

**public sector accounting handbook  
highlight summary no. 34  
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**HIGHLIGHT SUMMARY**

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

This Handbook release includes new accounting standards for recognition, measurement and disclosure of financial instruments and the presentation of the associated gains and losses. It also includes consequential amendments arising from the introduction of the new standards.

The new requirements are all to be applied at the same time and for government organizations are effective for fiscal years beginning on or after April 1, 2012. In the case of governments, the new requirements are effective for fiscal years beginning on or after April 1, 2015. Earlier adoption is permitted.

**Financial statement presentation, Section PS 1201**

This Section revises and replaces FINANCIAL STATEMENT PRESENTATION, Section PS 1200. The following changes have been made to the Section:

- Remeasurement gains and losses are reported in a new statement.
- Other comprehensive income that can arise when a government includes results of government business enterprises and government business partnerships in its summary financial statements is reported in the statement of remeasurement gains and losses.
- The accumulated surplus or deficit is presented as the total of the accumulated operating surplus or deficit and the accumulated remeasurement gains and losses.

**Foreign currency translation, Section PS 2601**

This Section revises and replaces FOREIGN CURRENCY TRANSLATION, Section PS 2600. The following changes have been made to the Section:

- The definition of currency risk is amended to conform to the definition in FINANCIAL INSTRUMENTS, Section PS 3450.
- The exception to the measurement of items on initial recognition that applies when synthetic instrument accounting is used is removed.
- At each financial statement date subsequent to initial recognition, non-monetary items denominated in a foreign currency that are included in the fair value category in accordance with Section PS 3450 are adjusted to reflect the exchange rate at that date.
- The deferral and amortization of foreign exchange gains and losses relating to long-term foreign currency denominated monetary items is discontinued.
- Until the period of settlement, exchange gains and losses are recognized in the statement of remeasurement gains and losses rather than the statement of operations.
- Hedge accounting and the presentation of items as synthetic instruments are removed.

**Financial instruments, Section PS 3450**

This new Section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives.

The main features of the new Section are:

- Items within the scope of the Section are assigned to one of two measurement categories: fair value, or cost or amortized cost.
- Almost all derivatives, including embedded derivatives that are not closely related to the host contract, are measured at fair value.
- Fair value measurement also applies to portfolio investments in equity instruments that are quoted in an active market.
- Other financial assets and financial liabilities are generally measured at cost or amortized cost.
- Until an item is derecognized, gains and losses arising due to fair value remeasurement are reported in the statement of remeasurement gains and losses.

- Budget-to-actual comparisons are not required within the statement of remeasurement gains and losses.
- When the reporting entity defines and implements a risk management or investment strategy to manage and evaluate the performance of a group of financial assets, financial liabilities or both on a fair value basis, the entity may elect to include these items in the fair value category.
- New requirements clarify when financial liabilities are derecognized.
- The offsetting of a financial liability and a financial asset is prohibited in absence of a legally enforceable right to set off the recognized amounts and an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.
- New disclosure requirements of items reported on and the nature and extent of risks arising from financial instruments.

#### **Archived Pronouncements**

To give Handbook readers continued access to superseded Sections PS 1200 and PS 2600 and withdrawn PSG-6, these pronouncements are refiled under Archived Pronouncements.

As well, to give Handbook readers continued access to the superseded paragraphs until such time as all governments have adopted the new or revised Handbook Sections, supplements have been added in Archived Pronouncements setting out the former wording of those paragraphs.

The archived material will be withdrawn from the Handbook when it is no longer effective.

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