



Exposure Draft

2024-2025 Annual Improvements to Public Sector Accounting Standards

February 2025

This Exposure Draft closes for comments on April 11, 2025

The Public Sector Accounting Board (PSAB) welcomes feedback from any interested party on any or all the questions posed in this Exposure Draft.

Note: Comments to PSAB are due on April 11, 2025.

You can provide feedback to the PSAB on the proposals in a variety of ways:

- Participate on [Connect.FRASCanada.ca](https://connect.frascanada.ca).
- Write a response letter and upload it via our [online form](#). Response letters can be addressed to:

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Toronto ON M5V 3H2

Note: Response letters will be posted online shortly after this Exposure Draft closes for comment. Confidentiality can be requested when uploading letters via the [online form](#).

Helpful tips when participating in a consultation:

- Comments are most helpful if they relate to a specific paragraph or group of paragraphs found in this Exposure Draft.
- If you identify a potential issue in this Exposure Draft's proposals, we encourage you to clearly explain the issue and include a suggested alternative, supported by specific reasoning.
- PSAB does not expect you to respond to every single question posed – only those to which you feel you can or should respond.

HIGHLIGHTS

The Public Sector Accounting Board (PSAB) proposes, subject to comments received following exposure, to amend the CPA Canada Public Sector Accounting (PSA) Handbook as set out in this Exposure Draft.

Background

PSAB has adopted an improvement process to periodically correct errors in the wording or clarify the PSA Handbook or other guidance. Major improvements or narrow-scope amendments to the standards or other guidance are not included in the annual PSA Handbook improvements process.

Main features of the Exposure Draft

The 2024-2025 Handbook improvements summarized below are intended to correct errors or clarify existing pronouncements. These annual improvements are not expected to propose any new principles or change any existing principles. Most important, the proposed annual improvements are not intended to change practice.

In summary, the 2024-2025 Handbook improvements propose amendments to:

- update terminology in certain sections of the PSA Handbook from “government” to “public sector entity”, “entity” or another appropriate term;
- update references from “reliability” to “faithful representation” to be consistent with the new Conceptual Framework for Financial Reporting;
- update references from “presentation and disclosure” to either “presentation” or “disclosure” as appropriate to align with the new Conceptual Framework;¹
- amend Appendix A in INTERESTS IN PARTNERSHIPS, Section PS 3060, to replace reference from FINANCIAL STATEMENT PRESENTATION, Section PS 1201, to FINANCIAL STATEMENT PRESENTATION, Section PS 1202;
- amend Footnote 7 to PUBLIC PRIVATE PARTNERSHIPS, paragraph PS 3160.27, to refer to appropriate reference to verifiability in the new Conceptual Framework;
- amend FIRST-TIME ADOPTION, paragraph PS 2125.08, to separate italicized principle from non-italicized guidance (currently both combined in one paragraph);
- amend FINANCIAL INSTRUMENTS, Section PS 3450, to replace an outdated reference to London Interbank Offered Rate (LIBOR) with Secured Overnight Financing Rate (SOFR) due to IFRS® Interbank Offered Rate (IBOR) reforms; and
- amend Appendix A in PUBLIC PRIVATE PARTNERSHIPS, Section PS 3160, to reflect the appropriate title of the decision tree.

¹ PSAB issued the new Conceptual Framework in the PSA Handbook in December 2022 and is effective for fiscal years beginning on or after April 1, 2026.

Amendments to incrementally change the PSA Handbook terminology from “government” to “public sector entity”, “entity” or another appropriate term

As part of its PSA Handbook improvements process, PSAB has committed to incrementally change terminology in the PSA Handbook to reflect fully the PSA Handbook’s applicability to all public sector entities (unless directed to another framework in the Introduction).

Amendments to replace the term “reliability” with “faithful representation” as a result of terminology changes introduced in the new Conceptual Framework

PSAB’s new Conceptual Framework introduced new terminology in seeking to provide consistency in how certain terms were applied throughout the PSA Handbook. This included the removal of certain measurement terms, such as “reliably” when describing measurement principles, and replace such terms with “faithful representation”.

Currently, “reliably” and “reliably measured” remain referenced in certain areas of the PSA Handbook. PSAB proposes to replace all instances of the usage of this term throughout the PSA Handbook with “in a faithfully representative way” so that the revisions are consistent with those introduced in the Conceptual Framework.

Amendments to change references from “presentation and disclosure” to “presentation” or “disclosure” to align with the new Conceptual Framework

To align with the presentation concepts in Chapter 10 of the Conceptual Framework, amendments are needed to indicate that disclosure now forms part of presentation. As a result, the reference to “presentation and disclosure” in certain Sections needs to be changed to “presentation” or to “disclosure” if the guidance pertains to disclosure only.

Amendments to replace the reference from Section PS 1201 in Appendix A of INTERESTS IN PARTNERSHIPS, Section PS 3060, to Section PS 1202

With the introduction of PSAB’s new Conceptual Framework and Reporting Model, references to Section PS 1201 were to be removed from the PSA Handbook. However, Appendix A of Section PS 3060 still contains a reference to Section PS 1201.

The proposed change considers replacing this reference as it is now improper and outdated to instead refer to Section PS 1202.

Amendments to update Footnote 7 to paragraph PS 3160.27 to refer to the appropriate reference to verifiability in the new Conceptual Framework

Currently, Footnote 7 to PUBLIC PRIVATE PARTNERSHIPS, paragraph PS 3160.27 still refers to FINANCIAL STATEMENT CONCEPTS, Section PS 1000, as follows:

paragraph PS 1000.29(e), describes a transaction or event as verifiable “if knowledgeable and independent observers would concur that it is in agreement with the actual underlying transaction or event with a reasonable degree of precision.”

PSAB proposes to update the Footnote to align with the new Conceptual Framework chapter that outlines the required information for a transaction or event to be considered verifiable.

Amendments to separate the italicized principle from the non-italicized guidance in paragraph PS 2125.08

Section PS 2125 introduces key principles for election guidance. Paragraph PS 2125.08, however, currently does not separate a key principle that is italicized from non-principle guidance as both are combined in the same paragraph.

To avoid confusion and be consistent with other sections of the PSA Handbook, PSAB proposes that the italicized principle and the non-italicized guidance are separated by each having its own paragraph.

Amendments to Section PS 3450 to replace an outdated reference to LIBOR with SOFR due to IFRS IBOR reform

Due to the IBOR reforms that have taken place, LIBOR is no longer being published effective June 30, 2023. SOFR has been widely adopted in practice as the alternative reference rate replacing LIBOR.

Given the above, all LIBOR references within the PSA Handbook need to be removed and replaced with SOFR (if applicable).

Amendments to revise the wording of the decision tree in Appendix A to Section PS 3160

Currently, the wording of Appendix A to Section PS 3160 is inconsistent with other sections of the PSA Handbook.

PSAB proposed to apply appropriate changes to the title of the decision tree to align with other sections of the PSA Handbook:

- Currently, the title of the decision tree is “Appendix A: Decision Tree – Public Private Partnerships.”
- The proposed change would instead have the title of the decision tree as “Appendix A: Decision Tree – Scope of Applicability.”

Timing of application

PSAB expects to issue the final amendments in the fall 2025 PSA Handbook update. The amendments will be effective for years beginning on or after April 1, 2026. The Board intends that the amendments be applied retrospectively given that annual improvements are not expected to affect practice, and many are purely editorial in nature.

Comments requested

While PSAB welcomes comments on the changes proposed in this Exposure Draft, it particularly welcomes comments on the question listed below.

Do you agree with the following proposed 2024-2025 Handbook improvements?

1. To change terminology from “government” to “public sector entity”, “entity” or another appropriate term in certain sections of the PSA Handbook?
2. To replace the term “reliability” with “faithful representation” as a result of terminology changes introduced in the Conceptual Framework?
3. To update references to “presentation and disclosure” to align with consequential amendments arising from the new Conceptual Framework?
4. To replace the reference from Section PS 1201 to Section PS 1202 in Appendix A of Section PS 3060?

5. To appropriately align references to verifiability introduced in the new Conceptual Framework?
6. To separate the italicized principle from the non-italicized guidance in paragraph PS 2125.08?
7. To remove references to LIBOR and replace them with a reference to SOFR in Section PS 3450?
8. To change the title of the decision tree to Appendix A in Section PS 3160?

Any comments that express disagreement with any of the proposals in the Exposure Draft should clearly identify which proposal is opposed, explain the problem and include a suggested alternative, supported by specific reasoning.

PROPOSAL

The PSA Handbook would be amended as indicated below. New text is denoted by underlining and deleted text by strikethrough. Amendments have been grouped by the themes outlined above for easy reference.

Amendments to incrementally change the PSA Handbook terminology from “government” to “public sector entity”, “entity” or another appropriate term

As part of its PSA Handbook improvements process, PSAB has committed to incrementally change terminology in the PSA Handbook to reflect fully the PSA Handbook’s applicability to all public sector entities (unless directed to another framework in the Introduction). Specifically, this means replacing the term “government” with “public sector entity”, “entity” or another appropriate term throughout the PSA Handbook.

ACCOUNTING CHANGES, Section PS 2120

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CHANGE IN AN ACCOUNTING POLICY

.02 Accounting policies encompass the specific principles and the methods used in their application that are selected by a ~~government~~ public sector entity in preparing financial statements. There is a general presumption that the accounting policies followed by a ~~government~~ public sector entity are consistent within each accounting period and from one period to the next. However, a change in an accounting policy may be made: to conform to new Public Sector Accounting Standards; to adopt Public Sector Accounting Standards for the first time; or, if it is considered that the change would result in a more appropriate presentation of events or transactions in the financial statements of the ~~government~~ public sector entity.

...

.09 Retroactive application with restatement of all prior periods that are presented provides consistency in accounting policies from one period to another. It assists in interpreting trends in a ~~government’s~~ public sector entity’s performance and other analytical data that are based on comparisons.

...

.12 A distinction can be made between the two primary reasons for a change in accounting policy: a ~~government~~ public sector entity may change an accounting policy in order to comply with new Public Sector Accounting Standards, or to adopt Public Sector Accounting Standards for the first time; or, a change in accounting policy may be made when there is a choice from among two or more appropriate principles, or methods used in their application, and a ~~government~~ public sector entity chooses to change the policy applied because it believes that the change would result in a more appropriate presentation of events or transactions in its financial statements.

...

.24 Some ~~governments~~ public sector entities include in their financial statements, public accounts or other reports, historical summaries of their financial results for a series of accounting periods, some for as many as ten years. Such summaries are often used for trend analysis. In order for such summaries and the resulting analyses to provide meaningful information to readers, the accounting principles used would be comparable from year to year. Therefore, when a ~~government~~ public sector entity reports an historical summary of its financial results, it is desirable practice that the amounts included in the summary from prior years be adjusted to

reflect the accounting policies applied in calculating the results for the current year, regardless of whether the ~~government~~ public sector entity has accounted for changes in accounting policy retroactively in its financial statements.

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CHANGE IN AN ACCOUNTING ESTIMATE

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- .26 It is sometimes difficult to distinguish between a change in an accounting policy and a change in an accounting estimate. For example, a ~~government~~ public sector entity may change from deferring and amortizing certain costs to expensing them as incurred because, as a result of new information, the future benefits of the costs have become doubtful. Changes of this type are often related to the continuing process of obtaining additional information and revising estimates. In cases where it is difficult to draw a clear distinction, it is usual for such a change to be treated as a change in an estimate, not as a change in an accounting policy.

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CORRECTION OF AN ERROR IN PRIOR PERIOD FINANCIAL STATEMENTS

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- .31 An issue raised with a ~~government~~ public sector entity by its auditor in one period but not corrected by the ~~government~~ public sector entity until a subsequent period is not an error, for purposes of this Section; the issue would be accounted for in the period in which the correction is made.

...

MEASUREMENT UNCERTAINTY, Section PS 2130

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- .10 There is a degree of uncertainty associated with the measurement of many amounts recognized or disclosed in the financial statements. In many cases, however, such uncertainty is not material. A decision about whether measurement uncertainty has a material effect on the financial statements is a matter of professional judgment. Management would consider information such as the range of reasonably possible amounts; whether the amount could change by a material amount; the impact of other reasonably possible amounts on the ~~government's~~ public sector entity's economic resources, obligations and net assets or net liabilities; and the possible timing of the impact. A judgment about materiality of measurement uncertainty would be made considering the effect that a different reasonably possible amount would have on the financial statements. [Former paragraph PS 2130.10, amended by the Conceptual Framework, retained in Archived Pronouncements.]

...

- .13 As a result of the estimation process, a ~~government~~ public sector entity would be able to determine a range of reasonably possible amounts in accordance with assumptions that are realistic, supportable, internally consistent, and consistent with planned courses of action. The range of reasonably possible amounts would exclude amounts at the outer edges of possibility since such amounts, while possible, are considered to be outside the best estimate range. Relevant information available to the ~~government~~ public sector entity to develop a reasonable range includes past experience, precedents, and opportunities to reach alternative arrangements.

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LIABILITIES, Section PS 3200

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Past transactions and other events²

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- .23 The obligating transaction or other event arising from exchange agreements or contracts usually occurs at the point of exchange. Once title to the good is assumed by an entity, that entity ~~government~~ is obligated to settle. [Former paragraph PS 3200.23, amended by the Conceptual Framework, retained in Archived Pronouncements.]

...

LONG-TERM DEBT, Section PS 3230**PURPOSE AND SCOPE**

- .01 This Section establishes standards on how to account for and report long-term debt in ~~government~~ public sector financial statements,¹ including debt issued on behalf of a government business enterprise. It does not address the presentation and disclosure of other long-term obligations of a public sector entity ~~government~~. General guidance regarding the presentation and disclosure of a public sector entity's ~~government's~~ financial and non-financial liabilities is provided in FINANCIAL STATEMENT PRESENTATION, paragraphs PS 1202.083-.108. Retirement benefits are specifically dealt with in RETIREMENT BENEFITS, Section PS 3250. Other employee future benefits are specifically dealt with in POST-EMPLOYMENT BENEFITS, COMPENSATED ABSENCES AND TERMINATION BENEFITS, Section PS 3255. [Former footnote 1 of paragraph PS 3230.01, amended by 2022-2023 remaining annual improvements, retained in Archived Pronouncements.] [Former paragraph PS 3230.01, amended by FINANCIAL STATEMENT PRESENTATION, Section PS 1202, retained in Archived Pronouncements.]

FINANCIAL STATEMENT PRESENTATION

- .02 *The statement of financial position should report a public sector entity~~government's~~ long-term debt at the end of the accounting period. [MARCH 1997]*
- .03 *When a public sector entity~~government~~ has externally restricted sinking funds² set aside to retire its long-term debt, the following information should be provided:*
- (a) *the gross amount of the long-term debt to be retired by the sinking funds; and*
 - (b) *the amount of sinking fund assets available to retire the debt. [MARCH 1997]*
- .03A Long-term debt liabilities are classified as financial liabilities.
- .04 ~~Governments~~ Public sector entities would disclose this externally restricted sinking fund information in the notes or schedules to the financial statements or report it on their statement of financial position.

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DISCLOSURE

- .15 *Financial statements should disclose information to highlight the composition of a government's public sector entity's long-term debt as follows:*
- (a) *the gross amount outstanding;*
 - (b) *the amounts issued specifically on behalf of government business enterprises and reported in accordance with paragraph PS 3230.10;*
 - (c) *the net amount reported on the consolidated statement of financial position;*

- (d) *the gross interest paid or payable for the period relating to the debt described in (a);*
- (e) *the interest revenue for the period received or receivable from government business enterprises on debt issued specifically by the government on behalf of government business enterprises and reported in accordance with paragraph PS 3230.10; and*
- (f) *the net amount of interest expense reported on the consolidated statement of operations.*
[APRIL 2000]

...

.16 The gross amount of long-term debt outstanding in paragraph PS 3230.15(a) and the gross amount of interest paid or payable in paragraph PS 3230.15(d) refer to the total debt of the government public sector reporting entity excluding those amounts which have been borrowed directly by existing government business enterprises from sources external to the government public sector reporting entity, and the related interest.

.17 *Financial statements should disclose adequate information about the nature and terms of a government's public sector entity's long-term debt, as described in paragraph PS 3230.15(a), including:*

- (a) *interest rates;*
- (b) *the existence of sinking fund and redemption provisions;*
- (c) *an appropriate description of repayment dates and amounts and the nature of the repayment; and*
- (d) *any amounts payable on demand.* [APRIL 2000]

...

.20 Disclosure of a government's public sector entity's total interest expense for the period provides one important element for assessing the extent to which revenues of the accounting period were applied to debt charges as compared to operating or program expenses. Trend analysis of this comparison serves to highlight whether a government public sector entity is living within its means and whether program spending is being affected as a result of debt charges.

.21 The level of detail disclosed by governments public sector entities should reflect the highly aggregated nature of financial statements. In deciding the level of detail to disclose, governments public sector entities should consider the usefulness of the information to the readers in assessing the nature of, the costs associated with, and the cash requirements related to, the government's public sector entity's long-term debt obligations.

.22 *When a government public sector entity holds its own securities at the end of the accounting period, including securities derecognized or offset in accordance with FINANCIAL INSTRUMENTS, paragraphs PS 3450.042-.051, the following should be disclosed:*

- (a) *the gross amount of the long-term debt classes to which the securities relate;*
- (b) *the amount of the government's public sector entity's own securities purchased but not legally cancelled, extinguished or discharged; and* [APRIL 2021]
- (c) *the amount of interest revenues and interest expenses that have been offset from a government's public sector entity's own securities purchased but not legally cancelled, extinguished or discharged.*

[Former paragraph PS 3230.22 retained in Archived Pronouncements.]

(Paragraph PS 3230.23 deleted)

.24 *If any of the liabilities are secured, they should be stated separately and the fact that they are secured should be indicated. Where assets of a government public sector entity are pledged as security against liabilities, the nature and, where practicable, the carrying value of such assets should be disclosed. [MARCH 1997]*

.25 *The details of any defaults of the government public sector entity in principal, interest, sinking fund or redemption provisions with respect to any outstanding obligation should be disclosed. [MARCH 1997]*

...

CONTINGENT LIABILITIES, Section PS 3300

PURPOSE AND SCOPE

.01 This Section:

- (a) defines and establishes standards on how to account for and report contingent liabilities in public sector government financial statements; but

...

DEFINITION

.03 **Contingent liabilities** are possible obligations that may result in the future sacrifice of economic benefits arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events not wholly within the public sector entity's government's control occurs or fails to occur. Resolution of the uncertainty will confirm the incurrence or non-incurrence of a liability.

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Existing condition or situation

.07 For a contingent liability to be present there must be an existing condition or situation (event) at the financial statement date that indicates that a government public sector entity may have a liability. The existing condition or situation could be, for example, an existing loan guarantee or an ongoing legal case.

.08 A government public sector entity may be involved in a lawsuit (the existing condition or situation), however, it may not be known with certainty whether this event will ultimately result in a liability. It is only the future event (the settlement of the suit) that will confirm that the government public sector entity has a liability.

.09 Passing legislation that has retroactive application after the financial statement date cannot create an existing condition or situation at the financial statement date. Further, elected or government public sector officials may announce government a public sector entity's intentions in a period following the financial statement date but before the completion of the financial statements. If a condition or situation did not exist at the date of the financial statements, there is no contingent liability (see SUBSEQUENT EVENTS, Section PS 2400).

Confirming future event

.10 For a contingent liability to exist there must also be an expected confirming future event(s) that will resolve the uncertainty. The expected confirming future event provides additional information as to whether a government public sector entity has a liability at the financial statement date. The confirming future event does not create a liability — it only proves or disproves its existence at the financial statement date.

- .11 The future confirming event cannot be wholly within the control of the reporting government public sector entity. Where a government public sector entity has guaranteed a loan of another party, the future confirming event (default) is not within the control of that government public sector entity.

...

RECOGNITION

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- .17 A condition or situation may exist at the financial statement date; however, it is unlikely that a future event will confirm the existence of a liability. In this case, a contingent liability would not be accrued. A government public sector entity may, for example, provide building inspections, but there is only a remote possibility that at some time in the future it could be found that a building inspection was carried out in a negligent manner. While there is a possibility that a government public sector entity could be responsible in the future, given what is known at the financial statement date, the probability of a future confirming event happening is unlikely.
- .18 A condition or situation may exist at the financial statement date, but it is not determinable as to whether a liability exists. In this case, a contingent liability would not be accrued. A government public sector entity may, for example, be involved in a lawsuit where the outcome of the claim cannot be determined as there is no clear evidence or precedent supporting the outcome one way or the other. While there is a possibility that the government public sector entity could be responsible, there is no evidence that a liability existed at the financial statement date.

...

PRESENTATION

- .26 In assessing the government's public sector entity's financial position and results, it is important to understand its risks and exposure to contingent liabilities. Regardless of whether contingent liabilities should be accrued, as a minimum, knowledge of the existence, nature and extent of these types of obligations is warranted because they indicate a possible claim on the economic resources of the government public sector entity. The relevance of such information to the decision-making process arguably outweighs the inherent uncertainty.
- ...
- .30 Disclosure of the extent of a contingent liability includes the government's public sector entity's best estimate and a range of possible amounts, unless it would have an adverse effect on the outcome. A financial statement user may not find disclosure of a broad range of amounts, which may extend from the minimum possible amount to the maximum possible amount, as useful as a narrower range that comprises what is reasonable.
- ...
- .32 The level of detail disclosed by a government public sector entity reflects the highly aggregated nature of financial statements. When deciding the level of detail to disclose, governments public sector entities consider the usefulness of the information to assessing the nature and extent of a government's public sector entity's contingent liabilities. In some cases, it may be useful to group similar items together. The level of disclosure also considers the sensitivity of the information.

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CONTRACTUAL OBLIGATIONS, Section PS 3390**PURPOSE AND SCOPE**

- .01 This Section:
- (a) defines and establishes disclosure standards on contractual obligations in government public sector financial statements; but

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DEFINITION

- .03 **Contractual obligations** are obligations of a government public sector entity to others that will become liabilities in the future when the terms of those contracts or agreements are met.
- .04 Contractual obligations are distinct from liabilities as there has been no past transaction or event obligating the government public sector entity to a future sacrifice of economic benefits at the financial statement date. Until a transaction or event occurs under a contract, a government public sector entity does not have a liability. Disclosure of information about contractual obligations relates to the unperformed portion of those contracts.

...

- .07 Contractual obligations do not include a government's public sector entity's obligations related to ongoing programs such as health, welfare and education. In these cases, a government public sector entity does not have a contractual obligation to others and maintains complete discretion as to whether to change the level or quality of its programs or the delivery of these programs. However, once a government public sector entity enters into a contract or agreement, a contractual obligation exists and a certain degree of discretion to avoid the obligation is lost.

DISCLOSURE

- .08 Disclosing a government's public sector entity's contractual obligations is useful because it provides information about the nature and extent to which a government's public sector entity's resources are already committed to meet its obligations.
- .09 *Information about a government's public sector entity's contractual obligations should be disclosed in notes or schedules to the financial statements and should include descriptions of their nature and extent and the timing of the related expenditures. [Former paragraph PS 3390.09 retained in Archived Pronouncements.] [APRIL 2017]*

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Amendments to replace the term “reliability” with “faithful representation” as a result of terminology changes introduced in the new Conceptual Framework**SEGMENT DISCLOSURES, Section PS 2700**

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ATTRIBUTING ITEMS TO SEGMENTS

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- .19 Governments carry out their policies and deliver services through various organizations, including government business enterprises and business partnerships, accounted for on a modified equity basis. Where the modified equity-accounted income can be directly attributed or ~~reliably~~ allocated

to a segment in a faithfully representative way, this attribution or allocation would be done. Similarly, segment revenue and segment expense would include the segment's share of revenue and expense of a partnership that is accounted for by proportionate consolidation.

- .20 When a government accounts for certain government organizations on a modified equity basis in accordance with GOVERNMENT REPORTING ENTITY, paragraph PS 1300.47, if the modified equity-accounted income can be directly attributed or ~~reliably~~ allocated to a segment in a faithfully representative way, this attribution or allocation would be done.

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LOANS RECEIVABLE, Section PS 3050

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RECOGNITION

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- .26 *A loan receivable should be recognized on a government's statement of financial position when:*
- (a) *the government assumes the risks associated with, and acquires the right to receive, repayment of principal and any related payments of interest; and*
 - (b) *the amount of the loan can be ~~reliably~~ measured in a faithfully representative way.*

This normally coincides with the disbursement of funds, exchange of other assets, or assumption of liabilities. [APRIL 1993]

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PUBLIC PRIVATE PARTNERSHIPS, Section PS 3160

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RECOGNITION OF INFRASTRUCTURE ASSET

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- .07 Infrastructure assets are accounted for in accordance with TANGIBLE CAPITAL ASSETS, Section PS 3150. Infrastructure identified in a public private partnership arrangement is accounted for as an asset when it meets the definition of an asset and can be ~~reliably~~ measured in a faithfully representative way in accordance with the general recognition criteria in ~~FINANCIAL STATEMENT CONCEPTS, Section PS 1000~~the Conceptual Framework.

...

GOVERNMENT TRANSFERS, Section PS 3410

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Authorization

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- .34 A recipient government recognizes an asset arising from a transfer when:
- (a) it gains control of resources that meet the definition of an asset; and
 - (b) the general recognition criteria set out in Chapter 9 of the Conceptual Framework are met. [Former paragraph PS 3410.34(b), amended by the Conceptual Framework, retained in Archived Pronouncements.]

Transfers satisfy the definition of an asset when the recipient government controls the resources as a result of a past event and expects to receive future economic benefits from those resources. Only authorization of a transfer as described in paragraph PS 3410.28(a), together with the meeting of all eligibility criteria, comprise a past event for a recipient government that gives it control of the transfer and justifies the recognition of a transfer receivable. Transfers satisfy the criteria for recognition as an asset when it is expected that the inflow of resources will occur and their value can be ~~reliably~~ measured in a faithfully representative way.

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FINANCIAL INSTRUMENTS, Section PS 3450

APPENDIX A

APPLYING THE REQUIREMENTS

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Effective interest method

A41 When calculating the effective interest rate, a government would estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but would not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated in a faithfully representative way ~~reliably~~. However, in those rare cases when it is not possible to estimate ~~reliably in a faithfully representative way~~ the cash flows or the expected life of a financial instrument (or group of financial instruments), a government would use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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TAX REVENUE, Section PS 3510

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Initial measurement

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.30 In some cases, the assets arising from tax transactions and the related revenue cannot be ~~reliably~~ measured in a faithfully representative way until some time after the taxable event occurs. This may occur if a tax base is volatile and estimation is not practicable. In such cases, the assets and revenue may be recognized in the period subsequent to the occurrence of the taxable event. However, in exceptional circumstances, several reporting periods may pass before a taxable event results in an inflow of resources embodying future economic benefits that meets the definition of an asset and satisfies the criteria for recognition as an asset. Consequently, the recognition criteria may not be satisfied until payment is received.

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Amendments to change references from “presentation and disclosure” to “presentation” or “disclosure” to align with the new Conceptual Framework

PORTFOLIO INVESTMENTS, Section PS 3041

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~~PRESENTATION AND DISCLOSURE~~

- .27 *Portfolio investments should be reported separately on the statement of financial position.* [MARCH 1999]
- .28 *The basis of valuation of portfolio investments should be disclosed.* [MARCH 1999]
- .29 *Income from portfolio investments should be reported separately on the statement of operations.* [MARCH 1999]
- .30 *When portfolio investments include marketable securities, the quoted market value of such securities as well as their carrying value should be disclosed.* [MARCH 1999]
- .31 When presenting its portfolio investments and supporting disclosures, a government also considers the applicable standards in FINANCIAL INSTRUMENTS, Section PS 3450.
- .32 Governments may make portfolio investments to promote economic or regional development, to assist, for policy reasons, an organization in financial difficulties, or to obtain a return on investment, whether by means of interest or dividends or by means of an increase in the value of the investment. Regardless of the reasons for a portfolio investment, disclosure of its quoted market value can provide objective and useful evidence relating to the financial health of the investee and the value of the government’s investment.

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INTERESTS IN PARTNERSHIPS, Section PS 3060

...

~~PRESENTATION AND DISCLOSURE~~

...

INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES, Section PS 3070

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~~PRESENTATION AND DISCLOSURE~~

- .57 *A government’s investment in government business enterprises should be reported separately on the consolidated statement of financial position.* [APRIL 2000]

...

DISCLOSURE

- .60 *Government consolidated financial statements should disclose, in notes or schedules, condensed supplementary financial information relative to government business enterprises. Such financial information should be provided on:*
- (a) *the financial position and results of operations, including:*
 - (i) *total assets and liabilities segregated by main classification;*

- (ii) *net assets or liabilities, separately displaying accumulated other comprehensive income;*
- (iii) *total revenues and expenses;*
- (iv) *net income or loss for the period; and*
- (v) *other comprehensive income for the period;*
- (b) *the nature and amount of any adjustments of the net assets or the net income, as shown in the government business enterprises' financial statements, to arrive at the amount included in the government's consolidated statement of financial position and the consolidated statement of operations;*
- (c) *transactions and balances with other entities included in the government reporting entity; [Former paragraph PS 3070.60(c), amended by 2018-2019 annual improvements, retained in Archived Pronouncements.]*
- (d) *contingent assets, contingent liabilities, contractual rights and contractual obligations; [Former paragraph PS 3070.60(d), amended by 2019-2020 annual improvements, retained in Archived Pronouncements.]*
- (e) *the nature and terms of any government guarantees relating to outstanding debt issued by the government business enterprise; and*
- (f) *the government's percentage ownership of any government business enterprise that the government does not wholly own. [OCT. 2006]*

...

PUBLIC PRIVATE PARTNERSHIPS, Section PS 3160

...

PRESENTATION AND DISCLOSURE

- .64 Presentation and disclosure requirements for infrastructure assets or betterments, including those procured through a public private partnership arrangement, are set out in TANGIBLE CAPITAL ASSETS, Section PS 3150. Liabilities resulting from public private partnerships are classified and presented on the statement of financial position according to their substance.

DISCLOSURE

- .65 *A public sector entity should disclose the following information related to a public private partnership:*
- (a) *significant terms of the arrangement that may affect the amount, timing and uncertainty of future cash flow payments;*
 - (b) *key rights and obligations for the public sector entity and private sector partner under the arrangement;*
 - (c) *the accounting policy used by the public sector entity in accounting for public private partnerships, including the key assumptions and basis for any estimation techniques used; and*
 - (d) *changes in the terms of the public private partnership arrangement occurring during the reporting period. [APRIL 2023]*

...

LONG-TERM DEBT, Section PS 3230

...

FINANCIAL STATEMENT PRESENTATION

- .02 *The statement of financial position should report a government's long-term debt at the end of the accounting period.* [MARCH 1997]

...

ASSET RETIREMENT OBLIGATIONS, Section PS 3280

...

PRESENTATION AND DISCLOSURE

- .63 A public sector entity should disclose the following information:
- (a) a general description of the liability for an asset retirement obligation and the associated tangible capital asset (or a component thereof);
 - (b) the amortization method used for the asset retirement costs;
 - (c) the basis for the estimate of the liability, including the estimated total undiscounted expenditures, the time period over which the undiscounted expenditures are to be incurred, the estimated timing of settlement of these expenditures and the discount rate used;
 - (d) a reconciliation of the beginning and ending aggregate carrying amount of the liability showing separately the changes attributable to:
 - (i) the liability incurred in the current period;
 - (ii) the liability settled in the current period;
 - (iii) the change resulting from the passage of time (i.e., accretion expense); and
 - (iv) revisions in estimated cash flows;
 - (e) how any requirements for financial assurance and funding associated with asset retirement obligations, if legally required, are being met;
 - (f) when a reasonable estimate of the amount of an asset retirement obligation cannot be made, that fact and the reasons therefor; and
 - (g) the estimated recoveries. [APRIL 2022]

...

REVENUE, Section PS 3400

...

PRESENTATION AND DISCLOSURE

- .83 Users of financial statements need to understand the nature, amount, timing and uncertainty associated with revenues.

...

GOVERNMENT TRANSFERS, Section PS 3410

...

~~PRESENTATION AND DISCLOSURE~~

- .35 *Financial statements should disclose major kinds of transfers recognized in the accounting period. [APRIL 2012]*

...

RESTRUCTURING TRANSACTIONS, Section PS 3430

...

~~PRESENTATION AND DISCLOSURE~~

- .48 *The net effect of a restructuring transaction should be presented as a separate revenue or expense item in the statement of operations. [APRIL 2018]*

...

DISCLOSURE

- .54 *A transferor and a recipient should disclose sufficient information to enable users to assess the nature and financial effects of a restructuring transaction on their financial position and operations. [APRIL 2018]*

...

TAX REVENUE, Section PS 3510

...

~~PRESENTATION AND DISCLOSURE~~

- .45 *The financial statements should disclose:*
- (a) *the accounting policies adopted for the recognition of tax revenue;*
 - (b) *the accounting policies adopted for the recognition and valuation of tax receivables if they are different from those for other receivables; and*
 - (c) *the total tax revenue recognized in the accounting period and in each of the major categories of tax. [APRIL 2012]*

...

LEASED TANGIBLE CAPITAL ASSETS, PSG-2

...

~~PRESENTATION AND DISCLOSURE~~**Reporting the asset**

- 23 *A government should report its leased tangible capital assets in accordance with FINANCIAL STATEMENT PRESENTATION, Section PS 1202. [Former paragraph PSG-2.23, amended by FINANCIAL STATEMENT PRESENTATION, Section PS 1202, retained in Archived Pronouncements.]*

General dDisclosure

- 24 The following information should be disclosed with respect to a government's leased tangible capital assets:
- (a) The gross amount of leased tangible capital assets and related accumulated amortization should be disclosed. Disclosure of leased tangible capital assets and accumulated amortization by major category (for example, land, buildings, machinery) may be desirable.
 - (b) Liabilities related to leased tangible capital assets should be shown separately from other liabilities. Particulars of liabilities related to leased tangible capital assets, including interest rates and expiry dates, should be shown separately from other long-term liabilities. Significant conditions of the lease agreement should be disclosed, including future contractual obligations, purchase options, terms of renewal and contingent liabilities, and circumstances that require or result in the government's continuing involvement in the contractual arrangement. [Former paragraph PSG-2.24(b), amended by 2019-2020 annual improvements, retained in Archived Pronouncements.]
 - (c) The amount of amortization of leased tangible capital assets included in the determination of operating results should be disclosed separately or as part of amortization expense for tangible capital assets. Disclosure should also be made of methods and rates of amortization.
 - (d) Interest expense related to lease liabilities should be disclosed separately, or as part of interest on long-term debt.

...

Disclosure of Ccontractual obligations and contingent liabilities

- 26 Disclosure of contractual obligations and contingent liabilities related to leased tangible capital assets helps readers assess the financial resources that the government may require in the future. [Former paragraph PSG-2.26, amended by 2019-2020 annual improvements, retained in Archived Pronouncements.]

...

SALE-LEASEBACK TRANSACTIONS, PSG-5

...

PRESENTATION AND DISCLOSURE**General dDisclosure**

- 52 Sale-leaseback transactions can be a significant means of financing and can include significant obligations. Accordingly, separate disclosure of information about such transactions is useful in identifying the costs and risks associated with such transactions, as well as their effect on the future revenue requirements of government.

...

Amendments to replace the reference from Section PS 1201 in Appendix A of Section PS 3060 to Section PS 1202

INTERESTS IN PARTNERSHIPS, PS 3060

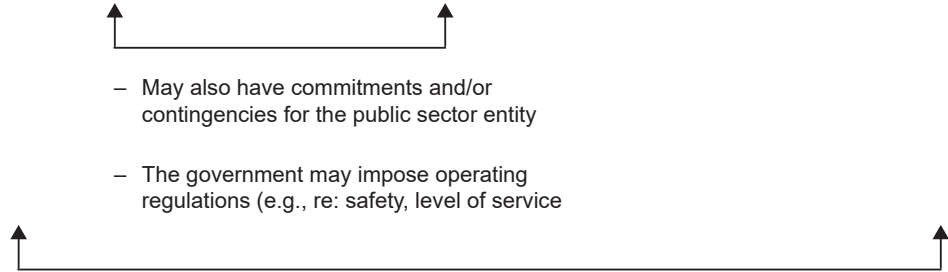
APPENDIX A

TYPES OF CONTRACTUAL ARRANGEMENTS



EXECUTORY CONTRACTS	PURCHASE/SALE TRANSACTIONS	TRANSFERS/GRANTS
<ul style="list-style-type: none"> - lease and sale-leaseback transactions (e.g. Build Own Operate, Build Own Operate Transfer arrangements) - take-or-pay contracts 	<ul style="list-style-type: none"> - management contracts - outsourcing of services - privatization - public private partnership 	<ul style="list-style-type: none"> - shared cost arrangements <p>Loans</p> <p>Loan Guarantees</p> <p>(PS 3410, PS 3050, PS 3310)</p>
<p>(PS 1201, PS 1202, PS 3160)</p>		

As defined in this Section



These types of contractual arrangements are not partnerships as defined in paragraph PS 3060.06.

Amendments to update Footnote 7 to paragraph PS 3160.27 to refer to the appropriate reference to verifiability in the new Conceptual Framework

PUBLIC PRIVATE PARTNERSHIPS, Section PS 3160

...

Paragraph .27, footnote 7: ~~FINANCIAL STATEMENT CONCEPTS, paragraph (e), describes a transaction or event as verifiable “if knowledgeable and independent observers would concur that it is in agreement with the actual underlying transaction or event with a reasonable degree of precision.” Paragraphs 7.22-7.23 of the Conceptual Framework explain “verifiability” and how a transaction or other event is verifiable.~~

...

Amendments to separate the italicized principle from the non-italicized guidance in paragraph PS 2125.08

FIRST-TIME ADOPTION, Section PS 2125

...

Exemptions

.08 A government organization may elect to use one or more of the following exemptions:

- (a) retirement and post-employment benefits;
- (b) business combinations;
- (c) investments in government business enterprises;
- (d) business partnerships; and
- (e) tangible capital asset impairment.

~~A government organization should not apply these exemptions by analogy to any other items. [JAN. 2011]~~

.08A A government organization should not apply these exemptions by analogy to any other items. [JAN. 2011]

...

Amendments to Section PS 3450 to replace an outdated reference to LIBOR with SOFR due to IFRS IBOR reform

...

A11 A derivative usually has a notional amount, which is an amount of currency, a number of shares, a number of units of weight or volume, or other units specified in the contract. However, a derivative instrument does not require the holder or writer to invest or receive the notional amount at the inception of the contract. Alternatively, a derivative could require a fixed payment or payment of an amount that can change (but not proportionately with a change in the underlying item) as a result of some future event that is unrelated to a notional amount. For example, a contract may require a fixed payment of \$1,000 if the six-month ~~London Interbank Offered Rate (LIBOR)~~ Secured Overnight Financing Rate (SOFR) increases by 100 basis points. Such a contract is a derivative even though a notional amount is not specified.

...

A40 An appropriate technique for estimating the fair value of a particular financial instrument would incorporate observable market data about the market conditions and other factors that are likely to affect the instrument's fair value. The fair value of a financial instrument will be based on one or more of the following factors (and perhaps others):

- (a) The time value of money (i.e., interest at the basic or risk-free rate) — Basic interest rates can usually be derived from observable government bond prices and are often quoted in financial publications. These rates typically vary with the expected dates of the projected cash flows along a yield curve of interest rates for different time horizons. For practical reasons, a government may use a well-accepted and readily observable general rate, such as LIBOR SOFR or a swap rate, as the benchmark rate. ~~(Because a rate such as LIBOR is not the risk-free interest rate, the credit risk adjustment appropriate to the particular financial instrument is determined on the basis of its credit risk in relation to the credit risk in this benchmark rate.)~~

...

Amendments to revise the wording of the decision tree in Appendix A to Section PS 3160

PUBLIC PRIVATE PARTNERSHIPS, Section PS 3160

...

APPENDIX A

DECISION TREE – PUBLIC PRIVATE PARTNERSHIPS SCOPE OF APPLICABILITY

The following decision tree has been prepared to clarify what transactions are within the scope of this Section and what transactions are not. If transactions are not within the scope of this Section, the decision tree shows where the appropriate guidance may be found in the PSA Handbook. The decision tree is illustrative only and matters of principle relating to particular situations should be decided in the context of the Section.

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