

**public sector accounting handbook
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ACCOUNTING STANDARDS

Financial statement concepts, Section PS 1000

Amended paragraph PS 1000.34 as a result of introducing the statement of remeasurement gains and losses in new Section PS 3450.

Amended paragraph PS 1000.40 to include references to types of financial assets that conform to descriptions in the new Section PS 3450.

Former paragraph(s) PS 1000.34 and PS 1000.40 are set out in a supplement in Archived Pronouncements.

Financial statement objectives, Section PS 1100

Amended paragraphs PS 1100.10 and PS 1100.51 to replace "surplus or deficit for the period" with "operating surplus or deficit for the period" as a result of introducing the statement of remeasurement gains and losses in new Section PS 3450.

Amended paragraph PS 1100.52 to include net remeasurement gains and losses among the key "change in position" messages in the statement of change in net debt.

Financial statement presentation, Section PS 1200

Replaced by Section PS 1201.

The following italicized paragraphs formerly appeared in Section PS 1200:

- .005 ◆ *The financial statements of a government should be clearly identified and should include or be accompanied by an acknowledgment of the government's responsibility for their preparation.* [APRIL 2005]
- .007 ◆ *Notes and schedules that are integral to the financial statements should be clearly identified.* [APRIL 2005]
- .010 ◆ *Notes and supporting schedules in financial statements should not be used as a substitute for proper accounting treatment.* [APRIL 2005]
- .012 ◆ *Financial statements should present any information required for the fair presentation of a government's financial position, results of operations, change in net debt, and cash flow.* [APRIL 2005]
- .016 ◆ *Financial statements should be presented in such form and use such terminology and classification of items that significant information is readily understandable.* [APRIL 2005]
- .018 ◆ *Financial statements should present a comparison of current period amounts with those of the prior period(s).* [APRIL 2005]
- .020 ◆ *The bases for determining the reported amounts of assets and liabilities should be applied consistently and, where the bases are not self-evident, they should be disclosed.* [APRIL 2005]
- .022 ◆ *Financial statements should be issued on a timely basis.* [APRIL 2005]
- .024 ◆ *Where the financial statements are subject to an independent audit, the auditor's report should be appended to the statements. Unaudited financial statements should be clearly identified as such.* [APRIL 2005]
- .026 ◆ *Financial statements should present the substance of transactions and events.* [APRIL 2005]
- .031 ◆ *Financial statements should include a statement of financial position, a statement of operations, a statement of change in net debt, and a statement of cash flow.* [APRIL 2005]
- .038 ◆ *The statement of financial position should report net debt and the accumulated surplus / deficit as the two indicators that together explain the financial position at the end of the accounting period.*
 - (a) *The statement of financial position should report liabilities and financial assets and report the difference between them as the measure of the government's net debt.*
 - (b) *Below the net debt indicator, the statement of financial position should report non-financial assets and account for and report the sum of the government's net debt and its non-financial assets as the accumulated surplus / deficit of the government at the end of the accounting period.* [APRIL 2005]
- .041 ◆ *The statement of financial position should report liabilities segregated by main classifications, such as:*
 - (a) *accounts payable and accrued liabilities;*
 - (b) *liabilities for employee future benefits;*
 - (c) *deferred revenue;*

- (d) borrowings; and
 - (e) loans from other governments. [APRIL 2005]
- .042 ♦ Financial statements should disclose adequate information about the nature and terms of a government's liabilities. [APRIL 2005]
- .046 ♦ The statement of financial position should report financial assets segregated by main classifications, such as:
- (a) cash and cash equivalents;
 - (b) temporary investments;
 - (c) revenues receivable;
 - (d) inventories for resale and other assets held for sale that meet the requirements of paragraph PS 1200.051;
 - (e) loans to other governments;
 - (f) other loans;
 - (g) portfolio investments;
 - (h) investments in government business enterprises; and
 - (i) investments in government business partnerships. [APRIL 2005]
- .047 ♦ Financial statements should disclose adequate information about the nature and terms of a government's financial assets together with any valuation allowances. [APRIL 2005]
- .049 ♦ Valuation allowances should be used to reflect financial assets at their net recoverable or other appropriate value. [APRIL 2005]
- .051 ♦ An asset held for sale should be recognized as a financial asset when all of the following criteria are met:
- (a) prior to the date of the financial statements, the government body, management board or an individual with the appropriate level of authority commits the government to selling the asset;
 - (b) the asset is in a condition to be sold;
 - (c) the asset is publicly seen to be for sale;
 - (d) there is an active market for the asset;
 - (e) there is a plan in place for selling the asset; and
 - (f) it is reasonably anticipated that the sale to a purchaser external to the government reporting entity will be completed within one year of the financial statement date. [APRIL 2005]
- .053 ♦ The statement of financial position should report non-financial assets segregated by main classifications, such as:
- (a) tangible capital assets;
 - (b) inventories held for consumption or use; and
 - (c) prepaid expenses. [APRIL 2005]
- .055 ♦ The financial statements should disclose the nature of government non-financial assets as assets that are normally employed to provide future services. [APRIL 2005]
- .058 ♦ Any asset that:
- (a) is not held for sale as described in paragraph PS 1200.051; and
 - (b) would otherwise meet the definition of a tangible capital asset except for its ability to contribute to the net cash inflows of the government;
- should be recognized as a non-financial asset. [APRIL 2005]
- .064 ♦ Financial statements should disclose that all intangibles, and items inherited by right of the Crown, such as Crown lands, forests, water, and mineral resources, are not recognized in government financial statements. [APRIL 2005]
- .068 ♦ Financial statements should disclose information to describe a government's material contingent assets at the end of the accounting period. [APRIL 2005]
- .074 ♦ The statement of operations should:
- (a) report the revenues of the accounting period segregated by significant types of revenues from taxes, non-tax sources and transfers from other governments;
 - (b) report the expenses of the period by function or major program;
 - (c) account for the difference between the revenues and expenses in the period, as the measure of the surplus or deficit for the period; and
 - (d) report the accumulated surplus / deficit at the beginning and end of the period,¹ unless these figures are reconciled with the surplus / deficit for the period on a separate statement. [APRIL 2005]
- .077 ♦ Revenues, including gains, should be recognized in the period in which the transactions or events occurred that gave rise to the revenues. Gains are generally recognized when realized. Items not practicably measurable until cash is received would be accounted for at that time. [APRIL 2005]

- .080 ♦ *Financial statements should disclose the gross amounts of revenues.* [APRIL 2005]
- .082 ♦ *Financial statements should disclose the gross amounts of expenses.* [APRIL 2005]
- .083 ♦ *Financial statements should disclose the expenses of the accounting period by object.* [APRIL 2005]
- .087 ♦ *Changes in valuation allowances should be recognized as expenses in the accounting period.* [APRIL 2005]
- .091 ♦ *The statement of change in net debt should report the extent to which the expenditures of the accounting period are met by the revenues recognized in the period.* [APRIL 2005]
- .092 ♦ *The statement of change in net debt should report the acquisition of tangible capital assets in the accounting period as well as other significant items that explain the difference between the surplus or deficit for the accounting period and the change in net debt in the period.* [APRIL 2005]
- .094 ♦ *The statement of change in net debt should report net debt at both the beginning and end of the accounting period.* [APRIL 2005]
- .099 ♦ *The statement of cash flow should report how a government generated and used cash and cash equivalents in the accounting period and the change in cash and cash equivalents in the period. The statement of cash flow should report the cash and cash equivalents at both the beginning and end of the accounting period.* [APRIL 2005]
- .100 ♦ *The statement of cash flow should report cash flows during the period classified by operating, capital, investing and financing activities.* [APRIL 2005]
- .107 ♦ *When a government is employing the indirect method and there is a significant difference between the interest revenue or expense recognized in the statement of operations and the interest receipt or payment recognized in the cash flow statement, the financial statements should disclose the amount of the difference and the reason(s) for it.* [APRIL 2005]
- .111 ♦ *The statement of cash flow should report separately major classes of gross cash receipts and gross cash payments arising from capital, investing and financing activities, except to the extent that cash flows described in paragraphs PS 1200.112-.113 are presented on a net basis.* [APRIL 2005]
- .112 ♦ *Cash flows arising from each of the following operating, capital, investing or financing activities may be presented on a net basis:*
 - (a) *cash receipts collected and payments made on behalf of entities external to the government reporting entity, including taxpayers and beneficiaries, when the cash flows reflect the activities of the external party rather than those of the government; and*
 - (b) *cash receipts and payments for items for which the turnover is rapid, the amounts are large and the maturities are short.* [APRIL 2005]
- .113 ♦ *Cash flows arising from interest paid on debt issued on behalf of government business enterprises and interest received from those government business enterprises should be presented on a net basis when the debt meets the criteria in LONG-TERM DEBT, paragraph PS 3230.12.* [APRIL 2005]
- .116 ♦ *Capital, investing and financing transactions that do not require the use of cash or cash equivalents should be excluded from the statement of cash flow. Such transactions should be disclosed in the financial statements in a way that provides all the relevant information about these capital, investing and financing activities.* [APRIL 2005]
- .118 ♦ *The financial statements should disclose the components of cash and cash equivalents and should present a reconciliation of the amounts in the statement of cash flow with the equivalent items presented in the statement of financial position. A government should disclose the policy it adopts in determining the composition of cash and cash equivalents.* [APRIL 2005]
- .122 ♦ *The statement of operations should present a comparison of the results for the accounting period with those originally planned. Planned results should be presented for the same scope of activities and on a basis consistent with that used for actual results.* [APRIL 2005]
- .123 ♦ *The statement of change in net debt should present a comparison of the items that comprise the change in net debt for the accounting period, as well as the change in net debt for the period, with the figures originally planned. Planned amounts should be presented for the same scope of activities and on a basis consistent with that used for actual amounts.* [APRIL 2005]
- .127 ♦ *Financial statements should disclose information to show where a government has exceeded its revenue, borrowing, investing, expense or expenditure authority limits.* [APRIL 2005]

This superseded Section has been refiled under Archived Pronouncements.

Financial statement presentation, Section PS 1201 [APRIL 2012]

Revises and replaces Section PS 1200. The Section now establishes general reporting principles and standards for the presentation and disclosure in the financial statements of public sector entities that have implemented FOREIGN CURRENCY TRANSLATION, Section PS 2601, and FINANCIAL INSTRUMENTS, Section PS 3450.

The following table shows how paragraphs in former Section PS 1200 and revised Section PS 1201 correspond:

Former paragraphs	New paragraphs
PS 1200.033(b)	PS 1201.034

PS 1200.033(c)	PS 1201.035
PS 1200.034-.038	PS 1201.036-.040
—	PS 1201.041-.042
PS 1200.039-.078	PS 1201.043-.082
PS 1200.080-.088	PS 1201.083-.091
—	PS 1201.092-.096
PS 1200.089-.132	PS 1201.097-.139

First-time adoption by government organizations, Section PS 2125

Amended paragraph PS 2125.15 and deleted paragraph PS 2125.16 as a result of issuing new Section PS 2601. The former wording of paragraph PS 2125.15 was as follows:

- ♦ *This Section prohibits retroactive application to:*
- (a) *some aspects of hedge accounting, as set out in paragraph PS 2125.16; and*
- (b) *accounting estimates.* [JAN. 2011]

Former paragraphs PS 2125.15-.16 are set out in a supplement in Archived Pronouncements.

Basic principles of consolidation, paragraph PS 2500.07(c)

Amended as a result of introducing the statement of remeasurement gains and losses in new Section PS 3450.

Additional areas of consolidation, paragraphs PS 2510.06(c), PS 2510.42(b) and PS 2510.43

Amended as a result of introducing the statement of remeasurement gains and losses in new Section PS 3450.

Foreign currency translation, Section PS 2600

Replaced by Section PS 2601.

The following italicized paragraphs formerly appeared in Section PS 2600:

- .10 ♦ *At the transaction date, each asset, liability, revenue or expense arising from a foreign currency transaction of the government should be translated into Canadian dollars by applying the exchange rate in effect at that date, except as noted in paragraph PS 2600.40.* [JAN. 2003]
- .13 ♦ *At each financial statement date, monetary assets and liabilities denominated in a foreign currency should be adjusted to reflect the exchange rate in effect at that date and be recognized in the statement of financial position.* [JAN. 2003]
- .16 ♦ *The foreign exchange gain or loss relating to a long-term foreign currency denominated monetary item should be recognized in the financial statements and deferred and amortized to revenue / expense over the remaining life of the monetary item.* [JAN. 2003]
- .19 ♦ *An exchange gain or loss of the government that arises on settlement of a foreign currency denominated monetary item should be recognized in the statement of operations for the current period.* [JAN. 2003]
- .24 ♦ *The unamortized foreign exchange gain or loss should be separately reported on the statement of financial position as an offset or addition to the related monetary item.* [JAN. 2003]
- .29 ♦ *When hedge accounting is used, counterbalancing gains and losses that result from the translation of the components of a foreign currency hedging relationship should be recognized in the statement of operations in the same period(s).* [JAN. 2003]
- .32 ♦ *A foreign currency hedging relationship qualifies for hedge accounting only when all of the following conditions are satisfied:*
 - (a) *At the inception of the hedging relationship, the government:*
 - (i) *identifies the nature of the specific risk exposure(s) being hedged in accordance with its risk management objective and strategy; and*
 - (ii) *designates that hedge accounting will be applied to the hedging relationship.*
 - (b) *At the inception of the hedging relationship, the government has formal documentation of:*
 - (i) *its risk management objective and strategy for establishing the relationship;*
 - (ii) *the hedging relationships, identifying the hedged items, the related hedging items and the intended term of the hedging relationships;*
 - (iii) *the method for assessing the effectiveness of the hedging relationship; and*
 - (iv) *the method for recognizing in operations the gains, losses, revenues and expenses associated with the items in the hedging relationship.*
 - (c) *Both at inception of the hedging relationship and throughout its term, the government expects it to be effective and consistent with the originally documented risk management objective and strategy. Accordingly:*

- (i) the effectiveness of the hedging relationship should be reliably measurable, which requires that the effects of the risk exposure being modified be reliably measurable for each hedged item and each hedging item; and
 - (ii) the hedging relationship should be assessed on a regular periodic basis over its term to determine that it has remained, and is expected to continue to be, effective. [JAN. 2003]
- .40 ♦ When synthetic instrument accounting is used for foreign currency denominated items, the Canadian dollar equivalent of the synthetic instrument at initial recognition and at subsequent financial statement dates is established by the rate implied by the terms of the hedge(s). [JAN. 2003]
- .48 ♦ The government should disclose the following:
- (a) the government's policy for managing foreign currency risk, including a general description of the nature of the hedges undertaken to mitigate the government's currency exposure, the government's method for assessing hedge effectiveness, and information about the magnitude of hedging activities;
 - (b) the Canadian dollar equivalent of the unhedged foreign denominated monetary items at the financial statement date by major currency;
 - (c) the Canadian dollar equivalent of the aggregate amount, by major currency, estimated to be required in each of the next five years and thereafter to meet sinking fund or retirement provisions for the foreign denominated debt;
 - (d) the exchange gains or losses that have been recognized in the statement of operations; and
 - (e) a sensitivity analysis illustrating the impact on the unhedged foreign currency denominated monetary item of foreign exchange rate changes. [JAN. 2003]

This superseded Section has been refiled under Archived Pronouncements.

Foreign currency translation, Section PS 2601 [APRIL 2012]

New. Replaces Section PS 2600.

Government partnerships, paragraph PS 3060.49

Amended to provide a reference to new Section PS 1201.

Investments in government business enterprises, Section PS 3070

Added paragraphs PS 3070.08A and PS 3070.58A and amended paragraph PS 3070.59 as a result of the requirement in Section PS 1201 to report other comprehensive income from investments in government business enterprises in the statement of remeasurement gains and losses.

Amended paragraph PS 3070.69(b) as a result of introducing the statement of remeasurement gains and losses in new Section PS 3450. The former wording is as follows:

- .69 ♦ When a government acquires a government business enterprise, the following should be disclosed:
- ...
- (b) the date of acquisition and the period for which the results of the acquired government business enterprise are included in the consolidated statement of operations;

Long-term debt, paragraph PS 3230.15A

Added as a result of disclosure requirements in new Section PS 3450.

Loan guarantees, paragraphs PS 3310.17-18, PS 3310.23-24 and PS 3310.27

Amended to specify that the expenses as described are reported in the statement of operations as a result of issuing new Section PS 1201.

Financial instruments, Section PS 3450 [APRIL 2012]

New.

Introduction to accounting standards that apply only to government not-for-profit organizations

Amended the chart outlining the applicability of Sections to not-for-profit organizations to reflect the replacement of Sections PS 1200 and PS 2600 with Sections PS 1201 and PS 2601, respectively, and the issuance of new Section PS 3450.

Financial statement presentation by not-for-profit organizations, Section PS 4200

Amended paragraph PS 4200.05 to include a footnote identifying that not-for-profit organizations that have adopted FOREIGN CURRENCY TRANSLATION, Section PS 2601, and FINANCIAL INSTRUMENTS, Section PS 3450, may be required to present a statement of remeasurement gains and losses.

Amended paragraph PS 4200.46 to provide a reference to new Section PS 1201.

GUIDELINE

Including results of organizations and partnerships applying fair value measurement, PSG-6

Withdrawn. This Guideline has been refiled under Archived Pronouncements.

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