

SECTION PS 3390

contractual obligations

SUPPLEMENT

This supplement sets out the previous wording of paragraphs that have been amended as a consequence of approving the 2024-2025 Annual Improvements to Public Sector Accounting Standards.

PURPOSE AND SCOPE

- .01 This Section:
- (a) defines and establishes disclosure standards on contractual obligations in government financial statements; but
 - (b) does not include disclosure standards for specific types of contractual obligations.

DEFINITION

- .03 **Contractual obligations** are obligations of a government to others that will become liabilities in the future when the terms of those contracts or agreements are met.
- .04 Contractual obligations are distinct from liabilities as there has been no past transaction or event obligating the government to a future sacrifice of economic benefits at the financial statement date. Until a transaction or event occurs under a contract, a government does not have a liability. Disclosure of information about contractual obligations relates to the unperformed portion of those contracts.
- .07 Contractual obligations do not include a government's obligations related to ongoing programs such as health, welfare and education. In these cases, a government does not have a contractual obligation to others and maintains complete discretion as to whether to change the level or quality of its programs or the delivery of these programs. However, once a government enters into a contract or agreement, a contractual obligation exists and a certain degree of discretion to avoid the obligation is lost.

DISCLOSURE

- .08 Disclosing a government's contractual obligations is useful because it provides information about the nature and extent to which a government's resources are already committed to meet its obligations.
- .09 *Information about a government's contractual obligations should be disclosed in notes or schedules to the financial statements and should include descriptions of their nature and extent and the timing of the related expenditures.* [Former paragraph PS 3390.09 retained in Archived Pronouncements.] [APRIL 2017]
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SUPPLEMENT

This supplement sets out the previous wording of paragraphs that have been amended substantially as a consequence of approving CONTRACTUAL RIGHTS, Section PS 3380.

- .09 *Information about a government's contractual obligations that are significant in relation to the current financial position or future operations should be disclosed in notes or schedules to the financial statements and should include descriptions of their nature and extent and the timing of the related expenditures.* [SEPT. 2004]