

accounting guideline

PSG-2

leased tangible capital assets

SUPPLEMENT

This supplement sets out the previous wording of paragraphs that have been amended substantially as a consequence of approving the amendments to TANGIBLE CAPITAL ASSETS, Section PS 3150.

- 1 The purpose of this Guideline is to: 1
 - (a) define leased tangible capital assets;
 - (b) describe how to account for a leased tangible capital asset and the related lease liability;
 - (c) describe the information that should be disclosed about transactions involving leased tangible capital assets; and
 - (d) provide guidance on initial application of the Guideline.

It applies to government financial statements. 2

SUPPLEMENT

This supplement sets out the previous wording of a cross-reference to LEASES, Section 3065 in former Part V of the Handbook, pre-changeover accounting standards, in the last box of the decision tree in former Appendix B of PSG-2 (now renumbered as Appendix A). It was deleted as a consequence of PSAB determining that a cross-reference to another reporting framework should not exist in the PSA Handbook. It was replaced with reference to new text added to PSG-2 in February 2025.

**Then account for the lease as an
operating lease, in accordance with
LEASES, CPA CANADA HANDBOOK
– ACCOUNTING Section 3065**

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.

ACCOUNTING

Recognition

- 11 A government should account for leased property that meets the definition of a leased tangible capital asset as a tangible capital asset and a liability.

PRESENTATION AND DISCLOSURE

Reporting the asset

- 23 A government should report its leased tangible capital assets in accordance with FINANCIAL STATEMENT PRESENTATION, Section PS 1201.
- 31 This Guideline applies to local governments that have adopted FINANCIAL STATEMENT PRESENTATION, PS 1201.

SUPPLEMENT

This supplement sets out the previous wording of paragraphs that have been amended as a consequence of the 2019-2020 annual improvements.

- 24 The following information should be disclosed with respect to a government's leased tangible capital assets:
 - ...
 - (b) Liabilities related to leased tangible capital assets should be shown separately from other liabilities. Particulars of liabilities related to leased tangible capital assets, including interest rates and expiry dates, should be shown separately from other long-term liabilities. Significant conditions of the lease agreement should be disclosed, including future contractual obligations, purchase options, terms of renewal and contingencies, and circumstances that require or result in the government's continuing involvement in the contractual arrangement.
 - ...

- 26 Disclosure of contractual obligations and contingencies related to leased tangible capital assets helps readers assess the financial resources that the government may require in the future.
- 27 Disclosure of contractual obligations and contingencies related to a government's leased tangible capital assets would include the following:
- (a) The nature and basis of determination of contingent rentals.
 - (b) The amount of contingent rentals included in the determination of operating results.
 - (c) The nature of any renewal options, purchase options or escalation clauses.
 - (d) The commitment represented by the future minimum lease payments in aggregate and for each of the five succeeding years. A separate deduction should be made from the aggregate figure for amounts included in the minimum lease payments representing executory costs and imputed interest. The resultant net amount would be the balance of the unpaid liability.
 - (e) Any other contractual obligations and contingencies related to leased tangible capital assets.
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Footnotes

1. Throughout this Guideline, terms that appear in bold type are defined in the Glossary (Appendix A).
2. Although this Guideline is intended to apply to governments' financial statements, governmental units and government business enterprises may also find the guidance useful in assessing whether their lease agreements should be classified as leased tangible capital assets.
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