

## SECTION PS 1000

### financial statement concepts

#### SUPPLEMENT

This supplement sets out the previous wording of paragraphs amended as a consequence of approving narrow scope amendments to FINANCIAL STATEMENT CONCEPTS, Section PS 1000, to allow for recognition of purchased intangibles in financial statements.

- .57 Purchased natural resources and Crown lands are recognized in government financial statements. However, when natural resources and Crown lands have been inherited by the government in right of the Crown and have not been purchased, they are not given accounting recognition as assets in government financial statements. These items are not recognized as assets because the costs, benefits and economic value of such items cannot be reasonably and verifiably quantified using existing methods. Similarly, art and historic treasures are also not recognized as assets.
- .58 In the absence of appropriate public sector recognition and measurement criteria for intangibles, all intangibles, including those that have been purchased, developed, constructed or inherited in right of the Crown, are not recognized as assets in government financial statements. The intangible often called "human capital" that embodies the talent or intellectual capital of government employees is not recognized as an asset under existing accounting principles.

#### SUPPLEMENT

This supplement sets out the previous wording of paragraphs that have been amended substantially or deleted as a consequence of approving ASSETS, Section PS 3210.

- .36 Assets have three essential characteristics:
  - (a) they embody a future benefit that involves a capacity, singly or in combination with other assets, to provide future net cash flows, or to provide goods and services;
  - (b) the government can control access to the benefit; and
  - (c) the transaction or event giving rise to the government's control of the benefit has already occurred.
- .38 For an asset to be a government's asset, that government must control the future economic benefit associated with the asset to the extent that it can benefit directly from the asset and generally can deny or regulate access to that benefit by others. For example, the direct benefits of education and health care programs accrue to and are controlled by the individuals who are educated or treated and healed. Therefore, the costs of such programs, which are often called "investments", are excluded from being assets of the government.

This supplement sets out the previous wording of paragraphs that have been amended substantially as a consequence of approving FINANCIAL INSTRUMENTS, Section PS 3450.

- .34 The elements of government financial statements include: assets (both financial and non-financial), liabilities, revenues, and expenses. Revenues and expenses, and therefore operating results for an accounting period, result only from changes in assets and liabilities. Operating results, which are described as the surplus or deficit for the accounting period, are determined as a measure of the change in net economic resources for an entity for a period and, except in specific circumstances, articulate that change (economic, financial and non-financial resources are defined in FINANCIAL STATEMENT OBJECTIVES, Section PS 1100). Specific circumstances affecting net economic resources that are excluded from operations are identified in individual Sections of the PSA Handbook, for example ACCOUNTING CHANGES, Section PS 2120. Definitions of the elements that together comprise operating results, revenues and expenses, are derived from the definitions of assets and liabilities.
- .40 A financial asset is any asset that is:
  - (a) cash;
  - (b) a realizable asset that is convertible to cash;
  - (c) a contractual right to receive cash or another financial asset from another party;
  - (d) a temporary or portfolio investment;
  - (e) an investment in a government business enterprise or government business partnership;
  - (f) a financial claim on an outside organization or individual; or
  - (g) an inventory or item for sale that meets the criteria in FINANCIAL STATEMENT PRESENTATION, paragraph PS 1200.051.

Note: Refer also to Handbook Revisions Release no. 34 (June 2011) for a complete listing of amendments related to the issuance of FINANCIAL INSTRUMENTS, Section PS 3450.

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