

SECTION PS 3260

liability for contaminated sites

SUPPLEMENT

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

.08 *A liability for remediation of contaminated sites should be recognized when, as at the financial reporting date:*

- (a) *an environmental standard exists;*
- (b) *contamination exceeds the environmental standard;*
- (c) *the government:*
 - (i) *is directly responsible; or*
 - (ii) *accepts responsibility;*
- (d) *it is expected that future economic benefits will be given up; and*
- (e) *a reasonable estimate of the amount can be made.*

An obligation for remediation of contaminated sites cannot be recognized as a liability unless all criteria above are satisfied.
[APRIL 2014]

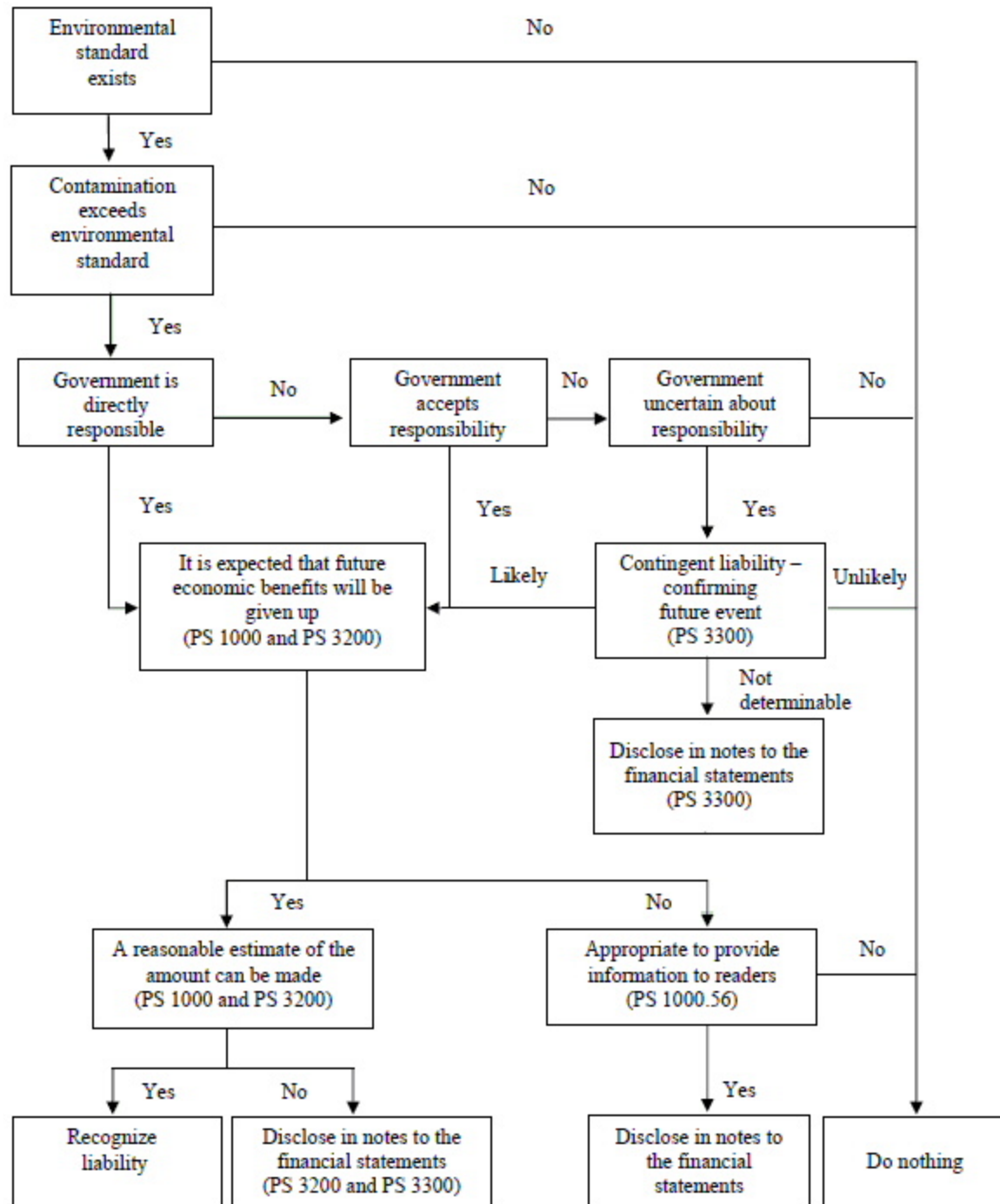
SUPPLEMENT

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.

- .03 This Section provides guidance for applying the definition of liabilities set out in FINANCIAL STATEMENT CONCEPTS, Section PS 1000, and the general recognition and disclosure standards in LIABILITIES, Section PS 3200, in accounting for and reporting a liability for contaminated sites. It may be useful to read this Section in conjunction with ASSET RETIREMENT OBLIGATIONS, Section PS 3280, CONTINGENT LIABILITIES, Section PS 3300, and CONTRACTUAL OBLIGATIONS, Section PS 3390. Nothing in this Section overrides any standard in another Section of the CPA Canada Public Sector Accounting Handbook.
- .35 If a liability is not recognized, it may be appropriate to provide information about the existence, nature and extent of the present obligation in notes to the financial statements. For further guidance, refer to FINANCIAL STATEMENT CONCEPTS, Section PS 1000, LIABILITIES, Section PS 3200, and CONTINGENT LIABILITIES, Section PS 3300.

APPENDIX A

DECISION TREE — LIABILITY FOR CONTAMINATED SITES



B13 Therefore, a present obligation to remediate a contaminated site may have all the essential characteristics of a liability, but still not be recognized as a liability because it does not meet all the recognition criteria. That is, in this case, it is not expected that future economic benefits will be given up. The determination of whether economic benefits will be given up or not will require the application of professional judgment considering the specific circumstances. If a present obligation is not recognized, it may be appropriate to provide information about it in notes to the financial statements. For further guidance, refer to FINANCIAL STATEMENT CONCEPTS, Section PS 1000, and LIABILITIES, Section PS 3200.

SUPPLEMENT

This supplement sets out the previous wording of the paragraphs that have been amended substantially or deleted as a consequence of approving ASSET RETIREMENT OBLIGATIONS, Section PS 3280.

.05 For the purposes of this Section, a liability for remediation normally results from items such as:

- (a) all or part of an operation of the government or government organization that is no longer in productive use (for example, abandoned military installations);
 - (b) all or part of an operation of entities outside the government reporting entity that is no longer in productive use for which the government accepts responsibility (for example, an abandoned gas station);
 - (c) changes to environmental standards relating to all or part of an operation that is no longer in productive use (for example, new regulations requiring the destruction of stored polychlorinated biphenyls (PCBs)); and
 - (d) an unexpected event resulting in contamination (for example, accidental toxic chemical spills or natural disasters).
- .06 This Section does not apply to:
- (a) costs for acquisition or betterment of tangible capital assets that are within the scope of TANGIBLE CAPITAL ASSETS, Section PS 3150, to the extent that such costs do not exceed the future economic benefits related to the asset or post-remediation fair value of the asset if held for sale (for example, redevelopment of a contaminated site for use or sale);
 - (b) liabilities associated with the retirement of a long-lived tangible capital asset in productive use that result from its acquisition, construction or development and ongoing use (for example, operating a nuclear facility);
 - (c) liabilities associated with the disposal or sale of long-lived tangible capital assets (for example, privatization of water utility); and
 - (d) liabilities for closure and post-closure care of a solid waste landfill site when the site or a phase stops accepting waste specifically dealt with under SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE LIABILITY, Section PS 3270.
- .59 *The carrying amount of a liability for remediation should be reviewed at each financial reporting date. Any revisions to the amount previously recognized should be accounted for in the period in which revisions are made.*
- .62 *A liability for remediation of contaminated sites should be reduced by expected net recoveries if the recognition criteria outlined in FINANCIAL STATEMENT CONCEPTS, paragraphs PS 1000.54-.56, are satisfied.*
- .63 The amount of a recovery is an element of the liability and would be taken into account in measuring the amount. Recoveries would be recognized when they have an appropriate basis of measurement and a reasonable estimate of the amount involved can be made and it is expected that future economic benefits will be obtained. Recoveries would be net of costs associated with the effort to collect them.
- .64 The estimate of a government's liability would include remediation work that the government expects to perform for other parties. However, expected recoveries from those other parties, and insurance recoveries, reduce the measurement of the government's remediation expense when reasonably estimable.