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HIGHLIGHT SUMMARY

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

Financial statement concepts — federal, provincial & territorial governments, Section PS 1000

This new Section outlines a conceptual framework for accounting by senior governments. It describes financial reporting objectives, standards or principles, and practices or procedures. The concepts guide the selection of events to be accounted for, the measurement of those events, and the means of summarizing and communicating them to interested parties. The concepts also help in establishing, interpreting and applying accounting and reporting standards. Specifically, this Section describes government financial statements in the context of their contribution to the multi-faceted reporting needed of government financial condition and performance. It also identifies the users of senior government financial statements and their needs, outlines the qualitative characteristics of information provided in financial statements, defines the elements of financial statements and sets out general recognition and measurement principles.

Financial statement objectives — federal, provincial & territorial governments, Section PS 1100

This new Section replaces existing Section PS 1400, OBJECTIVES OF GOVERNMENT FINANCIAL STATEMENTS — FEDERAL, PROVINCIAL & TERRITORIAL GOVERNMENTS. It identifies and describes the objectives of financial statements of the federal, provincial and territorial governments that are generally acceptable to the users and preparers of the statements. The objectives of financial statements define the nature of the information needed to meet the requirements of the users of the statements. Agreement on the objectives by users and preparers of the financial statements help in setting appropriate accounting and reporting standards.

Since financial statement objectives identify goals and purposes, the qualitative characteristics of financial information, and recognition, measurement, presentation and disclosure standards follow logically from them and provide guidelines for the development of compatible accounting practices. In government standards, the unique characteristics of government, outlined in the Appendix to this Section, are a primary consideration in setting the parameters of the government reporting model.

The Section includes objectives for the scope of government financial accountability, reporting financial position, reporting government operations, the change in net debt and cash flow, and objectives for legislative control and government financial accountability.

Financial statement presentation — federal, provincial & territorial governments, Section PS 1200

This new Section replaces existing Section PS 1500, GENERAL STANDARDS OF FINANCIAL STATEMENT PRESENTATION — FEDERAL, PROVINCIAL & TERRITORIAL GOVERNMENTS. It recommends general reporting principles and standards for the disclosure of information in government financial statements. The Recommendations are based on the concepts underlying government financial statements in FINANCIAL STATEMENT CONCEPTS — FEDERAL, PROVINCIAL & TERRITORIAL GOVERNMENTS, new Section PS 1000, and the objectives of government financial statements set out in FINANCIAL STATEMENT OBJECTIVES — FEDERAL, PROVINCIAL & TERRITORIAL GOVERNMENTS, new Section PS 1100. Section PS 1200 revises the standards of presentation and disclosure for government financial statements to describe and require an expense-based reporting model that focuses on economic resources, but continues also to provide net debt and change in net debt (financial resources) information. The new reporting requirements emphasize the service nature of government capital assets.

The recommended financial statements are:

- a statement of financial position that reports both net debt and an expense-based accumulated surplus / deficit as the two indicators of financial position.
- a statement of operations that reports the annual surplus / deficit as the difference between revenues and expenses.
- a statement of change in net debt that highlights capital spending for the period in reconciling to closing net debt from the annual surplus / deficit.
- a statement of cash flows that replaces the existing statement of changes in financial position. The statement provides for a new capital category that reflects the service nature of government capital assets. The direct or

indirect method is allowed for presenting the operating activities' cash flows, although a preference for the direct method is stated.

Current year actual and budget figures are required to be provided for all in-year items on both the statement of operations and the statement of change in net debt.

This Section applies to federal, provincial and territorial governments and is applicable for years beginning on or after April 1, 2005. Earlier application is encouraged.

Foreign currency translation, Section PS 2600

This new Section recommends recognition, measurement, presentation and disclosure requirements for transactions that are denominated in a foreign currency. It also addresses hedge accounting for foreign exchange transactions. It applies to federal, provincial, territorial and local governments. The Section includes the following main Recommendations and guidance:

- Governments translate foreign currency transactions into Canadian dollars at the exchange rate in effect at the transaction date.
- The effects of foreign exchange gains or losses relating to long-term foreign denominated monetary items are recognized in the financial statements by deferring and amortizing such gains and losses over the life of the monetary item.
- Unamortized foreign exchange gains or losses are reported separately on the statement of financial position as an offset or addition to the related monetary item.
- The Section includes conditions for hedge accounting. Hedge accounting is permitted if all of the conditions are satisfied.
- Guidance is provided on hedge accounting, including hedges at dates subsequent to inception and discontinuing hedge accounting.

Governments are required to implement the Section for fiscal years beginning on or after January 1, 2003. Earlier adoption is encouraged.

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