SECTION PS 3410
government transfers

Basis for Conclusions

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PURPOSE AND SCOPE

.01 This Section establishes standards on how to account for and report government transfers to individuals, organizations and other governments from both a transferring government and a recipient government perspective.

.02 In this Section, terms that appear in **bold type** are defined in the glossary.

.03 A decision tree in Appendix A illustrates how the recognition criteria would be applied by transferring and recipient governments. Appendix B distinguishes entitlements and shared cost agreements from other transfers.

.04 Government transfers are transfers of **monetary assets** or tangible capital assets from a government to an individual, an organization or another government for which the government making the transfer does not:

(a) receive any goods or services directly in return, as would occur in a purchase / sale or other exchange transaction;

(b) expect to be repaid in the future, as would be expected in a loan; or

(c) expect a direct financial return, as would be expected in an investment.

.05 This Section does not deal with:

(a) transfers made through a tax system that are authorized through tax legislation; 1

(b) grants in lieu of taxes; 2

(c) settlements of lawsuits or other types of legal compensation provided by governments;

(d) Canada Pension Plan (CPP) and Quebec Pension Plan (QPP) payments; 3 and

(e) transfers of **non-monetary** assets other than tangible capital assets. Examples of transfers of non-monetary assets that are excluded from the scope of the Section are: transfers of purchased natural resources or purchased intangibles, transfers of equity investments, transfers of items inherited in right of the Crown or transfers of works of art, historical treasures and/or collections. 4 [Former footnote 4 of paragraph PS 3410.05(e), amended by FINANCIAL STATEMENT PRESENTATION, Section PS 1202, retained in Archived Pronouncements.] [Former PS 3410.05 and related footnote, amended by the Conceptual Framework, retained in Archived Pronouncements.] [Former paragraph PS 3410.05(e) and related footnote, amended by changes to FINANCIAL STATEMENT CONCEPTS, Section PS 1000, retained in Archived Pronouncements.] [Former paragraph PS

3410.05(e) and related footnote, amended by amendments to TANGIBLE CAPITAL ASSETS, Section PS 3150, retained in Archived Pronouncements.]

.06 Government transfers do not include:

(a) taxes or other money collected by one government on behalf of another government or organization, including local government requisitions; and

(b) flow-through arrangements where a government agrees to act merely as an intermediary to administer funds on behalf of another party and has no ability to make decisions regarding the use of the funds.

Taxes or other money collected by one government on behalf of another and subsequently disbursed to that other government are not government transfers. Similarly, when funds are received as a result of an administrative flow-through arrangement in which a recipient government serves only as a cash conduit (i.e., it has no direct financial involvement in the program or decision-making capability in relation to the program) the receipt and disbursement of cash would not be recognized as transfers in that recipient government's financial statements.

RECOGNITION

.07 All government transfer programs are ultimately discretionary and wholly under the direction of the transferring government, although negotiation regarding transfer terms occurs. The transferring government also has the ability to impose transfer terms called **eligibility criteria** and **stipulations**.

.08 Eligibility criteria describe who a recipient must be or what it must do in order to be able to get a government transfer. Stipulations describe how a recipient must use transferred resources or the actions it must perform in order to keep the transfer. No matter how a transfer term is identified in legislation, regulations, by-laws or a transfer agreement (i.e., as an eligibility criterion or a stipulation), the crucial characteristic that distinguishes the substance of these two types of transfer terms is when they are required to be or are met by a recipient. If a term is required to be and is met before the transfer is provided, it is an eligibility criterion for the purposes of this Section. If a transfer term is met after the transfer is provided, it is a stipulation for the purposes of this Section. Transfer stipulations do not affect the timing of recognition of a transfer in expenses by a transferring government. However, stipulations may affect the timing of recognition of a transfer in revenue by a recipient government. Examples of eligibility criteria and stipulations are set out in the glossary.

.09 This Section does not require symmetrical accounting by the transferor and recipient of a government transfer. Symmetrical accounting by the parties to a transaction is not a fundamental principle of accounting theory. In some cases, when it reflects the substance of the transaction for all parties to a transfer, symmetrical accounting will result. In others, the evidence available to support recognition or the ability to estimate the transfer may vary between the transferor and recipient and symmetrical accounting will not occur.

.10 The past event(s) that create(s) a liability 5 for a transferring government to provide a transfer or that creates a transfer receivable 6 for a recipient government, comprises both the meeting of eligibility criteria by a transfer recipient and the authorization of the transfer by the transferring government. [Former paragraph PS 3410.10 and related footnote, amended by the Conceptual Framework, retained in Archived Pronouncements.]

.11 The recognition requirements for transferring and recipient governments apply equally to operating transfers, capital transfers and transfers of tangible capital assets.

Transferring government

.12 *A government transfer should be recognized by a transferring government as an expense in the period the transfer is authorized and all eligibility criteria have been met by the recipient.* [APRIL 2012]

.13 Given the non-exchange nature of government transfers, a transferring government does not receive a direct economic benefit that it can control in exchange for a transfer, as is required by the definition of an asset. 7 As a result, the transferring government incurs an expense and does not acquire an asset by providing a transfer. [Former paragraph PS 3410.13 and related footnote, amended by the Conceptual Framework, retained in Archived Pronouncements.]

.14 The transfer of a tangible capital asset is recognized as an expense by a transferring government at the net book value of the tangible capital asset transferred.

.15 Some transfer programs may require recipients to apply and meet eligibility criteria only once. Other programs may require periodic application as well as evidence of ongoing eligibility (i.e., continually meeting eligibility criteria) over the periods funded. The nature and extent of eligibility criteria may have an impact on the extent of a transferring government's liability under a transfer program at the **financial statement date**.

Recipient government

.16 *A transfer without eligibility criteria or stipulations should be recognized as revenue by a recipient government when the transfer is authorized.* [APRIL 2012]

.17 *A transfer with eligibility criteria but without stipulations should be recognized as revenue by a recipient government when the transfer is authorized and all eligibility criteria have been met.* [APRIL 2012]

.18 If a recipient government creates an obligation that meets the definition of a liability before the financial statement date to use a transfer received without stipulations, the two events — the receipt of a transfer and the creation of a liability — would be recognized separately.

.19 *A transfer with or without eligibility criteria but with stipulations should be recognized by a recipient government as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the recipient government in accordance with LIABILITIES, Section* PS 3200*.* [APRIL 2012]

.20 The determination under paragraph PS 3410.19 as to whether a liability would arise for a recipient government in relation to a transfer would be influenced by:

(a) the stipulations of the transfer alone; or,

(b) the stipulations of the transfer taken together with the actions and communications of the recipient government before the financial statement date;

and whether either set of circumstances would create an obligation that meets the definition of a liability in LIABILITIES, Section PS 3200. Paragraph PS 3410.08 provides guidance for evaluating the extent to which transfer terms meet the definition of stipulations for the purposes of this Section.

.21 There may be circumstances when the stipulations of a transfer alone are too broad to create an obligation that meets the definition of a liability as set out in paragraph PS 3410.20(a). In such cases, a recipient government would review its own actions and communications by the financial statement date to evaluate whether they are consistent with the substance and intent of the transfer stipulations, and determine whether the nature and extent of those actions and communications together with the transfer stipulations create an obligation that meets the definition of a liability for the purposes of paragraph PS 3410.20(b). A recipient government would refer to LIABILITIES, Section PS 3200 and in particular paragraphs PS 3200.07-.17, and the definition of a liability in order to make this determination.

.22 Under paragraph PS 3410.20(b), the combination of two events — a government's receipt of a transfer with stipulations and the recipient government's own actions and communications — could create an obligation that is consistent with the transferring government's stipulations and meets the definition of a liability. In this case, the recipient government would initially recognize an asset and a liability. Revenue would be subsequently recognized as the liability is settled.

.23 Obligations are not recognized as liabilities unless they meet the three characteristics of liabilities in LIABILITIES, Section PS 3200. Depending on the circumstances, an obligation may or may not arise in relation to:

(a) an operating transfer;

(b) a capital transfer for the purpose of acquiring or developing a tangible capital asset;

(c) a capital transfer for the purpose of acquiring or developing a tangible capital asset for use in providing services for a defined number of years; or

(d) a transfer of a tangible capital asset that is to be used to provide services for a defined number of years.

In each case, a recipient government would examine the transfer stipulations and its own actions and communications related to the transfer as described in paragraphs PS 3410.20-.22 to determine if they create an obligation that meets the definition of a liability in LIABILITIES, Section PS 3200. If a liability is created, those same transfer stipulations and recipient government actions and communications, if any, would define the terms of the liability and thus would be examined to determine the timing of revenue recognition of the transfer for the purposes of paragraph PS 3410.26.

.23A If it is determined that receipt of the transfer gives rise to a liability, the liability arising from:

(a) an operating transfer would be presented as a financial liability;

(b) a capital transfer for the purpose of acquiring or developing a tangible capital asset would be presented as a financial liability;

(c) a capital transfer for the purpose of acquiring or developing a tangible capital asset for use in providing services for a defined number of years would:

  (i) initially be presented as a financial liability, when the capital transfer is received; and

  (ii) then be reclassified to a non-financial liability as the tangible capital asset is acquired or developed;

(d) a transfer of a tangible capital asset that is to be used to provide services for a defined number of years would be presented as a non-financial liability.

.24 Under paragraph PS 3410.20(b), if the recipient government is using the transferred resources received to provide a subsequent transfer, the requirements of paragraph PS 3410.12 would apply in determining whether an obligation that meets the definition of a liability is created at the financial statement date (i.e., the recipient government becomes a transferring government). In particular, paragraph PS 3410.10 clarifies that the past event(s) for such a subsequent transfer comprises both the meeting of eligibility criteria by a transfer recipient and the authorization of the transfer by the financial statement date.

.25 *A liability recognized in accordance with paragraph* PS 3410.19 *should be reduced and an equivalent amount of revenue recognized as the liability is settled. Revenue recognition should occur in a manner consistent with the circumstances and evidence used to support the initial recognition of the transfer as a liability.* [APRIL 2012]

.26 Depending on the circumstances and evidence used to support the initial recognition of a transfer as a liability in paragraphs PS 3410.19-.22, the timing of the revenue recognition of the transfer would be as the related liability is settled. Thus revenue recognition may occur:

(a) as the transfer stipulations are met; or

(b) in accordance with the recipient government's actions and communications that determined the use of the transfer, which are consistent with the substance and intent of the transfer stipulations.

For a capital transfer, in either of case (a) or (b) revenue recognition may occur over the related asset's useful life or over a lesser period depending on the terms of the liability.

.27 A transfer of non-depreciable assets such as land would be recognized as revenue when received or receivable under the recognition principles of this Section. 8 A capital transfer relating to non-depreciable assets such as land would only meet the definition of a liability until the asset is acquired. At the date of acquisition the capital transfer would be recognized in revenue.

Authorization

Transferring government

.28 *For a transferring government, a government transfer is authorized for the purposes of this Section when either the authorization described in (a) or (b) is in place.*

(a) There is evidence that both of the following have occurred by the financial statement date:

(i) the enabling authority to provide a transfer is in place, which is conveyed through approved legislation, regulations or by-laws of the transferring government, and

(ii) an exercise of authority under that approved legislation, regulations or by-laws has occurred. In essence, a decision has been made by the transferring government under the approved legislation, regulations or by-laws that clearly demonstrates that it has lost its discretion to avoid proceeding with the transfer.

(b) There is evidence that both of the following have occurred:

(i) actions and communications of the transferring government by the financial statement date clearly demonstrate that it has lost its discretion to avoid proceeding with a transfer and thus the government is demonstrably committed to approving the enabling legislation, regulations or by-laws for the transfer and proceeding with the transfer; and

(ii) final approval in the ***stub period*** *of the enabling legislation, regulations or by-laws confirms that the transferring government was demonstrably committed to approving and proceeding with the transfer at the financial statement date.*

In some cases, the authority to pay may be part of the authorization process for the purposes of this Section and its absence at the financial statement date may indicate that the exercise of authority required by (a) or (b) is not complete. In such cases, the government may retain its discretion to avoid proceeding with a transfer until the authority to pay is in place. [APRIL 2012]

.29 Most government transfers will be authorized by the financial statement date as described in paragraph PS 3410.28(a). In rare cases, authorization as described in paragraph PS 3410.28(a) may not yet be in place but the transferring government may have a preponderance of evidence that it is demonstrably committed to both:

(a) approving the legislation, regulations or by-laws related to a transfer or transfer program; and

(b) proceeding with the transfer or transfer program,

such that recognition of a liability for the transfer or transfer program at the financial statement date can be justified on the basis that the government has lost its discretion to avoid the obligation for the transfer and the obligation meets the definition of a liability. This situation is most likely to occur in relation to new transfers or new or revised transfer programs occurring at or near the financial statement date. Final approval in the stub period of the enabling legislation, regulations or by-laws is required to confirm that a transferring government was demonstrably committed to approving and proceeding with a transfer at the financial statement date as described in paragraph PS 3410.28(b)(i).

.30 A government would refer to the guidance in LIABILITIES, paragraphs PS 3200.07-.17, to determine whether it has a preponderance of evidence at the financial statement date that it is demonstrably committed to approving the legislation, regulations or by-laws for a transfer and proceeding with the transfer as described in this Section.

.31 Individual items of evidence on their own may not be sufficient for determining whether a transferring government is demonstrably committed to approving and proceeding with a transfer at the financial statement date. However, when taken together, there may be a preponderance of evidence indicating that it has. Each circumstance needs to be judged individually given the available information.

.32 The authority to pay is evidenced by a supply or appropriations act or special warrant or local government budget. A transferring government can have a liability in advance of receiving the authority to pay. This situation may arise when a government loses its discretion to avoid proceeding with a transfer when a recipient meets the eligibility criteria. In other cases, such as discretionary or multi-year transfers, the authority to pay may need to be considered in establishing when a government has lost the discretion to avoid proceeding with a transfer and thus when the transfer is authorized for the purposes of recognition in accordance with this Section.

Recipient government

.33 *For a recipient government, a government transfer is authorized for the purposes of this Section when the transfer is authorized by the transferring government as described in paragraph* PS 3410.28*(a).* [APRIL 2012]

.34 A recipient government recognizes an asset arising from a transfer when:

(a) it gains control of resources that meet the definition of an asset; and

(b) the general recognition criteria set out in Chapter 9 of the Conceptual Framework are met. [Former paragraph PS 3410.34(b), amended by the Conceptual Framework, retained in Archived Pronouncements.]

Transfers satisfy the definition of an asset when the recipient government controls the resources as a result of a past event and expects to receive future economic benefits from those resources. Only authorization of a transfer as described in paragraph PS 3410.28(a), together with the meeting of all eligibility criteria, comprise a past event for a recipient government that gives it control of the transfer and justifies the recognition of a transfer receivable. Transfers satisfy the criteria for recognition as an asset when it is expected that the inflow of resources will occur and their value can be measured in a faithfully representative way. [Former paragraph PS 3410.34, amended by the 2024-2025 Annual Improvements, retained in Archived Pronouncements.]

DISCLOSURE

.35 *Financial statements should disclose major kinds of transfers recognized in the accounting period.* [APRIL 2012]

.36 *Financial statements should disclose information about the nature and terms of liabilities, if any, arising from government transfers received.* [APRIL 2012]

EFFECTIVE DATE AND TRANSITIONAL PROVISIONS

.37 This Section applies to fiscal periods beginning on or after April 1, 2012. Earlier adoption is encouraged. This Section may be applied retroactively or prospectively.

.38 FINANCIAL STATEMENT PRESENTATION, Section PS 1202, issued in October 2023, amended footnote 4 of paragraph PS 3410.05(e) and added paragraph PS 3410.23A. The amendments are applicable at the same time as Section PS 1202, for fiscal years beginning on or after April 1, 2026. Earlier adoption is permitted if Section PS 1202 is also early adopted. Prior period amounts would need to be restated to conform to the requirements for comparative financial information in Section PS 1202.

.39 Narrow-scope amendments issued in February 2025, explicitly identified the GAAP designation of Appendix B as level (i) as set out in GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, paragraph PS 1150.03(d) because the Appendix is application guidance integral to the Section. This GAAP level clarification is applicable for fiscal years beginning on or after April 1, 2026. Earlier adoption is permitted.

GLOSSARY

This Glossary is an integral part of this Section and is therefore a primary source of GAAP identified in GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, paragraph PS 1150.03(d)(i).

Eligibility criteria are terms imposed by a transferring government that specify who qualifies to receive a transfer and/or the actions necessary to qualify for a transfer. The nature and substance of the eligibility criteria is such that they must be met before a transfer is provided. They are pre-conditions that must be satisfied in advance in order for a recipient to qualify for a transfer. (Contrast with stipulations.) Eligibility criteria may include the following:

(a) Criteria set out by the transferring government that specify the characteristics that a transfer recipient must have in order to qualify for a transfer (i.e., required characteristics of recipients). In some cases, eligible recipients may have to apply and provide evidence that they have the required characteristics. This is often the case for entitlements. However, in other cases, these characteristics require no action by recipients — they either have the characteristics or they do not. Examples include the type of recipient organization or individual, the size of a recipient organization and the location of a recipient organization or individual.

(b) Criteria set out by the transferring government that specify that the transferring government offers resources on a reimbursement (expenditure-driven) basis (i.e., reimbursements). In order to qualify for such a transfer, a recipient must have incurred allowable expenditures under the applicable program. An example is a transfer under a shared cost agreement.

(c) Criteria set out by the transferring government that specify that the transferring government's offer of resources is dependent upon a specified action of the recipient (i.e., dependencies). The specified action must be accomplished in order for the recipient to qualify for a transfer. Examples include requiring a recipient to raise a specific amount of resources from third parties before it can qualify to receive a transfer, requiring a recipient to match the transferring government's offer of resources before it can qualify to receive a transfer and requiring a recipient to complete the hiring of a certain number of new full-time employees before it can qualify to receive a transfer.

The **financial statement date** is the date at which a government is reporting its financial position and changes in financial position (for example, the fiscal year end).

Monetary assets are money or claims to future cash flows that are fixed or determinable in amounts and timing by contract or other arrangement. Examples are cash, and accounts and notes receivable in cash.

Non-monetary assets are assets that are not monetary. Examples are inventories, investments in common stock and tangible capital assets.

Stipulations are terms imposed by a transferring government regarding the use of transferred resources or the actions a recipient must perform in order to keep a transfer. Stipulations must be met by recipients who have already qualified to receive (by meeting eligibility criteria), or have received, a transfer. The nature and substance of stipulations is such that they are met after a transfer is provided. They are often terms that need to be satisfied through direct application of the transfer. (Contrast with eligibility criteria.) Stipulations may include the following:

(a) Stipulations set out by the transferring government that specify the purpose(s) for which transferred resources must be used (i.e., purpose stipulations). Examples include:
- (i) use the resources to acquire or develop a tangible capital asset;
- (ii) use the resources to carry out a particular activity; and
- (iii) use the resources for relocation to a specified region or for hiring a specified number of new employees.

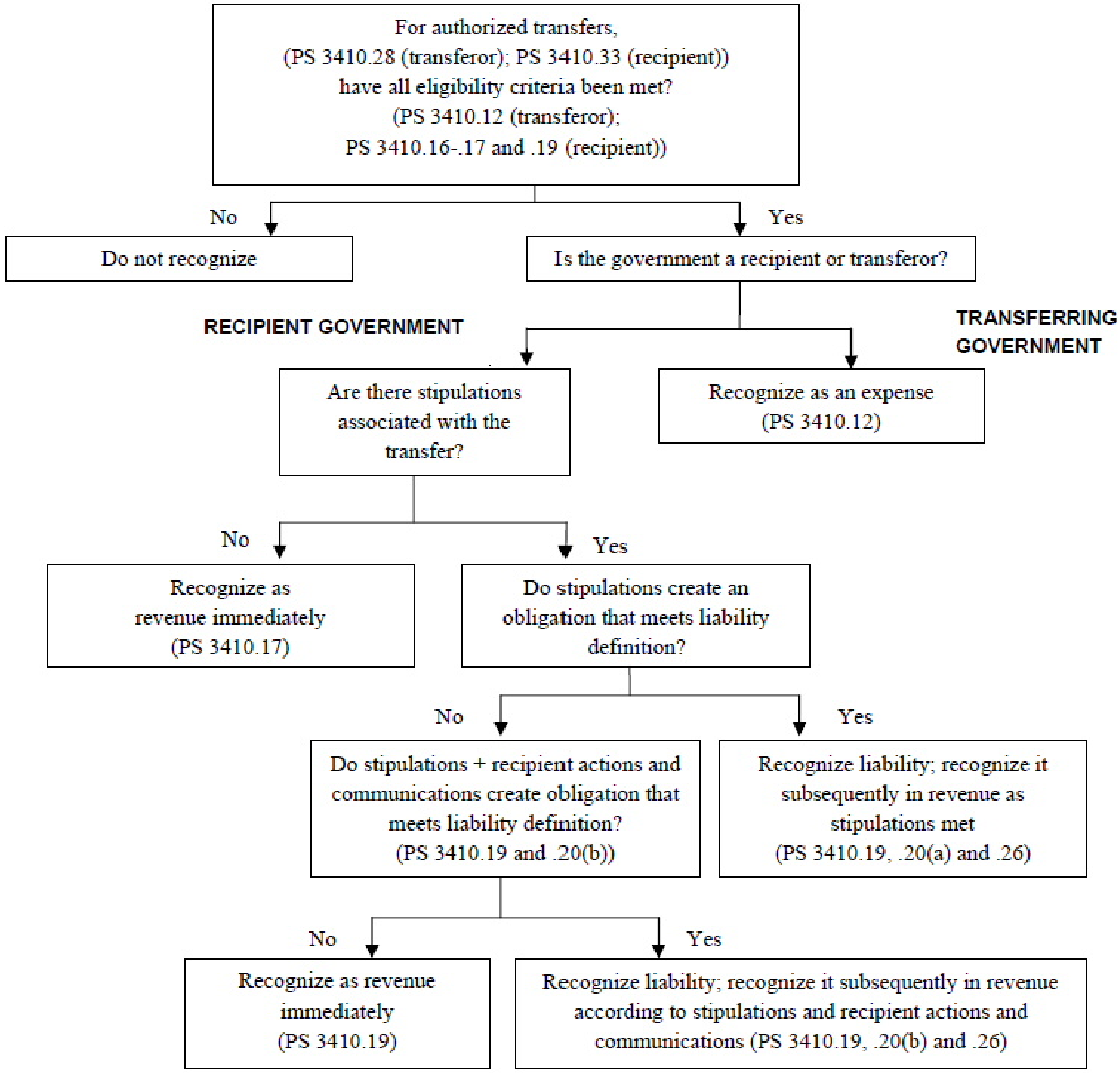
(b) Stipulations set out by the transferring government that specify when transferred resources must be used (i.e., time stipulations). Examples include:
- (i) a particular period of use;
- (ii) the date when use is first permitted;
- (iii) the start and end date of the period within which the transferred funds must be used; and
- (iv) a pattern of use for the transferred funds in specified annual periods of time.

The **stub period** is the period between the financial statement date (see "financial statement date") and the date the financial statements are completed. 9

APPENDIX A

DECISION TREE — RECOGNITION

The following decision tree has been prepared to illustrate the transferring and recipient government accounting set out in Section PS 3410. The decision tree is illustrative only and matters of principle relating to particular situations should be decided in the context of the Section. While illustrative, this Appendix is a primary source of GAAP, as identified in GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, paragraph PS 1150.03(d)(iii).



APPENDIX B

APPLICATION GUIDANCE — DISTINGUISHING TYPES OF TRANSFERS 10

This Appendix is an integral part of this Section and is therefore a primary source of GAAP identified in GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, paragraph PS 1150.03(d)(i).

Entitlements

AG.01 Entitlements are transfers that a government must make if the recipient meets the specified eligibility criteria. For such transfers, both:

(a) "who" is eligible to receive the transfer; and

(b) "how much" is transferred

are prescribed in legislation, regulations or by-laws. By their nature, the exercise of authority to provide such transfers is coincident with the approval of the authorizing legislation, regulations or by-laws and the meeting of eligibility criteria.

AG.02 There are two types of entitlements — those of individuals and those of other governments or institutions.

Entitlements of individuals

AG.03 Many transfers to individuals are entitlements. Governing legislation, regulations or by-laws identify the specific eligibility criteria that recipients must meet. Once those criteria have been met, the recipient is entitled to receive the transfer. There are no stipulations attached to how the recipient spends the money. The amount to be transferred is usually specified in the legislation, regulations or by-laws. The amount transferred may vary depending on the circumstances of the recipient.

AG.04 A key characteristic of an entitlement is that the government must make the transfer to all individuals who meet the specified eligibility criteria. The key criterion for recognizing an entitlement of individuals is whether the recipient has met the specified eligibility criteria.

AG.05 Employment insurance benefits are an example of an entitlement individuals receive from the federal government. Another example is old age security benefits. Canadians who reach the age of 65 and have met specified residency requirements are entitled to receive old age security benefits. Individuals may also receive entitlements under provincial or local government social assistance programs. Under such programs, governments may be required to make a series of payments over some future period, but these are future, rather than present, obligations of the government and would not be recognized as liabilities. While there may be legislation in place authorizing the entitlements, no obligation similar to that under a contract or agreement exists until the related recipients meet the criteria for eligibility or the program is delivered. In the case of some entitlements, recipients must continually meet the eligibility criteria to be eligible for the program. Governments may have current liabilities for amounts already owed to eligible individuals but not yet paid.

AG.06 When a reasonable estimate of the unpaid entitlements to individuals meeting the eligibility criteria at the financial statement date can be made, that estimate would be recorded. Such estimates might be based on past experience or a reliable forecast, taking into account those who are eligible but have not yet applied by the financial statement date. However, in some circumstances, it may be difficult to estimate the amount due to those eligible who have not yet applied. Eligible recipients might not apply until well after the financial statement date, and sometimes experience is not an appropriate basis for estimating the number of eligible recipients who are likely to apply in the future. In such circumstances, receipt of the application might be the most reasonable basis for estimating the amount of the liability.

Entitlements of other governments or institutions

AG.07 A number of significant intergovernmental transfers are entitlements. Entitlements of one government from another include such formula-based transfers as federal / provincial Equalization, health and social funding, and per capita transfers from provincial governments to local governments. Some transfers to institutions are also entitlements.

AG.08 The governing legislation or regulations for these transfers set out the bases for determining the amount of the entitlement. Some, such as federal / provincial Equalization, are based on complex formulae. Others may be calculated on a per capita or other unit basis.

Shared cost agreements: reimbursement versus financing arrangements

AG.09 There are two types of transfers under shared cost agreements: reimbursement arrangements and financing arrangements. Both involve different parties, such as different levels of government that are jointly sharing financial responsibility for specific types of costs related to a project. In either type of arrangement, the transferring government may agree to pay for all or only a portion of the expenditures as it may be only one contributor to the funding of a project. The funding of expenditures for a project may be shared by the transfer recipient as well as with other governments or entities.

AG.10 Some shared cost agreements might involve both reimbursements and advance financing. In such cases:

(a) the reimbursement of eligible expenditures would be accounted for as a reimbursement arrangement as set out in paragraph PS 3410.AG.14; 11 and

(b) the advance financing would be accounted for as a financing arrangement as set out in paragraph PS 3410.AG.17. 12

Reimbursement arrangements

AG.11 Transfers under reimbursement arrangements involve the reimbursement by a transferring government to a recipient of eligible expenditures already incurred by the recipient (i.e., expenditures incurred before the transfer is provided).

AG.12 Transfers under reimbursement arrangements are similar to entitlements because the recipient is "entitled" to the transfer after it has incurred eligible expenditures. Reimbursement arrangements are different from other entitlements, however, because the recipient must first incur expenditures in order to be entitled to any reimbursement. Reimbursement arrangements are generally established so that a government can reimburse the recipient over time on the basis of eligible expenditures incurred. A choice of this funding strategy may be indicative of the relationship of the recipient with the government and the government's need to have a greater degree of influence over the types of expenditures reimbursed or for other accountability reasons. The eligible expenditures under a reimbursement arrangement might be operating or capital in nature. For example, some infrastructure transfers are set up as reimbursement arrangements. In such a case, the eligible expenditure(s) would be the purchase or development of a specified type of infrastructure asset.

AG.13 The specific terms of a transfer under a reimbursement arrangement may be found in legislation or in signed contracts. There may also be a ceiling on the total amount that will be shared. The clearest evidence that a transfer is made under a reimbursement arrangement is the presence of a negotiated, signed, written agreement at the financial statement date indicating that certain specific expenditures or a portion thereof will be reimbursed by the transferring government after they have been incurred. The agreement or other evidence would have to support the contention that the recipient would have real legal recourse against the government to obtain the funds should it incur the specified expenditures.

Evaluating whether the agreement has sufficient rigour to support the accounting for the arrangement as a transfer under a reimbursement arrangement is a matter of professional judgment.

AG.14 As long as it is authorized, a transfer under a reimbursement arrangement would be recognized by the transferring government in expenses as the recipient incurs eligible expenditures because, under the agreement, the transferring government must reimburse the recipient for the specified percentage of those eligible expenditures. A recipient government would not have a receivable for such a transfer until it has incurred eligible expenditures under the agreement and the transfer is authorized.

Financing arrangements

AG.15 Transfers under financing arrangements involve a government transferring resources up front to provide the recipient with advance financing to be able to incur eligible expenditures (i.e., the eligible expenditures do not have to be incurred in advance in order to qualify for the transfer). If eligible expenditures are to be incurred or are incurred after the receipt of the transfer, for the purposes of this Section the shared cost agreement is a "financing arrangement".

AG.16 In a financing arrangement, the requirements to incur eligible expenditures are in essence stipulations to be met by the recipient after the transfer has been provided. Advancing funds before transfer terms described in an agreement as eligibility criteria have been met represents a decision of the transferring government that the eligible expenditures can be incurred after the transfer has been provided (i.e., that the transaction is a financing arrangement not a reimbursement arrangement). It is this decision that determines the timing of recognition of the transfer in expenses for the transferring government, not the flow of resources.

AG.17 For the purposes of paragraph PS 3410.12, a transfer under a financing arrangement would be recognized as an expense by the transferring government when it is provided as long as it has been authorized. In a financing arrangement the requirements to incur eligible expenditures are transfer stipulations, and would be considered as such in determining the appropriate timing of recognition of the transfer in revenue by a recipient government in accordance with paragraphs PS 3410.16-.27.

Other transfers

AG.18 Other transfers can include cultural transfers, scholarships, research transfers, infrastructure transfers and regional development transfers. In most cases, recipients have to apply for the money or meet some eligibility criteria. However, in contrast to entitlements and shared cost agreements, applying or meeting the eligibility criteria may not guarantee that the recipient will receive the money. The government may still have discretion to decide whether or not to make the transfer and who to provide it to. There is usually a ceiling on the total amount that may be transferred under a particular transfer program and some transfer recipients are subject to performance or reporting requirements. For these other more discretionary transfers, the authorization of the transfer is usually the key trigger for recognition.

AG.19 When a transfer is discretionary, the government cannot be obligated to provide a transfer until the transfer is authorized as described in paragraph PS 3410.28. At that point, the transfer becomes, in effect, non-discretionary and would be a liability of the government once all eligibility criteria have been met. In some cases, the timing of when the government receives the authority to pay may play a role in determining when the government has lost its discretion to avoid proceeding with the transfer.

AG.20 Some transfers may appear to have characteristics of more than one type of transfer. For example, some provincial transfers to hospitals and universities may appear to have characteristics of entitlements but may in reality be discretionary transfers of the government. A provincial government may have a statutory responsibility, or a perceived obligation due to a well-established practice, to maintain the hospitals or universities in its jurisdiction. However, this responsibility does not comprise an entitlement and the transferring government retains some discretion. The government might determine annually the amount that will be transferred and how it will be distributed among the hospitals or universities in its jurisdiction. The amount determined at the beginning of the year might even be changed during the year. Whether a transferring government has a liability in relation to such a transfer at the financial statement date would be evaluated in terms of the authorization requirements of this Section, whether eligibility criteria have been met and the definition of a liability in LIABILITIES, Section PS 3200.

Footnotes

1. See TAX REVENUE, paragraph PS 3510.41.

2. Governments are not precluded from applying the standards if, in their judgment, the standards are appropriate because their grants in lieu of taxes have the characteristics of government transfers.

3. CPP and QPP payments are not considered to meet the definition of a government transfer.

4. In accordance with FINANCIAL STATEMENT PRESENTATION, Section PS 1202, all intangibles that have been developed or have not been purchased, Crown lands and natural resources that have not been purchased, as well as works of art, historical treasures and/or collections, are not recognized as assets in government financial statements.

5. See LIABILITIES, paragraph PS 3200.05(c).

6. See paragraph 8.12(b) of the Conceptual Framework.

7. See Chapter 8 of the Conceptual Framework.

8. TANGIBLE CAPITAL ASSETS, Section PS 3150, prescribes the value at which to recognize a contributed tangible capital asset.

9. The date of completion of the financial statements to be used in this Section is consistent with that required in SUBSEQUENT EVENTS, Section PS 2400.

10 Editorial change, paragraph renumbering only (February 2025).

11 Editorial change (February 2025).

12 Editorial change (February 2025).
