

**public sector accounting handbook
revisions release no. 15
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ACCOUNTING RECOMMENDATIONS

Introduction to Public Sector Accounting Recommendations

The Introduction has been revised to reflect the decision to include effective dates for all new Sections issued for the Handbook.

Two new paragraphs have also been added to the Introduction to explain that the Board assesses the merits of proposed standards from a position of neutrality.

Financial statement concepts — federal, provincial & territorial governments, Section PS 1000 [APRIL 2005]
New.

Financial statement objectives — federal, provincial & territorial governments, Section PS 1100 [APRIL 2005]
New. Replaces former Section PS 1400.

Financial statement presentation — federal, provincial & territorial governments, Section PS 1200 [APRIL 2005]
New. Replaces former Section PS 1500.

Objectives of financial statements — federal, provincial & territorial governments, Section PS 1400

Withdrawn and replaced by new Section PS 1100. The former Recommendations in Section PS 1400 read as follows:

.23 ♦ **Objective 1**

Financial statements should communicate reliable information relevant to the needs of those for whom the statements are prepared, in a manner that maximizes its usefulness. As a minimum, this requires information that is clearly presented, understandable, timely and consistent. [NOV. 1984]

.29 ♦ **Objective 2**

Financial statements should provide an accounting of the full nature and extent of the financial affairs and resources for which the government is responsible including those related to the activities of government agencies and enterprises. [NOV. 1984]

.34 ♦ **Objective 3**

Financial statements should demonstrate the accountability of a government for the financial affairs and resources entrusted to it.

(a) *Financial statements should provide information useful in evaluating the government's performance in the management of financial affairs and resources.*

(b) *Financial statements should provide information useful in assessing whether financial resources were administered by the government in accordance with the limits established by the appropriate legislative authorities.* [NOV. 1984]

.39 ♦ **Objective 4**

Financial statements should account for the sources, allocation and use of the government's resources in the accounting period and show how government financed its activities in the period and how it met its cash requirements. [SEPT. 1997]

.46 ♦ **Objective 5**

Financial statements should present information to display the state of a government's finances.

(a) *Financial statements should present information to describe the government's financial condition at the end of the accounting period.*

(b) *Financial statements should provide information that is useful in evaluating the government's ability to finance its activities and to meet its liabilities and commitments.* [NOV. 1984]

Financial statement presentation — federal, provincial & territorial governments, Section PS 1500

Withdrawn and replaced by new Section PS 1200. The former Recommendations in Section PS 1500 read as follows:

.05 ♦ *The financial statements of a government should be clearly identified and should include or be accompanied by an acknowledgment of the government's responsibility for their preparation.* [NOV. 1986]

.07 ♦ *Notes and schedules that are integral to the financial statements should be clearly identified.* [NOV. 1986]

- .10 ♦ *Financial statements should present any information required for the fair presentation of a government's financial condition and results of operations.* [NOV. 1986]
- .13 ♦ *Financial statements should be presented in such form and use such terminology and classification of items that significant information is readily understandable.* [NOV. 1986]
- .15 ♦ *Financial statements should present a comparison of current period amounts with those of the prior period(s).* [NOV. 1986]
- .17 ♦ *The bases for determining the reported amounts of assets and liabilities should be applied consistently and, where the bases are not self-evident, they should be disclosed.* [NOV. 1986]
- .19 ♦ *Financial statements should be issued on a timely basis.* [NOV. 1986]
- .21 ♦ *Where the financial statements are subject to an independent audit, the auditor's report should be appended to the statements. Unaudited financial statements should be clearly identified as such.* [NOV. 1986]
- .23 ♦ *Financial statements should present the substance of transactions and events.* [NOV. 1986]
- .28 ♦ *Notes and supporting schedules in financial statements should not be used as a substitute for proper accounting treatment.* [NOV. 1986]
- .31 ♦ *Financial statements should include a statement of financial position, a statement that reports the surplus or deficit in the accounting period, a statement of changes in financial position, and a statement of tangible capital assets.* [SEPT. 1997]
- .37 ♦ *The statement of financial position should account for the difference between a government's liabilities and financial assets at the end of the accounting period.* [NOV. 1986]
- .41 ♦ *The statement of financial position should report a government's liabilities at the end of the accounting period segregated by main classifications, such as:*
 - (a) *accounts payable and accrued liabilities;*
 - (b) *retirement benefit liabilities;*
 - (c) *borrowings; and*
 - (d) *loans and advances from other governments.* [NOV. 1986]
- .42 ♦ *Financial statements should disclose adequate information about the nature and terms of a government's liabilities.* [NOV. 1986]
- .49 ♦ *The statement of financial position should report a government's financial assets at the end of the accounting period segregated by main classifications, such as:*
 - (a) *cash and temporary investments;*
 - (b) *revenues receivable;*
 - (c) *inventories for resale;*
 - (d) *loans and advances to other governments;*
 - (e) *other loans and advances; and*
 - (f) *investments.* [NOV. 1986]
- .50 ♦ *Financial statements should disclose adequate information about the nature and terms of a government's financial assets together with any valuation allowances.* [NOV. 1986]
- .52 ♦ *Valuation allowances should be used to reflect financial assets at their net recoverable or other appropriate value.* [NOV. 1986]
- .56 ♦ *The statement of tangible capital assets should report the net book value of a government's stock of tangible capital assets and how it has changed in the accounting period.* [SEPT. 1997]
- .58 ♦ *For each major category of tangible capital assets, the statement of tangible capital assets should disclose:*
 - (a) *cost;*
 - (b) *additions;*
 - (c) *disposals;*
 - (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; and*
 - (g) *net book value.* [SEPT. 1997]
- .62 ♦ *When a government reports expenses in its financial statements and reports tangible capital assets on its statement of financial position, a "net debt represented by ..." format should be used for reporting those assets.* [SEPT. 1997]
- .66 ♦ *Financial statements should disclose information to describe a government's material financial commitments at the end of the accounting period.* [NOV. 1986]

- .70 ♦ Financial statements should disclose information to describe a government's material contingencies at the end of the accounting period. [NOV. 1986]
- .75 ♦ The statement of revenues and expenditures or the statement of operations should report a government's revenues of the accounting period segregated by significant types of revenues from taxes, non-tax sources and transfers from other governments. [SEPT. 1997]
- .77 ♦ The statement of revenues and expenditures should:
 - (a) report a government's expenditures of the accounting period by function or major program; and
 - (b) account for the difference between a government's revenues and expenditures of the accounting period, including changes in valuation allowances, as the measure of the surplus or deficit for the accounting period. [SEPT. 1997]
- .79 ♦ The statement of operations should:
 - (a) report a government's expenses of the accounting period, including valuation allowances, by function or major program; and
 - (b) reconcile to the change in net debt in the accounting period, as the measure of the surplus or deficit for the accounting period. [SEPT. 1997]
- .83 ♦ Revenues should be accounted for in the period in which the transactions or events occurred that gave rise to the revenues. Items not practicably measurable until cash is received would be accounted for at that time. [NOV. 1986]
- .86 ♦ Financial statements should disclose the gross amounts of revenues. [NOV. 1986]
- .89 ♦ Expenditures should be accounted for in the period the goods and services are acquired and a liability incurred, or transfer payments are due. [NOV. 1986]
- .90 ♦ When a government reports expenditures in its financial statements and prepares a statement of revenues and expenditures to report its surplus or deficit for the accounting period, financial statements should disclose:
 - (a) the gross amounts of expenditures; and
 - (b) the expenditures of the accounting period by object. [SEPT. 1997]
- .94 ♦ Expenses should be accounted for in the period in which the related goods and services are consumed. [SEPT. 1997]
- .95 ♦ When a government reports expenses in its financial statements and prepares a statement of operations to report its surplus or deficit for the period, financial statements should disclose:
 - (a) the gross amounts of expenses; and
 - (b) the expenses of the accounting period by object. [SEPT. 1997]
- .101 ♦ The statement of changes in financial position should report how a government financed its activities in the accounting period and how it met its cash requirements, including:
 - (a) the changes in a government's cash and cash equivalents during the accounting period; and
 - (b) a government's total cash requirements during the accounting period. [NOV. 1986]
- .102 ♦ The statement of changes in financial position should classify cash flows by operating, investing and financing activities. [NOV. 1986]
- .103 ♦ The statement of changes in financial position should report significant non-cash items. [NOV. 1986]
- .107 ♦ Financial statements should present a comparison of the actual results with those originally forecast by the fiscal plan. [NOV. 1986]
- .109 ♦ Planned results should be presented on a basis consistent with that used for actual results. [NOV. 1986]
- .112 ♦ Financial statements should present information to show where a government has exceeded its borrowing, investing or expenditure authority limits. [NOV. 1986]
- .116 ♦ Governments should not move to expense basis financial statements until they have applied the Accounting Recommendations of TANGIBLE CAPITAL ASSETS, Section PS 3150 to all of their tangible capital assets. [SEPT. 1997]

Objectives of financial statements — local governments, paragraphs PS 1700.44-45

Amended to reflect the clarification that the primary source of GAAP for governments is the whole CICA Public Sector Accounting Handbook. This change merely reflects the inclusion of Guidelines in the Handbook.

Disclosure of accounting policies, paragraph PS 2100.09

Amended to reflect that senior governments will have significant accounting policies related to expenses while the accounting policies of local government remain expenditure driven. The former wording was as follows:

- ♦ As a minimum, disclosure of information on accounting policies should identify and describe:
 - (a) the reporting entity and, where applicable, the method of consolidation or combination;
 - (b) the basis of accounting used in the financial statements; and
 - (c) the specific accounting policies selected and applied to significant assets, liabilities, revenues and expenditures. [SEPT. 1983]

Basic principles of consolidation, Section PS 2500

Amended paragraph PS 2500.04(e) to reflect the clarification that financial statement standards address financial position, rather than the broader concept of financial condition.

Paragraph PS 2500.18 amended to reflect the requirement that tangible capital assets be reported on the statement of financial position and the related consumption reported on the statement of operations. Amended to also take into account the disclosure of information about tangible capital assets in a schedule, rather than a statement of tangible capital assets.

Additional areas of consolidation, paragraph PS 2510.47

Amended to reflect the expense model required for senior governments. Deleted the related footnote 1 explaining the expenditure and expense basis reporting formats that were possible under the former Section PS 1500.

Foreign currency translation, Section PS 2600 [JAN. 2003]

New.

Loans receivable, paragraph PS 3050.35

Amended to require the same reporting and accounting treatment as in new Section PS 1200. The former wording was as follows:

- ♦ *Loans receivable should be reported net of their related valuation allowances on a government's statement of financial position. Changes in valuation allowances should be reported in the statement of revenues and expenditures or the statement of operations. [SEPT. 1997]*

Government partnerships, Section PS 3060

Paragraph PS 3060.49 amended to replace a reference to former Section PS 1500 with a reference to new Section PS 1200.

Paragraphs PS 3060.50 and PS 3060.53-.54 amended, and PS 3060.52 deleted, to reflect the fact that the expenditure and expense basis reporting formats that were possible under the former Section PS 1500 are not allowed for senior governments under new Section PS 1200.

Investments in government business enterprises, Section PS 3070

Amended paragraph PS 3070.32 and deleted the related footnote 4 to reflect that tangible capital assets are no longer accounted for by a transferring government as expenditures when acquired.

Tangible capital assets, Section PS 3150

Amended the definition of tangible capital assets to be consistent with its definition in new Section PS 1000. Deleted definitions of assets, expenses and expenditures; the former terms are defined in Section PS 1000 and the latter term is no longer needed.

Deleted paragraph PS 3150.07 as the general recognition criteria for all assets are now included in new Section PS 1000.

Amended paragraphs PS 3150.09-.10 as tangible capital assets are now required to be reported on the statement of financial position, supported by detailed disclosure in the notes and schedules under the new reporting model requirements in new Section PS 1200. The former wording of paragraph PS 3150.09 was as follows:

- .09 ♦ *Tangible capital assets should be accounted for and reported as assets on the statement of tangible capital assets. [SEPT. 1997]*
- Amended paragraphs PS 3150.23, .33, .40 and .44 and deleted former paragraphs PS 3150.32, .40, .42, .44 and .55 to reflect the fact that the expenditure and expense basis reporting formats that were possible under the former Section PS 1500 are no longer allowed for senior governments under new Section PS 1200. Under the same new reporting requirements, senior governments are also no longer required to prepare a statement of tangible capital assets. Former paragraphs PS 3150.33-.55 renumbered PS 3150.32-.50.
- The former wording of the amended and deleted Recommendations paragraphs in Section PS 3150 are as follows:
 - .23 ♦ *When a government reports expenses in its financial statements, the amortization of the costs of tangible capital assets should be accounted for as expenses in the statement of operations. [SEPT. 1997]*
 - .34 ♦ *When a government reports expenses in its financial statements, the net write-downs of tangible capital assets should be accounted for as expenses in the statement of operations. [SEPT. 1997]*
 - .42 ♦ *When a government that reports expenditures in its financial statements disposes of a tangible capital asset, the net proceeds on disposal of the asset should be accounted for as a revenue in the statement of revenues and expenditures. [SEPT. 1997]*
 - .43 ♦ *When a government that reports expenses in its financial statements disposes of a tangible capital asset, the difference between the net proceeds on disposal and the net book value of the asset should be accounted for as a revenue or expense in the statement of operations. [SEPT. 1997]*

Long-term debt, paragraph PS 3230.23

Deleted as a result of the issue of Section PS 2600. Former wording of this Recommendation paragraph was as follows:

- ♦ *For long-term debt payable in foreign currencies, the amounts payable in the foreign currencies, the currencies in which such amounts are payable, the Canadian dollar equivalent at the reporting date and the basis of translation should be disclosed.* [MARCH 1997]

Government transfers, paragraph PS 3410.54

Amended to reflect the fact that the senior government reporting model now requires the reporting of expenses as well as both financial and non-financial assets, and to change reference to new Section PS 1200.

GUIDELINES

Leased tangible capital assets (PSG-2)

Amended paragraphs 13 and 23 (and deleted related footnote 9) to reflect the fact that the expenditure and expense basis reporting formats that were possible under the former Section PS 1500 are no longer allowed for senior governments under new Section PS 1200.

Sale-leaseback transactions (PSG-3)

Introductory paragraph added to the Guideline to state that amendments are in progress to conform the guidance to the new reporting model.

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