

## **SECTION PS 3041**

### **portfolio investments**

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#### **SUPPLEMENT**

This supplement sets out the previous wording of paragraphs that have been amended as a consequence of the 2022-2023 annual improvements.

#### **PURPOSE AND SCOPE**

- .01 This Section establishes standards on how to account for and report portfolio investments in government financial statements. 1 This Section does not deal with accounting for derivatives.

#### **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.

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

- (a) **Portfolio investments** are investments in organizations that do not form part of the government reporting entity. Such investments are normally in equity instruments or debt instruments issued by the investee. Portfolio investments do not include:
- (i) investments in government business enterprises, as defined in GOVERNMENT REPORTING ENTITY, Section PS 1300; or
  - (ii) loans receivable, as defined in LOANS RECEIVABLE, Section PS 3050.
- (b) **Amortized cost** is the amount at which a financial asset or a financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.
- (c) The **effective interest method** is a method of calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability (see FINANCIAL INSTRUMENTS, paragraphs PS 3450.A41-.A45).
- .07 *When there has been a loss in value of a portfolio investment that is other than a temporary decline, the investment should be written down to recognize the loss. The write-down should be included in the statement of operations. In the case of an item in the fair value category, a reversal of any net remeasurements should be reported in the statement of remeasurement gains and losses. [APRIL 2012 \*]*

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## **Footnotes**

1. The term "financial statements" refers to the summary financial statements published by a government that report on the financial position and changes in financial position of the government reporting entity.

\* Editorial change — May 2012.

