

SECTION PS 2130

measurement uncertainty

SUPPLEMENT

This supplement sets out the previous wording of paragraphs that have been amended as a consequence of approving the 2024-2025 Annual Improvements to Public Sector Accounting Standards.

- .10 There is a degree of uncertainty associated with the measurement of many amounts recognized or disclosed in the financial statements. In many cases, however, such uncertainty is not material. A decision about whether measurement uncertainty has a material effect on the financial statements is a matter of professional judgment. Management would consider information such as the range of reasonably possible amounts; whether the amount could change by a material amount; the impact of other reasonably possible amounts on the government's economic resources, obligations and net assets or net liabilities; and the possible timing of the impact. A judgment about materiality of measurement uncertainty would be made considering the effect that a different reasonably possible amount would have on the financial statements. [Former paragraph PS 2130.10, amended by the Conceptual Framework, retained in Archived Pronouncements.]
- .13 As a result of the estimation process, a government would be able to determine a range of reasonably possible amounts in accordance with assumptions that are realistic, supportable, internally consistent, and consistent with planned courses of action. The range of reasonably possible amounts would exclude amounts at the outer edges of possibility since such amounts, while possible, are considered to be outside the best estimate range. Relevant information available to the government to develop a reasonable range includes past experience, precedents, and opportunities to reach alternative arrangements.

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SUPPLEMENT

This supplement sets out the previous wording of paragraphs that have been amended as a consequence of approving the new CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING.

- .09 The materiality of the effect of the measurement uncertainty on the financial statements is the sole criterion for determining whether disclosure of measurement uncertainty in accordance with paragraphs PS 2130.06-.07 would be made. Materiality is the term used to describe significance of financial statement information to decision makers. An item of information, or an aggregate of items, is material if it is probable that its omission or misstatement would influence or change a decision. Materiality is a matter of professional judgment in the particular circumstances.
- .10 There is a degree of uncertainty associated with the measurement of many amounts recognized or disclosed in the financial statements. In many cases, however, such uncertainty is not material. A decision about whether measurement uncertainty has a material effect on the financial statements is a matter of professional judgment. Management would consider information such as the range of reasonably possible amounts; whether the amount could change by a material amount; the impact of other reasonably possible amounts on the government's economic resources, obligations and net assets; and the possible timing of the impact. A judgment about materiality of measurement uncertainty would be made considering the effect that a different reasonably possible amount would have on the financial statements.
- .12 The estimation of the amount of an item to be accrued or disclosed in financial statements may be based on information that provides a range of amounts. When a particular amount within such a range appears to be a better estimate than any other, that amount would be used. When uncertainty exists, estimates used would attempt to ensure that assets, revenues and gains are not overstated and that liabilities, expenses and losses are not understated. Estimates of the financial effect are determined using professional judgment, supplemented by experience of similar transactions and, in some cases, reports from independent experts. Estimates include any additional evidence provided by subsequent events occurring after the financial statement date.