

## SECTION PS 3210

### assets

#### Basis for Conclusions

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#### PURPOSE AND SCOPE

- .01 This Section:
- (a) provides guidance for applying the definition of assets set out in Chapter 8 of the Conceptual Framework, and establishes general disclosure standards for assets; but
  - (b) does not include standards for recognition and disclosure of specific types of assets, which are dealt with in other Handbook Sections.
- [Former paragraph PS 3210.01, amended by the Conceptual Framework, retained in Archived Pronouncements.]
- .02 It may be useful to read this Section in conjunction with CONTINGENT ASSETS, Section PS 3320, and CONTRACTUAL RIGHTS, Section PS 3380.

#### ASSETS

- .03 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. [Former paragraph PS 3210.03, amended by the Conceptual Framework, retained in Archived Pronouncements.]
- .04 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.
- [Former paragraph PS 3210.04, amended by the Conceptual Framework, retained in Archived Pronouncements.]
- .05 Economic resources are not assets unless they meet the three characteristics of assets.
- #### Economic resources
- .06 Economic resources embody value because they enable an entity to meet its objectives, such as the provision of public goods and services, redistribution of wealth, generation of cash inflows or reduction of cash outflows.
- .07 To embody value as an economic resource, there must also be some restriction on its availability. For example, the air we breathe generally cannot be an economic resource unless access to it is restricted.
- .08 Economic resources can arise from, but are not limited to, the following:
- (a) contracts or agreements (for example, accounts receivable and leases);
  - (b) another government's legislation (for example, transfers receivable);
  - (c) government's own legislation (for example, taxes, fines and penalties);

- (d) voluntary contributions (for example, donations); or
  - (e) construction and development (for example, roads).
- .09 Economic resources can be:
- (a) financial in nature (for example, cash, accounts receivable and investments); or
  - (b) non-financial in nature (for example, tangible capital property, prepaid items and inventories of supplies).
- .10 Without an economic resource, future economic benefits cannot be obtained. For example, a fire truck (the economic resource) needs to exist before it can provide fire suppression services (the future economic benefits).
- Future economic benefits**
- .11 The essence of assets are their future economic benefits. Assets embody future economic benefits that allow public sector entities to achieve their objectives. The future economic benefits embodied in assets 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.
- .12 Often the public is the beneficiary of the goods and services provided by a public sector entity. For example, assets such as fire trucks are used to provide fire suppression services to the public. Hospital buildings and medical equipment are used to provide health care services. Parks, schools and libraries provide recreational, educational and research opportunities to the public. Water treatment plants provide goods, such as potable water. Such assets benefit public sector entities as they assist in achieving the entity's primary objective of providing public goods and services. This benefit is different from the benefit that the public receives.
- .13 The future economic benefits embodied in an asset may also be in the form of generating future cash inflows. Cash inflows benefit the public sector entity because cash can be used to purchase or to provide goods and services, redistribute wealth or settle liabilities. Benefits in the form of cash inflows relate to resources, such as loans receivable, inventory for resale and portfolio investments. Also, some public sector resources generate cash inflows because they have user fees associated with them.
- .14 The future economic benefits may also take the form of a capacity to reduce cash outflows. For example, this may be the case when betterment of a tangible capital asset reduces the cost of providing goods and services.
- .15 There is a close association between incurring a cost and the generation of an asset. However, not all costs result in a future economic benefit. For example, costs incurred to maintain the current service potential of an asset do not provide a future economic benefit. Also, a public sector entity may obtain an asset without incurring costs. For example, items that have been donated to the public sector entity may provide that entity with future economic benefits and, hence, satisfy the definition of assets. [Former paragraph PS 3210.15, amended by the Conceptual Framework, retained in Archived Pronouncements.]
- Control**
- .16 A public sector entity controls the economic resource and access to the future economic benefits when it:
- (a) can benefit from the economic resource through its capacity to provide goods and services, to provide future cash inflows or to reduce cash outflows;
  - (b) can deny or regulate access to those benefits by others; and
  - (c) is exposed to the risks associated with the economic resource.
- .17 An entity that controls an economic resource has the ability to benefit from the economic resource. For example, a recipient of a transfer benefits from the transfer as it can use the transfer to provide goods or services.
- .18 An entity that controls an economic resource has the ability to deny or regulate access to the future economic benefits associated with the economic resource by others. For example, an entity controlling a bus has the ability to deny or regulate access to the related transportation services.
- .19 An entity that controls an economic resource is exposed to the risks associated with the economic resource. For example, the entity may hold an investment, the value of which may decline and result in a loss.
- .20 Some economic resources are subject to certain external restrictions that specify the purpose(s) for which resources are to be used. For example, there may be external restrictions imposed on the public sector entity's own assets, as is the case with some sinking fund investments. Such restrictions on the use of an economic resource do not negate the public sector entity's control of the economic resource.
- .21 Although control may be seen as applying to an asset as a whole, the concept can also be applied to individual rights related to the asset. For example, a single leased asset embodies different economic benefits. It may give the lessee the right to use the property and the lessor the right to receive rents and any residual value. Thus, both parties may have assets corresponding to their respective rights.
- .22 Control of an economic resource and of access to the future economic benefits are essential characteristics of an asset, whereas possession or ownership is not. For example, a public sector entity may control the economic resource and access to the future economic benefits through a capital lease arrangement yet not own the economic resource.
- .23 A public sector entity's ability to regulate an economic resource does not, in and of itself, constitute control of an asset. A public sector entity may establish the regulatory environment in an industry or sector within which organizations operate and impose conditions or sanctions on their operations. For example, a pollution control authority may have the

ability to close down the operations of entities that are not complying with environmental regulations. However, this ability does not constitute control because the pollution control authority's interest extends only to the regulatory use of the economic resources and does not include the ability to control access to the future economic benefits. [Former paragraph PS 3210.23, amended by 2022-2023 remaining annual improvements, retained in Archived Pronouncements.]

- .24 A public sector entity may act as trustee when it administers trusts on behalf of the beneficiaries specified in the agreement or statute. As trustee, the public sector entity merely administers the assets, following the terms and conditions set out in the agreement. It does not control the asset because it does not have access to the future economic benefits. Those benefits flow to the beneficiaries.

#### **Past transactions and other events 1**

- .25 It is the occurrence of a past transaction or other event on or before the financial statement date that distinguishes a present economic resource controlled by a public sector entity from an economic resource that may be controlled by a public sector entity in the future. [Former paragraph PS 3210.25, amended by the Conceptual Framework, retained in Archived Pronouncements.]
- .26 The past transaction or other event that gives rise to control of an economic resource resulting from exchange agreements or contracts usually occurs at the point of exchange. This arises when substantially all the benefits and risks of ownership have been transferred to the public sector entity and normally coincides with the disbursement of funds, exchange of other assets or assumption of liabilities. [Former paragraph PS 3210.26, amended by the Conceptual Framework, retained in Archived Pronouncements.]
- .27 Meeting the eligibility criteria under an authorized transfer often determines the past transaction or other event giving rise to control of an economic resource in non-exchange contracts or agreements. Shared cost agreements (reimbursement arrangements) are an example where the control of an economic resource arises when the recipient incurs eligible expenditures. [Former paragraph PS 3210.27, amended by the Conceptual Framework, retained in Archived Pronouncements.]
- .28 The existence of a law, by-law or policy in relation to a particular program is not a past transaction or other event that gives rise to control of an economic resource. Control does not exist until the underlying event occurs. [Former paragraph PS 3210.28, amended by the Conceptual Framework, retained in Archived Pronouncements.]
- .29 The past transaction or other event giving rise to control of an economic resource must have occurred by the financial statement date. Legislation having retroactive application cannot create a past transaction or other event. Any economic resources related to that legislation would be accounted for in the current and relevant future periods, not in the period of the effective date of the legislation. [Former paragraph PS 3210.29, amended by the Conceptual Framework, retained in Archived Pronouncements.]

#### **DISCLOSURE**

- .30 An economic resource may meet the definition of an asset. However;
- (a) it is not capable of being recognized in the financial statements because an appropriate basis of measurement and a reasonable estimate of the amount involved cannot be made; or
  - (b) other Handbook Sections prohibit its recognition.
- .31 For unrecognized assets, disclosing the major categories of assets provides information about the economic resources available to the public sector entity. The major categories of assets would be determined by type of asset, such as Crown land.
- .32 *Information about the major categories of assets that are not recognized should be disclosed in the notes. When an asset is not recognized because a reasonable estimate of the amount involved cannot be made, the reason(s) for this should be disclosed. [APRIL 2017]*

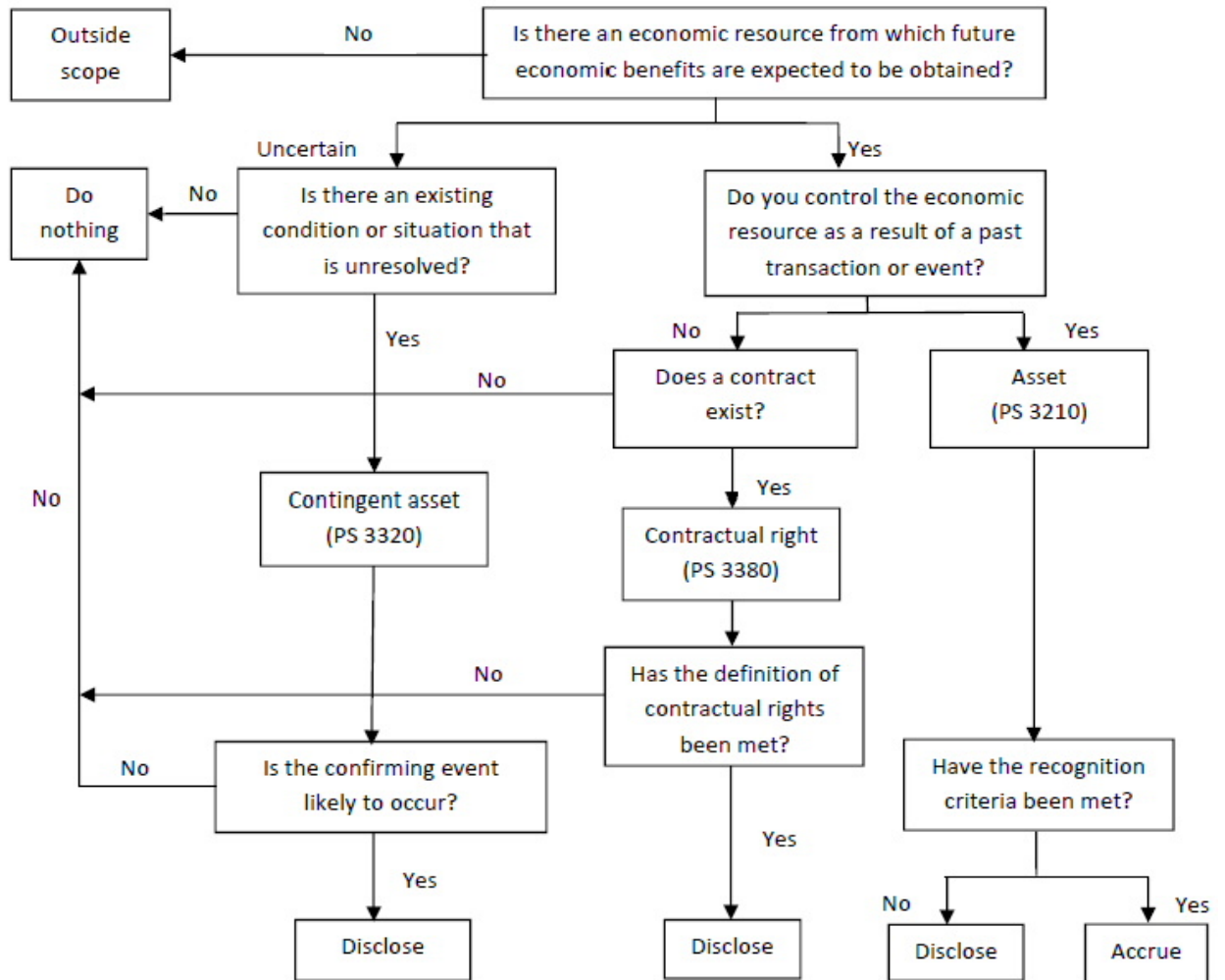
#### **TRANSITIONAL PROVISIONS**

- .33 This Section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

#### **APPENDIX A**

##### **DECISION TREE — ECONOMIC RESOURCES**

The following decision tree has been prepared to illustrate the accounting treatment specified in this Section. The decision tree is illustrative only and matters of principle relating to particular situations should be decided in the context of the Section. While illustrative, this Appendix is a primary source of GAAP, as identified in GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, paragraph PS 1150.03(d)(iii).



## Footnotes

1. The term "events" includes "transactions" as "transactions" are a subset of "events".