SECTION PS 1202
financial statement presentation

Basis for Conclusions

FOR THOSE WHO CHOOSE NOT TO EARLY ADOPT THIS STANDARD, see FINANCIAL STATEMENT PRESENTATION, Section PS 1201, in the Archived Pronouncements or the PDF version found in Section PS 1201.

PURPOSE AND SCOPE

.001 This Section sets out general and specific requirements for the presentation of information in general purpose financial statements ("financial statements"). The financial statement presentation principles are based on the concepts in the Conceptual Framework, and particularly respond to the financial statement objectives set out in Chapter 6 of the Conceptual Framework.

.002 Section PS 1202 provides general guidance on the recognition of certain items. However, other standards set out the recognition, measurement and presentation requirements for specific items, transactions and other events. 1

.003 Financial statements present aggregated financial information and serve as a means by which an entity demonstrates its accountability for the resources, obligations and financial affairs for which it is responsible.

.004 Chapter 4 of the Conceptual Framework outlines the role and limitations of financial statements.

DEFINITIONS

.005 In this Section, terms that appear in **bold type** are defined in the glossary.

COMPLETE SET OF FINANCIAL STATEMENTS

.006 *A complete set of financial statements should include:*

(a) a statement of financial position;

(b) a statement of net financial assets or net financial liabilities;

(c) a statement of operations;

(d) a statement of changes in net assets or net liabilities;

(e) a statement of cash flow; and

(f) the accompanying notes and schedules. [APRIL 2026]

.007 Standards generally do not prescribe titles, format, ordering of financial statements or financial statement elements, or terminology except as required to meet the measurement and presentation requirements of the standards. Standards do, however, specify what measure(s) must be reported on a statement, and the calculation of those measures may demand a certain ordering of the financial statement elements reported. In all other aspects, professional judgment is used to design financial statements tailored to users' needs.

GENERAL PRESENTATION PRINCIPLES

.008 The purpose of financial statements is to communicate information to users in a timely and structured way that meets the qualitative characteristics of financial information, found in Chapter 7 of the Conceptual Framework. These general presentation principles provide guidance on the presentation of information in financial statements to fulfill that purpose.

.009 Chapter 10 of the Conceptual Framework establishes general presentation concepts. The presentation concepts provide parameters within which presentation decisions would be made.

Identification of the financial statements

.010 *An entity's financial statements should be clearly identified.* [APRIL 2026]

.011 Standards in the PSA Handbook apply only to financial statements, and not necessarily to other information provided in a public report. Therefore, it is important that financial statement users can distinguish information that is prepared using those standards from other information that may be useful to users but that is not subject to those requirements.

.012 *Financial statements should include the following information:*

(a) the name of the reporting entity;

(b) the date of the end of the accounting period or the period covered by the financial statements; and

(c) the level of rounding used in presenting amounts in the financial statements. [APRIL 2026]

.013 *The financial statements of an entity should include or be accompanied by an acknowledgment of management's responsibility for their preparation.* [APRIL 2026]

.014 Such acknowledgment ensures that users are aware of who is responsible for the financial statements' preparation. Such an acknowledgment could be expressed in narrative form signed by the appropriate authority.

.015 *Where the financial statements are subject to an independent audit, the auditor's report should be appended to the statements. Unaudited financial statements should be clearly identified as such.* [APRIL 2026]

Fair presentation

.016 *Financial statements should present any information required for the fair presentation of an entity's financial position, net financial assets or net financial liabilities, results of operations, changes in net assets or net liabilities and cash flow.* [APRIL 2026]

.017 The PSA Handbook sets out the concepts and principles for determining the information required in financial statements for fair presentation. The determination of what information is needed in a particular case requires the exercise of professional judgment. No rule of general application can be phrased to suit all circumstances that may arise. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, Section PS 1150, describes what constitutes GAAP and its sources and indicates sources to consult when a matter is not dealt with explicitly in the PSA Handbook.

.018 Fair note disclosure is not separable from fair presentation of financial statements generally, because recognition within the statements provides the basis for fair disclosure, which is augmented and supported by the accompanying notes. When there are items, transactions or other events of such size, nature or incidence that their disclosure is necessary to understand an entity's financial position and financial performance, the entity would provide sufficient information about the extent and nature of such items, transactions or other events so that the effect on the financial statements is transparent and understandable. This information would include the nature and significant terms and conditions of such items, transactions or other events and their financial effects.

.019 An entity would consider whether to provide additional disclosures when compliance with the specific requirements in standards is insufficient to enable users of financial statements to understand the impact of items, transactions and other events on the entity's financial position and financial performance. Refer to paragraph 10.24 of the Conceptual Framework for guidance on supplementary information.

.020 *Financial statements should be presented in such form and use such terminology and classification of items that information is readily understandable.* [APRIL 2026]

.021 Excessive detail, vague or overly technical descriptions and complex presentation formats can result in confusion and misinterpretation.

.022 *Financial statements should present the substance of items, transactions and other events.* [APRIL 2026]

.023 Financial statement information is faithfully represented when it accounts for, and fairly presents, the substance of items, transactions and other events in accordance with their economic reality.

.024 Entities endeavour to present the substance of items, transactions and other events. However, legislation sometimes requires that certain items, transactions or other events be accounted for, or reported, in a manner that does not reflect their substance. Compliance with such legislative reporting requirements would be met by preparing special purpose financial statements or reports.

Going concern

.025 *When preparing financial statements, it is presumed that the entity will be able to continue as a going concern. Financial statements should therefore be prepared on a going concern basis unless the entity intends to cease operating or has no realistic alternative but to do so.* [April 2026]

.026 An entity with the intention or requirement to cease operations that is not part of a restructuring transaction as defined in RESTRUCTURING TRANSACTIONS, Section PS 3430, would apply this standard. Discontinuance of operations of an entity that is part of a restructuring transaction would be accounted for as specified in Section PS 3430.

.027 *In assessing whether the going concern presumption is appropriate, those responsible for the preparation of the financial statements take into account all available information about the future. When those responsible for preparing the financial statements are aware of significant changes in circumstances such that there may be cause to question the entity's ability to continue as a going concern, the material uncertainties related to this presumption should be disclosed. In the extremely rare circumstances when financial statements are not prepared on a going concern basis, that fact should be disclosed, together with the basis on which the financial statements are prepared and the reason why the basis has changed.* [April 2026]

.028 In determining whether the going concern presumption is appropriate, consideration is given to the type of public sector entity and the type of decision or other event that may lead to the entity ceasing operations.

.029 Governments are long-term institutions. Under normal circumstances, they, and the related government components that function as a core government, are expected to operate in perpetuity. Governments are presumed to be going concerns. This presumption can only be rebutted by persuasive evidence to the contrary. Going concern considerations relevant to governments include the ongoing ability to issue debt and raise resources, for example, by levying taxes or charging fees. The ability to access capital markets to finance operations for extended periods while operating in a net financial liabilities position is also an important factor for governments. These considerations are significant for the federal and provincial governments because of their extensive capacity to raise resources and access capital markets. Indigenous, territorial and local governments have additional going concern considerations:

(a) Indigenous government jurisdiction may be affirmed or recognized in Canada by federal and, where applicable, provincial and territorial governments through treaties, self-governing agreements, legislation and policy. For some Indigenous governments, further going concern considerations may be linked to financial and other arrangements with other levels of government. 2

(b) Territorial governments are created by the federal government. As a result, further going concern considerations for territorial governments may be closely linked to decisions of the federal government.

(c) Local governments are created by provincial and territorial governments. As a result, further going concern considerations for local governments may be closely linked to decisions of the governments that created them. 3

.030 Going concern considerations for government organizations are closely linked to their controlling governments and would include factors such as:

(a) announced restructurings, such as reorganizations of a government organization that arise from policy decisions of the controlling government;

(b) likelihood of other future policy decisions that will impact a government organization's existence; and

(c) likelihood of continued financial support from the controlling government.

.031 Other going concern considerations for government organizations may include:

(a) current and expected financial performance; and

(b) the stability of existing and potential sources of funding other than from the controlling government.

.032 If the going concern presumption is questioned after the financial statement date but before the date of their completion, an entity would refer to SUBSEQUENT EVENTS, Section PS 2400, which establishes how to account for and disclose events occurring between the financial statement date and the date of their completion.

Materiality

.033 An entity would not need to provide a specific presentation required by a standard if the information resulting from that presentation is immaterial. This is the case even if a standard contains a list of specific requirements or describes them as minimum requirements. Paragraphs 7.40-7.44 of the Conceptual Framework provide guidance in determining whether information is material to an entity's financial statements.

Aggregation

.034 Financial statements result from entities recording many transactions and other events. These transactions and other events give rise to assets, liabilities, revenues and expenses. An entity's total assets and total liabilities presented on the statement of financial position, and total revenue and total expenses recognized in the statement of changes in net assets or net liabilities, provide information about an entity's financial position and change in financial position. However, presenting total summarized amounts may not be useful on their own because the totals combine items that have different characteristics. Disaggregated information about the elements of the financial statements arising from individual transactions or other events provides more details. On the other hand, too many details may make transactions and other events difficult to understand. This too may not provide useful information about an entity's financial position or changes in financial position. Preparers need to apply professional judgement to determine the level of detail required to provide useful information to financial statement users. Also see paragraphs 10.26-10.27 of the Conceptual Framework for further guidance on aggregation.

.035 *To determine the line items reported in the financial statements or the items disclosed in the notes, an entity should apply the principles of aggregation and disaggregation:*

(a) items should be classified and aggregated on the basis of shared characteristics;

(b) items that do not share characteristics should not be aggregated; and

(c) aggregation and disaggregation in the financial statements should not obscure relevant information or reduce the understandability of the information presented. [APRIL 2026]

.036 *Each material group of similar items should be presented separately in the financial statements. Items of a dissimilar nature or function should be presented separately unless they are immaterial.* [APRIL 2026]

Comparative financial information

.037 *Financial statements should present a comparison of current period amounts with those of the prior period.* [APRIL 2026]

.038 A comparison of current period amounts with those of the prior period helps users identify or compute trends in an entity's financial position and changes in financial position, and compare one period to the next. To facilitate meaningful comparisons, prior period information needs to be reported using accounting policies and classification, where appropriate, consistent with that used to report current period information.

.039 *Accounting policies should be applied consistently from one period to another.* [APRIL 2026]

.040 Changes to accounting policies would be made only when they result in a more appropriate presentation. ACCOUNTING CHANGES, Section PS 2120, establishes requirements for presentation of changes in accounting policies. DISCLOSURE OF ACCOUNTING POLICIES, Section PS 2100, establishes required disclosures of accounting policies.

Line items and subtotals

.041 *This Section requires specific line items and subtotals be presented on the face of the statements. An entity should present additional line items, headings and subtotals when such presentations are necessary to provide an understandable overview of the entity's financial position and changes in financial position.* [APRIL 2026]

.042 *When an entity presents additional subtotals in accordance with paragraph* PS 1202.041*, those subtotals should:*

(a) comprise line items made up of amounts recognized and measured in accordance with standards in the PSA Handbook;

(b) be presented and labelled in a manner that faithfully represents the line items that constitute the subtotal, making the subtotal clear and understandable;

(c) be consistent from period to period; and

(d) not be displayed with more prominence than the subtotals and totals required by standards in the PSA Handbook. [APRIL 2026]

.043 Paragraph 10.24 of the Conceptual Framework provides criteria to consider when determining if information supplemental to that required by the PSA Handbook should be included in an entity's financial statements. Such criteria would also be considered when an entity is contemplating additional line items, headings and subtotals in its financial statements.

MEETING THE FINANCIAL STATEMENT OBJECTIVES

.044 A complete set of financial statements is prepared to meet the financial statement objectives in Chapter 6 of the Conceptual Framework:

(a) Objective 1: determining the scope of financial statements;

(b) Objective 2: reporting financial position;

(c) Objective 3: reporting changes in financial position;

(d) Objective 4: comparing the actual financial performance to that projected in the budget;

(e) Objective 5: disclosing non-compliance with financial authorities; and

(f) Objective 6: disclosing risks and uncertainties.

.045 This Section sets out guidance in relation to Objectives 2-6. Chapter 5 and Chapter 6 of the Conceptual Framework and GOVERNMENT REPORTING ENTITY, Section PS 1300, provide guidance in relation to determining the scope of financial statements as required by Objective 1.

Reporting financial position

.046 The statement of financial position highlights three key aspects that describe an entity's financial position at the financial statement date:

(a) its assets and liabilities at the end of the accounting period, each segregated between financial and non-financial;

(b) its net financial position, the net assets or net liabilities indicator; and

(c) the components of net assets or net liabilities.

.047 The statement of net financial assets or net financial liabilities highlights the net financial assets or net financial liabilities indicator, an affordability aspect of financial position. A net financial assets position means there are financial assets available to provide services in the future and/or settle existing and future financial liabilities. A net financial liabilities position means there is a need for future financial assets to settle financial liabilities that have arisen from past transactions or other events. It represents a “lien” on existing and future financial assets and affects an entity's ability to finance its activities, provide services and settle its financial liabilities in the future.

.048 Financial statements also include information about an entity's:

(a) contractual rights in accordance with CONTRACTUAL RIGHTS, Section PS 3380;

(b) contractual obligations in accordance with CONTRACTUAL OBLIGATIONS, Section PS 3390; and

(c) possible assets and liabilities represented by:

(i) contingent assets in accordance with CONTINGENT ASSETS, Section PS 3320; and

(ii) contingent liabilities in accordance with CONTINGENT LIABILITIES, Section PS 3300, including loan guarantees in accordance with LOAN GUARANTEES, Section PS 3310.

This information is also important for users to understand an entity's financial position. It is useful for assessing financial resources that may be required or received in the future.

Statement of financial position

.049 *The statement of financial position should report financial assets, non-financial assets, total assets, financial liabilities, non-financial liabilities and total liabilities. The statement of financial position should account for net assets or net liabilities as the indicator of net financial position. The statement of financial position should report the components of net assets or net liabilities.* [APRIL 2026]

Assets

.050 There are two classifications of assets: financial and non-financial. All assets will fall into one of these two classifications. Applying the definitions of financial and non-financial assets would determine the asset classification. Such determination is primarily based on how assets could be used, including whether there are any external restrictions that affect access to the assets. The possibility of change to how they could be used because of a future event would not affect their classification at the financial statement date.

.051 Classifying assets as financial or non-financial is important for ensuring the calculation of the net financial assets or net financial liabilities indicator reflects its meaning, as described in paragraph PS 1202.047. To facilitate this same calculation, liabilities are also classified as financial or non-financial in accordance with paragraph PS 1202.083.

.052 ASSETS, Section PS 3210, includes general disclosure requirements for assets.

Financial assets

Definition

.053 A **financial asset** is an asset that could be used to discharge existing financial liabilities or spend on future operations and is not for **consumption** in the normal course of operations.

Examples

.054 In terms of classifying an asset as financial or non-financial, assets that meet the definition of a financial asset usually include:

(a) cash and cash equivalents;

(b) accounts receivable;

(c) inventories for sale and other assets held for sale that meet the requirements in paragraph PS 1202.064;

(d) amounts due from other public sector entities;

(e) loans receivable;

(f) portfolio investments;

(g) derivative financial instruments; 4

(h) investments in government business enterprises; and

(i) interests in business partnerships.

Presentation

.055 *The statement of financial position should report financial assets segregated by main sub-classifications, such as those listed in paragraph* PS 1202.054*.* [APRIL 2026]

.056 Information about the nature and terms of an entity's financial assets and the method of valuation is necessary to understand and assess the financial assets available to discharge existing financial liabilities or spend on future operations.

.057 *Financial statements should disclose adequate information about the nature and terms of an entity's financial assets together with any valuation allowances.* [APRIL 2026]

.058 *Valuation allowances should be used to reflect financial assets at their net realizable or other appropriate value.* [APRIL 2026]

.059 Valuation allowances for financial assets include allowances for:

(a) doubtful revenue receivables;

(b) unrecoverable loans and accrued interest;

(c) amounts recoverable only through future appropriations; and

(d) the valuation of investments.

.060 Cash and cash equivalents are defined in paragraphs PS 1202.170-.173.

.061 Recognition, measurement and additional presentation requirements for an entity's:

(a) loans receivable are outlined in LOANS RECEIVABLE, Section PS 3050;

(b) investments are outlined in FOREIGN CURRENCY TRANSLATION, Section PS 2601, PORTFOLIO INVESTMENTS, Section PS 3041, INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES, Section PS 3070, FINANCIAL INSTRUMENTS, Section PS 3450; and

(c) investments in business partnerships are outlined in INTERESTS IN PARTNERSHIPS, Section PS 3060.

.062 Most financial instrument assets are presented as financial assets. However, certain financial instruments are presented as non-financial assets if those assets are subject to external restrictions as noted in paragraph PS 1202.066(a). Regardless of whether an asset is presented as financial or non-financial on the statement of financial position, if it meets the definition of a financial instrument in FINANCIAL INSTRUMENTS, Section PS 3450, the requirements for recognition and measurement and the additional presentation requirements for financial instruments, including derivatives, in Section PS 3450 would apply. See Appendix C for a decision tree on the classification and presentation of financial instrument assets.

.063 Inventories for sale and other assets held for sale are financial assets; they are expected to provide financial resources to discharge existing financial liabilities or spend on future operations.

.064 *An asset held for sale should be recognized as a financial asset when all of the following criteria are met:*

(a) prior to the financial statement date, the appropriate level of authority commits the entity to selling the asset;

(b) the asset is in a condition to be sold;

(c) the asset is publicly seen to be for sale;

(d) there is an active market for the asset;

(e) there is a plan in place for selling the asset; and

(f) it is reasonably anticipated that the sale to a purchaser external to the reporting entity will be completed within one year of the financial statement date. [APRIL 2026]

.065 The plan in place for selling the asset must identify all significant actions to be taken to sell the asset. Actions required by the plan will begin as soon as possible after the commitment to sell is made.

.066 External restrictions placed on assets affect their classification as financial or non-financial. The decision tree in Appendix B illustrates this.

(a) An entity may receive an asset for which access is externally restricted. That is, it cannot be used to discharge existing financial liabilities or spend on future operations (as noted in paragraph PS 1202.068(e)). Because of this restriction, this asset would be classified as non-financial, as it meets the non-financial asset definition in paragraph PS 1202.067. For example, externally restricted endowments that must be held in perpetuity may be non-financial assets, as the entity cannot access the assets (i.e., the entity cannot use the externally restricted endowment to discharge existing financial liabilities or spend on future operations). However, such endowments may be invested in items meeting the definition of financial instruments in FINANCIAL INSTRUMENTS, Section PS 3450 (e.g., portfolio investments). These financial instruments would be classified as non-financial assets. (See related guidance for liabilities in paragraph PS 1202.AG.09(a).)

(b) An entity may receive a financial asset for which its use, rather than the entity's ability to access it, is externally restricted. This could occur when an entity receives:

(i) funds that are externally restricted to be used for a stipulated purpose, and that purpose:

a. has not been satisfied as required by RESTRICTED ASSETS AND REVENUES, Section PS 3100; and

b. does not involve the use of, or access to, a non-financial asset or an unrecognized economic resource;

(ii) an operating transfer, until the transfer has been used for operations as required by GOVERNMENT TRANSFERS, Section PS 3410;

(iii) a capital transfer or donation to acquire or develop a tangible capital asset, and that purpose has not been satisfied; and

(iv) a capital transfer or donation to acquire or develop a tangible capital asset and then use it to provide services, and the initial stipulation related to using the financial assets to acquire or develop the tangible capital asset has not been satisfied.

In these circumstances, the externally restricted asset received will be used to settle the related obligation or is available to spend on future operations or settle other liabilities. So, these types of externally restricted assets would be classified as financial assets (see related guidance for liabilities in paragraphs PS 1202.AG.09(b)-(c), AG.30(d) and AG.36).

Non-financial assets

Definition

.067 A **non-financial asset** is an asset that does not meet the definition of a financial asset.

Examples

.068 In terms of classifying an asset as financial or non-financial, assets that meet the definition of a non-financial asset usually include:

(a) tangible capital assets;

(b) inventories held for use;

(c) prepaid expenses;

(d) purchased intangibles;

(e) assets that would otherwise be classified as financial, but which cannot be used to discharge existing financial liabilities or spend on future operations because of external restrictions preventing access to the assets, as noted in paragraph PS 1202.066(a); and

(f) any other asset not available for sale.

Presentation

.069 *The statement of financial position should report non-financial assets segregated by main sub-classifications such as those listed in paragraph* PS 1202.068*.* [APRIL 2026]

.070 *Financial statements should disclose adequate information about the nature and any terms of an entity's non-financial assets.* [APRIL 2026]

.071 In a public sector entity's financial statements, recognition and valuation of many non-financial assets is largely based on their service potential, except for financial instruments that cannot be used to discharge existing financial liabilities or spend on future operations. Financial statement users need sufficient information to appreciate the nature of a public sector entity's non-financial assets.

.072 Entities acquire tangible capital assets that have economic lives extending beyond the accounting period. Tangible capital assets are available for use, require operating and maintenance expenditures, and may need to be replaced in the future. They include:

(a) assets on hand and available for use by the entity in the near future (e.g., equipment); and

(b) assets for use over a longer period (e.g., buildings and land).

Certain entities also acquire and make available to the public tangible capital assets that are complex network systems (e.g., highways, bridges, waterways and other transit systems).

.073 Regardless of whether they contribute net cash inflows to the entity, all tangible capital assets except those meeting the criteria to be reported as financial assets in accordance with paragraph PS 1202.064 are required to be reported as non-financial assets. This requirement is consistent with the objective of clearly distinguishing in the financial statements the primarily service nature of an entity's non-financial assets.

.074 Generally, non-financial assets that are being developed for sale are no longer being employed to provide services. However, such non-financial assets are under development and not yet in a condition to be sold and, therefore, cannot be reported as financial assets in accordance with paragraph PS 1202.064.

.075 A definition, as well as recognition, measurement and additional presentation requirements for tangible capital assets are provided in TANGIBLE CAPITAL ASSETS, Section PS 3150.

.076 Inventories held for use are tangible non-financial assets that the entity will use in the course of its operations. The future economic benefit to the entity of inventories for use is embodied in their capacity to render service that will further the entity's objectives. "Raw material" inventory that is intended for use in development or production of inventory or other assets for sale would also be recognized as a non-financial asset. Such materials would only be included in assets for sale when they have been converted into an asset or part of an asset that is in a condition to be sold according to the requirements of paragraph PS 1202.064.

.077 A prepaid expense is a cash disbursement or other transfer of economic resources – other than an outlay for inventory or capital property before the criteria for expense recognition have been met – that is expected to yield economic benefits over one or more future periods. It is recorded as an asset at the time of incurrence and amortized to expenses over the periods expected to benefit from it. Prepaid expenses (e.g., prepaid rent or insurance) generally expire either through the passage of time or through use.

.078 Natural resources, intangibles 5 and Crown lands that are purchased are recognized in financial statements when they meet the definition of an asset and the general recognition criteria.

.079 In contrast, the following are not recognized in financial statements:

(a) natural resources and Crown lands not purchased by the entity; 6

(b) developed and non-purchased intangibles (e.g., the wireless spectrum rights, air rights, sea rights and forestry rights);

(c) "human capital" that embodies the talent or intellectual capital of an entity's employees; and

(d) all works of art and historical treasures.

.080 *Financial statements should disclose that works of art and historical treasures, developed or non-purchased intangibles, and non-purchased Crown lands and natural resources, are not recognized in a public sector entity's financial statements. The disclosure requirements in ASSETS, paragraph* PS 3210.32*, may apply.* [APRIL 2026]

.081 Guidance on assets that cannot be used to discharge existing financial liabilities or spend on future operations because access to them is externally restricted, is in paragraph PS 1202.066.

.082 An asset not available for sale is one that does not satisfy all the criteria in paragraph PS 1202.064.

Liabilities

.083 There are two classifications of liabilities: financial and non-financial. All liabilities will fall into one of these two classifications. Applying the definitions of financial and non-financial liabilities would determine the liability classification. Such determination is primarily based on how the liabilities are expected to be settled. The decision tree in Appendix D illustrates how to navigate the liability part of the standard in classifying a liability as financial or non-financial. The possibility that the form of settlement could change because of a future event would not affect their classification at the financial statement date. Because of how they will be settled, some liabilities may have financial and non-financial components that may be separately classified as described in paragraphs PS 1202.105-.106. The expectation underlying classification of a liability would have to be supported by evidence, in particular should the expectation of basis of settlement change in a reporting period.

.084 Classifying liabilities as financial or non-financial is important for ensuring the calculation of the net financial assets or net financial liabilities indicator reflects its meaning, as described in paragraph PS 1202.047. To facilitate this same calculation, assets are also classified as financial or non-financial in accordance with paragraph PS 1202.050.

.085 When economic resources are received by an entity and a liability is recognized, the nature of the resource or resources received does not determine the liability's classification. Liability classification is determined by how the liability is expected to be settled. For example, in relation to a performance obligation liability identified and accounted for in accordance with REVENUE, Section PS 3400, the consideration received by the entity from a payor in exchange for providing specific goods and services may be financial or non-financial resources. 7 The nature of the resource or resources received as consideration by the entity in an exchange transaction giving rise to a performance obligation would not determine the liability's classification (see paragraph PS 1202.AG.09).

.086 LIABILITIES, Section PS 3200, includes general recognition and disclosure requirements for liabilities.

Financial liabilities

Definition

.087 A **financial liability** is a liability that is expected to be settled using existing or future financial assets.

.088 Financial liabilities include **financial performance obligations** that arise from exchange transactions (see paragraphs PS 1202.AG.18-.19) and other financial liabilities that arise from non-exchange transactions, such as transfers and externally restricted inflows (see paragraph PS 1202.AG.30).

Settlement

.089 A financial liability represents a financial resource requirement arising from past events. Settling the financial liability requires an outflow of existing or future financial assets, such as:

(a) repayment (e.g., of borrowing);

(b) a future expenditure or disbursement (e.g., to pay for goods and services acquired or received prior to the financial statement date);

(c) the satisfaction of financial performance obligations (e.g., providing goods and services that are financial assets, such as inventories for sale or assets held for sale, to a payor); or

(d) the satisfaction of restrictions and/or stipulations requiring future spending (e.g., applying operating transfers received, or buying or building an asset with a capital transfer received, or using other contributions received as specified).

Examples

.090 In terms of classifying a liability as financial or non-financial, examples of liabilities that meet the definition of a financial liability include:

(a) accounts payable and accrued liabilities;

(b) liabilities for employee future benefits;

(c) liabilities for contaminated sites;

(d) asset retirement obligations;

(e) borrowings;

(f) liabilities payable to others, including to other public sector entities;

(g) derivative financial instruments; 8

(h) capital lease obligations;

(i) public private partnership obligations arising from the financial liability model of public private partnership arrangement;

(j) unearned revenue liabilities resulting from economic resources 9 received prior to recognition as revenue that give rise to financial performance obligations (see “Identifying financial performance obligations” in paragraphs PS 1202.AG.18-.19); and

(k) unearned revenue liabilities resulting from economic resources received in non-exchange transactions (in relation to GOVERNMENT TRANSFERS, Section PS 3410, RESTRICTED ASSETS AND REVENUES, Section PS 3100, or LIABILITIES, Section PS 3200) that give rise to financial liabilities (see “Financial liabilities arising from economic resources received in non-exchange transactions” in paragraphs PS 1202.AG.29-.31).

Presentation

.091 *The statement of financial position should report financial liabilities segregated by main subclassifications, such as those in paragraph* PS 1202.090*.* [APRIL 2026]

.092 *Financial statements should disclose adequate information about the nature and terms of an entity's financial liabilities.* [APRIL 2026]

.093 Reporting on an entity's financial liabilities at the financial statement date is necessary to understand and assess demands on its existing and future financial resources. When used with other available financial data, information about the nature and terms of financial liabilities facilitates assessments of such matters as debt management and exposure to foreign exchange fluctuations.

.094 Recognition, measurement and additional presentation requirements for an entity's financial liabilities related to:

(a) employee future benefits are outlined in RETIREMENT BENEFITS, Section PS 3250, and POST-EMPLOYMENT BENEFITS, COMPENSATED ABSENCES AND TERMINATION BENEFITS, Section PS 3255;

(b) contaminated sites are outlined in LIABILITY FOR CONTAMINATED SITES, Section PS 3260;

(c) asset retirement obligations are outlined in ASSET RETIREMENT OBLIGATIONS, Section PS 3280;

(d) long-term debt are outlined in LONG-TERM DEBT, Section PS 3230;

(e) financial instruments are outlined in FINANCIAL INSTRUMENTS, Section PS 3450;

(f) capital lease obligations are outlined in, PUBLIC SECTOR GUIDELINE (PSG) 2, Leased Tangible Capital Assets;

(g) public private partnership obligations arising from the financial liability model of public private partnership arrangement are outlined in PUBLIC PRIVATE PARTNERSHIPS, Section PS 3160;

(h) government transfers are outlined in GOVERNMENT TRANSFERS, PS 3410 (see examples in paragraph PS 1202.AG.30(a)-(c));

(i) performance obligations are outlined in REVENUE, Section PS 3400; and

(j) externally restricted inflows of financial assets to be used for specific purposes are outlined in RESTRICTED ASSETS AND REVENUE, Section PS 3100. 10

.095 Information provided to describe the nature and terms of an entity's financial liabilities payable to other public sector entities includes, at a minimum:

(a) the amounts outstanding;

(b) interest rates;

(c) the amounts payable on demand and within a year;

(d) appropriate description of amounts payable after one year; and

(e) the existence of sinking fund or redemption provisions.

Non-financial liabilities

Definition

.096 A **non-financial liability** is a liability that does not meet the definition of a financial liability.

.097 A non-financial liability does not represent a financial resource requirement. At the financial statement date, a non-financial liability is not expected, due to its existing terms and conditions, to be settled with an outflow of existing or future financial assets. No future expenditure or disbursement is required to settle a non-financial liability.

.098 Non-financial liabilities include **non-financial performance obligations** that arise from exchange transactions (see paragraphs PS 1202.AG.20-.25) and other non-financial liabilities that arise from non-exchange transactions, such as transfers and externally restricted inflows (see paragraphs PS 1202.AG.32-.38).

Settlement

.099 A non-financial liability is expected to be settled over the term of an arrangement through:

(a) the obligated entity itself using of one of its non-financial assets or unrecognized economic resources, often to provide services (see paragraphs PS 1202.AG.04(a-b) and AG.22(a));

(b) the obligated entity providing access and revenue-generating capacity over an agreed-upon term to the private sector partner to infrastructure acquired by the obligated entity through the user-pay model of public partnership arrangement in accordance with PUBLIC PRIVATE PARTNERSHIPS, Section PS 3160;

(c) the obligated entity allowing an external individual or another entity (i.e., an external party) to use one of its non-financial assets or unrecognized economic resources (see paragraphs PS 1202.AG.04(c) and PS 1202.AG.20(a));

(d) the obligated entity providing an external party with certain rights of access (simple, exclusive, unrestricted, restricted, shared) to one of its non-financial assets or unrecognized economic resources (see paragraphs PS 1202.AG.04(d), PS 1202.AG.20(c) and PS 1202.AG.24-.25); or

(e) the obligated entity transferring a non-financial asset or unrecognized economic resource (e.g., when land or a developed intangible will be accepted by a counterparty as consideration in settling a liability – see paragraph PS 1202.AG.20(b)).

Examples

.100 In terms of classifying a liability as financial or non-financial, examples of liabilities that meet the definition of a non-financial liability include:

(a) liabilities arising from the user-pay model of public partnership arrangement in accordance with PUBLIC PRIVATE PARTNERSHIPS, Section PS 3160;

(b) obligations arising from government capital transfers in accordance with GOVERNMENT TRANSFERS, Section PS 3410, where the related tangible capital asset has already been constructed, purchased or received by the recipient and there remains an obligation for the recipient that meets the definition of a liability to use the asset to provide services over a specified number of years; 11

(c) unearned revenue liabilities resulting from economic resources received prior to recognition as revenue that give rise to non-financial performance obligations (see "Identifying non-financial performance obligations" in paragraphs PS 1202.AG.20-.25); and

(d) unearned revenue liabilities resulting from economic resources received in non-exchange transactions (in relation to RESTRICTED ASSETS AND REVENUES, Section PS 3100, or LIABILITIES, Section PS 3200) that give rise to non-financial liabilities (see "Non-financial liabilities arising from economic resources received in non-exchange transactions," paragraphs PS 1202.AG.35-.38).

Presentation

.101 *The statement of financial position should present non-financial liabilities segregated by main subclassifications, such as those in paragraph* PS 1202.100*.* [APRIL 2026]

.102 *Financial statements should disclose adequate information about the nature and terms of an entity's non-financial liabilities.* [APRIL 2026]

.103 Recognition, measurement and additional presentation requirements for:

(a) obligations that meet the definition of liabilities and that will be settled through use of a tangible capital asset acquired through a government capital transfer are outlined in GOVERNMENT TRANSFERS, Section PS 3410;

(b) liabilities related to a user-pay model in a public private partnership arrangement are outlined in PUBLIC PRIVATE PARTNERSHIPS, Section PS 3160;

(c) obligations reported as liabilities related to external restrictions are outlined in RESTRICTED ASSETS AND REVENUES, Section PS 3100; and

(d) liabilities related to performance obligations are outlined in REVENUE, Section PS 3400.

.104 An event may occur that could change the expectation of how a liability would be settled. That change in expectation may result in a change in classification of the liability if there is evidence to support the changed expectation. For example, if the terms of an obligation underlying a non-financial liability include repayment or penalty clauses and such a clause is triggered, this could be a new event that would change the classification of all or part of the liability from non-financial to financial. In such cases, professional judgment would be applied in determining the classification of any remaining (e.g., repayment of the remaining balance) or incremental (e.g., penalties) liability in such circumstances (see paragraphs PS 1202.AG.07-.08).

Liabilities with financial and non-financial components

.105 A liability may have both financial and non-financial components if settling the liability involves both the spending of financial assets and the obligated entity itself using or allowing an external party to use or access its non-financial assets or unrecognized economic resources. If material, significant separable components of a liability that will be settled differently would be classified as separate liabilities for the purposes of calculating the net financial assets or net financial liabilities indicator. Such separation would occur when the liability arises. These circumstances are distinct from those in which a financial liability transforms over time to a non-financial liability (see paragraph PS 1202.AG.34(a)).

.106 Professional judgment would be used to determine if separating a liability into financial and non-financial components is practicable and appropriate. Consideration would be given to the substance and proportionate materiality of the individual components. Immaterial components, even if separable, would not be accounted for or classified separately (see paragraphs PS 1202.AG.39-.40).

Distinguishing financial from non-financial liabilities

.107 For some liabilities, the distinction between financial and non-financial liabilities will be clear from their definitions and related guidance, and liability classification will be straightforward.

(a) Examples of liabilities that would be classified as financial are in paragraphs PS 1202.090(a)-(i).

(b) Examples of liabilities that would be classified as non-financial are in paragraphs PS 1202.100(a)-(b).

.108 For other liabilities, generally those identified as unearned revenue, determining their classification as financial or non-financial may be more complex, for example liabilities in:

(a) paragraphs PS 1202.090(j)-(k), and

(b) paragraphs PS 1202.100(c)-(d).

For such liabilities, entities would consider the criteria in paragraphs PS 1202.AG.03-.04 and other application guidance in Appendix A in determining classification. Decision trees in Appendices D and E and illustrative examples in Appendix F may also help with classification.

Net assets or net liabilities

.109 The net assets or net liabilities indicator is the measure of an entity's net financial position. It is the difference between an entity's assets and its liabilities. Net assets or net liabilities is an indicator that, at the reporting date, represents an accumulation of all of an entity's past revenue and expense, regardless of whether they have been recognized in accumulated surplus or deficit, accumulated remeasurement gains and losses or accumulated other. If applicable for a particular entity and level of consolidation, net assets or net liabilities would also include past changes to issued share capital.

.110 The net assets or net liabilities indicator is broken down into its components. The components provide information about the nature of the entity's net assets or net liabilities.

.111 Information is provided on the statement of financial position identifying the components that make up the entity's net assets or net liabilities. The components of net assets or net liabilities to be presented on the statement of financial position are only those the Public Sector Accounting Board (PSAB) identifies. The identification of these components, and the reporting of the balance in each component, links the net financial position indicator to the statement of changes in net assets or net liabilities.

.112 *An entity's net assets or net liabilities will always include the accumulated surplus or deficit component. Standards may require certain revenues or expenses to be initially recognized directly in a component of net assets or net liabilities rather than the surplus or deficit of the period in which they arise. When these requirements apply to an entity, it should report the composition of its net assets or net liabilities at the financial statement date segregated by the following main components:*

(a) accumulated surplus or deficit; and, if applicable

(b) accumulated remeasurement gains and losses; and/or

(c) accumulated other.

In rare circumstances, for some entities, issued share capital may be an additional component. Changes in share capital do not represent revenue or expense. [APRIL 2026]

.113 Details of the components are set out in “Statement of changes in net assets or net liabilities,” starting at paragraph PS 1202.143.

.114 Only those items prescribed in standards are permitted to be recognized directly in accumulated remeasurement gains and losses and accumulated other.

.115 An entity's net assets or net liabilities position and its net financial assets or net financial liabilities position are indicators that together can be evaluated to determine whether an entity's financial position has improved or deteriorated.

Statement of net financial assets or net financial liabilities

.116 *The statement of net financial assets or net financial liabilities should account for the difference between financial assets and financial liabilities and report the net financial assets or the net financial liabilities indicator of financial position.* [APRIL 2026]

.117 An entity may choose to also report the net financial assets or net financial liabilities indicator on the statement of financial position. On the statement of financial position, the presentation of the net financial assets or net financial liabilities indicator can only be reported below the components of the net assets or net liabilities indicator and reference to the calculation on the statement of net financial assets or net financial liabilities would be provided. Appendix M illustrates this presentation of the indicator.

.118 The net financial assets or net financial liabilities position is calculated as the difference between financial assets and financial liabilities.

.119 On the statement of net financial assets or net financial liabilities, an entity may choose to also provide information about the change in its net financial assets or net financial liabilities position in the period and the reasons for the change. Any information presented about the change in net financial assets of net financial liabilities would need to be understandable and useful for accountability purposes. The location of this optional presentation ensures all information on the net financial assets or net financial liabilities indicator is provided in one statement. Appendix L illustrates one possible way to explain the change in the indicator.

.120 *If an entity chooses to report the change in net financial assets or net financial liabilities, it should present the following on its statement of net financial assets or net financial liabilities:*

(a) net financial assets or net financial liabilities at both the beginning and end of the accounting period for the current and prior periods;

(b) the extent to which net financial assets or net financial liabilities changed due to net remeasurement gains and losses in the accounting period;

(c) the acquisition of tangible capital assets in the accounting period; and

(d) any other significant items (e.g., significant expenditures) that explain the change in net financial assets or net financial liabilities in the period. [APRIL 2026]

.121 In presenting the extent to which the net financial assets or net financial liabilities changed due to net remeasurement gains and losses in the accounting period, an entity may report: 12

(a) the change in net financial assets or net financial liabilities excluding the impact of net remeasurement gains and losses in the accounting period; and

(b) net remeasurement gains and losses arising from:

(i) exchange gains and losses on items in the amortized cost category denominated in a foreign currency;

(ii) derivatives;

(iii) portfolio investments in equity instruments that are quoted in an active market; and

(iv) financial instruments designated to the fair value category.

Reporting changes in financial position

.122 Users require information to understand why financial position changed as a result of the entity's activities in the period. This total change represents the entity's financial performance for the period as measured in financial statements. It is broken down, presented and explained in financial statements from more than one perspective for accountability and explanatory purposes:

(a) changes in the identified components of the entity's net assets or net liabilities:

(i) accumulated surplus or deficit;

(ii) accumulated remeasurement gains and losses; and

(iii) changes in any other component that PSAB identifies as significant for accountability purposes; and

(b) changes in the cash and cash equivalent resources in the period.

.123 The statement of operations presents all the revenues and expenses that account for the surplus or deficit of the period. This surplus or deficit explains the change in the accumulated surplus or deficit component for the period. The surplus or deficit of the period is a critical aspect of financial performance that can be reported in financial statements. By default, and unless specified in this or another standard, most changes to an entity's net assets or net liabilities in the period will be included in the calculation of its surplus or deficit of that period. As a result, the statement of operations provides many details as to why the entity may or may not have maintained its net assets or net liabilities in the period.

.124 The statement of changes in net assets or net liabilities presents all the revenues and expenses of the period, including those recognized:

(a) in the statement of operations that flow through the accumulated surplus or deficit component; 13 and

(b) outside of surplus or deficit of that period that flow through the accumulated remeasurement gains and losses and/or accumulated other components.

This statement presents the changes in the various components of net assets or net liabilities as a result of the entity's activities in the period. The total of these changes in the components measures the extent to which the entity has maintained its net assets or net liabilities position in the period.

.125 The statement of cash flow presents the sources and uses of cash by category of activity. It presents how an entity financed its activities in the period and met its cash requirements.

Revenue and expense

.126 *Financial statements should report the gross amounts of revenue and expense unless another standard requires otherwise.* 14 [APRIL 2026]

.127 Gross revenues are reported to ensure that the total magnitude of an entity's revenue raising is reflected in the financial statements. Such information is necessary for understanding and assessing the financial impact of an entity's revenue raising activities.

.128 Gross expenses are reported to ensure that the total magnitude of an entity's consumption of, or reduction in, economic resources in the period is reflected in the financial statements. Such information is helpful in understanding and assessing the cost of programs and/or services.

Statement of operations

.129 The statement of operations provides important information about an entity's accountability for its operations and the related achievement of its objectives. Neither the statement of operations alone nor the complete set of financial statements are intended, however, to provide all of the information needed to assess the efficiency and effectiveness of an entity's operations. Such assessments require performance information additional to that provided in the financial statements. Nevertheless, the statement of operations summarizes cost-of-service information at a functional level. The actual-to-budget comparison presented on the statement of operations in accordance with paragraph PS 1202.202 also provides information important for assessing whether an entity has achieved its financial plan.

.130 An entity's statement of operations accounts for the surplus or deficit from an entity's operations in the accounting period. It measures the change in an entity's accumulated surplus or deficit in the period. The statement displays the cost of services (or programs) provided and the revenue recognized for the accounting period and the difference between them.

.131 *An entity should recognize all revenue and expense arising in the period in the statement of operations unless a standard requires otherwise.* [APRIL 2026]

.132 Some standards specify circumstances in which an entity recognizes certain revenue and expense outside that period's surplus or deficit.

.133 *The statement of operations should:*

(a) report revenues recognized in this statement segregated by significant type;

(b) report expenses recognized in this statement by function or major program; and

(c) account for the surplus or deficit for the period, which is the difference between the revenues and expenses recognized in the statement of operations. [APRIL 2026]

.134 Information showing the types of revenue is useful for understanding and assessing:

(a) the impact of revenue raising on the economy, if applicable; 15

(b) the relative contributions of revenue sources; and

(c) the revenue-producing capacity of investments.

Significant revenue types vary but may include corporate tax, personal income taxes, property tax, other tax revenue, user fees, donations, investment revenue, natural resource revenue and government transfers.

.135 A functional or major program display provides information about the purpose of expenses and is useful for understanding the cost of the entity's assets consumed in delivering programs and/or services in the accounting period. Depending on the type of entity, major functions or programs could include health, education, social services, transportation, natural resource development, public protection, research, instruction, acute care, mental health, housing and economic development.

.136 Categorizing expenses by function or major program is a matter of professional judgment and would reflect the entity's operations. If an entity wishes to provide further information on the categorization of expenses by function or major program, it could do so in the notes or schedules.

.137 *Financial statements should disclose the expenses of the accounting period recognized in the statement of operations by object in the notes or schedules.* [APRIL 2026]

.138 Disclosure of expenses by object provides information that is useful in evaluating the major types of expenses incurred by an entity in the accounting period. This disclosure supports the functional display of expenses provided in the statement of operations by offering a different perspective of the expenses of the period. A display by object outlines the major types of expenses incurred, such as the cost of salaries and benefits, debt-servicing costs, the cost of transfer payments, as well as the amortization of the cost of tangible capital assets.

.139 When it is not practicable to allocate interest expense to main functions or programs, interest expense may be presented as a separate line item.

Losses arising from asset impairment and changes in valuation allowances

.140 *Losses arising from asset impairment and changes in valuation allowances should be recognized as expenses in the statement of operations in the accounting period in which they arise. However, except as provided in other standards, the change in the value of an asset or liability attributable to a remeasurement gain or loss should be recognized in the accumulated remeasurement gains and losses component and reported in the statement of changes in net assets or net liabilities in accordance with paragraph* PS 1202.156. [APRIL 2026]

.141 Except for those related to remeasurements, losses arising from asset impairment and changes in valuation allowances are recognized in the statement of operations to ensure that these changes in the carrying value of assets are reflected in surplus or deficit for the period.

.142 Changes in valuation allowances are allocated by function on the statement of operations when practicable because information showing the purpose of expenses is useful for understanding the cost of assets consumed in delivering programs and services in the accounting period. When allocation by function is not practicable, however, changes in valuation allowances are reported on the statement of operations as a specific item with the main types of provisions disclosed. The provisions relate to the main classifications of financial assets.

Statement of changes in net assets or net liabilities

.143 *The statement of changes in net assets or net liabilities should show a reconciliation between the accumulated balance at the beginning and end of the period for each component of net assets or net liabilities.* [APRIL 2026]

.144 All revenues and expenses arising in the period are reflected in the statement of changes in net assets or net liabilities in one component or another, except in the issued share capital component.

.145 The statement of changes in net assets or net liabilities provides summarized reconciliations for each component of net assets or net liabilities.

.146 If the statement of changes in net assets or net liabilities is too summarized or becomes too complicated, then the changes in different components of net assets or net liabilities would need to be supported by detail in separate statements or schedules. Understandability for accountability purposes would be a key factor for making this determination.

Recognizing revenue and expense outside of surplus or deficit

.147 Decisions to recognize a revenue or expense arising in a period outside that period's surplus or deficit are made only by PSAB at the standards level. If PSAB decides that a revenue or expense is initially recognized outside of a period's surplus or deficit, it would then determine the following:

(a) the component of net assets or net liabilities the revenue or expense would be initially recognized in (i.e., accumulated remeasurement gains and losses or, if applicable, accumulated other); and

(b) when, or if, it would be subsequently reclassified to a future period's surplus or deficit.

Such decisions would be based on providing better accountability information to the user and would be explained and documented in the applicable standard's basis for conclusions.

.148 Initially recognizing a revenue or expense temporarily outside of surplus or deficit and then subsequently reclassifying it to the surplus or deficit of a future period does not double-count the revenue or expense. The revenue or expense is simply moving from one component of net assets or net liabilities to another. The net effect on the net assets or net liabilities indicator is nil.

.149 *Other standards may determine that, subsequent to initial recognition, if there is no clear and objective basis for identifying:*

(a) the period in which the reclassification of the revenue or expense should occur; and/or

(b) the amount that should be reclassified,

reclassifying a revenue or expense from accumulated remeasurement gains or losses or accumulated other to a future period's surplus or deficit will not occur. [APRIL 2026]

.150 *If revenue or expense is permanently reported outside of surplus or deficit, the fact that it is permanent should be reported on the statement of changes in net assets or net liabilities. Disclosure in the notes or schedules would indicate how much of the opening and closing balance of each component is permanently reported outside of surplus or deficit.* [APRIL 2026]

.151 Individual standards specify whether and when amounts previously recognized in accumulated remeasurement gains and losses and, if applicable, accumulated other are reclassified to the statement of operations in a future period(s).

.152 If an entity has no transactions or other events required by a standard to be directly recognized in:

(a) the accumulated remeasurement gains and losses component; or

(b) the accumulated other component,

the component(s) with no transactions or other events does not need to be presented on the statement of financial position or on the statement of changes in net assets or liabilities. The entity can choose to present the component(s) with a zero balance or not present it at all.

Accumulated surplus or deficit

.153 *The presentation of the accumulated surplus or deficit component on the statement of changes in net assets or net liabilities should include:*

(a) the balance of the accumulated surplus or deficit component at the beginning of the period;

(b) the surplus or deficit of the period; and

(c) the balance of the accumulated surplus or deficit component at the end of the period. [APRIL 2026]

.154 All entities have an accumulated surplus or deficit component of net assets or net liabilities. This component represents an accumulation of past surpluses and deficits.

.155 If an entity does not have any transactions or other events a standard requires to be directly recognized in the accumulated remeasurement gains and losses and/or accumulated other components, the reconciliation between the opening accumulated surplus or deficit and closing accumulated surplus or deficit can be done either on the statement of changes in net assets or net liabilities or on the statement of operations. If an entity chooses to do the reconciliation on the statement of operations, a statement of changes in net assets or net liabilities would not be required.

Accumulated remeasurement gains and losses

.156 *The presentation of the accumulated remeasurement gains and losses component on the statement of changes in net assets or net liabilities should include:*

(a) the balance of the accumulated remeasurement gains and losses component at the beginning of the period;

(b) remeasurement gains and losses during the period, distinguishing between:

(i) amounts arising during the period; and

(ii) amounts reclassified during the period to the statement of operations;

(c) any other comprehensive income that arises when an entity includes the results of government business enterprises and business partnerships in its consolidated financial statements; and

(d) the balance of the accumulated remeasurement gains and losses component at the end of the period. [APRIL 2026]

.157 The reporting requirements in paragraph PS 1202.156 would not apply to:

(a) the translation of balances described in FOREIGN CURRENCY TRANSLATION, paragraph PS 2601.02(a)-(b);

(b) the exchange gain or loss component of a financial instrument's change in fair value when that financial instrument is associated with foreign exchange transactions described in paragraph PS 2601.02(a)-(b); and

(c) the exchange gains and losses, including the exchange gain or loss component of changes in fair value, recognized in accordance with the election in paragraph PS 2601.19A.

.158 Government business enterprises or business partnerships may report other comprehensive income in their financial statements. 16 To account for government business enterprises or business partnerships it controls, the controlling entity applies the modified equity method (i.e., the accounting principles of the government business enterprise or business partnership are not adjusted to conform with those of the controlling entity). The controlling entity's proportionate share of this other comprehensive income is reported in the statement of changes in net assets or net liabilities in the accumulated remeasurement gains and losses component.

.159 *Only transactions and other events PSAB designates in individual standards should be recognized directly in accumulated remeasurement gains and losses.* [APRIL 2026]

Accumulated other

.160 *The presentation of the accumulated other component on the statement of changes in net assets or net liabilities should include:*

(a) the balance of the accumulated other component at the beginning of the period;

(b) transactions and other events affecting the accumulated other component balance during the period, distinguishing between:

(i) amounts arising during the period; and

(ii) amounts reclassified during the period to the statement of operations; and

(c) the balance of the accumulated other component at the end of the period. [APRIL 2026]

.161 *Only transactions and other events PSAB designates in individual standards should be recognized directly in accumulated other.* [APRIL 2026]

Issued share capital

.162 Although rare, some public sector entities have issued share capital. It is important to distinguish issued share capital from other economic obligations (e.g., arising from government transfers or loans). Changes in issued share capital do not represent revenue or expense.

.163 Issued share capital may arise on the creation of an entity or when another entity contributes economic resources to provide the entity with the capacity to conduct operational activities. In determining whether a transaction is issued share capital or something else (e.g., a government transfer or a loan), the substance of the transaction must be carefully considered.

.164 *When an entity has issued share capital, it should report it as a separate component of net assets or net liabilities on the statement of financial position and the statement of changes in net assets or net liabilities.* [APRIL 2026]

.165 *Any changes in the issued share capital component in the period should be recognized in that component. The details of the changes in the issued share capital component in the period should:*

(a) be reported on the statement of changes in net assets or net liabilities; and

(b) explain the change between the opening and ending balances of the share capital component. [APRIL 2026]

.166 *The reconciliation of the issued share capital component should include:*

(a) the balance of the issued share capital component at the beginning of the period;

(b) transactions and other events affecting the issued share capital component balance during the period; and

(c) the balance of the issued share capital component at the end of the period. [APRIL 2026]

.167 *When an entity has issued share capital, it should disclose the following in the notes or schedules:*

(a) the number of shares authorized and issued;

(b) the par value per share; and

(c) a description of each type of issued share capital. [APRIL 2026]

.168 If an entity does not have any transactions or other events that represent share capital and would therefore qualify to be directly recognized in an issued share capital component, the component would not be presented on the statement of financial position or on the statement of changes in net assets or liabilities.

Retroactive application of accounting changes and retroactive correction of an error

.169 *The statement of changes in net assets or net liabilities should include the effects of retroactive application of a change in an accounting policy and/or retroactive correction of an error, in accordance with ACCOUNTING CHANGES, Section* PS 2120*, for each component of net assets or net liabilities affected by the change.* [APRIL 2026]

Statement of cash flow

.170 Cash comprises cash on hand and demand deposits.

.171 Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

.172 Cash equivalents are held for meeting short-term cash commitments rather than for investing or other purposes. An investment would normally qualify as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents.

.173 When bank overdrafts, which are repayable on demand, form an integral part of an entity's cash management, such that the entity's bank balance often fluctuates from being positive to overdrawn, bank overdrafts are included as a component of cash and cash equivalents.

.174 *The statement of cash flow should report how an entity generated and used cash and cash equivalents in the accounting period and the change in cash and cash equivalents in the period. The statement of cash flow should report the cash and cash equivalents at both the beginning and end of the accounting period.* [APRIL 2026]

.175 *The statement of cash flow should report cash flows during the period classified by operating, capital, investing and financing activities.* [APRIL 2026]

.176 The information provided in a statement of cash flow would focus on the effects of an entity's activities on its cash resources. Cash and cash equivalents represent a pool of cash or ready sources of cash available to an entity.

.177 The change in an entity's cash resources is explained in the context of four major activities: operations, capital, investing and financing.

.178 Classification by activity provides information that allows users to assess the impact of those activities on the financial position of the entity and the amount of its cash and cash equivalents. This information may also be used to evaluate the relationships among those activities.

.179 A single transaction may include cash flows that are classified differently. For example, when the cash repayment of a loan includes both interest and principal, the interest element may be classified as an operating activity and the principal element as a financing activity.

.180 The amount of cash flows arising from operating activities is a key indicator of the extent to which:

(a) the operations of the entity are funded; and

(b) sufficient cash flows have been generated to maintain the operating capability of the entity, repay loans and make new investments without recourse to external sources of financing.

.181 Information about the specific components of historical operating cash flows is useful, in conjunction with other information, in forecasting future operating cash flows.

.182 An entity may report cash flows from operating activities using either the direct method or the indirect method.

.183 Using the direct method, the major classes of gross cash receipts and gross cash payments related to operating activities are reported, such as:

(a) cash receipts from taxation;

(b) cash receipts from donations;

(c) cash receipts from user fees, licences, permits, fines, penalties and other fees;

(d) cash receipts from the sale of goods and the rendering of services;

(e) cash receipts from enterprises;

(f) cash receipts from dividends;

(g) cash transfers to/from other public sector entities;

(h) cash transfers to individuals;

(i) cash payments to suppliers;

(j) cash payments to and on behalf of employees; and

(k) cash receipts and payments of interest included in the determination of results for the accounting period. 17

.184 Using the indirect method, cash used in or available from operations would be calculated by adjusting the surplus or deficit for the accounting period for the effects of non-cash items included in the surplus or deficit and for any accruals of past or future operating cash receipts or payments. Examples of non-cash items include:

(a) amortization of tangible capital assets;

(b) draw-downs of prepayments;

(c) pension expenses not funded in the period; and

(d) gains and losses on disposals of tangible capital assets.

.185 Cash flows relating to interest and dividends received and interest paid and included in the determination of the surplus or deficit for the accounting period would be classified as cash flows from operating activities. When an entity uses the indirect method in calculating its cash flows from operating activities, cash flows relating to interest received or paid and included in determining the operating surplus or deficit for the accounting period would be disclosed separately. When a material difference exists between such cash flows and the related amounts recognized in the statement of operations, the amount of the difference and the reasons for it would be disclosed. For example, there may be financing situations where there are significant differences between interest paid and interest expense for the period because an entity has prepaid interest or is permitted to defer the payment of interest.

.186 *When an entity applies the indirect method and there is a significant difference between the interest revenue or expense recognized in the statement of operations and the interest receipt or payment recognized in the cash flow statement, the financial statements should disclose the amount of the difference and the reason(s) for it.* [APRIL 2026]

.187 Cash receipts and outflows relating to tangible capital assets are included in capital activities for a public sector entity, in contrast with a business, which shows such cash flows as investing activities. This additional category for a public sector entity reflects the fact that cash flows from investing activities are supposed to represent expenditures made to acquire assets that will generate future income and cash inflows. Most tangible capital assets have future service potential, rather than future cash inflows associated with them. Examples include:

(a) cash paid on acquisition of tangible capital assets; and

(b) cash received on disposal of tangible capital assets.

Under the indirect method, adjustments for gains and losses arising on the sale of tangible capital assets would be adjusted for in the calculation of cash flows from operating activities.

.188 The separate reporting of cash flows used in investing activities is important because the cash flows represent the extent to which expenditures have been made for resources intended to generate future revenue and cash flows.

.189 Cash flow information related to investing would include investments made and realized during the period.

.190 The separate reporting of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by debt providers.

.191 Cash flow information related to financing would include both domestic and foreign debt issued and repaid during the period, and, in rare circumstances, changes in issued share capital.

.192 *If an entity enters into financing activities, the statement of cash flow should account for the net cash available to be used for financing activities or the net cash needed to be generated by financing activities. This amount is determined by combining the opening cash balance with the net cash flows provided from or required by all of the operating, capital and investing activities of the entity.* [APRIL 2026]

.193 Highlighting net cash before financing activities after all other categories of inflows and outflows of cash for the period are totalled and presented shows whether all of an entity's other activities combined resulted in the need for cash to be raised through financing activities. This presentation highlights one aspect of the entity's fiscal sustainability.

.194 *The statement of cash flow should report separately major classes of gross cash receipts and gross cash payments arising from capital, investing and financing activities, except to the extent that cash flows described in paragraphs* PS 1202.195-*.196 are presented on a net basis.* [APRIL 2026]

.195 *Cash flows arising from each of the following operating, capital, investing or financing activities may be presented on a net basis:*

(a) cash receipts collected and payments made on behalf of entities external to the reporting entity, including taxpayers and beneficiaries, when the cash flows reflect the activities of the external party rather than those of the reporting entity; and

(b) cash receipts and payments for items for which the turnover is rapid, the amounts are large and the maturities are short. [APRIL 2026]

.196 *Cash flows arising from interest paid on debt issued on behalf of government business enterprises and interest received from those government business enterprises should be presented on a net basis when the debt meets the criteria in LONG-TERM DEBT, paragraph* PS 3230.12*.* [APRIL 2026]

.197 Examples of exclusions from paragraph PS 1202.195(a) include:

(a) taxes collected by a government on behalf of another level of government (see TAX REVENUE, Section PS 3510), not including taxes a government collects for its own use as part of a tax-sharing arrangement;

(b) funds held for parties external to the reporting entity by a government organization that is an investment or trust entity; and

(c) rents collected by a government organization on behalf of, and paid over to, owners of property that are external to the reporting entity.

.198 Examples of exclusions from paragraph PS 1202.195(b) include cash advances and repayments related to:

(a) the purchase and sale of investments; and

(b) other short-term borrowings (e.g., those that have a maturity period of three months or less).

.199 *Capital, investing and financing transactions that do not require the use of cash or cash equivalents should be excluded from the statement of cash flow. Such transactions should be disclosed in the financial statements in a way that provides all the relevant information about these capital, investing and financing activities.* [APRIL 2026]

.200 Many capital, investing and financing activities do not have a direct impact on current cash flows, although they do affect an entity's assets and liabilities. For example, acquisitions of assets by assuming directly related liabilities affect an entity's assets and liabilities but may have no cash flow impact in the current period. The exclusion of non-cash transactions from the statement of cash flow is consistent with the objective of a cash flow statement, as these items do not involve sources or uses of cash in the current period.

.201 *The financial statements should present:*

(a) the components of cash and cash equivalents; and

(b) the reconciliation of the amounts of cash and cash equivalents in the statement of cash flow with the equivalent items presented in the statement of financial position,

either on the statement of cash flow or in the notes. An entity should disclose the policy it adopts in determining the composition of cash and cash equivalents. [APRIL 2026]

Comparing actual financial performance to that budgeted

.202 *The statement of operations should present a comparison of the actual financial performance of the accounting period with that originally budgeted.* [APRIL 2026]

.203 The comparison of actual financial performance with that budgeted is a fundamental component of the financial accountability cycle as it forms the basis for closing the accountability cycle. The comparison of actual and budgeted financial performance provides key accountability information about the entity's performance in achieving its plans. Such comparison also serves as a starting point for understanding and assessing trends in operations as well as for identifying variances that need to be explained.

.204 *If an entity reports the change in net financial assets or net financial liabilities on the statement of net financial assets or net financial liabilities, the statement should present a comparison of the items that comprise the change in net financial assets or net financial liabilities for the accounting period, as well as the change in net financial assets or net financial liabilities for the period, with the figures originally budgeted. A comparison to budget is not required for remeasurement gains and losses.* [APRIL 2026]

.205 *If an entity chooses not to report the change in net financial assets or net financial liabilities, it should disclose in the notes or schedules a comparison of the total actual capital expenditures incurred in the period with those originally budgeted.* [APRIL 2026]

.206 The original budget is normally the budget that was approved by the appropriate authority, generally at or near the beginning of the accounting period. It is the budget for which an entity is held accountable. Not all public sector entities prepare their budget in the same way or use public sector accounting standards in such preparation. An entity would determine the original approved budget for which it is held accountable. When it is not prepared as described in paragraph PS 1202.211, the original approved budget amounts would be restated using other sources approved by an appropriate authority or calculated from approved sources as necessary and appropriate to meet the requirements of this standard to present budget amounts in the financial statements for comparison with actual amounts.

.207 For certain governments, the original budget is that which is approved by the appropriate authority in establishing the taxation rates for the accounting period. For accountability purposes, it is the approved budget that sets the annual tax rate and expenditure limits and purposes for the upcoming year that those governments are held accountable for, rather than an interim measure that gives authority to levy taxes in the short term. So, for some governments, the original approved budget presented in the financial statements may be approved after the year has started.

.208 Some public sector entities may create and receive approval for multi-year operating plans every year. These multi-year operating plans may include the budget for the first year (the year being reported on in the financial statements) and forecasts for several subsequent years. For purposes of presenting the original budget on the financial statements, the budget that has been reviewed and approved by the appropriate authority, rather than any forecasts, would be presented.

.209 The appropriate authority may be the council, the board of directors, the controlling entity (e.g., the government) or the legislature. For certain entities, multiple authorities may approve the budget. For example, for some government organizations, both the board of directors and a government ministry approve the budget. In such cases, if approval is only provided by one of the authorities (e.g., the board of directors), the budget approved by that authority would be presented on the financial statements with a note indicating that the other authority (e.g., the government ministry) has not approved the budget. If all required authorities approve a budget, that budget would be presented in the financial statements with no note.

.210 *The budget amounts on the face of the financial statements or disclosed in the notes or schedules, as required by paragraphs* PS 1202.202 *and* PS 1202.204-*.205, should be presented: using the same basis of accounting, following the same accounting principles, for the same scope of activities, and using the same classifications as the actual amounts.* [APRIL 2026]

.211 The actual-to-budget comparison is meaningful when the budget presented for financial statement comparison purposes is presented in the same manner as the financial statements, including:

(a) being on the same basis of accounting (i.e., accrual accounting);

(b) following the same accounting principles (i.e., the standards in the PSA Handbook);

(c) being for the same scope of activities (i.e., includes all components, where applicable, and all controlled entities); and

(d) using the same classifications (i.e., revenue by type and expenses by function or major program).

Accountability is best achieved when those to whom an entity is accountable understand the financial information provided to them. If the actual and budget amounts are presented in the same manner, comparing the actual financial performance to that budgeted is easier to understand.

.212 When the basis of accounting, accounting principles, scope or classification used in the budget is different from that used for the financial statements, the approved budget amounts would need to be restated, and the restated amounts would be identified and reported as such on the face of the statement of operations. 18 Note disclosure or a schedule would reconcile the restated budget numbers back to those approved in the original budget. These reconciliations would need to be understandable and based on appropriate information to allow the user to hold the entity to account.

.213 Reconciling items will be specific to each individual entity and determining them is left to professional judgment. For example, entities that do not budget on a full accrual basis may not have an approved budget number for amortization. So, an entity would need to use professional judgment to determine the budget amount for amortization that would be included on the statement of operations.

.214 The scope of the budget would be considered different from the scope of the financial statements if a component or number of components, or a controlled entity or several controlled entities, that are individually or collectively material are not included in the reporting entity's approved budget. As a result, reconciling items that are scope adjustments could include the approved budgets of any components or controlled entities not included in the reporting entity's approved consolidated budget. If a scope adjustment cannot be made in the reconciliation, then the budget amounts cannot be presented on the face of the statements as the scope is not the same. In this rare case, a note would be required on the face of the statement of operations, and on the statement of net financial assets or net financial liabilities if the change in this indicator is presented, explaining why an actual-to-budget comparison cannot be presented for the entire reporting entity. This is consistent with the requirement in paragraph PS 1202.216.

.215 When the scope of the reporting entity changes during the accounting period, the original approved budget would be presented on the statement of operations. Disclosure listing the components and organizations comprising the reporting entity in accordance with GOVERNMENT REPORTING ENTITY, paragraph PS 1300.39, would include reference to changes in the reporting entity during the accounting period.

When a budget is not prepared or approved

.216 *When the budget of the reporting entity is not prepared or approved, an acknowledgment stating this fact should be presented:*

(a) on the statement of operations in relation to surplus or deficit; and

(b) on the statement of net financial assets or net financial liabilities in relation to the change in net financial assets or net financial liabilities if such change is presented; or

(c) in the notes or schedules, in relation to capital expenditures if the change in net financial assets or net financial liabilities is not presented.

This acknowledgment should also explain why the actual-to-budget comparison could not be done. The budget is an important aspect of the accountability cycle. As a result, it is important to indicate when the budget is not prepared or approved. [APRIL 2026]

.217 Circumstances in which a budget is not prepared or approved are expected to be rare in the public sector.

.218 If the note acknowledging that a budget is not prepared or approved (including the related explanation) is long, an abbreviated version of the note would appear on the face of the statements. The abbreviated version of the note would refer to where in the notes or schedules to the financial statements the full acknowledgement and explanation are provided.

Use of an amended budget

.219 An amended approved budget may be presented for actual-to-budget comparison purposes by a government only when there is an election and the newly elected government prepares a new budget that is approved by the legislature, council or other equivalent appropriate authority. 19 The new government would determine if presenting the new amended approved budget or the original approved budget in its financial statements for comparison purposes would best serve the accountability objective. The amended approved budget of a new government may affect the budgets of its controlled entities.

.220 An amended approved budget may be presented for actual-to-budget comparison purposes by a government organization only when the majority of its governing body has been newly elected or appointed and a new budget is approved. 20 The governing body would determine if presenting the new amended approved budget or the original approved budget in its financial statements for comparison purposes would best serve the accountability objective. However, for the controlling government, in the absence of an election of a new government and consequently a new consolidated approved budget, the approval of a new amended approved budget by a controlled entity would be considered only a plan amendment for the controlling government. Therefore, the new amended approved budget of a controlled entity would not affect the consolidated budget used for comparison purposes in a government's consolidated financial statements.

.221 In determining whether to use the original or an amended approved budget for financial statement comparison purposes, an entity would consider which budget provides the best accountability information. For example, one consideration may be the approval date of the new amended budget. If the new amended budget is approved close to the fiscal year end, comparison against it may provide less meaningful accountability information than comparison against the original budget of the previous government. Professional judgment would determine which budget would best serve the accountability objective.

.222 An amended budget is different from forecasts updated over the course of the year. An amended budget must be approved by the appropriate authority or authorities and follow the same required due process for establishing the original budget. This is the crucial distinction between a budget (original or amended) and a forecast updated over the course of the year.

.223 *The use of an approved amended budget rather than the approved original budget should be disclosed. The reasoning for using the amended budget should also be disclosed.* [APRIL 2026]

Presentation of actual-to-budget capital expenditures

.224 Paragraphs PS 1202.204-.205 require a comparison of actual to budgeted capital expenditures. Such information would be provided in the statement of net financial assets or net financial liabilities if the change in that indicator is presented on that statement. If not, it would be provided in the notes or schedules.

.225 The total actual and budgeted capital expenditures is presented (i.e., on the statement of net financial assets or net financial liabilities if the change in that indicator is presented on that statement, or in the notes or schedules).

.226 Capital projects may involve:

(a) single-year acquisition or construction; and/or

(b) acquisition or construction over multiple years.

.227 For single-year capital projects, the original budget is generally compiled and approved at or near the beginning of the accounting period.

.228 For multi-year capital projects, the original approved budget, prepared multiple years ago, may not be the most appropriate budget to present for comparison purposes with actual capital expenditures in the period. In some cases, entities may create and receive approval for multi-year capital plans, every year. These multi-year capital plans may include the budget for the first year (the year being reported on in the financial statements) and forecasts for several subsequent years. For purposes of presenting the budgeted expenditures in the financial statements, the budget that has been reviewed and approved by the appropriate authority, rather than any forecasts, would be presented. The use of this budget may best serve the accountability objective for the year in terms of acquisitions and understandable actual-to-budget comparisons.

.229 The capital budget should include those amounts approved by the appropriate authority, as per paragraphs PS 1202.206 and PS 1202.209.

Disclosing non-compliance with financial authorities

.230 Users look to financial statements to determine whether the economic resources entrusted to a public sector entity were administered in accordance with its financial authorities. As defined in Chapter 6 of the Conceptual Framework, financial authorities are financial control mechanisms relating to the expected raising, use and management of public resources.

.231 *Financial statements should disclose information that highlights when an entity's expenses, expenditures, revenue, borrowing and investing were not within the limits authorized by its financial authorities. This disclosure would be provided in the notes or schedules to the financial statements.* [APRIL 2026]

.232 The concepts of professional judgment and materiality would be considered in determining the nature and extent of the information financial statements would provide on non-compliance with financial authorities.

Disclosing risks and uncertainties

.233 *Financial statements should disclose information about the risks and uncertainties that could affect an entity's financial position or changes in financial position.* [APRIL 2026]

.234 Financial statements that are comprehensive and respond to the accountability objective require the disclosure of the risks and uncertainties that could affect an entity's financial position or changes in financial position. Individual standards set out the disclosure requirements for various risks and uncertainties. However, an entity is encouraged to provide disclosure of other risks and uncertainties it deems important for understanding its financial position or changes in financial position.

IMPORTANCE OF NOTES AND SCHEDULES

.235 Notes and schedules are integral to the financial statements. They clarify and explain items, transactions and other events recognized and reported on the face of the financial statements. They are cross-referenced to the specific items on the face of the financial statements to which they relate. Chapter 10 of the Conceptual Framework sets out concepts fundamental to selecting, locating and organizing relevant and understandable disclosure in the notes and schedules.

.236 *The notes and schedules should be clearly identified.* [April 2026]

.237 Notes would, as far as practicable, be presented in a systematic manner. In determining a systematic manner, consideration would be given to the understandability of the financial statements and the presentation concepts in Chapter 10 of the Conceptual Framework.

.238 DISCLOSURE OF ACCOUNTING POLICIES, Section PS 2100, sets out requirements for the disclosure of accounting policies in the notes.

.239 Some entities include references to information provided in other separate reports to help users find additional information about specific financial statement items. Those other reports are not a part of the financial statements. References to them need to be distinguished clearly from references to notes and schedules integral to the financial statements.

.240 *Notes and schedules should not be used as a substitute for the proper recognition and/or measurement of an item, transaction or other event.* [April 2026]

REPORTING ON FUNDS AND RESERVES

.241 Funds and reserves would be disclosed in accordance with FUNDS AND RESERVES, PSG-4.

EFFECTIVE DATE AND TRANSITIONAL PROVISIONS

.242 This Section applies for fiscal years beginning on or after April 1, 2026. Earlier adoption is permitted only if the Conceptual Framework is also adopted at the same time. Prior period amounts would need to be restated to conform to the presentation requirements for comparative financial information in this Section.

GLOSSARY

Consumption is defined as the "using up" or reduction of the service potential of a resource, such as when the service potential of a depreciable tangible capital asset is used, the benefits associated with a prepaid asset are yielded or inventories of supplies are used in operations. An example of a non-consumable asset is land; its service potential is not used up or depleted as the asset is used or otherwise accessed.

A **financial asset** is an asset that could be used to discharge existing financial liabilities or spend on future operations and is not for consumption in the normal course of operations.

A **financial liability** is a liability that is expected to be settled using existing or future financial assets.

A **financial performance obligation** is one type of financial liability. It is a performance obligation that is expected to be settled using financial assets.

A **non-financial asset** is an asset that does not meet the definition of a financial asset.

A **non-financial liability** is a liability that does not meet the definition of a financial liability.

A **non-financial performance obligation** is one type of non-financial liability. It is a performance obligation that is not expected to be settled using financial assets but rather through the use of or providing access to non-financial assets or economic resources excluded from recognition in paragraph PS 1202.079.

Performance obligations are enforceable promises to provide specific goods or services to a specific payor. Performance obligations are defined in REVENUE, paragraph PS 3400.05.

Unearned revenue arises when consideration is received in advance of the recipient entity:

(a) fulfilling external restrictions as defined in RESTRICTED ASSETS AND REVENUES, Section PS 3100, or

(b) fulfilling transfer stipulations or transfer stipulations and recipient actions and communications, as described in GOVERNMENT TRANSFERS, Section PS 3410; or

(c) in relation to performance obligations, fulfilling enforceable promises to a payor under a contract or other arrangement pursuant to an exchange transaction (as described in REVENUE, paragraph PS 3400.028).

APPENDICES

TABLE OF CONTENTS

I – APPLICATION GUIDANCE

APPENDIX A: APPLICATION GUIDANCE – CLASSIFYING UNEARNED REVENUE LIABILITIES AS FINANCIAL OR NON-FINANCIAL

This Appendix is an integral part of this Section and is therefore a primary source of GAAP identified in GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, paragraph PS 1150.03(d)(i).

PURPOSE AND SCOPE

AG.01 Paragraph PS 1202.107 indicates that examples of liabilities that would be classified as financial are in paragraphs PS 1202.090(a)-(i) and examples of liabilities that would be classified as non-financial are in paragraphs PS 1202.100(a)-(b). The classification of other liabilities as financial or non-financial is more complex, normally those of the type identified in paragraphs PS 1202.090(j)-(k) and PS 1202.100(c)-(d). In such circumstances, a public sector entity would apply the criteria in PS 1202.AG.03-.04 and the other requirements of this Appendix in determining classification.

AG.02 This application guidance assists in determining whether a liability should be included in calculating the net financial assets or net financial liabilities indicator. Classifying liabilities as financial or non-financial removes some liabilities from the calculation, making the indicator more precise and restoring it to its original meaning: financial resource requirements arising because of past transactions and other events. If a liability does not represent a financial resource requirement, it is non-financial and excluded from the calculation.

CRITERIA FOR DISTINGUISHING FINANCIAL FROM NON-FINANCIAL LIABILITIES

AG.03 A liability is likely to be a financial liability if:

(a) settling the liability requires an outflow, disbursement or sacrifice of existing or future financial assets;

(b) an incremental burden is placed on existing or future financial assets because future spending is required to settle the liability;

(c) the entity has lost its discretion to avoid future spending to settle the obligation; or

(d) a future outflow of financial assets to a payor is needed to fulfil a specific financial performance obligation arising from an exchange transaction, which can be differentiated from the entity's program commitments and other similar ongoing operational spending.

AG.04 A liability is likely to be a non-financial liability if settling the liability requires the obligated entity:

(a) to itself use one of its non-financial assets to settle the liability (e.g., using a tangible capital asset acquired through a government transfer to provide services);

(b) to itself use one of its unrecognized economic resources (see paragraph PS 1202.079) to settle the liability (e.g., using a developed intangible to provide services);

(c) to allow an external party to use one of its non-financial assets or unrecognized economic resources;

(d) to provide certain rights of access to an external party to one of the entity's non-financial assets or unrecognized economic resources (see paragraphs PS 1202.AG.20 and PS 1202.AG.24-.25); or

(e) to incur minor, incidental administrative or operating spending to allow external use or access to one of its non-financial assets or unrecognized economic resources. No financial assets are expected to be disbursed or sacrificed to settle the liability itself (see paragraphs PS 1202.AG.23-.24).

AG.05 In weighing the evidence for classifying a liability, an entity would consider the criteria in paragraphs PS 1202.AG.03-.04 collectively and individually. One criterion, in and of itself, may not be sufficient evidence to determine a liability's classification.

AG.06 Grouping items of similar substance for classification purposes may be appropriate. Consideration would be given to the aggregation guidance in paragraphs PS 1202.034-.036 and Chapter 10 of the Conceptual Framework.

FUTURE EVENTS AND CHANGES IN CLASSIFICATION

AG.07 Liabilities are classified at the financial statement date according to the obligated entity's expectations of how they will be settled. Future events may, however, require a liability to be reclassified and/or remeasured because expectations of how it will be settled have changed.

AG.08 One example relates to a capital transfer received. An entity that had previously received a capital transfer to buy or build a capital asset and use it to provide specific services over future periods has built the asset (i.e., settled the initial financial liability) and used the asset as stipulated for some time, but no longer uses the asset for the stipulated purposes (i.e., is no longer meeting the obligation under the non-financial liability because the stipulated period for use has not elapsed).

(a) If the original transfer arrangement included repayment requirements triggered when the recipient breaches transfer terms, the recipient may have to repay the original transfer or return the asset to the transferor as repayment or pay penalties.

(i) If repayment is expected or required to be through an outflow of financial assets, the recipient's non-financial liability to use the asset to provide services would be reclassified and presented as a financial liability. The transfer terms would determine measurement of this financial liability, for example, if it is the entire amount of the original transfer, the amount of the remaining non-financial liability or some other amount to be repaid. Thus, it is possible that revenue or expense may also result from this event.

(ii) If repayment is required by returning the asset built through the transfer to the transferor, then, in accordance with paragraph PS 1202.099(e), this non-financial liability would be settled by transferring this asset from the recipient to the transferor. The original non-financial liability to use the asset to provide services becomes a non-financial liability to transfer the asset to the transferor. Measurement of this liability would depend on the transfer terms but may be at the amount at which the asset to be transferred is measured. It is possible that revenue or expense may also result from this event depending on the difference, if any, between the original non-financial liability and the new non-financial liability.

(iii) An incremental liability for penalties generally requires payment through a future outflow of financial assets and would be classified as a financial liability. This would be a new liability and so an expense would result from this event.

Such "reclassification" and possible change in measurement would only occur when the transfer terms are breached, and the repayment or penalty requirements are triggered. The existence of repayment requirements in a transfer arrangement would not determine the classification of a transfer-related liability at the inception of the arrangement.

(b) If the original transfer arrangement did not include repayment requirements or penalties triggered when the recipient breaches transfer terms, and the recipient entity breaches those terms, derecognition of the remaining balance of the original non-financial liability to use the asset to provide services may be required in the period the change in use occurs.

RECEIPT OF RESTRICTED AND UNRESTRICTED FINANCIAL ASSETS

AG.09 Paragraph PS 1202.085 notes that the nature of the economic resources received that give rise to a liability do not determine its classification. How the liability is expected, at the financial statement date, to be settled determines its classification. There are generally three circumstances relating to financial resources received:

(a) Financial resources are received under an arrangement that gives rise to a related liability and access to the financial resources is externally restricted as described in paragraph PS 1202.066(a). The assets are not accessible; they are not available to spend on future operations or settle liabilities. Paragraph PS 1202.066 concludes these resources would be classified as non-financial assets and so, they would be excluded from the calculation of the net financial assets or net financial liabilities indicator. The asset classification does not determine the liability classification. The liability would be classified as financial or non-financial depending on how it is expected to be settled and so may or may not be included in the calculation of the indicator.

(b) Financial resources are received under an arrangement that gives rise to a related liability and the use of the financial resources is externally restricted as described in paragraph PS 1202.066(b). The resources meet the definition of financial assets because they can be accessed and will be used to settle a specific liability. The recipient can only use them to meet a specific purpose(s) due to certain stipulations or external restrictions. The assets are not available to spend on future operations or to settle other liabilities. The related liability will be settled through disbursement of those specific financial assets; so, it is a financial liability. In these circumstances, both the assets and the liability would be included in calculating the net financial assets or net financial liabilities indicator.

(c) Financial resources are received under an arrangement that gives rise to a related liability. However, the recipient can spend the resources on future operations (i.e., future expenditures) or to settle other liabilities. The recipient is not required to use the resources to settle the specific liability their receipt gave rise to. This means the financial resources meet the definition of financial assets and would be included in calculating the net financial assets or net financial liabilities indicator. The liability would be classified as financial or non-financial depending on how it is expected to be settled and so may or may not be included in calculating the indicator. For example, refer to performance obligation liabilities in paragraphs PS 1202.AG.18-.25, which can be financial or non-financial in nature regardless of the nature of the resources received from the payor.

UNEARNED REVENUE

AG.10 Unearned revenue is defined as arising when consideration is received in advance of the recipient entity:

(a) fulfilling external restrictions as defined in RESTRICTED ASSETS AND REVENUES, Section PS 3100, or

(b) fulfilling transfer stipulations or transfer stipulations and recipient actions and communications, as described in GOVERNMENT TRANSFERS, Section PS 3410; or

(c) in relation to performance obligations, fulfilling enforceable promises to a payor under a contract or other arrangement pursuant to an exchange transaction (as described in REVENUE, paragraph PS 3400.028).

AG.11 Each unearned revenue liability of the types described in paragraph PS 1202.108 would be examined at inception to see if it should be classified as financial or non-financial given the criteria in paragraphs PS 1202.AG.03-.04. Applying this guidance would result in only those liabilities representing financial resource requirements that will be settled with a disbursement of financial assets being included in the net financial assets or net financial liabilities indicator.

AG.12 Unearned revenue arising from performance obligations is explained in REVENUE, paragraph PS 3400.28. Such transactions may give rise to a liability, which would be classified as financial or non-financial. For performance obligations, unearned revenue involves receipt of consideration for goods or services to be delivered by the entity to a payor in the future pursuant to an exchange transaction.

Classifying liabilities arising from exchange transactions as financial or non-financial

AG.13 Liabilities may arise from exchange transactions that are public private partnerships, accounted for in accordance with PUBLIC PRIVATE PARTNERSHIPS, Section PS 3160, or that give rise to performance obligations, accounted for in accordance with REVENUE, Section PS 3400.

(a) Liabilities arising from public private partnerships are not considered unearned revenue liabilities for the purposes of classifying liabilities as financial or non-financial in accordance with Section PS 1202. Their classification is identified in paragraphs PS 1202.090(i) and PS 1202.100(a).

(b) Performance obligation liabilities may be classified as financial or non-financial depending on how the performance obligation will be settled. Guidance in this Appendix may help with such classification.

AG.14 For classification purposes and for ensuring a more precise calculation of the net financial assets or net financial liabilities indicator, paragraphs PS 1202.090(j) and PS 1202.100(c) acknowledge there are two categories of performance obligation: financial and non-financial. For some types of performance obligations, it will be clear that an outflow of existing or future financial assets is required to settle the performance obligation, and it would be classified as a financial liability. The basis of settlement of other performance obligations may be less clear and their classification more difficult to determine.

AG.15 REVENUE, paragraph PS 3400.A5, notes that the goods or services promised in a transaction giving rise to a performance obligation represent future economic sacrifices of the entity. Specifically identifying the characteristics of those goods or services helps identify the performance obligations and determine when the performance obligation has been satisfied. These characteristics also help classify the performance obligation liability as financial or non-financial.

AG.16 The following guidance draws on the examples of promised goods and services that represent future economic sacrifices of an obligated entity in paragraph PS 3400.A6. The guidance indicates the performance obligation's classification as financial or non-financial and the consideration(s) involved in determining this. Individual entities will have specific circumstances that may not exactly correspond to the brief high-level scenarios below. Professional judgment would be used to determine the substance of the performance obligation(s) under consideration and how they differ from the scenarios below, which may affect their classification. REVENUE, Section PS 3400, including its application guidance in Appendix A, helps with identifying individual performance obligations.

AG.17 The following guidance also builds on the conclusion in REVENUE, Section PS 3400, that performance obligations meet the liability definition and assumes that any performance obligations have been identified. Whether a performance obligation is financial or non-financial would be determined in the context of the guidance in Section PS 1202, including this Appendix.

Identifying financial performance obligations

AG.18 Under a financial performance obligation, promised goods or services that, when provided settle the performance obligation, may include, but are not limited to:

(a) goods produced by a public sector entity for sale (e.g., municipal water provided for a fee) as described in paragraph PS 1202.063;

(b) goods purchased by a public sector entity for resale (e.g., recycling bins) as described in paragraph PS 1202.063; and

(c) other assets designated for sale as described in paragraphs PS 1202.064-.065.

AG.19 These items provided to settle the performance obligation are financial assets. So, if a performance obligation requires these be sacrificed to settle the liability, the performance obligation is a financial performance obligation and the liability is a financial liability. See also examples in paragraphs PS 1202.AG.22(b)-(c) regarding settlement of a performance obligation to deliver services through payment of salaries and benefits to employees or payment for outsourcing of service delivery to external parties. Such performance obligation liabilities also require an outflow of financial assets to settle them and so would be classified as financial liabilities.

Identifying non-financial performance obligations

AG.20 Under a non-financial performance obligation, promised goods or services that, when provided settle the performance obligation, may include, but are not limited to:

(a) allowing use of tangible capital property for a specified period (e.g., rental of space for skating at a community centre), when such use is not open to the general public, as would be the case in a municipal ongoing public program. The benefit to the payor is the use of the community centre; the obligated entity allowing such use settles the liability, as described in paragraph PS 1202.099(c).

(b) an asset constructed, manufactured or developed for and ultimately provided to a payor (e.g., connecting a private dwelling to the municipal water system). The liability is settled by providing the non-financial asset to the payor as described in paragraph PS 1202.099(e).

(c) rights provided to use or access intangible resources owned or controlled by the government (e.g., an agreement to access electromagnetic spectrum, a licence providing rights for natural resources or a licence for patented technology). Providing for such use or access does not involve the outflow of financial assets to a payor. The benefit to the payor is the obligated entity allowing access to the resource(s), which settles the liability as described in paragraph PS 1202.099(d).

(d) options granted to purchase additional goods or services (when those options provide the payor with a concessionary right). Granting such options settles the liability; it does not involve the outflow of financial assets to a payor. The benefit to the payor is the possibility of preferential access to future goods and services.

(e) a decision provided and having the appropriate documentation ready (e.g., issuing a driver's licence to a qualified driver). Providing the decision and related documentation settles the liability; it does not involve the outflow of financial assets to the payor of the licencing fee. The benefit to the payor is the right to drive.

Performance obligations settled by providing services

AG.21 Unearned revenue scenarios that may be difficult to classify include the following provision of services scenarios from REVENUE, paragraph PS 3400.A6, in which a fee is received up front in exchange for the entity providing future services:

(a) an agreed-upon task (e.g., daycare services provided for a fee); and

(b) services provided, including those that involve another party (e.g., routes operated by a contracted service provider for a public transit commission for a fee).

These scenarios were set out in relation to revenue recognition in Appendix A to REVENUE, Section PS 3400. For liability classification, additional factors would need to be considered. For example, an entity's choices as to how it will deliver the services may determine how the liability would be settled.

AG.22 Service delivery involves the application of labour, materials or capital assets (e.g., buildings or equipment) or some combination of these to supply the needs of a client, often a payor or a payor on behalf of third-party clients. For example, an obligated entity might choose to provide the required services:

(a) by using one of its own non-financial assets or unrecognized economic resources. If the obligation to provide services meets the definition of a liability, it is likely non-financial.

(b) by using staff to deliver the required services. If the obligation to provide services meets the definition of a liability, it would be settled by paying the staff to deliver the services and is likely financial.

(c) by outsourcing (i.e., contracting a third party to deliver the required services). If the obligation to provide services meets the definition of a liability, it would be settled through an outflow of financial assets to the third-party contractor to have the contractor provide the required services. Thus, it would likely be a financial liability.

(d) by some combination of the above. If the delivery of services involves the application of labour, materials and capital assets, there may be separable components to the liability based on the proportions of each needed to deliver the required services. The practicability and appropriateness of separating the liability to provide services in this manner would be considered in accordance with paragraphs PS 1202.105-.106 and PS 1202.AG.39-.40.

Administrative or operating costs

AG.23 For non-financial performance obligations, the obligated entity may incur some administrative or operating costs to allow an external party to use or access one of its non-financial assets or unrecognized economic resources, but these do not involve an outflow of financial assets to the payor. They are minor or incidental to settling the performance obligation.

AG.24 Operating or administrative spending that is minor or incidental and does not comprise a separable performance obligation could be incurred by the obligated entity over the term of an arrangement to:

(a) allow use of a non-financial asset or unrecognized economic resource over the term of an arrangement. The liability is settled through use of the asset or resource (e.g., consumption of its service potential), not through payment of incidental expenses.

(b) provide an external party certain rights of access to recognized non-financial assets, (e.g., land or a park) or to unrecognized economic resources (e.g., the electromagnetic spectrum) over the term of the arrangement. The liability is settled through providing access to the asset or resource, not through payment of incidental expenses.

Whether a requirement to incur operating or administrative costs that are more significant and not merely incidental comprises a separate performance obligation to be considered for liability classification purposes would be determined in accordance with REVENUE, Section PS 3400. The guidance relating to liabilities with financial and non-financial components in paragraphs PS 1202.105-.106 and PS 1202.AG.39-.40 may also be relevant in determining this.

Rights of access

AG.25 Paragraph PS 1202.099(d) indicates that settlement of a non-financial liability can involve an obligated entity providing an external party certain rights of access to one of its non-financial assets or unrecognized economic resources. The obligation is to provide access.

(a) Restrictions of time, geography or use may be attributes that define the parameters of the access.

(b) Defending the payor's access on a non-interfering basis is not a separate performance obligation.

(c) Improvement, operation or maintenance of the asset or resource to which access is provided could be a separate performance obligation. This would be determined in accordance with REVENUE, Section PS 3400.

Classifying liabilities arising from non-exchange transactions as financial or non-financial

AG.26 Liabilities may arise from non-exchange transactions, such as transfers and externally restricted inflows. Depending on how the liability is expected to be settled, it would be classified as financial or non-financial.

AG.27 Obligations arising from government transfers received that meet the definition of a liability are accounted for in accordance with GOVERNMENT TRANSFERS, Section PS 3410. Their classification is set out in paragraph PS 1202.090(k) in conjunction with paragraphs PS 1202.AG.30(a)-(c) (financial), paragraph PS 1202.100(b) in conjunction with paragraph PS 1202.AG.34 (non-financial) and in paragraph PS 3410.23A.

AG.28 Liabilities arising from other non-exchange transactions may be more difficult to classify, for example, those obligations arising from externally restricted inflows accounted for in accordance with RESTRICTED ASSETS AND REVENUES, Section PS 3100. Such obligations are reported as liabilities and may be classified as financial or non-financial depending on how the external restrictions will be met. Guidance in paragraphs PS 1202.AG.30(d) and PS 1202.AG.36 may help with such classification.

Financial liabilities arising from economic resources received in non-exchange transactions

AG.29 Paragraph PS 1202.090(k) notes that unearned revenue liabilities resulting from economic resources received in non-exchange transactions may give rise to financial liabilities. It references three standards: GOVERNMENT TRANSFERS, Section PS 3410, RESTRICTED ASSETS AND REVENUES, Section PS 3100, and more generally, LIABILITIES, Section PS 3200. Government not-for-profit organizations that are not allowed to or choose not to apply the PS 4200 series:

(a) recognize government transfers received and classify related liabilities in accordance with Section PS 3410 (see also paragraph PS 1202.AG.27); and

(b) may recognize, measure and present resources received in other non-exchange transactions that are not government transfers (i.e., received from non-government sources) using Sections PS 3100 or PS 3200.

AG.30 Examples of obligations arising from economic resources received in non-exchange transactions that give rise to financial liabilities include:

(a) A present obligation arises in relation to an operating transfer received. If it meets the definition of a liability and would be settled through the spending of financial assets on operations, it would be classified as a financial liability.

(b) A present obligation arises in relation to a capital transfer received for the purpose of acquiring or developing a tangible capital asset. If only acquisition or development is explicitly required by the arrangement, and if the obligation meets the definition of a liability and would be settled through the spending of financial assets to acquire or develop the tangible capital asset, it would be classified as a financial liability.

(c) A present obligation arises in relation to a capital transfer received for the purpose of acquiring or developing a tangible capital asset for use in providing services for a defined number of years. When an entity receives the transfer and concludes it creates an obligation that meets the liability definition, the initial liability to acquire or develop the asset would be a financial liability. If the further obligation to provide services also meets the definition of a liability, the financial liability would be reclassified to non-financial liabilities as the tangible capital asset is acquired or developed. The non-financial liability is then settled through the obligated entity using the tangible capital asset to provide the services.

(d) Externally restricted inflows of economic resources are received to be used for a specific purpose as set out in RESTRICTED ASSETS AND REVENUES, Section PS 3100, and the purpose:

(i) has not been satisfied as required by Section PS 3100;

(ii) will be satisfied through spending or disbursement of financial assets; and

(iii) does not involve the obligated entity itself using a non-financial asset or an unrecognized economic resource, for example to provide services over a future period.

(e) Externally restricted inflows of economic resources are received to be used for a specific purpose as set out in RESTRICTED ASSETS AND REVENUES, Section PS 3100, and the purpose:

(i) has not been satisfied as required by Section PS 3100;

(ii) will be satisfied through spending or disbursement of financial assets; and

(iii) does not involve the obligated entity allowing external use of or access to one of its non-financial assets or unrecognized economic resources.

AG.31 Section PS 3100 requires the obligations in paragraph AG.30(d)-(e) be reported as liabilities and they would be classified as financial liabilities according to how they are expected to be settled per paragraph AG.30(d)(ii) and (e)(ii). Paragraph PS 1202.AG.09(b) acknowledges that external restrictions may be sufficiently specific that the financial resources received can only be used to settle the related liability. Paragraph PS 1202.AG.09(c) acknowledges that some external restrictions are not as stringent regarding use of the economic resources received and that some liabilities arising from an inflow of externally restricted financial assets may give rise to a non-financial liability.

Non-financial liabilities arising from economic resources received in non-exchange transactions

AG.32 A non-financial performance obligation is a type of non-financial liability. Performance obligations arise from exchange transactions in which goods or services are provided to a payor for consideration. REVENUE, paragraph PS 3400.027, states that an unfulfilled performance obligation for a public sector entity has all three essential characteristics of a liability. A non-financial performance obligation is a performance obligation that is not expected to be settled with financial assets but through use of or providing access to non-financial assets or economic resources excluded from recognition in paragraph PS 1202.079. Because they arise from exchange transactions, classification of non-financial performance obligations is dealt with in paragraphs PS 1202.AG.20-.25.

AG.33 However, non-financial liabilities can also arise from non-exchange transactions, such as capital transfers received, or economic resources received with external restrictions.

AG.34 Non-financial liabilities settled through use of a tangible capital asset acquired through a government capital transfer are not non-financial performance obligations. They are comparable in substance to non-financial performance obligations. However, the definition of performance obligations in REVENUE, Section PS 3400, restricts performance obligations to exchange transactions. Non-financial liabilities settled through use of a tangible capital asset acquired through a government capital transfer may arise from:

(a) an obligation described in GOVERNMENT TRANSFERS, paragraph PS 3410.23(c): “a capital transfer for the purpose of acquiring or developing a tangible capital asset for use in providing services for a defined number of years,” if the liability definition is met.

(i) When an entity receives the transfer, and concludes it creates an obligation that meets the liability definition, the initial liability to acquire or develop the asset would be a financial liability.

(ii) The financial liability would then be reclassified to a non-financial liability as the tangible capital asset is acquired or developed; the non-financial liability is ultimately settled through use of the tangible capital asset over time to provide services.

(b) an obligation described in GOVERNMENT TRANSFERS, paragraph PS 3410.23(d): “a transfer of a tangible capital asset that is to be used to provide services for a defined number of years,” if the liability definition is met. When an entity receives the transferred asset and concludes its receipt creates an obligation that meets the liability definition, the liability would be classified as a non-financial liability. The non-financial liability is ultimately settled through use of the received tangible capital asset over time to provide services.

AG.35 Paragraph PS 1202.100(d) notes that unearned revenue liabilities resulting from economic resources received in non-exchange transactions may give rise to non-financial liabilities. It references two standards: RESTRICTED ASSETS AND REVENUES, Section PS 3100, and more generally, LIABILITIES, Section PS 3200. Government not-for-profit organizations that are not allowed to or choose not to apply the PS 4200 series to recognize, measure and present resources received in non-exchange transactions that are not government transfers may use Sections PS 3100 or PS 3200 in accounting for and presenting liabilities arising from these transactions.

AG.36 Obligations arising from economic resources received in non-exchange transactions that are not government transfers include externally restricted inflows of economic resources that are to be used for a specific purpose as set out in RESTRICTED ASSETS AND REVENUES, Section PS 3100, and the purpose:

(a) has not been satisfied as required by Section PS 3100;

(b) will not be satisfied through spending or disbursement of financial assets; and

(c) involves the obligated entity itself using a non-financial asset or an unrecognized economic resource (e.g., to provide services over a future period).

AG.37 Obligations arising from economic resources received in non-exchange transactions that are not government transfers include externally restricted inflows of economic resources that are to be used for a specific purpose as set out in RESTRICTED ASSETS AND REVENUES, Section PS 3100, and the purpose

(a) has not been satisfied as required by Section PS 3100;

(b) will not be satisfied through spending or disbursement of financial assets; and

(c) involves the obligated entity allowing external use of or access to one of its non-financial assets or unrecognized economic resources.

AG.38 Section PS 3100 requires the obligations in paragraphs AG.36-.37 be reported as liabilities, and they would be classified as non-financial according to how they are expected to be settled per paragraphs AG.36(c) and AG.37(c). Paragraph PS 1202.AG.09(c) acknowledges that some external restrictions are less stringent regarding use of the financial resources received and that some liabilities arising from an inflow of externally restricted financial assets may give rise to a non-financial liability.

Liabilities with financial and non-financial components

AG.39 Paragraphs PS 1202.105-.106 acknowledge that some liabilities may have financial and non-financial components. Consideration would be given to the substance and proportionate materiality of the individual components in determining whether separation into components is practicable and appropriate. Immaterial components, even if separable, would not be reported or classified separately. Thus, the materiality of the individual components would be an important factor in determining this. For example:

(a) If a material component of a liability will be settled with financial assets, and if proportionately that component comprises most of the liability, with only an immaterial component being otherwise settled, then the entire liability would be classified as a financial liability.

(b) If a material component of a liability will be settled through any of the means set out in paragraph PS 1202.099, and if proportionately that component comprises most of the liability, with only an immaterial component being otherwise settled, then the entire liability would be classified as a non-financial liability. If administrative or operating costs to allow an external party to use or access an asset or unrecognized economic resource are minor and incidental to the obligation as a whole, they would not be reflected as a separate component of the liability (see paragraphs PS 1202.AG.23-.24).

(c) If a liability has both financial and non-financial components and each is material, it would be appropriate to classify each material component separately according to how it is expected to be settled.

AG.40 When applying this guidance to performance obligations, the guidance in REVENUE, Section PS 3400, for identifying each distinct good or service promised to a payor that gives rise to a performance obligation should be applied. Each distinct good or service has a performance obligation that would be accounted for separately as a liability and classified as financial or non-financial. In applying paragraph PS 1202.105-.106 to performance obligations for classification purposes, a performance obligation identified and recognized as a liability in accordance with Section PS 3400 is not required to be subdivided further into financial and non-financial components for classification purposes. See paragraphs PS 1202.AG.14-.25, PS 3400.29-.34 and Appendix A to Section PS 3400 for identifying distinct goods and services that would underlie individual performance obligations.

(a) Classification as a financial or non-financial liability would be at the level of performance obligation identification required by Section PS 3400. 22

(b) Exchange transactions are defined in paragraph PS 3400.05 as not necessarily requiring exchanges of fair or equal value. So, it is possible that settling a non-financial performance obligation might require some future use of financial assets to completely fulfill the obligation, for example, in the case of government-subsidized goods and services provided to a payor. In such circumstances, performance obligations would not be subdivided further than required by Section PS 3400 purely for classification purposes.

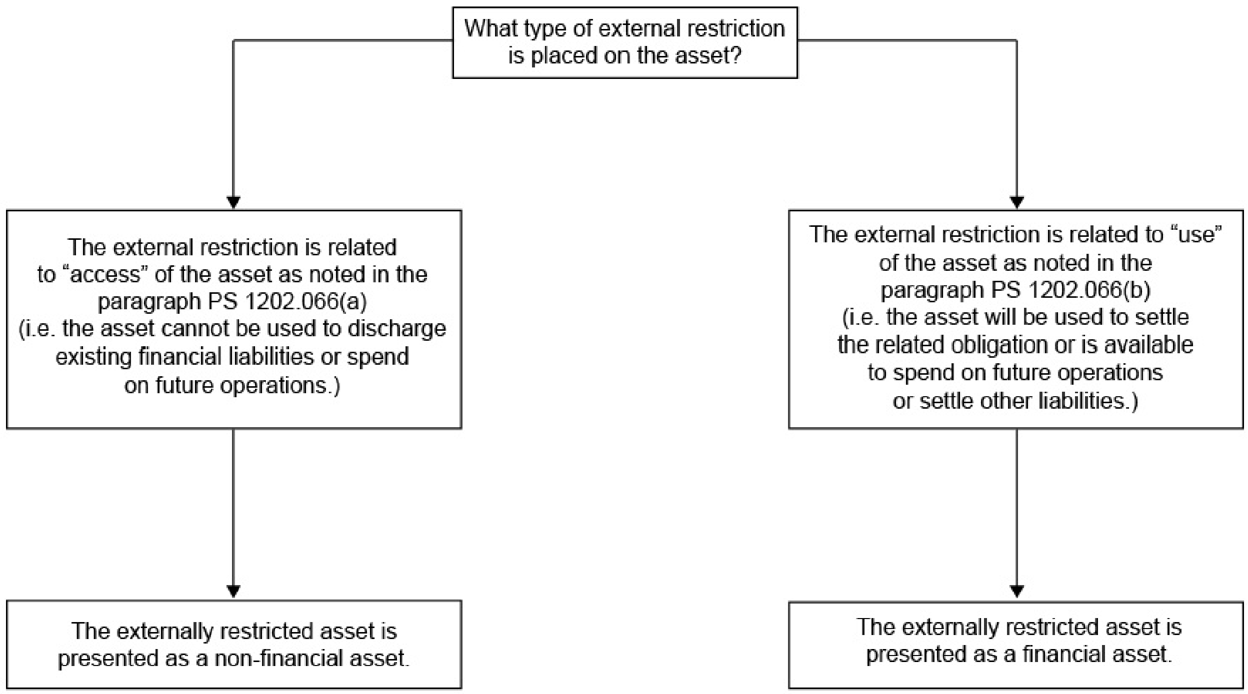
II – DECISION TREES

APPENDIX B: DECISION TREE – CATEGORIZATION OF EXTERNALLY RESTRICTED ASSETS

While illustrative, this Appendix is a primary source of GAAP, as identified in GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, paragraph PS 1150.03(d)(iii).

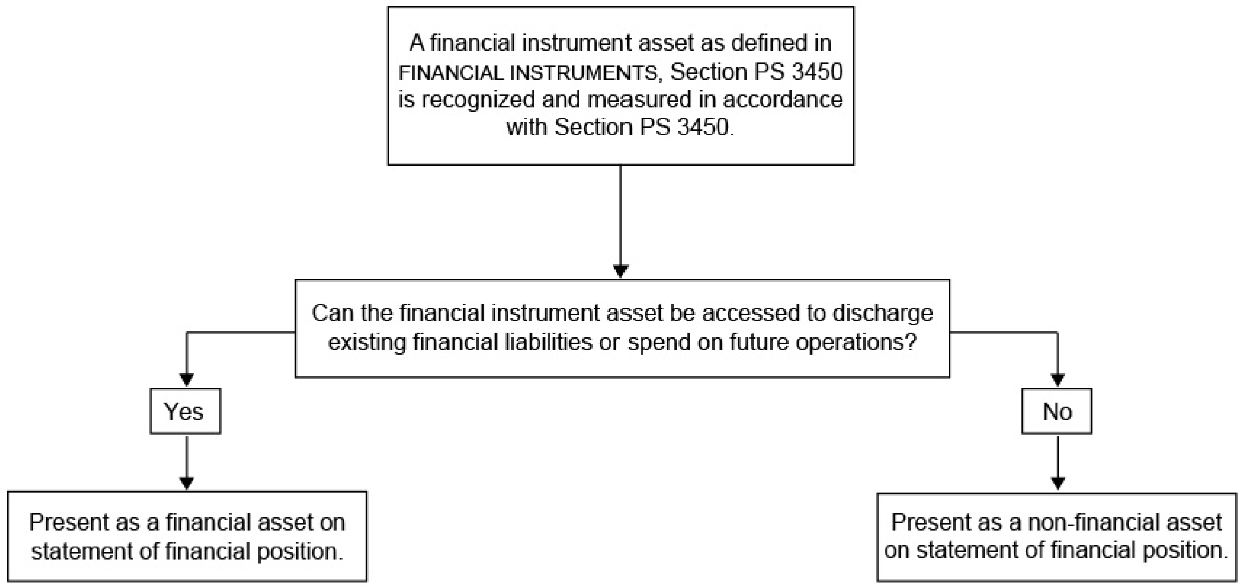
Certain assets may have external restrictions placed on them. This Decision Tree assumes that the asset being analyzed has an external restriction. External restrictions placed on assets affect their classification as financial or non-financial as noted in paragraph PS 1202.066. There are two types of external restrictions:

1. restriction on “access”; and
2. restriction on “use”.



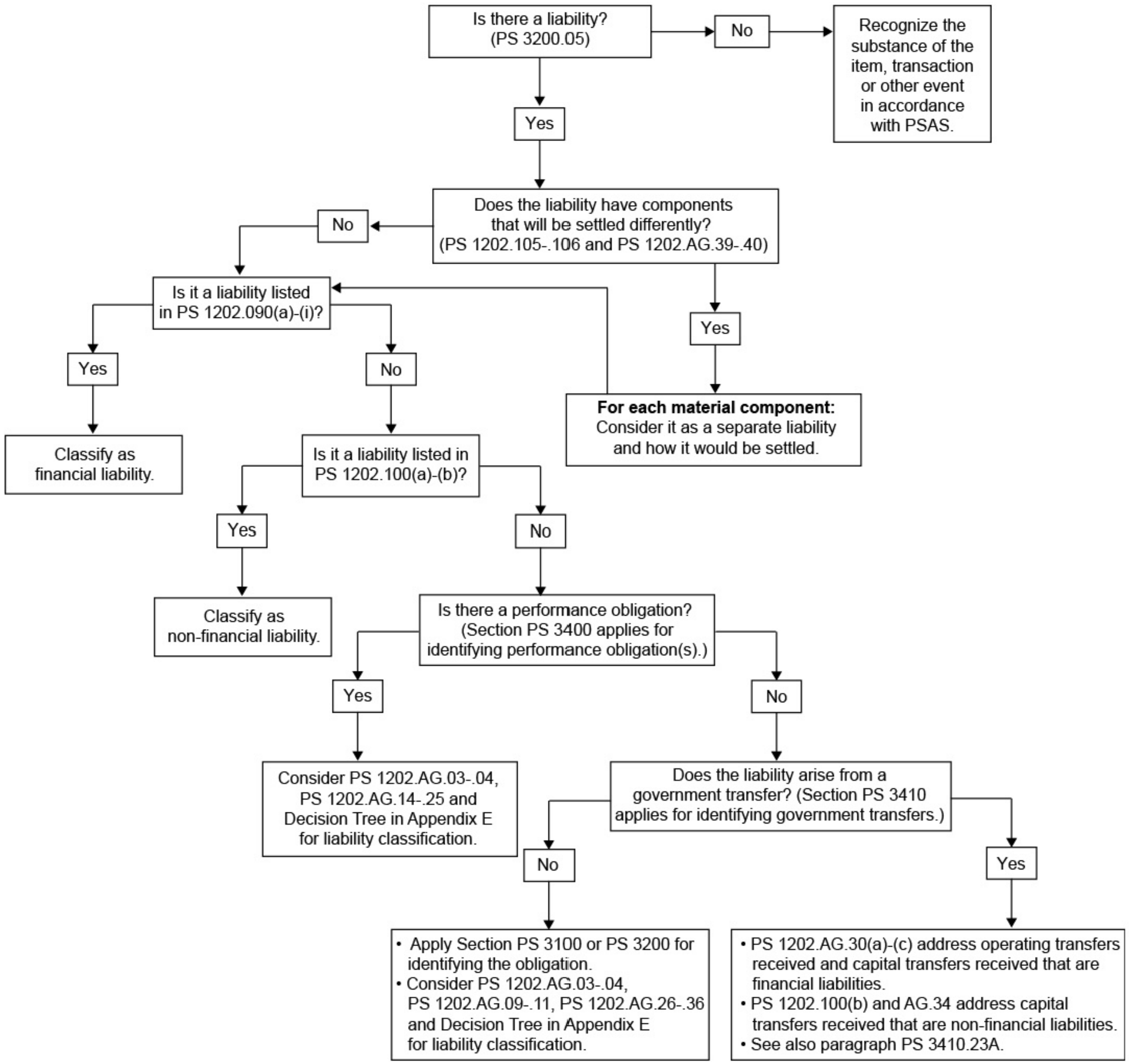
APPENDIX C: DECISION TREE – PRESENTATION OF FINANCIAL INSTRUMENT ASSETS

While illustrative, this Appendix is a primary source of GAAP, as identified in GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, paragraph PS 1150.03(d)(iii).



APPENDIX D: DECISION TREE – NAVIGATING THE FINANCIAL VERSUS NON-FINANCIAL LIABILITY DISTINCTION GUIDANCE

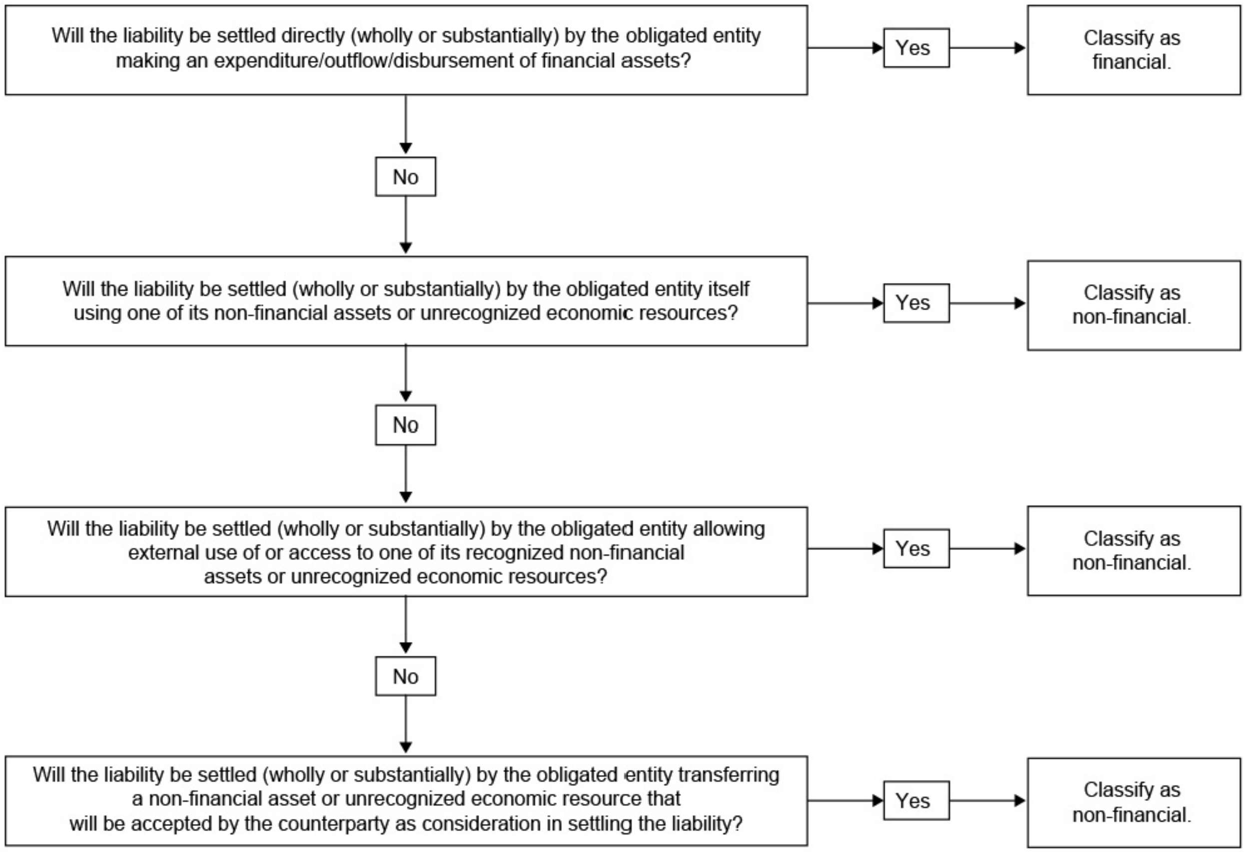
This decision tree is illustrative only and matters of principle relating to particular situations should be decided in the context of the Section and application guidance. While illustrative, this Appendix is a primary source of GAAP, as identified in GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, paragraph PS 1150.03(d)(iii).



APPENDIX E: DECISION TREE – CLASSIFYING UNEARNED REVENUE LIABILITIES AS FINANCIAL OR NON-FINANCIAL

While illustrative, this Appendix is a primary source of GAAP, as identified in GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, paragraph PS 1150.03(d)(iii).

An entity has an obligation that meets the liability definition. The liability is not an example of either financial liability in paragraphs PS 1202.090(a)-(i) or a non-financial liability in paragraphs PS 1202.100(a)-(b). Instead, the liability is unearned revenue, possibly a performance obligation liability identified through the guidance in REVENUE, Section PS 3400, that requires some consideration of its nature and terms to classify it. Examples of these are in in paragraphs PS 1202.090(j)-(k) and PS 1202.100(c)-(d). This decision tree helps answer whether such liabilities should be classified as financial or non-financial for financial statement presentation purposes. This decision tree is illustrative only and matters of principle relating to particular situations should be decided in the context of the Section and the Application Guidance integral to Section PS 1202 in Appendix A. Note that some liabilities may have both financial and non-financial components (paragraphs PS 1202.105-.106 and PS 1202.AG.39-.40) that if material, would be classified separately.



III – ILLUSTRATIVE EXAMPLES

APPENDIX F: ILLUSTRATIVE EXAMPLES – CLASSIFYING UNEARNED REVENUE LIABILITIES AS FINANCIAL OR NON-FINANCIAL

This material is illustrative only. Matters of principle relating to particular situations should be decided in the context of the Section and the related application guidance. While illustrative, this Appendix is a primary source of GAAP identified in GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, paragraph PS 1150.03(d)(iii).

Examples may be attributed to a particular type of public sector entity. Nevertheless, they may be a useful reference for any public sector entity with a similar transaction or other event.

IE.01 Section PS 1202 requires the classification of liabilities as financial or non-financial and provides criteria in Appendix A to help classify liabilities. The criteria apply when:

(a) an entity has an obligation that meets the liability definition;

(b) the liability is not one identified as an example of a financial liability in paragraphs PS 1202.090(a)-(i);

(c) the liability is not one identified as an example of a non-financial liability in paragraphs PS 1202.100(a)-(b); or

(d) the liability is unearned revenue, as defined in the Glossary, which requires some consideration of its nature and terms to classify it. These fall under paragraphs PS 1202.108 (i.e., described in paragraphs PS 1202.090(j)-(k) and PS 1202.100(c)-(d)).

IE.02 When weighing the evidence for classifying a liability, an entity would consider the criteria in paragraphs PS 1202.AG.03-.04 collectively and individually. One criterion, in and of itself, may be insufficient to determine classification.

IE.03 The examples illustrate how the criteria in this Section might be applied to certain liabilities.

TABLE OF CONTENTS	**Paragraph**

SETTLING A LIABILITY THROUGH USE OF FINANCIAL AND NON-FINANCIAL ASSETS

Example 1 – Municipal government, multiple performance obligations: sale of a tangible capital asset with servicing

IE.04 Municipality A enters into an agreement with a payor to sell a tangible capital asset and agrees to service that asset for the next two years. The municipality offers both elements, the tangible capital asset and services, together and provides a single transaction price. The payor pays upfront for both.

IE.05 Municipality A has determined it has two distinct performance obligations: providing the tangible capital asset and servicing it over two years. The asset and services are not highly interrelated. They are distinct in the context of the agreement; Municipality A's promise to provide the asset is separately identifiable from its promise to service the asset. So, providing the asset and servicing it are separate performance obligations.

IE.06 The transaction price related to both is collected up front in the form of financial assets. The financial assets are not restricted only for specific use in providing the asset or servicing it. So, their classification as financial assets does not affect the classification of the related performance obligation liabilities (see paragraph PS 1202.AG.09(c)).

IE.07 Transferring control of the tangible capital asset settles the first performance obligation liability. As or until the transfer occurs, this is a non-financial performance obligation and is classified and presented as a non-financial liability (see paragraph PS 1202.099(e)).

IE.08 Settling a liability by providing services is complex, as acknowledged in paragraphs PS 1202.AG.21-.22. However, in this example, the services are provided through the payment of salaries and benefits to municipal staff, who then service the asset for the payor. Since salaries and benefits are paid with financial assets, the performance obligation and thus the liability are considered financial, consistent with paragraph PS 1202.AG.22(b), and would be classified and presented as such (see paragraph PS 1202.089(b)).

SETTLING A LIABILITY THROUGH USE OF AN UNRECOGNIZED ECONOMIC RESOURCE

Example 2 – Municipal government, non-purchased natural resource: naturally occurring aquifer

IE.09 A naturally occurring aquifer is a non-purchased natural resource, which is excluded from recognition in financial statements in accordance with paragraph PS 1202.079.

IE.010 Municipality B has a naturally occurring aquifer that provides water storage and filtration benefits to its community. The aquifer's existence reduces the need for engineered infrastructure to provide the same benefits and functionality that would otherwise be required. The aquifer is a pure groundwater resource that provides 99 per cent of the community's potable water. Municipality B diverts approximately 1 million cubic metres (m^3) per year from the aquifer, which is recharged at higher elevations. While variables such as user demand, climate change and sea-level rise affect the aquifer's total long-term capacity, for this illustration, Municipality B is assumed to consume 50 per cent of the aquifer's yearly capacity for its own needs, meaning the aquifer's yearly capacity is 2 million m^3.

IE.011 Municipality B enters an arrangement with its regional government to supply water from Municipality B's aquifer to alleviate pressure on the region's water system until a new regional water plant is completed. Municipality B is to supply the region with 500,000 m^3 of water from its aquifer every June, July and August for three years, which represents 25 per cent of the aquifer's annual capacity. The region pays Municipality B upfront.

IE.012 Considering only annual capacity, Municipality B will settle its performance obligation to provide the water to the region by diverting 25 per cent of its aquifer's annual capacity to the region. So, the performance obligation is non-financial, as it will be settled through use of an unrecognized natural resource per paragraphs PS 1202.099(c) and PS 1202.AG.04(c). This non-financial performance obligation would be classified as a non-financial liability.

SETTLING A LIABILITY BY PROVIDING ACCESS TO A NON-FINANCIAL ASSET

Example 3 — Provincial government: park pass 23

IE.013 A park is a non-financial asset. A payor purchases a park pass from a public sector entity. The park pass provides the payor access to provincial parks for two years. The provincial parks are only open from the spring to fall of each year. The payor has unlimited use of the parks for two years when the parks are open for the season.

IE.014 The public sector entity's promise to the payor is to provide a service of granting access to the park any time during the season for the payor to use as and when they wish. It is a non-financial performance obligation because access is provided to a park, a non-financial asset, for the duration of the two-year arrangement (see paragraphs PS 1202.099(d), PS 1202.AG.04(d) and PS 1202.AG.25). This non-financial performance obligation would be classified as a non-financial liability. Any payment of salaries to employees to provide access to the park is incidental to the performance obligation (see paragraphs PS 1202.AG.04(e), and PS 1202.AG.23-.24). Access in this example means opening the park gate; it does not mean ensuring safe access or promising a certain level of park maintenance. Considering these is beyond the scope of the example.

SETTLING A LIABILITY BY PROVIDING ACCESS TO AN UNRECOGNIZED ECONOMIC RESOURCE

Example 4 — Federal government, wireless spectrum licence 24

IE.015 The wireless spectrum is a naturally occurring non-consumable resource excluded from recognition in financial statements in accordance with paragraph PS 1202.079.

IE.016 A payor purchases a spectrum licence for five years. The payor is provided access to a specific frequency on a non-interfering basis within a defined geographic area.

IE.017 The public sector entity determines that its promise to the payor is to provide access to a specific good or service controlled by the public sector entity; the payor is getting access to a predetermined frequency under the terms of the arrangement. The payor has a valid expectation that if their access becomes subject to interference, it will likely result in negative consequences for them. Thus, they would expect the public sector entity to rectify the situation. Consequently, the public sector entity would need to continually maintain and support the good or service provided as per the terms of the agreement.

IE.018 The public sector entity has an ongoing non-financial performance obligation after the issuance of the licence.

IE.019 This performance obligation would be presented as a non-financial liability by the entity:

(a) The identified performance obligation will be settled through providing the payor with a degree of access to an unrecognized resource (i.e., access to the wireless spectrum, which is an economic resource excluded from recognition) over the term of the arrangement (see paragraphs PS 1202.099(d), PS 1202.AG.04(d) and PS 1202.AG.25).

(b) Any payment of salaries to employees to provide access or maintain the spectrum is incidental to the performance obligation (i.e., access to the spectrum) (see paragraphs PS 1202.AG.04(e) and PS 1202.AG.19-.20).

(c) No incremental specific spending is required to settle the liability; so, it is not a financial liability (see paragraphs PS 1202.AG.03(a)-(b)).

SETTLING A LIABILITY BY PROVIDING SERVICES – FINANCIAL

Example 5 – College: continuing education course 25

IE.020 A college will provide a certificate course to a payor in exchange for $2,000 during the fall term. At the time of registration, the college must undertake several activities to ensure the payor is enrolled in the appropriate program. However, these administrative activities do not constitute performance obligations. The college determines its performance obligations are to provide a series of lectures and teaching material during the fall term, a four-month period.

IE.021 Assuming the payor pays for the certificate course at the time of registration, the performance obligations would be created for the public sector entity at that time. The amount received is unearned revenue for which specific performance obligations arise: delivery of courses and materials. The specific performance obligations require salary and benefits expenses for the college to deliver the course and develop the materials.

(a) The performance obligations are to provide a series of lectures and teaching materials over the term. These are financial performance obligations that will be primarily settled by the public sector entity through payments to the lecturer, in the form of financial assets (see paragraphs PS 1202.089(b), PS 1202.AG.03(a)) and PS 1202.AG.22(b)).

(b) The course occurs once per week over four months. This involves only marginal use of the college building in which the class is held (i.e., use of a non-financial asset), and some students attend virtually. It is not identified as a separate performance obligation.

(c) Depending on the specific terms underlying the performance obligation, it may be that the financial assets received are required to be used only to provide the specific certificate course and materials through a particular lecturer, which would support classification of the liability as financial (see paragraph PS 1202.AG.09(b)).

SETTLING A LIABILITY BY ALLOWING USE OF A TANGIBLE CAPITAL ASSET – NON-FINANCIAL

Example 6 – Indigenous government: deferred rental income received in advance – building

IE.022 A First Nation receives rental income in advance from a payor for exclusive access and use over the next 50 years to a cottage owned by the First Nation on its lands. The advance payment received is recognized as cash (a financial asset) and a liability (deferred rental income).

IE.023 The advance receipt of the rental payment gives rise to a performance obligation for the First Nation to the payor; the distinct goods and services to be provided to the payor are access to and use of the rented building over the 50-year term of the arrangement. The rented building is a non-financial asset.

IE.024 The liability would be classified and presented as a non-financial liability by the First Nation:

(a) The identified performance obligation will be primarily settled through providing the payor with access to and use of a consumable non-financial asset over 50 years. As the renter will have exclusive use of the building, its use of the building will involve consumption of 50 years' worth of the building's service potential (see paragraphs PS 1202.099(d) and PS 1202.AG.04(c)-(d)).

(b) Any payment of salaries to First Nation employees to provide access to the rented property is incidental to the performance obligation, i.e., access to and use of the rented building (see paragraphs PS 1202.AG.04(e) and PS 1202.AG.23-.24).

SETTLING A LIABILITY BY PROVIDING SERVICES, NON-EXCHANGE TRANSACTION, NON-GOVERNMENT TRANSFER – FINANCIAL

Example 7 – Government organization: external restriction, transfer received from a non-government entity, specific goods and services to be provided

IE.025 A municipal government organization receives a transfer from a non-government entity, a family foundation. So, GOVERNMENT TRANSFERS, Section PS 3410, would not apply. The transfer is in the form of cash and cash equivalents; the resources received are financial assets. The transfer is for a two-year program, which may be renewed.

IE.026 RESTRICTED ASSETS AND REVENUES, Section PS 3100, would apply; the receipt of funds gives rise to an obligation to provide specific goods and services. This obligation is required by paragraph PS 3100.11 to be reported as a liability until the resources are used for the purposes specified.

IE.027 The transfer received is externally restricted by the transferring foundation to be used to deliver a specific program (i.e., provide fresh fruit and vegetables to residents with food insecurity) to centres within its jurisdiction that offer food services. The municipality has discretion to determine which centres will provide the specified food.

IE.028 The funds give rise to a liability for the government organization when received. The funds received cover the cost of the food and the use of municipal buildings in the chosen centres.

IE.029 In contrast to funds received as a contribution toward funding an existing program of the government organization, the funds received in this transaction are externally restricted to provide a specific and incremental food program to residents of the municipality. So, as described in paragraph PS 1202.AG.09(b), the financial assets received are required to be used in accordance with strict external restrictions. The financial assets received will therefore be used to settle that liability. So, it would be classified as a financial liability (see paragraph PS 1202.089(d)).

IE.030 Use of municipal buildings to temporarily warehouse the fresh food and allow for pickup by residents is necessary to meet the external restrictions. However, the chosen centres are existing municipal buildings already operated and maintained by the municipality and used to deliver food services. Since the funding covers all costs of the program, there is no obligation separable from providing the food program in relation to use of municipal buildings. RESTRICTED ASSETS AND REVENUES, Section PS 3100, would consider the obligation under this transaction to comprise a single obligation, to provide the food program to residents as required by the external restrictions.

IE.031 The distinction between the RESTRICTED ASSETS AND REVENUES, Section PS 3100, scenario in this example and that in REVENUE, paragraph PS 3400.47, is the intended recipients are not specified. If the intended recipient(s) can be specifically identified, it would be possible to determine when the performance obligation(s) has been satisfied. If the intended recipients of the program are specified in detail, they could be specific enough to meet the guidance in paragraph PS 3400.47 and the performance obligation would be settled when those eligible residents have control of the goods or service.

IE.032 RESTRICTED ASSETS AND REVENUES, Section PS 3100, applies to this example because it involves a generalized external restriction but still for a specific purpose. The transferred funds are to be used for a specific purpose and the recipient can determine when its obligation is satisfied, but a specific third-party recipient(s) is unidentified. It is at the government organization's discretion as to which centres will receive funds and when fresh fruit and vegetables will be delivered under the new two-year program.

IV – ILLUSTRATIVE FINANCIAL STATEMENTS

INTRODUCTION TO APPENDICES G-N: ILLUSTRATIVE FINANCIAL STATEMENTS

The examples in Appendices G-N are illustrative only and matters of principle relating to particular situations should be decided in the context of the Section. While illustrative, these Appendices are a primary source of GAAP identified in GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, paragraph PS 1150.03(d)(iii).

The examples are not intended to indicate a preferred format or preferred terminology, as variations in format and wording will be necessary to meet the requirements of different circumstances. For ease of presentation, selections are made from accounting alternatives permitted in the PSA Handbook. The examples in the Appendices reflect the standards in the PSA Handbook as of March 2023 (including those issued but not yet effective).

Public sector entities may adopt presentation formats as outlined in any of the illustrative financial statements if they are relevant for presenting how they have accounted for the economic substance of their assets, liabilities, revenue or expense for accountability purposes, in accordance with public sector accounting standards.

Although PSAB has not designated any transactions or other events for recognition in the accumulated other component of net assets or net liabilities, this component was added in the illustrations to show how the component would work.

The illustrations show a presentation option for endowments that are externally restricted in perpetuity. This is just an example. It is included to show how the reporting model described in the standard would provide PSAB with an alternative to report endowments that are externally restricted in perpetuity. Decisions to recognize a revenue or expense arising in a period outside that period's surplus or deficit are made only by PSAB at the standards level. The Board will update the illustrations as it develops standards that use the accumulated other component of net assets or net liabilities.

The examples related to government not-for-profit organizations (GNFPOs), such as those included in Appendices J and K, do not preclude a GNFPO from continuing to follow the requirements in the PS 4200 series of the PSA Handbook (the public sector accounting standards for government not-for-profit organizations in FINANCIAL STATEMENT

PRESENTATION BY NOT-FOR-PROFIT ORGANIZATIONS, Section PS 4200, to DISCLOSURE OF ALLOCATED EXPENSES BY NOT-FOR-PROFIT ORGANIZATIONS, Section PS 4270). Standards-level projects related to the PS 4200 series are underway as part of implementing PSAB's Government Not-for-profit Strategy.

APPENDIX G: ILLUSTRATIVE FINANCIAL STATEMENTS – INDIGENOUS GOVERNMENTS

Indigenous Government

Statement of Financial Position

As at March 31 ($ thousands)

	Actual		Actual
	20X3		20X2
ASSETS			
Financial assets			
Cash	1,669		3,842
Portfolio investments	3,161		2,875
Accounts receivable	410		336
Investment in government business enterprise	2,506		2,413
	7,746		9,466
Non-financial assets			
Tangible capital assets	10,963		9,193
Prepaid expenses	31		68
	10,994		9,261
TOTAL ASSETS	18,740		18,727
LIABILITIES			
Financial liabilities			
Accounts payable and accrued liabilities	346		776
Debt	4,636		4,367
Unearned revenue	1,000	3	1,051
Public private partnership obligation (financial liability model)	-	1	-
	5,982		6,194
Non-financial liabilities			

Public private partnership obligation (user-pay model)	-	1	-
Unearned revenue	-	3	-
	-		-
TOTAL LIABILITIES	5,982		6,194
NET ASSETS	12,758		12,533
	======		======
Net assets components:			
Accumulated surplus	12,747	4	12,528
Accumulated remeasurement gains and losses	11		5
Accumulated other	-	2	-
	12,758		12,533
	======		======

NOTE: If an entity wishes to present the net financial assets or net financial liabilities indicator on the statement of financial position, Appendix M provides an illustration of how it would be presented in compliance with paragraph PS 1202.117.

Indigenous Government

Statement of Net Financial Assets 1

As at March 31 ($ thousands)

	Actual 20X3	Actual 20X2
Financial assets	7,746	9,466
Less: Financial liabilities	5,982	6,194
Net financial assets	1,764	3,272
	======	======

OPTION: An entity may choose to explain the change in the net financial assets or net financial liabilities indicator. The change would be explained on this statement. When the change in the indicator is shown, the statement can be called a statement of net financial assets (or net financial liabilities) and change in net financial assets (or net financial liabilities). See Appendix L for one possible way to explain the change in the indicator.

Indigenous Government

Statement of Operations

For the year ended March 31 ($ thousands)

	Budget 20X3	Actual 20X3	Actual 20X2
Revenues			
Government contributions for operations	2,972	4,236	3,989
Net income (loss) from government business enterprises	-	(127)	(230)
Rental income	202	239	215
Foreign exchange gain (loss)	-	(118)	119
Investment income	12	17	45
	3,186	4,247	4,138
Expenses			
Administration	520	306	559
Economic development and employment	284	584	471
Education	363	764	565
Health and social program	1,233	1,292	1,209
Housing	329	167	248
Indigenous rights and title (treaty negotiations)	200	409	284
Maintenance	249	217	262
General government	200	289	362
	3,378	4,028	3,960
Surplus (Deficit)	(192)	219	178
	======	======	======

NOTE: Interest expense and valuation allowances have been allocated by function. However, when it is not practicable to do so, an entity can present interest expense and/or valuation allowances as separate line items.

Indigenous Government

Statement of Changes in Net Assets

For the year ended March 31 ($ thousands)

	Actual 20X3		Actual 20X2
Accumulated surplus			
Surplus for the period	219		178
Opening balance	12,528		12,350
Closing balance	12,747		12,528
Accumulated remeasurement gains and losses		1	
Unrealized gains (losses) attributable to:			
Portfolio investments	5		3
Financial instruments designated to the fair value category	-		-
Less: Amounts reclassified to surplus:			
Net realized losses on portfolio investments	1		2
Other comprehensive income of:			
Government business enterprises/partnerships	-		-
Net change in accumulated remeasurement gains and losses	6		5
Opening balance	5		-
Closing balance	11		5
Accumulated other			
Other revenue and expense recognized directly in net assets	-	2	-
Less: Other revenue and expense reclassified to surplus	-		-
Net change in accumulated other	-		-
Opening balance	-		-
Closing balance	-		-
Total net assets	12,758		12,533
	======		======

NOTE: If this statement becomes complex, an entity can include some of the more detailed information in additional statements (e.g., a statement of remeasurement gains and losses) or in a schedule to the financial statements. The purpose of these supplementary statements or schedules is to show the details related to changes in a component of net assets or net liabilities. The related section in the statement of changes in net assets or net liabilities then becomes a summary supported by a supplementary statement or schedule.

Indigenous Government

Statement of Cash Flow

For the year ended March 31 ($ thousands)

	Actual 20X3	Actual 20X2
Cash at beginning of period	3,842	3,881
Operating transactions		
Surplus	219	178
Non-cash revenue and expense items included in surplus (Note X)	220	419
Other	(366)	437
Cash (applied to) provided by operating transactions	73	1,034
Capital transactions		
Cash used to acquire tangible capital assets	(2,136)	(1,105)
Cash applied to capital transactions	(2,136)	(1,105)
Investing transactions		
Portfolio investments purchased	(379)	(590)
Other	-	(4)
Cash applied to investing transactions	(379)	(594)
Net cash applied to operating, capital and investing activities	(2,442)	(665)

Net cash before financing transactions	1,400	3,216
Financing transactions		
New debt	381	736
Debt repayment	(112)	(110)
Cash provided by financing transactions	269	626
Cash at end of period	1,669	3,842
	======	======

NOTE: The indirect method is used for illustrative purposes only. Both the indirect and the direct methods are allowed to report cash flow from operations. Appendix N provides an illustration of the direct method.

APPENDIX H: ILLUSTRATIVE FINANCIAL STATEMENTS – FEDERAL / PROVINCIAL / TERRITORIAL GOVERNMENTS

Federal / Provincial / Territorial Government

Statement of Financial Position

As at March 31 ($ millions)

	Actual 20X3	Actual 20X2
ASSETS		
Financial assets		
Cash and cash equivalents	1,087	2,876
Accounts and accrued interest receivable	1,864	1,708
Portfolio investments	2,244	1,331
Derivatives	35	-
Investment in government business enterprises	336	207
Loans	4,909	5,659
Inventories for resale	109	135
	10,584	11,916

Non-financial assets			
Tangible capital assets	8,218		8,215
Inventories of supplies and prepaid expenses	142		242
Investments that cannot be used to settle a financial liability or spend on future operations	10	1	-
	8,370		8,457
TOTAL ASSETS	18,954		20,373
LIABILITIES			
Financial liabilities			
Accounts payable and accrued liabilities	2,383		2,644
Derivatives	10		105
Debt	10,398		9,796
Pension liabilities	4,813		4,890
Other accrued liabilities	1,395		1,510
Unearned revenue	308	6	331
Transfers to acquire tangible capital assets	1,500	2	1,510
Public private partnership obligation (financial liability model)	-	3	-
	20,807		20,786
Non-financial liabilities			
Transfers to use tangible capital assets in service delivery	750	2	1,000
Public private partnership obligation (user-pay model)	-	3	-
Unearned revenue	-	6	-
	750		1,000
TOTAL LIABILITIES	21,557		21,786
NET LIABILITIES	(2,603)		(1,413)

	======		======
Net assets (net liabilities) components:			
Accumulated deficit	(2,740)	5	(1,366)
Accumulated remeasurement gains and losses	127		(47)
Accumulated other	10	4	-
	(2,603)		(1,413)
	======		======

NOTE: If an entity wishes to present the net financial assets or net financial liabilities indicator on the statement of financial position, Appendix M provides an illustration of how it would be presented in compliance with paragraph PS 1202.117.

Federal / Provincial / Territorial Government

Statement of Net Financial Liabilities 1

As at March 31 ($ millions)

	Actual 20X3	Actual 20X2
Financial assets	10,584	11,916
Less: Financial liabilities	20,807	20,786
Net financial liabilities	(10,223)	(8,870)
	======	======

OPTION: An entity may choose to explain the change in the net financial assets or net financial liabilities indicator. The change would be explained on this statement. When the change in the indicator is shown, the statement can be called a statement of net financial assets (or net financial liabilities) and change in net financial assets (or net financial liabilities). See Appendix L for one possible way to explain the change in the indicator.

Federal / Provincial / Territorial Government

Statement of Operations

For the year ended March 31 ($ millions)

	Budget 20X3	Actual 20X3	Actual 20X2
Revenues			
Income taxes	8,034	8,628	9,503

Other taxes	2,721	2,976	3,083
Non-renewable resource revenue	660	770	705
Government transfers	1,295	1,585	1,183
Revenue from exchange transactions	427	485	465
Net income from government business enterprises	50	525	97
Net investment income	409	610	747
Premiums, permits, fees, fines and licences	581	651	669
Miscellaneous revenue	100	342	402
	14,277	16,572	16,854
Expenses			
Health	4,541	6,626	4,457
Education	4,221	4,287	4,168
Social services	1,654	2,701	1,709
Transportation and utilities	626	823	807
Agriculture, environment and development	1,706	1,856	1,740
Justice	468	487	462
Recreation and culture	281	272	217
General government	551	627	560
Interest expense	201	267	183
	14,249	17,946	14,303
Surplus (Deficit)	28	(1,374)	2,551
	======	======	======

NOTE: When it is not practicable to allocate interest expense to programs or functions, a public sector entity can present interest expense as a separate line item. The same applies to valuation allowances.

Federal / Provincial / Territorial Government

Statement of Changes in Net Liabilities

For the year ended March 31 ($ millions)

	Actual	Actual
	20X3	20X2

Accumulated deficit			
(Deficit) Surplus for the period	(1,374)		2,551
Opening balance	(1,366)		(3,917)
Closing balance	(2,740)		(1,366)
Accumulated remeasurement gains and losses		1	
Unrealized gains (losses) attributable to:			
Foreign exchange	(35)		-
Derivatives	130		(105)
Portfolio investments	54		108
Financial instruments designated to the fair value category	-		-
Less: Amounts reclassified to surplus or deficit:			
Net realized (gains) losses on portfolio investments	20		(50)
Other comprehensive income of:			
Government business enterprise/partnership	5		-
Net change in accumulated remeasurement gains and losses	174		(47)
Opening balance	(47)		-
Closing balance	127		(47)
Accumulated other			
Other revenue and expense recognized directly in net assets (net liabilities):			
That will be permanently excluded from surplus or deficit	10	2	-
That will be reclassified to a future surplus or deficit	-		-
Less: Other revenue and expense reclassified to surplus or deficit	-		-
Net change in accumulated other	10		-
Opening balance	-	3	-
Closing balance	10	3	-
Total net liabilities	(2,603)		(1,413)

====== ======

NOTE: If this statement becomes complex, an entity can include some of the more detailed information in additional statements (e.g., a statement of remeasurement gains and losses) or in a schedule to the financial statements. The purpose of these supplementary statements and/or schedules is to show the details related to changes in a component of net assets or net liabilities. The related section in the statement of changes in net assets or net liabilities then becomes a summary supported by a supplementary statement or schedule.

Federal / Provincial / Territorial Government

Statement of Cash Flow

For the year ended March 31 ($ millions)

	Actual 20X3	Actual 20X2
Cash and cash equivalents at beginning of period	2,876	2,647
Operating transactions		
(Deficit) Surplus	(1,374)	2,551
Non-cash revenue and expense items included in surplus / deficit (Note X)	254	522
Other	(1,162)	73
Cash (applied to) provided by operating transactions	(2,282)	3,146
Capital transactions		
Proceeds on sale of tangible capital assets	46	72
Cash used to acquire tangible capital assets	(294)	(250)
Cash applied to capital transactions	(248)	(178)
Investing transactions		
Proceeds from disposals and redemptions of portfolio investments	262	2,997
Proceeds from loans	768	1,129
Portfolio investments purchased	(594)	(4,089)
Loans provided	(290)	(280)
Other	(17)	(15)
Cash provided by (applied to) investing transactions	129	(258)

Net cash (applied to) provided by operating, capital and investing activities	(2,401)		2,710
Net cash before financing transactions	475		5,357
Financing transactions			
Debt issued	15,361		3,694
Debt retirement	(14,759)		(6,175)
Contribution from third party	10	1	-
Cash provided by (applied to) financing transactions	612		(2,481)
Cash and cash equivalents at end of period	1,087		2,876
	======		======

NOTE: The indirect method is used for illustrative purposes only. Both the indirect and the direct method are allowed to report cash flow from operations. Appendix N provides an illustration of the direct method.

APPENDIX I: ILLUSTRATIVE FINANCIAL STATEMENTS – LOCAL GOVERNMENTS

Local Government

Statement of Financial Position

As at March 31 ($ thousands)

	Actual 20X3	Actual 20X2
ASSETS		
Financial assets		
Cash and cash equivalents	1,587	1,366
Accounts and accrued interest receivable	1,864	1,708
Portfolio investments	7,153	6,990
Investment in government business enterprises	336	207
Inventories for resale	109	135
	11,049	10,406

Non-financial assets			
Tangible capital assets	87,218		97,215
Inventories of supplies and prepaid expenses	142		242
Investments that cannot be used to settle a financial liability or spend on future operations	10	1	-
	87,370		97,457
TOTAL ASSETS	98,419		107,863
LIABILITIES			
Financial liabilities			
Accounts payable and accrued liabilities	2,383		2,644
Debt	9,363		9,796
Employee benefits	4,813		4,890
Other accrued liabilities	1,203		1,291
Unearned revenue	500	4	550
Public private partnership obligation (financial liability model)	-	2	-
	18,262		19,171
Non-financial liabilities			
Public private partnership obligation (user-pay model)	-	2	-
Unearned revenue	-	4	-
	-		-
TOTAL LIABILITIES	18,262		19,171
NET ASSETS	80,157		88,692
	======		======
Net assets components:			
Accumulated surplus	80,010	5	88,634

Accumulated remeasurement gains and losses	137		58
Accumulated other	10	3	-
	80,157		88,692
	======		======

NOTE: If an entity wishes to present the net financial assets or net financial liabilities indicator on the statement of financial position, Appendix M provides an illustration of how it would be presented in compliance with paragraph PS 1202.117.

Local Government

Statement of Net Financial Liabilities 1

As at March 31 ($ thousands)

	Actual 20X3	Actual 20X2
Financial assets	11,049	10,406
Less: Financial liabilities	18,262	19,171
Net financial liabilities	(7,213)	(8,765)
	======	======

OPTION: An entity may choose to explain the change in the net financial assets or net financial liabilities indicator. The change would be explained on this statement. When the change in the indicator is shown, the statement can be called a statement of net financial assets (or net financial liabilities) and change in net financial assets (or net financial liabilities). See Appendix L for one possible way to explain the change in the indicator.

Local Government

Statement of Operations

For the year ended March 31 ($ thousands)

	Budget 20X3	Actual 20X3	Actual 20X2
Revenues			
Property taxes	8,034	8,628	9,503
User fees	3,381	3,746	3,788
Government transfers	1,722	1,820	1,648
Net income from government business enterprises	50	525	97
Net investment income	409	610	747

Premiums, permits, fees, fines and licences	581	651	669
Miscellaneous revenue	100	342	402
	14,277	16,322	16,854
Expenses			
Protection to persons and property	4,329	4,061	3,938
Water and sewage	8,541	8,626	8,457
Roadways and transportation	7,360	7,557	7,449
Recreation and culture	3,094	3,310	3,269
General government	832	899	777
Other	93	493	413
	24,249	24,946	24,303
Deficit	(9,972)	(8,624)	(7,449)
	======	======	======

NOTE: Interest expense and valuation allowances have been allocated by function. However, when it is not practicable to do so, an entity can present interest expense and/or valuation allowances as separate line items.

Local Government

Statement of Changes in Net Assets

For the year ended March 31 ($ thousands)

	Actual 20X3		Actual 20X2
Accumulated surplus			
Deficit for the period	(8,624)		(7,449)
Opening balance	88,634		96,083
Closing balance	80,010		88,634
Accumulated remeasurement gains and losses		1	
Unrealized gains (losses) attributable to:			
Portfolio investments	54		108
Financial instruments designated to the fair value category	-		-

Less: Amounts reclassified to deficit:			
Net realized (gains) losses on portfolio investments	20		(50)
Other comprehensive income of:			
Government business enterprise/partnership	5		-
Net change in accumulated remeasurement gains and losses	79		58
Opening balance	58		-
Closing balance	137		58
Accumulated other			
Other revenue and expense recognized directly in net assets:			
That will be permanently excluded from surplus or deficit	10	2	-
That will be reclassified to a future surplus or deficit	-		-
Less: Other revenue and expense reclassified to deficit	-		-
Net change in accumulated other	10		-
Opening balance	-	3	-
Closing balance	10	3	-
Total net assets	80,157		88,692
	======		======

NOTE: If this statement becomes complex, an entity can include some of the more detailed information in additional statements (e.g., a statement of remeasurement gains and losses) or in a schedule to the financial statements. The purpose of these supplementary statements and/or schedules is to show the details related to changes in a component of net assets or net liabilities. The related section in the statement of changes in net assets or net liabilities then becomes a summary supported by a supplementary statement or schedule.

Local Government

Statement of Cash Flow

For the year ended March 31 ($ thousands)

	Actual 20X3	Actual 20X2
Cash and cash equivalents at beginning of period	1,366	1,137

Operating transactions			
Deficit	(8,624)		(7,449)
Non-cash revenue and expense items included in deficit (Note X)	10,583		10,580
Other	(951)		15
Cash provided by operating transactions	1,008		3,146
Capital transactions			
Proceeds on sale of tangible capital assets	46		72
Cash used to acquire tangible capital assets	(294)		(250)
Cash applied to capital transactions	(248)		(178)
Investing transactions			
Proceeds from disposals and redemptions of portfolio investments	1,030		4,126
Portfolio investments purchases	(1,129)		(4,369)
Other	(17)		(15)
Cash applied to investing transactions	(116)		(258)
Net cash provided by operating, capital and investing activities	644		2,710
Net cash before financing transactions	2,010		3,847
Financing transactions			
Debt issued	13,970		3,694
Debt repayment	(14,403)		(6,175)
Contribution from third party	10	1	-
Cash applied to financing transactions	(423)		(2,481)
Cash and cash equivalents at end of period	1,587		1,366
	======		======

NOTE: The indirect method is used for illustrative purposes only. Both the indirect and the direct methods are allowed to report cash flow from operations. Appendix N provides an illustration of the direct method.

APPENDIX J: ILLUSTRATIVE FINANCIAL STATEMENTS – HEALTH-RELATED PUBLIC SECTOR ENTITIES

Health-related Public Sector Entity

Statement of Financial Position

As at March 31 ($ thousands)

	Actual 20X3		Actual 20X2
ASSETS			
Financial assets			
Cash and cash equivalents	136,693		163,286
Accounts receivable	235,689		205,349
Portfolio investments	35,557		56,518
Inventories held for sale	15,540		15,449
	423,479		440,602
Non-financial assets			
Tangible capital assets	1,205,786		1,076,113
Inventories held for use	45,842		51,017
Prepaid expenses	14,594		14,331
Investments that cannot be used to settle a financial liability or spend on future operations	10	1	-
	1,266,232		1,141,461
TOTAL ASSETS	1,689,711		1,582,063
LIABILITIES			
Financial liabilities			
Accounts payable and accrued liabilities	401,692		377,361
Employee benefits	86,328		71,343

Debt	201,436		124,201
Unearned revenue	68,991	6	81,511
Transfers to acquire tangible capital assets	20,787	2	16,544
Public private partnership obligation (financial liability model)	-	3	-
	779,234		670,960
Non-financial liabilities			
Transfers to use tangible capital assets in service delivery	20,000	2	20,000
Public private partnership obligation (user-pay model)	-	3	-
Unearned revenue	-	6	-
	20,000		20,000
TOTAL LIABILITIES	799,234		690,960
NET ASSETS	890,477		891,103
	======		======
Net assets components:			
Accumulated surplus	889,372	5	889,013
Accumulated remeasurement gains and losses	1,095		2,090
Accumulated other	10	4	-
Issued share capital	-	7	-
	890,477		891,103
	======		======

NOTE: If an entity wishes to present the net financial assets or net financial liabilities indicator on the statement of financial position, Appendix M provides an illustration of how it would be presented in compliance with paragraph PS 1202.117.

Health-related Public Sector Entity

Statement of Net Financial Liabilities 1

As at March 31 ($ thousands)

	Actual 20X3	Actual 20X2
Financial assets	423,479	440,602
Less: Financial liabilities	779,234	670,960
Net financial liabilities	(355,755)	(230,358)
	=======	=======

OPTION: An entity may choose to explain the change in the net financial assets or net financial liabilities indicator. The change would be explained on this statement. When the change in the indicator is shown, the statement can be called a statement of net financial assets (or net financial liabilities) and change in net financial assets (or net financial liabilities). See Appendix L for one possible way to explain the change in the indicator.

Health-related Public Sector Entity

Statement of Operations

For the year ended March 31 ($ thousands)

	Budget 20X3	Actual 20X3	Actual 20X2
Revenues			
Government grants	2,070,492	2,179,184	2,070,342
Recoveries	457,712	507,512	483,277
Other contributions	270,419	265,250	265,709
Patient and client fees	12,443	20,245	17,524
Other revenue	36,595	45,031	42,185
Net investment income	2,233	2,442	1,658
	2,849,894	3,019,664	2,880,695
Expenses			
Acute care	1,881,442	1,978,034	1,865,837
Corporate	492,312	568,084	554,030
Population health and wellness	197,251	189,808	184,763
Community care	149,415	141,197	107,907

Mental health and substance use	127,719	140,428	130,148
Residential care	1,755	1,754	1,755
	2,849,894	3,019,305	2,844,440
Surplus	-	359	36,255
	=======	=======	=======

NOTE: Interest expense and valuation allowances have been allocated by function. However, when it is not practicable to do so, an entity can present interest expense and/or valuation allowances as separate line items.

Health-related Public Sector Entity

Statement of Changes in Net Assets

For the year ended March 31 ($ thousands)

	Actual 20X3		Actual 20X2
Accumulated surplus			
Surplus for the period	359		36,255
Opening balance	889,013		852,758
Closing balance	889,372		889,013
Accumulated remeasurement gains and losses		1	
Unrealized gains (losses) attributable to:			
Foreign exchange	-		-
Portfolio investments	(737)		2,090
Financial instruments designated to the fair value category	-		-
Less: Amounts reclassified to surplus:			
Net realized (gains) losses on portfolio investments	(258)		-
Net change in accumulated remeasurement gains and losses	(995)		2,090
Opening balance	2,090		-
Closing balance	1,095		2,090
Accumulated other			

Other revenue and expense recognized directly in net assets:			
That will be permanently excluded from surplus or deficit	10	2	-
That will be reclassified to a future surplus or deficit	-		-
Less: Other revenue and expense reclassified to surplus	-		-
Net change in accumulated other	10		-
Opening balance	-	3	-
Closing balance	10	3	-
Issued share capital		4	
Share capital issued during the year	-		-
Opening balance	-		-
Closing balance	-		-
Total net assets	890,477		891,103
	======		======

NOTE: If this statement becomes complex, an entity can include some of the more detailed information in additional statements (e.g., a statement of remeasurement gains and losses) or in a schedule to the financial statements. The purpose of these supplemental statements and/or schedules is to show the details related to changes in a component of net assets or net liabilities. The related section in the statement of changes in net assets or net liabilities then becomes a summary supported by a supplementary statement or schedule.

Health-related Public Sector Entity

Statement of Cash Flow

For the year ended March 31 ($ thousands)

	Actual 20X3	Actual 20X2
Cash and cash equivalents at beginning of period	163,286	103,168
Operating transactions		
Surplus	359	36,255
Non-cash revenue and expense items included in surplus (Note X)	75,173	27,655
Other	(69,928)	2,379

Cash provided by operating transactions	5,604		66,289
Capital transactions			
Cash used to acquire tangible capital assets	(128,722)		(129,223)
Cash applied to capital transactions	(128,722)		(129,223)
Investing transactions			
Proceeds from disposals and redemptions of portfolio investments	19,280		10,930
Purchases of portfolio investments	-		(1,463)
Cash provided by investing transactions	19,280		9,467
Net cash applied to operating, capital and investing activities	(103,838)		(53,467)
Net cash before financing transactions	59,448		49,701
Financing transactions			
Repayment of debt	(46,975)		(7,371)
New debt	124,210		120,956
Contribution from third party	10	1	-
Cash provided by financing transactions	77,245		113,585
Cash and cash equivalents at end of period	136,693		163,286
	======		======

NOTE: The indirect method is used for illustrative purposes only. Both the indirect and the direct methods are allowed to report cash flow from operations. Appendix N provides an illustration of the direct method.

APPENDIX K: ILLUSTRATIVE FINANCIAL STATEMENTS – COLLEGES AND UNIVERSITIES IN THE PUBLIC SECTOR

College and University in the Public Sector

Statement of Financial Position

As at March 31 ($ thousands)

	Actual 20X3		Actual 20X2
ASSETS			
Financial assets			
Cash and cash equivalents	18,768		13,091
Accounts receivable	143,216		131,563
Portfolio investments	878,064		808,612
Inventories for resale	2,642		3,325
	1,042,690		956,591
Non-financial assets			
Tangible capital assets	2,710,920		2,745,552
Investments that cannot be used to settle a financial liability or spend on future operations	1,275,305	1	1,149,716
Inventories of supplies and prepaid expenses	7,199		8,517
	3,993,424		3,903,785
TOTAL ASSETS	5,036,114		4,860,376
LIABILITIES			
Financial liabilities			
Accounts payable and accrued liabilities	179,148		174,971
Employee benefits	251,060		259,100
Debt	250,562		246,812
Unearned revenue	560,420	6	509,728
Transfers to acquire tangible capital assets	921,756	2	992,440
Public private partnership obligation (financial liability model)	-	3	-

		Note	
	2,162,946		2,183,051
Non-financial liabilities			
Transfers to use tangible capital assets in service delivery	1,000,000	2	1,000,000
Public private partnership obligation (user-pay model)	-	3	-
Unearned revenue	-	6	-
	1,000,000		1,000,000
TOTAL LIABILITIES	3,162,946		3,183,051
NET ASSETS	1,873,168		1,677,325
	=======		=======
Net assets components:			
Accumulated surplus	442,157	5	390,803
Accumulated remeasurement gains and losses	155,706		136,806
Accumulated other	1,275,305	4	1,149,716
	1,873,168		1,677,325
	=======		=======

NOTE: If an entity wishes to present the net financial assets or net financial liabilities indicator on the statement of financial position, Appendix M provides an illustration of how it would be presented in compliance with paragraph PS 1202.117.

College and University in the Public Sector

Statement of Net Financial Liabilities 1

As at March 31 ($ thousands)

	Actual 20X3	Actual 20X2
Financial assets	1,042,690	956,591

Less: Financial liabilities	2,162,946	2,183,051
Net financial liabilities	(1,120,256)	(1,226,460)
	========	========

OPTION: An entity may choose to explain the change in the net financial assets or net financial liabilities indicator. The change would be explained on this statement. When the change in the indicator is shown, the statement can be called a statement of net financial assets (or net financial liabilities) and change in net financial assets (or net financial liabilities). See Appendix L for one possible way to explain the change in the indicator.

College and University in the Public Sector

Statement of Operations

For the year ended March 31 ($ thousands)

	Budget 20X3	Actual 20X3	Actual 20X2
Revenues			
Government grants	1,153,233	1,154,906	1,131,640
Student tuition and fees	334,378	319,181	316,795
Sales of services and products	192,433	205,509	196,649
Donations and non-government grants	133,816	119,451	132,209
Net investment income	62,743	95,201	71,092
	1,876,603	1,894,248	1,848,385
Expenses			
Instruction	1,131,998	1,145,558	1,124,541
Research	476,452	469,436	438,550
Facility operations	134,716	140,411	147,282
Ancillary services	95,816	87,489	96,536
	1,838,982	1,842,894	1,806,909
Surplus	37,621	51,354	41,476
	=======	=======	=======

NOTE: Interest expense and valuation allowances have been allocated by function. However, when it is not practicable to do so, an entity can present interest expense and/or valuation allowances as separate line items.

College and University in the Public Sector

Statement of Changes in Net Assets

For the year ended March 31 ($ thousands)

	Actual 20X3		Actual 20X2
Accumulated surplus			
Surplus for the period	51,354		41,476
Opening balance	390,803		349,327
Closing balance	442,157		390,803
Accumulated remeasurement gains and losses		1	
Unrealized gains (losses) attributable to:			
Foreign exchange	-		-
Portfolio investments	161,743		(38,597)
Financial instruments designated to the fair value category	-		-
Less: Amounts reclassified to surplus:			
Net realized (gains) losses on portfolio investments	(49,250)		(35,176)
Less: Amounts reclassified to accumulated other	(93,593)	2	61,917
Net change in accumulated remeasurement gains and losses	18,900		(11,856)
Opening balance	136,806		148,662
Closing balance	155,706		136,806
Accumulated other			
Other revenue and expense recognized directly in net assets:			
That will be permanently excluded from surplus or deficit	31,996	3	30,140
That will be reclassified to a future surplus or deficit	-		-
Plus: Amounts from accumulated remeasurement gains and losses	93,593	2	(61,917)
Less: Other revenue and expense reclassified to surplus	-		-
Net change in accumulated other	125,589		(31,777)
Opening balance	1,149,716	3	1,181,493
Closing balance	1,275,305	3	1,149,716

Total net assets	1,873,168	1,677,325
	=======	=======

NOTE: If this statement becomes complex, an entity can include some of the more detailed information in additional statements (e.g., a statement of remeasurement gains and losses) or in a schedule to the financial statements. The purpose of these supplementary statements and/or schedules is to show the details related to changes in a component of net assets or net liabilities. The related section in the statement of changes in net assets or net liabilities then becomes a summary supported by a supplementary statement or schedule.

College and University in the Public Sector

Statement of Cash Flow

For the year ended March 31 ($ thousands)

	Actual 20X3	Actual 20X2
Cash and cash equivalents at beginning of period	13,091	57,963
Operating transactions		
Surplus	51,354	41,476
Non-cash revenue and expense items included in surplus (Note X)	127,661	139,256
Other	(36,429)	(122,492)
Cash provided by operating transactions	142,586	58,240
Capital transactions		
Proceeds on sale of tangible capital assets	2,500	559
Cash used to acquire tangible capital assets	(141,858)	(132,355)
Cash applied to capital transactions	(139,358)	(131,796)
Investing transactions		
Proceeds from disposals and redemptions of portfolio investments	352,683	363,742
Purchases of portfolio investments	(385,980)	(378,371)
Cash applied to investing transactions	(33,297)	(14,629)

Net cash applied to operating, capital and investing activities	(30,069)		(88,185)
Net cash before financing transactions	(16,978)		(30,222)
Financing transactions			
Repayment of debt	(13,750)		(13,072)
New debt	17,500		35,500
Endowment contributions	31,996	1	20,885
Cash provided by financing transactions	35,746		43,313
Cash and cash equivalents at end of period	18,768		13,091
	=======		=======

NOTE: The indirect method is used for illustrative purposes only. Both the indirect and the direct method are allowed to report cash flow from operations. Appendix N provides an illustration of the direct method.

APPENDIX L: ILLUSTRATIVE STATEMENT OF NET FINANCIAL ASSETS OR NET FINANCIAL LIABILITIES INCLUDING OPTIONAL PRESENTATION OF THE CHANGE IN NET FINANCIAL ASSETS OR NET FINANCIAL LIABILITIES

On the required statement of net financial assets or net financial liabilities, an entity can choose to present the change in the net financial assets or net financial liabilities indicator. The presentation of the change in the net financial assets or net financial liabilities indicator is optional, not a requirement.

The following is an illustrative statement of net financial liabilities that shows one possible way the optional presentation of the change in net financial liabilities may be presented. The illustrative statement uses amounts from and articulates with the federal / provincial / territorial government financial statements found in Appendix H. This was done for illustrative purposes only. Any public sector entity can choose to present the change in net financial liabilities or net financial assets.

Statement of Net Financial Liabilities and Change in Net Financial Liabilities 1

As at March 31 ($ millions)

	Actual 20X3	Actual 20X2
Financial assets	10,584	11,916
Less: Financial liabilities	20,807	20,786
Net financial liabilities	(10,223)	(8,870)

====== ======

-

OPTIONAL

Change in Net Financial Liabilities 1, 2

For the year ended March 31 ($ millions)	Budget 20X3	Actual 20X3	Actual 20X2
Net financial liabilities at beginning of year	(8,870)	(8,870)	(11,209)
Surplus (Deficit) for the period	28	(1,374)	2,551
Plus: Amortization of tangible capital assets	226	226	230
Less: (Gain) / loss on sale of tangible capital assets	-	(5)	(19)
Plus: Proceeds on sale of tangible capital assets	-	46	72
Plus: Write-downs of tangible capital assets	-	24	44
Plus: Consumption of supplies inventories and prepaid expense	-	130	102
Less: Decrease in non-financial liabilities	-	(250)	-
Change relating to surplus or deficit	254	(1,203)	2,980
Acquisition of tangible capital assets	(294)	(294)	(250)
Acquisition of supplies inventories and prepaid expense	-	(30)	(344)
Change relating to acquisitions of non-financial assets	(294)	(324)	(594)
(Increase) Decrease in net financial liabilities excluding net remeasurement gains and losses	(40)	(1,527)	2,386
Foreign exchange		(35)	-
Derivatives		130	(105)
Portfolio investments		74	58
Other comprehensive income		5	-

Change pertaining to net remeasurement gains and losses		174	(47)
(Increase) Decrease in net financial liabilities	(40)	(1,353)	2,339
Net financial liabilities at end of year	(8,910)	(10,223)	(8,870)
	======	======	======

APPENDIX M: ILLUSTRATIVE STATEMENT OF FINANCIAL POSITION WITH OPTIONAL PRESENTATION OF THE NET FINANCIAL ASSETS OR NET FINANCIAL LIABILITIES INDICATOR

On the required statement of financial position, an entity can choose to present the net financial assets or net financial liabilities indicator in the manner described in paragraph PS 1202.117. The indicator would also need to be presented on the required statement of net financial assets or net financial liabilities. The presentation of the indicator on the statement of financial position is optional, not a requirement.

The following is an illustrative statement of financial position that shows the permitted optional presentation of the net financial liabilities indicator. The illustrative statement uses amounts from and articulates with the federal / provincial / territorial government financial statements found in Appendix H. This was done for illustrative purposes only. Any public sector entity can choose to present the allowed optional presentation of the net financial liabilities indicator at the bottom of its statement of financial position as illustrated here.

Federal / Provincial / Territorial Government

Statement of Financial Position

As at March 31 ($ millions)

	Actual 20X3	Actual 20X2
ASSETS		
Financial assets		
Cash and cash equivalents	1,087	2,876
Accounts and accrued interest receivable	1,864	1,708
Portfolio investments	2,244	1,331
Derivatives	35	-
Investment in government business enterprises	336	207
Loans	4,909	5,659
Inventories for resale	109	135
	10,584	11,916

Non-financial assets			
Tangible capital assets	8,218		8,215
Inventories of supplies and prepaid expenses	142		242
Investments that cannot be used to settle a financial liability or spend on future operations	10	1	-
	8,370		8,457
TOTAL ASSETS	18,954		20,373
LIABILITIES			
Financial liabilities			
Accounts payable and accrued liabilities	2,383		2,644
Derivatives	10		105
Debt	10,398		9,796
Pension liabilities	4,813		4,890
Other accrued liabilities	1,395		1,510
Unearned revenue	308	6	331
Transfers to acquire tangible capital assets	1,500	2	1,510
Public private partnership obligation (financial liability model)	-	3	-
	20,807		20,786
Non-financial liabilities			
Transfers to use tangible capital assets in service delivery	750	2	1,000
Public private partnership obligation (user-pay model)	-	3	-
Unearned revenue	-	6	-
	750		1,000
TOTAL LIABILITIES	21,557		21,786
NET LIABILITIES	(2,603)		(1,413)

	======		======
Net assets (net liabilities) components:			
Accumulated deficit	(2,740)	5	(1,366)
Accumulated remeasurement gains and losses	127		(47)
Accumulated other	10	4	-
	(2,603)		(1,413)
	======		======
Net financial liabilities (financial assets minus financial liabilities, refer to the Statement of Net Financial Liabilities)	(10,223)		(8,870)

The documentation of notes 1-6 are consistent with the same notes on the similar statement in Appendix H.

APPENDIX N: ILLUSTRATIVE STATEMENT OF CASH FLOW USING THE DIRECT METHOD

The statement of cash flow can present the cash flow from (or applied to) operating activities using the direct or indirect method. An entity can choose its preferred method.

The indirect method is presented within the financial statement packages in Appendices G-K.

The following is an illustrative statement of cash flow using the direct method. The illustrative statement uses amounts from and articulates with the federal / provincial / territorial government financial statements found in Appendix H. This was done for illustrative purposes only. Any public sector entity can choose to present its statement of cash flow using the indirect or direct method.

Federal / Provincial / Territorial Government

Statement of Cash Flow

For the year ended March 31 ($ millions)

	Actual 20X3	Actual 20X2
Cash and cash equivalents at beginning of period	2,876	2,647
Operating transactions		
Cash received from:		
Taxes	8,239	7,267
Transfers	1,541	1,943

Non-renewable resources	2,118	3,808
Fees, permits, licenses, fines	1,581	1,291
Enterprises	1,401	983
Investments	1,564	1,675
Other	1,676	1,516
	18,120	18,483
Cash paid for:		
Salaries, wages, employment contracts and benefits	3,345	1,276
Materials and supplies	3,192	2,936
Grants and other transfers	13,475	10,290
Financing charges	282	733
Travel and communication	108	102
	20,402	15,337
Cash (applied to) provided by operating transactions	(2,282)	3,146
Capital transactions		
Proceeds on sale of tangible capital assets	46	72
Cash used to acquire tangible capital assets	(294)	(250)
Cash applied to capital transactions	(248)	(178)
Investing transactions		
Proceeds from disposals and redemptions of portfolio investments	262	2,997
Proceeds from loans	768	1,129
Portfolio investments purchased	(594)	(4,089)
Loans provided	(290)	(280)
Other	(17)	(15)
Cash provided by (applied to) investing transactions	129	(258)

Net cash (applied to) provided by operating, capital and investing activities	(2,401)	2,710
Net cash before financing transactions	475	5,357
Financing transactions		
Debt issued	15,361	3,694
Debt retirement	(14,759)	(6,175)
Contribution from third party	10	[1] -
Cash provided by (applied to) financing transactions	612	(2,481)
Cash and cash equivalents at end of period	1,087	2,876
	======	======

Footnotes

1. Reference to items required by or identified, specified or prescribed in standards applies equally to items required by or identified, specified or prescribed in any primary source of GAAP in GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, paragraph PS 1150.03. Reference in Section PS 1202 to requirements for PSAB to explain decisions in the Basis for Conclusions of a standard applies equally to decisions made in issuing any primary source of GAAP in paragraph PS 1150.03.

2. Some entities may present elements of both. For example, the Territory of Nunavut is both a territory and an Indigenous government and so the going concern considerations mentioned in both (a) and (b) may be relevant.

3. For example, local governments may be amalgamated because of the relevant provincial or territorial government policy decisions.

4. Derivatives that are financial assets represent contractual rights to exchange financial instruments with another entity under conditions that are potentially favourable to the reporting entity.

5. Recognizing purchased intangibles is addressed in PUBLIC SECTOR GUIDELINE (PSG)-8, Purchased Intangibles.

6. Examples of natural resources include water, forests and minerals.

7. Paragraph PS 3400.79 acknowledges that non-cash consideration may be received by a public sector entity in exchange for providing specific goods and services.

8. Derivatives that will be settled using financial assets represent contractual obligations to deliver a financial asset to another entity or to exchange financial instruments with another entity under conditions that are potentially unfavourable to the reporting entity.

9. "Economic resources" are defined in the Glossary to the Conceptual Framework. Financial and non-financial assets are economic resources that meet the asset definition. Some economic resources are excluded from recognition as assets in financial statements by paragraph PS 1202.079.

10. Some entities refer to such liabilities as "unearned revenue". However, some unearned revenue is also addressed in REVENUE, Section PS 3400, when advance receipt of assets gives rise to a performance obligation. Not all unearned revenue gives rise to a financial liability. Refer to Appendix A, paragraphs PS 1202.AG.10-.38.

11. Obligations arising from government capital transfers where the related tangible capital asset has already been constructed or purchased are sometimes called "spent deferred capital contributions".

12. "Remeasurement gains and losses" are defined in the Glossary of FINANCIAL INSTRUMENTS, Section PS 3450.

13. The details of the revenue and expense recognized in the statement of operations are not required to also be reported in the accumulated surplus or deficit component of the statement of changes in net assets or net liabilities. Only summary information, such as the opening and closing balances and the surplus or deficit for the period, would be reported.

14. REVENUE, Section PS 3400, and TAX REVENUE, Section PS 3510, are examples of standards that establish when revenue is not to be reported at the gross amount.

(a) Paragraph PS 3400.A40 states: "As an agent, the public sector entity would only recognize the fee or commission earned as revenue, not the full amount of the transaction consideration."

(b) Paragraph PS 3510.44 states: "As foregone revenue, tax concessions do not give rise to assets or expenses of the taxing government. Thus, tax revenue would not be grossed up for the amount of tax concessions. Tax concessions would be netted against the type of tax revenue for which they are providing relief."

15. For certain public sector entities, such as governments, their ability to tax, fine, penalize, charge user fees or regulatory fees, etc. affects the economy.

16. Because a government business enterprise or business partnership carries on a business, its financial statements must adhere to the standards applicable to publicly accountable enterprises in the CPA Canada Handbook - Accounting. As a result, government business enterprises or business partnerships may report other comprehensive income in their financial statements.

17. TANGIBLE CAPITAL ASSETS, Section PS 3150, permits the cost of a tangible capital asset that is acquired, constructed or developed over time to include carrying costs directly attributable to the acquisition, construction or development activity, such as interest costs when the entity's policy is to capitalize interest costs. When an entity's policy is to capitalize interest costs, these interest costs would be part of capital activities, not operating activities.

18. The same requirement applies to the statement of net financial assets or net financial liabilities if an entity chooses to present the change in net financial assets or net financial liabilities in accordance with paragraph .204.

19. A newly elected government could be from the same party as the government that existed before the election.

20. To be presented as a newly approved amended budget for comparison with actual amounts in the financial statements, paragraph PS 1202.209 would be considered in determining if a new amended budget has been approved by the required authorities.

21. The theory underlying **performance obligations** in REVENUE, Section PS 3400, requires:

(a) an exchange transaction (see paragraph PS 3400.05(a));

(b) an enforceable promise to provide specific goods and services to a payor (see paragraph PS 3400.05(b)); and

(c) clarity regarding the payor and how the performance obligation will be settled (see paragraphs PS 3400.24, PS 3400.29 and PS 3400.39).

22. Paragraphs PS 3400.29-.34 deal with evaluating distinct goods and services and determining whether there exist multiple performance obligations to be accounted for separately. Paragraph PS 3400.A6 lists examples of goods and services that might be provided to settle a performance obligation.

23. This is the same fact pattern as Example 1 in Appendix C to REVENUE, Section PS 3400, which addresses the revenue recognition related to the arrangement. The fact pattern shows how an existing scenario detailed in the PSA Handbook would be classified for presentation on the statement of financial position.

24. This is the same fact pattern as Example 3 in Appendix C to REVENUE, Section PS 3400, which addresses the revenue recognition related to the arrangement. The fact pattern shows how an existing scenario detailed in the PSA Handbook would be classified for presentation on the statement of financial position.

25. This is the same fact pattern as Example 2 in Appendix C to REVENUE, Section PS 3400, which addresses the revenue recognition related to the arrangement. The fact pattern shows how an existing scenario detailed in the PSA Handbook would be classified for presentation on the statement of financial position.

3. Depending on the facts and circumstances, certain unearned revenue will be settled through an outflow of financial assets and, as a result, classified as a financial liability. Other unearned revenue will not and, as a result, will be classified as a non-financial liability.

1. PUBLIC PRIVATE PARTNERSHIPS, Section PS 3160, introduces two types of public private partnership obligations: one related to the financial liability model and the other related to the user-pay model. Under the financial liability model, the entity has an obligation to deliver cash or another financial asset. This is a financial liability and is reflected as such on the statement of financial position. Under the user-pay model, the entity compensates the private sector partner by granting rights to (1) earn revenue from third-party users or (2) access another revenue-generating asset. This is a non-financial liability and is reflected as such on the statement of financial position.

1. PUBLIC PRIVATE PARTNERSHIPS, Section PS 3160, introduces two types of public private partnership obligations: one related to the financial liability model and the other related to the user-pay model. Under the financial liability model, the entity has an obligation to deliver cash or another financial asset. This is a financial liability and is reflected as such on the statement of financial position. Under the user-pay model, the entity compensates the private sector partner by granting rights to (1) earn revenue from third-party users or (2) access another revenue-generating asset. This is a non-financial liability and is reflected as such on the statement of financial position.

3. Depending on the facts and circumstances, certain unearned revenue will be settled through an outflow of financial assets and, as a result, classified as a financial liability. Other unearned revenue will not and, as a result, will be classified as a non-financial liability.

4. In accordance with PSG-4, an entity can present the breakdown of the accumulated surplus / deficit component in the notes or schedules.

2. This component is used for those transactions PSAB has identified at the standards level. Unlike the other illustrative financial statements, the transaction that is similar to an endowment (access to the cash received is restricted in perpetuity) was not presented as an example as PSAB understands that Indigenous governments rarely receive these types of cash inflows. PSAB decided to retain this line item in this illustrative financial statement to indicate that this component is available to Indigenous governments, in the same way it is available to all other public sector entities; that is, when the entity has transactions that have been identified by PSAB to be presented in this component.

1. When the bottom indicator is a negative number, the statement is called a statement of net financial liabilities.

1. This section of the statement is based on the requirements in FOREIGN CURRENCY TRANSLATION, Section PS 2601, and FINANCIAL INSTRUMENTS, Section PS 3450.

2. Refer to note 2 on the statement of financial position.

1. The amount represents cash received that is similar to an endowment: access to the endowed amount is externally restricted in perpetuity. If the endowed amount cannot be accessed, it cannot be used to settle financial liabilities or spend on future operations. As a result, it does not meet the definition of a financial asset.

6. Depending on the facts and circumstances, certain unearned revenue will be settled through an outflow of financial assets and, as a result, will be classified as a financial liability. Other unearned revenue will not and, as a result, will be classified as a non-financial liability.

2. If they meet the liability definition, capital transfers received may be recognized as liabilities until the related asset is bought or built or, alternatively, as the related asset is used to provide services, as allowed by GOVERNMENT TRANSFERS, Section PS 3410.

If an entity determines that a capital transfer received is only a liability until the related asset is bought or built, then it would recognize the liability as a financial liability. Revenue recognition occurs as the related asset is bought or built.

If an entity determines that a capital transfer received is a liability until the related asset is used to provide services, then the initial liability (i.e. to buy or build the asset) is a financial liability. That financial liability then becomes a non-financial liability as the asset is bought or built. Revenue recognition occurs as the related asset is used to provide services.

3. PUBLIC PRIVATE PARTNERSHIPS, Section PS 3160, introduces two types of public private partnership obligations: one related to the financial liability model and the other related to the user-pay model. Under the financial liability model, the entity has an obligation to deliver cash or another financial asset. This is a financial liability and is reflected as such on the statement of financial position. Under the user-pay model, the entity compensates the private sector partner by granting rights to (1) earn revenue from third-party users or (2) access another revenue-generating asset. This is a non-financial liability and is reflected as such on the statement of financial position.

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6. Depending on the facts and circumstances, certain unearned revenue will be settled through an outflow of financial assets and, as a result, will be classified as a financial liability. Other unearned revenue will not and, as a result, will be classified as a non-financial liability.

5. In accordance with PSG-4, an entity can present the breakdown of the accumulated surplus / deficit component in the notes or schedules.

4. The amount represents the credit entry for cash received that is similar to an endowment: access to the endowed amount is externally restricted in perpetuity. Based on the review of the transaction, one recognition option is to reflect the amount directly in a component of net assets or net liabilities. PSAB would choose such an option if it concluded that such presentation better served the accountability objective of financial reporting.

This illustrative transaction does not presuppose that, in the future, PSAB will develop a standard that allows endowments to be reflected directly in net assets or net liabilities. The Board can do so only after following the due process and conducting the appropriate research. The intent of the illustration is to show that the Board could consider direct recognition in net assets or net liabilities when resolving standards-level issues. Recognition considerations include ensuring that the presentation reflects the economic substance of the transaction and provides improved accountability information. CONTRIBUTIONS – REVENUE RECOGNITION, paragraph PS 4210.29, states that under the deferral method, endowments are recognized as direct increases in net assets. Section PS 4210 does not apply to governments. However, it is a Section in the existing PSA Handbook that the Board could look at when developing an endowment standard for all public sector entities.

If an entity has no transactions or other events required by a standard to be directly recognized in the accumulated other component, this component does not need to be presented on the statement of changes in net assets or net liabilities or on the statement of financial position. The entity can choose to present the accumulated other component with a zero balance or not present it at all.

1. When the indicator is a positive number, the statement is called a statement of net financial assets.

1. This section of the statement is based on the requirements in FOREIGN CURRENCY TRANSLATION, Section PS 2601, and FINANCIAL INSTRUMENTS, Section PS 3450.

2. Refer to note 4 on the statement of financial position.

3. A note or schedule is included in the notes/schedules section of the financial statements indicating how much of the opening and closing balance is permanently excluded from surplus or deficit (in compliance with paragraph PS 1202.150).

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1. The amount represents the credit entry for cash received that is similar to an endowment: access to the endowed amount is externally restricted in perpetuity. This illustrative transaction does not presuppose that, in the future, PSAB will develop a standard that allows endowments to be reflected as a financing transaction. The Board can do so only after following the due process and conducting the appropriate research. However, Appendix A of FINANCIAL STATEMENT PRESENTATION BY NOT-FOR-PROFIT ORGANIZATIONS, Section PS 4200, shows endowments as a financing activity in the statement of cash flow. As a result, this presentation is an alternative the Board could consider when developing an endowment standard.

1. The amount represents cash received that is similar to an endowment: access to the endowed amount is externally restricted in perpetuity. If the endowed amount cannot be accessed, it cannot be used to settle financial liabilities or spend on future operations. As a result, it does not meet the definition of a financial asset.

4. Depending on the facts and circumstances, certain unearned revenue will be settled through an outflow of financial assets and, as a result, will be classified as a financial liability. Other unearned revenue will not and, as a result, will be classified as a non-financial liability.

2. PUBLIC PRIVATE PARTNERSHIPS, Section PS 3160, introduces two types of public private partnership obligations: one related to the financial liability model and the other related to the user-pay model. Under the financial liability model, the entity has an obligation to deliver cash or another financial asset. This is a financial liability and is reflected as such on the statement of financial position. Under the user-pay model, the entity compensates the private sector partner by granting rights to (1) earn revenue from third-party users or (2) access another revenue-generating asset. This is a non-financial liability and is reflected as such on the statement of financial position.

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5. In accordance with PSG-4, an entity can present the breakdown of the accumulated surplus / deficit component in the notes or schedules.

3. The amount represents the credit entry for cash received that is similar to an endowment: access to the endowed amount is externally restricted in perpetuity. Based on the review of the transaction, one recognition option is to reflect the amount directly in a component of net assets or net liabilities. PSAB would choose such an option if it concluded that such presentation better served the accountability objective of financial reporting.

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1. This section of the statement is based on the requirements in FOREIGN CURRENCY TRANSLATION, Section PS 2601, and FINANCIAL INSTRUMENTS, Section PS 3450.

2. Refer to note 3 on the statement of financial position.

3. A note or schedule is included in the notes/schedules section of the financial statements, indicating how much of the opening and closing balance is permanently excluded from surplus or deficit (in compliance with paragraph PS 1202.150).

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2. If they meet the liability definition, capital transfers received may be recognized as liabilities until the related asset is bought or built or, alternatively, as the related asset is used to provide services, as allowed by GOVERNMENT TRANSFERS, Section PS 3410.

If an entity determines that a capital transfer received is only a liability until the related asset is bought or built, then it would recognize the liability as a financial liability. Revenue recognition occurs as the related asset is bought or built.

If an entity determines that a capital transfer received is a liability until the related asset is used to provide services, then the initial liability (i.e., to buy or build the asset) is a financial liability. That financial liability then becomes a non-financial liability as the asset is bought or built. Revenue recognition occurs as the related asset is used to provide services.

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6. Depending on the facts and circumstances, certain unearned revenue will be settled through an outflow of financial assets and, as a result, will be classified as a financial liability. Other unearned revenue will not and, as a result, will be classified as a non-financial liability.

5. In accordance with PSG-4, an entity can present the breakdown of the accumulated surplus / deficit component in the notes or schedules.

4. The amount represents the credit entry for cash received that is similar to an endowment: access to the endowed amount is externally restricted in perpetuity. Based on the review of the transaction, one recognition option is to reflect the amount directly in a component of net assets or net liabilities. PSAB would choose such an option if it concluded that such presentation better served the accountability objective of financial reporting.

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If an entity has no transactions or other events required by a standard to be directly recognized in the accumulated other component, this component does not need to be presented on the statement of changes in net assets or liabilities or on the statement of financial position. The entity can choose to present the accumulated other component with a zero balance or not present it at all.

7. In rare circumstances, issued share capital may be an additional component, for some entities.

1. When the indicator is a positive number, the statement is called a statement of net financial assets.

1. This section of the statement is based on the requirements in FOREIGN CURRENCY TRANSLATION, Section PS 2601, and FINANCIAL INSTRUMENTS, Section PS 3450.

2. Refer to note 4 on the statement of financial position.

3. A note or schedule would be included in the notes/schedules section of the financial statements indicating how much of the opening and closing balance is permanently excluded from surplus or deficit (in compliance with paragraph PS 1202.150).

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1. The amount represents cash received that is similar to an endowment: access to the endowed amount is externally restricted in perpetuity. If the endowed amount cannot be accessed, it cannot be used to settle financial liabilities or spend on future operations. As a result, it does not meet the definition of a financial asset.

6. Depending on the facts and circumstances, certain unearned revenue will be settled through an outflow of financial assets and, as a result, will be classified as a financial liability. Other unearned revenue will not and, as a result, will be classified as a non-financial liability.

2. If they meet the liability definition, capital transfers received may be recognized as liabilities until the related asset is bought or built or, alternatively, as the related asset is used to provide services, as allowed by GOVERNMENT TRANSFERS, Section PS 3410.

If an entity determines that a capital transfer received is only a liability until the related asset is bought or built, then it recognizes the liability as a financial liability. Revenue recognition occurs as the related asset is bought or built.

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6. Depending on the facts and circumstances, certain unearned revenue will be settled through an outflow of financial assets and, as a result, will be classified as a financial liability. Other unearned revenue will not and, as a result, will be classified as a non-financial liability.

5. In accordance with PSG-4, an entity can present the breakdown of the accumulated surplus / deficit component in the notes or schedules.

4. The amount represents the credit entry for cash received that is similar to an endowment: access to the endowed amount is externally restricted in perpetuity. Based on the review of the transaction, one recognition option is to reflect the amount directly in a component of net assets or net liabilities. PSAB would choose such an option if it concluded that such presentation better served the accountability objective of financial reporting.

This illustrative transaction does not presuppose that, in the future, PSAB will develop a standard that allows endowments to be reflected directly in net assets or net liabilities. The Board can do so only after following the due process and conducting the appropriate research. The intent of the illustration is to show that the Board could consider direct recognition in net assets or net liabilities when resolving standards-level issues. Recognition considerations include ensuring that the presentation reflects the economic substance of the transaction and provides improved accountability information. CONTRIBUTIONS – REVENUE RECOGNITION, paragraph PS 4210.29, states that under the deferral method, endowments are recognized as direct increases in net assets. Section PS 4210 does not apply to governments. However, it is a Section in the existing PSA Handbook that the Board could look at when developing an endowment standard for all public sector entities.

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1. When the indicator is a positive number, the statement is called a statement of net financial assets.

1. This section of the statement is based on the requirements in FOREIGN CURRENCY TRANSLATION, Section PS 2601, and FINANCIAL INSTRUMENTS, Section PS 3450.

2. These amounts are being reclassified to accumulated other as they relate to the endowments. This does not presuppose that, in the future, PSAB will develop a standard that allows remeasurements related to endowments to be reclassified to the accumulated other component of net assets. The Board can do so only after following the due process and conducting the appropriate research.

3. Refer to note 4 on the statement of financial position. Further, a note or schedule would be included in the notes/schedules section of the financial statements indicating how much of the opening and closing balance is permanently excluded from surplus or deficit (in compliance with paragraph PS 1202.150).

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1. When the indicator is a positive number, the statement is called a statement of net financial assets and change in net financial assets.

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2. Presenting the change in the indicator is optional. If an entity chooses to present the change in the indicator, it can present it using the format illustrated or another format that is suitable in relation to the specific circumstances of the entity and provides good accountability information. If an entity wishes to present the change in the indicator, at minimum, it will have to present the items noted in paragraph PS 1202.120.

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6. Depending on the facts and circumstances, certain unearned revenue will be settled through an outflow of financial assets and, as a result, will be classified as a financial liability. Other unearned revenue will not and, as a result, will be classified as a non-financial liability.

2. If they meet the liability definition, capital transfers received may be recognized as liabilities until the related asset is bought or built or, alternatively, as the related asset is used to provide services, as allowed by GOVERNMENT TRANSFERS, Section PS 3410.

If an entity determines that a capital transfer received is only a liability until the related asset is bought or built, then it would recognize the liability as a financial liability. Revenue recognition occurs as the related asset is bought or built.

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