

## The Conceptual Framework for Financial Reporting in the Public Sector — Basis for Conclusions

### INTRODUCTION

#### 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.

- BC.03 The result of the project was a 10-chapter Conceptual Framework and the development of a standard for a financial statement reporting model, FINANCIAL STATEMENT PRESENTATION, Section PS 1202. Section PS 1202 is expected to be issued in 2023.
- BC.05 The review of the superseded conceptual framework led to a review of FINANCIAL STATEMENT PRESENTATION, Section PS 1201. This Basis for Conclusions focuses only on the key decisions in relation to the development of The Conceptual Framework for Financial Reporting in the Public Sector ("the Conceptual Framework"). A Basis for Conclusions will accompany FINANCIAL STATEMENT PRESENTATION, Section PS 1202, when it is issued, explaining the key decisions relating to it.
- BC6.01 Chapter 6 of the Conceptual Framework identifies the six financial statement objectives. These objectives provide a high-level overview of what should be reported in financial statements. Details of how these objectives are reflected in financial statements are included in FINANCIAL STATEMENT PRESENTATION, Section PS 1202. Section PS 1202 will be published in the PSA Handbook at a later date. However, PSAB considered feedback received on the Exposure Draft of proposed Section PS 1202 in finalizing Chapter 6. Chapter 6 should be read in conjunction with Section PS 1202 once the standard is issued. References to Section PS 1202 have been included to ensure links to the new reporting model are clear.
- BC6.11 In Chapter 6 of the Conceptual Framework, PSAB introduced the notion of separately reporting significant identifiable sources (or components) of net assets or net liabilities (paragraph 6.20). This is consistent with PSAB's reporting model in FINANCIAL STATEMENT PRESENTATION, Section PS 1201, in which the net assets or net liabilities position consisted of two sources (or components):
- (a) the accumulation of past surpluses and deficits; and
  - (b) the accumulation of unrealized remeasurements.
- BC6.19 Only items that PSAB approves in standards pursuant to the due process can be reported outside of that period's surplus or deficit. For example, the reporting model in FINANCIAL STATEMENT PRESENTATION, Section PS 1201, required unrealized remeasurements arising in a period related to financial instruments measured at fair value to be recognized outside of the surplus or deficit of the period.
- BC6.30 So, when the basis of accounting, principles, scope or classifications used in the budget is different from that used for the financial statements, Section PS 1202 requires the budget amounts to be restated when being presented for comparison purposes in the financial statements. The restated amounts would be identified and reported as such on the face of the statement of operations. To calculate the budget numbers for comparison purposes, public sector entities can modify or add together approved budgets or approved budget amounts for entities comprising the reporting entity so approved budget amounts can be presented in the financial statements for the same reporting entity and on the same basis as actual amounts. Note disclosure or a schedule would reconcile the restated budget numbers back to those approved in the original budget. These are substantially the same budget presentation requirements as in FINANCIAL STATEMENT PRESENTATION, Section PS 1201, and are consistent with current practice.
- BC6.36 Guidance on how the objective applies to Indigenous governments is included in FINANCIAL STATEMENT PRESENTATION, Section PS 1202.

### CHAPTER 8: ELEMENTS OF FINANCIAL STATEMENTS

- BC8.14 PSAB concluded that deferred inflows and deferred outflows that do not meet the definition of an asset or liability should not be recognized in financial statements. However, the Board acknowledges in Chapter 6 of the Conceptual Framework that certain circumstances, as identified and approved by PSAB, may require a different accountability approach. For example, certain aspects of changes in financial position that arise in a period may require separate accountability and, as a result, may require reporting outside of that period's surplus or deficit, directly in a component of net assets or net liabilities. The Board felt that this approach would better contribute to public understanding of financial position as comprised solely of assets and liabilities. The Board concluded that this approach is a question of presentation on the financial statements rather than a question of introducing new elements. As the objective of Chapter

8 is to define the elements, the presentation of the elements in financial statements is discussed in FINANCIAL STATEMENT PRESENTATION, Section PS 1202. 16

BC8.16 PSAB decided to retain the status quo for the following reasons:

- (a) Net assets or net liabilities is a residual amount, calculated as the difference between two types of elements: assets and liabilities. It is also a residual because it results solely from the accumulated difference between the revenues and expenses of the past. 17
- (b) Ownership interests are rare or minimal in the Canadian public sector (see Chapter 2 of the Conceptual Framework). The existence of rare ownership interests should not drive the development of concepts (i.e., elements) in the Conceptual Framework.
- (c) Defining one or more components of net assets or net liabilities as elements contradicts the idea of elements as the most basic building blocks of financial statements. Elements may have subcategories (e.g., financial and non-financial assets), but elements cannot be subcategories of something else.
- (d) PSAB concluded that there should be one Conceptual Framework and a benchmark set of accounting and financial reporting standards (i.e., GAAP) set out in the PSA Handbook. Any customization from this benchmark for particular types or sizes of public sector entities would be a separate decision of the Board. These core requirements would not restrict an entity from providing supplemental presentations and disclosures to meet its stakeholders' additional accountability needs. Chapter 10 of the Conceptual Framework, "Presentation Concepts for Financial Statements," provides the criteria to consider when determining whether supplemental presentations and disclosures are appropriate. For example, entities that determine that a supplemental breakdown of net assets or net liabilities (i.e., in addition to that required by FINANCIAL STATEMENT PRESENTATION, Section PS 1202) is necessary for the entity to meet management needs or other accountabilities would have the option to provide such a breakdown in the notes.

BC8.76 Although the IPSASB identified the possibility of other resources and other obligations that do not meet the asset and liability definitions in its conceptual framework, the IPSASB has yet to identify any transactions that would be recognized in these categories. If the IPSASB decides to use "other resources" and "other obligations" in a standard that PSAB wishes to leverage, PSAB will need to determine an alternative accounting treatment that meets the financial reporting objective of providing accountability information. This alternative accounting treatment may or may not lead to the same impact on the net financial position indicator. For example, PSAB may consider using the "accumulated other" component of the net assets or net liabilities. The "accumulated other" component may be used to recognize items, transactions or other events that PSAB feels should be recognized outside of surplus or deficit when they arise, to better serve the accountability objective. For a comparable item, transaction or other event, using this component may possibly lead to the same effect on the net financial position indicator as IPSASB using the "other resources" and "other obligations" categories.

## **CHAPTER 9: RECOGNITION AND MEASUREMENT IN FINANCIAL STATEMENTS**

BC9.29 The going concern discussion in Chapter 9 of the Conceptual Framework builds on the longevity discussion in Chapter 2, and the going concern discussion in FINANCIAL STATEMENT PRESENTATION, Section PS 1202 22 builds on the going concern concepts in Chapter 9 of the Conceptual Framework. These three related aspects to a going concern evaluation in the public sector should be considered together. The Conceptual Framework is meant to provide the concepts and the foundation for considering the validity of a going concern assumption, with detailed guidance being provided at the standards level (i.e., in Section PS 1202).

BC9.42 Removing the recognition exclusions from the PSA Handbook would have significant implications. Specifically, there would be issues related to non-purchased items and certain intangibles such as those that are internally developed. PSAB concluded that before these exclusions can be removed, each type of economic resource must be considered individually, and stakeholders consulted. Appropriate guidance regarding their recognition and measurement must be provided before the recognition exclusions are removed from the PSA Handbook. From a Conceptual Framework perspective, only general recognition and measurement concepts can be provided. The Board concluded that the exclusions should continue to exist. As a result, the Board removed them from the Conceptual Framework but relocated them to FINANCIAL STATEMENT PRESENTATION, Section PS 1201, until FINANCIAL STATEMENT PRESENTATION, Section PS 1202, is issued. The Board feels this approach would give it the opportunity to consider the priority of the topics set out in these exclusions for its future technical agenda. The intent is to continue with existing practice, that is, to continue to not recognize those items that are excluded from recognition until future decisions are made by the Board.

BC9.46 Although the recognition exclusions are relocated to Section PS 1201, neither the Conceptual Framework nor Section PS 1201 restrict an entity from providing further disclosures related to the recognition exclusions. The Conceptual Framework encourages the use of supplemental information allowing financial statement preparers to provide information on the recognition exclusions in the notes or schedules. Paragraph 10.24 of the Conceptual Framework states, "Entities may supplement the core financial statement requirements with additional information in the notes and schedules" if certain criteria are met.

## **CHAPTER 10: PRESENTATION CONCEPTS FOR FINANCIAL STATEMENTS**

BC10.04 These paragraphs are re-emphasized at the standards level in FINANCIAL STATEMENT PRESENTATION, Section PS 1202, 24 because they are key.

**CONSEQUENTIAL AMENDMENTS ARISING FROM THE CONCEPTUAL FRAMEWORK**

BC CA.24 FINANCIAL STATEMENT PRESENTATION, Section PS 1202, will be published in the PSA Handbook after the Conceptual Framework is published. As a result:

- (a) References to FINANCIAL STATEMENT CONCEPTS, Section PS 1000, and FINANCIAL STATEMENT OBJECTIVES, Section PS 1100, in FINANCIAL STATEMENT PRESENTATION, Section PS 1201, will also need to be updated as Section PS 1201 will remain in the PSA Handbook until it is replaced with Section PS 1202 and the effective date of Section PS 1202 has passed.
  - (b) Certain paragraphs that are intended to be included in Section PS 1202 are first being included in Section PS 1201. This means the PSA Handbook will be complete during the period between publishing the Conceptual Framework (and withdrawing Sections PS 1000 and PS 1100) and the effective date of Section PS 1202.
- 

## Footnotes

16. Section PS 1202 will be published into the PSA Handbook at a later date.

17. The exception to this is if an entity has share capital. Then the residual would also include changes in share capital, which are rare in the public sector.

22. Section PS 1202 will be published into the PSA Handbook at a later date.

24. Section PS 1202 will be published into the PSA Handbook at a later date.

---

[Terms and Conditions and Privacy Policy](#)

Help desk: Mon-Fri, 9am-5pm ET 1-866-256-6842 [Contact Us](#) [Quick Reference Guide](#)

© 2001-2025, Knotia Canada Limited Partnership All rights reserved.