

## accounting guideline

### PSG-7

## tangible capital assets of local governments

This Guideline is to be read in conjunction with the Introduction to Accounting Guidelines contained in the CPA Canada Public Sector Accounting Handbook.

- 1 The purpose of this Guideline is to provide transitional guidance to a local government on reporting information related to tangible capital assets in notes or schedules to its financial statements.  
(paragraph 2 deleted)
- 3 Tangible capital assets are significant economic resources managed by a local government and a key component of cost in the delivery of many local government programs and services. Tangible capital assets include such diverse items as roads, buildings, vehicles, equipment, land, water and other utility systems, aircraft, computer hardware and software, dams, canals and bridges.
- 4 The disclosure of information regarding tangible capital assets in a local government's financial statements would provide information about tangible capital assets by major category. Major categories of tangible capital assets would be determined by type of asset, such as land, buildings, equipment, roads, water and other utility systems, and bridges.
- 5 When a local government has information on some but not all categories of its tangible capital assets, it would disclose the information required and, in addition, those categories of tangible capital assets excluded from that disclosure until the relevant information about the complete stock of tangible capital assets can be provided.
- 6 A local government would disclose, for each major category of tangible capital assets and in total:
  - (a) cost at the beginning and end of the period;
  - (b) additions in the period;
  - (c) disposals in the period;
  - (d) the amount of any write-downs in the period;
  - (e) the amount of amortization of the costs of tangible capital assets for the period;
  - (f) accumulated amortization at the beginning and end of the period; and
  - (g) net carrying amount at the beginning and end of the period.
- 7 A local government would also disclose the following information about tangible capital assets:
  - (a) the method used for determining the cost of each major category of tangible capital assets;
  - (b) the amortization method used, including the amortization period or rate for each major category of tangible capital assets;
  - (c) the net book value of tangible capital assets not being amortized because they are under construction or development or have been removed from service;
  - (d) the nature and amount of contributed tangible capital assets received in the period;
  - (e) the nature and use of tangible capital assets disclosed at nominal value;
  - (f) the nature of the works of art and historical treasures held by the government; and
  - (g) the amount of interest included in cost in the period.
- 8 When a local government does not have historical cost accounting records for its tangible capital assets, it will need to use other methods to estimate the cost and accumulated amortization of the assets.
- 9 It may be possible to derive information for recording tangible capital assets from records of departments and agencies that manage those assets. A local government would apply a consistent method of estimating the cost of the tangible capital assets for which it does not have historical cost records, except in circumstances where it can be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset.
- 10 When recording the initial cost of a tangible capital asset, consideration would be given to whether the net book value of the tangible capital asset is in excess of the future economic benefits expected from its use and, therefore, whether a write-down is required to establish more appropriate cost and accumulated amortization amounts for the asset.
- 11 Some local government tangible capital assets that are still in use by the local government may not have any unamortized cost remaining because of their age and the amortization period set for that type of tangible capital asset. A record of such tangible capital assets would, however, need to be set up for asset control purposes. If a local government has the information to estimate the historical cost and accumulated amortization of such fully amortized assets, it would disclose that information. If a local government does not have this detailed information on its fully amortized assets, it

would disclose them at an initial value equal to their residual value, where material and previously known. Otherwise it would disclose them at a nominal value.

- 12 TANGIBLE CAPITAL ASSETS, Section PS 3150, provides further guidance about disclosing information related to tangible capital assets.

#### **TRANSITIONAL PROVISIONS**

- 13 This Guideline applies to fiscal years beginning on or after January 1, 2007. Earlier adoption is encouraged.

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