

Basis for Conclusions

2024-2025 Annual Improvements to Public Sector Accounting Standards – Basis for Conclusions

FOREWORD

In November 2025, the Public Sector Accounting Board (PSAB) released the 2024-2025 annual improvements to the CPA Canada Public Sector Accounting (PSA) Handbook.

The primary objective of a Basis for Conclusions document is to set out how PSAB reached its conclusions. As well, it sets out significant matters arising from comments received in response to the proposals exposed and indicates how the Board has dealt with the issues raised.

These documents are intended to assist financial statement users, preparers, auditors and other parties interested in public sector financial reporting in understanding the rationale PSAB followed when developing standards and guidelines.

This document has been prepared by PSAB staff. It does not form part of the PSA Handbook nor is it part of public sector generally accepted accounting principles. Basis for Conclusions documents also do not include any guidance on the application of the relevant Section or Guideline.

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BACKGROUND

- BC1 In June 2018, PSAB adopted an annual improvements process to correct errors in the wording, to clarify the PSA Handbook or other guidance, or to correct relatively minor unintended consequences, oversights or conflicts. These

amendments are bundled together to reduce the number of individual changes to the standards or other guidance. Major or narrow-scope amendments to the standards or other guidance that change practice are not included in the annual improvements process.

- BC2 PSAB released the Exposure Draft, “2024-2025 Annual Improvements to Public Sector Accounting Standards,” in February 2025. The Exposure Draft proposed categories of amendments to:
- (a) update terminology in certain Sections of the PSA Handbook from “government” to “public sector entity”, “entity” or another appropriate term;
 - (b) update references from “reliability” to “faithful representation” to be consistent with the new Conceptual Framework for Financial Reporting in the Public Sector (Conceptual Framework);
 - (c) update references from “presentation and disclosure” to either “presentation” or “disclosure” as appropriate to align with the new Conceptual Framework;
 - (d) amend Appendix A in INTERESTS IN PARTNERSHIPS, Section PS 3060, to replace reference from FINANCIAL STATEMENT PRESENTATION, Section PS 1201, to FINANCIAL STATEMENT PRESENTATION, Section PS 1202;
 - (e) amend footnote 7 in PUBLIC PRIVATE PARTNERSHIPS, paragraph PS 3160.27, to refer to appropriate reference to verifiability in the new Conceptual Framework;
 - (f) amend FIRST-TIME ADOPTION, paragraph PS 2125.08, to separate an italicized principle from a non-italicized guidance (currently both combined in one paragraph);
 - (g) amend FINANCIAL INSTRUMENTS, Section PS 3450, to replace an outdated reference to London Interbank Offered Rate (LIBOR) with Secured Overnight Financing Rate (SOFR) due to IFRS® Interbank Offered Rate (IBOR) reforms; and
 - (h) amend Appendix A in PUBLIC PRIVATE PARTNERSHIPS, Section PS 3160, to reflect the appropriate title of the decision tree.
- BC3 Respondents generally agreed with the proposals in the Exposure Draft. The specific issues addressed in this annual improvements project, including substantive comments received on the Exposure Draft and any changes made in response to those comments, are as follows.
- AMENDMENTS TO INCREMENTALLY CHANGE THE PSA HANDBOOK TERMINOLOGY FROM “GOVERNMENT” TO “PUBLIC SECTOR ENTITY”, “ENTITY” OR ANOTHER APPROPRIATE TERM**
- BC4 As part of its PSA Handbook annual improvements process, PSAB has committed to incrementally change terminology in the PSA Handbook to reflect fully the PSA Handbook’s applicability to all public sector entities (unless directed to another framework in the Introduction).
- BC5 In 2010, with interested and affected parties’ support, PSAB explicitly expanded the applicability of Public Sector Accounting Standards (PSAS) beyond governments to government components and government organizations in the INTRODUCTION TO PUBLIC SECTOR ACCOUNTING STANDARDS (now the INTRODUCTION TO THE PUBLIC SECTOR ACCOUNTING HANDBOOK). Standards issued from 2011 onwards reflect this decision and use the term “public sector entity”, instead of “government”. Standards issued before 2011 are periodically reviewed for annual improvements and the wording updated on an incremental basis for standards in which the update is straightforward.
- BC6 As part of its annual improvements process, PSAB has committed to incrementally change wording in the PSA Handbook to reflect fully the PSA Handbook’s applicability to all public sector entities (unless directed to another framework in the Introduction). So, wording changes have been made to many of the standards.
- BC7 Some standards for which such updates are complex require time for PSAB to consider how to make the changes and ensure no unintended consequences. These include standards involving consolidation or transactions by the legislature or council. As a result, the Board has prioritized updating more straightforward standards and will update more complex standards later.
- BC8 Respondents to the 2024-2025 Exposure Draft generally supported the proposed changes. A few respondents encouraged PSAB to perform a wholistic review of the terminology changes needed to ensure consistency and avoid any misunderstandings given some Sections have been updated while others have not.
- BC9 Given the volume of changes that may be involved, PSAB will endeavour to complete the terminology updates as soon as possible by making appropriate changes to the PSA Handbook in a phased approach.
- BC10 A few respondents questioned whether the proposed change to ACCOUNTING CHANGES, paragraph PS 2120.31, was appropriate. They noted that the situation being addressed is likely only applicable to the public accounts of a government, and thus, the term “government” should be retained. The Board thinks the guidance provided in paragraph PS 2120.31 may be relevant to all public sector entities and not solely governments. Thus, the change has been retained.
- BC11 A few respondents questioned whether the proposed change to CONTINGENT LIABILITIES, paragraph PS 3300.09, was appropriate given the guidance is addressing issues related to the passing of legislation. The Board agreed and has not made any changes to the terminology in this paragraph.

- BC12 A few respondents also noted differences between the English and French versions of the PSA Handbook. PSAB is committed to ensuring both versions of the PSA Handbook are updated.

AMENDMENTS TO REPLACE THE TERM “RELIABILITY” WITH “FAITHFUL REPRESENTATION” AS A RESULT OF TERMINOLOGY CHANGES INTRODUCED IN THE NEW CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING IN THE PUBLIC SECTOR

- BC13 PSAB’s new Conceptual Framework introduced new terminology in seeking to provide consistency in how certain terms were applied throughout the PSA Handbook. This included the removal of certain measurement terms, such as “reliably” when describing measurement principles, and replace such terms with “faithful representation”.
- BC14 The Exposure Draft proposed to replace certain references to “reliably” and “reliably measured” in the PSA Handbook with “in a faithfully representative way” to ensure consistency with the Conceptual Framework.
- BC15 Paragraphs BC7.06-BC7.10 of the Conceptual Framework’s Basis for Conclusions notes that PSAB replaced “reliability” with “faithful representation” as a qualitative characteristic. The research of other standard setters, such as the International Accounting Standards Board and the International Public Sector Accounting Standards Board, indicated that “faithful representation” is easier to understand and apply than “reliability”. The intent of the qualitative characteristic of faithful representation is to ensure that the information provided in financial statements reflects as faithfully, completely, neutrally and accurately as possible the economic substance of an economic resource, economic obligation, transaction or other event, because these attributes best contribute to the accountability value of the related information.
- BC16 Many respondents supported the proposed changes. However, some suggested that PSAB reconsider the rephrasing to certain references that may neither read well nor appropriately reflect the intention of some paragraphs. Different possible phrases were contemplated before proposing to replace “reliably” with “in a faithfully representative way”, thus no further changes were made except to paragraph PS 3050.26. A few respondents suggested the proposed wording was awkward so amendments to clarify have been made.

AMENDMENTS TO CHANGE REFERENCES FROM “PRESENTATION AND DISCLOSURE” TO “PRESENTATION” OR “DISCLOSURE” TO ALIGN WITH THE NEW CONCEPTUAL FRAMEWORK

- BC17 To align with the presentation concepts in Chapter 10 of the Conceptual Framework, PSAB proposed amendments to indicate that disclosure now forms part of presentation. As a result, the Board proposed to change the reference to “presentation and disclosure” in certain Sections to either “presentation” or to “disclosure” if the guidance pertains to disclosure only.
- BC18 Many respondents supported the proposed change. Some noted that in certain standards (e.g., PORTFOLIO INVESTMENTS, Section PS 3041) where the heading was proposed to be changed from “Presentation and Disclosure” to “Presentation”, some of the paragraphs below that heading pertain to disclosure requirements. However, these disclosure paragraphs are intermingled with presentation paragraphs, so no subheading for “Disclosures” was proposed. Respondents suggested PSAB consider moving the paragraphs to group all the presentation requirements together and all the disclosure requirements together to permit the use of a “Disclosures” subheading. The Board acknowledges that moving the paragraphs would be appropriate.
- BC19 However, given annual improvements are not intended to change practice, there was concern that moving the paragraphs and ultimately renumbering the paragraphs within the Sections may be perceived to be more of a change than intended and some editorial amendments may have been needed which again could cause some confusion. Therefore, PSAB chose not to rearrange these Sections and, to address the feedback for these Sections, has retained the “Presentation and Disclosure” heading for these scenarios.

AMENDMENTS TO REPLACE THE REFERENCE FROM SECTION PS 1201 IN APPENDIX A OF INTERESTS IN PARTNERSHIPS, SECTION PS 3060, TO SECTION PS 1202

- BC20 The Exposure Draft proposed to replace an outdated reference to Section PS 1201 in Appendix A of INTERESTS IN PARTNERSHIPS, Section PS 3060, with a reference to Section PS 1202.
- BC21 Most respondents supported the proposed change.

AMENDMENTS TO UPDATE FOOTNOTE 7 TO PARAGRAPH PS 3160.27 TO REFER TO THE APPROPRIATE REFERENCE TO VERIFIABILITY IN THE NEW CONCEPTUAL FRAMEWORK

- BC22 The Exposure Draft proposed to update footnote 7 in PUBLIC PRIVATE PARTNERSHIPS, paragraph PS 3160.27, as it referred to FINANCIAL STATEMENT CONCEPTS, Section PS 1000. The footnote provided additional information as to how Section PS 1000 described a transaction or event as verifiable. The Exposure Draft replaced that footnote with a reference to the relevant paragraphs in the Conceptual Framework that explain “verifiability”.
- BC23 Most respondents supported the change. However, a few suggested it might be helpful to provide more explanation within the footnote instead of simply referring to the Conceptual Framework. PSAB decided not to make any further changes to ensure consistency with the Conceptual Framework.
- BC24 A few respondents identified a reference to Section PS 1000 in PUBLIC PRIVATE PARTNERSHIPS, Section PS 3160 that also should be updated. PSAB agreed that references to Section PS 1000 should be replaced with a reference to the Conceptual Framework.

AMENDMENTS TO SEPARATE THE ITALICIZED PRINCIPLE FROM THE NON-ITALICIZED GUIDANCE IN PARAGRAPH PS 2125.08

- BC25 The italicized principle and the non- italicized guidance were combined in paragraph PS 2125.08. The Exposure Draft proposed to separate the principle from the guidance.
- BC26 Therefore, the Exposure Draft proposed the new paragraph PS 2125.08A for the italicized principle for consistency with other Sections of the PSA Handbook.
- BC27 Most respondents supported the proposal. However, a few suggested that perhaps none of the content in paragraph PS 2125.08 should be italicized or that clarifications are needed to ensure it is clear what the new italicized paragraph was referring to.
- BC28 PSAB agreed to separate the italicized principle from the non-principle guidance as proposed. To ensure it was clear what exemptions were being referred to in the new italicized principle, a reference to the non-principle guidance was added. The purpose of annual improvements is not to change practice and there was concern that replacing an italicized principle with non-principle guidance may imply a change.

AMENDMENTS TO SECTION PS 3450 TO REPLACE AN OUTDATED REFERENCE TO LIBOR

- BC29 The Exposure Draft proposed to replace references in FINANCIAL INSTRUMENTS, Section PS 3450, to London Interbank Offered Rate (LIBOR) with a reference to Secured Overnight Financing Rate (SOFR). Given reforms that have taken place, LIBOR is no longer being published effective June 30, 2023. SOFR has been widely adopted in practice as the alternative reference rate replacing LIBOR.
- BC30 Many respondents supported the proposals. However, some respondents did not support the proposals and suggested PSAB consider replacing the reference to LIBOR with a Canadian-specific reference, such as the Canadian Overnight Repo Rate Average (CORRA). Other respondents suggested using a more generic term to avoid future changes if a specific rate is no longer relevant. Respondents also suggested if specific rates need to be included, it might be helpful to refer to both SOFR and CORRA, rather than just one.
- BC31 To address the feedback, PSAB agreed to replace the proposed reference to SOFR with a more generic term to avoid the need to make changes in the future if a specific rate becomes outdated or is replaced by something else. The Board considered several terms, such as "benchmark risk-free interest rate", "benchmark interest rate" and "reference rate". The Board replaced references to LIBOR with the term "benchmark interest rate" because it thought the phrase is well understood and would avoid any possible confusion that may arise when contemplating what "risk-free" may mean. To help clarify what "benchmark interest rate" means, the Board added references to CORRA, SOFR, etc. as examples.

AMENDMENTS TO REVISE THE WORDING OF THE DECISION TREE IN APPENDIX A TO SECTION PS 3160

- BC32 The Exposure Draft proposed to amend the title of Appendix A to PUBLIC PRIVATE PARTNERSHIPS, Section PS 3160, to better reflect the decision tree's purpose and to be consistent with other Sections of the PSA Handbook.
- BC33 Most respondents supported the proposed change. A few suggested amending the title of the decision tree in a couple other Sections. Upon review of the other Sections, PSAB decided not to make any further changes as the underlying intent of those decision trees was different than that in Section PS 3160.

EFFECTIVE DATE

- BC34 As indicated in the highlights section of the Exposure Draft, the amendments are effective for fiscal years beginning on or after April 1, 2026, with earlier application permitted. PSAB intends that the amendments be applied retrospectively, given that annual improvements are not expected to affect practice, and many are editorial in nature.