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HIGHLIGHT SUMMARY

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

Loan guarantees, Section PS 3310

This new Section recommends how governments should account for loan guarantees in their financial statements. It applies to the federal, provincial, territorial and local governments. It includes the following main Recommendations and guidance:

- A provision for losses on loan guarantees should be established when it is likely that a loss will occur, which will usually be at some time before the government must make payment with respect to the guaranteed loan. The provision should be accounted for as a liability and an expenditure.
- The amount of a guaranteed loan that is expected to be repaid from future government assistance should be accounted for as a liability and an expenditure when there is a direct relationship between the repayment of the loan and government funding to the borrower. The substance of the individual transaction, and not the overall funding arrangements with the borrower, is the key to determining the appropriate accounting treatment. Amounts of subsequent assistance related to principal repayment would be offset against the liability when paid to the borrower. Amounts related to interest would be accounted for as a current expenditure.
- The disclosure about a government's loan guarantees should include the accounting policies selected by the government and applied to its loan guarantees, and information to describe the nature and terms of its significant classes of loan guarantees.