Tangible Capital Assets – Basis for Conclusions

Section PS 3150

FOREWORD

CPA Canada Public Sector Accounting (PSA) Handbook Revisions Release No. 61, issued in May 2025, contained the final amendments to TANGIBLE CAPITAL ASSETS, Section PS 3150.

The primary objective of a Basis for Conclusions document is to set out how the Public Sector Accounting Board (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 (GAAP). Basis for Conclusions documents also do not include any guidance on the application of the relevant Section.

May 2025

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BACKGROUND

BC1 In December 2022, PSAB approved the Government Not-for-Profit (GNFP) Capital Assets project. This project was the first standard-level project to implement its GNFP Strategy – incorporating the PS 4200 series into public sector accounting standards (PSAS) with potential customizations (approved in March 2022).

BC2 This project encompassed a review of the PS 4200 series standards related to CAPITAL ASSETS HELD BY NOT-FOR-PROFIT ORGANIZATIONS, Section PS 4230, and COLLECTIONS HELD BY NOT-FOR-PROFIT ORGANIZATIONS, Section PS 4240, to determine what amendments, if any, should be proposed to TANGIBLE CAPITAL ASSETS, Section PS 3150.

BC3 As a result of proposed amendments to Section PS 3150, Sections PS 4230 and PS 4240 will no longer apply once an entity applies Section PS 3150. Sections PS 4230 and PS 4240 will be withdrawn from the PSA Handbook.

BC4 Once all standard-level projects have been completed, the PS 4200 series will be withdrawn and there will no longer be a suite of standards specific to government not-for-profit organizations (GNFPOs). Instead, there may be customizations specific to GNFPOs within PSAS if PSAB determines substantive and distinct accountabilities warrant modification.

BC5 The project's purpose was to begin implementing PSAB's GNFP Strategy, incorporating the PS 4200 series into PSAS with potential customizations. Thus, a complete and thorough review of Section PS 3150 was not undertaken as part of this project.

BC6 To help promote the Exposure Draft, an In Brief was issued and a webinar was held, live in English with simultaneous translation to French, which had over 240 attendees. Project updates were also provided at various conferences, and targeted emails were sent during the comment period.

BC7 PSAB appreciated all the feedback on this document: 20 response letters and 74 responses in the Connect.FRASCanada.ca platform were received.

ISSUE ANALYSIS

BC8 The following key issues were identified as a result of comparing the accounting guidance found in Sections PS 4230 and PS 4240 to Section PS 3150:

- capital asset definition;
- capital asset recognition exemption;
- recognition of works of art, historical treasures and/or collections;
- purchases substantially below fair value; and
- contributed materials and labour.

Capital asset definition

Addition of "acquired, constructed or developed" criterion

BC9 The Exposure Draft proposed to amend the definition of a tangible capital asset by adding a new criterion that they can be "acquired, constructed or developed." This amendment was intended to add clarity to the definition. It was based on guidance found in paragraph PS 4230.05 that includes a criterion stating that capital assets "have been acquired, constructed or developed with the intention of being used on a continuing basis."

BC10 Most respondents supported the new criterion as it added clarity to the definition and helped to ensure consistent application of the standard. A few respondents suggested the amendment be expanded to also refer to "contributed", "conveyed" or "betterments".

BC11 The Cambridge Dictionary defines "acquired" as "to get or obtain something." Thus, it has broader application to capture assets that are purchased, contributed, conveyed or obtained by some other means. PSAB considered adding a footnote to clarify the meaning of "acquired" but decided against that. Adding a footnote may cause more confusion as interested and affected parties may interpret the footnote as being a prescriptive list of what would be included rather than applying professional judgment. Also, the phrase "acquired, constructed or developed" is consistent with the terminology used in Part II and Part III of the CPA Canada Handbook – Accounting.

BC12 A concern was raised that Crown lands not purchased would no longer meet the definition of a tangible capital asset with the inclusion of "acquired, constructed or developed" as a criterion. This would then have implications for determining any asset retirement obligations associated with that asset. Even though Crown lands not purchased are not recognized in a public sector entity's financial statement, as noted in FINANCIAL STATEMENT PRESENTATION, paragraph PS 1202.079, asset retirement obligations may still be present if they meet the requirements of ASSET RETIREMENT OBLIGATIONS, Section PS 3280. Thus, Crown lands not purchased can be captured by the broader interpretation of the term "acquired", as it was acquired by some other means. This raised another matter for consideration related to Crown lands. Purchased Crown lands, as noted in paragraph PS 1202.078, can be recognized. In some cases, purchased Crown lands may be transferred within a reporting entity and when this happens, the receiving entity may not have in fact been the party that purchased the Crown lands. In this scenario, recognition would still be permitted. It is the original classification of the Crown land that must be considered when determining whether the Crown lands have been purchased or not by a public sector entity. For example, if a controlling government did not purchase the Crown land and transferred the lands to another entity, then the receiving entity would continue to not recognize those Crown lands. The original classification of the Crown land has not changed.

BC13 PSAB agreed that no further amendments to the definition of a tangible capital asset were needed. The term "acquired" is broad enough to capture the scenarios respondents raised and retains the high-level principle-based nature of the definition.

Intangible assets

BC14 The definition of a tangible capital asset will not include "intangible properties".

BC15 The Exposure Draft identified the inclusion of intangible properties in the definition of a capital asset in Section PS 4230 as a key difference compared to the guidance in Section PS 3150.

BC16 Paragraph PS 4230.05 defines "intangible properties" as "capital assets that lack physical substance." Other, more recent accounting standards refer to "intangible assets". Intangible assets, as defined in International Public Sector Accounting Standards (IPSAS) 31, *Intangible Assets*, are an identifiable nonmonetary asset without physical substance. These terms have similar meanings.

BC17 PSAB is developing an intangible assets standard that will provide guidance related to the recognition, measurement and disclosures of intangible assets to ensure consistency among public sector entities. Therefore, the Exposure Draft, "Tangible Capital Assets, Proposed Amendments to Section PS 3150," proposed that no amendments would be made to include intangible properties in the definition of a tangible capital asset. Instead, the effective date of the proposals for the Amendments to Section PS 3150 was purposefully chosen taking into consideration the expected issuance of the intangible assets standard.

BC18 Almost all respondents supported not including intangible properties in the definition of a tangible capital asset.

BC19 However, some respondents noted that it would be inappropriate for those public sector entities that may have recognized constructed or developed intangible assets to have to derecognize such assets if the timelines of the amendments to Section PS 3150 and the proposed intangible assets standard do not align.

BC20 PSAB is committed to ensuring no unintended consequences result from not incorporating "intangible properties" into the definition of a tangible capital asset.

Other comments related to the definition

BC21 A few respondents suggested guidance for developing capitalization thresholds would be helpful. No additional guidance has been provided as Section PS 3150 establishes the criteria for determining whether a tangible capital asset should be recognized. Capitalization thresholds are entity-specific, require professional judgment and consider the application of the materiality concept that is further explained in Chapter 7 of the Conceptual Framework for Financial Reporting in the Public Sector (the Conceptual Framework).

BC22 A few respondents suggested closer alignment with the IFRS Accounting Standards or with the IPSAS would be helpful. The amendments to Section PS 3150 aim to incorporate the PS 4200 series into PSAS, with potential customizations, if necessary, as part of PSAB's implementation of its GNFP Strategy. When considering the proposed amendments, the Board also considered the accounting guidance found in the applicable IPSAS.

Capital asset recognition exemption

BC23 The Exposure Draft proposed not to incorporate the provision in Section PS 4230 that allowed GNFPOs to disclose information regarding their capital assets rather than recognize them if the average of annual revenues recognized in the statement of operations for the current and preceding period of the organization and any entities it controls is less than $500,000.

BC24 Section PS 3150 does not provide such an option. In fact, paragraph PS 3150.06 emphasizes the need to account for the complete stock of tangible capital assets to demonstrate stewardship and the cost of using those assets to deliver programs and provide services. 1

BC25 Consideration was given as to whether the capital asset recognition exemption would qualify as a customization specific to GNFPOs, understanding that some GNFPOs may have capacity constraints that might impact their ability to operationalize certain accounting standards. However, this may also be true of some other smaller public sector entities; therefore, there was no basis to continue this recognition exemption as a potential customization specific to GNFPOs.

BC26 Most respondents supported not including the capital asset recognition exemption. However, a few respondents noted that smaller entities may have capacity issues such that the costs may outweigh the benefits to record all tangible capital assets. A few respondents also suggested that guidance for capitalization thresholds or transitional relief would be helpful.

BC27 PSAB supports not incorporating the capital asset recognition exemption found in Section PS 4230 to Section PS 3150. As noted in Chapter 2 of the Conceptual Framework, public sector entities have a responsibility for the stewardship of public resources that have been entrusted to them. As resource providers, the public demands public accountability regarding how public resources are used, managed and maintained. The Board supports the recognition of all tangible capital assets by an entity as this supports the public sector entity's accountability for using, managing and maintaining the resources.

BC28 No additional guidance or amendments have been made. Given the long transitional period offered to apply Section PS 3150, if currently applying the PS 4200 series, this will allow entities time to develop their own capitalization threshold policies and, if necessary, gather an inventory of tangible capital assets.

Recognition of works of art, historical treasures and/or collections

BC29 A key difference between Sections PS 4230 and PS 4240 compared to Section PS 3150 pertains to the recognition of works of art, historical treasures and/or collections.

BC30 Section PS 4230 addressed works of art and historical treasures that are not part of a collection. These would be recognized as capital assets if the organization has technology and financial ability to protect and preserve such items. Additional guidance is provided related to amortization for these assets.

BC31 Section PS 4240 addressed collections. Criteria are provided to help identify a collection. Acknowledging the valuation challenges, collections are not required to be recognized but it is not precluded either.

BC32 Although Section PS 4240 did not preclude capitalization of collections, the Section provided no additional guidance to determine the cost of collections or when to use a nominal value versus cost to record collections on the statement of financial position.

BC33 Chapter 9 of the Conceptual Framework notes that it is possible an item will meet the definition of an element but still not be recognized in the financial statements because it is not expected that the future economic benefits will be obtained or given up or because a reasonable estimate cannot be made of the amount involved. 2 It may be appropriate to provide information about items that do not meet the recognition criteria in notes to the financial statements.

BC34 Recognition of works of art and historical treasures is not permitted in the PSA Handbook (outside of the PS 4200 series) because a reasonable estimate of the future benefits associated with such property cannot be made. Instead, the existence of such property is disclosed. The term "collections" was not defined or used in the PSA Handbook, outside of the PS 4200 series.

BC35 Based on a limited review of financial statements, practices seem to be mixed as to whether works of art, historical treasures and/or collections were recognized in the public sector. Some GNFPOs had chosen to recognize these assets at a nominal amount, some at cost while others chose only to provide note disclosures.

BC36 Acknowledging the challenges that exist to determine the cost of such assets and given the cost/benefit analysis, the Exposure Draft proposed that recognition may not be appropriate. Instead, enhanced note disclosures should be required. These assets are extremely important to the basic mission of some organizations (e.g., art galleries and museums). It is, therefore, important that financial statement users are aware of the relevant information provided in the notes to the financial statements about such assets. The proposed disclosures were aimed to improve accountability information in the financial statements and were applicable to all public sector entities that held such assets. The intent was not to require a listing of all works of art, historical treasures and/or collections that a public sector entity may hold. It is important to remember that the level of detail a public sector entity discloses reflects the highly aggregated nature of the financial statements. In deciding on the level of detail to be disclosed, a public sector entity would need to consider the usefulness of the information to the reader of the financial statements. Consideration is needed of not only the items' quantitative value but also their qualitative value. For some works of art, historical treasures and/or collections, the dollar value may be immaterial but from a qualitative perspective, their cultural and historical importance may provide useful information for accountability and decision-making of interested and affected parties. There may also be relevant laws, statutes or acts that could be considered (e.g., the United Nations Declaration on the Rights of Indigenous Peoples Act).

BC37 The Exposure Draft proposed to add guidance in Section PS 3150 to describe a collection ensuring consistent terminology would be applied in the financial statement notes to enhance the understandability of the information provided. The proposed description was based on the definition of a collection in paragraph PS 4240.03(b) with one amendment. PSAB's Exposure Draft proposals did not incorporate the criterion requiring an organizational policy specifying that any proceeds from the sale of a collection item be used to acquire other items to be added to the collection or for the direct care of existing collection items. The Board thought that this is an internal management policy requirement which could be subject to change by management. No change in practice was expected from proposing to remove this criterion.

BC38 Some works of art, historical treasures and/or collections incorporate both tangible and intangible elements. To ensure consistency in approach, PSAB considered what disclosures would be relevant. Although intangible assets are outside this project's scope, it was appropriate to consider these specific types of assets together. This will help inform the Board's Intangible Assets project.

BC39 Most respondents supported providing disclosures only for works of art, historical treasures and/or collections. Respondents in favour noted the costs associated with obtaining a reasonable estimate of the value of works of art, historical treasures and/or collections generally exceed the benefits. Providing note disclosures will allow entities to tell their story and will promote consistency and comparability among public sector entities. Those not in favour of note disclosures only remarked that other standard setters allow the recognition of such assets and suggested that recognition may promote greater stewardship of such assets.

Note disclosures and applicability to all public sector entities

BC40 Even those respondents in favour of note disclosure only raised concerns that the disclosures proposed were excessive and may not be relevant to all public sector entities, especially if their primary mandate was not to hold such assets.

BC41 Although there is no requirement to specifically refer to the note disclosures on the statement of financial position to acknowledge that such items exist, paragraph 10.06 of the Conceptual Framework states:

> Presentation is how an entity communicates information in its financial statements to meet the financial reporting objectives and the specific financial statement objectives. It involves the selection, location and organization of information. Presentation includes:
>
> (a) the recognition and reporting of items, transactions and other events on the face of the financial statements, either individually or within totals; and
>
> (b) disclosure in the notes and schedules to the financial statements.

If including reference to the applicable note disclosures on the face of the statement of financial position provides relevant information to the readers of the financial statements, there is nothing in GAAP that would prohibit it.

BC42 On the other hand, although in support of note disclosures rather than recognition of works of art, historical treasures and/or collections, some respondents raised concerns regarding the excessive nature of the proposed disclosures, suggesting they would be a burden on both preparers and auditors. A few respondents questioned whether the financial statements were the appropriate place for some of this information, suggesting it may be better situated in an annual report or other reports. Some respondents noted that the significance and purpose of works of art, historical treasures and/or collections varies widely from entity to entity, suggesting the proposed disclosures be considered in context of the entity's primary mandate.

BC43 PSAB considered whether all note disclosures should be applicable to all public sector entities or whether a tiered approach may be appropriate. That is, some of the disclosures would be applicable to all public sector entities, similar to current practice, given the importance of such assets, describing the nature of assets held. Then, depending on the entities mandate or if they held a collection, additional disclosures would be required.

Addressing feedback on disclosure requirements

BC44 PSAB decided to amend the disclosure requirement proposals to reflect the significance of such assets to the public sector entity. This will provide financial statement users with relevant information regarding works of art, historical treasures and/or collections that reflects the diversity of purpose for which a public sector entity may have/hold such assets.

BC45 Furthermore, to address the feedback, amendments were made to the specific note disclosures, removing redundancies that may have existed and simplifying the requirements where appropriate, in an effort to clarify and remove any unnecessary potential burden.

Definition of a collection

BC46 Most respondents did not specifically comment on the proposed definition of a collection. There was a concern that removing the third criterion from the definition of a collection in paragraph PS 4240.03(b)(iii) may result in any unintended consequences, such as broadening the scope of what a collection may be.

BC47 PSAB decided to retain the third criterion to ensure no unintended consequences arose. Furthermore, keeping the criteria as found in Section PS 4240 will align the definition of a collection with that found in the private sector. This will ensure consistency with the private sector and may help ensure consistent application of the term. Also, for greater clarity, the definition has been moved to the "Definitions" heading.

BC48 Although consistent with the criteria in private sector standards, PSAB removed the term "public" in first criterion of the definition of a collection. There may be instances where a collection is a private collection. This information would be relevant to interested and affected parties.

Other matters raised

BC49 A few respondents commented on other types of art – specifically, art that is incorporated into a tangible capital asset and purchased works of art.

BC50 PSAB added some guidance to paragraph PS 3150.08 to clarify that in certain circumstances, when the art cannot be separated from the tangible capital asset (e.g., a mural on a building), the cost of the art is included in the cost of the tangible capital asset.

BC51 PSAB agreed that purchased works of art, however, would not be recognized. Respondents noted that allowing purchased works of art would be consistent with allowing purchased intangible assets to be recognized as per PUBLIC SECTOR GUIDELINE (PSG) 8, Purchased Intangibles. However, many aspects need to be considered, such as subsequent measurement, impairment and maintenance obligations. In some instances, purchased works of art may not necessarily generate future revenues. As noted in the Basis for Conclusions for Section PS 1202, for comparability, completeness, consistency and strengthening accountability, the recognition exclusions will not be removed until a fulsome project on the topic can be added to the technical agenda of the Board. The project's primary goal is to implement the GNFP Strategy.

Purchases substantially below fair value

BC52 The Exposure Draft proposed incorporating the existing guidance in Section PS 4230 that addresses situations where a capital asset is purchased at substantially below fair value into Section PS 3150. In these situations, the tangible capital asset would be recognized at its fair value with the difference between the consideration paid for the tangible capital asset and fair value reported as a contribution. PSAB proposed this guidance to promote consistent application of the standards, thus, improving comparability. In addition, the proposed guidance would align with the Accounting Standards Board's (AcSB) accounting treatment on purchases of capital assets substantially below fair value.

BC53 Most respondents supported the proposal to incorporate guidance related to purchases of tangible capital assets at substantially below fair value. Respondents in favour noted that when a portion of the transaction price is a contribution, it should be recognized as such as it would best reflect the substance of the transaction. However, some respondents, although in favour, suggested there may be application challenges in estimating the fair value of a tangible capital asset, including situations where transfers occur within the reporting entity versus outside the reporting entity.

BC54 PSAB agreed that most tangible capital asset purchases would be recognized at cost that, at date of acquisition, would approximate the fair value. Purchases that are between parties within the same reporting entity or related parties would not fall in the scope of Section PS 3150 as they would be covered in INTER-ENTITY TRANSACTIONS, Section PS 3420, or RELATED PARTY DISCLOSURES, Section PS 2200. Also, the existing guidance in paragraph PS 3150.14 notes that when a tangible capital asset is contributed to a public sector entity, its cost is equal to the fair value at the date of contribution. Therefore, in practical terms, the Exposure Draft's proposals do not represent a change in practice as public sector entities applying Section PS 3150 already determine the fair value of contributed tangible capital assets.

BC55 To address the feedback and to help public sector entities estimate fair value under these specific circumstances, PSAB added additional guidance to Section PS 3150 in the form of indicators that public sector entities could consider when assessing whether a purchase of a tangible capital asset was at substantially below fair value.

BC56 A few respondents suggested adding guidance to address circumstances when the fair value cannot be reasonably determined. Although these situations would be uncommon, PSAB included guidance that if a reasonable estimate of fair value cannot be made, the purchased tangible capital asset would be recognized at the amount of consideration paid.

BC57 A few respondents suggested that a choice should be permitted, and recognition would be allowed only if a reasonable estimate could be made. In this case, if the fair value cannot be reasonably estimated, public sector entities would have a choice not to recognize the purchases of tangible capital assets at substantially below fair value at all. No amendments were made to address this suggestion as the purpose of incorporating the existing guidance from Section PS 4230 into Section PS 3150 is to make it available to all public sector entities, improving comparability. Introducing an option to be applied would impair comparability, one of the underlying objectives of the GNFP Strategy.

BC58 A few respondents encouraged PSAB to develop a framework for measuring fair value to achieve consistent application in practice and comparability across public sector entities. Providing the enhanced guidance for determining fair value is beyond the scope of the project as this was a narrow-scope project to implement the GNFP Strategy. That is, the focus is on incorporating the PS 4200 series with minimal changes to other aspects of the standard.

BC59 The suggestion that PSAB develop a framework for measuring fair value to achieve consistency in application thus improving comparability will be added to the Board's list of potential projects for future consideration when resources become available.

Contributed materials and labour

BC60 Sections PS 3150 and PS 4230 provide guidance on determining the cost of a contributed tangible capital asset, indicating that it should be considered equal to its fair value at the date of contribution.

BC61 However, when addressing the cost of a constructed asset, Section PS 4230 included the possibility that some of the materials and labour directly attributed to the construction or development of a tangible capital asset may be contributed.

BC62 Although existing paragraph PS 3150.10 has similar guidance noting the cost of a constructed asset would include direct construction or development costs such as materials and labour, it does not refer to contributed materials and labour as part of the costs associated with construction or development costs. PSAB believes adding guidance on contributed materials and labour may help promote consistent application of the standards, thus improving comparability. In addition, the guidance aligns with the AcSB's accounting treatment on contributed materials and labour in determining the cost of a tangible capital asset. 3

BC63 The Exposure Draft proposed incorporating the guidance based on Section PS 4230 that was specific to contributed materials and labour when determining the cost of a constructed tangible capital asset in Section PS 3150. Adding this guidance to Section PS 3150 will help promote consistent application of the standards, thus improving comparability. The contributed labour is meant to address only situations where a public sector entity receives labour as a form of contribution when constructing or developing a tangible capital asset. It is not intended to be applicable to any other type of services in-kind.

BC64 Most respondents agreed with the Exposure Draft's proposals related to contributed materials and labour. Most respondents supported including contributed materials in the cost of a constructed or developed tangible capital asset. The main concerns were related to determining the fair value of the contributed materials and/or labour as it could involve significant effort.

BC65 PSAB retained the proposal that the cost of a constructed or developed tangible capital asset may include contributed materials and/or labour, which would be recognized at fair value at the date of contribution. To minimize the concerns related to the level of effort that might be required when determining the fair value of contributed materials and labour, the Board added guidance that contributed materials and labour would be part of the cost of a tangible capital asset in cases where they were contributed, provided that, in the absence of such contributions, the public sector entity would typically purchase them, regardless of any existing financial constraints (e.g., lack of access to funding). This approach is intended to narrow the application of the guidance. This is also consistent with the existing guidance in paragraph PS 3150.10, which provides that construction or development costs (e.g., materials and labour) would normally be included in the cost of a constructed or developed tangible capital asset.

BC66 To address concerns raised that such guidance was missing, PSAB added guidance clarifying that when the fair value at the date of contribution of the contributed materials and/or labour cannot be reasonably determined, they would be recognized at nominal value, with this information disclosed in the notes to the financial statements.

EFFECTIVE DATE AND TRANSITION

Effective date

BC67 Amendments to Section PS 3150 will be effective for fiscal periods beginning on or after April 1, 2030. Earlier adoption is permitted. GNFPOs applying PSAS with the PS 4200 series will need to adopt Section PS 3150 on or after April 1, 2030, unless they chose to adopt earlier. All other public sector entities applying PSAS without the PS 4200 series will need to adopt the amendments to Section PS 3150 on or after April 1, 2030, unless they chose to adopt the amendments earlier.

BC68 Recognizing that this is the first in a series of standard-level projects to implement the new GNFP Strategy, PSAB considered two possible approaches for determining the effective date, with the goal of providing simplicity and flexibility to interested and affected parties. The first approach is to consider the effective date on an individual standard-level basis. Thus, each standard-level project to implement the GNFP Strategy could have a different effective date. The benefit of this approach is it would simplify the transition by staging the implementation and improve comparability as each standard-level project is completed. Interested and affected parties would still be given ample time to consider the proposals to help assess the entity's application of the standard. Entities that do not apply the PS 4200 series would have new guidance before the complete review of the PS 4200 series has been completed. The second approach is to consider the effective date based on the overall GNFP Strategy implementation; that is, when the review of the entire PS 4200 series is expected to be completed. The benefit of this approach is the flexibility it offers interested and affected parties to implement the proposed changes. It provides a long transition period for entities to assess the implications of the proposals and develop their implementation plan. The Board decided to determine an effective date based on the individual standard-level projects due to its simplicity and better meeting its objective of improving comparability in a shorter period.

BC69 Almost all respondents supported the proposed effective date of April 1, 2029, provided that no unintended consequences arise from the decision to not include "intangible properties" in the definition of a tangible capital asset. PSAB is committed to ensuring no unintended consequences arise. To align with the proposals in the Exposure Draft, "Intangible Assets Proposed Section PS 3155," the effective date of the amendments to Section PS 3150 has been changed to April 1, 2030. The Intangible Assets project will be monitored to ensure the timing of the projects aligns. Although a few respondents suggested the interconnections between the various PS 4200 series standards need to be considered before finalizing the amendments, the Board concluded these are minimal for this project. Nevertheless, the Board will consider the interdependencies between the PS 4200 series standards for future standard-level projects.

Transitional provisions

BC70 The Exposure Draft proposed retroactive application with restatement of prior years' figures. The ability to compare information over time is relevant and retroactive application with restatement would result in consistent information between reporting periods and between different public sector entities. Comparative information, when prepared on a consistent basis, provides useful information for financial statement users.

BC71 Most respondents supported retroactive application with restatement of prior years' figures. However, some respondents raised concerns regarding the challenges to implement retroactive application, especially for the amendments to purchases of tangible capital assets substantially below fair value and consideration of contributed materials and/or labour in the cost of a constructed or developed tangible capital asset. It would be difficult to ensure complete information to ascertain whether such circumstances existed in prior periods, and the cost would likely outweigh the benefits.

Transitional provisions relief

BC72 PSAB agreed that relief for these situations is warranted. Thus, the amendments would only be applicable on or after April 1, 2030, for any new events or transactions where a purchase of a tangible capital asset was at substantially below fair value or contributed materials and/or labour were received in the construction or development of a tangible capital asset. Although allowing an option either to apply the amendments to only new events or transactions or to apply retroactively was considered, the Board decided not to allow an option as one of the main objectives of the GNFP Strategy is to improve comparability and the cost of gathering the necessary information would likely outweigh the benefits anyways.

BC73 For those GNFPOs applying the PS 4200 series, Sections PS 4230 and PS 4240 will remain in effect until the adoption of Section PS 3150, which is for fiscal periods beginning on or after April 1, 2030, unless a public sector entity elects earlier adoption.

BC74 Once the review of the entire PS 4200 series is complete, the PS 4200 series will be withdrawn from the PSA Handbook.

OTHER MATTERS

Reconciliation with Indigenous Peoples

BC75 The Truth and Reconciliation Commission of Canada (TRC) called on all peoples of Canada to establish and maintain a mutually respectful relationship between Indigenous and non-Indigenous Peoples. To that end, the TRC developed its 94 Calls to Action. These Calls to Action and Canada's United Nations Declaration on the Rights of Indigenous People Act, which received Royal Assent in June 2021, provide a pathway toward reconciliation. It is crucial to review the Calls to Action, which include various aspects of United Nations Declaration on the Rights of Indigenous People (UNDRIP), to determine the possible implications on financial reporting.

BC76 PSAB is committed to enhancing its relationship with Indigenous governments, as expressed in its 2022-2027 Strategic Plan. As a result, the Board concluded that it was appropriate to include guidance for considering Article 11 of the UNDRIP. Article 11 states:

1. Indigenous peoples have the right to practise and revitalize their cultural traditions and customs. This includes the right to maintain, protect and develop the past, present and future manifestations of their cultures, such as archaeological and historical sites, artefacts, designs, ceremonies, technologies and visual and performing arts and literature.
2. States shall provide redress through effective mechanisms, which may include restitution, developed in conjunction with indigenous peoples, with respect to their cultural, intellectual, religious and spiritual property taken without their free, prior and informed consent or in violation of their laws, traditions and customs.

It is an example of certain laws, acts or statutes that public sector entities may consider in determining what information to disclose.

BC77 One respondent noted that the TRC's Call to Action #67 may be relevant given that there are parallels with Article 11 of the UNDRIP. Call to Action #67 pertains specifically to the federal government and to the Canadian Museums Association (CMA) but may have broader application as there could be other public sector entities (e.g., provincial governments or universities) that hold Indigenous artifacts. The CMA issued a final report and recommendations in response to the Call to Action #67, *Moved to Action: Activating UNDRIP in Canadian Museums*, in September 2022. This report is an example that a public sector entity may find helpful in considering what information may be relevant to their financial statement users.

BC78 The disclosures expect to capture any significant events related to works of art, historical treasures and/or collections held by public sector entities. The additional guidance related to considering what should be disclosed is provided to emphasize the importance of considering what information would be relevant to the reader of the financial statements related to works of art, historical treasures and/or collections as this may be more qualitative considerations than quantitative. It may be helpful to consider the guidance in CONTINGENT ASSETS, Section PS 3320, or CONTINGENT LIABILITIES, Section PS 3300.

Minor enhancements

BC79 As a result of PSAB's review of Sections PS 4230 and PS 4240, some additional enhancements have been made to Section PS 3150 to clarify the accounting guidance to ensure consistent application of the standard.

Footnotes

1. Paragraph PS 3150.06 states: "Public sector entities need to present information about the complete stock of their tangible capital assets and amortization in the financial statements to demonstrate stewardship and the cost of using those assets to deliver programs and provide services."

2. Paragraph PS 3210.03 states: "An asset is a present economic resource controlled by a public sector entity as a result of a past event(s) and from which future economic benefit is expected to be obtained." Paragraph PS 3210.04 states: "Assets have three essential characteristics:

(a) They embody future economic benefits that involve a capacity, singly or in combination with other assets, to provide goods and services, to provide future cash inflows, or to reduce cash outflows.

(b) The public sector entity controls the economic resource and access to the future economic benefit(s).

(c) The transaction or other event(s) giving rise to the public sector entity's control has already occurred."

3. Paragraph PS 3150.10 states: "The cost of a tangible capital asset includes the purchase price of the asset and other acquisition costs such as installation costs, design and engineering fees, legal fees, survey costs, site preparation costs, freight charges, transportation insurance costs, and duties. The cost of a constructed asset would normally include direct construction or development costs (such as materials and labour) and overhead costs directly attributable to the construction or development activity. The activities necessary to prepare a tangible capital asset for its intended use encompass more than the physical construction of the tangible capital asset. They include the technical and administrative work prior to the commencement of and during construction."
