

public sector statements of recommended practice

introduction to statements of recommended practice

August 2008

PURPOSE AND SCOPE

- .01 The Public Sector Accounting Board (PSAB) issues Statements of Recommended Practice (SORPs) with respect to matters of reporting supplementary information beyond that presented in financial statements, after following a due process. [Former paragraph .01, amended by 2018-2019 annual improvements, retained in Archived Pronouncements.]
- .02 SORPs do not form part of the CPA Canada Public Sector Accounting Handbook or generally accepted accounting principles, nor are they designed to become GAAP in the future. For practical purposes, SORPs may be filed within the Handbook.
- .03 SORPs provide general guidance to a government or government organization (entity) choosing to provide supplementary information beyond that contained in its financial statements. SORPs address specific aspects of supplementary reporting on topics such as financial condition and financial and non-financial performance.
- .04 SORPs represent reporting practices that are encouraged but not mandatory or prescriptive. They are intended to provide issuers of such information with a common framework for developing a consistent approach to reporting supplementary information. While it is acknowledged that there are many other areas of supplementary reporting that are not covered by existing SORPs, when an entity chooses to report on those areas covered by SORPs, it is encouraged to use the frameworks provided.
- .05 The supplementary information does not necessarily need to accompany or be issued with the financial statements, or cover the same fiscal period(s).

REPORTING PRACTICES

- .06 Establishing reporting practices is an evolutionary process building on research, widespread experimentation, practical experience and consensus. As this process evolves, additional reporting practices will be developed to respond to changing information needs. There will also be periodic review and amendment of material previously issued.
- .07 The financial position of an entity, as measured in the financial statements, is only one indicator in determining financial condition. Changes in an entity's financial position, as presented in financial statements, provide certain indicators essential in assessing financial performance during the reporting period. These indicators are not, however, the sole measures of an entity's overall condition and performance.
- .08 Additional information external to the financial statements supplements and adds further depth to financial statement indicators. Other information, such as narrative explanations, trend analyses and financial and non-financial indicators, enhances the decision usefulness of the information and improves the accountability for and understandability of financial condition and financial and non-financial performance. SORPs provide guidance for the preparation and presentation of such information.

APPLICATION

- .09 SORPs apply to all entities, unless specifically limited in individual Statements. Although the application of SORPs is encouraged, it is intended that entities have flexibility as to when and how to apply them.
- .10 Principles underlying recommended practices are set out in bold type to distinguish them from background material, illustrations and guidance.

SIGNIFICANCE AND JUDGMENT

- .11 SORPs are not intended to apply to immaterial or insignificant items or matters.
- .12 In developing SORPs, PSAB recognizes that no rule of general application can be phrased to suit all circumstances or combinations of circumstances that may arise, nor is there any substitute for professional judgment in a particular case.

BENEFITS VERSUS COST CONSTRAINT

- .13 The benefits expected to arise from providing financial and non-financial information should exceed the cost of doing so. It is recognized that the benefits may accrue to different parties and that the evaluation of the nature and amount of benefits and costs is substantially a judgmental process. Nevertheless, when applying judgment, it is important to assess the value of the information being provided to the user although there is a cost to the reporting entity. The assessment must consider the usefulness of the information and the accountability of the entity to report on its financial condition and financial and non-financial performance.

(paragraph .14 deleted) [Former paragraph .14, amended by 2018-2019 annual improvements, retained in Archived Pronouncements.]

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