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Directive on Accounting Standards: GC 3320 Contingent Assets

Note to reader

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

A. Primary PSAS reference

PS 3320 Contingent assets

B. Effective date

April 1, 2017

C. Government of Canada Consolidated Financial Statements

1. Contingent assets may exist at departments as a result of various activities. An example is litigation initiated by the Government in which recovery of funds or punitive damages are reasonably expected to be received. (PS 3320.08)

2. Contingent assets are not recognized in the financial statements but are disclosed in the notes to the financial statements in accordance with PS 3320.12-.20. Further to PS 3320.12, the uncertainty relating to the occurrence or non-occurrence of future event(s) can be expressed by a range of probabilities. As a guideline, the range of probabilities can be broadly defined as:
 - a. Likely: a greater than 70% probability;
 - b. Unlikely: a less than 30% probability; and
 - c. Not determinable: a probability between 30% and 70%.
3. To illustrate the application of the accounting treatment related to contingent assets in specific situations please refer to the table below:

	Likelihood of future event		
	Likely	Not determinable	Unlikely
Amount estimable	Disclose in notes	Do not disclose in notes or record	Do not disclose in notes or record
Amount Not estimable	Disclose in notes	Do not disclose in notes or record	Do not disclose in notes or record

4. If applicable, an updated legal opinion from the Department of Justice should be solicited for litigation items for each year-end at minimum; more frequent updates should be obtained for significant items.
5. Further to PS 3320.18, particular care should be taken in wording the disclosure of contingent assets that are confidential or sensitive in nature. Care should also be exercised in the disclosure of contingent assets to avoid misleading implications as to the likelihood of

realization. Departments may wish to consult with the Office of the Comptroller General of Canada for proposed note disclosure.

D. Departmental Financial Statements

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

E. Other related references

[PS 3300 Contingent liabilities](#) ¹

[PS 3310 Loan guarantees](#) ¹

[GC 3300-3310 Contingent Liabilities & Loan Guarantees](#)

Footnotes

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

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