

SECTION PS 3160

public private partnerships

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.

- .04 This Section does not apply to 1
- (a) traditionally procured infrastructure where the public sector entity controls the asset and bears the associated construction and financial risks, which is accounted for in accordance with TANGIBLE CAPITAL ASSETS, Section PS 3150;
 - (b) leased infrastructure that does not satisfy the criteria for recognition of an infrastructure asset as part of a public private partnership arrangement, 2 which is accounted for in accordance with PSG-2, Leased Tangible Capital Assets;
 - (c) operating and maintenance arrangements with a private sector partner where it is not necessary to design, build, acquire, better or finance public infrastructure as part of the arrangement. The definition of expenses in FINANCIAL STATEMENT CONCEPTS, Section PS 1000, would apply to such arrangements;
 - (d) write-downs of infrastructure, which are covered in Section PS 3150;
 - (e) public private partnerships where there is no financing required by the private sector partner past the point where the infrastructure is ready for use; and
 - (f) accounting for and reporting a public sector entity's interest in a partnership where the partners co-operate toward achieving significant, clearly defined common goals, which are covered in INTERESTS IN PARTNERSHIPS, Section PS 3060.
- .07 Infrastructure assets are accounted for in accordance with TANGIBLE CAPITAL ASSETS, Section PS 3150. Infrastructure identified in a public private partnership arrangement is accounted for as an asset when it meets the definition of an asset and can be reliably measured in accordance with the general recognition criteria in FINANCIAL STATEMENT CONCEPTS, Section PS 1000.
- ...
- .27 Initial measurement of an asset acquired in an exchange transaction is recognized at its cost. Where the costs of acquiring or constructing the infrastructure are both determinable and verifiable 7 from the public private partnership procurement process and contractual agreement, these amounts would be used to measure the asset cost.
- ...

SUPPLEMENT

This supplement sets out the previous wording of paragraphs that have been amended as a consequence of the 2022-2023 annual improvements.

RECOGNITION OF INFRASTRUCTURE ASSET

Control

Access to future economic benefits

- .17 A public sector entity's regulation of an economic resource may not, in and of itself, constitute control of an asset. A public sector entity may establish the regulatory environment in an industry or sector in which an organization operates and thereby impose conditions or sanctions on its operations, consistent with ASSETS, paragraph PS 3210.23. For example, a provincial transportation ministry may have the authority to set quality and safety standards for all roads in the province. However, this power does not constitute control of a specific road acquired through a public private partnership arrangement if the authority's interest extends only to the regulatory use of the economic resources and does not include controlled access to the future economic benefits related to the specific road. The determination of public sector entity control would therefore require additional assessment of control indicators specific to the road acquired through a public private partnership arrangement.

SUPPLEMENT

This supplement sets out the previous wording of paragraphs that have been amended as a consequence of approving FINANCIAL STATEMENT PRESENTATION, Section PS 1202.

- .05 The following terms are used in this Section with the meaning specified:

- (a) **Predetermined service payments** refer to the availability payments, unitary payments or any other predetermined set of payments specified in a public private partnership arrangement involving financial consideration. These scheduled payments would be made by the public sector entity to the private sector

- partner. They would reflect the costs of the infrastructure asset, planned betterments, financing, operating and/or maintenance costs, as applicable. These payments may or may not be separated into their respective components representing the different aspects of the agreement.
- (b) The **implicit contract rate** is the cost of financing that the private sector partner is charging the public sector entity in the public private partnership. This is the discount rate that causes the aggregate present value of the capital portion of the predetermined service payments to be equal to the value of the infrastructure asset, upon initial measurement.
 - (c) The **financial liability model** refers to a type of public private partnership arrangement where the private sector partner designs, builds, finances, operates and/or maintains infrastructure in exchange for a contractual right to receive cash or other financial assets. A liability resulting from this model is a financial liability.³
 - (d) The **user-pay model** refers to a type of public private partnership arrangement where the private sector partner designs, builds, finances, operates and/or maintains infrastructure in exchange for a right to charge end users. The public sector entity compensates the private sector partner by granting rights to earn revenue from third-party users or access to another revenue-generating asset. A liability resulting from this model is a performance obligation.⁴
- .23 The public sector entity recognizes a liability when it recognizes an infrastructure asset. The type of consideration provided to the private sector partner determines whether the public sector entity recognizes a financial liability (financial liability model) or a performance obligation (user-pay model). This distinction is relevant for the subsequent measurement of the liability.
- .48 The primary difference between the financial liability model and the user-pay model is how the associated liability is settled. Financial liabilities are settled when the public sector entity delivers cash or another financial asset. Performance obligation liabilities are satisfied as the public sector entity fulfills its performance obligation under the public private partnership.
- SUPPLEMENT**
- This supplement sets out the previous wording of paragraphs that have been amended as a consequence of the 2022-2023 annual improvements.
- .73 This Section applies to fiscal years beginning on or after April 1, 2023. This Section may be applied retroactively or prospectively, as follows:
- (a) prospectively, for an infrastructure asset and related liability where control by the public sector entity over the infrastructure asset (i.e., acquisition, construction, or betterment to existing infrastructure) arose on or after April 1, 2023;
 - (b) retroactively with or without prior period restatement, for an infrastructure asset and related liability where control by the public sector entity over the infrastructure arose prior to April 1, 2023, and the asset and related liability has not been previously recognized; and
 - (c) retroactively with or without prior period restatement, for an infrastructure asset and related liability where control by the public sector entity over the infrastructure asset arose prior to April 1, 2023, and the previously recognized asset and related liability requires adjustment in applying this Section.
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Footnotes

1. Refer to Appendix A for further guidance on scope of application for this Section
 2. Where lease payments satisfy the conditions for recognition of an infrastructure asset as part of a public private partnership, they are considered within the scope of this Section and should be accounted for in accordance with this Section.
 7. FINANCIAL STATEMENT CONCEPTS, paragraph PS 1000.29(e), describes a transaction or event as verifiable "if knowledgeable and independent observers would concur that it is in agreement with the actual underlying transaction or event with a reasonable degree of precision."
 3. "Financial liabilities" are defined in the Glossary to FINANCIAL INSTRUMENTS, Section PS 3450.
 4. "Performance obligations" are defined in REVENUE, paragraph PS 3400.05(b).
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