

public sector accounting handbook
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HIGHLIGHT SUMMARY

(Note: New Handbook material or changes in existing material are identified in each HANDBOOK REVISIONS RELEASE.)

Investments in government business enterprises, Section PS 3070

This new Section recommends how to account for and report a government's investments in government business enterprises in government summary financial statements. It applies to federal, provincial, territorial and local governments. The Recommendations draw on Recommendations for equity investments in CICA HANDBOOK – ACCOUNTING, LONG-TERM INVESTMENTS, Section 3050. The Section includes the following main Recommendations and guidance.

- Investments in government business enterprises are to be accounted for by the modified equity method.
- A purchase premium arising on the acquisition of a government business enterprise should be deferred and amortized over the lesser of the life of the purchase premium and twenty years.
- Fair value increments related to depreciable assets should be amortized over the estimated useful lives of the related assets.
- A permanent impairment in value of the unamortized balance of a purchase price discrepancy should be written down.
- The transfer or sale of a tangible capital asset from a governmental unit to a government business enterprise should not improve the net results of the period or otherwise improve the net financial position of the government reporting entity.
- A gain or loss on the sale of an investment in a government business enterprise should be calculated on the basis of the carrying value of the investment at the date of sale and should be included in the determination of consolidated annual results in the period of sale.
- In the period that a government organization no longer meets the definition of a government business enterprise, the effect of conforming its accounting policies to those of the government reporting entity for the purposes of consolidation should be included in the determination of consolidated annual results.
- Government summary financial statements should disclose, in notes or schedules, condensed supplementary financial information relative to government business enterprises.

Long-term debt, Section PS 3230

LONG-TERM DEBT, Section PS 3230, has been revised to incorporate Recommendations on how a government should report debt it has issued on behalf of its government business enterprises. It applies to federal, provincial, territorial and local governments. The revisions to the Section recognize that governments issue debt for their government business enterprises in one of two ways. The proceeds of general government borrowing can be subsequently loaned to a government business enterprise, or debt can be issued by the government specifically on behalf of a government business enterprise in the expectation that the government will realize the receivable from the government business enterprise and settle the external debt simultaneously. In the first case, the government's financial arrangement with the government business enterprise must be reported on a gross basis (receivable and long-term debt) in the financial statements. In the second case, it should be reported on a net basis as long as the arrangement meets specific evidence requirements. Revised Section PS 3230 also requires information to be disclosed about such financial arrangements that are reported net in the financial statements.

Guidelines

- Leased tangible capital assets (PSG-2)
- Sale-leaseback transactions (PSG-3)

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