

In Brief

A plain and simple overview of PSAB’s Exposure Draft, “Tangible Capital Assets, Proposed Amendments to Section PS 3150”

This is an overview of PSAB’s key proposals in the Exposure Draft, “Tangible Capital Assets, Proposed Amendments to Section PS 3150,” a result of implementing the Government Not-for-Profit (GNFP) Strategy.

<p>Project objectives</p>	<p>The Government Not-for-Profit (GNFP) Capital Assets project is the first in a series of projects to implement PSAB’s GNFP Strategy, incorporating the PS 4200 series into public sector accounting standards (PSAS) with potential customizations.</p> <p>This project encompasses a review of the PS 4200 series standards related to Section PS 4230, Capital Assets Held by Not-for-Profit Organizations, and Section PS 4240, Collections Held by Not-for-Profit Organizations, to determine what amendments, if any, should be proposed for Section PS 3150, Tangible Capital Assets.¹</p> <p>Once a government not-for-profit organization (GNFPO) adopts Section PS 3150, Sections PS 4230 and PS 4240 would no longer apply.</p> <p>Public sector entities, other than those GNFPOs that applied the PS 4200 series, would apply the amendments to Section PS 3150 in accordance with the proposed transitional provisions.</p>
<p>Current stage</p>	<p>We seek your feedback on the Exposure Draft, “Tangible Capital Assets, Proposed Amendments to Section PS 3150.” We highlighted specific questions, but we welcome any more information you would like to provide.</p>

¹ Material that links to the CPA Canada Handbook is available to subscribers only. However, all information needed to understand this document is provided.

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Next steps	Your feedback on the Exposure Draft will guide us in developing final amendments to Section PS 3150.
Comment deadline	Send us your comments by April 15, 2024.
How to respond	<p>Keep an eye on the Government Not-for-Profit: Capital Assets project page for updates, key dates, and registration information. We want to hear from you!</p> <ol style="list-style-type: none">1. Submit a response letter via our online form.2. Attend a webinar.3. Take our Connect.FRASCanada.ca survey.

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The project so far

Thanks to your feedback, PSAB now has a better understanding of GNFPOs’ needs.

By implementing the GNFP Strategy, there will be greater comparability in the future.



GNFPOs adopted PSAS either with or without the PS 4200 series



Consultations undertaken



“Government Not-for-Profit Consultation Paper” issued (Consultation Paper I)



“Government Not-for-Profit Strategy Consultation Paper II” issued



GNFP Strategy approved and Implementation Plan developed



PSAB approved the Exposure Draft, “Tangible Capital Assets, Proposed Amendments to Section PS 3150,” and the Basis for Conclusions

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What is the GNFP Strategy?

<p>PSAS incorporating the PS 4200 series with potential customizations.</p>	<p>PSAB approved its GNFP Strategy – PSAS incorporating the PS 4200 series with potential customizations – in March 2022.</p> <p>This GNFP Strategy is expected to:</p> <ul style="list-style-type: none">• provide PSAB with a tool and some flexibility to propose customizations if, and only if, there are substantial and distinct accountabilities warranting a change from PSAS;• provide guidance currently available only in the PS 4200 series to all public sector entities; and• improve comparability and understandability of financial statements.
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How were amendments decided?

<p>The accounting guidance found in Sections PS 4230 and PS 4240 were compared to the accounting guidance found in Section PS 3150 to identify key matters.</p>	<p>The review of the PS 4200 series considered:</p> <ul style="list-style-type: none">• whether similar guidance already exists in the Public Sector Accounting (PSA) Handbook (outside of the PS 4200 series) as that found in the PS 4200 series;• if no similar guidance exists in the PSA Handbook, whether the guidance found in the PS 4200 series be retained as a customization because the guidance addresses a matter specific to GNFPs, or whether there are other public sector entities that might benefit from such guidance;• if that guidance is consistent with PSAB’s Conceptual Framework for Financial Reporting in the Public Sector; and• what other standard setters are doing regarding that particular topic (i.e., consider the International Public Sector Accounting Standards Board and the Accounting Standards Board (AcSB) guidance).
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What are the key proposals in the Exposure Draft?

PSAB proposes amendments to Section PS 3150 that:

- Amend the definition of “tangible capital asset”.
- Add guidance to identify a “collection”.
- Add disclosures requirements to highlight the importance of works of art, historical treasures, and collections.
- Add guidance to clarify the accounting treatment for situations addressed by the PS 4200 series.

Definition of “tangible capital asset”

Proposal	Minor amendment is proposed to the definition of “tangible capital asset” in paragraph PS 3150.05(a) .
Impact	<p>What does this mean to those currently applying the PS 4200 series?</p> <p>The proposed amendment will clarify that tangible capital assets may be acquired, constructed, or developed. This clarification is based on the guidance found in Section PS 4230.</p> <p>No amendments are being proposed related to “intangible properties”. Currently, the definition of “capital assets” in paragraph PS 4230.05(b) includes “intangible properties”. Therefore, GNFPs that apply the PS 4200 series may recognize intangible properties beyond computer software and those purchased.</p> <p>Paragraph PS 3150.05(a) includes computer software in its definition of “tangible capital assets”, with a footnote. Purchased intangibles can be recognized in accordance with Public Sector Guideline 8, Purchased Intangibles.</p> <p>Therefore, if a GNFP applying the PS 4200 series recognizes intangibles beyond computer software or those purchased, the GNFP could no longer recognize such assets. However, the proposed transitional provisions will alleviate this matter as they anticipate PSAB issuing the intangible asset standard.</p> <p>What does this mean to those not applying the PS 4200 series?</p> <p>Guidance on intangibles is coming. Follow the Intangible Assets project page to learn more.</p>

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Rationale	<p>PSAB has begun the Intangible Assets project. The project will develop a standard that considers all interested and affected parties that apply the CPA Public Sector Accounting Handbook, including GNFPOs.</p> <p>The proposed transitional provisions have taken into account the Intangible Assets project’s expected completion date. This was intentional so that if a GNFPO applying the PS 4200 series has intangible properties beyond computer software or those purchased, that are currently being recognized, such assets would not have to be derecognized in the interim period.</p>
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Capital asset recognition exemption

Proposal	No amendments are proposed to Section PS 3150 .
Impact	<p>What does this mean to those currently applying the PS 4200 series?</p> <p>Currently, Section PS 4230 allows entities with average annual revenues recognized in the statement of operations for the current and preceding period of less than \$500,000 a choice to either recognize or provide disclosures only of its capital assets.</p> <p>Once a GNFPO adopts Section PS 3150, if it previously only disclosed its capital assets, it would now be required to recognize them in the statement of financial position.</p> <p>What does this mean to those not applying the PS 4200 series?</p> <p>No changes for those public sector entities not applying the PS 4200 series.</p>
Rationale	<p>Section PS 3150 emphasizes the importance of accounting for the complete stock of capital assets to demonstrate stewardship and the cost of using those assets in the delivery of programs and services.</p>

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Works of art, historical treasures, and collections

Proposal	Additional guidance to describe collections and additional disclosure requirements are proposed for Section PS 3150 .
Impact	<p>What does this mean to those currently applying the PS 4200 series?</p> <p>Currently, Sections PS 4230 and PS 4240 allow entities to recognize works of art, historical treasures, and collections but do not provide guidance on how to measure those assets. Practices are mixed among GNFPOs as to how they account for such assets, which reduces comparability. When transitioning to apply Section PS 3150, if a GNFPO is currently recognizing those assets, it will have to derecognize those assets and provide disclosures only. Section PS 3150 does not permit their recognition in the financial statements on the basis that their costs, benefits, and economic value could not be reasonably and verifiably quantified.</p> <p>Guidance has been proposed to identify collections. In addition, the disclosure requirements have been enhanced to ensure financial statements users will have sufficient information to aid their decision making. Furthermore, some additional guidance to help determine what disclosures to provide has been proposed.</p> <p>What does this mean to those not applying the PS 4200 series?</p> <p>If a public sector entity has works of art, historical treasures, or collections, it may have additional disclosure requirements to consider.</p>
Rationale	All entities accounting for such assets in a consistent manner will improve comparability among all public sector entities.

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Purchases substantially below fair value and contributed materials and labour in cost of constructed tangible capital asset

Proposal	Proposed amendments to Section PS 3150 incorporate existing guidance from Section PS 4230 .
Impact	<p>What does this mean to those currently applying the PS 4200 series?</p> <p>There is no impact, as the guidance is being incorporated into Section PS 3150.</p> <p>What does this mean to those not applying the PS 4200 series?</p> <p>New guidance is proposed to clarify how to account for the following scenarios:</p> <ul style="list-style-type: none">• An entity purchases a tangible capital asset at a cost substantially below fair value because in substance the other party is also making a contribution.• An entity receives donated materials and/or labour when constructing a tangible capital asset.
Rationale	All entities accounting for such assets in a consistent manner will improve comparability among all public sector entities.

When will the amendments be effective?

For GNFPOs currently applying the PS 4200 series, [Section PS 3150](#) is effective for fiscal periods beginning on or after April 1, 2029, with earlier adoption permitted. Section PS 3150 would be applied retroactively with restatement of prior years’ figures. After April 1, 2029, [Sections PS 4230](#) and [PS 4240](#) will no longer apply.

For GNFPOs that do not apply the PS 4200 series, the amendments to [Section PS 3150](#) would apply for fiscal periods beginning on or after April 1, 2029, with earlier adoption permitted. The amendments to Section PS 3150 would be applied retroactively, with restatement of prior years’ figures.

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We want your feedback!

Get involved and share your views by our comment deadline, April 15, 2024.

How can I comment on the proposals?

Submit your feedback by submitting a [response letter](#) or taking part in the [Connect.FRASCanada.ca survey](#).

Next steps

Before PSAB amends Section PS 3150, it will consider the feedback to the [Exposure Draft](#).

Stay informed

Visit the [GNFP Capital Assets](#) project page to stay up to date.

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