

accounting guideline

PSG-4

funds and reserves

This Guideline is to be read in conjunction with the Introduction to Accounting Guidelines contained in the CPA Canada Public Sector Accounting Handbook.

June 2004 *

- 1 The purpose of this Guideline is to provide guidance on reporting information related to a government's financial funds and reserves that are part of the government reporting entity. It applies to government financial statements. This Guideline does not apply to funds and reserves that are externally restricted. External restrictions are addressed in RESTRICTED ASSETS AND REVENUES, Section PS 3100.
 - 2 Funds and reserves established by a government take a variety of forms, and are used to reflect a government's intentions to undertake certain future activities or to demonstrate compliance with legislation. For example, a government may establish a stabilization fund to facilitate long-term planning.
 - 3 Some funds and reserves are supported by assets. These may meet the definition of designated assets set out in RESTRICTED ASSETS AND REVENUES, paragraph PS 3100.04(c).
 - 4 RESTRICTED ASSETS AND REVENUES, paragraph PS 3100.30, requires that when a government chooses to provide information about designated assets, it does so in the notes and not on the statement of financial position.
 - 5 Governments also establish funds and reserves that are not supported by assets. These are designations of the accumulated surplus or deficit component and/or annual surplus / deficit to reflect a policy purpose, to assist with fiscal management or to demonstrate compliance with legislation. [Former paragraph PSG-4.5, amended by FINANCIAL STATEMENT PRESENTATION, Section PS 1202, retained in Archived Pronouncements.]
 - 6 Separate reporting on the financial statements of funds and reserves not supported by assets would be inconsistent with FINANCIAL STATEMENT PRESENTATION, Section PS 1202, and RESTRICTED ASSETS AND REVENUES, Section PS 3100. [Former paragraph PSG-4.6, amended by FINANCIAL STATEMENT PRESENTATION, Section PS 1202, retained in Archived Pronouncements.]
 - 7 Therefore, when a government chooses to provide information about any funds or reserves, it does so only in the notes and schedules and not on the statement of financial position. The creation of, addition to or deduction from funds and reserves does not create a revenue or expense, and would therefore not be reported on the statement of operations or the statement of changes in net assets or net liabilities. [Former paragraph PSG-4.7, amended by FINANCIAL STATEMENT PRESENTATION, Section PS 1202, retained in Archived Pronouncements.]
 - 8 These principles are consistent with those established in FINANCIAL STATEMENT PRESENTATION, Section PS 1202, which sets out the indicators for consolidated financial statements. [Former paragraph PSG-4.8, amended by FINANCIAL STATEMENT PRESENTATION, Section PS 1202, retained in Archived Pronouncements.]
 - 9 FINANCIAL STATEMENT PRESENTATION, paragraph PS 1202.049, establishes that the statement of financial position accounts for net assets or net liabilities as the indicator of net financial position. An entity's net financial position is a residual amount, calculated as the difference between an entity's total assets and total liabilities. [Former paragraph PSG-4.9, amended by FINANCIAL STATEMENT PRESENTATION, Section PS 1202, retained in Archived Pronouncements.]
 - 10 [Former paragraph PSG-4.10, deleted by FINANCIAL STATEMENT PRESENTATION, Section PS 1202, retained in Archived Pronouncements.]
 - 11 Any disclosures required to be reported to indicate that a government is in compliance with balanced budget legislation would be provided in the notes and schedules to the financial statements and not on the face of the financial statements.
- EFFECTIVE DATE AND TRANSITIONAL PROVISIONS**
- 12 [Former paragraph PSG-4.12, deleted by FINANCIAL STATEMENT PRESENTATION, Section PS 1202, retained in Archived Pronouncements.]
 - 13 FINANCIAL STATEMENT PRESENTATION, Section PS 1202, issued in October 2023, amended paragraphs PSG-4.5-9 and removed paragraphs PSG-4.10 and PSG-4.12. 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

* Guideline revised February 2007 and October 2023.

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