

public sector accounting handbook

highlight summary no. 57

October 2023

Financial Statement Presentation, Section PS 1202

This Section replaces FINANCIAL STATEMENT PRESENTATION, Section PS 1201.

The new Section:

- discusses going concern that builds on the discussion in the Conceptual Framework for Financial Reporting in the Public Sector;
- changes the statement of financial position by:
 - o relocating the calculation of the net financial liabilities (formerly known as “net debt”) or net financial assets indicator, to its own statement;
 - o introducing two categories of liabilities: financial and non-financial;
 - o adding a third component of net assets or net liabilities: “accumulated other”;
 - o updating the definition of “non-financial assets”;
 - o restructuring the statement to present assets, followed by liabilities, followed by net assets or net liabilities; and
 - o providing an option to show the net financial assets or net financial liabilities (formerly known as “net debt”) indicator below the indicator of financial position, with reference to the statement of net financial assets or net financial liabilities;
- adds a statement of net financial assets or net financial liabilities that presents the revised net financial assets or net financial liabilities (formerly known as “net debt”) calculation;
- provides the option to present the change in net financial assets or net financial liabilities on the statement of net financial assets or net financial liabilities;
- includes a statement of operations similar to the one in superseded Section PS 1201;
- permits presenting an amended budget only when there is an election or when the majority of the governing body of a government organization has been newly elected or appointed;
- adds the statement of changes in net assets or net liabilities that includes a reconciliation of each component of net assets or net liabilities and incorporates what is required in superseded Section PS 1201 to be included in the statement of remeasurement of gains and losses;
- isolates financing activities in the statement of cash flow; and
- includes guidance in various appendices in the form of application guidance, decision trees, illustrative examples and illustrative financial statements.

Section PS 1202 applies to fiscal years beginning on or after April 1, 2026. Earlier adoption is permitted only if the Conceptual Framework is also adopted at the same time. Prior period amounts would need to be restated to conform to the presentation requirements for comparative financial information in Section PS 1202.

Consequential Amendments Arising from Section PS 1202

As a consequence of issuing Section PS 1202, various Sections and Guidelines of the PSA Handbook have been withdrawn or amended.

Withdrawn

- Section PS 1201 has been withdrawn and replaced with Section PS 1202. References to Sections PS 1201 throughout the PSA Handbook, including to the various Sections noted below, have either been replaced with Section PS 1202, removed or replaced with another Section.

Amended

- GOVERNMENT REPORTING ENTITY, Section PS 1300, has been amended to include a new requirement to identify major changes to the reporting entity in the accounting period.
- ACCOUNTING CHANGES, Section PS 2120, has been amended to:
 - o include consideration of the various components of net assets or net liabilities;
 - o highlight that the statement of changes in net assets or net liabilities would include the effect of retroactive application; and

- o replace “net debt” with “net financial assets or net financial liabilities”.
- BASIC PRINCIPLES OF CONSOLIDATION, Section PS 2500, FOREIGN CURRENCY TRANSLATION, Section PS 2601, and PORTFOLIO INVESTMENTS, Section PS 3041, have been amended to:
 - o reflect the “statement of changes in net assets or net liabilities” rather than the “statement of remeasurement gains and losses”; and
 - o recognize the notions of financial instrument assets and financial instrument liabilities.
- ADDITIONAL AREAS OF CONSOLIDATION, Section PS 2510, and INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES, Section PS 3070, have been amended to:
 - o include consideration of the various components of net assets or net liabilities; and
 - o reflect the “statement of changes in net assets or net liabilities” rather than the “statement of remeasurement gains and losses”.
- INTEREST IN PARTNERSHIPS, Section PS 3060, RESTRICTED ASSETS AND REVENUES, Section PS 3100, PUBLIC PRIVATE PARTNERSHIPS, Section PS 3160, LONG-TERM DEBT, Section PS 3230, RETIREMENT BENEFITS, Section PS 3250, POST-EMPLOYMENT BENEFITS, COMPENSATED ABSENCES AND TERMINATION BENEFITS, Section PS 3255, LIABILITY FOR CONTAMINATED SITES, Section PS 3260, ASSET RETIREMENT OBLIGATIONS, Section PS 3280, CONTINGENT LIABILITIES, Section PS 3300, LOAN GUARANTEES, Section PS 3310, REVENUE, Section PS 3400, GOVERNMENT TRANSFERS, Section PS 3410, and PUBLIC SECTOR GUIDELINE (PSG) 2, Leased Tangible Capital Assets, have been amended to:
 - o reflect the classification of the liability as either financial or non-financial; and/or
 - o refer to Section PS 1202 for guidance on the classification of liabilities as either financial or non-financial.
- RESTRUCTURING TRANSACTIONS, Section PS 3430, has been amended to recognize the notions of financial instrument assets and financial instrument liabilities.
- FINANCIAL INSTRUMENTS, Section PS 3450, has been updated to:
 - o use the terms “financial instrument assets” and “financial instrument liabilities” instead of “financial assets” and “financial liabilities”, as these are broader concepts in the PSA Handbook;
 - o acknowledge that while most financial instrument assets are presented as financial assets, certain financial instruments are presented as non-financial assets;
 - o reflect the “statement of changes in net assets or net liabilities” rather than the “statement of remeasurement gains and losses”;
 - o relocate some of the presentation requirements for financial instruments found in superseded Section PS 1201 to Section PS 3450;
 - o remove the definitions of “financial assets” and “financial liabilities”, as they are included in Section PS 1202;
 - o introduce the definitions of “financial instrument assets” and “financial instrument liabilities”; and
 - o replace “net debt” with “net financial assets or net financial liabilities”.
- INTRODUCTION TO ACCOUNTING STANDARDS THAT APPLY TO GOVERNMENT NOT-FOR-PROFIT ORGANIZATIONS and FINANCIAL STATEMENT PRESENTATION BY NOT-FOR-PROFIT ORGANIZATIONS, Section PS 4200, have been amended to note that although the statement of remeasurement gains and losses is not a required statement in Section PS 1202, it is a required statement for government not-for-profit organizations. This is because the reconciliation of accumulated remeasurement gains and losses cannot be done on the statement of changes in net assets described in Section PS 4200.
- FUNDS AND RESERVES, PSG-4, has been amended to:
 - o recognize that funds and reserves are designations of the accumulated surplus or deficit component; and
 - o acknowledge the statement of changes in net assets or net liabilities.
- SALE-LEASEBACK TRANSACTIONS, PSG-5, has been amended to replace “net debt” with “net financial assets or net financial liabilities”.

Other minor amendments have also been made to the PSA Handbook.

The Basis for Conclusions accompanying The Conceptual Framework for Financial Reporting in the Public Sector was amended to remove phrases indicating that Section PS 1202 would be published at a later date, as it is now published in the PSA Handbook.

Although some consequential amendments are editorial in nature, most will change practice in relation to the presentation of financial statements. These consequential amendments are accompanied by a new transitional paragraph in the affected Sections and Guidelines that outlines:

- the paragraphs affected;

- the reason for the amendment(s) (i.e., as a result of issuing Section PS 1202);
- the effective date (i.e., applicable at the same time as Section PS 1202); and where applicable;
- the transitional provisions (i.e., prior period amounts would need to be restated to conform to the requirements for comparative information in Section PS 1202).

Archived Pronouncements

To give Handbook readers continued access to withdrawn Section PS 1201 and superseded paragraphs in other Sections and Guidelines, supplements in Archived Pronouncements set out the wording of those Sections and paragraphs. The archived material will be withdrawn from the Handbook when it is no longer effective.

Because of the magnitude of the amendments, PSAB has provided PDF versions of Section PS 3450 (as it existed before the issuance of Section PS 1202) and Section PS 1201. As these Sections are applicable until Section PS 1202 is effective, users can easily access them in the main PSA Handbook rather than in the Archived Pronouncements. For all other superseded paragraphs in other Sections, please refer to the Archived Pronouncements until the effective date of Section PS 1202.

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