

## **T. Receivables credited to appropriations**

- 37. Only receivables resulting from recoveries and revenue transactions with other government departments are credited to an appropriation at year-end.

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