Roundtable Discussion: PSAB's Exposure Draft, "Intangible Assets, Proposed Section PS 3155"

Extract, PSA Discussion Group Report on the Public Meeting – May 15, 2025

In February 2025, PSAB issued its Exposure Draft, "Intangible Assets, Proposed Section PS 3155." This Exposure Draft proposes guidance on defining, recognizing, measuring, and presenting intangible assets, including acquired and internally generated intangibles. Its scope includes software that is *not* considered integral to any hardware. This standard will replace PSG-8, *Purchased Intangibles*.

The Group was asked to consider this session as a roundtable on the Exposure Draft, addressing the comments requested in the Exposure Draft as well as additional questions from PSAB staff. The Group's input will provide valuable perspectives to the Board and help shape the finalization of the intangible asset standard.

Roundtable discussion on PSAB's Exposure Draft

The Group noted that demand from interested and affected parties for such guidance is growing, presenting PSAB with an opportunity to develop standards to support how public sector entities manage and disclose information on intangible assets.

Group members shared the following feedback:

- **Purpose and scope:** One Group member noted that proposed Section PS 3155, INTANGIBLE ASSETS, paragraph PS 3155.002 (e) excludes sovereign or equivalent powers and/or rights provided for in the Constitution, devolved or delegated through legislation or bylaws, or provided for in accordance with Indigenous laws or rights. Free, prior and informed consent, potential benefits for Indigenous Peoples and other potential areas of importance to Indigenous governments, organizations, and communities should be further considered.

  PSAB staff noted that PSAB's Indigenous Advisory Group reflected on a variety of potential issues impacting Indigenous governments, organizations, and communities. The Group discussed how the scope of the Exposure Draft may align with the recognition and presentation requirements in the CPA Canada Public Sector Accounting (PSA) Handbook, taking into account the recognition exclusions set out in other sections, such as FINANCIAL STATEMENT PRESENTATION, Section PS 1202.

  PSAB staff noted that to meet the proposed intangible asset definition, the asset must be identifiable. The asset is identifiable if it is either separate or arises from a binding arrangement. One Group member suggested the exclusions in proposed paragraph PS 3155.002 should include a reference to Section PS 1202, to help clarify the intent behind the scope exclusions proposed in intangible assets standard.

PSAB Public Sector Accounting Board

- **Recognition and measurement:** One Group member questioned the interpretation of non-exchange transactions as defined in the Exposure Draft. PSAB staff noted that the definition of the term "non-exchange" is intended to be similar to the definition in REVENUE, Section PS 3400.

  REVENUE, Paragraph PS 3400.05 (d) provides the following definition:

  - Non-exchange transactions are transactions or events where there is no direct transfer of goods or services to a payor.

  Non-exchange transactions are prevalent in the public sector and the term is still considered relevant and familiar. As one member noted, government transfers are often referred to as non-exchange transactions.

  Another member raised concerns about the potential for inconsistent application of cloud computing arrangements due to the absence of current guidance in this area. This member expressed concern on how capital assets, expenditures, and development costs may be recognized and measured. PSAB staff noted that separate accounting guidance specific to cloud computing arrangements is being developed as the Exposure Draft does not specifically address cloud computing arrangements. To help address these concerns and support the development of this guidance, the Board established a Cloud Computing Arrangements Task Force. The member suggested reviewing how cloud computing arrangements fit in the scope of the new standard, as they are currently not exempt under proposed paragraph PS 3155.002. Several members observed that the absence of current guidance might lead to inconsistencies in accounting for cloud computing arrangements and expressed support for the Board's plan to develop accounting guidance in this area.

- **Impairment, retirement and disposals:** One Group member wondered about the practicality of the impairment proposals, especially when considering the concept of "value in use" introduced in the Exposure Draft. Proposed paragraph PS 3155.009 (j) of the Exposure Draft provides the following definition:

  - Value in use of an intangible asset is the present value of the intangible asset's remaining service potential.

  PSAB staff noted that the concept of "value in use" for impairment guidance is consistent with International Public Sector Accounting Standards (IPSAS) 31, *Intangible Assets*:

  - In IPSAS 31, "value in use" refers to the present value of the future cash flows that an entity expects to derive from an intangible asset. It is essentially the estimated amount of cash an asset is expected to generate over its useful life, discounted to reflect the time value of money.

- IPSAS 31 refers to IPSAS 21, *Impairment of Non-Cash Generating Assets* and IPSAS 26, *Impairment of Cash Generating Assets*. The impairment guidance introduced in the Exposure Draft is based on IPSAS 21 and given that application of “value in use” is to recognize, that in the public sector, intangible assets are likely going to be used to deliver services, thus the concept of “value in use” was to take into consideration the service potential of the intangible asset.

Given some of the unique features of these assets, professional judgment will be needed. A Group member expressed concern about the significant effort needed to determine value in use.

- **Effective date and transitional provisions:** Group members expressed concern about the retroactive application, as it would create a burden on preparers and auditors to go back and restate prior years. One member noted that it may not be clear how much work would be involved, especially in going back to determine and demonstrate control; it could also be difficult to assess the other implications introduced in the Exposure Draft. PSAB staff noted that the Exposure Draft contains optionality for transition so that an entity can apply the proposed Section to new transactions and events on or after the effective date, or use a modified retroactive approach whereby some of the assumptions would be based on current year information to help with the application. One Group member noted that the standard may be better positioned as prospective only in terms of a transitional provision.

Summary

Group members suggested some clarifications may be helpful to the scope of the proposed standard, specifically related to sovereign powers and cloud computing arrangements. Some Group members noted potential implications for consideration that involve cloud computing but acknowledged that PSAB has a separate project to provide guidance on cloud computing arrangements as part of its broader Intangible Assets project. Group members also discussed the use and application of the new term, “value in use.” They identified potential challenges related to the transitional provisions, suggesting clarifications may be helpful. No other significant issues with the proposed standard, including the proposed consequential amendments, were raised.