

## Exploring Scalability of Standards

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### Extract, PSA Discussion Group Report on the Public Meeting – November 16, 2023

This submission asked the Group to discuss the merits of and issues with customized reporting for public sector entities, using as a basis for discussion the questions raised in the recent Accounting Standards Board's (AcSB) Consultation Paper 1, "[Exploring Scalability in Canada](#)."<sup>3</sup>

The Group discussed the issues and implications of customization and how such challenges may apply to PSAB. They included the following:

- A few Group members mentioned issues the International Public Sector Accounting Standards Board (IPSASB) raised,<sup>4</sup> and suggested that application support and navigation tools for the standards could be provided to assist public sector entities.
- In some cases, government business enterprises (GBEs) lack the resources or the same conditions that would require applying complex accounting standards. The Group discussed whether a targeted effort could ease such reporting requirements for GBEs without customizing or scaling of broader standards.
- Group members suggested that small Indigenous GBEs may be better served in applying Accounting Standards for Private Enterprises (ASPE) rather than IFRS<sup>®</sup> Accounting Standards. If PSAB allowed use of ASPE, the small entities would benefit from lower costs and would not need to consider accounting matters targeting large entities. Group members noted that non-authoritative guidance similar to "[How to Evaluate a GBE's Financial Self-sufficiency](#)" could be helpful.
- PSAB may want to consider exploring areas where its standards are difficult to apply. Additional guidance may be more helpful than exploring a customization approach. This would be consistent with the Board's 2022-2027 Strategic Plan, which stated on page 10 that "[p]otential customizations will be considered only in specific cases where substantive and distinct accountabilities for different public sector entities are noted."
- [Chapter 7](#) of the Conceptual Framework for Financial Reporting in the Public Sector provides materiality considerations for determining information to present in financial statements.<sup>5</sup> The chapter notes that materiality would be considered from qualitative and quantitative perspectives, adding that materiality is

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<sup>3</sup> The AcSB's [Consultation Paper](#) explores how to scale the standards to better meet different reporting needs for interested and affected parties in the private sector, especially entities using Part II of the CPA Canada Handbook-Accounting, ASPE.

<sup>4</sup> In March 2022, the IPSASB added the [Differential Reporting](#) project to its work program. The IPSASB reflected on the findings from its research and scoping phase and decided not to pursue a standard setting solution.

<sup>5</sup> Material that links to the CPA Canada Handbook is available to subscribers only. However, all information needed to understand this document is provided.

entity specific. Some Group members thought that materiality should be factored in determining the extent to which an entity applied the standards and the extent of disclosures required. Small entities may not have the complex transactions addressed in the IFRS Accounting Standards, or their magnitude and complexity may be less than for larger entities.

The next series of questions in the submission asked the Group to discuss recognition, measurement, presentation, and disclosure when reflecting on potential customizations options. The Group noted the following:

- The balance between the flexibility allowed by standards and the financial information needs of users must be considered when reflecting on potential customization. Understandability, comparability, and accountability should not be compromised.
- [Chapter 10](#) of the Conceptual Framework promotes the preparation of understandable financial statements to meet the accountability objective. It is important to consider potential implications from the Conceptual Framework. The Group referred to the illustrative examples of financial statement presentation in the [appendices](#) to the new reporting model in [Section PS 1202, \*Financial Statement Presentation\*](#). These financial statements reflect five types of public sector entities. They show similar presentation in the financial statements. The reporting model in Section PS 1202 is a benchmark for PSAB to differentiate a particular type of entity in the future if it is important for that type of entity to demonstrate accountability.
- [Many recently issued standards](#) may require extensive work before their effective dates. Some Group members thought that PSAB should focus on maintaining Public Sector Accounting Standards and help with implementing its new and upcoming standards rather than explore differential reporting.
- PSAB should explore options to allow some entities to provide fewer disclosures or simplified reporting. Most Group members cautioned the Board against allowing for too many options, because such differentiation may create confusion rather than promote stability.

In summary, the Group discussed how some small entities may benefit from scaling standards. Most Group members suggested that, given all the complexities, sizes, and types of public sector entities, scaling may become onerous, if not inappropriate. Instead, they encouraged PSAB to consider additional guidance, such as practical application material, or to explore scaling options only for certain types of public sector entities, such as Indigenous GBEs. These entities may face unintended consequences when applying existing standards. Given the timing and volume of new standards, along with the Board's current projects, the Group members thought that the Board should focus on stability rather than taking on issues that may result from customization of its standards.