

SECTION PS 3060

interests in partnerships

SUPPLEMENT

This supplement sets out the previous wording of paragraphs that have been amended as a consequence of approving FINANCIAL STATEMENT PRESENTATION, Section PS 1202.

- .05 This Section does not apply to arrangements that are in and of themselves:
- (a) Executory contracts such as leases and sale-leaseback transactions.
 - (b) Purchase / sale transactions such as outsourcing of services, management contracts and privatization. For guidance on how to account for revenues and expenses related to purchase / sale transactions, refer to FINANCIAL STATEMENT PRESENTATION, Section PS 1201.
 - (c) Transfers such as shared-cost arrangements and government programs. For guidance on how to account for government transfers, refer to GOVERNMENT TRANSFERS, Section PS 3410.
 - (d) Loans. For guidance on how to account for loans, refer to LOANS RECEIVABLE, Section PS 3050.
 - (e) Loan guarantees. For guidance on how to account for loan guarantees, refer to LOAN GUARANTEES, Section PS 3310.
 - (f) Public private partnerships as set out in the scope and recognition criteria under PUBLIC PRIVATE PARTNERSHIPS, Section PS 3160.
- .49 *When tangible capital assets are invested in a partnership other than a business partnership, a public sector entity should report those assets as follows:*
- (a) *the other non-related partners' share of assets invested by the public sector entity would be treated as disposals by the entity; and*
 - (b) *the public sector entity's share of assets invested by the other non-related partners would be treated as purchases by the entity in accordance with the relevant standards in FINANCIAL STATEMENT PRESENTATION, Section PS 1201, and TANGIBLE CAPITAL ASSETS, Section PS 3150. [OCT. 1999 *]*
- .50 Under FINANCIAL STATEMENT PRESENTATION, Section PS 1201, a public sector entity reports tangible capital assets as assets on the statement of financial position. TANGIBLE CAPITAL ASSETS, Section PS 3150, describes the accounting for the tangible capital assets of a public sector entity.
- .57 *Deferred gains arising from the public sector entity's investment of assets in the partnership should be reported with liabilities in the public sector entity's statement of financial position. [OCT. 1999]*

SUPPLEMENT

This supplement sets out the previous wording of paragraphs that have been amended as a consequence of approving the new CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING.

- .30 Public sector entities may enter into partnerships that are similar to government organizations except for the extent of public sector entity's control. A public sector entity shares control of a partnership with its partners, while it controls a government organization. Government organizations, other than government business enterprises, are consolidated in the public sector entity's financial statements under GOVERNMENT REPORTING ENTITY, Section PS 1300. Partnerships that carry out similar activities to government organizations that are not government business enterprises would be accounted for using proportionate consolidation. Partnerships that carry out similar activities to government business enterprises are called business partnerships. The accounting for business partnerships is addressed in paragraphs PS 3060.32-.35.

SUPPLEMENT

This supplement sets out the previous wording of paragraphs that have been amended as a consequence of the 2019-2020 annual improvements.

- .56 A public sector entity should disclose its share of any contingencies and contractual obligations of partnerships and those contingencies that exist when the public sector entity is contingently liable for the liabilities of other parties to those partnerships. [OCT. 1999 *]
- ...
- .59 Separate disclosure of the public sector entity's share of any contingencies and contractual obligations of partnerships would include, as appropriate:
- (a) the entity's share of any contingencies and contractual obligations of the partnership; and
 - (b) the entity's responsibility, if any, for the other partners' share of the contingencies of the partnership.

If the public sector entity guarantees more than its proportionate share of a partnership's liabilities, such a guarantee would be disclosed.

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SUPPLEMENT

This supplement sets out the previous wording of paragraphs that have been amended as a consequence of the 2018-2019 annual improvements.

- .06 The following definitions have been adopted for the purposes of this Section:

A **government partnership** is not a government organization but is a contractual arrangement² between the government and a party or parties outside of the government reporting entity³ that has all of the following characteristics:

- (a) the partners co-operate toward achieving significant clearly defined common goals;
- (b) the partners make a financial investment in the government partnership;
- (c) the partners share control of decisions related to the financial and operating policies of the government partnership on an ongoing basis; and
- (d) the partners share, on an equitable basis, the significant risks and benefits associated with the operations of the government partnership.

The contractual arrangement establishes that the parties have shared control over the government partnership, regardless of the difference in their ownership interest. Nevertheless, overall, there must be an equitable relationship between the financial investment of the government in the government partnership, the extent of control it is able to exercise over the activities of the government partnership, and the risks and benefits that accrue to the government from the government partnership. Government partnerships may be structured as operations under shared control, assets under shared control or organizations under shared control.

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- .30 Governments may enter into government partnerships that are similar to governmental units⁵ except for the extent of government control — the government shares control of the government partnership with its partners, while it controls the governmental unit. Governmental units are government organizations that carry out government activities that are integral to a government's operations in directly performing its executive function and are consolidated in the government's financial statements under GOVERNMENT REPORTING ENTITY, Section PS 1300. Government partnerships that carry out similar activities to governmental units would be accounted for using proportionate consolidation.

- .31 Proportionate consolidation of such government partnerships provides financial statement users with the same sort of information about the financial position and results of operations of the government as would be available if the government managed the resources and operations through a governmental unit. Proportionate consolidation also reflects the level of activities (e.g., costs and revenues) on the government's statement of operations, the financial resources available, and the risks to which the government is exposed for such activities.

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- .34 Accounting for government business partnerships by the modified equity method avoids commingling the budget and actual results of government business partnerships on a line-by-line basis with those of government activities having different objectives. It also avoids including the government's share of the gross debt of government business partnerships with the gross debt of other government organizations, as the government business partnerships are expected to repay that debt from their own revenues.

Note: The previous wording of paragraphs that have been amended as a consequence of the 2018-2019 annual improvements relating to the below are not explicitly listed due to their repetitive nature:

- amendments to replace the term "government" with "public sector entity", "public sector" or "entity"; and
- amendments to replace the terms "government partnership(s)" and "government business partnership(s)" with "partnership(s)" and "business partnership(s)", respectively.

Footnotes

* Editorial change – January 2003, February 2007 and June 2011.

5. Government organizations are defined in the Introduction to Public Sector Accounting Standards.

2. A chart showing the various types of government contractual arrangements, including government partnerships, is included as Appendix A.
 3. In arrangements where government employees jointly manage an employee benefit program (e.g., a pension plan) with the government, the employees are not considered to be parties outside of the financial reporting entity for the purposes of applying the definition of a government partnership.
 5. Governmental units are defined in **BASIC PRINCIPLES OF CONSOLIDATION**, Section PS 2500.
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