



Statement of Principles

A Revised Reporting Model for the Canadian Public Sector

May 2018

**COMMENTS TO PSAB MUST BE RECEIVED BY
November 28, 2018**

An online response form, linked to this document, has been provided to assist you in submitting your comments to PSAB. Alternatively, you may send comments via email (in Word format), to:

info@psabcanada.ca addressed to:

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This Statement of Principles reflects proposals made by the Public Sector Accounting Board (PSAB). It presents key principles that the Board expects to include in a future exposure draft.

Individuals, governments and organizations are invited to send written comments on the Statement of Principles. Comments are requested from those who agree with the Statement of Principles as well as from those who do not.

If your comments relate to a specific paragraph or group of paragraphs or a specific question PSAB has asked, please provide that reference to help us better understand and analyze your feedback. Any comments that express disagreement with the proposals in the Statement of Principles should clearly explain the problem and include a suggested alternative, supported by specific reasoning. All comments received by PSAB will be available on the website shortly after the comment deadline, unless confidentiality is requested. The request for confidentiality must be stated explicitly within the response.

Introduction

This Statement of Principles should be read after the Statement of Concepts, "[A Revised Conceptual Framework for the Canadian Public Sector](#)," as the Statement of Concepts sets the foundation for the revised reporting model in this Statement of Principles.

Highlights

The Public Sector Accounting Board (PSAB) proposes, subject to comments received on this Statement of Principles, and following its due process, to expose a proposed revised Section on financial statement presentation. The proposed revised Section would replace FINANCIAL STATEMENT PRESENTATION, Section PS 1201.

Reasons for the choice of reporting model

PSAB is proposing a revised reporting model that builds on the existing reporting model in Section PS 1201. After extensively considering the relative merits of many models and the input received from stakeholders to the three Task Force Consultation Papers, the Board feels that the proposed model is the right choice for both pragmatic and strategic reasons. The Board concluded that:

- The model responds to the need for understandable financial statements for the public and its elected and appointed representatives. The model proposes only elements that the public recognizes from its own finances: assets, liabilities, revenues and expenses.
- The model is aspirational in that it provides PSAB the ability to deal with:
 - current issues, such as hedge accounting, performance obligations and government transfers; and
 - future issues, such as heritage, natural capital and endowments,

while ensuring that the economic substance of transactions and other events is reflected for improved accountability information.

- The model is appropriate for all public sector entities:
 - Stakeholders related to the different levels and types of governments, government components and certain government organizations will recognize the proposed model as it builds on the existing model.
 - Stakeholders in the public sector not-for-profit community will recognize and understand many of the aspects of the proposed model as there are commonalities and overlap with their current model. It, therefore, provides a base for the Board's consideration of the needs and issues of government not-for-profit organizations (NFPOs) through its not-for-profit strategy. (NOTE: the PS 4200 series will continue to exist for those organizations that apply them. Any decisions related to these standards will be made through the NFPO project.)
- This model does not require the Board to adopt an international convergence strategy, but it will not add new obstacles to such convergence if the Board's work over the next few years supports such a strategy. There are areas of significant overlap with the conceptual framework and reporting model of the International Public Sector Accounting Standards Board (IPSASB).

Main features

The main features of the proposals in this Statement of Principles are as follows:

- The financial statement package includes:
 - a statement of financial position;
 - a statement of surplus or deficit;

- a statement of changes in net assets or net liabilities;
- a statement of cash flow;
- a statement of net debt; and
- accompanying notes and schedules.
- In the statement of financial position:
 - The net debt indicator is removed, however, it is moved to its own statement, the statement of net debt.
 - The “accumulated surplus (deficit)” net financial position indicator is relabelled as “net assets (net liabilities)”.
 - A new third component is added to net assets or net liabilities, “accumulated other”. The reporting model in existing Section PS 1201¹ includes two components of net assets or net liabilities, accumulated operating surplus or deficit and accumulated remeasurement gains and losses.
 - The structure is amended to present financial assets, then non-financial assets, followed by liabilities, to arrive at the net assets or net liabilities position.
- The statement of operations is renamed the statement of surplus or deficit. The presentation of expenses by function is retained.
- The statement of changes in net assets or net liabilities is a new statement. It shows the reconciliation between the opening and closing balances of each component of net assets or net liabilities and the details of the changes in those components in the reporting period.
- The statement of remeasurement gains and losses in the existing model would no longer be required. However, if the detail of the changes in “accumulated remeasurements” or the detail of changes in the “accumulated other” component of net assets or net liabilities becomes too complex, secondary statements may be needed. Thus, some entities that currently prepare a statement of remeasurement gains and losses may continue to provide it, with only summary details of the changes in the “accumulated remeasurements” component being presented in the statement of changes in net assets or net liabilities.
- In the statement of cash flow, the financing activities are being isolated. This presentation would show whether all of an entity’s other activities combined resulted in the need for cash to be raised through financing activities or not.
- The statement of net debt is being introduced. It presents a revised calculation of net debt; the difference between financial assets, other than those that are externally restricted and/or not available to settle liabilities; and liabilities, other than those that will not be settled through the use of financial assets.
- The statement of change in net debt is removed as it is a reconciliation that is not well understood. One of the key reconciling items on the statement of change in net debt was the actual capital spending in the period compared to that budgeted. PSAB proposes that this information be added to the disclosure requirements of TANGIBLE CAPITAL ASSETS, Section PS 3150, as a consequential amendment.
- The budget amounts on the financial statements should be presented using 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.

¹ This model is required to be adopted by governments when they adopt FOREIGN CURRENCY TRANSLATION, Section PS 2601, and FINANCIAL INSTRUMENTS, Section PS 3450; Sections that apply to fiscal years beginning on or after April 1, 2021. Government organizations that applied the CPA Canada Handbook – Accounting prior to their adoption of the CPA Canada Public Sector Accounting (PSA) Handbook, have applied Sections PS 2601 and PS 3450 to fiscal years beginning on or after April 1, 2012.

- The requirement to present the actual-to-budget comparison in the notes when the scope of activities used in the budget is different from the scope of activities reported on in the financial statements, is removed. When the scope of activities in the budget is not the same as the scope of activities in the financial statements (i.e., not all controlled entities are included in the budget), a note would be required on the face of the statement of surplus or deficit explaining why the actual-to-budget comparison could not be done.
- An amended budget may be used 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 new government would determine if presenting the new amended approved budget or the original approved budget on its financial statements for comparability purposes would best serve the accountability objective. The amended approved budget of a new government may affect the budgets of its controlled entities.
- An amended approved budget may be used by government organizations only when its governing body has been newly elected or appointed and it approves a new budget. The governing body would determine if presenting the new amended approved budget or the original approved budget on its financial statements for comparability purposes would best serve the accountability objective.
- The requirement to disclose non-compliance with legislative authorities is proposed to be retained.
- There is a new requirement for financial statements to disclose information about the risks and uncertainties that could affect the entity's financial position or changes in financial position. PSAB does not intend for there to be requirements in addition to those currently in the PSA Handbook. However, in the future, the proposal may lead to additional risk and uncertainties disclosure requirements at the standards level.

Comments requested

PSAB welcomes comments from individuals, governments and organizations on all aspects of the Statement of Principles.

When comments have been prepared as a result of a consultative process within an organization, it is helpful to identify generally the source of the comment in the response. This will promote an understanding of how the proposals affect various aspects of an organization.

Supporting reasons for your comments are most valuable when they demonstrate how the Statement of Principles proposals, or your alternatives:

- produce more relevant information for accountability and decision making by users;
- improve the representation of the substance of the underlying transaction or event;
- contribute to improved measures and understanding of financial position and periodic financial performance;
- facilitate enhanced comparability; and
- provide sufficient information for users to understand the financial statements.

Please respond to the following questions after considering the proposals in detail and the Board's reasons for proposing them in this Statement of Principles and in the Statement of Concepts, "[A Revised Conceptual Framework for the Canadian Public Sector](#)":

1. PSAB believes that the proposed reporting model will give it the ability to deal with current or future issues, considers all public sector entities, responds to the feedback received, and captures different aspects of financial performance and financial position, with the underlying theme that financial information presented in financial statements should be understandable.
 - (a) Do you support the proposed reporting model?

(b) Does the proposed reporting model improve the information captured in financial statements?

(c) Does the reporting model best reflect the way forward for public sector financial statements?

Statement of financial position

2. Do you agree with the retention of the presentation of financial and non-financial assets?
3. Do you agree with the removal of the net debt indicator from the statement of financial position and presenting it in its own statement, the statement of net debt?
4. Do you agree with the revised structure of the statement of financial position (i.e., to show financial assets, followed by non-financial assets, followed by liabilities, to arrive at a net financial position indicator called “net assets” or “net liabilities”)?
5. Do you agree with adding a new component of net assets or net liabilities, “accumulated other”?

Statement of changes in net assets or net liabilities

6. Do you agree with adding a new statement of changes in net assets or net liabilities?

Statement of net debt

7. Do you agree with the revised calculation of net debt (financial assets, other than those that are externally restricted and/or not available to settle liabilities; less liabilities, other than those that will not be settled through the use of financial assets) in order to retain the meaning of this indicator?

Statement of change in net debt

8. Do you agree with the removal of the statement of change in net debt?
9. Do you agree with the proposal to add a requirement to disclose actual tangible capital expenditures compared with those budgeted to the disclosure requirements in TANGIBLE CAPITAL ASSETS, Section PS 3150?

Budget

10. When the scope of the budget is not the same as the scope of the financial statements (i.e., not all controlled entities are included in the budget), do you agree that a note would be required on the face of the statement of surplus or deficit explaining why the actual-to-budget comparison could not be done?
11. Do you agree with the situations in which an amended budget would be permitted?

Reporting risks and uncertainties associated with the entity

12. Do you agree with the new principle that financial statements should disclose information about the risks and uncertainties that could affect the entity’s financial position or changes in financial position?

Other

13. Do you agree with the principles that are proposed to be retained and/or amended in the revised financial statement presentation standard (see paragraph .119 in the section “Mapping the Principles in Section PS 1201”)?
14. Does the reporting model sufficiently reflect the characteristics of public sector entities?
15. Are there additional matters requiring PSAB’s consideration in finalizing a new public sector financial statement reporting model?

A Revised Reporting Model for the Canadian Public Sector

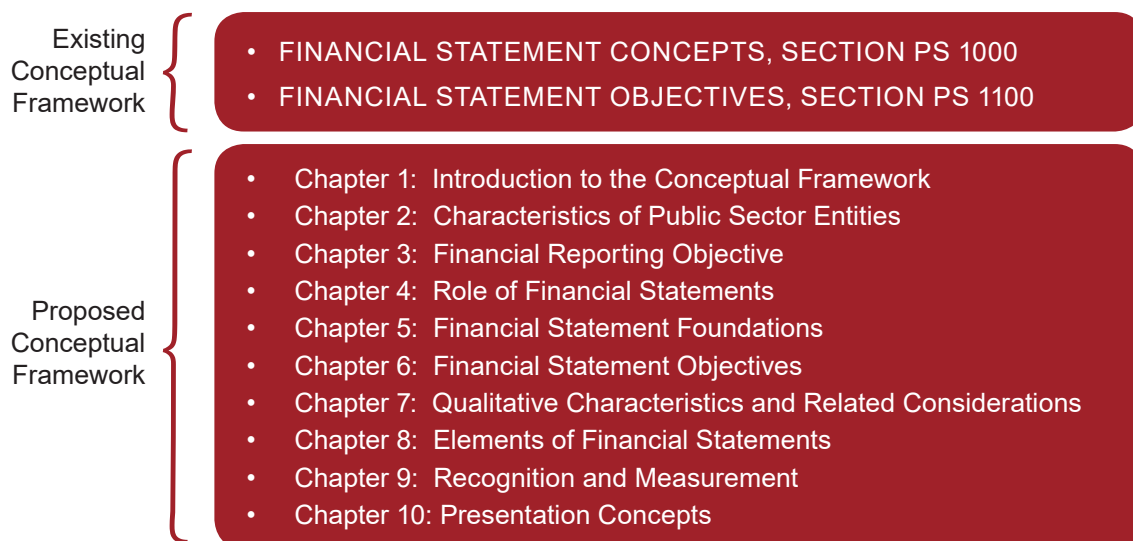
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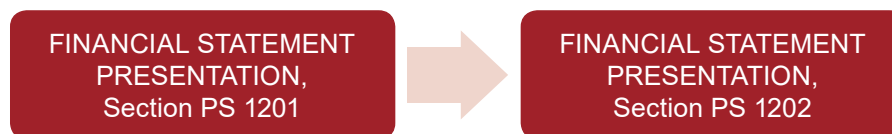
Background

Why the conceptual framework and financial statement presentation standard are being reviewed and amended

- .001 A 2007-09 Joint Working Group comprising selected PSAB members and Deputy Ministers of Finance suggested that the conceptual framework in the PSA Handbook required review, with a focus on reporting the financial performance of public sector entities. The Board agreed.
- .002 The objective of the [Concepts Underlying Financial Performance](#) project is to review and amend, if necessary:
 - (a) the concepts underlying financial performance in the public sector conceptual framework, FINANCIAL STATEMENT CONCEPTS, Section PS 1000, and FINANCIAL STATEMENT OBJECTIVES, Section PS 1100; and
 - (b) the reporting model in FINANCIAL STATEMENT PRESENTATION, Section PS 1201.
- .003 The proposals related to the concepts underlying financial performance in the conceptual framework are included in the Statement of Concepts, "[A Revised Conceptual Framework for the Canadian Public Sector](#)." This Statement of Principles details the proposals in relation to the review of the reporting model.
- .004 The diagram below illustrates that through the Concepts Underlying Financial Performance project, PSAB intends to remove Sections PS 1000 and PS 1100, which make up the existing conceptual framework in the PSA Handbook, and replace them with ten chapters that would make up the proposed conceptual framework, detailed in the Statement of Concepts.



- .005 With respect to the reporting model, PSAB intends to revise Section PS 1201, and replace it with a new financial statement presentation standard, Section PS 1202.



- .006 The [Statement of Concepts](#) and this Statement of Principles are issued at the same time, as the concepts and principles being proposed are interrelated. The proposed concepts in the Statement of Concepts either foreshadow or are the foundation for what is proposed to be presented in the financial statements through this Statement of Principles.
- .007 PSAB has identified the review of the concepts underlying financial performance as part of its strategic plans since 2010.

Task Force Consultation Papers

- .008 Since the project's inception, the [Concepts Underlying Financial Performance Task Force](#) (formerly known as the Conceptual Framework Task Force) issued three Consultation Papers:
- (a) Consultation Paper 1, "[Characteristics of Public Sector Entities](#)";
 - (b) Consultation Paper 2, "[Measuring Financial Performance in Public Sector Financial Statements](#)"; and
 - (c) Consultation Paper 3, "[Conceptual Framework Fundamentals and the Reporting Model.](#)"
- .009 The proposals developed to date have considered all of the feedback received from the three Consultation Papers, international developments with conceptual frameworks in the public and private sectors, PSAB's proposals in other projects on its technical agenda, the Board's strategic objectives in its [2017-2020 Strategic Plan](#), as well as the Joint Working Group's recommendations.

Intended Outcomes and Expected Effects

- .010 The intended outcome of the revised financial statement presentation standard is to have a reporting model that considers:
- (a) the key characteristics of public sector entities;
 - (b) the needs of the primary users of public sector financial statements;
 - (c) the financial statement reporting needs of all public sector entities;
 - (d) PSAB's strategic objectives as identified in its 2017-2020 Strategic Plan (refer to paragraph .031);
 - (e) issues facing the Board in its current technical agenda, such as hedge accounting questions raised in relation to the financial instruments standard; and
 - (f) new issues that may arise in the future.
- .011 The expected effects of improving the reporting model are:
- (a) increased understanding of the financial statements and the indicators within the financial statements; and
 - (b) improved accountability information for the users of financial statements.
- .012 The proposals will create a need for public sector entities to adjust their financial statement presentation to be in compliance with the proposed requirements.

Purpose and Scope

- .013 The purpose of this Statement of Principles is to explain, and seek stakeholder feedback on, the proposed amendments to the reporting model in FINANCIAL STATEMENT PRESENTATION, Section PS 1201.
- .014 The principles proposed are based on the concepts identified in the [Statement of Concepts, “A Revised Conceptual Framework for the Canadian Public Sector,”](#) especially the financial statement objectives identified in Chapter 6. The proposed financial statement objectives are as follows:
- (a) scope of financial statements;
 - (b) reporting financial position;
 - (c) reporting changes in financial position;
 - (d) comparing the actual performance to that projected in the budget;
 - (e) reporting non-compliance with legislative authorities; and
 - (f) reporting risks and uncertainties associated with the entity.
- .015 The purpose of a financial statement standard is to prescribe the basis for presentation of financial information in financial statements to ensure comparability both with the entity’s financial statements of previous periods and with the financial statements of other similar entities. The revised financial statement presentation standard would set out the overall requirements for the presentation of financial statements, guidance for their structure and minimum requirements for their content.
- .016 The purpose of financial statements is to provide information about the financial position and financial performance of an entity.

Applicability

- .017 Having the same reporting requirements for all public sector entities following the PSA Handbook enhances the comparability and consistency of financial statement presentation within the public sector. This Statement of Principles proposes that all public sector entities would apply this standard when preparing their general purpose financial statements, except for those:
- (a) that are directed to or comply with the standards applicable to publicly accountable enterprises in Part I of the CPA Canada Handbook – Accounting (i.e., International Financial Reporting Standards); or
 - (b) permitted to use the reporting model in FINANCIAL STATEMENT PRESENTATION BY NOT-FOR-PROFIT ORGANIZATIONS, Section PS 4200.
- .018 Even though certain public sector entities apply the PS 4200 series and use the reporting model set out in those standards, PSAB welcomes feedback from this group of entities and their stakeholders, as the feedback will be used to advance the Board’s NFPO project.

The Journey: How PSAB Arrived at Its Proposed Principles for a Revised Reporting Model

Consultation Paper 1

.019 In August 2011, the Task Force issued Consultation Paper 1 “[Characteristics of Public Sector Entities](#).” Its purpose was to refine and better describe the characteristics of governments and other public sector entities. Through this Consultation Paper the Task Force was able to gather feedback on the key characteristics of public sector entities that have financial reporting implications and create Chapter 2 of the [Statement of Concepts](#). These characteristics ground the development of the proposed concepts and principles in the realities of the public sector environment.

Consultation Paper 2

.020 In October 2012, the Task Force issued Consultation Paper 2, “[Measuring Financial Performance in Public Sector Financial Statements](#).” It articulated the objective of public sector financial reporting, the primary users of those reports, broad financial reporting accountabilities and more specific financial statement accountabilities. The feedback received helped with the development of Chapter 3 of the Statement of Concepts.

.021 Consultation Paper 2 also asked for stakeholders’ views on three possible reporting-model approaches:

- (a) An asset and liability–based model: This model focuses on the changes in assets and liabilities (economic resources and economic obligations) in the period.
- (b) A revenue and expense–based model: This model focuses on flows of resources that are considered to be applicable to a particular period. The model would determine surplus or deficit based on the definitions of revenue and expense, and would include all items not meeting these definitions in the statement of financial position.
- (c) A hybrid model: This model is based on the premise that more useful measures of financial performance and financial position can be obtained if appropriate measures of financial performance and financial position are determined independently and oriented to meeting users’ needs. This leads to poor articulation between the financial statements (i.e., the linkages between the information on the financial statements are not as apparent as they would be with the other models).

.022 Stakeholders gave the following feedback to the Task Force in relation to the three possible reporting-model approaches:

- (a) Of the three reporting models, the asset and liability–based model was endorsed by a majority of respondents because of:
 - (i) its link to real economic events;
 - (ii) its closeness to business reporting, thus improving stakeholders’ understandability;
 - (iii) the strong base that it provides for developing sustainability reporting; and
 - (iv) the fact that a case has not been made regarding the value added by moving to another model.

However, even some who indicated that they prefer an asset and liability–based model noted that the definitions of asset and liability should allow some deferral and/or matching, in particular in relation to transfers received. It should also be noted that the responses at the provincial level were mixed in relation to the reporting-model alternatives, while responses at the local and federal levels strongly supported an asset and liability–based model.

- (b) The revenue and expense–based model was not endorsed by a majority of respondents for various reasons:
 - (i) It is difficult to develop a solid, objective basis for deferring inflows and outflows to future periods.
 - (ii) The concept of inter-period equity is difficult to make operational. Only deferrals that meet the definitions of assets and liabilities should be allowed. Assets and liabilities are real economic phenomena. The public only understands real economic phenomena, not accounting creations, like deferrals. The public has many assets and liabilities that are similar to those held by public sector entities, and so can understand their nature.
- (c) There was very little support for the hybrid model as it is too complex and would detract from the understandability of the financial statements.

Consultation Paper 3

- .023 In March 2015, the Task Force issued Consultation Paper 3, “[Conceptual Framework Fundamentals and the Reporting Model](#).” It highlighted many of the concepts and principles proposed for a revised conceptual framework and reporting model. Its intent was to solicit early feedback on these preliminary concepts and principles and a proposed reporting model that was built on those concepts and principles.
- .024 In Consultation Paper 3, the Task Force considered the feedback received in Consultation Papers 1 and 2, and developed an asset and liability–based reporting model, which included a statement of comprehensive financial results. The intent of this statement was to present the net result of services/programs and volatility arising from certain government transfers, unexpected events and fair value changes.
- .025 The feedback received indicated that respondents were concerned with:
 - (a) the lack of an identified surplus or deficit indicator;
 - (b) presenting two bottom lines on one statement;
 - (c) presenting unrealized remeasurements with operating results;
 - (d) not allowing for the possibility of hedge accounting;
 - (e) two possible presentations of capital transfers received; and
 - (f) separating out unusual items that are difficult to define.
- .026 As a result, the reporting model proposed in Consultation Paper 3 was abandoned.

What to do

- .027 PSAB needed a reporting model for the Canadian public sector that would best demonstrate accountability and transparency, while providing it with the ability to deal with standards-level issues, such as those related to government transfers, financial instruments and new issues that may arise in the future.
- .028 A review of the reporting models of other standard setters, including the IPSASB, the International Accounting Standards Board (IASB) and the Governmental Accounting Standards Board (GASB), indicated that PSAB’s reporting model needed to have a location on the financial statements where certain revenues and expenses are presented outside of surplus or deficit.

The need for a location to present certain revenues and expenses that arise in the period outside of that period's surplus or deficit

- .029 A location to present certain revenues and expenses that arise in a period outside of that period's surplus or deficit is needed for the following reasons:
- (a) to allow those revenues and expenses identified in the PSA Handbook to be recognized outside of surplus or deficit in the period they arise to have a presentation location. Such items include the unrealized gains and losses in the existing financial instrument standard and foreign currency translation standard, and the deferred actuarial gains and losses identified in the retirement benefits standard;
 - (b) to provide PSAB a new alternative to consider to reflect appropriately the economic substance of complex transactions;
 - (c) to provide the possibility of allowing other revenues and expenses as identified by the Board in developing future standards to be recognized outside of surplus or deficit in the period they arise; and
 - (d) to allow the Board to explore the possibility of including hedge accounting requirements in a financial instruments standard that is similar to the one developed by international standard setters, based on stakeholders' preliminary feedback. (Hedge accounting requires a location for those remeasurements that are recognized outside of surplus or deficit in the period they arise.)
- .030 In developing a new reporting model for the Canadian public sector, PSAB needed to resolve two key issues:
- (a) the recognition location of those revenues and expenses that would be recognized outside of surplus or deficit when they arise; and
 - (b) the nature of those revenues and expenses that would be recognized outside of surplus or deficit when they arise.
- .031 PSAB felt that the best resolution to the two issues identified would be based on how well the alternatives serve the public interest, including whether they:
- (a) consider the strategic objectives outlined in the Board's 2017-2020 strategic plan:
 - (i) improving information for accountability and decision making;
 - (ii) developing a conceptual framework and reporting model that would set the stage for establishing standards for years to come;
 - (iii) possible convergence with international public sector standards;
 - (iv) increasing stakeholder acceptance; and
 - (v) implementing a not-for-profit-sector strategy;
 - (b) meet the understandability imperative for the public and its elected or appointed representatives, the primary users;
 - (c) provide relevant accountability information to the primary users; and
 - (d) take into account the practical capacity of stakeholders to implement changes in the reporting model.

Location of revenues and expenses recognized outside of surplus or deficit when they arise

- .032 Based on a review of the reporting models of various standard setters, revenues and expenses recognized outside of surplus or deficit when they arise could be reported in:
- (a) a statement of changes in net asset or net liabilities, with recognition of such revenues and expenses directly in net assets or net liabilities. (This approach is similar to the statement of remeasurement gains and losses in the existing PSA model or IPSASB's statement of changes in net assets as stated in IPSAS 1, *Presentation of Financial Statements*);
 - (b) the statement of operations (or equivalent statement) below surplus or deficit. (This approach is similar to the IASB's approach, as the statement in that model presents certain revenues and expenses below surplus or deficit, in "other comprehensive income"); or
 - (c) the statement of financial position, outside assets and liabilities. (This approach is similar to GASB's approach, which has deferred inflows and deferred outflows as elements on the statement of financial position and IPSASB's "other resources" and "other obligations" [as stated in IPSASB's conceptual framework] as such items are included as part of net financial position.)
- .033 Based on the analysis of the various options, PSAB decided to present those revenues and expenses recognized outside of surplus or deficit in the period they arise, directly in net assets or net liabilities with the details on a separate statement of changes in net assets or net liabilities (i.e., alternative A), for the following reasons:
- (a) Such a model allows the financial position to be understandable because it only comprises assets and liabilities. It facilitates a clear reporting of net assets or net liabilities; when explained and contrasted with their personal finances, the public can understand this indicator. This alternative is the most appropriate because it is consistent with the Board's objective to establish a model that presents understandable and useful information for accountability and decision making.
 - (b) Such a model is the most relevant to stakeholders because it does not include:
 - (i) deferred inflows and outflows as elements, which stakeholders rejected based on the feedback received on Consultation Paper 2; and
 - (ii) a two bottom line or "other comprehensive income" approach on the statement of surplus or deficit, which stakeholders rejected based on the feedback on Consultation Paper 3.
 - (c) Such a model is the most practical because:
 - (i) it builds on the existing reporting model wherein certain revenues and expenses (such as unrealized remeasurements arising from financial instruments) are recognized directly in net assets or net liabilities;
 - (ii) there would not be significant amendments to the reporting model for those government organizations that were required to implement the financial instruments standards in 2012; and
 - (iii) it aligns with important aspects of the reporting model that government NFPOs currently apply (such as having multiple components of net assets). As a result, the model can act as a bridge for this stakeholder group to adopt the rest of the PSA Handbook. It could also lead to a more understandable transition for this community and its donors.
 - (d) The model is the one that best aligns with the IPSASB's reporting model (as both recognize certain revenues and expenses directly in net assets or net liabilities, and the IPSASB has not yet recognized any transactions in the other resources and other obligations categories). Therefore, the proposed model does not add barriers to possible convergence with IPSAS, if PSAB were to move in that direction after consulting with stakeholders.

Nature of revenues and expenses recognized outside of surplus or deficit when they arise

- .034 In determining which revenues and expenses PSAB should permit to be recognized outside of surplus or deficit when they arise, the Board considered the following alternatives, which build on each other:
- (a) restricting the exclusions to remeasurements arising from financial instruments (the approach applied currently in the PSA Handbook);
 - (b) restricting the exclusions to remeasurements from financial instruments (i.e., alternative (a)) plus potentially other items, for example, actuarial gains and losses; the remeasurements excluded would be identified by the Board at the standards level (the approach applied by IPSASB, IASB and GASB);
 - (c) restricting the exclusions to remeasurements (i.e., alternative (b)) plus possibly endowments; and
 - (d) restricting the exclusions to remeasurements and possibly endowments (i.e., alternative (c)) plus possibly other revenues and expenses identified by the Board at the standards level.
- .035 Based on an analysis of all the alternatives, PSAB decided that a reporting model that allows remeasurements and other revenues and expenses it identifies to be recognized outside of surplus or deficit in the period they arise (i.e., alternative (d)) is the best alternative because it optimizes the achievement of the strategic objectives and the other relevant considerations and best serves the public interest.
- (a) It allows the reporting model to be sustainable and sets the stage for establishing standards for years to come, as it is not restrictive to just remeasurements. This alternative gives the Board the ability to deal with emerging issues.
 - (b) This alternative is the most relevant for stakeholders:
 - (i) It is responsive to the feedback received from stakeholders at the beginning of the project, in relation to government transfers and financial instruments. Although the project is not intended to amend the government transfers and financial instruments standards (the government transfers standard went through a recent post-implementation review and the Board is currently reviewing the financial instruments standard), the proposals developed give the Board the ability to respond to standards-level issues.
 - (ii) It is responsive to the needs of the government not-for-profit community, as the alternative gives the Board more options to respond to accounting issues related to endowments.
 - (iii) It provides the Board with the ability to deal with issues that may arise in the future, such as heritage resources and natural capital.
- .036 In essence, this alternative allows PSAB to respond to users' needs as they arise and reflect the economic substance of unique transactions leading to improved accountability information presented in financial statements.
- .037 The main disadvantage of this alternative is that it may lead to unrelated items being grouped together in the accumulated other component of net assets or net liabilities; however, this disadvantage can be managed. If certain revenues and expenses recognized in the accumulated other component share common characteristics, then PSAB would have the ability, at the standards level, to subdivide the accumulated other component to create additional and identifiable components of net assets or net liabilities to better explain its financial position to users.

What is the impact of these decisions?

- .038 The decisions to:
- (a) present those revenues and expenses recognized outside of surplus or deficit in the period they arise, directly in net assets or net liabilities; and
 - (b) allow remeasurements and other revenues and expenses as identified by PSAB to be recognized outside of surplus or deficit when they arise;
- result in a reporting model that has multiple components of net assets or net liabilities:
- (a) accumulated surplus or deficit;
 - (b) accumulated remeasurements; and
 - (c) accumulated other.
- .039 The following section elaborates on the proposals for a revised reporting model.

A Revised Reporting Model for the Canadian Public Sector

The financial statements

Principle 1

Financial statements should include a statement of financial position, a statement of surplus or deficit, a statement of changes in net assets or net liabilities, a statement of cash flow, a statement of net debt and the accompanying notes and schedules.

- .040 In the existing reporting model, in FINANCIAL STATEMENT PRESENTATION, Section PS 1201,² a financial statement package would include:
- (a) a statement of financial position;
 - (b) a statement of operations;
 - (c) a statement of remeasurement gains and losses;
 - (d) a statement of change in net debt;
 - (e) a statement of cash flow; and
 - (f) accompanying notes and schedules.
- .041 In the proposed reporting model, financial statements include the following:
- (a) a statement of financial position;
 - (b) a statement of surplus or deficit;
 - (c) a statement of changes in net assets or net liabilities;
 - (d) a statement of cash flow;
 - (e) a statement of net debt; and
 - (f) accompanying notes and schedules.

² This Section applies to fiscal years beginning on or after April 1, 2021. For those government organizations that applied the CPA Canada Handbook – Accounting prior to their adoption of the CPA Canada PSA Handbook, this Section applies to fiscal years beginning on or after April 1, 2012.

- .042 Appendices A, B, C, D and E illustrate how the proposed financial statements would look for various types of public sector entities.
- .043 Below is an elaboration of the key changes to the reporting model.

Statement of financial position

Principle 2

The statement of financial position should report financial assets, non-financial assets and liabilities. The statement of financial position should account for net assets or net liabilities as the indicator of net financial position.

- .044 In the existing reporting model, the statement of financial position reports:
- (a) net debt and the accumulated surplus or deficit, as the two indicators that together explain the financial position at the end of the accounting period; and
 - (b) non-financial assets below the net debt indicator.
- .045 Three key amendments are being proposed to the statement of financial position:
- (a) the removal of the net debt or net financial assets subtotal;
 - (b) the replacement of the “accumulated surplus” or “accumulated deficit” label on the net financial position indicator with “net assets” or “net liabilities”; and
 - (c) the addition of a new third component to the net assets or net liabilities breakdown below net financial position.
- .046 PSAB decided to retain the presentation of financial and non-financial assets because many public sector entities hold significant non-financial assets and the nature of such assets is different in the public sector (i.e., they provide service rather than generate revenue). This presentation highlights a fundamental characteristic of public sector entities, in relation to the nature and use of public resources, identified in Chapter 2, “Characteristics of Public Sector Entities,” of the proposed [Statement of Concepts](#).
- .047 PSAB considered whether assets and liabilities should be presented as current and non-current. The Board believes that given the characteristics of public sector entities, it is more important to present the nature of the assets, as financial and non-financial, on the statement of financial position, rather than their liquidity. If an entity wants to present assets and liabilities as current and non-current, this can be done in the notes to the financial statements. The Board feels that attempting to show this breakdown in addition to the financial and non-financial asset presentation on the statement of financial position would make the statement visually complex. Further, the Board feels that the financial/non-financial assets distinction better articulates with and facilitates the calculation of net debt on the proposed new statement of net debt.

Removal of the net debt (or net financial assets) indicator from the statement of financial position

Meaning of the net debt indicator

- .048 PSAB believes that net debt is an important indicator:
- (a) Net debt provides information about future revenues required to meet past spending. The extent of an entity’s net debt and its financial ability to service residual liabilities is an important factor in assessing its sustainability.

- (b) Being in a net debt position will have an impact on the setting of future tax rates and other funding decisions. Such future revenue requirements need not be fulfilled through taxation or government transfers. Future revenues might also come from donors. The net debt indicator does not specify the source of the future required revenues; it merely indicates the need for future revenues. The nature and extent of future revenue-raising is a policy decision.
- (c) Net debt is a financial management tool to be used to determine the cash requirements in the short and long term. A net debt position does not mean that the entity's liabilities are due next year. The indicator also does not require that the financial assets that are offset against the liabilities to calculate net debt actually be used to pay off those liabilities. It is an indicator of future revenue requirements, not a representation of how the financial assets and liabilities of the entity are managed.
- (d) Net debt is an indicator that reflects accountability for spending decisions in the period they are made. It provides important information about the financial affairs of an entity. It provides one indicator of the entity's ability to finance future operations.
- (e) Net debt is a number that results from spending; it arises when a public sector entity spends more than the amount of revenues it raises in the year, or over the years. Government spending (including spending by the public sector entities that make up the government) represents almost half of Canada's gross domestic product. So, net debt has a direct relationship to the economy when it is reported by governments.
- (f) Reporting net debt can help government NFPOs explain to donors that their funding needs exceed their financial resources.
- (g) Net debt is an indicator that is beneficial to public sector entities, regardless of their ability to tax or incur debt. Net debt is created by the entity's activities, specifically any decisions to incur liabilities, not just issued debt. For example, some entities have large unfunded pension liabilities or material capital leases on capital assets that are integral to operations. Public sector entities need to know what is required in the future to pay for past events, and so do their stakeholders.

.049 When an entity's financial assets exceed its liabilities, the indicator would be called "net financial assets". The net financial assets indicator provides a measure of the net financial assets on hand that can provide financial resources to finance future operations.

History of the net debt indicator

.050 Net debt was the focus of the original public sector financial reporting model set out in the PSA Handbook. Net debt was the only measure of financial position. Since then, the reporting model has been enhanced by including non-financial assets, such as tangible capital assets, in the financial position of a public sector entity.

Feedback received

- .051 PSAB has received a lot of feedback on the net debt indicator from certain stakeholders. They have indicated the following:
- (a) The net debt indicator is not easily understood by all users.
 - (b) The net debt indicator does not provide appropriate information on the financial position of government components that are an integral part of government and certain government organizations. Such entities receive all or most of their funding in the form of appropriations from government; therefore, the net debt indicator is not meaningful for their financial statements.
 - (c) It is not clear how relevant or appropriate the net debt indicator would be for a government organization that does not independently generate its own revenue or borrow without the substantive approval of its controlling government.

(d) The required presentation of the net debt indicator does not recognize the distinct nature of certain entities and the needs of their financial statement users. For example, many government entities, particularly government NFPOs, rarely carry significant amounts of debt and often have no debt at all. The presentation of the net debt indicator in these instances would not be relevant to the users and may lead to further confusion.

(e) The recognition of unrealized remeasurements is causing volatility in the net debt indicator.

.052 This feedback has caused PSAB to pause and consider whether the net debt indicator provides useful accountability information for all public sector entities.

Applicability of the net debt indicator

.053 PSAB continues to agree that the net debt indicator is an important indicator for governments.

.054 With respect to government organizations, specifically those government NFPOs that have voiced the net debt issues, PSAB realized that without all the information related to these organizations, it is difficult to determine for which government organizations the net debt indicator would or would not provide useful accountability information. The Board concluded that it would be better positioned to make such a decision as its NFPO project advances.

Consideration of alternatives

.055 PSAB considered the following alternatives with respect to the net debt indicator:

- (a) require the net debt indicator to be reflected on the statement of financial position (status quo);
- (b) remove the net debt indicator from the statement of financial position, however, require the presentation of it in a separate statement;
- (c) remove the requirement to present the net debt indicator.

.056 Given the importance of the indicator, PSAB did not believe the third alternative was viable.

.057 PSAB felt that the second alternative was the most appropriate.

(a) Removing the net debt indicator from the statement of financial position allows the reporting model to be responsive to the feedback received:

- (i) This alternative gives the Board the opportunity to determine whether certain public sector entities should report the net debt indicator, as progress is made in the NFPO project.
- (ii) This alternative gives the Board the ability to refine the net debt calculation to ensure the indicator's original meaning is retained.

(b) Removing the indicator from the statement of financial position allows the statement to be understandable to those users who are not familiar with public sector standards.

(c) Removing the net debt indicator from the statement of financial position allows that statement to be aligned with the equivalent statement required by international public sector standards setters that do not require the reporting of net debt. This allows the statement of financial position to be more comparable with that developed by other standard setters.

.058 Given the importance of net debt, PSAB felt that the indicator should be retained and presented on a new statement of net debt. Given this decision, the Board has decided to refine the calculation of net debt (refer to the section titled "Statement of Net Debt"). In the future, the Board may determine that certain entities do not need to report net debt if net debt does not provide good accountability information.

Structure of the statement of financial position

- .059 The proposed removal of the net debt indicator from the statement of financial position led to PSAB considering whether the existing structure of the statement (i.e., financial assets followed by liabilities followed by non-financial assets) should be retained. The existing structure was created to facilitate the net debt calculation. Further, some stakeholders have indicated that to make the statement of financial position more understandable to those users who are not familiar with public sector standards, the structure of the statement should be amended to present assets (financial, then non-financial and then in total) less liabilities equal to net assets or net liabilities, a structure to which many users are accustomed. The Board agrees. This decision is consistent with its goal of developing an understandable reporting model.

Replacing the term “accumulated surplus or deficit” with “net assets” or “net liabilities”

- .060 In the existing reporting model, the accumulated surplus or deficit consists of:
- (a) accumulated operating surplus or deficit; and
 - (b) accumulated remeasurement gains and losses.
- .061 PSAB decided to replace the term “accumulated surplus or deficit” with “net assets” or “net liabilities” as the label for the indicator of net financial position. “Accumulated surplus or deficit” is no longer an accurate term for net financial position because the new model allows for the possibility that some revenues and expenses will be recognized outside of surplus or deficit in the period they arise. In the proposed new model, accumulated surplus or deficit is only one component of the net assets or net liabilities position of an entity; it represents an accumulation of surpluses and deficits. The net financial position also includes an accumulation of other items in the accumulated remeasurement gains and losses and accumulated other components of net assets or net liabilities.
- .062 “Net assets” is a term that is used in the existing conceptual framework, but not in the reporting-model illustrations in FINANCIAL STATEMENT PRESENTATION, Section PS 1201. To be clearer and more understandable, PSAB decided that the term “net assets” or “net liabilities” should be used consistently, even in the illustrations, to refer to the net financial position of an entity. The accumulated surplus or deficit is one of the components that make up that net financial position.

Adding a new component of net assets or net liabilities

Principle 3

The primary sources of generally accepted accounting principles (GAAP) may require certain amounts to be reported directly in a component of net assets or net liabilities. When this is the case, an entity should report the following additional information about the composition of its net assets or net liabilities at the financial statement date:

- (a) the accumulated surplus or deficit;
 - (b) the accumulated remeasurement gains and losses; and/or
 - (c) the “accumulated other”.
- .063 The existing reporting model has two components of net assets or net liabilities:
- (a) accumulated operating surplus or deficit; and
 - (b) accumulated remeasurement gains and losses.
- .064 The proposed reporting model is an extrapolation of the current model in that net assets or net liabilities is proposed to be further segmented to categorize aspects of financial performance

that are not considered part of the surplus or deficit of an accounting period. In the illustrative financial statements, a new component, “accumulated other”, was added. In this component, PSAB may designate certain revenues and expenses occurring in a period to be (temporarily or permanently) excluded from the surplus or deficit of a period and recognized directly in net assets or net liabilities. This component would be used only in rare circumstances. Only the Board would designate transactions for recognition in this component; extrapolation to other items would not be allowed.

- .065 Although PSAB has not designated any transactions for recognition in this new component of net assets or net liabilities, the new component was added for illustrative purposes to show stakeholders that the Board is being responsive to the feedback received and the needs of the primary users. In the future, if the Board feels that transactions with certain shared characteristics should be recognized in this new component, it can subdivide the accumulated other component to establish a component to better describe that aspect of financial position to users. A new component might be appropriate, for example, if the Board were in the future to require natural capital or heritage resources to be recognized in financial statements. The introduction of new components would be to differentiate further items with shared characteristics to make the financial statements more understandable.
- .066 The new component is being referred to as “accumulated other” because it is unknown at this time what PSAB will decide to include in it in the future. As standards are developed and if items are identified for inclusion in this component, the description of the component can be revisited.
- .067 The components of net assets or net liabilities are those identified by PSAB. It was concluded that since FUNDS AND RESERVES, PSG-4, permits the disclosure of the breakdown of net assets or net liabilities in the notes, then this practice should be permitted to continue. This conclusion will allow those public sector entities that show or wish to show a different categorization of net assets (i.e., restricted funds or reserves) to reflect a different accountability of the entity, to do so in the notes.

Statement of surplus or deficit

Principle 4

An entity should recognize all revenue and expense arising in the period in the statement of surplus or deficit, unless a standard requires otherwise.

Principle 5

The statement of surplus or deficit should:

- (a) report revenues segregated by significant types of revenues;
- (b) report expenses by function or major program; and
- (c) account for the surplus or deficit for the period, which is the difference between the revenues and expenses recognized in the statement of surplus or deficit.

- .068 The statement of surplus or deficit is the equivalent to the statement of operations in the existing reporting model. A change in the title of the statement is being proposed because:
 - (a) not all operating items (such as unrealized remeasurements, which some stakeholders have argued are operating) are included in the statement; and
 - (b) the revised statement explicitly identifies the surplus or deficit of the period.
- .069 The statement of surplus or deficit accounts for the surplus or deficit of the entity for the accounting period. Surplus or deficit is the difference between revenues and expenses

recognized in the statement of surplus or deficit. All revenues and expenses would be recognized in this statement unless specifically identified by PSAB for recognition directly in a component of net assets or net liabilities.

- .070 Paragraph PS 1201.078(d) states that “The statement of operations should report the accumulated operating surplus/deficit at the beginning and end of the period, unless these figures are reconciled with the surplus/deficit for the period on a separate statement.” Many public sector entities included this reconciliation on the statement of operations. With the introduction of a new component of net assets or net liabilities, PSAB decided to create a new statement that would show the reconciliation between opening and closing balances in each component of net assets or net liabilities, the statement of changes in net assets or net liabilities.

Presentation of expenses

- .071 Paragraph PS 1201.078(b) states that the statement of operations should report the expenses of the period by function or major program and paragraph PS 1201.086 states that financial statements should disclose the expenses by object. Certain stakeholders have asked PSAB to consider presenting expenses by object rather than function on the statement of operations. The Board decided to retain the presentation of operating expenses by function for the following reasons:

- (a) it provides accountability for the total costs for each major function;
- (b) it is useful for understanding the cost of the entity’s economic resources consumed in carrying out its objectives; and
- (c) it allows financial statement readers to compare the costs of each function of the entity to its total costs and thus obtain information about the entity’s priorities (e.g., the percentage of revenues used for education could be compared to that used for health).

- .072 The categorization of expenses by function is a matter of professional judgment and should reflect the operations of the entity. The Board proposes that the requirement for disclosure of expenses by object in the notes also be retained.

Separate presentation of unusual items

- .073 PSAB considered having a separate presentation of unusual items in the statement of surplus or deficit to allow entities to better describe their financial performance. The Board decided to continue with the existing practice in relation to unusual items, for the following reasons:
- (a) unusual items are difficult to define in the public sector given the breadth and depth of the powers and responsibilities of public sector entities as set out in Chapter 2, “Characteristics of Public Sector Entities,” of the [Statement of Concepts](#);
 - (b) it would be difficult to have the specificity in the PSA Handbook required to meet the majority of “unusual” cases for all types of public sector entities;
 - (c) paragraph PS 1201.013 states that “[w]hen there are transactions, circumstances or other events of such size, nature or incidence that their disclosure is necessary to understand the [entity’s financial performance and] financial position... [an entity] would provide sufficient information...so that the effect on the financial statements is transparent and understandable.” (This is proposed to be retained in the new financial statement presentation standard). Therefore, if unusual events meet the criteria, they would be presented or disclosed in the financial statements;
 - (d) if the guidance provided in this area is broad, it would not be useful in resolving preparer/auditor debates; and
 - (e) other standard setters have moved away from presenting unusual items separately.

Statement of changes in net assets or net liabilities

Principle 6

The statement of changes in net assets or net liabilities should show a reconciliation between the amount at the beginning and end of the period for each component of net assets or net liabilities.

- .074 The statement of changes in net assets or net liabilities is a new statement.
- .075 The statement of changes in net assets or net liabilities shows a reconciliation between the opening and closing balances of each component of net assets or net liabilities.
- .076 All revenues and expenses arising in the period are captured in detail or in summary in the statement of changes in net assets or net liabilities. The purpose of this statement is to be transparent with respect to those revenues and expenses recognized directly in net assets or net liabilities.
- .077 The statement of changes in net assets or net liabilities articulates with:
 - (a) the statement of surplus or deficit: the surplus or deficit of the period in the accumulated surplus or deficit section of the statement of changes in net assets or net liabilities links to the surplus or deficit total indicator on the statement of surplus or deficit; and
 - (b) 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 listed in the statement of financial position.
- .078 If an entity does not reflect any transaction in accumulated remeasurement gains and losses or accumulated other, the reconciliation between the opening accumulated surplus or deficit and ending accumulated surplus or deficit (which would be the net assets or net liabilities position of the entity) can either be done on the statement of changes in net assets or net liabilities or on the statement of surplus or deficit.

Accumulated remeasurement gains and losses

Principle 7

The reconciliation of the accumulated remeasurement gains and losses should include:

- (a) the accumulated remeasurement gains and losses at the beginning of the period;
 - (b) remeasurement gains and losses during the period, distinguishing between:
 - (i) amounts arising during the period; and
 - (ii) amounts reclassified during the period to the statement of surplus or deficit;
 - (c) any other comprehensive income that arises when a government includes the results of government business enterprises and government business partnerships in its summary financial statements; and
 - (d) the accumulated remeasurement gains and losses at the end of the period.
- .079 As in the existing statement of remeasurement gains and losses, the accumulated remeasurement gains and losses component of net assets or net liabilities would present remeasurements related to unrealized gains or losses attributable to:
 - (a) foreign exchanges;
 - (b) derivatives;

- (c) portfolio investments;
 - (d) financial instruments designated to the fair value category; and
 - (e) other comprehensive income of government business enterprises/partnerships.
- .080 These unrealized remeasurements may be recycled³ to surplus or deficit as specified at the standards level.
- .081 PSAB may determine, while developing standards, that revenues and expenses arising from additional unrealized remeasurements should be recognized in the accumulated remeasurement gains and losses component for possible recycling to surplus or deficit when they are realized.

Accumulated other

- .082 PSAB has not identified any revenues and expenses to be recognized directly in the accumulated other component of net assets or net liabilities.
- .083 PSAB's decision to allow for the possibility that more than just remeasurements be recognized outside of surplus or deficit when they arise, led to a discussion as to how restrictive and prescriptive the guidance for these other exclusions would be. The Board tried to create criteria to ensure consistent use of the component. However, it was determined that the criteria were very subjective. In deciding that a revenue or expense be recognized outside of surplus or deficit when it arises, the Board would need to explain why such recognition provides better information for accountability purposes.
- .084 Only in rare situations would PSAB decide to reflect certain revenues and expenses directly in the "accumulated other" component of net assets or net liabilities.

Recognition of a revenue or an expense directly in net assets or net liabilities

- .085 All revenues and expenses of the period are recognized in the surplus or deficit of the period, unless specified by PSAB. Any exclusions from surplus or deficit are established and justified at the standards level. The Board would need to explain why it decided to reflect a revenue or expense outside of surplus or deficit, and why such recognition provides better information for accountability purposes.
- .086 If PSAB decides that a revenue or expense is to be reflected directly in net assets or net liabilities (i.e., in accumulated remeasurement gains or losses or accumulated other), it would then determine the following:
- (a) the component of net assets or net liabilities the revenue or expense would be reflected in; and
 - (b) whether the revenue or expense would be recycled to surplus or deficit, and when.
- .087 Recycling would not occur if there is no clear and objective basis for identifying:
- (a) the period in which recycling should occur; or
 - (b) the amount that should be recycled.
- .088 Any revenue and expense identified by PSAB while developing or amending standards that are to be recognized directly in net assets or net liabilities would require that the Board issue a consequential amendment to the financial statement presentation standard for public comment. The consequential amendment would detail the revenue and expense that are to be recognized directly in net assets or net liabilities and the reasoning for such recognition.

³ Recycling is the reclassification from a component of net assets or net liabilities to surplus or deficit.

Illustrating the new component of net assets or net liabilities

- .089 In illustrating the “accumulated other” component of net assets or net liabilities, PSAB had two options:
- (a) include illustrative transactions; or
 - (b) not show any transactions.
- .090 PSAB considered the risks of showing transactions in this component, such as potentially being seen to encumber its future due process, or that extrapolations from the example might occur that are inconsistent with GAAP. However, a greater risk would be that the proposed model and how it considers both stakeholder concerns and the Board’s strategic objectives would not be fully understood if no illustrative transactions were included. As a result, the Board decided to include an illustrative transaction in the “accumulated other” component of net assets or net liabilities.
- .091 The illustration shows a possible new presentation of endowments. However, this is just an example for illustrative purposes. It is included to show stakeholders that the proposed model would provide PSAB with a new alternative to consider in order to report the substance of endowment contributions. Extrapolating from this illustration or any Board decision to recognize a revenue or an expense directly in a component of net assets or net liabilities, to items not already identified for direct recognition in net assets or net liabilities by the Board, would not be permitted.

Statement of remeasurement gains and losses

- .092 In the illustrative financial statements, it may appear that the statement of remeasurement gains and losses is eliminated and its contents are being moved to the statement of changes in net assets or net liabilities. However, this is not necessarily true. An entity may create separate statements that provide the detail of a specific component of net assets. For example, an entity may retain the statement of remeasurement gains and losses to show the details related to this component of net assets. However, these other statements are not mandatory. If the statement of changes in net assets or net liabilities is too summarized or becomes too complicated, then the changes in the different components of net assets or net liabilities would need to be supported by detail in separate statements or schedules. Understandability for accountability purposes would be a key determining factor for whether additional detail is required of the changes in the accounting period related to a component of net assets or net liabilities.

Statement of cash flow

Principle 8

The statement of cash flow should report how an entity generated and used cash and cash equivalents in the accounting period and the change in cash and cash equivalents in the period. The statement of cash flow should report the cash and cash equivalents at both the beginning and end of the accounting period.

Principle 9

The statement of cash flow should report cash flows during the period classified by operating, capital, investing and financing activities.

Principle 10

If an entity enters into financing activities, the statement of cash flow should account for the net cash available to be used for financing activities or the net cash needed to be generated by financing activities.

- .093 The main amendment to the statement of cash flow is the isolation of financing activities. Despite some of the feedback received to Consultation Paper 3, PSAB continues to feel that it is appropriate to proceed with isolating financing activities.
- .094 Highlighting net cash before financing activities after all other categories of inflows and outflows of cash for the period are presented makes the cash flow statement more understandable to users. This presentation would show whether all of an entity's other activities combined resulted in the need for cash to be raised through financing activities or not. The proposed presentation highlights one aspect of the entity's sustainability. Reporting sustainability is an important dimension of accountability reporting and it is important to many of the respondents to Consultation Papers 1 and 2.

Statement of net debt⁴

Principle 11

The statement of net debt should account for net debt as the difference between an entity's financial assets, other than those that are externally restricted and/or not available to settle liabilities, and liabilities, other than those that will not be settled through the use of financial assets.

- .095 The statement of net debt is a new statement. It presents the calculation of net debt.
- .096 According to the proposed conceptual framework, the net debt or net financial assets indicator is calculated as the difference between an entity's financial assets (other than those that are externally restricted and/or not available to settle liabilities) and liabilities (other than those that will not be settled through the use of financial assets). In reviewing the net debt calculation, PSAB recognized that the calculation of net debt needed to be revisited in light of:
- (a) proposals in the Public Private Partnerships project; and
 - (b) feedback received that indicated that, for example, externally restricted financial assets should not be part of the net debt calculation.

Statement of change in net debt

- .097 Some stakeholders voiced concern over the statement of change in net debt, indicating that it is not understandable and, so, does not provide useful accountability information. Certain stakeholders feel that the statement of change in net debt is an accounting reconciliation that is not understood by many users. PSAB attempted to amend the presentation of the statement; however, even the alternative presentations were confusing. As a result, the Board concluded that the requirement for a statement of change in net debt should be discontinued.
- .098 PSAB feels that one of the most important aspects of the existing statement of change in net debt is the comparison of the actual spending on tangible capital assets to the amount budgeted. The Board felt that this comparison continues to be important because:
- (a) many public sector entities have significant holdings of tangible capital assets;
 - (b) some jurisdictions continue to separately approve capital expenditures in addition to expense-based appropriations that include depreciation expense; and
 - (c) the extent of capital spending in the period is important accountability information for users.
- .099 It is for these reasons that the Board concluded that the requirement to present actual tangible capital expenditures compared with those budgeted should be retained and added at the standards level, likely as a consequential amendment to TANGIBLE CAPITAL ASSETS, Section PS 3150.

⁴ When an entity's financial assets exceed its liabilities, the indicator would be called "net financial assets" and the statement to be prepared would be the "statement of net financial assets".

Comparing Actual Performance to That Budgeted

Presentation of actual-to-budget comparison

Principle 12

The statement of surplus or deficit should present a comparison of the actual results for the accounting period with those originally budgeted. The budget amounts on the statement of surplus or deficit should be presented using 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.

- .100 FINANCIAL STATEMENT PRESENTATION, paragraph PS 1201.130, states that “The statement of operations should present a comparison of the results for the accounting period with those originally planned. Planned results should be presented for the same scope of activities and on a basis consistent with that used for actual results.” For the revised financial statement presentation standard, PSAB is proposing to continue to require the original budget to be presented on the statement of surplus or deficit (which is the equivalent to the statement of operations). Greater clarity in the proposed wording specifies that the requirements include use of a budget with 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 merely referencing “scope” and “a basis”.
- .101 The comparison of actual financial statement results with those budgeted is a fundamental component of the financial accountability cycle in the public sector. Actual-to-budget comparison provided in the financial statements forms the basis for closing the accountability cycle. It is crucial for users to be able to compare what actually happened with what was planned or budgeted.
- .102 The approved original budget is the budget that was thoroughly considered and approved by the appropriate authority, generally at or near the beginning of the reporting period. It is the budget for which an entity is held accountable.
- .103 The appropriate authority may be the council, the board of directors, the controlling entity (e.g., the government), or the legislature. For certain entities, there may be multiple authorities that approve the budget. For example, for some government organizations both the Board of Directors and a government ministry approve the budget. If approval is only received by one of the authorities (e.g., the Board of Directors), the budget approved by that authority would be presented on the financial statements with a note indicating that the other authority (e.g., the government ministry) has not approved the budget. If all required authorities approve a budget, that budget would be presented in the financial statements, with no note.
- .104 The actual-to-budget comparison is meaningful when the budget is prepared on the same basis of accounting, follows the same accounting principles, is for the same scope of activities and uses the same classification as the financial statements. Accountability is best achieved when those to whom an entity is accountable understand the financial information provided to them. If the budget and actuals are prepared in the same manner, comparing the actual results to those budgeted is easier to do and understand.
- .105 Paragraph PS 1201.133 indicates that in circumstances where the accounting basis used in the budget is inconsistent with that used to prepare the financial statements, the budget would be restated to be on the same basis. A reconciliation of the restated budget with that originally approved would need to be provided. The restated amounts would appear on the statement of surplus or deficit. PSAB intends to keep this requirement and expand on it slightly. When the basis of accounting, principles or classification used in the budget is different than that used for the financial statements, the budget amounts would need to be restated and the restated amounts would be identified and reported as such on the face of the statement of surplus or

deficit. Note disclosure or a schedule would reconcile the restated budget numbers back to those approved in the original budget. One of the most common reconciling items between the budget on the statement of surplus or deficit and the approved budget (i.e., one that is prepared on a cash basis) is the amortization of tangible capital assets. How the reconciling items are prepared (i.e., whether they are based on estimates or actual) is left to professional judgment.

- .106 For the most part, the budget proposals are consistent with those in paragraphs PS 1201.127-.133. However, there are a few differences related to:
- (a) eliminating the flexibility of presenting the actual-to-budget comparison in the notes when the scope of activities used in the budget is different from the scope of activities reported on in the financial statements;
 - (b) considering actions to be undertaken when budgets are not prepared or approved; and
 - (c) permitting the use of an amended budget in specific circumstances.

When the scope of the budget differs from that of the financial statements

- .107 When the scope of activities in the budget is not the same as the scope of activities in the financial statements (i.e., not all controlled entities are included in the budget), a note would be required on the face of the statement of surplus or deficit explaining why the actual-to-budget comparison could not be done. PSAB believes that for accountability purposes, the actual-to-budget comparison should be done for the full scope of activities being reported on. This is different from the existing requirements that allow the actual-to-budget comparison to be done for the scope of the activities in the budget, in the notes or supporting schedule, when the scope of the activities in the budget is different from that of the financial statements. Reconciliations relating to scope adjustments can be significant and complex. Experience has shown that such reconciliations are confusing to users. As a result, the ability to show the reconciliation in the notes is proposed to be removed. The intention of this proposal is to remove unnecessary complexity from the financial statements, consistent with the need for understandable information to achieve the accountability objective. However, the note indicating that the comparison could not be done is important for accountability purposes. Without such a note, the absence of the budget numbers, and the significance of such absence, would not be highlighted for accountability purposes for users.

When the budget is not prepared or approved

- .108 When the budget information is not prepared or approved, a note would be required on the statement of surplus or deficit indicating such fact. As indicated above, the budget is an important aspect of the accountability cycle. As a result, it is important to indicate when the budget is not prepared or approved.

Use of an amended budget

- .109 PSAB is clarifying the requirement to use the original approved budget by specifying the rare circumstances in which an amended budget may be used. The amended budget is different from forecasts updated over the course of the year. An amended budget must be approved by the appropriate authority. This is the crucial distinction between a budget (original or amended) and a forecast updated over the course of the year.
- .110 An amended approved budget may be used by a government only when there is an election and the newly elected government⁵ prepares a new budget that is approved by the legislature, council or other equivalent appropriate authority. The new government would determine if presenting the

⁵ A newly elected government is the government that is elected after an election. Such a government could be from the same party as the government that existed before the election.

new amended approved budget or the original approved budget on its financial statements for comparability purposes would best serve the accountability objective. The amended approved budget of a new government may affect the budgets of its controlled entities.

- .111 An amended approved budget may be used by a government organization only when its governing body has been newly elected or appointed and it approves a new budget. The governing body would determine if presenting the new amended approved budget or the original approved budget on its financial statements for comparability purposes would best serve the accountability objective. However, for the controlling government, in the absence of an election of a new government and consequent new consolidated approved budget, the approval of a new amended approved budget by a controlled entity would be considered only a plan amendment for the controlling government. Therefore, the new amended approved budget of a controlled entity would not affect the consolidated budget used for comparison purposes in the government's consolidated financial statements.
- .112 There may be circumstances in which a government organization experiences significant changes in the period that may prompt the creation of a new budget but the changes are not the result of an election that changes the governing body. Such circumstances might significantly affect the organization's mandate and operations. In such circumstances, the organization's approved amended budget would be presented on its financial statements with the relevant contextual information disclosed.
- .113 PSAB considered other circumstances for when an amended budget could be considered:
- (a) A public sector entity receives additional funds after the budget has been approved for the delivery of a new program. Funding announcements made during the period, once the budget has been approved, are common in the public sector and often do not trigger the creation of a new budget that gets approved. PSAB thinks that the users' best interests are served by explaining the variance rather than presenting an amended budget.
 - (b) A public sector entity may need to react to unexpected events, such as fires, floods, financial crises or health pandemics. Often, such events do not trigger the creation and approval of a new budget but rather an update. As a result, PSAB believes that the users' best interests are served by explaining the variance rather than presenting an updated forecast as the budget for financial statement comparison purposes.
- .114 The use of an amended budget rather than the original budget would be indicated on the statement of surplus or deficit. The reasoning for using the amended budget would need to be disclosed in the notes.

Importance of budget proposals

- .115 The actual-to-budget comparison provides key accountability information about the entity's performance in achieving its objectives and is, therefore, considered a crucial component of the accountability cycle. All public sector entities should be held accountable for compliance with, and performance against, that budget.
- .116 PSAB does not set standards for the budget. Budgets are policy documents. The proposed principles are intended to encourage the budget to be prepared on the same basis of accounting, using the same accounting principles, for the same scope of activities and using the same classification as the financial statements. If budgets are prepared in the same way that the financial statements are prepared, reconciliations between the approved budget and the budget presented on the face of the statements are minimized or eliminated. This would increase the accountability value of the information provided by the financial statements, as reconciliations and restatements are difficult to understand.

Reporting Non-compliance with Legislative Authorities

Principle 13

Financial statements should disclose information to show where an entity has exceeded its legislated revenue, borrowing, investing, expense or expenditure authority limits.

- .117 Users look to financial statements to determine whether the economic resources entrusted to the entity were administered in accordance with legislative authorities. In particular, users want to know when the revenue, expense, expenditure, investing and borrowing activities underlying the financial statements were not carried out within the limits authorized by legislation. As a result, reporting non-compliance with legislative authorities continues to be a requirement of the information that the financial statements would present. This is the same as the requirement in the existing Section PS 1201. PSAB does not intend to broaden the scope of this particular requirement.

Reporting Risks and Uncertainties Associated with the Entity

Principle 14

Financial statements should disclose information about the risks and uncertainties that could affect an entity's financial position or changes in financial position.

- .118 PSAB believes that financial statements that are comprehensive and respond to the accountability objective demand reporting of the risks and uncertainties to which an entity is exposed. For the time being, the Board does not intend for there to be requirements in addition to those currently in the PSA Handbook; for example, the financial risks reflected in FINANCIAL INSTRUMENTS, Section PS 3450, or the uncertainty reflected in CONTINGENT LIABILITIES, Section PS 3300. However, in the future the proposal may lead to additional risk and uncertainties disclosure requirements at the standards level. As the Board determines that other risks and uncertainties should be disclosed, following the appropriate due process, it would amend the financial statement presentation standard to consider any new disclosure requirements.

Mapping the Principles in Section PS 1201

- .119 Section PS 1201 includes various principles. Some of those principles are proposed to be retained in the revised financial statement standard, either unchanged or with some amendments based on the revisions made to the reporting model. The following table lists all the principles in Section PS 1201, with a commentary of whether they will be retained in the revised financial statement standard, whether they will be amended or whether they will be moved to other parts of the PSA Handbook.

Principle in Section PS 1201	Proposed intent for the principle
<p>.005 The financial statements of a government should be clearly identified and should include or be accompanied by an acknowledgment of the government's responsibility for their preparation.</p>	<p>PSAB intends to retain this principle with minor amendments. The revised principle is as follows:</p> <p>The financial statements of a government <u>an entity</u> should be clearly identified and should include or be accompanied by an acknowledgment of the entity's responsibility for their preparation.</p>
<p>.007 Notes and schedules that are integral to the financial statements should be clearly identified.</p>	<p>PSAB intends to retain this principle.</p>
<p>.010 Notes and supporting schedules in financial statements should not be used as a substitute for proper accounting treatment.</p>	<p>PSAB intends to retain this principle with minor amendments. The revised principle is as follows:</p> <p>Notes and supporting schedules in financial statements should not be used as a substitute for proper accounting treatment <u>recognition and/or measurement of a transaction or other event or item.</u></p> <p>A similar concept is included in Chapter 10 of the Statement of Concepts, as Presentation Concept 3. The concepts in Chapter 10 foreshadow what would become requirements in the proposed revised financial statement presentation standard. Further, the Board felt that this message was important and worthy of being included both in the proposed presentation concepts chapter of the conceptual framework and proposed revised financial statement presentation standard.</p>
<p>.012 Financial statements should present any information required for the fair presentation of a government's financial position, results of operations, remeasurement gains and losses, change in net debt and cash flow.</p>	<p>PSAB intends to retain this principle with minor amendments. The revised principle is as follows:</p> <p>Financial statements should present any information required for the fair presentation of a government's <u>an entity's</u> financial position <u>(including net debt), results of operations, remeasurement gains and losses, change in net debt and financial performance (including changes in the various components of net assets or net liabilities, surplus or deficit, and cash flow).</u></p>

Principle in Section PS 1201	Proposed intent for the principle
.016 Financial statements should be presented in such form and use such terminology and classification of items that significant information is readily understandable.	<p>PSAB intends to retain this principle.</p> <p>A similar notion is included in Chapter 10 of the Statement of Concepts, paragraph 10.36. The concepts in Chapter 10 foreshadow what would become requirements in the proposed revised financial statement presentation standard. Further, the Board felt that this message was important and worthy of being included both in the proposed presentation concepts chapter of the conceptual framework and proposed revised financial statement presentation standard, as improving understandability to enhance accountability has been the overarching theme for the Board in developing both documents.</p>
.018 Financial statements should present a comparison of current period amounts with those of the prior period(s).	PSAB intends to retain this principle.
.020 The bases for determining the reported amounts of assets and liabilities should be applied consistently and, where the bases are not self-evident, they should be disclosed.	PSAB intends to retain this principle.
.022 Financial statements should be issued on a timely basis.	PSAB intends to retain this principle.
.024 Where the financial statements are subject to an independent audit, the auditor's report should be appended to the statements. Unaudited financial statements should be clearly identified as such.	PSAB intends to retain this principle.
.026 Financial statements should present the substance of transactions and events.	PSAB intends to retain this principle.
.031 Financial statements should include a statement of financial position, a statement of operations, a statement of rereasurement gains and losses, a statement of change in net debt and a statement of cash flow.	<p>PSAB intends to retain this principle with amendments. The revised principle is as follows:</p> <p>Financial statements should include a statement of financial position, a statement of operations surplus or deficit, <u>a statement of changes in net assets or net liabilities</u>, a statement of change in net debt and a statement of cash flow, <u>a statement of net debt and the accompanying notes and schedules</u>.</p> <p>The above noted principle is identified as Principle 1 in this Statement of Principles.</p>

Principle in Section PS 1201	Proposed intent for the principle
<p>.040 The statement of financial position should report net debt and the accumulated surplus/deficit as the two indicators that together explain the financial position at the end of the accounting period.</p> <p>(a) The statement of financial position should report liabilities and financial assets and report the difference between them as the measure of the government's net debt.</p> <p>(b) Below the net debt indicator, the statement of financial position should report non-financial assets and account for and report the sum of the government's net debt and its non-financial assets as the accumulated surplus/deficit of the government at the end of the accounting period.</p>	<p>PSAB intends to amend this principle as the net debt indicator is proposed to be removed from the statement of financial position. The new principle is as follows:</p> <p>The statement of financial position should report financial assets, non-financial assets and liabilities. The statement of financial position should account for net assets or net liabilities as the indicator of net financial position.</p> <p>The above noted principle is identified as Principle 2 in this Statement of Principles.</p>
<p>.041 When reporting on changes in a government's financial position, the primary sources of GAAP require certain amounts to be reported in the statement of remeasurement gains and losses. When this is the case, a government should report the following additional information about the composition of its accumulated surplus/deficit at the financial statement date:</p> <p>(a) the accumulated operating surplus or deficit; and</p> <p>(b) the accumulated remeasurement gains and losses.</p>	<p>PSAB intends to retain this principle with some amendments. The revised principle is as follows:</p> <p>When reporting on changes in a government's financial position, the primary sources of GAAP require certain amounts to be reported in the statement of remeasurement gains and losses directly in a component of net assets or net liabilities. <u>The primary sources of generally accepted accounting principles (GAAP) may require certain amounts to be reported in the statement of remeasurement gains and losses directly in a component of net assets or net liabilities.</u> When this is the case, a government an <u>entity</u> should report the following additional information about the composition of its accumulated surplus/deficit net assets or net liabilities <u>accumulated surplus/deficit net assets or net liabilities</u> at the financial statement date:</p> <p>(a) the accumulated operating surplus or deficit;</p> <p>(b) the accumulated remeasurement gains and losses; <u>and/or</u></p> <p>(c) <u>the "accumulated other"</u>.</p> <p>The above noted principle is identified as Principle 3 in this Statement of Principles.</p>

Principle in Section PS 1201	Proposed intent for the principle
<p>.045 The statement of financial position should report liabilities segregated by main classifications, such as:</p> <ul style="list-style-type: none"> (a) accounts payable and accrued liabilities; (b) liabilities for employee future benefits; (c) deferred revenue; (d) borrowings; and (e) loans from other governments. 	<p>PSAB intends to retain this principle with minor amendments. The revised principle is as follows:</p> <p>The statement of financial position should report liabilities segregated by main classifications, such as:</p> <ul style="list-style-type: none"> (a) accounts payable and accrued liabilities; (b) liabilities for employee future benefits; (c) deferred <u>unearned</u> revenue; (d) borrowings; and (e) loans from other governments <u>public sector entities</u>.
<p>.046 Financial statements should disclose adequate information about the nature and terms of a government's liabilities.</p>	<p>PSAB intends to retain this principle with minor amendments. The revised principle is as follows:</p> <p>Financial statements should disclose adequate information about the nature and terms of a government's <u>an entity's</u> liabilities.</p>
<p>.050 The statement of financial position should report financial assets segregated by main classifications, such as:</p> <ul style="list-style-type: none"> (a) cash and cash equivalents; (b) revenues receivable; (c) inventories for resale and other assets held for sale that meet the requirements of paragraph PS 1201.055; (d) loans to other governments; (e) other loans; (f) portfolio investments; (g) investments in government business enterprises; and (h) investments in government business partnerships. 	<p>PSAB intends to retain this principle with minor amendments. The revised principle is as follows:</p> <p>The statement of financial position should report financial assets segregated by main classifications, such as:</p> <ul style="list-style-type: none"> (a) cash and cash equivalents; (b) accounts receivable; (c) inventories for resale and other assets held for sale that meet the requirements <u>equivalent to the principle in</u> of paragraph PS 1201.055; (d) loans to other governments <u>public sector entities</u>; (e) other loans; (f) portfolio investments; (g) investments in government business enterprises; and (h) investments in government business partnerships.
<p>.051 Financial statements should disclose adequate information about the nature and terms of a government's financial assets together with any valuation allowances.</p>	<p>PSAB intends to retain this principle with minor amendments. The revised principle is as follows:</p> <p>Financial statements should disclose adequate information about the nature and terms of a government's <u>an entity's</u> financial assets together with any valuation allowances.</p>

Principle in Section PS 1201	Proposed intent for the principle
<p>.053 Valuation allowances should be used to reflect financial assets at their net recoverable or other appropriate value.</p>	<p>PSAB intends to retain this principle.</p>
<p>.055 An asset held for sale should be recognized as a financial asset when all of the following criteria are met:</p> <ul style="list-style-type: none"> (a) prior to the date of the financial statements, the government body, management board or an individual with the appropriate level of authority commits the government to selling the asset; (b) the asset is in a condition to be sold; (c) the asset is publicly seen to be for sale; (d) there is an active market for the asset; (e) there is a plan in place for selling the asset; and (f) it is reasonably anticipated that the sale to a purchaser external to the government reporting entity will be completed within one year of the financial statement date. 	<p>PSAB intends to retain this principle with minor amendments. The revised principle is as follows:</p> <p>An asset held for sale should be recognized as a financial asset when all of the following criteria are met:</p> <ul style="list-style-type: none"> (a) prior to the date of the financial statements, the government body, management board or an individual with the appropriate level of authority commits the <u>government entity</u> to selling the asset; (b) the asset is in a condition to be sold; (c) the asset is publicly seen to be for sale; (d) there is an active market for the asset; (e) there is a plan in place for selling the asset; and (f) it is reasonably anticipated that the sale to a purchaser external to the <u>government</u> reporting entity will be completed within one year of the financial statement date.
<p>.057 The statement of financial position should report non-financial assets segregated by main classifications, such as:</p> <ul style="list-style-type: none"> (a) tangible capital assets; (b) inventories held for consumption or use; and (c) prepaid expenses. 	<p>PSAB intends to retain this principle.</p>
<p>.059 The financial statements should disclose the nature of government non-financial assets as assets that are normally employed to provide future services.</p>	<p>PSAB intends to retain this principle with minor amendments. The revised principle is as follows:</p> <p>The financial statements should disclose the nature of government <u>an entity's</u> non-financial assets as assets that are normally employed to provide future services.</p>

Principle in Section PS 1201	Proposed intent for the principle
<p>.062 Any asset that:</p> <ul style="list-style-type: none"> (a) is not held for sale as described in paragraph PS 1201.055; and (b) would otherwise meet the definition of a tangible capital asset except for its ability to contribute to the net cash inflows of the government; <p>should be recognized as a non-financial asset.</p>	<p>PSAB intends to retain this principle with minor amendments. The revised principle is as follows:</p> <p>Any asset that:</p> <ul style="list-style-type: none"> (a) is not held for sale (as described in <u>the principle above, equivalent to the principle in paragraph PS 1201.055</u>); and (b) would otherwise meet the definition of a tangible capital asset except for its ability to contribute to the net cash inflows of the <u>government entity</u>; <p>should be recognized as a non-financial asset.</p>
<p>.068 Financial statements should disclose that all intangibles, and items inherited by right of the Crown, such as Crown lands, forests, water, and mineral resources, are not recognized in government financial statements.</p>	<p>PSAB intends to move this principle to the asset standard, ASSETS, Section PS 3210, along with the related recognition prohibitions.</p> <p>The existing conceptual framework (paragraph PS 1000.57-58) states that natural resources and Crown resources inherited by right of the Crown, art and historic treasures and all intangibles are not given accounting recognition as assets in financial statements. In the <u>Statement of Concepts</u>, PSAB is proposing to remove this recognition prohibition from the conceptual framework, as the exclusion of such items is not conceptually based. This decision is further explained in Chapter 9 of the Statement of Concepts. However, PSAB is proposing that such recognition prohibitions be moved to ASSETS, Section PS 3210, until the Board develops standards specifically relating to such items. As a result, the related disclosure requirements found in Section PS 1201 are proposed to be moved to ASSETS, Section PS 3210, along with the related recognition prohibitions.</p>

Principle in Section PS 1201	Proposed intent for the principle
<p>.078 The statement of operations should:</p> <ul style="list-style-type: none"> (a) report revenues, other than remeasurement gains, of the accounting period segregated by significant types of revenues from taxes, non-tax sources and transfers from other governments; (b) report expenses, other than remeasurement losses, of the period by function or major program; (c) account for the difference between revenues and expenses reported in the statement of operations in the period, as the measure of the operating surplus or deficit for the period; and (d) report the accumulated operating surplus/deficit at the beginning and end of the period, unless these figures are reconciled with the surplus/deficit for the period on a separate statement. 	<p>PSAB intends to retain this principle with amendments. The revised principle is as follows:</p> <p><u>An entity should recognize all revenue and expense arising in the period in the statement of surplus or deficit, unless a standard requires otherwise.</u></p> <p>The statement of operations <u>surplus or deficit</u> should:</p> <ul style="list-style-type: none"> (a) report revenues other than remeasurement gains, of the accounting period segregated by significant types of revenues from taxes, non-tax sources and transfers from other governments; (b) report expenses other than remeasurement losses of the period by function or major program; <u>and</u> (c) account for the <u>surplus or deficit for the period, which is the</u> difference between the revenues and expenses reported in the statement of operations in the period <u>surplus or deficit as the measure of the operating surplus or deficit for the period</u>; and. (d) report the accumulated operating surplus/deficit at the beginning and end of the period, unless these figures are reconciled with the surplus/deficit for the period on a separate statement. <p>The above noted principles are identified as Principle 4 and Principle 5 in this Statement of Principles.</p>
<p>.081 Revenues, including gains, should be recognized in the period in which the transactions or events occurred that gave rise to the revenues. Gains are generally recognized when realized in the statement of operations. Items not practicably measurable until cash is received would be accounted for at that time.</p>	<p>PSAB intends to retain this principle with amendments. The revised principle is as follows:</p> <p>Revenues, including gains, should be recognized in the period in which the transactions or events occurred that gave rise to the revenues. Gains are generally recognized when realized in the statement of operations <u>surplus or deficit</u>. Items not practicably measurable until cash is received would be accounted for at that time.</p>

Principle in Section PS 1201	Proposed intent for the principle
.083 Financial statements should disclose the gross amounts of revenues.	PSAB intends to retain this principle.
.085 Financial statements should disclose the gross amounts of expenses.	PSAB intends to retain this principle.
.086 Financial statements should disclose the expenses of the accounting period by object.	PSAB intends to retain this principle.
<p>.090 Losses arising from asset impairment and changes in valuation allowances should be recognized as expenses in the statement of operations in the accounting period. The change in the value of a financial asset that is attributable to a remeasurement gain or loss should be reported in the statement of remeasurement gains and losses.</p>	<p>PSAB intends to retain this principle with a few amendments. The revised principle is as follows:</p> <p style="padding-left: 40px;">Losses arising from asset impairment and changes in valuation allowances should be recognized as expenses in the statement of operations-surplus or deficit in the accounting period. <u>However</u>, the change in the value of a financial asset that is attributable to a remeasurement gain or loss should be reported directly in accumulated remeasurement gains and losses.</p> <p>PSAB recognizes that paragraph PS 3450.053A states that “A change in fair value of a financial asset in the fair value category that is externally restricted should be accounted for in accordance with RESTRICTED ASSETS AND REVENUES, paragraphs PS 3100.11-.12.” As a result, any further revisions to the above noted principle will be considered during the development of the exposure draft for a revised financial statement presentation standard.</p>

Principle in Section PS 1201	Proposed intent for the principle
<p>.092 The statement of remeasurement gains and losses should report:</p> <ul style="list-style-type: none"> (a) the accumulated remeasurement gains and losses at the beginning of the period; (b) remeasurement gains and losses during the period, distinguishing between: <ul style="list-style-type: none"> (i) amounts arising during the period; and (ii) amounts reclassified during the period to the statement of operations; (c) any other comprehensive income that arises when a government includes the results of government business enterprises and government business partnerships in its summary financial statements; and (d) the accumulated remeasurement gains and losses at the end of the period. 	<p>PSAB intends to retain this principle with some amendments. The revised principle is as follows:</p> <p>The statement reconciliation of the <u>accumulated</u> remeasurement gains and losses should report <u>include</u>:</p> <ul style="list-style-type: none"> (a) the accumulated remeasurement gains and losses at the beginning of the period; (b) remeasurement gains and losses during the period, distinguishing between: <ul style="list-style-type: none"> (i) amounts arising during the period; and (ii) amounts reclassified during the period to the statement of operations surplus or deficit; (c) any other comprehensive income that arises when a government an entity includes the results of government business enterprises and government business partnerships in its summary financial statements; and (d) the accumulated remeasurement gains and losses at the end of the period. <p>The above noted principle is identified as Principle 7 in this Statement of Principles.</p>
<p>.099 The statement of change in net debt should report the extent to which the expenditures of the accounting period are met by the revenues recognized in operations for the period and the extent to which net debt changed due to net remeasurement gains and losses in the accounting period.</p>	<p>PSAB intends to remove this principle as it is proposing to discontinue the requirement for the statement of change in net debt.</p>
<p>.100 The statement of change in net debt should report the acquisition of tangible capital assets in the accounting period as well as other significant items that explain the difference between the operating surplus or deficit for the accounting period and the change in net debt in the period.</p>	<p>PSAB intends to remove this principle as it is proposing to discontinue the requirement for the statement of change in net debt.</p>
<p>.102 The statement of change in net debt should report net debt at both the beginning and end of the accounting period.</p>	<p>PSAB intends to remove this principle as it is proposing to discontinue the requirement for the statement of change in net debt.</p>

Principle in Section PS 1201	Proposed intent for the principle
<p>.107 The statement of cash flow should report how a government generated and used cash and cash equivalents in the accounting period and the change in cash and cash equivalents in the period. The statement of cash flow should report the cash and cash equivalents at both the beginning and end of the accounting period.</p>	<p>PSAB intends to retain this principle with a few minor amendments. The revised principle is as follows:</p> <p>The statement of cash flow should report how a government <u>an entity</u> generated and used cash and cash equivalents in the accounting period and the change in cash and cash equivalents in the period. The statement of cash flow should report the cash and cash equivalents at both the beginning and end of the accounting period.</p> <p>The above noted principle is identified as Principle 8 in this Statement of Principles.</p>
<p>.108 The statement of cash flow should report cash flows during the period classified by operating, capital, investing and financing activities.</p>	<p>PSAB intends to retain this principle. However, PSAB intends to add the following principle to accompany paragraph PS 1201.108:</p> <p>If an entity enters into financing activities, the statement of cash flow should account for the net cash available to be used for financing activities or the net cash needed to be generated by financing activities.</p> <p>The above noted principles are identified as Principle 9 and Principle 10 in this Statement of Principles.</p>
<p>.115 When a government is employing the indirect method and there is a significant difference between the interest revenue or expense recognized in the statement of operations and the interest receipt or payment recognized in the cash flow statement, the financial statements should disclose the amount of the difference and the reason(s) for it.</p>	<p>PSAB intends to retain this principle with minor amendments. The revised principle is as follows:</p> <p>When a government <u>an entity</u> is employing the indirect method and there is a significant difference between the interest revenue or expense recognized in the statement of operations <u>surplus or deficit</u> and the interest receipt or payment recognized in the cash flow statement, the financial statements should disclose the amount of the difference and the reason(s) for it.</p>

Principle in Section PS 1201	Proposed intent for the principle
<p>.119 The statement of cash flow should report separately major classes of gross cash receipts and gross cash payments arising from capital, investing and financing activities, except to the extent that cash flows described in paragraphs PS 1201.120-.121 are presented on a net basis.</p>	<p>PSAB intends to retain this principle.</p>
<p>.120 Cash flows arising from each of the following operating, capital, investing or financing activities may be presented on a net basis:</p> <ul style="list-style-type: none"> (a) cash receipts collected and payments made on behalf of entities external to the government reporting entity, including taxpayers and beneficiaries, when the cash flows reflect the activities of the external party rather than those of the government; and (b) cash receipts and payments for items for which the turnover is rapid, the amounts are large and the maturities are short. 	<p>PSAB intends to retain this principle with minor amendments. The revised principle is as follows:</p> <p>Cash flows arising from each of the following operating, capital, investing or financing activities may be presented on a net basis:</p> <ul style="list-style-type: none"> (a) cash receipts collected and payments made on behalf of entities external to the government reporting entity, including taxpayers and beneficiaries, when the cash flows reflect the activities of the external party rather than those of the government <u>entity</u>; and (b) cash receipts and payments for items for which the turnover is rapid, the amounts are large and the maturities are short.
<p>.121 Cash flows arising from interest paid on debt issued on behalf of government business enterprises and interest received from those government business enterprises should be presented on a net basis when the debt meets the criteria in LONG-TERM DEBT, paragraph PS 3230.12.</p>	<p>PSAB intends to retain this principle.</p>
<p>.124 Capital, investing and financing transactions that do not require the use of cash or cash equivalents should be excluded from the statement of cash flow. Such transactions should be disclosed in the financial statements in a way that provides all the relevant information about these capital, investing and financing activities.</p>	<p>PSAB intends to retain this principle.</p>
<p>.126 The financial statements should disclose the components of cash and cash equivalents and should present a reconciliation of the amounts in the statement of cash flow with the equivalent items presented in the statement of financial position. A government should disclose the policy it adopts in determining the composition of cash and cash equivalents.</p>	<p>PSAB intends to retain this principle with minor amendments:</p> <p>The financial statements should disclose the components of cash and cash equivalents and should present a reconciliation of the amounts in the statement of cash flow with the equivalent items presented in the statement of financial position. An entity government <u>An entity</u> should disclose the policy it adopts in determining the composition of cash and cash equivalents.</p>

Principle in Section PS 1201	Proposed intent for the principle
<p>.130 The statement of operations should present a comparison of the results for the accounting period with those originally planned. Planned results should be presented for the same scope of activities and on a basis consistent with that used for actual results.</p>	<p>PSAB intends to retain this principle with a few amendments. The revised principle is as follows:</p> <p>The statement of operations-surplus or deficit should present a comparison of the results of the accounting period with those originally planned-budgeted. Planned results-<u>The budget amounts on the statement of surplus or deficit should be presented for the same scope of activities and on a basis consistent with that used for actual results using 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.</u></p> <p>The above noted principle is identified as Principle 12 in this Statement of Principles.</p>
<p>.131 The statement of change in net debt should present a comparison of the items that comprise the change in net debt for the accounting period, as well as the change in net debt for the period, with the figures originally planned. Planned amounts should be presented for the same scope of activities and on a basis consistent with that used for actual amounts.</p>	<p>PSAB intends to remove this principle as it is proposing to discontinue the requirement for the statement of change in net debt.</p>
<p>.135 Financial statements should disclose information to show where a government has exceeded its revenue, borrowing, investing, expense or expenditure authority limits.</p>	<p>PSAB intends to retain this principle with a few minor amendments. The revised principle is as follows:</p> <p>Financial statements should disclose information to show where a government-an <u>entity</u> has exceeded its legislated revenue, borrowing, investing, expense or expenditure authority limits.</p> <p>The above noted principle is identified as Principle 13 in this Statement of Principles.</p>

Guidance Proposed to Be Moved to the Revised Financial Statement Presentation Standard

- .120 FINANCIAL STATEMENT CONCEPTS, paragraphs 1000.39-.43, includes definitions for financial assets, non-financial assets and tangible capital assets. Such definitions are proposed to be relocated to the revised financial statement presentation standard, as in this standard, the presentation distinction between financial and non-financial assets is made.

APPENDICES: ILLUSTRATIVE FINANCIAL STATEMENTS

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The examples in the above noted appendices are illustrative only and matters of principle relating to particular situations should be decided in the context of the Section.

The examples are not intended to indicate a preferred format, as variations in format and wording will be necessary to meet the requirements of differing circumstances.

For ease of presentation, selections are made from accounting alternatives permitted in the PSA Handbook.

The examples in the appendices illustrate how the financial statements of public sector entities meet the first four financial statement objectives described in Chapter 6 of the [Statement of Concepts](#):

1. scope of financial statements;
2. reporting financial position;
3. reporting changes in financial position; and
4. comparing actual performance to that projected in the budget.

The examples in the appendices reflect the standards in the PSA Handbook as of March 2018 (including those issued but not yet effective).

The examples related to government NFPOs (such as those included in Appendix C or D) do not preclude a government NFPO from continuing to follow the requirements in the PS 4200 series of the PSA Handbook. However, in the future, through its NFPO project, PSAB may decide to remove and/or amend some or all of the Sections in the PS 4200 series.

Appendix A: Illustrative Financial Statements – Senior Governments

Senior Government

Statement of Financial Position

As at March 31 (\$ millions)

	Actual 20X3	Actual 20X2
ASSETS		
Financial assets		
Cash and cash equivalents	4,087	3,876
Accounts and accrued interest receivable	1,864	1,708
Portfolio investments	2,254	1,331
Derivatives	35	–
Investment in government business enterprises	336	207
Loans	4,909	5,659
Inventories for resale	109	135
	<u>13,594</u>	<u>12,916</u>
Non-financial assets		
Tangible capital assets	7,218	7,215
Inventories of supplies and prepaid expenses	142	242
	<u>7,360</u>	<u>7,457</u>
TOTAL ASSETS	<u>20,954</u>	<u>20,373</u>
LIABILITIES		
Accounts payable and accrued liabilities	2,383	2,644
Derivatives	10	105
Debt	9,398	9,796
Pension liabilities	4,813	4,890
Other accrued liabilities	1,395	1,510
Unearned revenue	308	331
Contributions related to tangible capital assets	2,500 ¹	2,510
	<u>20,807</u>	<u>21,786</u>
Net assets (net liabilities)	<u>147</u>	<u>(1,413)</u>
Net assets (net liabilities) consists of:		
Accumulated surplus (deficit)	10	(1,366)
Accumulated remeasurement gains (losses)	127	(47)
Accumulated other	10 ²	–
	<u>147</u>	<u>(1,413)</u>

- 1 Capital transfers received may be recognized as liabilities until the related asset is bought or built or alternatively as the related asset is used as allowed by GOVERNMENT TRANSFERS, Section PS 3410.
- 2 The amount represents cash received that is similar to an endowment: the principal is restricted in perpetuity. Based on the review of the transaction, one recognition option that would be available to PSAB under the new model, that is not available in the current model, would be to reflect the amount directly in a component of net assets or net liabilities. The Board would choose such an option if it concluded that such presentation better served the accountability objective of financial reporting.

NOTE: This illustrative transaction does not presuppose that in the future the Board will develop a standard that will allow endowments to be reflected directly in net assets or net liabilities. Such a conclusion can only be reached after following the due process and conducting the appropriate research. The intent of the illustration is to show that with the proposed model the Board would have a new alternative to consider when resolving standards-level issues, in such a way that the presentation would reflect the substance of the transaction and provide improved accountability information. Endowments were used as an example as CONTRIBUTIONS–REVENUE RECOGNITION, paragraph PS 4210.29, states that under the deferral method, endowment contributions are recognized as direct increases in net assets. (NOTE: Section PS 4210 does not apply to governments. However, it is a Section in the existing PSA Handbook that the Board could look at when developing its endowment standard.)

Senior Government

Statement of Surplus or Deficit

For the year ended March 31 (\$ millions)

	Budget 20X3	Actual 20X3	Actual 20X2
Revenues			
Income taxes	8,034	8,628	9,503
Other taxes	2,721	2,976	3,083
Non-renewable resource revenue	660	770	705
Government transfers	1,295	1,335	1,183
Revenue from exchange transactions	427	485	465
Net income from government business enterprises	50	525	97
Net investment income	409	610	747
Premiums, permits, fees, fines and licences	581	651	669
Miscellaneous revenue	100	342	402
	<u>14,277</u>	<u>16,322</u>	<u>16,854</u>
Expenses (by function)			
Health	4,541	4,626	4,457
Education	4,329	4,287	4,168
Social services	1,654	1,701	1,709
Transportation and utilities	626	823	807
Agriculture, environment and development	1,706	1,856	1,740
Justice	468	487	462
Recreation and culture	281	272	217
General government	551	627	560
Interest expense	93	267	183
	<u>14,249</u>	<u>14,946</u>	<u>14,303</u>
Surplus	<u>28</u>	<u>1,376</u>	<u>2,551</u>

Senior Government**Statement of Changes in Net Assets (Net Liabilities)**

For the year ended March 31 (\$ millions)

	Actual 20X3	Actual 20X2
Accumulated surplus (deficit)		
Surplus for the period	1,376	2,551
Opening balance	<u>(1,366)</u>	<u>(3,917)</u>
Closing balance	10	(1,366)
Accumulated remeasurement gains and losses³		
Unrealized gains (losses) attributable to:		
Foreign exchange	(35)	–
Derivatives	130	(105)
Portfolio Investments	54	108
Financial instruments designated to the fair value category	–	–
Amounts reclassified to surplus		
Net realized (gains) losses on portfolio Investments	20	(50)
Other comprehensive income of		
government business enterprise/partnership	<u>5</u>	<u>–</u>
Net change in accumulated remeasurement gains and losses	174	(47)
Opening balance	<u>(47)</u>	<u>–</u>
Closing balance	127	(47)
Accumulated other		
Other revenue and expense recognized directly in net assets (liabilities)	10 ²	–
Other revenue and expense reclassified to surplus (deficit)	<u>–</u>	<u>–</u>
Net change in accumulated other	10	–
Opening balance	<u>–</u>	<u>–</u>
Closing balance	10	–
Total net assets (net liabilities)	<u>147</u>	<u>(1,413)</u>

2 Refer to note on the statement of financial position.

3 This section of the statement is based on the requirements in FOREIGN CURRENCY TRANSLATION, Section PS 2601, and FINANCIAL INSTRUMENTS, Section PS 3450. PSAB is currently reviewing these two standards. The illustration is not meant to presume where the Board may be heading with these standards. As requirements change, the illustration will be updated.

NOTE:

If this statement gets too complex, the entity could include some of the information in additional statements, such as a statement of remeasurement gains and losses. The purpose of these additional statements would be to show the details related to a component of net assets or net liabilities. The statement of changes in net assets or net liabilities would then become a summary statement.

Senior Government**Statement of Cash Flow**

For the year ended March 31 (\$ millions)

	Actual 20X3	Actual 20X2
Cash and cash equivalents at beginning of period	3,876	3,647
Operating transactions		
Surplus	1,376	2,551
Non-cash revenue and expense items included in surplus (Note X)	509	522
Items included in surplus that relate to capital, investing or financing activities (Note Y)	(1,652)	(327)
Cash provided by operating transactions	<u>233</u>	<u>2,746</u>
Capital transactions		
Capital transfers received	495	400
Proceeds on sale of tangible capital assets	46	72
Cash used to acquire tangible capital assets	(304)	(250)
Cash provided by capital transactions	<u>237</u>	<u>222</u>
Investing transactions		
Proceeds from disposals and redemptions of portfolio investments	262	2,997
Proceeds from loans	768	1,129
Portfolio investments purchased	(594)	(4,089)
Loans provided	(290)	(280)
Other	(17)	(15)
Cash provided by (applied to) investing transactions	<u>129</u>	<u>(258)</u>
Net cash provided by operating, capital and investing activities	<u>599</u>	<u>2,710</u>
Net cash before financing transactions	<u>4,475</u>	<u>6,357</u>
Financing transactions		
Public debt issues	14,361	3,694
Public debt retirement	(14,759)	(6,175)
Contribution from third party	10	-
Cash applied to financing transactions	<u>(388)</u>	<u>(2,481)</u>
Cash and cash equivalents at end of period	<u>4,087</u>	<u>3,876</u>

NOTE:

The indirect method is used for illustrative purposes only. Both the indirect and the direct method are allowed to report cash flow.

Senior Government
Statement of Net Debt
 As at March 31 (\$ millions)

	Actual 20X3	Actual 20X2
Financial assets	13,594	12,916
Less financial assets that are externally restricted and/or not available to settle liabilities	<u>10</u> ²	<u>—</u>
	13,584	12,916
Liabilities	20,807	21,786
Less liabilities that will not be settled through the use of financial assets	<u>1,000</u> ⁴	<u>1,000</u>
	19,807	20,786
Net debt	<u><u>(6,223)</u></u>	<u><u>(7,870)</u></u>

2 Refer to note on the statement of financial position.

4 In this illustration, this amount reflects the contributions related to tangible capital assets that will be settled through service provision.

NOTE:

When the bottom indicator is a positive number, the statement would be called a statement of net financial assets.

Appendix B: Illustrative Financial Statements – Local Governments

Local Government

Statement of Financial Position

As at March 31 (\$ thousands)

	Actual 20X3	Actual 20X2
ASSETS		
Financial assets		
Cash and cash equivalents	1,587	1,366
Accounts and accrued interest receivable	1,864	1,708
Portfolio investments	7,163	6,990
Investment in government business enterprises	336	207
Inventories for resale	109	135
	<u>11,059</u>	<u>10,406</u>
Non-financial assets		
Tangible capital assets	87,218	97,215
Inventories of supplies and prepaid expenses	142	242
	<u>87,360</u>	<u>97,457</u>
TOTAL ASSETS	<u>98,419</u>	<u>107,863</u>
LIABILITIES		
Accounts payable and accrued liabilities	2,383	2,644
Debt	9,363	9,796
Employee benefits	4,813	4,890
Other accrued liabilities	1,203	1,291
Unearned revenue (restricted contributions)	500	550
	<u>18,262</u>	<u>19,171</u>
Net assets (net liabilities)	<u>80,157</u>	<u>88,692</u>
Net assets (net liabilities) consists of:		
Accumulated surplus	80,010	88,634
Accumulated remeasurement gains and losses	137	58
Accumulated other	10	–
	<u>80,157</u>	<u>88,692</u>

- 1 The amount represents cash received that is similar to an endowment: the principal is restricted in perpetuity. Based on the review of the transaction, one recognition option that would be available to PSAB under the new model, that is not available in the current model, would be to reflect the amount directly in a component of net assets or net liabilities. The Board would choose such an option if it concluded that such presentation better served the accountability objective of financial reporting.

NOTE: This illustrative transaction does not presuppose that in the future the Board will develop a standard that will allow endowments to be reflected directly in net assets or net liabilities. Such a conclusion can only be reached after following the due process and conducting the appropriate research. The intent of the illustration is to show that with the proposed model the Board would have a new alternative to consider when resolving standards-level issues, in such a way that the presentation would reflect the substance of the transaction and provide improved accountability information. Endowments were used as an example as CONTRIBUTIONS–REVENUE RECOGNITION, paragraph PS 4210.29, states that under the deferral method, endowment contributions are recognized as direct increases in net assets. (NOTE: Section PS 4210 does not apply to governments. However, it is a Section in the existing PSA Handbook that the Board could look at when developing its endowment standard.)

Local Government

Statement of Surplus or Deficit

For the year ended March 31 (\$ thousands)

	Budget 20X3	Actual 20X3	Actual 20X2
Revenues			
Property taxes	8,034	8,628	9,503
User fees	3,381	3,746	3,788
Government transfers	1,722	1,820	1,648
Net income from government business enterprises	50	525	97
Net investment income	409	610	747
Premiums, permits, fees, fines and licences	581	651	669
Miscellaneous revenue	100	342	402
	<u>14,277</u>	<u>16,322</u>	<u>16,854</u>
Expenses (by function)			
Protection to persons and property	4,329	4,061	3,938
Water and sewage	8,541	8,626	8,457
Roadways and transportation	7,360	7,557	7,449
Recreation and culture	3,094	3,310	3,269
General government	832	899	777
Other	93	493	413
	<u>24,249</u>	<u>24,946</u>	<u>24,303</u>
Deficit	<u>(9,972)</u>	<u>(8,624)</u>	<u>(7,449)</u>

NOTE:

Interest expense has been allocated by function.

Local Government**Statement of Changes in Net Assets (Net Liabilities)**

For the year ended March 31 (\$ thousands)

	Actual 20X3	Actual 20X2
Accumulated surplus		
Deficit for the period	(8,624)	(7,449)
Opening balance	88,634	96,083
Closing balance	80,010	88,634
Accumulated remeasurement gains and losses²		
Unrealized gains (losses) attributable to:		
Portfolio investments	54	108
Financial instruments designated to the fair value category	—	—
Amounts reclassified to deficit		
Net realized (gains) losses on portfolio investments	20	(50)
Other comprehensive income of government business enterprise/partnership	5	—
Net change in accumulated remeasurement gains and losses	79	58
Opening balance	58	—
Closing balance	137	58
Accumulated other		
Other revenue and expense recognized directly in net assets	10 ¹	—
Other revenue and expense reclassified to deficit	—	—
Net change in accumulated other	10	—
Opening balance	—	—
Closing balance	10	—
Total net assets (net liabilities)	80,157	88,692

1 Refer to note on the statement of financial position.

2 This section of the statement is based on the requirements in FOREIGN CURRENCY TRANSLATION, Section PS 2601, and FINANCIAL INSTRUMENTS, Section PS 3450. PSAB is currently reviewing these two standards. The illustration is not meant to presume where the Board may be heading with these standards. As requirements change, the illustration will be updated.

NOTE:

If this statement gets too complex, the entity could include some of the information in additional statements, such as a statement of remeasurement gains and losses. The purpose of these additional statements would be to show the details related to a component of net assets or net liabilities. The statement of changes in net assets or net liabilities would then become a summary statement.

Local Government**Statement of Cash Flow**

For the year ended March 31 (\$ thousands)

	Actual 20X3	Actual 20X2
Cash and cash equivalents at beginning of period	1,366	1,137
Operating transactions		
Deficit	(8,624)	(7,449)
Non-cash revenue and expense items included in deficit (Note X)	10,583	10,580
Items included in deficit that relate to capital, investing or financing activities (Note Y)	(1,141)	(135)
Cash provided by operating transactions	<u>818</u>	<u>2,996</u>
Capital transactions		
Capital transfers received	190	150
Proceeds on sale of tangible capital assets	46	72
Cash used to acquire tangible capital assets	(294)	(250)
Cash applied to capital transactions	<u>(58)</u>	<u>(28)</u>
Investing transactions		
Proceeds from disposals and redemptions of portfolio investments	1,030	4,126
Portfolio investments purchases	(1,129)	(4,369)
Other	(17)	(15)
Cash applied to investing transactions	<u>(116)</u>	<u>(258)</u>
Net cash provided by operating, capital and investing activities	<u>644</u>	<u>2,710</u>
Net cash before financing transactions	<u>2,010</u>	<u>3,847</u>
Financing transactions		
Public debt issues	13,970	3,694
Debt repayment	(14,403)	(6,175)
Contribution from third party	10	—
Cash applied to financing transactions	<u>(423)</u>	<u>(2,481)</u>
Cash and cash equivalents at end of period	<u><u>1,587</u></u>	<u><u>1,366</u></u>

NOTE:

The indirect method is used for illustrative purposes only. Both the indirect and the direct method are allowed to report cash flow.

Local Government
Statement of Net Debt

As at March 31 (\$ thousands)

	Actual 20X3	Actual 20X2
Financial assets	11,059	10,406
Less financial assets that are externally restricted and/or not available to settle liabilities	10 ¹	—
	<u>11,049</u>	<u>10,406</u>
Liabilities	18,262	19,171
Less liabilities that will not be settled through the use of financial assets	—	—
	<u>18,262</u>	<u>19,171</u>
Net debt	<u><u>(7,213)</u></u>	<u><u>(8,765)</u></u>

1 Refer to note on the statement of financial position.

NOTE:

When the bottom indicator is a positive number, the statement would be called a statement of net financial assets.

Appendix C: Illustrative Financial Statements – Health-Related Public Sector Entities

Health-Related Public Sector Entity

Statement of Financial Position

As at March 31 (\$ thousands)

	Actual 20X3	Actual 20X2
ASSETS		
Financial assets		
Cash and cash equivalents	195,693	163,286
Accounts receivable	235,689	205,349
Portfolio investments	35,567	56,518
Inventories held for sale	15,540	15,449
	<u>482,489</u>	<u>440,602</u>
Non-financial assets		
Tangible capital assets	1,205,786	1,076,113
Inventories held for use	45,842	51,017
Prepaid expenses	14,594	14,331
	<u>1,266,222</u>	<u>1,141,461</u>
TOTAL ASSETS	<u>1,748,711</u>	<u>1,582,063</u>
LIABILITIES		
Accounts payable and accrued liabilities	401,692	377,361
Employee benefits	86,328	71,343
Debt	201,436	124,201
Unearned revenue	68,991	81,511
Contributions related to tangible capital assets	40,787 ¹	36,544
	<u>799,234</u>	<u>690,960</u>
Net assets (net liabilities)	<u>949,477</u>	<u>891,103</u>
Net assets (net liabilities) consists of:		
Accumulated surplus (deficit)	948,372	889,013
Accumulated remeasurement gains and losses	1,095	2,090
Accumulated other	10 ²	—
	<u>949,477</u>	<u>891,103</u>

- 1 Capital transfers received may be recognized as liabilities until the related asset is bought or built or alternatively as the related asset is used as allowed by GOVERNMENT TRANSFERS, Section PS 3410.
- 2 The amount represents cash received that is similar to an endowment: the principal is restricted in perpetuity. Based on the review of the transaction, one recognition option that would be available to PSAB under the new model, that is not available in the current model, would be to reflect the amount directly in a component of net assets or net liabilities. The Board would choose such an option if it concluded that such presentation better served the accountability objective of financial reporting.

NOTE: This illustrative transaction does not presuppose that in the future the Board will develop a standard that will allow endowments to be reflected directly in net assets or net liabilities. Such a conclusion can only be reached after following the due process and conducting the appropriate research. The intent of the illustration is to show that with the proposed model the Board would have a new alternative to consider when resolving standards-level issues, in such a way that the presentation would reflect the substance of the transaction and provide improved accountability information. Endowments were used as an example as CONTRIBUTIONS–REVENUE RECOGNITION, paragraph PS 4210.29, states that under the deferral method, endowment contributions are recognized as direct increases in net assets.

Health-Related Public Sector Entity

Statement of Surplus or Deficit

For the year ended March 31 (\$ thousands)

	Budget 20X3	Actual 20X3	Actual 20X2
Revenues			
Government grants	2,070,492	2,179,184	2,070,342
Recoveries	457,712	507,512	483,277
Other contributions	270,419	265,250	265,709
Patient and client fees	12,443	20,245	17,524
Other revenue	36,595	45,031	42,185
Net investment income	2,233	2,442	1,658
	<u>2,849,894</u>	<u>3,019,664</u>	<u>2,880,695</u>
Expenses (by function)			
Acute care	1,881,442	1,929,034	1,865,837
Corporate	492,312	568,084	554,030
Population health and wellness	197,251	189,808	184,763
Community care	149,415	141,197	107,907
Mental health and substance use	127,719	130,428	130,148
Residential care	1,755	1,754	1,755
	<u>2,849,894</u>	<u>2,960,305</u>	<u>2,844,440</u>
Surplus	<u>—</u>	<u>59,359</u>	<u>36,255</u>

NOTE:

Interest expense has been allocated by function.

Health-Related Public Sector Entity
Statement of Changes in Net Assets (Net Liabilities)

For the year ended March 31 (\$ thousands)

	Actual 20X3	Actual 20X2
Accumulated surplus (deficit)		
Surplus for the period	59,359	36,255
Opening balance	<u>889,013</u>	<u>852,758</u>
Closing balance	948,372	889,013
Accumulated remeasurement gains and losses³		
Unrealized gains (losses) attributable to:		
Foreign exchange	—	—
Portfolio Investments	(737)	2,090
Financial instruments designated to the fair value category	—	—
Amounts reclassified to surplus		
Net realized (gains) losses on portfolio Investments	<u>(258)</u>	<u>—</u>
Net change in accumulated remeasurement gains and losses	(995)	2,090
Opening balance	<u>2,090</u>	<u>—</u>
Closing balance	1,095	2,090
Accumulated Other		
Other revenue and expense recognized directly in net assets	10 ²	—
Other revenue and expense reclassified to surplus	<u>—</u>	<u>—</u>
Net change in accumulated other	10	—
Opening balance	<u>—</u>	<u>—</u>
Closing balance	10	—
Total net assets (net liabilities)	<u><u>949,477</u></u>	<u><u>891,103</u></u>

2 Refer to note on the statement of financial position.

3 This section of the statement is based on the requirements in FOREIGN CURRENCY TRANSLATION, Section PS 2601, and FINANCIAL INSTRUMENTS, Section PS 3450. PSAB is currently reviewing these two standards. The illustration is not meant to presume where PSAB may be heading with these standards. As requirements change, the illustration will be updated.

NOTE:

If this statement gets too complex, the entity could include some of the information in additional statements, such as a statement of remeasurement gains and losses. The purpose of these additional statements would be to show the details related to a component of net assets or net liabilities. The statement of changes in net assets or net liabilities would then become a summary statement.

Health-Related Public Sector Entity**Statement of Cash Flow**

For the year ended March 31 (\$ thousands)

	Actual 20X3	Actual 20X2
Cash and cash equivalents at beginning of period	163,286	103,168
Operating transactions		
Surplus	59,359	36,255
Non-cash revenue and expense items included in surplus (Note X)	75,170	27,655
Items included in surplus that relate to capital, investing or financing activities (Note Y)	(70,008)	2,293
Cash provided by operating transactions	<u>64,521</u>	<u>66,203</u>
Capital transactions		
Capital transfers received	80	86
Cash used to acquire tangible capital assets	(128,722)	(129,223)
Cash applied to capital transactions	<u>(128,642)</u>	<u>(129,137)</u>
Investing transactions		
Proceeds from disposals and redemptions of portfolio investments	19,280	10,930
Purchases of portfolio investments	–	(1,463)
Cash provided by investing transactions	<u>19,280</u>	<u>9,467</u>
Net cash applied to operating, capital and investing activities	<u>(44,841)</u>	<u>(53,467)</u>
Net cash before financing transactions	<u>118,445</u>	<u>49,701</u>
Financing transactions		
Repayment of debt	(46,972)	(7,371)
New debt	124,210	120,956
Contributions from third party	10	–
Cash provided by financing transactions	<u>77,248</u>	<u>113,585</u>
Cash and cash equivalents at end of period	<u>195,693</u>	<u>163,286</u>

NOTE:

The indirect method is used for illustrative purposes only. Both the indirect and the direct method are allowed to report cash flow.

Health-Related Public Sector Entity**Statement of Net Debt**

As at March 31 (\$ thousands)

	Actual 20X3		Actual 20X2
Financial assets	482,489		440,602
Less financial assets that are externally restricted and/or not available to settle liabilities	10 ²		—
	<u>482,479</u>		<u>440,602</u>
Liabilities	799,234		690,960
Less liabilities that will not be settled through the use of financial assets	20,000 ⁴		20,000
	<u>779,234</u>		<u>670,960</u>
Net debt	<u><u>(296,755)</u></u>		<u><u>(230,358)</u></u>

2 Refer to note on the statement of financial position.

4 In this illustration, this amount reflects the contributions related to tangible capital assets that will be settled through service provision.

NOTE:

When the bottom indicator is a positive number, the statement would be called a statement of net financial assets.

NOTE:

PSAB may determine that the net debt indicator may not be appropriate for some government NFPOs and therefore that this statement need not be prepared by those entities.

Appendix D: Illustrative Financial Statements – Colleges and/or Universities in the Public Sector

College and/or University in the Public Sector

Statement of Financial Position

As at March 31 (\$ thousands)

	Actual 20X3	Actual 20X2
ASSETS		
Financial assets		
Cash and cash equivalents	18,768	13,091
Accounts receivable	143,216	131,563
Portfolio investments	878,064	808,612
Portfolio investments related to endowments	1,275,305	1,149,716
Inventories for resale	2,642	3,325
	<u>2,317,995</u>	<u>2,106,307</u>
Non-financial assets		
Tangible capital assets	2,710,920	2,745,552
Inventories of supplies and prepaid expenses	7,199	8,517
	<u>2,718,119</u>	<u>2,754,069</u>
TOTAL ASSETS	<u>5,036,114</u>	<u>4,860,376</u>
LIABILITIES		
Accounts payable and accrued liabilities	179,148	174,971
Employee future benefit liabilities	251,060	259,100
Debt	250,562	246,812
Unearned revenue	560,420	509,728
Contributions related to tangible capital assets	1,921,756 ¹	1,992,440
	<u>3,162,946</u>	<u>3,183,051</u>
Net assets (net liabilities)	<u>1,873,168</u>	<u>1,677,325</u>
Net assets (net liabilities) consists of:		
Accumulated surplus	442,157	390,803
Accumulated remeasurement gains and losses	155,706	136,806
Accumulated other	1,275,305 ²	1,149,716
	<u>1,873,168</u>	<u>1,677,325</u>

- 1 Capital transfers received may be recognized as liabilities until the related asset is bought or built or alternatively as the related asset is used as allowed by GOVERNMENT TRANSFERS, Section PS 3410.
- 2 The amount represents cash received that is similar to an endowment: the principal is restricted in perpetuity. Based on the review of the transaction, one recognition option that would be available to PSAB under the new model, that is not available in the current model, would be to reflect the amount directly in a component of net assets or net liabilities. The Board would choose such an option if it concluded that such presentation better served the accountability objective of financial reporting.

NOTE: This illustrative transaction does not presuppose that in the future the Board will develop a standard that will allow endowments to be reflected directly in net assets or net liabilities. Such a conclusion can only be reached after following the due process and conducting the appropriate research. The intent of the illustration is to show that with the proposed model the Board would have a new alternative to consider when resolving standards-level issues, in such a way that the presentation would reflect the substance of the transaction and provide improved accountability information. Endowments were used as an example as CONTRIBUTIONS–REVENUE RECOGNITION, paragraph PS 4210.29, states that under the deferral method, endowment contributions are recognized as direct increases in net assets.

College and/or University in the Public Sector**Statement of Surplus or Deficit**

For the year ended March 31 (\$ thousands)

	Budget 20X3	Actual 20X3	Actual 20X2
Revenues			
Government grants	1,153,233	1,154,906	1,131,640
Student tuition and fees	334,378	319,181	316,795
Sales of services and products	192,433	205,509	196,649
Donations and non-government grants	133,816	119,451	132,209
Net investment income	62,743	95,201	71,092
	<u>1,876,603</u>	<u>1,894,248</u>	<u>1,848,385</u>
Expenses (by function)			
Instruction	1,131,998	1,145,558	1,124,541
Research	476,452	469,436	438,550
Facility operations	134,716	140,411	147,282
Ancillary services	95,816	87,489	96,536
	<u>1,838,982</u>	<u>1,842,894</u>	<u>1,806,909</u>
Surplus	<u>37,621</u>	<u>51,354</u>	<u>41,476</u>

NOTE:

Interest expense has been allocated by function.

College and/or University in the Public Sector
Statement of Changes in Net Assets (Net Liabilities)

For the period ended March 31 (\$ thousands)

	Actual 20X3	Actual 20X2
Accumulated surplus		
Surplus for the period	51,354	41,476
Opening balance	390,803	349,327
Closing balance	442,157	390,803
Accumulated remeasurement gains and losses³		
Unrealized gains (losses) attributable to:		
Foreign exchange	—	—
Portfolio Investments	161,743	(38,597)
Financial instruments designated to the fair value category	—	—
Amounts reclassified to surplus		
Net realized (gains) losses on portfolio Investments	(49,250)	(35,176)
Amounts reclassified to accumulated other	(93,593) ⁴	61,917
Net change in accumulated remeasurement gains and losses	18,900	(11,856)
Opening balance	136,806	148,662
Closing balance	155,706	136,806
Accumulated other		
Other revenue and expense recognized directly in net assets	31,996 ⁵	30,140
Amounts reclassified from accumulated remeasurement gains and losses	93,593 ⁴	(61,917)
Other revenue and expense reclassified to surplus	—	—
Net change in accumulated other	125,589	(31,777)
Opening balance	1,149,716	1,181,493
Closing balance	1,275,305 ²	1,149,716
Total net assets (net liabilities)	<u>1,873,168</u>	<u>1,677,325</u>

2 Refer to note on the statement of financial position.

3 This section of the statement is based on the requirements in FOREIGN CURRENCY TRANSLATION, Section PS 2601, and FINANCIAL INSTRUMENTS, Section PS 3450. PSAB is currently reviewing these two standards. The illustration is not meant to presume where the Board may be heading with these standards. As requirements change, the illustration will be updated.

4 These amounts are being reclassified to accumulated other as they relate to the endowments. NOTE: This does not presuppose that in the future PSAB will develop a standard that will allow remeasurements related to endowments to be reclassified to the accumulated other component of net assets. Such a conclusion can only be reached after following the due process and conducting the appropriate research.

- 5 The amount relates to cash received that is similar to an endowment: the principal is restricted in perpetuity. Based on the review of the transaction, one recognition option that would be available to PSAB under the new model, that is not available in the current model, would be to reflect the amount directly in a component of net assets or net liabilities. The Board would choose such an option if it concluded that such presentation better served the accountability objective of financial reporting.

NOTE: This illustrative transaction does not presuppose that in the future the Board will develop a standard that will allow endowments to be reflected directly in net assets or net liabilities. Such a conclusion can only be reached after following the due process and conducting the appropriate research. The intent of the illustration is to show that with the proposed model the Board would have a new alternative to consider when resolving standards-level issues, in such a way that the presentation would reflect the substance of the transaction and provide improved accountability information.

NOTE:

If this statement gets too complex, the entity could include some of the information in additional statements, such as a statement of remeasurement gains and losses. The purpose of these additional statements would be to show the details related to a component of net assets or net liabilities. The statement of changes in net assets or net liabilities would then become a summary statement.

College and/or University in the Public Sector**Statement of Cash Flow**

For the year ended March 31 (\$ thousands)

	Actual 20X3	Actual 20X2
Cash and cash equivalents at beginning of period	13,091	57,963
Operating transactions		
Surplus	51,354	41,476
Non-cash revenue and expense items included in surplus (Note X)	127,661	139,256
Items included in surplus that relate to capital, investing or financing activities (Note Y)	<u>(150,744)</u>	<u>(239,519)</u>
Cash provided by (applied to) operating transactions	<u>28,271</u>	<u>(58,787)</u>
Capital transactions		
Capital transfers received	114,315	117,027
Proceeds on sale of tangible capital assets	2,500	559
Cash used to acquire tangible capital assets	<u>(141,858)</u>	<u>(132,355)</u>
Cash applied to capital transactions	<u>(25,043)</u>	<u>(14,769)</u>
Investing transactions		
Proceeds from disposals and redemptions of portfolio investments	352,683	363,742
Purchases of portfolio investments	<u>(385,980)</u>	<u>(378,371)</u>
Cash applied to investing transactions	<u>(33,297)</u>	<u>(14,629)</u>
Net cash applied to operating, capital and investing activities	<u>(30,069)</u>	<u>(88,185)</u>
Net cash before financing transactions	<u>(16,978)</u>	<u>(30,222)</u>
Financing transactions		
Repayment of debt	(13,750)	(13,072)
New debt	17,500	35,500
Endowment contributions	<u>31,996</u>	<u>20,885</u>
Cash provided by financing transactions	<u>35,746</u>	<u>43,313</u>
Cash and cash equivalents at end of period	<u>18,768</u>	<u>13,091</u>

NOTE:

The indirect method is used for illustrative purposes only. Both the indirect and the direct method are allowed to report cash flow.

College and/or University in the Public Sector

Statement of Net Debt

As at March 31 (\$ thousands)

	Actual 20X3	Actual 20X2
Financial assets	2,317,995	2,106,307
Less financial assets that are externally restricted and/or not available to settle liabilities	<u>1,275,305</u> ²	<u>1,149,716</u>
	1,042,690	956,591
Liabilities	3,162,946	3,183,051
Less liabilities that will not be settled through the use of financial assets	<u>1,000,000</u> ⁶	<u>1,000,000</u>
	2,162,946	2,183,051
Net debt	<u>(1,120,256)</u>	<u>(1,226,460)</u>

2 Refer to note on the statement of financial position.

6 In this illustration, this amount reflects the contributions related to tangible capital assets that will be settled through service provision.

NOTE:

When the bottom indicator is a positive number, the statement would be called a statement of net financial assets.

NOTE:

PSAB may determine that the net debt indicator may not be appropriate for some government NFPOs and therefore that this statement need not be prepared by those entities.

Appendix E: Illustrative Financial Statements – Indigenous Governments

Indigenous Government Statement of Financial Position

As at March 31 (\$ thousands)

	Actual 20X3	Actual 20X2
ASSETS		
Financial assets		
Cash and cash equivalents	7,650	8,275
Accounts receivable	1,396	1,419
Advances to related Indigenous entities	95	144
Portfolio investments	12	4
Investment in government business enterprises	2,115	2,264
	<u>11,268</u>	<u>12,106</u>
Non-financial assets		
Tangible capital assets	41,258	40,581
Prepaid expenses	17	16
	<u>41,275</u>	<u>40,597</u>
TOTAL ASSETS	<u>52,543</u>	<u>52,703</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,158	896
Debt	21,028	20,399
Unearned Revenue	2,044	5,841
	<u>24,230</u>	<u>27,136</u>
Net assets (net liabilities)	<u>28,313</u>	<u>25,567</u>
Net assets (net liabilities) consists of:		
Accumulated surplus	28,302	25,562
Accumulated remeasurement gains and losses	11	5
Accumulated other	– ¹	–
	<u>28,313</u>	<u>25,567</u>

- 1 This category would be used for those transactions identified by PSAB at the standards level. Unlike the other illustrative financial statements in this Statement of Principles, endowment contributions were not presented as an example as the Board understands that Indigenous governments rarely receive endowment contributions. PSAB decided to retain this line item in this illustrative financial statement to indicate that this category would be available to Indigenous governments, in the same way it would be available to all other public sector entities.

Indigenous Government
Statement of Surplus or Deficit

For the year ended March 31 (\$ thousands)

	Budget 20X3	Actual 20X3	Actual 20X2
Revenues			
Government transfers	5,608	11,245	7,109
Property taxes	2,564	2,845	2,953
Net income from government business enterprises	–	1,280	159
Net investment income	80	73	84
Rentals and leases	835	1,422	1,482
Gaming revenue distribution	225	211	226
Gain on disposal of tangible capital assets	–	69	8
Miscellaneous revenue	416	605	622
	<u>9,728</u>	<u>17,750</u>	<u>12,643</u>
Expenses (by function)			
Administration	658	705	732
Economic development and lands	599	602	682
Public works	1,270	5,789	2,610
Housing	558	1,839	1,675
General government	2,359	2,478	2,472
Health	1,303	1,223	1,301
Education	1,354	1,695	1,621
Social development	421	477	386
Community	103	202	243
	<u>8,625</u>	<u>15,010</u>	<u>11,722</u>
Surplus	<u>1,103</u>	<u>2,740</u>	<u>921</u>

NOTE:
 Interest expense has been allocated by function.

Indigenous Government**Statement of Changes in Net Assets (Net Liabilities)**

For the year ended March 31 (\$ thousands)

	Actual 20X3	Actual 20X2
Accumulated surplus		
Surplus for the period	2,740	921
Opening balance	<u>25,562</u>	<u>24,641</u>
Closing balance	28,302	25,562
Accumulated remeasurement gains and losses²		
Unrealized gains (losses) attributable to:		
Portfolio investments	5	3
Financial instruments designated to the fair value category	–	–
Amounts reclassified to deficit		
Net realized losses on portfolio Investments	1	2
Other comprehensive income of government business enterprises/partnership	<u>–</u>	<u>–</u>
Net change in accumulated remeasurement gains and losses	6	5
Opening balance	<u>5</u>	<u>–</u>
Closing balance	11	5
Accumulated other		
Other revenue and expense recognized directly in net assets	– ¹	–
Other revenue and expense reclassified to surplus	<u>–</u>	<u>–</u>
Net change in accumulated other	–	–
Opening balance	<u>–</u>	<u>–</u>
Closing balance	–	–
Total net assets (net liabilities)	<u><u>28,313</u></u>	<u><u>25,567</u></u>

1 Refer to note on the statement of financial position.

2 This section of the statement is based on the requirements in, FOREIGN CURRENCY TRANSLATION, Section PS 2601, and FINANCIAL INSTRUMENTS, Section PS 3450. PSAB is currently reviewing these two standards. The illustration is not meant to presume where the Board may be heading with these standards. As requirements change, the illustration will be updated.

NOTE:

If this statement gets too complex, the entity could include some of the information in additional statements, such as a statement of remeasurement gains and losses. The purpose of these additional statements would be to show the details related to a component of net assets or net liabilities. The statement of changes in net assets or net liabilities would then become a summary statement.

Indigenous Government

Statement of Cash Flow

For the year ended March 31 (\$ thousands)

	Actual 20X3	Actual 20X2
Cash and cash equivalents at beginning of period	8,275	8,338
Operating transactions		
Surplus	2,740	921
Non-cash revenue and expense items included in surplus (Note X)	2,299	2,111
Items included in surplus that relate to capital, investing or financing activities (Note Y)	(3,655)	(1,133)
Cash provided by operating transactions	<u>1,384</u>	<u>1,899</u>
Capital transactions		
Capital transfers received	190	150
Proceeds on sale of tangible capital assets	69	462
Cash used to acquire tangible capital assets	(3,039)	(2,516)
Cash applied to capital transactions	<u>(2,780)</u>	<u>(1,904)</u>
Investing transactions		
Portfolio investments purchased	(4)	0
Other	146	0
Cash provided by investing transactions	<u>142</u>	<u>0</u>
Net cash applied to operating, capital and investing activities	<u>(1,254)</u>	<u>(5)</u>
Net cash before financing transactions	<u>7,021</u>	<u>8,333</u>
Financing transactions		
Advances of debt	2,273	2,304
Debt repayment	(1,644)	(2,362)
Cash provided by (applied to) financing transactions	<u>629</u>	<u>(58)</u>
Cash and cash equivalents at end of period	<u><u>7,650</u></u>	<u><u>8,275</u></u>

NOTE:

The indirect method is used for illustrative purposes only. Both the indirect and the direct methods are allowed to report cash flow.

Indigenous Government
Statement of Net Debt

As at March 31 (\$ thousands)

	Actual 20X3	Actual 20X2
Financial assets	11,268	12,106
Less financial assets that are externally restricted and/or not available to settle liabilities	— ¹	—
	<u>11,268</u>	<u>12,106</u>
Liabilities	24,230	27,136
Less liabilities that will not be settled through the use of financial assets	—	—
	<u>24,230</u>	<u>27,136</u>
Net debt	<u><u>(12,962)</u></u>	<u><u>(15,030)</u></u>

1 Refer to note on the statement of financial position.

NOTE:

When the bottom indicator is a positive number, the statement would be called a statement of net financial assets.

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