

## SECTION PS 2510

### additional areas of consolidation

#### 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.

- .06 Using the proportionate consolidation method results in the government recognizing the following:
- (a) Its proportionate share of any adjustments required to conform the accounting policies of the governmental unit to those of the government.
  - (b) Its proportionate share of the assets, liabilities and accumulated surplus / deficit of the governmental unit, adjusted in accordance with (a). The government's consolidated statement of financial position would include these items on a line-by-line basis, after elimination of the government's proportionate share of inter-governmental unit balances in accordance with BASIC PRINCIPLES OF CONSOLIDATION, paragraphs PS 2500.08-.18.
  - (c) Its proportionate share of the revenues or expenses and operating results of the governmental unit, adjusted in accordance with (a). The government's consolidated statement of operations and consolidated statement of remeasurement gains and losses would include these items on a line-by-line basis, after elimination of the government's proportionate share of inter-governmental unit transactions in accordance with BASIC PRINCIPLES OF CONSOLIDATION, paragraphs PS 2500.08-.18.
- .07 In this manner, the non-controlling interest in the assets, liabilities, accumulated surplus / deficit, revenues and expenses of the governmental unit is excluded from the financial statements.
- .42 When the nature of a governmental unit changes so that it meets the definition of a government business enterprise, the organization would be accounted for as a government business enterprise by the modified equity method in accordance with GOVERNMENT REPORTING ENTITY, Section PS 1300. Accordingly:
- (a) the organization would no longer be consolidated but would instead be accounted for by the modified equity method from the date its status changes to that of a government business enterprise; and
  - (b) the individual revenues and expenses of the organization would be included with those of the other governmental units and recognized in the consolidated statement of operations and the consolidated statement of remeasurement gains and losses up until the date the status of the organization changed. From that date forward, the net income and other comprehensive income of the government business enterprise would be recorded in accordance with the modified equity method.
- .43 In most cases, the change in status of a governmental unit to a government business enterprise will not be an observable event. The change may occur over time and, therefore, most governments would assess the status of their government organizations only at year end when the financial statements are being prepared. In such circumstances, it is acceptable for a government to account for the organization as a government business enterprise for the whole period in which the change in status is identified. When the change is the result of an observable event, however, a government would apply both consolidation and modified equity accounting to the organization in the period, as appropriate, in accordance with paragraph PS 2510.42. Similarly, if the government creates a government business enterprise from the existing resources of a governmental unit during the period, the consolidated statement of operations and the consolidated statement of remeasurement gains and losses would only report income and other comprehensive income from the government business enterprise subsequent to the date of its creation.

#### SUPPLEMENT

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

- .37 When a government sells all or part of its investment in a governmental unit, one of three situations will arise:
- ...
- (c) part of a government's investment in the governmental unit is sold and the government no longer retains control of the organization and, therefore, the organization no longer forms part of the government reporting entity.
- .38 When the entire investment in a governmental unit is sold on the same date, as could be the case when a government privatizes a governmental unit, the government would recognize a gain or loss on the sale in the period of sale and the organization would no longer be included as part of the government reporting entity.
- ...

- .40 When part of a government's investment in a governmental unit is sold and as a result the government no longer retains control of the organization, that organization no longer forms part of the government reporting entity. If the remaining investment is determined to be a portfolio investment, it would be accounted for in accordance with PORTFOLIO INVESTMENTS, Section PS 3041, and FINANCIAL INSTRUMENTS, Section PS 3450.

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