

**public sector accounting handbook
highlight summary no. 9
March 1999**

HIGHLIGHT SUMMARY

(Note: New Handbook material or changes in existing material are identified in each HANDBOOK REVISIONS RELEASE).

HANDBOOK RESTRUCTURING

Effective with the transfer of responsibility for setting auditing standards, the Public Sector Auditing Recommendations have been transferred to CICA Handbook – Assurance. The Public Sector Accounting and Auditing Handbook has been re-titled the CICA Public Sector Accounting Handbook.

Portfolio investments, Section PS 3040

This new Section recommends how to account for and report portfolio investments in government financial statements. It applies to federal, provincial, territorial and local governments. The accounting Recommendations are primarily based on the Recommendations for portfolio investments in LONG-TERM INVESTMENTS, CICA HANDBOOK – ACCOUNTING Section 3050. The Section includes the following main Recommendations and guidance:

- Portfolio investments are to be accounted for by the cost method.
- Portfolio investments should be written down to recognize losses in value that are other than temporary and the write-down should be included in the determination of annual results.
- A write-down of a portfolio investment should not be reversed to reflect a subsequent increase in value.
- For the purposes of calculating a gain or loss on the sale of a portfolio investment, the cost of the investment sold should be calculated on the basis of the average carrying value of the portfolio investment.
- If a government makes a portfolio investment, but the terms associated with the investment are so concessionary that they indicate that all or part of the transaction is more in the nature of a grant, then all or part of the transaction should be accounted for as a grant when the investment is made.
- Portfolio investments and income from portfolio investments should be reported separately on the government's financial statements.

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