

SECTION PS 3230

long-term debt

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PURPOSE AND SCOPE	
.01	This Section establishes standards on how to account for and report long-term debt in public sector financial statements, including debt issued on behalf of a government business enterprise. It does not address the presentation and disclosure of other long-term obligations of a public sector entity. General guidance regarding the presentation and disclosure of a public sector entity's financial and non-financial liabilities is provided in FINANCIAL STATEMENT PRESENTATION, paragraphs PS 1202.083-.108. Retirement benefits are specifically dealt with in RETIREMENT BENEFITS, Section PS 3250. Other employee future benefits are specifically dealt with in POST-EMPLOYMENT BENEFITS, COMPENSATED ABSENCES AND TERMINATION BENEFITS, Section PS 3255. [Former footnote 1 of paragraph PS 3230.01, amended by 2022-2023 remaining annual improvements, retained in Archived Pronouncements.] [Former paragraph PS 3230.01, amended by FINANCIAL STATEMENT PRESENTATION, Section PS 1202, retained in Archived Pronouncements.] [Former paragraph PS 3230.01, amended by the 2024-2025 Annual Improvements, retained in Archived Pronouncements.]
PRESENTATION	
.02	<i>The statement of financial position should report a public sector entity's long-term debt at the end of the accounting period.</i> [MARCH 1997*] [Former paragraph PS 3230.02, amended by the 2024-2025 Annual Improvements, retained in Archived Pronouncements.]
.03	<i>When a public sector entity has externally restricted sinking funds² set aside to retire its long-term debt, the following information should be provided:</i>
	(a) <i>the gross amount of the long-term debt to be retired by the sinking funds; and</i>
	(b) <i>the amount of sinking fund assets available to retire the debt.</i> [MARCH 1997*] [Former paragraph PS 3230.03, amended by the 2024-2025 Annual Improvements, retained in Archived Pronouncements.]
.03A	Long-term debt liabilities are classified as financial liabilities.
.04	Public sector entities would disclose this externally restricted sinking fund information in the notes or schedules to the financial statements or report it on their statement of financial position. [Former paragraph PS 3230.04, amended by the 2024-2025 Annual Improvements, retained in Archived Pronouncements.]
Debt issued on behalf of government business enterprises	
.05	A government issues debt for its government business enterprises in one of two ways:
	(a) The proceeds of general government borrowing are subsequently loaned to a government business enterprise.
	(b) Debt is issued by the government specifically on behalf of the government business enterprise and the government expects to realize the receivable from the government business enterprise and settle the external debt simultaneously.
.06	<i>When debt is issued by a government and some or all of the proceeds are subsequently loaned to a government business enterprise, except in the circumstances in paragraph PS 3230.10, the government should:</i>
	(a) <i>recognize the entire amount borrowed from sources external to the reporting entity as a liability and the related receivable from the government business enterprise as a financial asset in the consolidated statement of financial position; and</i>
	(b) <i>recognize the interest on the entire amount of debt borrowed as an expense and the related interest earned from the government business enterprise as a revenue, in the consolidated statement of operations.</i> [APRIL 2000]
.07	When a government undertakes general borrowing and then subsequently loans some or all of the debt proceeds to a government business enterprise, the government would include the entire amount that it has borrowed from sources

external to the reporting entity as a financial liability on its consolidated statement of financial position. Any amount subsequently loaned to a government business enterprise would be included on the consolidated statement of financial position as a receivable from a government business enterprise. The government business enterprise would record the amount loaned as a liability owed to the government. [Former paragraph PS 3230.07, amended by FINANCIAL STATEMENT PRESENTATION, Section PS 1202, retained in Archived Pronouncements.]

- .08 Similar reporting would be required for the interest related to such debt. When a government undertakes general borrowing and subsequently loans some or all of the debt proceeds to a government business enterprise, interest on the entire amount borrowed would be recognized as an expense of the government in the consolidated statement of operations each year. Normally, the government would then charge interest on the portion of the debt proceeds that it has loaned to the government business enterprise, resulting in a revenue to the government from the government business enterprise that would be recognized in the consolidated statement of operations.
- .09 If a government charges little or no interest to the government business enterprise for the use of debt proceeds, the difference between the interest cost to the government and the interest charged to the government business enterprise is in the nature of a subsidy. Such circumstances would be taken into account in assessing if the organization continues to meet the financial self-sustainability requirement inherent in the definition of a government business enterprise in GOVERNMENT REPORTING ENTITY, Section PS 1300.
- .10 *When there is sufficient evidence that debt has been issued by a government specifically on behalf of a government business enterprise:*
- (a) *the debt issued on behalf of the government business enterprise and the related receivable from the government business enterprise should be presented on a net basis in the consolidated statement of financial position; and*
 - (b) *the interest expense on the debt issued on behalf of the government business enterprise and the related interest revenue from the government business enterprise should be presented on a net basis in the consolidated statement of operations. [APRIL 2000]*
- .11 The net presentation in the financial statements of the intra-entity receivable and revenue from the government business enterprise against the corresponding government debt and expense respectively, is predicated on the following:
- (a) a clear linkage exists between the debt issued by the government on behalf of the government business enterprise and the funds passed directly to the government business enterprise;
 - (b) the expected simultaneous settlement of the financial arrangement; and
 - (c) the financial self-sustainability criterion inherent in the definition of a government business enterprise.
- .12 *Sufficient evidence that debt has been specifically issued by a government on behalf of a government business enterprise comprises:*
- (a) *details in the terms of the debt prospectus, borrowing by-laws, or other terms of the original debt issuance documentation, which require a specified amount of the proceeds of the debt issue to be passed directly from the government to the government business enterprise;*
 - (b) *the intention of the government and the government business enterprise that the government will realize the receivable from the government business enterprise and settle the external debt simultaneously, which is contractually supported by the details of the loan amount, interest rate, and timing and nature of repayment outlined in the terms of the agreement between the government and the government business enterprise; and*
 - (c) *the financial ability of the government business enterprise to fulfill the requirements in (b) as demonstrated by a realistic and specific business plan 3 projecting the future results of operations of the government business enterprise. [APRIL 2000]*
- .13 *When, in a period subsequent to the debt issue, the conditions in paragraph PS 3230.12(b) and/or (c) are no longer met, the government should report the remaining financial arrangement with the government business enterprise in accordance with paragraph PS 3230.06. [APRIL 2000]*
- .14 In the circumstances in paragraph PS 3230.13, the government would also assess the collectibility of the receivable from the government business enterprise and report it at its net realizable value in the consolidated statement of financial position. It would also be appropriate in these circumstances to re-evaluate whether the organization continues to meet the definition of a government business enterprise. INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES, Section PS 3070, deals with accounting for when a government organization no longer meets the definition of a government business enterprise.

DISCLOSURE

- .15 *Financial statements should disclose information to highlight the composition of a public sector entity's long-term debt as follows:*
- (a) *the gross amount outstanding;*
 - (b) *the amounts issued specifically on behalf of government business enterprises and reported in accordance with paragraph PS 3230.10;*
 - (c) *the net amount reported on the consolidated statement of financial position;*

- (d) *the gross interest paid or payable for the period relating to the debt described in (a);*
 - (e) *the interest revenue for the period received or receivable from government business enterprises on debt issued specifically by the government on behalf of government business enterprises and reported in accordance with paragraph PS 3230.10; and*
 - (f) *the net amount of interest expense reported on the consolidated statement of operations.* [APRIL 2000*] [Former paragraph PS 3230.15, amended by the 2024-2025 Annual Improvements, retained in Archived Pronouncements.]
- .15A FINANCIAL INSTRUMENTS, Section PS 3450, sets out other disclosures that may apply.
- .16 The gross amount of long-term debt outstanding in paragraph PS 3230.15(a) and the gross amount of interest paid or payable in paragraph PS 3230.15(d) refer to the total debt of the public sector reporting entity excluding those amounts which have been borrowed directly by existing government business enterprises from sources external to the public sector reporting entity, and the related interest. [Former paragraph PS 3230.16, amended by the 2024-2025 Annual Improvements, retained in Archived Pronouncements.]
- .17 *Financial statements should disclose adequate information about the nature and terms of a public sector entity's long-term debt, as described in paragraph PS 3230.15(a), including:*
- (a) *interest rates;*
 - (b) *the existence of sinking fund and redemption provisions;*
 - (c) *an appropriate description of repayment dates and amounts and the nature of the repayment; and*
 - (d) *any amounts payable on demand.* [APRIL 2000*] [Former paragraph PS 3230.17, amended by the 2024-2025 Annual Improvements, retained in Archived Pronouncements.]
- .18 *Financial statements should disclose the aggregate amount of payments estimated to be required in each of the next five years and thereafter to meet sinking fund or retirement provisions for the debt disclosed in accordance with paragraph PS 3230.15(a), as well as the amounts to be recovered in each of those years and thereafter from government business enterprises in relation to the debt disclosed in accordance with paragraph PS 3230.15(b).* [APRIL 2000]
- .19 The interest expense disclosed would include the amortization of long-term debt discount or premium and issue expenses.
- .20 Disclosure of a public sector entity's total interest expense for the period provides one important element for assessing the extent to which revenues of the accounting period were applied to debt charges as compared to operating or program expenses. Trend analysis of this comparison serves to highlight whether a public sector entity is living within its means and whether program spending is being affected as a result of debt charges. [Former paragraph PS 3230.20, amended by the 2024-2025 Annual Improvements, retained in Archived Pronouncements.]
- .21 The level of detail disclosed by public sector entities should reflect the highly aggregated nature of financial statements. In deciding the level of detail to disclose, public sector entities should consider the usefulness of the information to the readers in assessing the nature of, the costs associated with, and the cash requirements related to, the public sector entity's long-term debt obligations. [Former paragraph PS 3230.21, amended by the 2024-2025 Annual Improvements, retained in Archived Pronouncements.]
- .22 *When a public sector entity holds its own securities at the end of the accounting period, including securities derecognized or offset in accordance with FINANCIAL INSTRUMENTS, paragraphs PS 3450.042-.051, the following should be disclosed:*
- (a) *the gross amount of the long-term debt classes to which the securities relate;*
 - (b) *the amount of the public sector entity's own securities purchased but not legally cancelled, extinguished or discharged; and*
 - (c) *the amount of interest revenues and interest expenses that have been offset from a public sector entity's own securities purchased but not legally cancelled, extinguished or discharged.* [APRIL 2021*]
- [Former paragraph PS 3230.22 retained in Archived Pronouncements.] [Former paragraph PS 3230.22, amended by the 2024-2025 Annual Improvements, retained in Archived Pronouncements.]
- (Paragraph PS 3230.23 deleted)
- .24 *If any of the liabilities are secured, they should be stated separately and the fact that they are secured should be indicated. Where assets of a public sector entity are pledged as security against liabilities, the nature and, where practicable, the carrying value of such assets should be disclosed.* [MARCH 1997*] [Former paragraph PS 3230.24, amended by the 2024-2025 Annual Improvements, retained in Archived Pronouncements.]
- .25 *The details of any defaults of the public sector entity in principal, interest, sinking fund or redemption provisions with respect to any outstanding obligation should be disclosed.* [MARCH 1997*] [Former paragraph PS 3230.25, amended by the 2024-2025 Annual Improvements, retained in Archived Pronouncements.]
- EFFECTIVE DATE AND TRANSITIONAL PROVISIONS**
- .26 FINANCIAL STATEMENT PRESENTATION, Section PS 1202, issued in October 2023, amended paragraphs PS 3230.01 and PS 3230.07 and added paragraph PS 3230.03A. The amendments are applicable at the same time as Section PS 1202, for fiscal years beginning on or after April 1, 2026. Earlier adoption is permitted if Section PS 1202 is

also early adopted. Prior period amounts would need to be restated to conform to the requirements for comparative financial information in Section PS 1202.

Footnotes

1. The term "financial statements" refers to the financial reports published by a public sector entity that present the financial position and changes in financial position of the reporting entity. Refer to Figure 3.1 in Chapter 3 of the Conceptual Framework, where financial statements are identified as an important type of financial report.

* Editorial change – November 2025.

2. External restrictions are defined in RESTRICTED ASSETS AND REVENUES, paragraph PS 3100.04(a).

* Editorial change – November 2025.

3. GOVERNMENT REPORTING ENTITY, paragraph PS 1300.31, states that one of the factors in assessing if a government business enterprise meets the financial sustainability criterion inherent in the definition of a government business enterprise is whether the organization has in place "realistic and specific plans that show how it expects to be able to maintain its operations and meet its liabilities in the future."

* Editorial change – November 2025.

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