

## public sector accounting handbook

### highlight summary no. 54

### December 2022

#### **The Conceptual Framework for Financial Reporting in the Public Sector**

The Public Sector Accounting Board's (PSAB) Conceptual Framework for Financial Reporting in the Public Sector (the Conceptual Framework) replaces the conceptual aspects of FINANCIAL STATEMENT CONCEPTS, Section PS 1000, and FINANCIAL STATEMENT OBJECTIVES, Section PS 1100.

The Conceptual Framework includes:

- characteristics of public sector entities;
- objective of financial reporting;
- primary users of financial reporting and their expectations;
- role of financial statements;
- foundations and objectives of financial statements;
- qualitative characteristics of information in financial statements and related considerations;
- definitions of elements;
- criteria of general recognition and derecognition; and
- concepts of general measurement and presentation.

The Conceptual Framework applies to fiscal years beginning on or after April 1, 2026. Earlier adoption is permitted. This Conceptual Framework is to be applied prospectively.

For standard setting by PSAB, this Conceptual Framework applies immediately, once approved (June 2022).

#### **Consequential Amendments Arising from the Conceptual Framework**

As a consequence of issuing the Conceptual Framework, various Sections and Guidelines of the PSA Handbook have been withdrawn or amended:

- FINANCIAL STATEMENT CONCEPTS, Section PS 1000, and FINANCIAL STATEMENT OBJECTIVES, Section PS 1100, have been withdrawn and replaced with the Conceptual Framework. References to Sections PS 1000 and PS 1100 have been replaced with specific chapter references or general references to the Conceptual Framework.
- The INTRODUCTION TO PUBLIC SECTOR ACCOUNTING STANDARDS has been renamed INTRODUCTION TO THE PUBLIC SECTOR ACCOUNTING HANDBOOK, as it applies to the entire PSA Handbook, including the Conceptual Framework, not only to the public sector accounting standards. This Introduction has also been amended to:
  - o include references to the Conceptual Framework; and
  - o remove the reference to “reliability” in paragraph .30 as “reliability” is no longer a qualitative characteristic.

References to INTRODUCTION TO PUBLIC SECTOR ACCOUNTING STANDARDS throughout the PSA Handbook have also been amended.

- GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, Section PS 1150, has been amended to include the following:
  - o a definition of “entity-developed accounting policies” (paragraph PS 1150.03(b)); and
  - o new transitional provisions paragraphs (paragraphs PS 1150.28 and PS 1150.29) that:
    - provide guidance on what to do in relation to entity-developed accounting policies before the adoption of the Conceptual Framework; and
    - note the significant amendments to the Section.
- FINANCIAL STATEMENT PRESENTATION, Section PS 1201, has been updated to include definitions of “financial assets”, “non-financial assets” and “tangible capital assets” (paragraph PS 1201.003A) and recognition exclusions (paragraphs PS 1201.069-.069A). These paragraphs came from withdrawn Section PS 1000.
- GOVERNMENT REPORTING ENTITY, Section PS 1300, has been updated:
  - o paragraph PS 1300.03 has been updated to reflect Financial Statement Objective 1 found in Chapter 6 of the Conceptual Framework; and

- o a footnote has been added to paragraph PS 1300.08 to ensure consistent understanding of how the word “power” is used in Section PS 1300 contrasted with how the term is used in Chapter 5 of the Conceptual Framework.
- DISCLOSURE OF ACCOUNTING POLICIES, Section PS 2100, has been amended to include references to digital technology and to remove certain restrictions where technology can assist in making the disclosure and financial statements more understandable (paragraph PS 2100.12). Because this amendment results in a change in practice, a transitional provision paragraph (paragraph PS 2100.13) has been added to reference the effective date. Also, paragraph PS 2100.04 has been updated to replace the references to “the considerations” with “the qualitative characteristics and related considerations” in Chapter 7 of the Conceptual Framework.
- ACCOUNTING CHANGES, Section PS 2120, has been updated to include new transitional paragraphs (paragraphs PS 2120.36-.39) that provide guidance with respect to updating existing entity-developed accounting policies.
- In MEASUREMENT UNCERTAINTY, paragraph PS 2130.09, the definition of “materiality” has been updated to be consistent with how “materiality” is defined in Chapter 7 of the Conceptual Framework.
- The general application standards LIABILITIES, Section PS 3200, and ASSETS, Section PS 3210, have been updated to:
  - o make the definitions and essential characteristics of an asset and a liability consistent with those in Chapter 8 of the Conceptual Framework;
  - o replace references to “transaction(s) or event(s)” with “transaction(s) or other event(s)” or “event(s)” where applicable, to make them consistent with the clarification introduced in the Conceptual Framework that transactions are a subset of events;
  - o include a footnote recognizing that “transactions are a subset of events”, consistent with the language used in the Conceptual Framework; and
  - o add “economic” before “obligations” where applicable, as the Conceptual Framework specifies that liabilities are economic obligations in the same way that assets are economic resources.

The definition of a “liability” has also been amended in other standards where the definition appears.

- REVENUE, Section PS 3400, has been amended for refinements to the definition of “revenue”.
- TANGIBLE CAPITAL ASSETS, paragraphs PS 3150.05(f) and PS 3150.19, and CAPITAL ASSETS HELD BY NOT-FOR-PROFIT ORGANIZATIONS, paragraphs PS 4230.05(h) and PS 4230.15, have been updated to remove references to “service capacity”. The Conceptual Framework defines service capacity more broadly than what is intended in these paragraphs.
- RELATED PARTY DISCLOSURES, paragraph PS 2200.14, REVENUE, paragraph PS 3400.66, RESTRUCTURING TRANSACTIONS, paragraph PS 3430.12, and FINANCIAL INSTRUMENTS, paragraphs PS 3450.018, PS 3450.028, PS 3450.A33, and PS 3450.A55, have been updated to remove references to “reliability” as reliability is not a qualitative characteristic in the Conceptual Framework.

Other minor editorial amendments have also been made.

Most of the consequential amendments are editorial in nature. However, there are a few consequential amendments where new requirements are introduced. New requirements are accompanied by a new transitional paragraph in the respective affected Section (as noted above).

#### **Archived Pronouncements**

To give Handbook readers continued access to withdrawn Sections PS 1000 and PS 1100 and superseded paragraphs in other Sections, 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.