

## SECTION PS 2125 first-time adoption

### Basis for Conclusions

First-time adoption by government organizations, Section PS 2125 (August 2010)

First-time adoption by government organizations: transitional provisions, Section PS 2125 (May 2013)

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### PURPOSE AND SCOPE

- .01 The purpose of this Section is to ensure that the first financial statements of a government component, government organization or partnership, prepared in accordance with Public Sector Accounting Standards, contain high-quality information that:
- (a) is transparent for users of the financial statements and comparable over all periods presented;
  - (b) provides a suitable starting point for accounting in accordance with Public Sector Accounting Standards; and
  - (c) can be generated at a cost that does not exceed the benefits to users.
- Governments adopting Public Sector Accounting Standards for the first time would refer to ACCOUNTING CHANGES, Section PS 2120. Government business enterprises, business partnerships, and other government organizations or partnerships adopting the standards applicable to publicly accountable enterprises in the CPA Canada Handbook – Accounting would refer to International Financial Reporting Standard (IFRS) 1 *First-time Adoption of International Financial Reporting Standards*. [Former paragraph PS 2125.01 retained in Archived Pronouncements.]
- .02 A government component, government organization or partnership applies this Section to its first financial statements prepared in accordance with Public Sector Accounting Standards when transitioning from another basis of generally accepted accounting principles (GAAP). The adoption of Public Sector Accounting Standards is to be accounted for by retroactive application with restatement of prior periods subject to the requirements in this Section. [Former paragraph PS 2125.02 retained in Archived Pronouncements.]

### DEFINITIONS

- .03 The following terms are used in this Section with the meanings specified:
- (a) The **date of transition to Public Sector Accounting Standards** is the beginning of the earliest period for which a government organization presents full comparative information in accordance with Public Sector Accounting Standards.

- (b) The **first Public Sector Accounting Standards financial statements** are the first financial statements in which a government organization adopts Public Sector Accounting Standards.
- (c) A **first-time adopter** is a government organization that presents Public Sector Accounting Standards financial statements for the first time.
- (d) An **opening statement of financial position** is a government organization's statement of financial position at the date of transition to Public Sector Accounting Standards.

## **RECOGNITION, MEASUREMENT AND PRESENTATION**

### **Opening statement of financial position**

- .04 A government organization prepares and presents an opening statement of financial position at the date of transition to Public Sector Accounting Standards. This opening statement of financial position is the starting point for the government organization's accounting in accordance with Public Sector Accounting Standards.
- Accounting policies**
- .05 *A government organization should use the same accounting policies in its opening statement of financial position and throughout all periods presented in its first financial statements prepared in accordance with Public Sector Accounting Standards. Those accounting policies should comply with the accounting policies effective at the end of the year the government organization adopts Public Sector Accounting Standards, except as otherwise specified in this Section.* [JAN. 2011]
- .06 Except as noted in paragraphs PS 2125.08 and PS 2125.15, a government organization, in its opening statement of financial position prepared in accordance with Public Sector Accounting Standards:
- (a) recognizes all assets and liabilities whose recognition is required by the standards;
  - (b) does not recognize items as assets or liabilities if the standards do not permit such recognition;
  - (c) reclassifies items that it recognized previously as one type of asset or liability, but are recognized as a different type of asset or liability under the standards; and
  - (d) applies the standards in measuring all recognized assets and liabilities.

- .07 *The accounting policies that a government organization uses in its opening statement of financial position prepared in accordance with Public Sector Accounting Standards may differ from those that it used for the same date using its previous accounting policies. Any resulting adjustments arise from events and transactions before the date of transition to Public Sector Accounting Standards. A government organization should recognize such adjustments directly in accumulated surplus / deficit at the date of transition to Public Sector Accounting Standards.* [JAN. 2011]

### **Exemptions**

- .08 A government organization may elect to use one or more of the following exemptions:
- (a) retirement and post-employment benefits;
  - (b) business combinations;
  - (c) investments in government business enterprises;
  - (d) business partnerships; and
  - (e) tangible capital asset impairment.
- .08A *A government organization should not apply these exemptions in paragraph PS 2125.08 by analogy to any other items.* [JAN. 2011\*] [Former paragraph PS 2125.08, amended by the 2024-2025 Annual Improvements, retained in Archived Pronouncements.]

### **Retirement and post-employment benefits**

- .09 Under RETIREMENT BENEFITS, Section PS 3250, for defined benefit plans, and under POST-EMPLOYMENT BENEFITS, COMPENSATED ABSENCES AND TERMINATION BENEFITS, Section PS 3255, accrued benefit obligations, post-employment benefits and compensated absences are determined by a government organization by applying a discount rate with reference to its plan asset earnings or with reference to its cost of borrowing. Retroactive application of these Sections requires a government organization to recalculate accrued benefit obligations, post-employment benefits and compensated absences at the time of transition to Public Sector Accounting Standards. However, a first-time adopter may elect to delay application of these Sections relative to the discount rate used until the date of their next actuarial valuation or within three years of the transition date to Public Sector Accounting Standards, whichever is sooner. If a first-time adopter uses this election, it shall apply it to all plans.
- .10 Under RETIREMENT BENEFITS, Section PS 3250, for defined benefit plans, and under POST-EMPLOYMENT BENEFITS, COMPENSATED ABSENCES AND TERMINATION BENEFITS, Section PS 3255, a government organization amortizes actuarial gains and losses to the liability or asset, and the related expense in a systematic and rational manner over the expected average remaining service life of the related employee group. Retroactive application of this approach requires a government organization to split the cumulative actuarial gains and losses from the inception of the plan until the date of transition to Public Sector Accounting Standards into a recognized portion and an unrecognized portion. However, a first-time adopter may elect to recognize all cumulative actuarial gains and losses as the date of transition to Public Sector Accounting Standards directly in accumulated surplus / deficit. Actuarial gains

and losses after the date of transition to Public Sector Accounting Standards are to be accounted for in accordance with Sections PS 3250 and PS 3255. If a first-time adopter uses this election, it shall apply it to all plans.

**Business combinations**

- .11 ADDITIONAL AREAS OF CONSOLIDATION, Section PS 2510, indicates the accounting requirements for an acquisition by a government organization when applying the purchase method. A first-time adopter need not comply with those requirements for an acquisition that was incurred prior to the date of transition to Public Sector Accounting Standards, with the exception of paragraph PS 2510.23. If a first-time adopter uses this exemption, the purchase method in Section PS 2510 is applied to acquisitions subsequent to the date of transition to Public Sector Accounting Standards. The first-time adopter excludes from its opening statement of financial position any item recognized under previous financial reporting standards that does not qualify for recognition as an asset or liability under Chapters 8 and 9 of the Conceptual Framework. However, if a first-time adopter restates any business combination to comply with Section PS 2510, it restates all subsequent business combinations from the date of the business combination. [Former paragraph PS 2125.11, amended by the Conceptual Framework, retained in Archived Pronouncements.]

**Investments in government business enterprises**

- .12 INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES, Section PS 3070, requires investments in government business enterprises to be accounted for by the modified equity method. A first-time adopter need not comply with those requirements for an investment in a government business enterprise that was incurred prior to the date of transition to Public Sector Accounting Standards. If a first-time adopter uses this exemption, the modified equity method in Section PS 3070 is applied on a prospective basis from the date of transition. The investment in a government business enterprise balance reflected in the opening statement of financial position is based on the asset and liability balances reflected in the government business enterprise financial statements on the date of transition as calculated under the basis of GAAP being followed by the government business enterprise. However, if a first-time adopter restates any investment in government business enterprises to comply with Section PS 3070, it restates all subsequent investments in government business enterprises from the date of the investment in a government business enterprise.

**Business partnerships**

- .13 INTERESTS IN PARTNERSHIPS, Section PS 3060, requires business partnerships to be accounted for by the modified equity method. A first-time adopter need not comply with those requirements for a business partnership entered into prior to the date of transition to Public Sector Accounting Standards. If a first-time adopter uses this exemption, the modified equity method in Section PS 3060 is applied on a prospective basis from the date of transition. The balance reflected in the opening statement of financial position is based on the asset and liability balances reflected in the business partnership financial statements on the date of transition as calculated under the basis of GAAP being followed by the business partnership. However, if a first-time adopter restates any business partnership to comply with Section PS 3060, it restates all subsequent business partnerships from the date of the business partnership.

**Tangible capital asset impairment**

- .14 TANGIBLE CAPITAL ASSETS, Section PS 3150, indicates the conditions when a write-down of a tangible capital asset should be accounted for. A first-time adopter need not comply with those requirements for write-downs of tangible capital assets that were incurred prior to the date of transition to Public Sector Accounting Standards. If a first-time adopter uses this exemption, the conditions for a write-down of a tangible capital asset in Section PS 3150 are applied on a prospective basis from the date of transition. Alternatively, a government organization may reassess all write-downs on tangible capital assets taken prior to the date of transition based on the requirements of Section PS 3150.

**Exception to retroactive application**

- .15 *This Section prohibits retroactive application to accounting estimates.* [Former paragraph PS 2125.15 retained in Archived Pronouncements.] [APRIL 2012]

(paragraph PS 2125.16 deleted) [Former paragraph PS 2125.16 retained in Archived Pronouncements.]

**Accounting estimates**

- .17 A government organization's estimates in its opening statement of financial position prepared in accordance with Public Sector Accounting Standards are consistent with estimates in its balance sheet for the same date prepared using its previous accounting policies (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

- .18 A government organization may receive information after the date of transition to Public Sector Accounting Standards about estimates that it had made previously. A government organization treats the receipt of that information in the same way as non-adjusting events after the statement of financial position date under SUBSEQUENT EVENTS, Section PS 2400.

- .19 A government organization may need to make estimates for purposes of its opening statement of financial position prepared in accordance with Public Sector Accounting Standards that were not required for the balance sheet for that date using its previous accounting policies. Those estimates reflect conditions that existed at the date of the opening statement of financial position prepared in accordance with Public Sector Accounting Standards.

**DISCLOSURE**

- .20 *In the year of adoption of Public Sector Accounting Standards, a government organization should disclose:*
- (a) *the amount of each charge to accumulated surplus / deficit at the date of transition to Public Sector Accounting Standards resulting from the adoption of these standards and the reason therefor; and*
  - (b) *a reconciliation of the net income reported in the government organization's most recent previously issued financial statements to its annual surplus / deficit under Public Sector Accounting Standards for the same period.* [JAN. 2011]
- .21 *The disclosures required by paragraph PS 2125.20 should give sufficient detail to enable users to understand the material adjustments to the statement of financial position and statement of operations. If a government organization presented a cash flow statement under its previous accounting policies, it should explain the material adjustments to the statement of cash flow.* [JAN. 2011]
- .22 *When a government organization elects to use one or more of the exemptions in paragraphs PS 2125.09-.14, it should disclose the exemptions used.* [JAN. 2011]
- TRANSITIONAL PROVISIONS**
- .23 This Section does not apply to a change in accounting policy in a government organization's first Public Sector Accounting Standards financial statements to conform to new Public Sector Accounting Standards issued after August 2010.
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## Footnotes

\* Editorial change – November 2025

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