

**public sector accounting handbook  
highlight summary no. 46  
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**Asset retirement obligations, Section PS 3280**

This new Section establishes standards on how to account for and report a liability for asset retirement obligations. The main features of the new Section are:

- An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset.
- Asset retirement costs associated with a tangible capital asset controlled by the entity increase the carrying amount of the related tangible capital asset (or a component thereof) and are expensed in a rational and systematic manner.
- Asset retirement costs associated with an asset no longer in productive use are expensed.
- Measurement of a liability for an asset retirement obligation should result in the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date.
- Subsequent measurement of the liability can result in either a change in the carrying amount of the related tangible capital asset (or a component thereof), or an expense, depending on the nature of the remeasurement and whether the asset remains in productive use.
- A present value technique is often the best method with which to estimate the liability.

This Section applies to fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted.

As a consequence of the issuance of Section PS 3280:

- editorial changes have been made to other standards; and
- SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE LIABILITY, Section PS 3270, has been withdrawn.

Section PS 3270 will remain in effect until the adoption of Section PS 3280 for fiscal periods beginning on or after April 1, 2021, unless a public sector entity elects earlier adoption.

**Archived Pronouncements**

To give Handbook readers continued access to withdrawn Section PS 3270 and paragraphs in other Sections, the Archived Pronouncements set out the wording of that Section and paragraphs in other Sections.

The archived material will be withdrawn from the Handbook when it is no longer effective.

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