

SECTION PS 2130

measurement uncertainty

PURPOSE AND SCOPE

- .01 This Section establishes disclosure standards for measurement uncertainty arising from items recognized or disclosed in financial statements. The disclosure standards in this Section supplement the standards in other Sections.

DEFINITIONS

- .02 The following definitions have been adopted for the purposes of this Section:

- (a) **Near term** is a period of time not to exceed one year from the date of the financial statements.
- (b) **Measurement uncertainty** is uncertainty in the determination of the amount at which an item is recognized or disclosed in financial statements. Such uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

- .03 Part of the measurement process includes the review of amounts of financial statement items to assess the need for a revision of an amount. Measurement uncertainty may exist even if an amount is not revised. Many items are measured using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

- .04 The effect of using alternative accounting policies or methods that are disclosed in accordance with DISCLOSURE OF ACCOUNTING POLICIES, Section PS 2100, is not considered a measurement uncertainty.

DISCLOSURE

- .05 When a material change in an amount that is recognized or disclosed is reasonably possible in the near term, the notes to the financial statements would provide information about the nature and extent of uncertainty.

.06 *The nature of measurement uncertainty that is material should be disclosed.* [APRIL 2005]

.07 *The extent of measurement uncertainty that is material should be disclosed when it is reasonably possible that the amount could change by a material amount in the near term.* [APRIL 2005]

.08 *When disclosure has been made in accordance with paragraph PS 2130.06 or PS 2130.07, the amount of the item subject to measurement uncertainty should be disclosed, except when disclosure of the amount would have a significant adverse effect on the entity. When the amount is not disclosed, the notes should indicate the reason(s) for non-disclosure.* [APRIL 2005]

.09 The materiality of the effect of the measurement uncertainty on the financial statements is the sole criterion for determining whether disclosure of measurement uncertainty in accordance with paragraphs PS 2130.06-.07 would be made. Materiality is the term used to describe significance of financial statement information to decision makers. An item of information, or an aggregate of items, is material if omitting, misstating or obscuring it would impair the assessment of accountability by the users or influence the decisions they make. Materiality is a matter of professional judgment in the particular circumstances. [Former paragraph PS 2130.09, amended by the Conceptual Framework, retained in Archived Pronouncements.]

.10 There is a degree of uncertainty associated with the measurement of many amounts recognized or disclosed in the financial statements. In many cases, however, such uncertainty is not material. A decision about whether measurement uncertainty has a material effect on the financial statements is a matter of professional judgment. Management would consider information such as the range of reasonably possible amounts; whether the amount could change by a material amount; the impact of other reasonably possible amounts on the public sector entity's economic resources, obligations and net assets or net liabilities; and the possible timing of the impact. A judgment about materiality of measurement uncertainty would be made considering the effect that a different reasonably possible amount would have on the financial statements. [Former paragraph PS 2130.10, amended by the Conceptual Framework, retained in Archived Pronouncements.] [Former paragraph PS 2130.10, amended by the 2024-2025 Annual Improvements, retained in Archived Pronouncements.]

.11 Disclosure of the nature of the measurement uncertainty would include a description of the circumstances giving rise to the uncertainty and relevant information about the anticipated resolution of the uncertainty.

.12 The estimation of the amount of an item to be accrued or disclosed in financial statements may be based on information that provides a range of amounts. When a particular amount within such a range appears to be a better estimate than any other, that amount would be used. When uncertainty exists, estimates used would attempt to ensure that assets, revenues, liabilities and expenses are not overstated or understated. Estimates of the financial effect are determined using professional judgment, supplemented by experience of similar transactions and, in some cases, reports from independent experts. Estimates include any additional evidence provided by subsequent events occurring after the

financial statement date. [Former paragraph PS 2130.12, amended by the Conceptual Framework, retained in Archived Pronouncements.]

- .13 As a result of the estimation process, a public sector entity would be able to determine a range of reasonably possible amounts in accordance with assumptions that are realistic, supportable, internally consistent, and consistent with planned courses of action. The range of reasonably possible amounts would exclude amounts at the outer edges of possibility since such amounts, while possible, are considered to be outside the best estimate range. Relevant information available to the public sector entity to develop a reasonable range includes past experience, precedents, and opportunities to reach alternative arrangements. [Former paragraph PS 2130.13, amended by the 2024-2025 Annual Improvements, retained in Archived Pronouncements.]
- .14 Disclosure of the extent and/or range of reasonably possible amounts or the effect of a change in the underlying assumptions used to estimate the amount would be provided unless it would have a significant adverse effect on the outcome.
- .15 Consideration would also be given to disclosing other relevant information to describe the measurement uncertainty, such as:
 - (a) a description of the key assumptions used in estimating the amounts and whether the assumptions are susceptible to change;
 - (b) an explanation of the changes made to past assumptions, if the uncertainty remains unresolved; and
 - (c) when a range of reasonably possible amounts is disclosed:
 - (i) the sensitivity of the range to changes in the assumptions used to determine the range; and
 - (ii) the reason for the sensitivity.

TRANSITIONAL PROVISIONS

- .16 This Section applies for fiscal years beginning on or after April 1, 2005. Earlier adoption is encouraged.
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