PSAB
Public Sector
Accounting Board

November 2024

In Brief

A plain and simple overview of the Reporting Model and the Financial Statement Presentation standard: then and now

Introduction

A FINANCIAL STATEMENT PRESENTATION standard sets out the general and specific requirements for the presentation of information in general purpose financial statements ("financial statements"). It sets out the requirements for the reporting model. This ensures comparability of the entity's financial statements with those of previous periods and its approved budget, as well as with the financial statements of similar entities.

Superseded reporting model	• FINANCIAL STATEMENT PRESENTATION, Section PS 1201
New reporting model	• FINANCIAL STATEMENT PRESENTATION, Section PS 1202

The Reporting Model in Section PS 1202 is based on the concepts in the Conceptual Framework for Financial Reporting in the Public Sector and particularly responds to the financial statement objectives set out in Chapter 6 of the Conceptual Framework.

The financial statement package as described in Section PS 1202 includes the following:

- a statement of financial position;
- a statement of net financial assets or net financial liabilities;
- a statement of operations;
- a statement of changes in net asset or net liabilities;
- a statement of cash flow; and
- the accompanying notes and schedules.

Section PS 1202 includes:

- general presentation principles;
- principles for meeting the financial statement objectives such as:
    - reporting financial position through:
        - the statement of financial position; and
        - the statement of net financial assets or net financial liabilities,

  - reporting changes in financial position through:
    - the statement of operations;
    - the statement of changes in net assets or net liabilities; and
    - the statement of cash flow,
  - comparing actual financial performance to that budgeted through;
    - statement of operations;
    - statement of net financial assets or net financial liabilities (if an entity chooses to show the change in the net financial assets or net financial liabilities indicator);
    - notes and schedules (if an entity chooses not to show the change in the net financial assets or net financial liabilities indicator OR for budget reconciliations),
  - disclosing non-compliance with financial authorities through notes and schedules, and
  - disclosing risks and uncertainties through notes and schedules;
- importance of notes and schedules;
- reporting on funds and reserves; and
- effective date and transitional provisions.

NOTE: GOVERNMENT REPORTING ENTITY, Section PS 1300, provides guidance on meeting the objective relating to the scope of the financial statements.

What are the main amendments?

- The net debt indicator was relocated to its own statement.
- The net debt calculation was revised to be financial assets minus financial liabilities.
- The net debt indicator was renamed to net financial liabilities.
- The statement of change in net debt was removed.
- Financial and non-financial liability classifications were introduced.
- A new third component of net assets (or net liabilities) – “accumulated other” – was introduced.
- The statement of financial position was restructured.
- The “non-financial asset” definition was amended.
- The statement of changes in net assets or net liabilities was added.
- Financing transactions have been isolated in the cash flow statement.
- New budget requirements were added.

How does the new Reporting Model affect users?

It provides improved understandable information. This allows financial statement users to have better information for accountability purposes.

The new Reporting Model builds on the one in Section PS 1201. Users can build on the work and knowledge already accomplished and gathered in adopting and understanding Section PS 1201.

Preparers may need to update their financial software systems and processes to reflect the new Reporting Model.

Further:

- Consequential amendments were made throughout the CPA Canada Public Sector Accounting (PSA) Handbook to make it consistent with the new Reporting Model standard (i.e., Section PS 1202).
- The new Reporting Model will have an impact on PSAB's International Strategy. PSAB's "Criteria for modifying and reviewing IPSAS Principles," which is part of its International Strategy, states that PSAB will amend an International Public Sector Accounting Standard principle in developing a Canadian standard if it is contrary to its Conceptual Framework. And PSAB's Conceptual Framework foreshadows and sets the foundations for the new Reporting Model. So, the differences in the reporting models of PSAB and the International Public Sector Accounting Standards Board (IPSASB) may affect PSAB's future standard setting. For more details, see "PSAB and IPSASB: Comparing Reporting Models."

General Presentation Principles

The general presentation principles provide guidance on the presentation of information in financial statements. They allow financial statements to communicate information in a timely and structured way that meets the qualitative characteristics of financial information.

The general presentation principles relate to:

The identification of financial statements	• An entity's financial statements should be clearly identified. • The financial statements of an entity should include or be accompanied by an acknowledgment of management's responsibility for their preparation.
Fair presentation	• 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. • Financial statements should be presented in such form and use such terminology and classification of items that information is readily understandable. • Financial statements should present the substance of items, transactions and other events.
Going concern	• 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. • 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.
Materiality	• An entity would not need to provide a specific presentation required by a standard if the information resulting from that presentation is immaterial.

Aggregation	• Items should be classified and aggregated on the basis of shared characteristics. • Items that do not share characteristics should not be aggregated. • Aggregation and disaggregation in the financial statements should not obscure relevant information or reduce the understandability of the information presented. • 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.
Comparative financial information	• Financial statements should present a comparison of current period amounts with those of the prior period. • Accounting policies should be applied consistently from one period to another.
Line items and subtotals	• 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. Requirements are provided for presenting additional subtotals.

What has changed?

Principles related to going concern, aggregation and line items and subtotals were added to provide guidance in these areas.

Going concern

The going concern discussion in Section PS 1202 builds on the going concern concepts in Chapter 9 of the Conceptual Framework. Also, the going concern discussion in Chapter 9 builds on the longevity discussion in Chapter 2. These related aspects to a going concern evaluation in the public sector should be considered together.

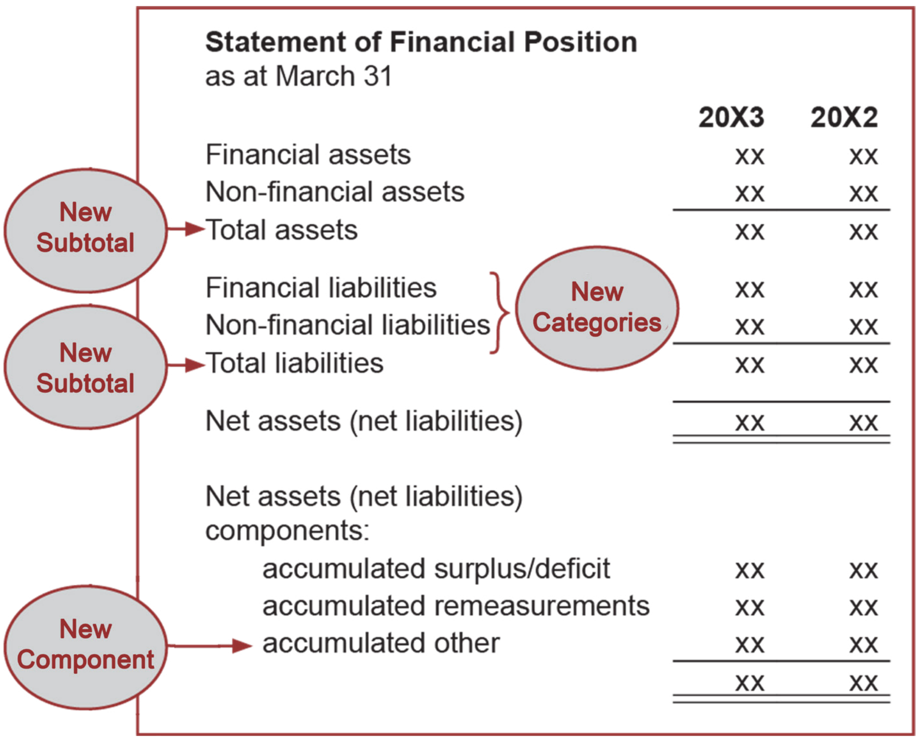
How do these changes affect the user?

The amendments provide guidance where none or very little guidance existed.

Principles for Meeting the Objective "Reporting Financial Position" Through the Statement of Financial Position

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

1. its assets and liabilities at the end of the accounting period, each segregated between financial and non-financial;
2. its net financial position, the net assets or net liabilities indicator; and
3. the components of net assets or net liabilities.



What has changed and how do these changes affect the user?

Relocation of Net Debt Indicator

What Has Changed?	How Do These Changes Affect the User?
The net debt indicator was relocated to its own statement, but there remains an option to also present this indicator at the bottom of the statement of financial position.	• This allows the net financial liabilities or net financial assets calculation to be revised to ensure it continues to measure what it was intended to measure. • It allows the indicator to be prominently displayed in a statement, given its importance, rather than being presented as a subtotal in the statement of financial position.

Introduction of Financial and Non-financial Liabilities

What Has Changed?	How Do These Changes Affect the User?
Financial and non-financial liabilities were introduced. • A **financial liability** is a liability that is expected to be settled using existing or future financial assets. A financial liability represents a financial resource requirement arising from past events. • A **non-financial liability** is a liability that does not meet the definition of a financial liability. A non-financial liability does not represent a financial resource requirement.	• These changes would remove liabilities not settled with financial assets from the calculation of the net financial assets or net debt indicator, returning the indicator to its original meaning. • The financial reporting software system may need to be updated to reflect financial and non-financial liabilities. • Work is required to classify liabilities and classifying liabilities may at times be difficult. With respect to those hard-to-classify liabilities, PSAB has developed a series of guidance materials set out in multiple appendices to Section PS 1202: ◦ Appendix A: Application Guidance – Classifying Unearned Revenue Liabilities as Financial or Non-financial, ◦ Appendix D: Decision Tree – Navigating the Financial Versus Non-financial Liability Distinction Guidance, ◦ Appendix E: Decision Tree – Classifying Unearned Revenue Liabilities as Financial or Non-financial, and ◦ Appendix F: Illustrative Examples – Classifying Unearned Revenue Liabilities as Financial or Non-financial.

Restructured Statement of Financial Position

What Has Changed?	How Do These Changes Affect the User?
The statement of financial position was restructured – it now presents all assets together and all liabilities together.	• By presenting all assets together and all liabilities together, it allows the statement of financial position to be understandable to users. • The financial reporting software system may need to be updated to reflect the restructured statement.

Addition of Third Component of Net Assets or Net Liabilities

What Has Changed?	How Do These Changes Affect the User?
A third component of net assets – “accumulated other” – was introduced. • The accumulated other component would be used only in rare circumstances. • Only transactions and other events PSAB designates in individual standards would be recognized directly in accumulated other. 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. • Any potential use of the accumulated other component would be subject to public exposure and thus evaluation and debate of the merits of recognizing a revenue or expense in the accumulated other component.	• No revenues or expenses are currently designated for recognition in this component and as a result there is no immediate effect to the user. However, in the future PSAB may designate certain revenues and expenses to be recognized in this component. • The new Reporting Model builds on the reporting model in superseded Section PS 1201, which has two components of net assets or net liabilities: 1. accumulated operating surplus or deficit; and 2. accumulated remeasurement gains and losses. • The third component makes the Reporting Model sustainable and sets the stage for establishing standards for years to come. The third component allows PSAB to respond to users’ needs as they arise and transparently reflect the economic substance of unique transactions or other events, leading to improved accountability information presented in financial statements.

Amending the "Non-financial Asset" Definition

What Has Changed?	How Do These Changes Affect the User?
The "non-financial asset" definition was amended to be less focused on physical assets and more inclusive of assets not yet the subject of a standard. • The new "non-financial asset" definition is "an asset that does not meet the definition of a financial asset."	• Additional assets may be included in this category. • This allows for the possibility that assets such as externally restricted endowment investments that must be held in perpetuity be recognized and measured as financial instrument assets in accordance with FINANCIAL INSTRUMENTS, Section PS 3450, but presented as non-financial assets in the statement of financial position, as access to them is restricted and they cannot be used to settle financial liabilities.

Principles for Meeting the Objective "Reporting Financial Position" Through the Statement of Net Financial Assets or Net Financial Liabilities

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.

Statement of Net Financial Assets (Net Financial Liabilities)
as at March 31

	20X3	**20X2**
Financial assets	xx	xx
Financial liabilities	xx	xx
Net financial assets (net financial liabilities)	xx	xx

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.

What has changed and how do these changes affect the user?

Addition of New Statement

What Has Changed?	How Do These Changes Affect the User?
The statement of net financial assets or net financial liabilities was added to the financial statement package as compared to the package in superseded Section PS 1201.	• The introduction of the statement of net financial assets or net financial liabilities allows an important indicator to be transparently presented to the user. • It also allows the calculation of the indicator to be revised so that it could return to its original meaning: financial assets available to provide services in the future and/or settle existing and future financial liabilities OR future financial assets required to settle financial liabilities that have arisen from past transactions or other events. • The financial reporting software system may need to be updated to reflect the new statement.

Revised Net Financial Assets or Net Financial Liabilities Calculation

What Has Changed?	How Do These Changes Affect the User?
The statement presents the revised net financial assets or net financial liabilities (formerly known as “net debt”) calculation. The net financial assets or net financial liabilities indicator is calculated as the difference between financial assets and financial liabilities, rather than financial assets minus liabilities.	• The calculation needed to be revised, as items were being included in the calculation that should not be. • The revised calculation allows the indicator to measure what it is supposed to measure, as noted above.

Renaming of Indicator

What Has Changed?	How Do These Changes Affect the User?
The "net debt" indicator was renamed to "net financial liabilities". The positive aspect of the indicator continues to be called "net financial assets".	• The renaming of the indicator allows the indicator to be better understood, as it was being confused with other terms, and it did not resonate well with its meaning. • Replacing the term "net debt" with "net financial liabilities" may help users distinguish the indicator from the terms "debt", "gross debt" or "total debt". • However, because the term "net debt" is used in comparison to gross domestic product, and this ratio is used widely in evaluating the finances of many governments, PSAB acknowledges that replacing the term may cause some initial confusion.

Removal of Requirement to Present the Statement of Change in Net Debt

What Has Changed?	How Do These Changes Affect the User?
The requirement to present the statement of change in net debt has been removed. However, an entity can choose to present the change in the net financial assets or net financial liabilities indicator at the bottom of the statement of net financial assets or net financial liabilities if it believes this information provides necessary accountability information to the user.	• The statement of changes in net debt was removed because some users voiced concern that the statement is not understandable and, so, did not provide useful accountability information. • The statement of net financial liabilities or net financial assets allows an entity, if it wishes, to present the reasons for the changes in the indicator in the accounting period, which can increase the understandability of the indicator. The statement better allows an entity to explain the indicator in the context of its own finances, and for a government in the context of the economics of its particular jurisdiction.

Principles for Meeting the Objective "Reporting Changes in Financial Position" Through the Statement of Operations

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 (or changes in financial position) that can be reported in financial statements.

By default, and unless specified in a 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. Specifically, the statement displays the cost of services (or programs) provided and the revenue recognized for the accounting period and the difference between them.

Statement of Operations
for the year ended March 31

	Budget	20X3	20X2
Revenue	xx	xx	xx
Expense (by function)	xx	xx	xx
Surplus (deficit)	xx	xx	xx

What has changed?

No significant changes have been made to the statement of operations.

How do these amendments affect the user?

This does not apply as no significant amendments have been made.

Principles for Meeting the Objective "Reporting Changes in Financial Position" Through the Statement of Changes in Net Assets or Net Liabilities

The statement of changes in net assets or net liabilities 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.

All revenues and expenses arising in the period are captured in the statement of changes in net assets or net liabilities. The statement also captures changes in issued share capital, if applicable.

The statement of changes in net assets or net liabilities shows a reconciliation between the accumulated balance at the beginning and end of the period for each component of net assets or net liabilities.

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 additional information in separate statements or schedules (e.g., a statement of remeasurement gains and losses). Understandability for accountability purposes would be a key factor for making this determination.

The statement of changes in net assets or net liabilities links with the statement of operations and the statement of financial position.

- The statement of operations: the surplus or deficit of the period is presented in the accumulated surplus or deficit section of the statement of changes in net assets or net liabilities and links to the surplus or deficit indicator on the statement of operations.
- The statement of financial position: each component in the statement of changes in net assets or net liabilities links to each component of net assets or net liabilities presented on the statement of financial position.

Statement of Changes in Net Assets (Net Liabilities)
for the year ended March 31

	20X3	20X2
Accumulated Surplus/Deficit		
Surplus (deficit)	xx	xx
Opening balance	xx	xx
Ending balance	xx	xx
Accumulated Remeasurements		
Change in remeasurements	xx	xx
Opening balance	xx	xx
Ending balance	xx	xx
Accumulated Other		
Change in accumulated other	xx	xx
Opening balance	xx	xx
Ending balance	xx	xx
Total Net Assets (Net Liabilities)	**xx**	**xx**

What has changed?

The statement of changes in net assets or net liabilities is a new required statement.

However, 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 Component

The accumulated remeasurement gains and losses component of net assets or net liabilities presents similar information about remeasurements that was required in the statement of remeasurement gains and losses in the reporting model in superseded Section PS 1201.

When developing standards, PSAB may require that revenues and expenses arising from remeasurements in addition to those related to financial instruments and foreign currency be recognized in the accumulated remeasurement gains and losses component.

Only transactions and other events PSAB designates in individual standards would be recognized directly in accumulated remeasurement gains and losses. 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.

An entity may retain a statement or schedule of remeasurement gains and losses to show the details related to this component of net assets or net liabilities if such detail is deemed excessive for an understandable statement of changes in net assets or net liabilities. However, a supporting statement or schedule of remeasurement gains and losses is not mandatory.

Accumulated Other

Refer to the section titled Principles for Meeting the Objective "Reporting Financial Position" Through the Statement of Financial Position for more information on this component.

How do these changes affect the user?

The statement allows the user to have transparent information with respect to those revenues and expenses recognized in surplus or deficit of the period and those recognized directly in net assets or net liabilities.

The financial reporting software system may need to be updated to reflect the new statement.

Principles for Meeting the Objective "Reporting Changes in Financial Position" Through the Statement of Cash Flow

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.

What has changed?

The main amendment to the statement of cash flow is the isolation of financing activities.

Statement of Cash Flow
for the year ended March 31

	20X3	20X2
Cash beginning of year	xx	xx
Cash provided by (applied to) operating transactions	xx	xx
Cash provided by (applied to) capital transactions	xx	xx
Cash provided by (applied to) investing transactions	xx	xx
Net cash provided by (applied to) operating, capital and investing transactions	xx	xx
Net cash before financing transactions	xx	xx
Cash provided by (applied to) financing transactions	xx	xx
Cash end of year	**xx**	**xx**

New Requirements

Both the indirect and direct methods are allowed to report cash flow from operations.

How do these changes affect the user?

Highlighting the net cash available or the cash deficiency before financing activities after opening cash and cash equivalents and all other categories of inflows and outflows of cash for the period are presented makes the statement of cash flow more understandable to users. This presentation shows whether all of an entity's other activities combined resulted in the need for cash to be raised through financing activities. The presentation highlights one aspect of the entity's fiscal sustainability.

The financial reporting software system may need to be updated to reflect the restructured statement.

Meeting the Objective "Comparing Actual Financial Performance to that Budgeted"

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.

The financial statements should present a comparison of the actual financial performance of the accounting period with that originally budgeted.

What has changed and how do these changes affect the user?

Clarifying the Requirements for the Budget Presented on the Financial Statements

What Has Changed?	How Do These Changes Affect the User?
• Section PS 1202 clarifies that the budget presented on the financial statement should be on 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, rather than only referencing "scope" and "a basis". • When the basis of accounting, principles, scope or classifications used in the budget is different from that used for the financial statements, Section PS 1202 requires the approved budget amounts be restated when being presented for comparison purposes in the financial statements. The restated amounts would be identified and reported as such on the face of the statement of operations. Note disclosure or a schedule would reconcile the restated budget numbers back to those approved in the original budget.	• In order to do a meaningful actual-to-budget comparison for users, the budget amounts presented on the financial statements need to use the same basis of accounting, principles, scope and classifications as the actual numbers presented on the statement of operations. • When the basis of accounting, accounting principles, scope or classification used in the budget is different from that used for the financial statements, 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.

Disclosing Comparison of Total Capital Expenditures Incurred with Those Originally Budgeted When the Entity Chooses Not to Report the Change in Net Financial Assets or Net Financial Liabilities

What Has Changed?	How Do These Changes Affect the User?
Section PS 1202 acknowledges that 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.	• The requirement to present actual capital expenditures compared with those budgeted existed as part of the former statement of change in net debt. • Although the statement of change in net debt is no longer required, the comparison of total capital expenditures incurred with those originally budgeted is an important comparison. Public sector entities have significant holdings of tangible capital assets representing significant service capacity; as a result, it is important accountability information for users.

Acknowledging When the Budget Is Not Prepared or Approved

What Has Changed?	How Do These Changes Affect the User?
Section PS 1202 notes that when a budget is not prepared or approved, an acknowledgment stating this should be presented on the face of the statements.	As a key aspect of the accountability cycle, it is important to indicate to the user when the budget is not prepared or approved.

Use of an Amended Budget

What Has Changed?	How Do These Changes Affect the User?
Section PS 1202 identifies the situations an entity may present an amended approved budget, both relating to changes in governance initiated by primary users. • An amended approved budget may be presented 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. The amended approved budget of a new government may affect the budgets of its controlled entities. • 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. • The public sector entity 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.	• Since the purpose of financial statements is to provide accountability to primary users, when those users change their representatives and/or mandate, using an amended, approved budget may be appropriate. • The focus is on the governance, as the governance provides strategic direction in the form of new policy objectives to the public sector entity, which may result in a budget that is different from that approved by the previous governing body. And the governance of a public sector entity is determined by its primary users, for which the financial statements are prepared.

Meeting the Objective "Disclosing Non-compliance with Financial Authorities"

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.

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.

When disclosing non-compliance, public sector entities would disclose non-compliance against the requirements contained in any applicable law/policy respecting financial administration, in relation to expenses, expenditures, revenues, borrowing and investing.

What has changed?

This requirement is not new. It is also outlined in superseded FINANCIAL STATEMENT PRESENTATION, Section PS 1200, and superseded Section PS 1201.

The intent of the requirement to disclose non-compliance with financial authorities is to highlight when an entity's expenses, expenditures, revenues, borrowing and investing were not within the limits authorized by its financial authorities. This requirement ensures users are informed of an entity's non-compliance with its financial authorities.

How do these changes affect the user?

Only further clarity was provided to better understand the requirement of the objective.

Meeting the Objective "Disclosing Risks and Uncertainties"

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.

Complying with this financial statement objective is limited to disclosing those risks and uncertainties that could affect an entity's financial position or changes in financial position.

What has changed?

Standards in the PSA Handbook set out specific disclosure requirements for risks and uncertainties (e.g., Section PS 3450; MEASUREMENT UNCERTAINTY, Section PS 2130; and CONTINGENT LIABILITIES, Section PS 3300). The expectation of the requirement to disclose risks and uncertainties found in Section PS 1202 is to disclose, at a minimum, the risks and uncertainties required by the various standards in the PSA Handbook. At a minimum means that an entity is not precluded from providing disclosure of other risks and uncertainties it deems important for understanding its financial position or changes in financial position.

For the time being, PSAB does not intend to add requirements in addition to those currently in the PSA Handbook (e.g., the financial risks reflected in Section PS 3450, or the uncertainty reflected in Section PS 3300). However, in the future, the Board may require additional risk and uncertainty disclosures, and these would be detailed at the standards level (i.e., in a standard that is being developed). Decisions with respect to additional disclosure requirements would only be made following the appropriate due process.

How do these changes affect the user?

The amendments allow the financial statements to be comprehensive and include information that meets the accountability objective.

When is Section PS 1202 Effective?

Section PS 1202 applies to 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.

Since the financial statement objectives outlined in Chapter 6 of the Conceptual Framework foreshadow what is presented in the financial statements, it is appropriate for Section PS 1202 to be implemented at the same time as the Conceptual Framework. Section PS 1202 cannot be implemented before the Conceptual Framework is implemented.

What are the Transitional Provisions?

Prior period amounts would need to be restated to conform to the presentation requirements for comparative financial information in Section PS 1202.

It would be helpful to users to disclose in the notes or schedules that the entity adopted Section PS 1202 and that this adoption led to various changes in presentation for the current and prior year amounts.

Consequential Amendments Arising from the New Reporting Model

How does the Reporting Model affect the PSA Handbook?

As a consequence of issuing Section PS 1202:

The superseded reporting model in Section PS 1201 was withdrawn	**Various Sections and Guidelines of the PSA Handbook were amended**

Highlight Summary no. 57 details these amendments.

How do these amendments affect the user?

Although some of the consequential amendments are editorial in nature, most introduce new requirements or new guidance to be consistent with the requirements and guidance in Section PS 1202. For example, various Sections and Guidelines have been amended to:

- include consideration of the various components of net assets or net liabilities;
- highlight that the statement of changes in net assets or net liabilities would include the effect of retroactive application;

- replace “net debt” with “net financial assets or net financial liabilities”;
- reflect the “statement of changes in net assets or net liabilities” rather than the “statement of remeasurement gains and losses”;
- reflect the classification of the liability as either financial or non-financial;
- define and use the terms “financial instrument assets” and “financial instrument liabilities” instead of “financial assets” and “financial liabilities” when referring to financial instruments, as “financial assets” and “financial liabilities” are broader concepts in the PSA Handbook;
- acknowledge that while most financial instrument assets are presented as financial assets, certain financial instruments are presented as non-financial assets;
- recognize that funds and reserves are designations of the accumulated surplus or deficit component; and
- acknowledge the statement of changes in net assets or net liabilities.

It is important to note that:

- Section PS 1300 has been amended to include a new requirement to identify major changes to the reporting entity in the accounting period. This requirement builds on the disclosures already required by Section PS 1300 and responds to the feedback received.
- INTRODUCTION TO ACCOUNTING STANDARDS THAT APPLY ONLY TO GOVERNMENT NOT-FOR-PROFIT ORGANIZATIONS and FINANCIAL STATEMENT PRESENTATION BY NOT-FOR-PROFIT ORGANIZATIONS, Section PS 4200, have been amended to note that although the statement of remeasurement gains and losses is not a required statement in Section PS 1202, it is a required statement for government not-for-profit organizations. This is because the reconciliation of accumulated remeasurement gains and losses cannot be done on the statement of changes in net assets described in Section PS 4200.

The consequential amendments that change practice are accompanied by a transitional paragraph in the affected Sections and Guidelines that outlines:

- the paragraphs affected;
- the reason for the amendment(s) (i.e., as a result of issuing Section PS 1202);
- the effective date (i.e., applicable at the same time as Section PS 1202 – April 1, 2026); and,
- where applicable, the transitional provisions (i.e., prior period amounts would need to be restated to conform to the requirements for comparative information in Section PS 1202).

Other Considerations

- Are there legal implications?
  - Do legal documents such as “Acts” need to be updated?
- Are there consolidation implications?
- Are there implications for the budgets that are approved and presented in advance?
- Are there implications for trend tables that are included in the Financial Statement Discussion and Analysis?
- To assist you, Section PS 1202 includes illustrative financial statements for various types of public sector entities:
  - Appendix G: Illustrative Financial Statements – Indigenous Governments
  - Appendix H: Illustrative Financial Statements – Federal / Provincial / Territorial Governments
  - Appendix I: Illustrative Financial Statements – Local Governments
  - Appendix J: Illustrative Financial Statements – Health-related Public Sector Entities
  - Appendix K: Illustrative Financial Statements – Colleges and Universities in the Public Sector

Have Other Questions?

More information is available at PSAB's Reporting Model: Resources and on the Concepts Underlying Financial Performance project page.

Contact

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