

Narrow Scope Amendment: GAAP Designation of PSA Handbook Appendices

Responses to Exposure Draft

April 2024

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Public Sector Accounting Board
277 Wellington Street West
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March 19, 2024

SUBJECT: *Narrow-scope Amendment: GAAP Designation of PSA Handbook Appendices (February 2024)*

Dear Mr. Puskaric:

Grant Thornton LLP and Raymond Chabot Grant Thornton LLP (we) would like to thank you for the opportunity to provide comments on the Public Sector Accounting Board (the “Board” or “PSAB”) Exposure Draft, *Narrow-scope Amendment: GAAP Designation of PSA Handbook Appendices* (the “ED”). Please see the Appendix for our responses to the specific questions contained in the ED.

If you wish to discuss our comments, please contact Melanie Joseph (Melanie.Joseph@ca.gt.com, 416-607-2736) or Stéphane Landry (landry.stephane@rcgt.com, 418-647-5008).

Yours sincerely,



Melanie Joseph, CPA, CA



Stéphane Landry, CPA auditor

Appendix – Responses to Exposure Draft questions

1. Do you agree with the GAAP designation proposed for the four appendices?

Yes, we agree.

2. Will the change in the GAAP level designation from (iii) to (i) of the four appendices identified in the Exposure Draft comprise a change in practice for your organization or clients?

No, we do not believe it will bring a change in practice for our clients.

3. Do you agree with the proposed effective date of April 1, 2026, for the changes in the GAAP level designation of the four appendices?

Yes, we agree.

4. Do you agree with the proposed deletion of the outdated cross-reference in Appendix B to PSG-2?

Yes, we agree given that the handbook cross-referenced is no longer in existence. However, we strongly believe it should be replaced with a reference to IPSAS 13, which would also require straight-lining for operating leases. Without it, the Board will allow for a serious lack of comparability as entities may use the cash payments in a lease as a basis to recognize rental payments, which will not reflect the overall substance of their rental agreements and the costs over the period of the lease.

5. Do you agree with the effective date of April 1, 2026, for an entity to implement a new entity-developed accounting policy for operating leases?

Yes, we agree with the effective date. However, please also see our response to Question 4.



April 8, 2024

Michael Puskaric, MBA, CPA, CMA
Director, Public Sector Accounting Board
Public Sector Accounting Board
277 Wellington Street West
TORONTO, ON M5V 3H2

Dear M. Puskaric:

Re: February 2024 Exposure Draft – Narrow-scope Amendment: GAAP Designation of PSA Handbook Appendices

We support the proposed Narrow-scope Amendment: GAAP Designation of PSA Handbook Appendices as outlined in the exposure draft. The attachment sets out our responses to the specific questions listed in the exposure draft.

Yours truly,

A handwritten signature in black ink that reads "Tara Clemett".

Tara Clemett, CPA, CA, CISA
Provincial Auditor

mh/mr
Attachment

	Question	Response
1	Do you agree with the GAAP designation proposed for the four appendices?	Yes, we agree with the GAAP designation proposed for the four appendices.
2	Will the change in the GAAP level designation from (iii) to (i) of the four appendices identified in the Exposure Draft comprise a change in practice for your organization or clients?	No, we do not expect that the change in designation will result in a change in practice for agencies that we audit.
3	Do you agree with the proposed effective date of April 1, 2026, for the changes in the GAAP level designation of the four appendices?	Yes, we agree with the proposed effective date.
4	Do you agree with the proposed deletion of the outdated cross-reference in Appendix B to PSG-2?	Yes, we agree with the proposed deletion.
5	Do you agree with the effective date of April 1, 2026, for an entity to implement a new entity-developed accounting policy for operating leases?	Yes, we agree with the proposed effective date.



April 1, 2024

By email: mpuskaric@psabcanada.ca

To: Michael Puskaric, MBA, CPA, CMA
Director, Public Sector Accounting
Public Sector Accounting Board
277 Wellington Street West
Toronto ON M5V 3H2

From: The City of Calgary

Re: PSAB Exposure Draft – Narrow-scope Amendment: GAAP Designation of PSA Handbook Appendices

Purpose:

The purpose of this memo is to provide to the Public Sector Accounting Board (PSAB) The City of Calgary's ("The City" or "City") commentary and input on the exposure draft – Narrow-scope Amendment: GAAP Designation issued February 2024.

All references made to any standard are in red.

Responses to Specific Questions:

1. Do you agree with the GAAP designation proposed for the four appendices?

City Response:

The City has reviewed the GAAP designation proposed for the four appendices which will move the GAAP hierarchy from level (iii) to level (i) and has no concerns with the change in designation.

2. Will the change in the GAAP level designation from (iii) to (i) of the four appendices identified in the Exposure Draft comprise a change in practice for your organization or clients?

City Response:

The City is impacted by three out of the four appendices but notes this will result in no change in practice when moving all four appendices into GAAP hierarchy level (i). The City, through its implementation of new standards and review and/or betterment of existing standards puts emphasis into reading and understanding the appendices to factor in all parts of a standard for the most accurate, and transparent reporting.

3. Do you agree with the proposed effective date of April 1, 2026, for the changes in the GAAP level designation of the four appendices?

City Response:

The City agrees with the proposed effective date of April 1, 2026. Although, when adopting new standards, such as PS3400 – Revenue, The City has considered information available within Appendix A of the standard to ensure the most accurate, and transparent reporting. The City considered the immediate effects on the implications of this proposal and had no concerns.

4. Do you agree with the proposed deletion of the outdated cross-reference in Appendix B to PSG-2?

City Response:

The City agrees with removing the reference to the CPA Canada Handbook Section 3065 given this reference is made to the old handbook. However, The City believes until a new standard for lease accounting is developed for public sector entities, the reference should be updated to say “Accounting Standards for Private Enterprises (ASPE) 3065 – Leases” rather than only saying “then account for the lease as an operating lease”. The City agrees that PS 1150, GAAP hierarchy will give direction to determine the appropriate accounting for operating leases, but if PS 1150 will guide users to ASPE 3065 regardless, it may be helpful to retain this standard reference.

5. Do you agree with the effective date of April 1, 2026 for an entity to implement a new entity-developed accounting policy for operating leases?

City Response:

The City disagrees with having entity-developed accounting policies for operating leases when PS 1150 provides appropriate guidance of which GAAP to use when Public Sector Accounting Standards does not have a standard in place. The City believes applying a standard through the GAAP hierarchy will allow better comparability of information across organizations in the same sector as opposed to allowing entities to create their own policy for operating leases which could vastly differ.

Conclusion:

Our responses to your questions take into consideration the users of the annual consolidated financial statements of The City and their needs. The City strives to continue developing a high degree of public knowledge and trust, and continue delivering value for Calgarians.

Thank you for your consideration of our responses. If you have any further questions, please contact me at (403) 268-1734.

Sincerely,

Nicole Hiscock, CPA, CA
Financial Reporting Officer
The City of Calgary
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277 Wellington Street West
Toronto, Ontario M5V 3H2

April 10, 2024

Re: PSAB Exposure Draft - Narrow-scope Amendment: GAAP Designation of PSA Handbook Appendices

Dear Mr. Puskaric,

We have read the above-mentioned Exposure Draft that was issued February 2024 and are pleased to have the opportunity to provide responses to your specific question as outlined below.

1. *Do you agree with the GAAP designation proposed for the four appendices?*

We agree with the GAAP designation to level (i) proposed for the four appendices.

2. *Will the change in the GAAP level designation from (iii) to (i) of the four appendices identified in the Exposure Draft comprise a change in practice for your organization or clients?*

We do not believe the change in the GAAP level designation from (iii) to (i) for the four appendices outlined in Exposure Draft will comprise a change in practice for our clients. We believe most users of the PSAS Handbook consider these four appendices as level (i) GAAP already.

3. *Do you agree with the proposed effective date of April 1, 2026, for the changes in the GAAP level designation of the four appendices?*

We agree with the proposed effective date of April 1, 2026 for the changes in the GAAP level designation of the four appendices and the rationale for that date as outlined in the Basis for Conclusions of the Exposure Draft.

4. *Do you agree with the proposed deletion of the outdated cross-reference in Appendix B to PSG-2?*

We agree with the proposed deletion of the outdated cross-reference in Appendix B of PSG-2. We understand the Board's rationale for deleting it as with the Board's new international

strategy it appears inconsistent to provide a direct reference within PSAS to another framework, particularly one other than IPSAS.

However, we would like to highlight a potential issue that may arise since PSAS does not contain specific guidance on accounting for operating leases. In most situations we believe an entity would develop an accounting policy staying within the PSAS Handbook that is consistent with the conceptual framework of PSAS and that is likely consistent with the entity's current accounting policy for operating leases. However, we could see situations arising where an entity may choose to look outside of the PSAS Handbook for guidance. In which case, in accordance with paragraph .19 of Section PS 1150, *Generally Accepted Accounting Principles*, the entity would look to IPSAS first. IPSAS has as new standard on leases, IPSAS 43, which introduces a right of use model for accounting for leases, including operating leases. It does not appear that this model would be consistent with the current conceptual framework in PSAS. However, some entities may not see this inconsistency and may try to develop an accounting policy based on a right of use model. To reduce the risk of diversity in practice we would encourage PSAB to consider including a point in the Basis for Conclusions related to these changes explaining that developing an accounting policy for operating leases based on a right of use model would not be consistent with the current conceptual framework in PSAS.

5. *Do you agree with the effective date of April 1, 2026, for an entity to implement a new entity-developed accounting policy for operating leases?*

We agree with the proposed effective date of April 1, 2026 for an entity to implement a new entity-developed accounting policy for operating leases and the rationale for the date as outlined in the Exposure Draft.

Thank you for your consideration of the above-noted responses. We would be pleased to elaborate on our comments in more detail if you require. If so, please contact me at 705-963-0824 or via email at sbarton@bdo.ca.

Yours sincerely,



Sayja Barton, CPA, CA, MAcc
Director, National Accounting Standards
BDO Canada LLP



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

11 April 2024

Michael Puskaric, CPA, CMA
Director, Public Sector Accounting
Public Sector Accounting Board
277 Wellington Street West
Toronto, ON M5V 3H2

RE: Exposure Draft – *Narrow-scope Amendment: GAAP Designation of PSA Handbook Appendices*

Thank you for the opportunity to comment on the above Exposure Draft. I am responding on behalf of the Office of the Auditor General of Canada.

We are pleased to submit to the Board our response below to the specific questions posed in the Exposure Draft.

Sincerely,

Casey Thomas

Casey Thomas

Assistant Auditor General
Office of the Auditor General of Canada

Specific questions posed by the Public Sector Accounting Board (PSAB):

Question 1

Do you agree with the GAAP designation proposed for the four appendices?

OAG response:

Yes, we agree with the GAAP designation proposed for the four appendices; however, we think that additional changes should be made as described further below.

Now that PS 1202, *Financial statement presentation* has been issued into the PSA Handbook, we note that the approach taken for its appendices is somewhat different than the approach that was proposed in PSAB's 2022-2023 Annual Improvements (AI) Exposure Draft (ED). For example, Appendix II – Decision trees (Appendix B-E) in PS 1202 specifically mentions the applicable level of designation by reference to the specific paragraph and section of PS 1150. In other words, each decision tree appendix states that the appendix is illustrative and is a primary source of GAAP by virtue of PS 1150.03(d)(iii). While this ED is proposing to include this specific introductory text that also includes the reference in PS 1150.03(d)(i) to show the designation level similar to PS 1202, it is unclear whether PSAB intends to include similar text and references to all the remaining appendices in the PSA Handbook that were previously included in the AI ED. For clarity, we think it would be preferable for PSAB to include the introductory text and reference in PS 1150.03(d)(iii) to clearly indicate the level of designation for all remaining appendices (even though no changes are being proposed to their level of designation) to ensure a consistent approach across all appendices in the PSA Handbook.

In addition, amendments are being made to Appendix A of PS 4270, directing preparers to PS 1150.03(d)(i) indicating that this particular Appendix is a level (i) designation of GAAP. However, PS 1150.03(d)(i) only mentions PS 1202-PS 3510 as being a level (i) designation of GAAP. In other words, PS 4270 is not included in PS 1150.03(d)(i). This seems to have the effect of elevating the Appendix to a higher level of GAAP than its related standard thereby creating an inconsistency between PS 4270 and its related appendix. We think PSAB should resolve this inconsistency.

Question 2

Will the change in the GAAP level designation from (iii) to (i) of the four appendices identified in the ED comprise a change in practice for your organization or clients?

OAG response:

The change in the GAAP level designation from (iii) to (i) of the four appendices identified in the ED will not comprise a change in practice for our organization or clients.

Question 3

Do you agree with the proposed effective date of April 1, 2026, for the changes in the GAAP level designation of the four appendices?

OAG response:

Yes, we agree with the proposed effective date of April 1, 2026, for the changes in the GAAP level designation of three of the four appendices (PS 3410, PS 3450, and PS4270). For clarity, we note that PSAB has stated that the implications of the proposals in this ED will have an immediate effect on PS 3400, for fiscal years beginning on or after 1 April 2023. Since that standard is being adopted 1 April 2023 and that particular appendix already states that it is an integral part of the standard, it should have the same effective date as the standard.

Question 4

Do you agree with the proposed deletion of the outdated cross-reference in Appendix B to PSG-2?

OAG response:

Yes, we agree with the proposed deletion of the outdated cross-reference in Appendix B to PSG-2; however, we do not agree that Appendix B should remain silent on where preparers should go to obtain guidance on accounting for operating leases. At a minimum, we would recommend that PSAB direct preparers to PS 1150.05 which indicates what to do when the primary sources of GAAP do not deal with the accounting and reporting in financial statements of transactions or events encountered by a public sector entity.

As a secondary consideration and in light of PSAB's proposal to remove the reference to Section 3065, given there is no longer any guidance provided in the PSA Handbook on accounting for operating leases, PSAB should consider adding a project on leases to its work program. This may be especially relevant considering that IPSAS issued its new leases standard (IPSAS 43) in January 2022 to align with IFRS 16 and therefore there are fewer frameworks that deal with operating leases in the way that Part V did (i.e., expensed versus capitalized). We think this would be a good opportunity to leverage IPSAS in applying PSAB's International Strategy. The IPSASB noted that the enhancement it made to lease accounting increased transparency related to assets and liabilities that arise from lease contracts since lessees are required to recognize them for all leases. It also increased comparability between entities that lease assets versus those that buy them. Similar benefits could be realized by PSAB if operating leases were to be recognized on the financial statements of public sector entities.

Question 5

Do you agree with the effective date of April 1, 2026, for an entity to implement a new entity-developed accounting policy for operating leases?

OAG response:

We agree with the effective date of April 1, 2026, as it aligns with the transition date in PS 1202 and the revised Conceptual Framework (CF); however, it is not clear how this will be communicated because the ED only shows changes for Appendix B of PSG-2 and we do not see any reference to a transition date.

The amendments proposed would result in an entity needing to have an entity-developed accounting policy since there will no longer be a standard in PSAS that directly (or indirectly) deals with operating leases. As such, we note that the amendments that were made to PS 1150.28 related to entity-developed accounting policies specifically require entity-developed accounting policies to be consistent with the primary sources of GAAP and the CF, even if this occurs prior to the effective date of the entity's adoption of the revised CF. Therefore, we think it might be necessary to adopt this amendment earlier to align with the requirements in PS 1150.28.

Montréal, le 11 avril 2024

Monsieur Michael Puskaric, CPA, CMA
Directeur, Comptabilité du secteur public
Conseil sur la comptabilité dans le secteur public
277, rue Wellington Ouest
Toronto (Ontario) M5V 3H2

Monsieur,

Vous trouverez ci-joint les commentaires du Groupe de travail technique Secteur public – Comptabilité dans le secteur public de l’Ordre des comptables professionnels agréés du Québec, concernant l’exposé-sondage intitulé « *Modifications de portée limitée : Statut (ou niveau d’autorité en tant que source de PCGR) d’annexes figurant dans le Manuel du secteur public* ».

Nous vous serions reconnaissants de nous faire parvenir une copie de la traduction anglaise de nos commentaires.

Veuillez prendre note que ni l’Ordre des comptables professionnels agréés du Québec, ni quelque personne que ce soit ayant participé à la préparation des commentaires ne peuvent être tenus responsables relativement à leur utilisation et ils ne sont tenus à aucune garantie de quelque nature que ce soit découlant de ces commentaires, comme décrit dans le déni de responsabilité joint à la présente.

Veuillez agréer, Monsieur Puskaric, mes salutations distinguées.

Annie Smargiassi, CPA auditrice, CA
Représentante du groupe de travail technique Secteur public – Comptabilité dans le secteur public

p. j. Déni de responsabilité et commentaires

Commentaires du groupe de travail technique Secteur public – Comptabilité dans le secteur public de l’Ordre des comptables professionnels agréés du Québec concernant l’exposé-sondage intitulé « *Modifications de portée limitée : Statut (ou niveau d’autorité en tant que source de PCGR) d’annexes figurant dans le Manuel du secteur public* »

DÉNI DE RESPONSABILITÉ

Les documents préparés par les groupes de travail de l'Ordre des comptables professionnels agréés du Québec (Ordre) ci-après appelés les « commentaires », sont fournis selon les conditions décrites dans la présente, pour faire connaître leur opinion sur des énoncés de principes, des documents de consultation, des exposés-sondages préliminaires ainsi que des exposés-sondages publiés par le Conseil des normes comptables, le Conseil des normes d'audit et de certification, le Conseil sur la comptabilité dans le secteur public, le Conseil sur la gestion des risques et la gouvernance et d'autres organismes.

Les commentaires fournis ne doivent pas être utilisés comme substitut à des missions confiées à des professionnels spécialisés. Il est important de noter que les lois, les normes et les règles sur lesquelles sont émis les commentaires peuvent changer en tout temps et que, dans certains cas, les commentaires écrits peuvent être sujets à controverse.

Ni l'Ordre, ni quelque personne que ce soit ayant participé à la préparation des commentaires ne peuvent être tenus responsables relativement à l'utilisation de ces commentaires et ils ne sont tenus à aucune garantie de quelque nature que ce soit découlant de ces commentaires. Les commentaires donnés ne lient pas, par ailleurs, les membres des Groupes de travail de l'Ordre ou, de façon plus particulière, le Bureau du syndic de l'Ordre.

La personne qui se réfère ou utilise ces commentaires assume l'entière responsabilité de sa démarche ainsi que tous les risques liés à l'utilisation de ceux-ci. Elle consent à exonérer l'Ordre à l'égard de toute demande en dommages-intérêts qui pourrait être intentée par suite de toute décision qu'elle aurait pu prendre en fonction de ces commentaires. Elle reconnaît également avoir accepté de ne pas faire état de ces commentaires reçus via le Groupe de travail dans les avis exprimés ou les positions prises.

MANDAT DES GROUPES DE TRAVAIL

Les groupes de travail de l'Ordre des comptables professionnels agréés du Québec ont comme mandat notamment de recueillir et de canaliser le point de vue des praticiens exerçant en cabinet et de membres œuvrant dans les affaires, dans les services gouvernementaux, dans l'industrie et dans l'enseignement ainsi que le point de vue d'autres personnes concernées œuvrant dans des domaines d'expertise connexes.

Pour chaque exposé-sondage ou autre document étudié, les membres mettent leurs analyses en commun. Les commentaires ci-dessous reflètent les points de vue exprimés et, sauf indication contraire, ces commentaires ont fait l'objet d'un consensus parmi les membres des groupes de travail ayant participé à cette analyse.

Les commentaires formulés ne font l'objet d'aucune sanction de l'Ordre. Ils n'engagent pas la responsabilité de celui-ci.

QUESTION SPÉCIFIQUE DU CCSP

1. Appuyez-vous le statut proposé pour les quatre annexes?

Les membres sont d'accord avec les propositions. Ils comprennent que ces changements harmoniseront les normes canadiennes et internationales du secteur public.

2. La modification proposée qui porte de iii) à i) le niveau d'autorité en tant que source de PCGR des quatre annexes indiquées dans le présent exposé-sondage aura-t-elle une incidence sur la pratique pour votre organisation ou vos clients?

Les membres ne croient pas qu'il y aura d'incidence. Ils ont toutefois présenté des enjeux relativement à la NOSP-2 dans leur réponse à la question 4.

3. La date d'entrée en vigueur proposée pour les modifications relatives au niveau d'autorité des quatre annexes (soit le 1er avril 2026) vous convient-elle?

Les membres sont d'accord avec cette date d'application, mais ne croient pas qu'un aussi grand délai est nécessaire.

4. Êtes-vous favorable à la proposition qui consiste à supprimer le renvoi périmé dans l'Annexe B de la NOSP-2?

Les membres ne sont pas d'accord avec les propositions.

D'abord, ils sont d'avis qu'une norme distincte traitant des contrats de location est requise. Les référentiels comptables canadiens pour les entreprises privées (IFRS et NCECF) comprennent une telle norme, de même que les normes internationales d'informations financières du secteur public (IPSAS).

La NOSP-2 visait à corriger une situation qui existait à un moment antérieur, mais il existe des contradictions avec des normes qui ont été publiées subséquemment à celle-ci. Par exemple, le paragraphe .21 du chapitre SP 3210 *Actifs* considère qu'un droit de recevoir

des loyers représente un actif, alors que la NOSP-2 considère ce droit différemment quand il s'agit d'un contrat de location-exploitation et ne le reconnaît pas comme actif dans cette circonstance. Il n'est pas clair laquelle des exigences a préséance sur l'autre. En pratique, c'est la NOSP-2, selon les membres, qui prime lorsqu'on traite des contrats de location.

Ensuite, les membres font remarquer que la NOSP-2 a été rédigée en utilisant le chapitre 3065 de la Partie V du Manuel de CPA Canada – Comptabilité (le Manuel), et que ce chapitre est maintenant inclus dans la Partie II du Manuel, et elle n'a pas été retirée du Manuel. Ils sont d'avis que la NOSP-2 se rapproche davantage du chapitre 3065 de la Partie II que la norme IPSAS 43 *Leases* (qui remplacera l'IPSAS 13 le 1er janvier 2025), qui se rapproche davantage de la norme internationale pour le secteur privé, l'IFRS 16 *Contrats de location*.

Ainsi, leur proposition serait plutôt de remplacer le renvoi au chapitre 3065 de la Partie V par un renvoi à ce chapitre de la Partie II, tant que la norme sur les contrats de location (NOSP-2 ou norme distincte à venir) ne sera pas révisée dans son entièreté. Certains membres relèvent des enjeux actuellement en pratique à propos de l'application de la NOSP-2 dans le contexte du changement aux sources premières de PCGR pour le secteur public canadien. En effet, la NOSP-2 ne traite pas des situations lors desquelles les baux sont modifiés, prolongés ou si leurs dispositions sont modifiées.

Comme la NOSP-2 est basée, comme indiqué ci-dessus, sur le chapitre 3065, plusieurs se tourneraient instinctivement vers les dispositions de ce chapitre au lieu d'appliquer les dispositions des IPSAS.

La norme SP 1150, exige d'appliquer les IPSAS comme source première de PCGR si une entité n'a pas de méthode comptable à propos des modifications de contrats du fait, par exemple, qu'elle n'a jamais eu ce genre de contrats dans le passé. Selon les membres, cette entité se verrait dans l'obligation d'appliquer l'IPSAS 43 qui est très différente de la NOSP-2, ce qui amènerait des traitements comptables différents dans la pratique. Par ailleurs, les membres sont aussi d'avis qu'il ne serait pas approprié que l'entité utilise une

méthode qu'elle aurait elle-même élaborée et qui pourrait entrer en contradiction avec les fondements premiers de la NOSP-2.

5. À votre avis, la date d'entrée en vigueur (soit le 1er avril 2026) convient-elle pour une entité qui doit adopter une nouvelle « méthode comptable élaborée par l'entité » pour les contrats de location-exploitation?

Les membres sont d'avis que les entités ne devraient pas élaborer une méthode comptable dans ce contexte comme expliqué à la question 4.

Michael Puskaric, CPA, CMA
Director, Public Sector Accounting
Public Sector Accounting Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

April 11, 2024

Mr. Puskaric:

Ernst & Young LLP ("EY" or "we") welcome the opportunity to provide comments to the Public Sector Accounting Board ("PSAB" or the "Board") on the February 2024 Narrow-scope Amendment: GAAP Designation of PSA Handbook Appendices Exposure Draft (the "Exposure Draft"). Our responses to the specific questions posed in the Exposure Draft are included below.

Comments on Specific Questions Requested by the PSAB

1. Do you agree with the GAAP designation proposed for the four appendices?

Yes, we agree with the proposed GAAP designation for the four appendices.

2. Will the change in the GAAP level designation from (iii) to (i) of the four appendices identified in the Exposure Draft comprise a change in practice for your organization or clients?

We are not aware of any expected changes in practice for our clients from the change in the GAAP level designations identified in the Exposure Draft.

3. Do you agree with the proposed effective date of April 1, 2026, for the changes in the GAAP level designation of the four appendices?

Yes, we agree with the proposed effective date.

4. Do you agree with the proposed deletion of the outdated cross-reference in Appendix B to PSG-2?

We agree with the analysis in paragraph BC.15 of the Basis for Conclusions that the decision tree in Appendix B to PSG-2 currently references the former Section 3065 in Part V of the CPA Canada Handbook – Accounting ("Handbook"), which has since been removed, and that this is inappropriate and should be resolved. While we believe the proposed remedy of deleting the reference to the former Section 3065 in Part V will resolve this particular issue, it could potentially cause additional unforeseen challenges for entities attempting to develop their own accounting policy for operating leases following this deletion, leading to diversity in practice, as the Public Sector Accounting Handbook ("PSA Handbook") does not contain any further guidance on operating leases; PSG-5, Sale-leaseback transactions, also refers to operating leases but does not provide further guidance on the accounting treatment. We believe, however, that the current decision tree in Appendix B, despite containing an outdated reference, is nonetheless prescriptive and helpful, as we expect that most entities

understand the reference even though Part V is no longer in the Handbook, resulting in consistent treatment of operating leases.

In establishing an entity-developed accounting policy for a topic not dealt with under the primary sources of GAAP, Section PS 1150, Generally accepted accounting principles, identifies other sources that a public sector entity may consult, including accounting pronouncements issued by other accounting standard-setting bodies, though it specifies that any pronouncements from the International Public Sector Accounting Standards Board (“IPSASB”) must be consulted first. In January 2022, the IPSASB issued IPSAS 43, Leases, which applies to most leases from the perspective of both lessees and lessors. However, IPSAS 43 only applies the concept of an “operating lease” to lessor accounting; as for lessees, it generally prescribes the recognition of a right-of-use asset and a lease liability, though it does so without reference to an “operating lease”. It is thus unclear what an entity might do at this juncture, but we foresee two reasonable alternatives:

- 1. The entity could determine that, since IPSAS 43 does not address operating leases from the perspective of lessees, it should continue consulting other sources, including those issued by the other major Canadian accounting standard-setter, the Accounting Standards Board (“AcSB”). Consulting Part I of the Handbook, International Financial Reporting Standards (“IFRS”), the entity will make the same determination as what it made under IPSAS 43 since IPSAS 43 was drawn primarily from IFRS 16, Leases; consulting Part II, Accounting Standards for Private Enterprises (“ASPE”), however, will lead to guidance on operating leases in ASPE Section 3065, Leases, that is very similar to that previously contained in the former Section 3065 in Part V of the Handbook. Neither Parts III nor IV of the Handbook contain guidance on leases. The entity may thus ultimately establish an entity-developed accounting policy that is very similar to its previous accounting policy under the existing PSG-2.*
- 2. Alternatively, a public sector entity that first consults IPSAS 43 may conclude that leases that meet the definition of an “operating lease” in paragraph 5 of IPSAS 43 from the perspective of a lessee are required by this standard to be recorded through the recognition of a right-of-use asset and a lease liability, and may develop its own accounting policy based only on that guidance, which will likely differ greatly from its previous accounting policy under the existing PSG-2.*

As a result, entities that are lessees could ultimately record their operating leases in very different ways, potentially leading to more divergence in practice than what we currently observe. This does not seem to be the intention of the PSAB based on this Exposure Draft and its Basis for Conclusions, nor do we believe that this is desirable or necessary. Additionally, the net financial asset or net financial liability position would be different between these entities, since right-of-use assets are non-financial assets while lease obligations are financial liabilities under Section PS 1202, Financial statement presentation. Consequently, we believe that the PSAB should modify the decision tree not just to delete the outdated reference but also to be more prescriptive by specifying how lessees should be accounting for their operating leases. Since referencing ASPE Section 3065 directly would not be possible given the GAAP hierarchy in Section PS 1150 that requires consulting IPSAS first, an option is to follow the first alternative we have outlined above. This will maintain the level of direction for operating leases contained in the decision tree in PSG-2 while still following the requirements of Section PS 1150, and will result in the seemingly desired outcome of making this a minor edit.

Lastly, we suspect that many entities may not fully appreciate the proposed deletion as triggering a requirement to undertake an assessment of the impact to their existing accounting policy for operating leases and then develop their own accounting policy under Section PS 1150. We believe that many will see this as a simple housekeeping exercise by the Board and will not consider whether any further analysis or modification of their policy is needed. As a result, we believe that the PSAB may need to tailor its communications of this change to educate affected parties, including financial statement preparers.



5. Do you agree with the effective date of April 1, 2026, for an entity to implement a new entity-developed accounting policy for operating leases?

Yes, we agree with the proposed effective date.

We would be pleased to discuss our comments with members of the PSAB or its staff. If you wish to do so, please contact Adam Rybinski, Partner, Professional Practice, at 416-943-2711 (Adam.C.Rybinski@ca.ey.com) or Janice Rath, Professional Practice Director, at 403-206-5398 (Janice.Rath@ca.ey.com).

Yours sincerely,
ERNST & YOUNG LLP

A handwritten signature in black ink that reads 'Ernst & Young LLP' in a cursive, script font.

Chartered Professional Accountants
Licensed Public Accountants

Survey Responses

12 March 2024 - 10 April 2024

Narrow Scope Amendment: GAAP Designation of PSA Handbook Appendices

[Connect.FRASCANADA.ca](https://connect.frascanada.ca)

Project: Narrow Scope Amendment: GAAP Designation of PSA Handbook Appendices



VISITORS					
4					
CONTRIBUTORS			RESPONSES		
1			1		
0	0	1	0	0	1
Registered	Unverified	Anonymous	Registered	Unverified	Anonymous



Respondent No: 1

Login: Anonymous

Email: n/a

Responded At: Apr 10, 2024 17:16:21 pm

Last Seen: Apr 10, 2024 17:16:21 pm

IP Address: n/a

Q1. **What type of public sector entity(ies) do you work for or are responding in relation to? Please click all that apply. For example, a public accounting firm may respond with knowledge of several types of clients.** Federal/Provincial/Territorial government

Q2. **Where are you located? (Please specify your Province, Territory, Municipality, Indigenous Community, or any other location)**

Provincial Comptroller of Saskatchewan

Q3. **Do you agree with the higher GAAP designation proposed for the four appendices?** Yes

Q4. **Please provide any comments on your selected response to the above question.**

not answered

Q5. **Will the change in the GAAP level designation from (iii) to (i) of the four appendices identified in the Exposure Draft comprise a change in practice for your organization or clients?** No

Q6. **Please provide any comments on your selected response to the above question.**

not answered

Q7. **Do you agree with the proposed effective date of April 1, 2026, for the changes in the GAAP level designation of the four appendices?** Yes

Q8. **Please provide any comments on your selected response to the above question.**

not answered

Q9. **Do you agree with the proposed deletion of the outdated cross-reference in Appendix B to PSG-2?** Yes

Q10. **Please provide any comments on your selected response to the above question.**

not answered

Q11. **Do you agree with the effective date of April 1, 2026, for an entity to implement, if required, a new entity-developed accounting policy for operating leases?** Yes

Q12. Please provide any comments on your selected response to the above question.

not answered

April 11, 2024

Mr. Michael Puskaric, CPA, CMA
Director, Public Sector Accounting
Public Sector Accounting Board
277 Wellington Street West
Toronto ON M5V 3H2

Narrow-scope Amendment: GAAP Designation of PSA Handbook Appendices

Thank you for the opportunity to comment.

The proposed narrow-scope amendments for the CPA Canada Public Sector Accounting (PSA) Handbook appendices are reasonable.

Our comments to the specific questions are reflected in the attached Appendix.

Sincerely,

Dan Stadlwieser
Controller

Attachment

Appendix

1. Do you agree with the GAAP designation proposed for the four appendices?

Agreed.

The edits promote consistency and comparability in accounting and financial reporting. This also clarifies the ordering of authority of appendices in relation to primary sources of GAAP as identified under the proposed updated version of PS 1150.03(d).

2. Will the change in the GAAP level designation from (iii) to (i) of the four appendices identified in the Exposure Draft comprise a change in practice for your organization or clients?

No.

3. Do you agree with the proposed effective date of April 1, 2026, for the changes in the GAAP level designation of the four appendices?

Agreed.

Given the changes in the GAAP level designation of the four appendices are proposed to be effective at the same time as the new Conceptual Framework and the new PS 1202 Financial Statement Presentation Section, an effective date for these changes to be as of April 1, 2026 is reasonable.

4. Do you agree with the proposed deletion of the outdated cross-reference in Appendix B to PSG-2?

Agreed.

Removing the cross reference to section 3065 is appropriate as it has since been removed from the Handbook.

5. Do you agree with the effective date of April 1, 2026, for an entity to implement a new entity-developed accounting policy for operating leases?

Agreed.

Given an entity has an effective date to implement a new entity-developed accounting policy for operating leases that is at the same time as the new Conceptual Framework and the new PS 1202 Financial Statement Presentation Section, an effective date as of April 1, 2026 is reasonable.

Respondent No: 2 **Login:** Anonymous **Email:** n/a

Responded At: Apr 11, 2024 09:32:19 am

Last Seen: Apr 11, 2024 09:32:19 am

IP Address: n/a

Q1. What type of public sector entity(ies) do you work for or are responding in relation to? Please click all that apply. For example, a public accounting firm may respond with knowledge of several types of clients.

Federal/Provincial/Territorial government

Q2. Where are you located? (Please specify your Province, Territory, Municipality, Indigenous Community, or any other location)

Nova Scotia

Q3. Do you agree with the higher GAAP designation proposed for the four appendices?

Yes

Q4. Please provide any comments on your selected response to the above question.

not answered

Q5. Will the change in the GAAP level designation from (iii) to (i) of the four appendices identified in the Exposure Draft comprise a change in practice for your organization or clients?

No

Q6. Please provide any comments on your selected response to the above question.

not answered

Q7. Do you agree with the proposed effective date of April 1, 2026, for the changes in the GAAP level designation of the four appendices?

Yes

Q8. Please provide any comments on your selected response to the above question.

not answered

Q9. Do you agree with the proposed deletion of the outdated cross-reference in Appendix B to PSG- 2?

Yes

Q10. Please provide any comments on your selected response to the above question.

Yes, we agree with the proposed deletion of the reference in Appendix B of PSG-2 to Section 3065 in the former part V of the Handbook. Entities should refer to the GAAP hierarchy in Section PS 1150 to determine the appropriate accounting for operating leases, as the PSA Handbook does not include a standard dealing with the topic. Since IPSAS has a standard (Standard 43 – Leases, effective January 1, 2025), this would be considered first. For Nova Scotia, under our Corporate Administrative Policy Manual 200 Chapter 18.1 - Operating and Finance Leases, lease rental payments under an operating lease are expensed in the period in which the lease payments are payable to the lessor. This is inconsistent with IPSAS 43, Leases, which requires a lessee to recognize a right-of-use asset and a lease liability, unless the lease meets the requirements of a short-term lease or is a lease for which the underlying asset is of low value. As a result, we do expect this change to have an impact on our current recognition of operating leases. We are unable to assess the impact of this change on the Province's Public Accounts at this point. PSAB should consider whether there are any potential unintended consequences with this change and whether this change is significant enough for separate exposure.

Q11. Do you agree with the effective date of April 1, 2026, for an entity to implement, if required, a new entity-developed accounting policy for operating leases?

Yes

Q12. Please provide any comments on your selected response to the above question.

not answered