PSAB
Public Sector Accounting Board

Intangible Assets, Proposed Section 3155

Responses to Exposure Draft

June 2025

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Ontario's response to PSAB's Exposure Draft Intangible Assets, Proposed Section PS 3155

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Following is the Province of Ontario's response to PSAB's Exposure Draft on Intangible Assets, Proposed Section PS 3155

1. Do you agree with the proposals in the Exposure Draft? If not, which proposals do you disagree with and why?

Ontario supports PSAB developing a standard for intangible assets that allows for capitalization of those costs that will be used by public sector entities in providing goods and services or generating cashflows in the future, consistent with tangible capital assets.

We support:

- the introduction of a single, comprehensive standard to fill an existing gap for intangible assets in the CPA Canada Public Sector Accounting (PSA) Handbook.
- the definition of an "intangible asset" as "an identifiable non-monetary asset without physical substance".
- the recognition and initial measurement guidance for acquired and internally generated intangible assets.

We do however have the following concerns regarding proposed Section PS 3155.

a. Standard should be focused on the public sector

Ontario supports a standard that is focused on intangible assets as used in the public sector. A standard that is easily understood, principle-based, consistent with other PSAS, and considers cost versus benefit for financial statement preparers. While we recognize that Section PS 3155 is being developed applying the international strategy, and therefore uses the principles in IPSAS 31 as a starting point, the standard for the PSA Handbook should still be able to achieve these objectives. Doing so will promote easier and better adoption of the standard, reduce preparer / auditor debate, and make better use of public funds. We have noted numerous examples, indicators and discussions of terms throughout the proposed standard which are not relevant to the public sector. We have highlighted many of these instances following in our response. Focus should be on assets used in the providing of goods and services. We would strongly encourage PSAB to develop a standard that is more user-friendly to adopt and understand, specific for the public sector in Canada. Focusing on the public sector will allow the standard to be less complex and result in better application.

b. Impairment provisions should reflect public sector use of assets

Ontario has concerns with the use of fair value accounting in determining impairment. Ontario considers the impairment requirements to be inappropriate for the public sector as well as onerous and problematic to apply. The requirements are developed for the private sector where assets are more commonly used for multiple purposes and where fair value and replacement cost is more readily available. Public sector intangible assets often do not have an alternative use or market for resale. They are developed or acquired for a specific purpose in the provision of goods and services. It is a significant challenge determining fair value where assets are used for very specific, non-private sector reasons, and are tailored for the needs of the government. There are no knowledgeable, willing parties who would buy or use the asset due to its specific tailored use. Determining replacement cost is also extremely onerous as these assets were developed specific for the government often many years ago, and the exercise to determine how much it could cost to replace the asset in an optimized fashion is not straightforward and would require significant effort to determine a reasonable amount with sufficient evidence to support audit scrutiny. Significant assumptions and estimations will be involved. These valuations will be very subjective.

Additionally, the list of indictors of impairment in PS 3155.099 (although relatively consistent with PS 3150.30) seems unnecessarily complex. Governments should only consider whether the asset is being used in the same manner and to the same extent as the prior year (i.e. indicators (a) and (b) in paragraph .099). PSAB is proposing that when one of the indicators is present, a calculation of impairment is required. This will require a public sector entity for each of its intangible assets to assess each of the indicators on an annual basis, and then to calculate the asset's fair value and replacement value if only one of the indicators is present, many of which are private sector focused. The annual indicator assessment process, and the determination of fair value and replacement cost, will be a significant annual undertaking.

As this is the first guidance in the PSA Handbook on the calculation of impairment for long-life assets, we are concerned that the use of fair value and replacement cost will be further introduced into the PSA Handbook. Historical cost is a primary basis of measurement in the public sector, more so than in the private sector. Intangible assets are acquired and developed to provide goods and services to the public. Replacement cost and fair value are more prominent in the private sector where mark-to-market, liquidation value and going concern are relevant and the market value of companies in many industries are measured relative to their book value. These are not issues of concern in the public sector. Fair valuing intangible assets (through the impairment provisions) can lead to fluctuations in surplus/deficit and non-financial assets which are not reflective of the government's ability to provide goods and services to the public. A write-down of an intangible asset and recording of an expense does not change the long-term financial needs of the government as long as the asset is continuing to be used to provide goods and services. Such appropriations will be difficult to explain. In the public sector, an equal focus is placed on the Statement of Operations because of accountability, the importance of the budget, and balanced budget legislation. It is one of the reasons deferred capital contribution balances are recorded in the public sector. PSAB should place greater emphasis on whether its proposals are resulting in appropriate results on the Statement of Operations, not just in the fair valuing of the Statement of Financial Position.

Fair values or replacement values of intangible assets are more appropriately included in special purpose reports. A Statement of Recommended Practice (SORP) for intangible assets similar to SORP-3 for tangible capital assets should be developed. Public sector entities would have the option to report more detailed information on their intangible assets if they chose to do so.

We therefore recommend the impairment indicators be kept simple and focused on the provision of goods and services. We recommend the requirement for fair valuing and determining replacement value should be replaced with a requirement to reduce the historical cost value based on the proportion of the reduction of goods and services being offered by the intangible asset if it is expected to be reduced over the remaining life. This will maintain historical cost as the basis of measurement for intangible assets. It results in impairment guidance that is anchored in the historical cost measurement attribute. It will allow for a less onerous basis of monitoring and measuring impairment.

c. Use of a Task Force is essential

Ontario strongly encourages PSAB to establish a task force in the development of all standards including those involving application of their international strategy. No task force was used by PSAB in development of this Exposure Draft. PSAB did consult with the Technical Advisory Group. The Technical Advisory Group's extent and nature of involvement is not clear.

Use of a task force ensures all stakeholder issues and concerns are raised and addressed. Even for those standards being developed applying the international strategy, issues that will hinder adoption need to be addressed. IPSAS 31 was developed based on IAS 38. This PSAS being developed should focus on future economic benefits derived through the provision of goods and services, relative to future cash flows. Wording and examples should be specific to the public sector to assist financial statement preparers. A task force would recognize the potential issues of implementation and be able to proactively address such issues.

Ontario therefore encourages PSAB to establish a task force in the development of all standard. This will enhance the quality of the standards being developed which is beneficial to all stakeholders.

d. Other comments on the proposed standard

We have included all our remaining comments in the order they are presented in the standard. There are also other paragraphs that could be better tailored for the public sector.

Scope

- In 2019, the accounting for cryptocurrencies was discussed by the Public Sector Discussion Group. One alternative considered was whether cryptocurrencies are an intangible asset. PSAB should address whether this standard is intended to address the accounting for cryptocurrencies. Similarly, it should be clarified if easements are addressed by this standard.
- PS 3155.002 indicates intangibles not addressed by this standard. The paragraph should be clear as to where financial statement preparers can find such guidance for these types of intangibles. This will promote consistency and ease of use of this guidance.
- PS 3155.004 refers to "significance" and "how integral" components may be in determining whether the integrated asset is a tangible capital asset or an intangible asset. This discussion is unnecessarily complex. "Significance" is not defined. It is not clear whether PSAB is referring to relative dollar value of the components. "How integral" is also very subjective. Both Sections PS 3150 and PS 3155 are capitalization and amortization standards. Similar accounting will result regardless of the determination of the nature of the integrated asset. PS 3155 should be more user friendly to understand and apply, allowing financial statement preparers the ability to determine which standard to follow for those assets with both tangible and intangible components.
- PS 3155.005 should be clearer as to its intention and purpose. It is not clear as to whether it is suggesting development costs of all prototypes are intangible in nature. The purpose and message of this paragraph should be better explained.

Definitions

- PS 3155.009 includes definitions of terms used in this Section. The definitions and terms should be consistent with those in other sections wherever possible. For example, "net book value" should be used rather than "carrying amount", "fair value" rather than "fair value less costs to sell", "write-down" rather than "impairment loss". Additionally, "service potential" should be included in the terms defined.
- PS 3155.009 (f) defines an intangible asset. The definition is very general and does not include the details included in the definition of a tangible capital assets as per PS 3150.05 (a). The definition of an intangible asset could be more specific, including bullets such as:

not for sale in the ordinary course of operations; have been acquired or developed; are to be used on a continuing basis; have useful economic lives extending beyond an accounting period; and held for use in the production or supply of goods and services, for rental to others, or for administrative purposes.

- PS 3155.010 lists items that could be an intangible asset. This list should be tailored for the public sector as currently it includes motion picture films, lists of users of a service, and relationships with users of a service.
- PS 3155.012 includes a discussion on goodwill. This paragraph is not required as goodwill/purchase premiums are scoped out of the Section in PS 3155.03 (b).
- PS 3155.013 (b) indicates an asset can arise from binding arrangements regardless of whether or not they are separable. PSAB should clarify how they can be recognized if they are not separable.
- PS 3155.017 indicates "However, an entity <u>usually</u> has insufficient control over the expected future economic benefits arising from a team of skilled staff and from training for these items to meet the definition of an intangible asset. For a similar reason, specific management or technical talent is <u>unlikely</u> to meet the definition of an intangible asset, unless it is protected by legal rights to use it and to obtain the future economic benefits expected from it, and it also meets the other parts of the definition." The paragraph is unclear as to whether it is suggesting capitalizing human capital in relation to management or technical talent when employees are under long-term contract or where there is control over future benefits. This would be in contraction to Section PS 1202.079 (c) and the restriction on recognizing "human capital".
- PS 3155.018 is private sector focused and not relevant for the public sector in its discussion about portfolios of users of its services and the recording of these relationships as intangibles.
- PS 3155.019 and its discussion of future economic benefits is similarly very private sector focused. Paragraph .019 discusses sale of products or services, cost savings, reductions of future production or service costs, and improvements in service delivery. The standard is requiring public sector entities to measure cost savings and/or process time improvements associated with an intangible asset. This discussion is more appropriately found in private sector standards. While service potential is mentioned, it is not the focus of this paragraph. Public sector entities primarily provide goods and service to the public. This should be the focus in relation to future economic benefits, not the sale of goods and services, cost savings or changes in service delivery. Additionally, it would be more meaningful to use "software that is used in production or service process" rather than "intellectual property" in the example.

<u>*Recognition and initial measurement*</u>

- PS 3155.022 discusses additions to an intangible asset or replacements of part of it. The examples provided are very private sector focused. Also although it is unlikely for many types of intangibles that entities could have additions, for the majority of public sector intangibles (i.e., software), there may be betterments and additions. Therefore, to suggest that it is rare is not necessarily accurate - rather, it would be more effective to state that there are only certain types of intangibles that could give rise to capitalizable additions. Further, the paragraph includes reference to .056, but is inconsistent - the examples listed are not permitted for recognition at all, not just subsequent expenditures being capitalized.

- PS 3155.031 provides examples of expenditures that are not part of the cost of an intangible asset. A suggestion is to include bullet (d) data conversion costs.
- PS 3155.033 discusses incidental operations and how these revenues and related expenses are recognized immediately in surplus or deficit. We recommend that it simply indicate that such amounts be recognized as revenue and expense, to remain consistent with other standards in the PSA Handbook.
- PS 3155.034 discusses payment of an intangible asset beyond normal credit terms. It is not clear the purpose of this paragraph and the resulting accounting outcome. Is this suggesting that if there are non-normal credit terms, an entity would only recognize the asset at the cash price paid, and any subsequent payment to the creditor would be "interest expense"? Why specifically interest expense and not a general expense? Furthermore, additional guidance should be provided with respect to assessing what are "normal credit terms" and "cash price equivalent" for the purposes of this paragraph.
- PS 3155.037 provides examples of intangible assets that may be acquired through a non-exchange transaction. Examples provided are airport landing rights, licenses to operate radio or television stations, import licenses or quotas, or rights to access other restricted resources. These examples are more appropriate for private sector entities. Additionally, if something is transferred but there is no expectation of future use or benefit, it should not be capitalized. The example of personal papers transferred to the archives is probably not a good illustration to include. Including examples more relevant to the public sector will result in the standard being better and more consistently applied.
- PS 3155.038 paragraph requires an intangible asset acquired through a non-exchange transaction to be recorded at fair value. There is no guidance provided in the case where fair value is not able to be estimated faithfully. We note that Section PS 3150, Tangible Capital Assets paragraph .014 indicates where assets are acquired by an entity at no cost or nominal cost (i.e., contributions of tangible capital assets) these are measured at equal to fair value but in addition to this guidance, it is stated that in the case where fair value cannot be reliably estimated, the asset is recorded at nominal value. Ontario recommends similar guidance be included where fair value may not be faithfully estimable.
- PS 3155.050 sets out the criteria for recognition of costs incurred for an intangible in the development phase, including for those intangibles to be sold. If this Section applies both to intangibles held for sale and intangibles held for use, this seems inconsistent with PS 3155.129 and PS 1202.068 (d) that intangible assets are non-financial assets. PS 3155.129 should be updated to state that intangible assets held for sale are financial assets.
- PS 3155.055 discusses intangible assets generated internally. Is securing logos an intangible asset and relevant for the public sector?

- PS 3155.056 provides a listing of items that should not be recognized as intangible assets consisting of internally generated brands, mastheads, publishing titles, lists of users of a service and items similar. PSAS are principle-based. This paragraph is very prescriptive. It is unclear the source of this listing and why these specific items are prohibited from recognition. The listing is more relevant for the private sector.
- PS 3155.059 provides examples of directly attributable costs. This paragraph suggests only interest costs related to where payment is deferred "beyond normal credit terms" are capitalizable. This is problematic and inconsistent with Section PS 3150.

Recognition of an expense

- PS 3155.061 to .065 discusses expenditures of an intangible asset that are to be expensed. The prior paragraphs indicated costs that are to be capitalized. The necessity of these paragraphs on expenses is uncertain. It only adds to the complexity and reduces understandability of this standard.

Subsequent measurement

- PS 3155.069 includes factors in determining the useful life of an intangible asset. Many of these factors are more appropriate for private sector assets such as: typical product life cycle, stability of the industry, and competitors or potential competitors. The factors should be simplified reflecting how intangible assets are used in the public sector and made consistent with PS 3150.28 to promote consistency and understandability.
- PS 3155.075 indicates there may be economic, political, social and legal factors influencing the useful life of an intangible asset. Discussion should be provided as to how political factors need to be considered in determining the life of an intangible asset.
- PS 3155.077 indicates "The amortization method used should reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity". We have outlined our concerns in relation to PS 3155.019 and how this paragraph needs to be focused on the provision of goods and services. Measuring cost savings or process time improvement with an intangible asset over its useful life would be a significant challenge and is not relevant for the public sector. We encourage greater consistency with PS 3150.22 requiring amortization over the asset's useful life in a rational and systematic manner appropriate to its nature and use by the public sector entity, in addition to amending PS 3155.019 and the discussion of future economic benefits as noted previously.
- PS 3155.079 indicates there is a rebuttable presumption that an amortization method that is based on revenue generated by an activity that includes the use of an intangible asset is inappropriate. Such a paragraph is not necessary for public sector accounting standards and is only adding to its complexity at the expense of understandability. Similarly, PS 3155.081 discusses when a predominant limiting factor that is inherent in an intangible asset is the achievement of a revenue threshold. This discussion seems unnecessarily complex, private sector focused, and of little value to public sector entities.

Disclosures

- PS 3155.121 requires an entity to disclose information for each class of intangible distinguishing between internally generated and other intangible assets. It is unclear how this separate disclosure of information is meeting financial statement users' needs. It is only adding to the complexity of financial statements. Section PS 3150 does not require separate disclosure for constructed versus other such tangible capital assets.
- PS 3155.126 requires an entity to disclose the aggregate amount of research and development expenditures recognized as an expense during the period. We propose that the requirement to disclose research expenses could be onerous for some public sector entities and that it is not useful to separately disclose research expenditures which did not lead to a developed intangible asset. We propose to make this optional should the entity assess that it provides additional information that would be useful to readers of its financial statements.
- PS 3155.128 requires an entity for assets that meet the definition of an asset but are not recognized since a reasonable estimate of the amounts involved cannot be made, the reasons why to be disclosed. No such requirement exists in similar standard PS 3150. We propose to make this optional should the entity assess that it provides additional information that would be useful to readers of its financial statements.
- PS 3155.130 (a) allows for an entity to apply this section to new transactions and other events occurring on or after April 1, 2030. Ontario supports this application option but encourages PSAB to provide more guidance regarding what to consider in relation to "other events".

Appendix A: Illustrative Examples

- IE1. to IE4. imply that the recoverable service amount of the system is continually available, and inappropriately speaks to impairing the asset without even demonstrating that the decline is permanent or that any of the impairment indicators are met.
- IE5. is not an illustrative example. It should conclude that there is an intangible asset that should be capitalized and over what period and including which costs.
- IE8. to IE21. seem overly repetitive in continually including that the assets need to be reviewed for impairment.
- IE16. to IE17. is unclear why Entity A would immediately test for impairment if there is no evidence to suggest a decline in service potential over the useful life (3 years remaining) is present.
- IE18. to IE19. should distinguish between the ability to operate a transit route compared to a lease of a transit corridor. Additionally, the title of the item does not reflect the situation described.

Therefore, Ontario, while supporting development of a standard for intangible assets, strongly encourages PSAB to ensure such a standard reflects the needs of financial statement preparers and users in the public sector. A standard that is easily understood, principle-based, consistent with other PSAS, and considers cost versus benefit for financial statement preparers. The use of a task force will help achieve these objectives. Doing so will promote easier and better adoption of the standard, reduce preparer / auditor debate, and make better use of public funds.

2. Do you believe adopting the terminology of "binding arrangements" may result in broadening the scope of arrangements for your organization? If yes, please explain.

Ontario does not consider it appropriate or necessary to introduce the term "binding arrangements" into the PSA Handbook. Currently, the terminology is not included.

PS 3155.014 indicates "For the purposes of this Section, a binding arrangement describes an arrangement that confers enforceable rights and obligations on the parties to it as if it were in the form of a contract." BC.27 concludes that the concept of "binding arrangement" found in IPSAS 31 is in substance similar to the definitions and descriptions of contractual rights and obligations found throughout the PSA Handbook.

Introducing "binding arrangements" serves no purpose as a similar concept is already included in the Handbook (i.e., contractual rights and obligations). Having different standards include different terminology is not helpful for financial statement preparers and auditors. "Binding arrangements" is an overly technical term whereas the PSA Handbook is principles-based. It is introducing enhanced legality into the Handbook at the expense of principles-based concepts. PSAB is working to minimize terminology differences in standards updating "governments" with "public sector entities". Introducing "binding arrangements" in Section PS 3155 will only add to terminology differences throughout the Handbook.

Ontario therefore recommends PS 3155 not include the term "binding arrangements". Contractual rights and obligations is the appropriate terminology to be used. Developing PSAS based on the principles and concepts in IPSAS, while using terminology already included in the PSA Handbook, is consistent with applying the international strategy.

3. Do you agree with the consequential amendments to the recognition exclusions (i.e., with paragraph PS 1202.079)? If no, please explain.

Ontario has the following comments on the proposed consequential amendments to Section PS 1202.079:

- Ontario supports allowing recognition of internally developed intangibles on issuance of Section PS 3155 per the amendment to bullet (b).
- Ontario supports additional clarity be provided as to whether it is PSAB's intention that intangibles arising from power and/or rights provided in the Constitution are not to be recognized on transfer or exchange. Proposed bullet (b) indicates non-purchased intangibles arising from power and/or rights are not recognized in the financial

statements. BC.44 indicates intangibles are recognized for example when "[...] licenses providing access to resources restricted by powers and rights are sold <u>or transferred</u> to another entity in a non-exchange transaction". Bullet (b) will need to be amended if the intention is for intangibles arising from power and/or rights provided in the Constitution acquired through exchange or transfer to be recognized.

- Ontario encourages PSAB to indicate in the Basis for Conclusions the work they have performed to ensure "[...] in the Constitution or devolved or delegated through legislation or bylaws or provided for in accordance with Indigenous rights or laws [...]" is appropriate and complete for Canada. This is largely consistent with IPSAS 31. Also, PSAB should indicate what other such powers and/or rights are being referred to in bullet (b), for example the right to tax, or power to grant rights. Bullet (b) includes examples of such rights (i.e., wireless spectrum rights, air rights, sea rights and forestry rights) which are currently in Section PS 1202.079 and have been retained in the recognition exclusion.

- Ontario does not support recognition of non-purchased natural resources as is currently proposed by IPSASB through their Exposure Draft on Tangible Natural Resources. Bullet (a) prohibits the recognition of natural resources and Crown lands which are not purchased. Ontario agrees with this exclusion from recognition. Ontario considers PSAB's comment in BC.44 on certain non-purchased intangibles such as wireless spectrum rights, air rights and sea rights, to be equally applicable to non-purchased natural resources. PSAB indicated it was determined that they do not, in and of themselves, represent assets until an action is taken to invoke such through sale or transfer.

4. Do you agree with all the other consequential amendments? If not, why?

While Ontario generally agrees with the consequential amendments, we have the following comments:

- Regarding Public Private Partnerships, Section PS 3160.02, Ontario recommends for intangible assets that are acquired as part of a public private partnership arrangement, PSAB include in Section PS 3160 that recognition and initial measurement be done in accordance with Section PS 3160 and guidance in Section PS 3155 be followed for subsequent measurement and disclosure of such assets as per Section PS 3155.003 (a). Cross-referencing will improve understanding and implementation by financial statement preparers.

- Section PS 3160.02 has an example of a tangible capital asset included in "infrastructure". An example of an intangible asset included in infrastructure should similarly be provided.

- Government Transfers, Section PS 3410.05 (e) has been amended to include reference to "certain" intangible assets. This paragraph or associated footnote 4 should be clear as to which intangible assets are being referred to by "certain". Reference to Financial Statement Presentation, Section PS 1202 is too general. Additionally, the "certain" intangible assets being referred to in the first sentence of bullet (e) are those included within the scope of this section, while "certain" intangibles in footnote 4 are those excluded. We find the paragraph and amendments a challenge to read and understand.

- Section PS 3410.27 includes an example of a capital transfer relating to a non-depreciable asset. An example in relation to a transfer for purposes of acquiring or developing an intangible asset with an indefinite useful life should similarly be included.

5. Do you agree with the transitional provisions?

While Ontario supports allowing Section PS 3155 to be adopted either on a going forward basis or on a modified retroactive application basis, Ontario recommends the proposed effective date of April 1, 2030 be delayed which will avoid financial statement preparers from having to revisit and amend their accounting for intangibles in the near future and to allow for sufficient time for adoption.

Ontario supports delaying the effective date for the following reasons:

1. *Further changes are likely* - The Basis for Conclusion included in the Exposure Draft mentions the intention of PSAB to develop a comprehensive impairment standard. It also includes that "the International Accounting Standards Board (IASB) has started a project that will update its intangible assets standard (IAS 38 *Intangible Assets*), which is the foundation for IPSAS 31. This may trigger the International Public Sector Accounting Standards Board (IPSASB) to update IPSAS 31 in the future. Further IPSASB has signaled that it intends to do a limited-scope project related to IPSAS 31. When both of these projects are complete, PSAB may consider adding the updates to its intangible assets standard to its future technical agenda." Implementation of either a new accounting standard, or amendments to an existing standard, is an onerous process involving significant education (including of its consolidated entities), analysis, process changes, system changes, policy and legislative updates, planning and appropriation changes, budget changes, opening balance adjustments, comparison chart restatements, reporting changes, etc. While PSAB is working to filling a gap in the PSA Handbook, considering the significant work involved each time a standard is issued or amended, Ontario strongly supports delaying adoption until these known revisits of the intangible standard are completed. PSAB is also initiating a project for cloud computing. This falls within the scope of Intangibles, and therefore could result in future changes to the standard.

2. *Multiple standards are soon to be implemented* - Consideration needs to be given by PSAB to the totality of new and amended standards that stakeholders need to adopt. Section PS 3155 will not be the sole focus of Ontario over the next three years. Proposed effective dates for ongoing PSAB projects include:

Standard	Proposed Effective Dates
Employee Benefits, PS 3251	April 1, 2029
Tangible Capital Assets, PS 3150	April 1, 2030
Intangible Assets, PS 3155	April 1, 2030

This does not reflect possible new requirements on cloud computing arrangements, contribution accounting or tangible natural resources. Ontario has previously expressed our concerns regarding the proposed effective date in response to Employee Benefits, Section PS 3251 Re-Exposure Draft considering the onerous requirements relating to, amongst others, classification analysis, funding analysis, discount rate sensitivity calculations, substantial disclosure and retroactive application. Ontario uses similar resources in implementing all standards. Three standards within a two-year time period is a significant challenge. Significant work is required to prepare for implementation. Additional time is required post-implementation. We would encourage PSAB to allow for at least a two-year time period between the effective dates of new or amended standards to allow for adequate time for financial statement preparers.

3. *Standard implementation takes considerable time and effort* - While PSAB is proposing that Section PS 3155 can be adopted on a go-forward basis in relation to new transactions and other events occurring on or after April 1, 2030, significant initial and annual effort will be required to assess ongoing development projects and to establish systems and processes for accounting for intangible assets. Amortization periods, impairment indicators, and measurements will need to be assessed annually. Impairment indicators and measurement will be a significant challenge considering fair value requirements PSAB is proposing. Work will be required to figure out how fair values and replacement costs can be calculated. Amortization and impairment expenses will introduce new budgeting and appropriation requirements. These changes will need to be identified, addressed and communicated prior to implementation.

Ontario therefore encourages PSAB to set the effective date of Section PS 3155 after completion of its Impairment of Assets project and after the IASB has reviewed IAS 38 Intangible Assets, and with consideration to the effective date of other new or amended PSAS.

Ontario also strongly encourages PSAB to include guidance regarding the adoption of Section PS 3155 in relation to the transition from both PSG-8, Purchased Intangibles and the accounting for computer software under Section PS 3150, Tangible Capital Assets. The transitional provisions in Section PS 3155 allow the Standard to be adopted to only new transactions and other events occurring on or after April 1, 2030. Guidance and clarification should be provided by PSAB as to how an entity should account for those previously capitalized purchased intangibles and computer software. Presumably, these amounts will continue to be capitalized and no revaluation is required on adoption. Clarification is very important to ensure consistent adoption of Section PS 3155.

Ontario appreciates the opportunity to respond to PSAB to assist in their deliberations on this matter. I would be pleased to elaborate on any of the above comments. Thank you for your consideration.

May 27, 2025

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To: Michael Puskaric, CPA, CMA
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From: The City of Calgary

Re: PSAB Exposure Draft – Intangible Assets – Proposed Section – PS 3155

Purpose:

The purpose of this memo is to provide to the Public Sector Accounting Board (PSAB) the City of Calgary's ("The City" or "City") commentary and input on the proposed section PS 3155 Intangible Assets to Public Sector Accounting Standards Exposure Draft issued in February 2025. All responses have been prepared by The City's Corporate Financial Reporting team.

Responses to Specific Questions:

1. *Do you agree with the proposals in the Exposure Draft? If not, which proposals do you disagree with and why?*

City Response:

The City supports the Exposure Draft's overall direction in clarifying the recognition, measurement, and disclosure of intangible assets. However, we have the following points of concern:

- **Replacement Cost Definition:**
  In PS 3155.113, "replacement cost" is defined as the cost to replace the asset's "gross service potential." In contrast, the Conceptual Framework (paragraph 9.33(b)) defines replacement cost as the amount currently needed to acquire an asset with "equivalent service potential." To avoid confusion and promote consistency across standards, further clarification could be added to clarify whether the definition in PS 3155.113 refers to the same concept. The use of "gross" versus "equivalent" service potential may lead to differing interpretations of "replacement cost." If the intent is different, using distinct terminology may help ensure clarity and consistency across frameworks.

- **Directly Attributable Costs:**
  PS 3155.030 and 3155.059 state costs of employee benefits (PS 3250 and 3255) are included in the cost of an internally generated intangible asset, however direct developments costs such as labour and other overhead costs which are directly attributable to development are not specifically included in the provided list. As these costs are expected to be significant in developing internally generated assets, we suggest including such costs within paragraphs .030 and .059 to avoid any misunderstanding. This would be consistent with labour costs and overheads included in the cost of a tangible capital asset as per PS 3150.10.

- **Accounting Policy Choice in Capitalizing Internally Generated Intangibles under PS 3155:** PS 3155.05 does not provide an accounting policy choice for the capitalization of internally generated intangible assets in the development phase, once the recognition criteria are met. In contrast, ASPE 3064.40 allows entities to make an accounting policy choice to either (a) expense such expenditures as incurred, or (b) capitalize them as an intangible asset, provided the recognition criteria are met. Introducing a similar option under PS 3155 would allow flexibility for some public sector entities who may wish to expense development costs. The cost to reliably measure and track internally generated intangibles may exceed the benefit of capitalization, especially in complex and resource-constrained environments. Providing this flexibility would also improve alignment with the Conceptual Framework's cost-benefit consideration, which emphasizes that the benefits of financial information should justify the costs of producing and using it.

2. *Do you believe adopting the terminology of "binding arrangements" may result in broadening the scope of arrangements for your organization? If yes, please explain*

City Response:

The City agrees that the term "binding arrangements" may broaden the scope of arrangements recognized by The City. Consistent with IPSAS 31, binding arrangements acknowledges that control over or access to intangible assets may arise not only through formal contracts, but also through legislation, policy decisions or intergovernmental agreements. This broader definition aligns more closely with the nature of public sector operations and provides a more accurate representation of the rights and obligations The City manages. The City has no concerns with the proposed amendment and suggests this terminology could be used elsewhere in the handbook.

3. *Do you agree with the consequential amendments to the recognition exclusions (i.e., with paragraph PS 1202.079)? If no, please explain.*

City Response:

The City agrees with the consequential amendments to the recognition exclusions in PS 1202.079, which clarify that items like natural resources, human capital, and works of art are not recognized in financial statements. This reflects the public sector's practical circumstances, where such assets are difficult to measure or value. These exclusions uphold the integrity of financial reporting, focusing on identifiable, measurable, and controllable resources in line with public sector stewardship objectives.

We also support the removal of the terms "purchased" and "developed," as this change helps avoid contradictions between PS 1202 and PS 3155. Additionally, we believe that adding clarification around powers and/or rights is beneficial to ensure greater consistency and understanding. The City has no concerns with the proposed amendment.

4. *Do you agree with all the other consequential amendments? If not, why?*

City Response:

The City agrees with all proposed consequential amendments in the PS 3155 Exposure Draft, as they facilitate the integration of the new standard into the PSAS framework and provide clarity by addressing the scope and recognition criteria across related standards. Specifically, the withdrawal of PSG-8, the updated terminology, and amendments to Section PS 3150 and PS 3410 enhance consistency and ensure the appropriate recognition of intangible assets in financial statements.

5. *Do you agree with the transitional provisions?*

City Response:

The City agrees with the transitional provisions in the PS 3155 Exposure Draft. The provisions allow for prospective application without restating prior periods or a modified retroactive application with restatement of prior periods, using information and assumptions that are current at the start of the fiscal year in which the standard is first applied. This approach supports practical implementation while ensuring reliable and comparable financial reporting.

Conclusion:

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

Thank you for your consideration of our responses. If you have any further questions, please contact me at (403) 816-1009.

Sincerely,

Jan-Steyn Pieterse, CPA, CA
Financial Reporting Officer
The City of Calgary
Jan-Steyn.Pieterse@calgary.ca

AUDITOR GENERAL OF NEW BRUNSWICK
VÉRIFICATEUR GÉNÉRAL DU NOUVEAU-BRUNSWICK

May 27, 2025

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

RE: Exposure Draft – Intangible Assets, Proposed Section PS 3155

Dear Mr. Puskaric,

Thank you for the opportunity to provide comments on the *Intangible Assets*, Proposed Section PS 3155 Exposure Draft. We are pleased to submit to the Board our response to the specific questions posed in the Exposure Draft.

Sincerely,

Paul Martin

Paul Martin, FCPA, FCA
Auditor General of New Brunswick

Appendix 1 – Auditor General of New Brunswick Response to PSAB Exposure Draft: Intangible Assets, Proposed Section PS 3155

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6th Floor/6e étage Suite 650
520 rue King Street, Fredericton NB/N-B E3B 5B4

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1. Do you agree with the proposals in the Exposure Draft? If not, which proposals do you disagree with and why?

We generally agree with the proposals in the Exposure Draft.

To help promote confidence in the information reported by Canadian public sector entities, we request the proposed standard be updated and clarified to specifically address recognition, presentation, and disclosure related to cloud computing arrangements.

<u>Cloud Computing Arrangements</u>

The proposed standard is not clear on how to account for costs relating to cloud computing arrangements (i.e. Software as a Service, Platform as a Service, Infrastructure as a Service, etc.). While there is an intention to have a guideline to address fees paid to service providers and related implementation costs, we believe this should be included in the standard. We are concerned Canadian public sector entities have varied interpretations on whether to capitalize or expense costs related to cloud computing arrangements (software access, internal personnel costs, training costs, testing costs, customized coding costs, etc.).

In our view, these costs should generally be expensed as incurred. We believe recognizing these costs as an expense is the intent of current Public Sector Accounting Standards and we support this view for the proposed standard. The proposed standard should be updated to define cloud computing arrangements and state costs related to these arrangements are to be expensed as incurred.

<u>Aspects to be clarified</u>

i) We find paragraph PS 3155.018 confusing to understand. We encourage PSAB to rewrite this section.

ii) We find PS 3155.060 (b) unclear from a public sector entity perspective. “The following are not components of the cost of an internally generated intangible asset: …(b) identified inefficiencies and <u>initial operating deficits</u> incurred before the asset achieves planned performance.” We encourage PSAB to tailor this section to the public sector.

2. Do you believe adopting the terminology of “binding arrangements” may result in broadening the scope of arrangements for your organization? If yes, please explain.

No.

3. Do you agree with the consequential amendments to the recognition exclusions (i.e., with paragraph PS 1202.079)? If no, please explain.

Yes, we agree.

4. Do you agree with all the other consequential amendments? If not, why?

In general, yes, we agree.

However, we note an area for improvement with the consequential amendments to PS 3420.04 (a) "Carrying amount is the amount of an item transferred, or cost of services provided, as recorded in the accounts of the provider, after adjustments, if any, such as for amortization, impairment, or changes in the fair value. **For a tangible capital asset, the carrying amount is the net of cost and accumulated amortization. For an intangible asset, carrying amount is the net of cost and any accumulated amortization and <u>accumulated impairment losses</u>.** For other assets, the carrying amount may be the net of cost and valuation allowances or fair value, as appropriate."

The bolded wording above should be revised to "For a tangible capital asset or an intangible asset, the carrying amount is the net of cost and any accumulated amortization and accumulated impairment losses."

5. Do you agree with the transitional provisions?

We agree with the proposed transitional provisions however, we insist the Board ensure sufficient guidance is provided at least 18 months in advance of the effective date for cloud computing arrangements and consider the status of other projects such as *Employee Benefits*, Proposed Section PS 3251 to not overburden preparers and auditors in adopting this new standard.

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Shape the future
with confidence

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

May 29, 2025

Mr. Puskaric:

Ernst & Young LLP ("EY" or "we") welcome the opportunity to provide comments to the Public Sector Accounting Board ("PSAB" or the "Board") on the February 2025 Intangible Assets, Proposed Section PS 3155 Exposure Draft (the "Exposure Draft"). Our responses to the specific questions posed in the Exposure Draft are included below.

Comments on Specific Questions Requested by the PSAB

1. Do you agree with the proposals in the Exposure Draft? If not, which proposals do you disagree with and why?

   We have the following comments on various aspects of the Exposure Draft.

   <u>Cloud computing arrangements</u>

   Guidance on cloud computing arrangements is currently a gap in Public Sector Accounting Standards ("PSAS"). There is already a need for guidance on these types of arrangements and the need is continuing to grow. In the absence of specific guidance in PSAS as well as in International Public Sector Accounting Standards ("IPSAS"), interested and affected parties are looking to the International Financial Reporting Standards ("IFRS") Interpretations Committee agenda decision from March 2021 as well as the more recently published Canadian guidance in Accounting Standards for Private Enterprises ("ASPE"), AcG-20, Customer's accounting for cloud computing arrangements*. As a result, we believe that an intangible asset standard that does not address cloud computing arrangements is incomplete.*

   <u>Impairment</u>

   We believe that public sector entities may face challenges in two areas of the impairment section of the proposed standard.

   Firstly, public sector entities may struggle to identify when they have an intangible asset that is impaired, particularly a partial impairment. Some of the guidance around identifying and recording an impairment is vague. For example, proposed paragraph .099 refers to recording an impairment loss when the entity "can demonstrate that the reduction in future economic benefits is expected to be permanent"; in addition, proposed paragraph .102 requires an entity to "objectively estimate a reduction in the value" and refers to "persuasive evidence that the reduction is expected to be permanent in nature". These terms are ambiguous enough that entities may more easily than intended conclude that they are unable to objectively estimate or be in possession of persuasive enough evidence to record an impairment.

Secondly, once a public sector entity has determined that it needs to perform an impairment test, we believe that it will face challenges in attempting to calculate the recoverable service amount of an intangible asset, when the higher value is expected to be the value in use. Most of a public sector entity's intangible assets are likely to be held for use in the provision of services instead of being held for disposal. It is inherently difficult to quantify service potential in dollars. The proposed method of the depreciated replacement cost is a new concept under PSAS and contains a couple of difficult areas when it comes to practical application. A public sector entity would have to determine whether the asset would be replaced through reproduction or replacement (proposed paragraph .113) and would have to potentially adjust the reproduction or replacement cost on an optimized basis (proposed paragraph .114). This could be particularly difficult for technology that quickly becomes obsolete; for example, finding a reproduction or replacement cost on an optimized basis for a vaccine formula that may be replaced quickly.

Binding arrangements

The concept of binding arrangements is new to PSAS and comes from IPSAS. As noted in the Basis for Conclusions paragraph BC.27, it is very similar to the existing PSAS concept of contractual rights and obligations. If binding arrangements are substantially similar to contractual rights and obligations, we wonder whether the existing PSAS terminology should be retained here, in order to avoid introducing a new concept that may cause confusion as to the distinction between it and the existing contractual rights and obligations. We also note that the concept of binding arrangements occurs frequently throughout various IPSAS sections; going forward, as the PSAB continues to develop PSAS by drawing from IPSAS, we wonder if this new concept may continue to appear as IPSAS standards and concepts are brought into PSAS and, if so, whether this could continue to cause confusion and have potentially broader implications.

Useful life

Proposed paragraph .074 states that the useful life of a licence or similar right granted by one combining operation to another combining operation that is recognized by the resulting entity in an amalgamation should not include renewal periods. Firstly, it is not immediately clear why that would be the case although we presume that it is because the resulting entity in an amalgamation would not renew a licence with itself, but it is inconsistent with proposed paragraph .073 and the rationale is not explicitly stated. Secondly, this guidance for combining entities comes from IPSAS 40, Public Sector Combinations*, paragraphs .32 and .AG55, and is the result of an exception to the recognition principles applied in that section. It is not specified in the Basis for Conclusions if the PSAB had considered whether there would be broader implications to bringing in this exception from IPSAS without also bringing in the content of IPSAS 40, including whether this asset resulting from an exception to the recognition principle meets the definition of an asset under PSAS' Conceptual Framework; in addition, the reason for the exception in IPSAS 40.AG55 relates to it being part of a binding arrangement, which is not presently in PSAS, including in the Conceptual Framework. Lastly, it is unclear whether the PSAB considered whether this exception in the context of an amalgamation is consistent with PS 3430,* Restructuring transactions*.*

<u>*Disclosure*</u>

We have several comments around various proposed disclosure requirements.

Firstly, proposed paragraph .121 requires disclosure that distinguishes between internally generated and other intangible assets. While we see value in providing disclosures separately in the year of acquisition, as specifically required in proposed paragraph .121(d)(i), we do not believe that there is much value to users in continuing to provide all disclosures broken down between internally generated and other assets, beyond the year of acquisition.

Secondly, proposed paragraph .124(b) requires disclosure of the initial fair value and the carrying amount of intangible assets acquired through a non-exchange transaction and initially recognized at fair value. It seems unnecessary to us that these disclosures would be required on a recurring basis. Information on such assets would be more relevant in the year of acquisition, and this information is already proposed to be required under paragraph .121(f).

Lastly, proposed paragraph .126 requires disclosure of the aggregate amount of research and development expenditure recognized as an expense during the period. This disclosure requirement is similar to that contained in IFRS, and we often see entities applying IFRS choosing to not make this disclosure as they believe that it is not material or useful information to their users. While there are public sector entities for which research and development is a significant function and for whom this may represent useful information, we do not believe that it is broadly relevant for public sector entities.

<u>*Consistency of terminology*</u>

Proposed paragraph .121(f) references "contributed intangible assets". However, there is no previous reference to "contributed" assets in the proposed standard; instead, reference is made to assets being acquired through "non-exchange" transactions. Similarly, the proposed consequential amendment to footnote 8 of paragraph .27 of PS 3410, Government Transfers*, refers to "a contributed tangible capital asset and intangible asset"; while the referenced PS 3150 for the tangible capital asset does refer to "contributed" assets, the proposed standard only makes reference to assets acquired through a non-exchange transaction. As a result, we believe that the terminology needs to be reviewed and aligned accordingly.*

2. Do you believe adopting the terminology of "binding arrangements" may result in broadening the scope of arrangements for your organization? If yes, please explain.

   We have provided our comments on "binding arrangements" in our response to question #1 above. We have no further comments on the potential broadening of the scope of such arrangements.

3. Do you agree with the consequential amendments to the recognition exclusions (i.e., with paragraph PS 1202.079)? If no, please explain.

   Yes, we agree with the consequential amendments to these recognition exclusions.

4. Do you agree with all the other consequential amendments? If not, why?

   We have provided comments on the consequential amendment to PS 3410 in our response to question #1 above. We agree with all the other consequential amendments.

5. Do you agree with the transitional provisions?

   Yes, we agree with the transitional provisions.

We would be pleased to discuss our comments with members of the PSAB or its staff. If you wish to do so, please contact Adam Rybinski, Partner, Professional Practice, at 416-943-2711 (Adam.C.Rybinski@ca.ey.com) or Eric Spiekman, Professional Practice Director, at 416-943-3779 (Eric.G.Spiekman@ca.ey.com).

Yours sincerely,
ERNST & YOUNG LLP

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

May 30, 2025

Via Online Form

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

Dear Mr. Puskaric

RE: PSAB – Intangible Assets Exposure Draft

We thank you for the opportunity to make comments on the Public Sector Accounting Board's (the "**PSAB**") exposure draft for a new Canadian Intangible Assets standard (the "**ED**"). The First Nations Financial Management Board (the "**FMB**") is a Canadian, Indigenous-led organization, with offices and clients spread across Canada. The FMB is established under the *First Nations Fiscal Management Act*.[1]

At the outset, we were pleased to see the following Canada-specific language being used in the PSA Handbook which accounts for Indigenous rights:

Terminology in IPSAS 31	Terminology in the PSA Handbook
Powers and/or rights conferred by legislation, a constitution or by equivalent means	Sovereign or equivalent powers and/or rights provided for in the Constitution or devolved or delegated through legislation or bylaws or provided for in accordance with Indigenous laws or rights

The only time we see this language used is in section .002 – Scope. The current drafting used in that provision is unclear so we recommend revisions to add clarity:

Current Draft	Suggested Revisions
.002 This Section should be applied in accounting for intangible assets, except: (e) the sovereign or equivalent powers and/or rights provided for in the Constitution or devolved or delegated through legislation or bylaws or provided for in accordance with Indigenous laws or rights;	.002 This Section should be applied in accounting for intangible assets, except: (e) **for intangible assets arising from** the sovereign or equivalent powers and/or rights provided for in the Constitution or devolved or delegated through legislation or bylaws or provided for in accordance with Indigenous laws or rights;

[1] S.C. 2005, c. 9. The FMB works with clients to develop fiscal capacity and responsible fiscal governance, and further serves Indigenous people by advocating for the necessary inclusion of Indigenous interests in financial and economic policy matters throughout Canada and internationally.

Engagement with First Nations and other Indigenous Governments or Government Not-for-profit Organizations

In our view, the PSAB ought to consult with Indigenous Peoples in keeping with both the **Truth and Reconciliation Report Calls to Action** and the **United Nations Declaration on the Rights of Indigenous Peoples**. We think that the PSAB may learn important information by engaging with First Nations. This could be done on a **targeted, select, and information-gathering** basis to fill possible gaps.

Any time an instrument is developed for accounting (or other similar disciplines), there is always the potential that the instrument will affect and/or be used by First Nations and other Indigenous governments. Given the stated impetus behind the standard – to "enhance financial transparency by helping public sector entities account for assets in a rapidly evolving technological world"[2] – we suspect that the ED will have broad application across many public sector entities ("**Entities**"), including First Nations Entities. Here at the FMB, we have brainstormed the following projects or services – "internally generated intangible assets" – which could trigger the use of the ED:

- Language and cultural restoration or enhancement programs;
- Digital media projects (e.g. apps, archives, books);
- Internal operational systems (e.g. Land and GIS, housing, social services, membership tracking).

However, as non-rights holders, we recognize that this list may very well miss important projects or services in which First Nations Entities could fall inside the scope of the ED. It is to this end that we make our recommendation for a **targeted, select, and information-gathering** engagement with First Nations and other Indigenous Entities. We would encourage the PSAB to exercise its good judgment regarding the type and nature of an engagement, with an emphasis on First Nations and other Indigenous Entities that are interested to engage with PSAB on this matter. Engaging with members of your Indigenous Advisory Group and CPA BC's Indigenous Forum are good first steps. We encourage you to consult directly with management at AFOA Canada, the Assembly of First Nations, the First Nations Major Projects Coalition, the First Nations Finance Authority, the First Nations Tax Commission, the First Nations Lands Advisory Board, National Aboriginal Capital Corporation Association and other Indigenous organizations.

Purchased Intangibles

We are pleased to see that fishing licences and quotas are captured by the ED. We think the updated recognition criteria including control, identifiability, and service potential could result in increased scrutiny for these licences. We recommend that the PSAB consider whether to prepare application guidance regarding these (and similar) licences and quotas. We also recommend that the PSAB seek out and engage with Indigenous government business enterprises that are involved in forestry, fishing or other ocean or land-based aquaculture sectors in western Canada to determine the scope of applicability under differently managed federal government licencing and permitting regimes. The PSAB might also benefit from speaking with staff within the Department of Fisheries and Oceans and Natural Resources Canada to better understand how licenses and permits are granted to First Nations in different regions.

[2] PSAB Exposure Draft – Intangible Assets, Proposed Section 3155

Rights-based Licences and Quotas

Our review of the ED suggests that if measurable direct costs are incurred to secure rights-based licenses or quotas, these could potentially qualify as internally generated intangible assets. This could be a positive development, as it provides an opportunity for First Nations Entities to report these assets on their financial statements potentially increasing asset values and improving transparency. We are glad to see that retroactive application is not required, which helps avoid the administrative and financial burden of reassessing historical transactions or restating prior period financial information.

However, there are concerns about tracking eligible costs for capitalization. Rights-related disputes often span years and include significant legal and professional fees, without assurance of a successful outcome. It remains unclear at what point capitalization becomes appropriate, which could lead to inconsistent or contested application and lead to auditor-preparer debate.

We recommend that the PSAB consider whether to prepare application guidance regarding these costs for rights-based licences and quotas.

Implications of the ED on First Nations

The ED may well be relevant to some First Nations. The increased guidance around valuation, amortization, and impairment testing is welcome, in theory, particularly given PSG-8's limitations. However, in practice, the proposed standard will increase administrative demands on First Nations and other Indigenous Entities. These capacity demands and administrative burdens may include:

- **Increased Training:** Some Nations will require additional training, tools, or external expertise to implement these changes.
- **Increased Costs:** Depending on their size and complexity, there may be higher audit and valuation costs, even with the welcome relief of prospective-only application.

The uptake and impact of new and revised standards, like the ED, will have limited impact unless existing standards are applied consistently and correctly. To that end, we advise that we are under the impression that some auditors engaged with First Nations Entities are not presently interpreting existing public sector accounting standards consistently, resulting in inconsistent financial reporting quality. This also undermines the trust that First Nations place in their auditors. We recommend that the PSAB monitor this issue and find ways to promote consistent interpretation across and within the audit profession.

To that end, the PSAB should consider how it can assist First Nations and their auditors with the coming into force and application of the ED. We recommend the following, and would encourage the PSAB to consider further steps it may take to manage these issues:

- Actively monitor the quality of financial statement audits performed for First Nations;
- Engage with provincial and territorial audit regulators in an effort to support any practice reviews of CPA firms and audit practitioners with limited PSAS experience;
- Leverage publicly available audit opinions (e.g., those posted on the Indigenous Services Canada website) to identify potential red flags; and

- Encourage provincial and territorial audit regulators to publish findings from PSAS-related practice reviews to support shared learning across audit firms and public sector entities.

Responses to Specific Questions

1. Do you agree with the proposals in the Exposure Draft? If not, which proposals do you disagree with and why?

Overall, the proposals in the ED align with the evolving nature of accounting for intangible assets in the public sector. However, we have some concerns about how the proposals will apply to First Nations Entities. The proposed criteria for recognizing intangible assets (identifiability, control, and future economic benefits – PS 3155.011-.019), may be difficult for some First Nations to demonstrate, especially when assessing cultural knowledge, traditions, and resource-related rights (land, fishing, revenue sharing agreements, etc.) that do not have a clear measurement base but hold immense cultural and economic value nonetheless.

Moreover, projects involving language and cultural initiatives (apps, archives, books, educational materials, etc.) or internal systems (GIS, housing, membership, social assistance, etc.) might generate future economic benefits, but are not always intended to generate income. If these projects were determined to meet the recognition criteria for intangible assets this could complicate how program costs are recorded, potentially delaying expense recognition, creating reporting burdens and potentially even making the Nation ineligible for certain funding.

Smaller, rural communities may also struggle to meet the additional reporting requirements, especially around valuation and supporting documents for recognition and measurement (PS 3155.020-.060), which could place an undue burden on those with already limited resources.

2. Do you believe adopting the terminology of "binding arrangements" may result in broadening the scope of arrangements for your organization? If yes, please explain.

Yes. First Nations governments often engage in complex agreements with the federal and provincial governments, as well as other entities, such as land development and resource-sharing arrangements that do not neatly fit into traditional contractual frameworks. The inclusion of "binding arrangements" may expand the scope of what could be considered intangible assets, adding complexity to the accounting treatment of these agreements. This could result in significant additional financial and administrative burdens, particularly for tracking and assessing such arrangements, which may already be challenging for communities with limited capacity or with several of these types of agreements in place.

3. Do you agree with the consequential amendments to the recognition exclusions (i.e., with paragraph PS 1202.079)? If no, please explain.

While the amendments aim to streamline recognition, they could have significant implications on how First Nations Entities can report their rights and assets. The proposed exclusion of Indigenous rights or laws and intangibles granted under constitutional or other legislative measures from being recognized as intangible assets does not fully reflect their cultural and legal significance. Rights derived from treaties, land claim agreements, or other inherent Indigenous rights (land, water, resource use rights, etc.), most of which are not purchased or developed in the traditional sense, are fundamental to autonomy and often crucial to First Nations' financial success. These rights are central to First Nations governance and excluding them could undervalue their financial position, potentially hindering opportunities for funding, development, or economic partnerships.

By moving forward with these amendments, it could perpetuate the marginalization of Indigenous rights within broader financial systems and have long-term implications for how First Nations Entities are valued in the public sector financial sphere. Given the evolving landscape of reconciliation and self-governance agreements, it may be worthwhile to reconsider the exclusions to better reflect the unique cultural and legal assets of First Nations.

4. Do you agree with all the other consequential amendments? If not, why?

While we do not necessarily disagree with any specific consequential amendments, the changes as whole could introduce challenges for consistency and comparability across First Nations Entities. As each First Nation has distinct legal, cultural, and political relationships with federal and provincial governments, agreements can vary. Applying a standardized approach across all jurisdictions could result in discrepancies in how the standard is interpreted and, in turn, in how intangible assets are valued and reported nation-wide.

Additionally, many First Nations operate under self-government agreements that may not align with the traditional public sector accounting framework, making application of these amendments more complicated.

5. Do you agree with the transitional provisions?

The transitional provisions provide reasonable accommodations in terms of extended timeframes and the options for early adoption and modified retroactive application. However, further guidance may be needed regarding historical transactions that may have been capitalized as intangible assets but will no longer meet the new criteria. This could create challenges, particularly for First Nations Entities that have already recognized rights-based intangibles. As such, many Nations may require extended timelines or additional resources for effective implementation.

Final Remarks

In closing, we thank you again for the opportunity to comment on the ED. Please do not hesitate to contact us should you have questions.

FIRST NATIONS FINANCIAL MANAGEMENT BOARD

Per: ______________________

Scott Munro, FCPA, FCA, CAFM
Chief Executive Officer

VGQ
Vérificateur général du Québec

Québec, le 28 mai 2025

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

Objet: Projet de chapitre SP 3155, « Immobilisations incorporelles »

Monsieur le Directeur,

Nous vous remercions de nous donner l'opportunité de commenter l'exposé-sondage mentionné ci-haut. Vous trouverez ci-joint la réponse du Vérificateur général du Québec relativement à cet exposé-sondage.

Veuillez agréer, Monsieur le Directeur, l'expression de nos sentiments les meilleurs.

Christine Roy, CPA auditrice

Christine Roy, CPA auditrice
Sous-vérificatrice générale

p. j.   Réponse

575, rue Jacques-Parizeau, bureau 300, Québec (Québec) G1R 2G4 ▪ Téléphone : 418 691-5900 ▪ www.vgq.qc.ca

Appel à commentaires

Le CCSP vous invite à formuler des commentaires sur l'une ou l'autre – ou l'ensemble – des propositions de l'exposé-sondage, mais il souhaite particulièrement recevoir des réponses aux questions énoncées ci-dessous.

1. Êtes-vous favorable aux propositions énoncées dans l'exposé-sondage? Dans la négative, quelles sont celles qui posent problème selon vous, et pourquoi?

De manière générale, nous sommes en accord avec les propositions énoncées dans l'exposé-sondage. Toutefois, il y a certains éléments qui, selon nous, devraient être clarifiés ou modifiés afin de mieux répondre à l'objectif du CCSP de modifier un principe IPSAS s'il est considéré comme entrant en contradiction avec le Cadre conceptuel de l'information financière dans le secteur public ou si, compte tenu de l'intérêt public canadien, son application ne serait pas appropriée au Canada.

- Le paragraphe SP 3155.002 [projet] énonce les exclusions de certains éléments au champ d'application de la norme. Selon nous, le libellé actuel du paragraphe c) précisant que l'exclusion est limitée à la comptabilisation et l'évaluation des actifs de prospection et d'évaluation liés à des ressources minérales pourrait entraîner des questionnements quant au traitement des autres assertions. Nous suggérons la modification suivante :
  a. **Recommandation :** Modifier le libellé du paragraphe .002. c) pour exclure plus largement et sans ambiguïté les actifs de prospection et d'évaluation liés à des ressources minérales :
  « Le présent chapitre doit être appliqué à la comptabilisation des immobilisations incorporelles, à l'exception des éléments suivants :
  […]
  c) ~~comptabilisation et évaluation (aussi appelée «mesure») des~~ actifs de prospection et d'évaluation liés à des ressources minérales; »

- L'exclusion du paragraphe SP 3155.003 c) [projet] n'est pas applicable en norme canadienne, puisqu'il n'est pas possible pour un cédant de comptabiliser un actif de transfert en vertu du chapitre SP 3410. Les bases de conclusion de SP 3410 (SP 3410.7BC) sont explicites à ce sujet. L'ajout de cette exclusion est donc incohérent avec la norme SP 3410 et risque de créer de la confusion.

  Il s'agit d'une différence fondamentale entre le traitement comptable des transferts au niveau canadien puisque la nouvelle norme IPSAS 48 qui entrera en vigueur le 1er janvier 2026 permettra la comptabilisation d'actifs de transfert, par exemple pour les transferts en capital faisant l'objet d'un accord exécutoire (IPSAS 48.8).
  b. **Recommandation :** Modifier le champ d'application pour retirer l'exclusion ayant trait aux actifs pouvant découler d'accords exécutoires comptabilisés selon le chapitre SP 3140 :
  « .003 Si un autre chapitre prescrit la comptabilisation d'un type spécifique d'immobilisations incorporelles, l'entité applique ce chapitre au lieu du présent chapitre. Le présent chapitre ne s'applique pas, par exemple, aux éléments suivants :
  […]
  ~~c) actifs pouvant découler d'accords exécutoires qui sont comptabilisés selon le chapitre SP 3410, PAIEMENTS DE TRANSFERT;~~ »

- Tel que précisé au chapitre SP 3155.004 [projet], si un logiciel fait partie intégrante de l'immobilisation corporelle, il doit être comptabilisé comme faisant partie intégrante d'une immobilisation corporelle selon le chapitre SP 3150 et non selon le chapitre SP 3155 [projet]. Cependant, il n'y a pas d'autres endroits où une telle précision est apportée, que ce soit dans le champ d'application du chapitre SP 3155 [projet] ou dans le chapitre SP 3150.

c. **Recommandation** : Modifier le champ d'application pour la comptabilisation de types spécifiques d'immobilisations incorporelles au paragraphe SP 3155.003 [projet] comme suit :
« .003 Si un autre chapitre prescrit la comptabilisation d'un type spécifique d'immobilisations incorporelles, l'entité applique ce chapitre au lieu du présent chapitre. Le présent chapitre ne s'applique pas, par exemple, aux éléments suivants :
[…]
<u>e) logiciels qui font partie intégrante d'une immobilisation corporelle qui sont comptabilisés selon le chapitre 3150, IMMOBILISATIONS CORPORELLES;</u> »

- Certains paragraphes dans le chapitre indiquent que, lorsqu'une immobilisation incorporelle est acquise dans le cadre d'une opération interentités, elle doit être évaluée selon le chapitre SP 3420 (paragraphes SP 3155.038-.039 [projet]). Cependant, il n'y a pas d'indication claire à ce sujet dans le champ d'application de la norme en projet. Cela pourrait créer de la confusion et un manque d'uniformité au sein des entités du secteur public qui comptabiliseront des immobilisations incorporelles issues d'opérations interentités.

d. **Recommandation** : Modifier le champ d'application au paragraphe SP 3155.003 [projet], afin d'indiquer clairement que le chapitre SP 3240 s'applique à l'évaluation initiale des immobilisations incorporelles acquises dans le cadre d'opérations interentités :
« .003 Si un autre chapitre prescrit la comptabilisation d'un type spécifique d'immobilisations incorporelles, l'entité applique ce chapitre au lieu du présent chapitre. Le présent chapitre ne s'applique pas, par exemple, aux éléments suivants :
[…]
<u>f) évaluation initiale des immobilisations incorporelles acquises dans le cadre des opérations interentités, qui sont évaluées selon le chapitre SP 3240, OPÉRATIONS INTERENTITÉS. Par contre, ce chapitre s'applique à leur évaluation ultérieure et aux informations à fournir à leur sujet.</u> »

- Le paragraphe SP 3155.006 [projet] spécifie que les droits détenus par un preneur en vertu d'un accord de licence portant sur des éléments tels que des films cinématographiques, enregistrements vidéo, etc. sont exclus de la NOTE D'ORIENTATION DU SECTEUR PUBLIC NOSP-2 « Immobilisations corporelles louées ». En incluant explicitement les éléments énumérés dans la norme SP 3155 [projet], ceux-ci sont automatiquement exclus du champ d'application de la NOSP-2 puisque la NOSP-2 définit déjà une immobilisation corporelle louée comme étant un actif non financier ayant une existence matérielle (NOSP-2.3). La formulation actuelle est inutilement redondante.

e. **Recommandation :** Retirer la référence à la NOSP-2 dans le paragraphe SP 3155.006 [projet] :
« .006 Les droits détenus par un preneur en vertu d'un accord de licence portant sur des éléments tels que des films cinématographiques, enregistrements vidéo, pièces de théâtre, manuscrits, brevets et droits d'auteur entrent dans le champ d'application du présent chapitre ~~et sont donc exclus du champ d'application de la NOTE D'ORIENTATION DU SECTEUR PUBLIC NOSP-2, «Immobilisations corporelles louées»~~. »

- Le chapitre SP 3155.011 [projet] spécifie que tous les éléments décrits au paragraphe SP 3155.010 [projet] ne répondent pas à la définition d'une immobilisation incorporelle (qui englobe le caractère identifiable, le contrôle d'une ressource, l'existence d'avantages économiques futurs et le résultat d'une opération ou d'un autre événement passé). Nous sommes d'avis qu'il y a un enjeu au niveau de la traduction, puisque la formulation actuelle laisse sous-entendre que les éléments incorporels mentionnés au paragraphe .010 ne seront pas comptabilisés comme des immobilisations incorporelles. Cela pourrait entrainer de la confusion auprès des entités du secteur public et occasionner un manque d'uniformité dans la comptabilisation de tels éléments.

f. **Recommandation** : Modifier la formulation du chapitre SP 3155.011 [projet] comme suit, puisque la traduction mot-à-mot ne permet pas de comprendre le sens du paragraphe :
« .011 Ce ne sont pas t~~T~~ous les éléments décrits au paragraphe SP 3155.010 ~~ne~~ qui répondent ~~pas~~ à la définition d'une immobilisation incorporelle […] ».

Version anglaise : « Not all the items described in paragraph PS 3155.010 meet the definition of an intangible asset ».

2. Selon vous, l'adoption du terme « accords exécutoires » pourrait-elle venir élargir le champ d'application des accords pour votre organisation? Dans l'affirmative, veuillez préciser.

Non, nous ne croyons pas que l'adoption du terme « accords exécutoires » (en anglais, « binding arrangements) viendra élargir le champ d'application des accords pour notre organisation. Au contraire, il viendrait le restreindre. Par ailleurs, nous ne voyons pas la pertinence d'introduire ce concept dans le chapitre SP 3155 [projet].

L'Office québécois de la langue française indique que l'objet d'un contrat « est de créer une ou plusieurs obligations. Il est donc toujours exécutoire du fait que celui qui s'engage juridiquement peut être condamné par les tribunaux à exécuter le contrat. Lorsque les parties éliminent la possibilité pour chacun de contraindre l'autre à exécuter sa promesse, il ne s'agit pas d'un contrat mais d'un accord, ou encore d'engagements non juridiques ou d'engagements décontractualisés[1] ». En pratique, rien ne distingue clairement un « accord exécutoire » d'un « contrat ». L'ajout du terme « exécutoire » viendrait donc restreindre la portée du chapitre SP 3155 [projet] uniquement aux contrats en bonne et due forme. Ainsi, si le CCSP souhaite que le champ d'application des accords soit élargi aux engagements non juridiques ou aux engagements décontractualisés, l'utilisation du terme « accord exécutoire » n'est pas appropriée.

Aussi, l'utilisation de « accord exécutoire » introduit une nouvelle terminologie qui n'est pas en adéquation avec la terminologie utilisée dans les NCSP. Cette nouvelle terminologie pourrait également entrainer de la confusion auprès des entités du secteur public, considérant l'utilisation d'une terminologie différente ailleurs dans le Manuel du secteur public (par exemple, SP 3280, SP 3400, SP 3380 ou SP 3390). De plus, elle ne serait pas cohérente avec les fondements du Cadre conceptuel de l'information financière qui s'appuient dans le secteur public au Canada sur des caractéristiques qualitatives de primauté de la substance sur la forme (chapitre 7.12 à 7.14). C'est la réalité économique qui prime sur la forme juridique.

g. **Recommandation** : Modifier la terminologie « accord exécutoire » par la terminologie « accord ou contrat » (en anglais, « agreements or contracts »), afin que la terminologie du chapitre SP 3155 [projet] soit en adéquation avec le reste du Manuel du secteur public, et que le champ d'application permette d'y inclure les engagements juridiques (contrats), et les engagements non juridiques et les engagements décontractualisés (accords).

3. Êtes-vous favorable aux modifications corrélatives portant sur les exceptions à la comptabilisation (paragraphe SP 1202.079)? Dans la négative, veuillez expliquer pourquoi.

Oui, nous sommes favorables aux modifications corrélatives portant sur les exceptions à la comptabilisation (paragraphe SP 1202.079).

[1] « Contrat exécutoire », [En ligne], Office québécois de la langue française, 2006. [https://vitrinelinguistique.oqlf.gouv.qc.ca/fiche-gdt/fiche/500897/contrat-executoire] (18 mars 2025).

Cependant, le paragraphe SP 3155.002 [projet] précise que le chapitre doit être appliqué à la comptabilisation des immobilisations incorporelles, à l'exception, notamment, des pouvoirs ou droits souverains ou équivalents qui sont établis dans la Constitution, dévolus ou délégués par voie législative ou réglementaire, ou établis conformément aux lois ou droits autochtones [SP 3155 e)]. Ainsi, selon SP 3155.002 e) [projet] ce sont tous les éléments incorporels en cause dans ce paragraphe qui sont exclus du champ d'application du chapitre SP 3155 [projet].

Au contraire, la proposition de modification au paragraphe SP 1202.79 b) n'exclurait que les éléments incorporels non achetés découlant des pouvoirs ou droits souverains ou équivalents qui sont établis dans la Constitution, dévolus ou délégués par voie législative ou réglementaire, ou établis conformément aux lois ou droits autochtones. Il s'agit selon nous d'une incohérence.

h. **Recommandation** : Revoir la modification corrélative du chapitre SP 1202.079 b) comme suit afin d'en assurer la cohérence avec le paragraphe SP 3155.02 e) [projet] :
   « .079 Au contraire, les éléments suivants ne sont pas comptabilisés dans les états financiers :
   […]
   b) les éléments incorporels ~~créés ou non achetés~~ qui découlent de pouvoirs ou droits établis dans la Constitution, dévolus ou délégués par voie législative ou réglementaire, ou établis conformément aux lois ou droits autochtones, ~~(~~comme les droits sur le spectre pour communications sans fil, les droits sur l'espace aérien et les eaux territoriales, et les droits forestiers~~)~~; ».
i. **Recommandation** : Revoir la modification corrélative du chapitre SP 1202.080 comme suit, afin d'être cohérents avec la proposition de modification du chapitre SP 1202.79 b) précédente :
   « *Les états financiers doivent mentionner que les oeuvres d'art, ~~et~~ les trésors historiques et/ou les collections, certains~~, les~~ éléments incorporels ~~créés ou non achetés~~ (comme il est mentionné à l'alinéa SP 1202.079 b)) […]* ».

4. Êtes-vous favorable à toutes les autres modifications corrélatives? Dans la négative, pourquoi?

De manière générale, nous sommes en accord avec les modifications corrélatives. Il y a toutefois certains éléments qui pourraient faire l'objet de clarification.

Chapitre SP 3150, IMMOBILISATIONS CORPORELLES

Le champ d'application du chapitre SP 3150 exclut désormais les logiciels de son champ d'application (modification corrélative à SP 3150.02 ; BC.22). Cependant, tel que mentionné à l'exemple du paragraphe SP 3155.04 [projet], lorsque le logiciel fait partie intégrante de l'immobilisation corporelle, il doit être comptabilisé selon le chapitre SP 3150 et non selon le chapitre SP 3155 [projet]. Certains logiciels (par exemple, les systèmes d'exploitation) devraient être comptabilisés selon le chapitre SP 3150.

j. **Recommandation** : Modifier le paragraphe SP 3150.02 comme suit :
   « .02 Les immobilisations corporelles constituent des ressources économiques importantes gérées par les entités du secteur public et une composante essentielle dans la prestation de nombreux programmes du secteur public. Les immobilisations corporelles comprennent des éléments aussi divers que les routes, les bâtiments, les véhicules, le matériel, les terrains, les réseaux d'alimentation en eau et autres systèmes de services publics, les aéronefs, le matériel informatique, ~~les logiciels,~~ les barrages, les canaux, ~~et~~ les ponts et les logiciels qui font partie intégrante d'une immobilisation corporelle. »

Chapitre 3410, PAIEMENTS DE TRANSFERT

Le CCSP propose que le paragraphe SP 3410.27 soit modifié de la façon suivante :

«.27 Selon les principes de comptabilisation du présent chapitre, un transfert d'immobilisations non amortissables, comme un terrain, <u>et/ou d'immobilisations incorporelles non amortissables</u> est comptabilisé à titre de revenu lorsqu'il est reçu ou à recevoir ».

Cependant, le chapitre SP 3155 [projet] utilise plutôt le libellé « immobilisation incorporelle à durée de vie utile indéterminée » plutôt que « immobilisation incorporelle non amortissable ». Nous sommes d'avis que les libellés utilisés devraient être cohérents d'un chapitre à l'autre.

k. **Recommandation** : Ajuster le chapitre 3410 pour que le libellé du paragraphe SP 3140.027 soit cohérent avec le libellé utilisé dans le chapitre SP 3155 [projet], comme suit :
«.27 Selon les principes de comptabilisation du présent chapitre, un transfert d'immobilisations non amortissables, comme un terrain, et/ou <u>d'immobilisations incorporelles à durée de vie utile indéterminée</u> est comptabilisé à titre de revenu lorsqu'il est reçu ou à recevoir […] ».

5. Êtes-vous favorable aux dispositions transitoires?

Oui, nous sommes en accord avec les dispositions transitoires.

<u>Autres commentaires</u>

Nécessité de développer une norme à part entière sur la dépréciation d'actifs à long terme

Le CCSP a publié, dans le chapitre SP 3155 [projet], des sections qui portent sur la dépréciation, soit sur le caractère recouvrable de la valeur comptable – Pertes de valeur, l'évaluation de la valeur de service recouvrable, la juste valeur diminuée des coûts de la vente, la valeur d'utilité et l'approche du coût de remplacement net d'amortissement.

Considérant que les enjeux de dépréciation ne touchent pas uniquement les immobilisations incorporelles (nous pensons entre autres aux immobilisations corporelles), nous craignons que la publication d'indications sur la dépréciation dans le chapitre SP 3155 [projet] limite les préparateurs des états financiers, puisque les recommandations sont parfois génériques et imprécises.

Nous croyons qu'une stratégie plus alignée avec la nouvelle stratégie internationale adoptée par le CCSP serait de publier une norme à part entière sur la dépréciation des actifs non-générateurs de revenus dans un sens plus large, tel que vu dans les IPSAS (voir IPSAS 21, IMPAIRMENT OF NON-CASH-GENERATING ASSETS). En plus de s'aligner avec la nouvelle stratégie, cela permettrait de fournir de plus amples informations et normes particulièrement à l'égard de la dépréciation d'immobilisations incorporelles qui pourraient s'avérer nécessaire compte tenu des risques associés à la comptabilisation de nouveaux actifs dans les états financiers des gouvernements dans un cycle économique déficitaire.

Pour ce faire, les paragraphes .094 à .115 du chapitre SP 3155 [projet] pourraient faire partie de la norme sur les immobilisations incorporelles jusqu'à la date d'entrée en vigueur du chapitre sur la dépréciation des actifs non-générateurs de revenus des NCSP, puis retirés après cette date. Toutefois, il est essentiel que le CCSP priorise dès maintenant le sujet de la dépréciation des actifs à long terme dans le cadre de son prochain sujet normatif à mettre de l'avant au Canada compte tenu des risques associés au projet des immobilisations incorporelles.

Par ailleurs, compte tenu des nouveaux fondements conceptuels au Canada qui sont différents de ceux en IPSASB, il serait d'intérêt de s'assurer que les différentes notions et définitions proposées dans cet exposé-sondage (ex.: valeur de service recouvrable) soient cohérentes avec les nouveaux fondements conceptuels canadiens. Cela pourrait nécessiter de revoir par la même occasion, certaines notions du chapitre sur les immobilisations corporelles, SP 3150 pour en assurer la cohérence.

Inefficacités

Le chapitre SP 3155.060 [projet] spécifie que les inefficacités identifiées et les déficits de fonctionnement initiaux subis avant que l'actif n'atteigne le niveau de performance prévu ne constituent pas des composantes du coût d'une immobilisation incorporelle générée en interne.

L'IPSAS 31, sur laquelle est fondé le chapitre SP 3155 [projet], ne fournit pas d'exemples concrets de ce qui constitue un coût d'inefficacité. Cependant, il arrive fréquemment que des coûts imprévus significatifs sont engagés lors du développement d'un élément incorporel (par exemple, lors du développement ou de l'implantation de logiciels dans le cadre de projets informatiques). Les organismes publics et les différents gouvernements au Canada ont régulièrement des projets informatiques complexes et d'envergure sur plusieurs années dont les budgets initiaux et les échéanciers font l'objet de dépassements, et de modifications en cours de développement. Il y a donc un risque que l'évaluation des coûts d'inefficacité soit très volatile d'une entité à une autre. De plus, le manque d'indications sur ce que représentent les coûts d'inefficacité donne beaucoup de latitude pour capitaliser ce genre de frais, car l'interprétation repose presque uniquement sur le jugement professionnel. Cela pourrait mener à des surévaluations des immobilisations incorporelles capitalisées à l'état de la situation financière.

Nous croyons qu'il serait essentiel de fournir des précisions sur ce que constitue les coûts d'inefficacités identifiés au chapitre SP 3155.060b) [projet], afin de s'assurer que le traitement comptable de tels coûts est uniforme dans les états financiers des entités du secteur public canadiennes et éviter que les coûts d'inefficacité soient capitalisés dans les états financiers des entités du secteur public. Entre autres, des exemples illustratifs pourraient être présentés en annexe.

Par conséquent, il devient fondamental avant d'approuver ce projet de normalisation d'y apporter des précisions quant aux coûts d'inefficacité surtout dans le contexte mentionné précédemment que nous n'avons pas au Canada de norme à l'égard de la dépréciation d'actifs à long terme tel que mentionné dans notre commentaire précédent.

Portefeuille d'usagers

Le chapitre SP 3155.018 [projet] indique que « l'entité peut avoir un portefeuille d'usagers de ses services ou un taux de réussite auprès des usagers cibles et s'attendre à ce que ces usagers continuent d'utiliser ses services en raison des efforts qu'elle consent à l'établissement de relations avec eux. Toutefois, en l'absence de droits établis lui permettant de protéger, ou d'autres moyens lui permettant de contrôler, ses relations avec les usagers d'un service ou leur fidélité à son égard, l'entité n'a **<u>généralement</u>** pas un contrôle suffisant des avantages économiques attendus de ces relations ou de cette fidélité pour que de tels éléments (par exemple, le portefeuille d'usagers d'un service, les parts de marché ou le taux de réussite associés à un service, et les relations avec les usagers d'un service et la fidélité de ceux-ci) répondent à la définition d'une immobilisation incorporelle. ».

Cela semble ouvrir la porte à la comptabilisation des portefeuilles d'usagers de service en tant qu'immobilisation incorporelle générée en interne. Par exemple, une entité du secteur public qui détient le monopole d'un service (ex.: centres d'hébergement et de soins de longue durée, services d'émission de permis de conduire, etc.) et qui peut donc s'attendre à ce que les usagers continuent d'utiliser ses services (de par le fait que l'entité du secteur public est la seule qui a, selon la Loi, le droit d'offrir ce service) pourrait vouloir capitaliser ses portefeuilles d'usagers à titre d'immobilisation incorporelle.

Nous croyons que la fourniture d'exemples pratiques pour lesquels il serait permis de comptabiliser un portefeuille d'usagers à titre d'immobilisation incorporelle dans le secteur public (si les autres critères que le contrôle sont aussi respectés) pourrait permettre de s'assurer qu'il n'y ait pas de comptabilisation inappropriée pour ce genre d'élément. Toutefois, nous considérons qu'il n'est généralement pas dans l'intérêt public de comptabiliser des portefeuilles d'usager dans le secteur public.

Capitalisation de frais financiers

Le chapitre SP 3155.034 [projet] indique que « Si le paiement au titre d'une immobilisation incorporelle est différé au-delà des durées normales de crédit, son coût est l'équivalent du prix au comptant. La différence entre ce montant et le total des paiements est comptabilisée en tant que charges d'intérêts sur la durée du crédit à moins qu'elle ne soit inscrite à l'actif lorsque l'entité a pour politique de capitaliser ces intérêts ». Selon nous, cette situation est peu susceptible de survenir en pratique dans le secteur public.

Toutefois, contrairement aux dispositions du chapitre SP 3150, le chapitre SP 3155 [projet] ne spécifie pas le traitement comptable à apporter dans la situation inverse, c'est-à-dire dans la situation où une entité finance le développement d'une immobilisation incorporelle qui répond aux critères de capitalisation du chapitre 3155 [projet]. En effet, nous croyons que la contraction d'un emprunt est une situation courante pour financer le développement de certains projets de plus grande envergure. Sans indication dans le chapitre SP 3155 [projet], il pourrait y avoir de la confusion auprès des entités quant au traitement comptable approprié pour les frais financiers afférents à cet emprunt.

Nous recommandons donc de faire l'ajout suivant :
« .030 Exemples de coûts directement attribuables :
[...]
d) les frais financiers directement rattachés à l'acquisition, à la construction, au développement ou à la mise en valeur, par exemple les intérêts débiteurs lorsque l'entité du secteur public a pour politique de capitaliser ces intérêts. »

ORDRE DES COMPTABLES
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Montréal, le 30 mai 2025

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

Monsieur,

Vous trouverez ci-joint les commentaires du Groupe de travail technique Secteur public – Comptabilité dans le secteur public, de l'Ordre des comptables professionnels agréés du Québec, concernant l'exposé-sondage intitulé « Projet de chapitre SP 3155*, Immobilisations incorporelles ».*

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

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

Veuillez agréer, Monsieur Puskaric, mes salutations distinguées.

Annie Smargiassi, CPA auditrice

Représentante du Groupe de travail technique Secteur public – Comptabilité dans le secteur public de l'Ordre des CPA du Québec

p. j. Déni de responsabilité et commentaires

DÉNI DE RESPONSABILITÉ

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

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

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

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

MANDAT DES GROUPES DE TRAVAIL

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

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

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

COMMENTAIRES GÉNÉRAUX

Les membres du groupe de travail soutiennent vivement la publication de cet exposé-sondage portant sur les immobilisations incorporelles.

Toutefois, ils mentionnent qu'il faut entreprendre rapidement les projets concernant l'infonuagique et les indications supplémentaires concernant les approches relatives à l'évaluation des pertes de valeur liées à des immobilisations corporelles et immobilisations incorporelles. Ils croient nécessaire que le CCSP ajoute ces éléments rapidement à son programme de travail.

QUESTIONS SPÉCIFIQUES DU CCSP

1. ***Êtes-vous favorable aux propositions énoncées dans l'exposé-sondage? Dans la négative, quelles sont celles qui posent problème selon vous, et pourquoi?***

   Les membres ont discuté et fait des commentaires spécifiques sur plusieurs paragraphes de la norme proposée, qui sont détaillés ci-dessous :

   Champ d'application et définitions:

   - Le paragraphe .006 mentionne que les films cinématographiques, enregistrements vidéo, pièces de théâtre (...) sont exclus du champ d'application de la Note d'orientation du secteur public NOSP-2 "immobilisations corporelles louées". Or, à 2.3 de la note d'orientation NOSP-2, il est indiqué qu'une immobilisation corporelle louée est un actif non financier ayant une existence matérielle, par conséquent, c'est déjà exclu dans la note d'orientation. Ainsi, cette portion du paragraphe .006 devrait être retirée puisque cela devient redondant. Les membres sont d'avis que ce paragraphe risque d'entraîner de la confusion en ce qui a trait à tout autre droit détenu par un preneur en vertu d'un accord à l'égard de tout autre actif incorporel autre que ceux spécifiquement décrits au paragraphe .006.
   - À propos de l'alinéa 002 c), il n'est pas clair pour les membres pourquoi sont précisés « la comptabilisation et l'évaluation (aussi appelée mesure) des actifs de prospection et d'évaluation », sans considérer les aspects de présentation et

d'information à fournir. Ce genre de précision n'est pas inclus dans les autres alinéas qui traitent d'autres sujets à même le paragraphe .002. Les membres suggèrent de retirer la mention précise sur la comptabilisation et aussi la mesure afin d'éviter de la confusion et des interprétations divergentes. Cela aura pour effet d'exclure en totalité les actifs de prospection et d'évaluation liés à des ressources minérales de cette norme.

- Concernant le paragraphe .003 c), il devrait être retiré de la norme puisqu'au Canada, on ne peut pas avoir d'actifs de transfert pour un cédant découlant de la norme SP 3410 Paiements de transferts. La norme est différente au Canada qu'à l'international, soit la future norme IPSAS 48. D'ailleurs au Canada, les bases de conclusion SP3410 du paragraphe 7 mentionnent ce qui suit:

  > *(...) Selon la nouvelle norme, le gouvernement cédant ne peut comptabiliser aucun type de transfert à titre d'actif, qu'il soit anticipé ou non, car il ne reçoit en échange aucune valeur économique pouvant être comptabilisée à titre d'actif. Un transfert n'est pas assimilable à un échange, mais constitue plutôt une redistribution de ressources économiques.*

- Selon les membres, le sujet traité au paragraphe .004 devrait faire partie du paragraphe .003 au même titre que les autres sujets énumérés dans ce dernier, car il s'agit d'un sujet dont un autre chapitre en prescrit la comptabilisation spécifique. Les membres ne comprennent pas pourquoi ce sujet est traité autrement dans un paragraphe distinct du paragraphe .003.
- Le paragraphe .008 fait référence à des informations à fournir en vertu de la norme SP 3150 modifiée qui n'est pas encore publiée de façon définitive. Les membres ont un malaise à référer à une norme à venir dont on ne sait si elle sera modifiée par rapport aux propositions. Les membres réitèrent les commentaires qu'ils avaient formulés concernant les informations à fournir sur les œuvres d'art, trésors historiques et collections, et recommandent au CCSP de revoir ces exigences. Certains se demandent si on ne devrait pas plutôt faire référence au paragraphe .003, car le sujet est traité par un autre chapitre des normes du secteur public.
- Les membres proposent, à l'alinéa .009 f), de remplacer l'expression « ressource économique » par le mot « actif » afin d'être cohérent avec les autres normes du secteur public.

Caractère identifiable, contrôle d'un actif et avantages économiques futurs

- Au paragraphe .010, les membres proposent de remplacer l'expression « éléments incorporels » par « actifs incorporels », par souci d'uniformité. Ils recommandent la même correction au paragraphe .129.
- Selon les membres, le paragraphe .013 devrait être en italique, car il s'agit d'une exigence.
- Le paragraphe .018 n'est pas clair pour les membres. Ils sont d'avis que la façon dont le paragraphe est rédigé ouvre la porte à la comptabilisation de relations clients qui ne sont généralement pas comptabilisées par les entités du secteur public. Selon eux le paragraphe devrait être plus clair sur le fait qu'il s'agit d'un actif incorporel qui ne devrait pas être comptabilisé.

Comptabilisation et évaluation

- L'alinéa a) du paragraphe .023 demande de comptabiliser une immobilisation incorporelle si « elle répond à la définition d'un actif ». Or, les membres proposent plutôt d'uniformiser ce texte avec les paragraphes correspondants des normes canadiennes, précisément au paragraphe .21 de l'IAS 38, *Immobilisations incorporelles,* de la Partie I du Manuel de CPA Canada ou du paragraphe .21 du chapitre 3064 *Écarts d'acquisition et actifs incorporels,* de la Partie II du Manuel. Ils suggèrent donc au CCSP de rédiger le texte de l'alinéa a) du paragraphe .23 de la façon suivante : « … il est probable que les avantages économiques futurs attribuables à l'actif iront à l'entité ».
- L'alinéa b) du paragraphe .023 demande à ce que le coût d'une immobilisation incorporelle soit évalué de manière « à en donner une image fidèle ». Or, les membres ne sont pas d'accord avec la terminologie utilisée, car, selon eux, une image est fidèle si l'élément en question est bien évalué, mais aussi si la présentation en est adéquate et si des informations pertinentes sont présentées à son sujet dans les états financiers. Ils ont d'ailleurs rédigé des commentaires à ce propos, en réponse à l'exposé-sondage sur les améliorations annuelles 2024-2025 des NCSP dans lequel il est proposé de remplacer « fiabilité » » par « image fidèle ». Ils recommandent au CCSP de modifier le texte de l'alinéa .023 b) comme suit : « …le coût de cet actif peut être évalué de manière fiable ». Selon les membres, il pourrait y avoir plusieurs occurrences pour lesquelles le texte devrait être modifié.

Immobilisations incorporelles acquises dans le cadre d'opérations sans contrepartie

- Les membres sont d'avis que des indications devraient être fournies lorsque la juste valeur des immobilisations incorporelles acquises ne peut être déterminée au prix d'un effort raisonnable et ils jugent que le paragraphe .038 des propositions est incomplet à cet égard. Les normes canadiennes proposent, dans ce contexte, la comptabilisation à une valeur symbolique et les membres souhaitent que cet aspect puisse être inclus dans la norme proposée sur les immobilisations incorporelles, même si ce concept est absent des normes internationales du secteur public. Les membres proposent l'ajout d'un libellé tel que celui du paragraphe .14 du chapitre SP 3150, « Immobilisations corporelles », qui préciserait que :

  > *Dans des circonstances inhabituelles où il n'est pas possible de faire une estimation de la juste valeur, l'immobilisation incorporelle est comptabilisée pour une valeur symbolique.*

Coût d'une immobilisation incorporelle générée en interne

- Les membres ont eu de la difficulté à interpréter les indications de l'alinéa .060 b) à l'égard des inefficacités identifiées et les déficits de fonctionnement initiaux et ont manifesté le besoin d'exemples pour illustrer ce qu'on entend par cette exigence. Ils comprennent qu'on veuille éviter de surcapitaliser des coûts, mais ils se demandent comment traiter les situations de dépassements de coûts qui peuvent arriver assez souvent dans le secteur public et se questionnent sur la façon d'évaluer le niveau de performance prévue (VS performance réelle) des actifs incorporels générés en interne.

Valeur résiduelle

- Les membres souhaitent qu'une définition de la « durée de vie utile » soit ajoutée au paragraphe .009 afin de clarifier les exigences du paragraphe .083. Un lien devrait aussi être fait à la section qui traite spécifiquement de ce sujet, aux paragraphes .067 à .076.

Valeur d’utilité

- Selon les membres, le paragraphe .112 devrait reprendre le texte de la définition au paragraphe .009, ou y faire référence. Des différences pourraient entraîner de la confusion.

Informations à fournir

- Selon les membres, un changement dans le mode d’amortissement n’est pas toujours traité en pratique comme une révision d’estimation comptable, un tel changement pouvant aussi découler d’un changement de méthode comptable. Ainsi, les membres croient que l’alinéa b) du paragraphe .123 pourrait causer des incohérences et des erreurs, car il est en contradiction avec les exigences du chapitre SP 2120, *Modifications comptables.* Ils font savoir que les changements de mode d’amortissement ne sont pas tous reliés à des situations exposées au paragraphe .10 du chapitre SP 2120.
- Les membres questionnent la pertinence des informations à fournir à l’alinéa b) du paragraphe .124, soit la juste valeur et la valeur comptable, pendant toute la durée de détention, d’une immobilisation incorporelle acquise dans le cadre d’une opération sans contrepartie. Selon eux, cette information est pertinente pour l’exercice (ou la période) au cours duquel l’opération a été réalisée uniquement. Les membres sont d’avis que ce paragraphe devrait être reformulé pour préciser qu’il s’applique « pour les immobilisations corporelles <u>acquises au cours de l’exercice (ou de la période)</u> dans le cadre d’une opération sans contrepartie (…) »
- Concernant le paragraphe .126, les membres croient que les efforts requis pour retracer des dépenses de recherche et développement comptabilisées en charge seraient trop importants et ils se questionnent sur l’utilité et la pertinence de fournir cette information pour des éléments non capitalisés initialement. Tel qu’il est précisé au paragraphe .044, le coût pour générer une immobilisation incorporelle en interne ne peut pas, dans certains cas, être distingué du coût pour maintenir ou accroître la survaleur générée en interne de l’entité ou du coût de la conduite des activités courantes, de sorte que ces charges pourraient se retrouver dans une multitude de rubriques dans les états financiers et pourraient être très difficiles à identifier.

2. ***Selon vous, l'adoption du terme « accords exécutoires » pourrait-elle venir élargir le champ d'application des accords pour votre organisation? Dans l'affirmative, veuillez préciser.***

   À première vue, les membres ne voient pas de différence entre les expressions « accord exécutoire » et « accord contractuel » et selon eux, l'expression proposée est bien définie dans la norme. Toutefois, ce changement terminologique pourrait causer de la confusion ou être incohérent avec d'autres normes comptables canadiennes pour le secteur public. Selon certains membres, le changement pourrait restreindre le champ d'application au lieu de l'élargir.
   Finalement, les membres sont d'avis qu'on devrait éviter d'utiliser une terminologie légale dans les normes comptables du secteur public, car les fondements conceptuels au Canada qui ont été adoptés récemment priorisent la substance économique au détriment de la forme juridique des accords. Ils croient aussi que le paragraphe .014 porte à confusion. Ils se sont demandé s'il était possible d'avoir dans les faits un accord, sans avoir de contrat.

3. ***Êtes-vous favorable aux modifications corrélatives portant sur les exceptions à la comptabilisation (paragraphe SP 1202.079)? Dans la négative, veuillez expliquer pourquoi.***

   Les membres sont en accord avec les changements proposés au paragraphe SP 1202.079. Toutefois, certains membres croient que cette notion doit aussi être expliquée dans la section qui traite du contrôle d'un actif, paragraphes .015 à .018 dans le chapitre SP 3155 modifié, et non uniquement mentionné au paragraphe .002 dans les exclusions.

4. ***Êtes-vous favorable à toutes les autres modifications corrélatives? Dans la négative, pourquoi?***

   Les membres ont proposé des changements additionnels qui sont détaillés ci-dessous :

- À l'alinéa d) du paragraphe .068 du chapitre 1202, *Présentation des états financiers,* on propose de remplacer « élément incorporel » par « immobilisation incorporelle ».
- Au paragraphe .04 du chapitre SP 3420, *Opérations interentités*, on propose d'ajuster le paragraphe pour considérer les pertes de valeurs pour les immobilisations corporelles, comme c'est le cas pour les immobilisations incorporelles. Le changement proposé est cohérent avec la définition de la valeur comptable nette indiquée au chapitre SP 3150, *Immobilisations corporelles*. Voici le texte proposé par les membres:
    - Valeur comptable : valeur d'un élément transféré, ou coût de services fournis, qui est inscrit dans les comptes du prestataire, après régularisation le cas échéant, par exemple pour tenir compte de l'amortissement, de la dépréciation ou de variations de la juste valeur. Pour les immobilisations corporelles, la valeur comptable correspond au coût diminué de l'amortissement cumulé et du cumul des pertes de valeur. Pour les immobilisations incorporelles, la valeur comptable correspond au coût diminué de tout amortissement cumulé et du cumul des pertes de valeur. Pour les autres actifs, la valeur comptable peut être le coût diminué des provisions pour moins-value, ou la juste valeur, selon le cas.
- Dans le tableau à la suite du paragraphe .26 de la *Préface des normes comptables s'appliquant uniquement aux organismes sans but lucratif du secteur public*, les membres sont d'avis que le chapitre SP 3155, *Immobilisations incorporelles* est d'application limité aux OSBL tout comme c'est le cas pour le chapitre SP 3150, *Immobilisations corporelles*.

5. Êtes-vous favorable aux dispositions transitoires?

Les membres sont d'avis que la date prévue d'entrée en vigueur semble adéquate, toutefois, cette date pourrait ne pas convenir si la version définitive de la norme est publiée tardivement dans le Manuel de comptabilité de CPA Canada pour le secteur public. Les membres souhaiteraient bénéficier d'une période minimale de 18 mois entre la date de publication définitive de la norme et sa date d'entrée en vigueur.

May 30, 2025

SENT ELECTRONICALLY

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

Re: Exposure Draft, "Intangible Assets, Proposed Section PS 3155"

Dear Mr. Puskaric,

Thank you for the opportunity to provide input to the Public Sector Accounting Board ("PSAB") on the above noted document.

MNP LLP is one of Canada's largest chartered professional accountancy and business advisory firms. Our clients include small to mid-size owner-managed businesses in agriculture, agribusiness, retail and manufacturing as well as pension plans, credit unions, co-operatives, First Nations, medical and legal professionals, not-for-profit organizations, municipalities and government entities. In addition, our client base includes a sizable contingent of publicly traded companies. We believe that we are well-positioned to provide feedback on this exposure draft ("ED").

We support the PSAB's efforts to develop foundational guidance on the accounting for intangible assets. We are supportive of the proposed amendments, our responses to selected questions are included below.

Question 1: Do you agree with the proposals in the Exposure Draft? If not, which proposals do you disagree with and why?

We support the proposed changes and believe they will significantly contribute to closing any existing gaps for foundational guidance on intangible assets. We believe that the proposed guidance will be particularly beneficial for entities that are investing in internally developed intangible assets. These investments often represent significant expenditures and potential future economic benefits. Recognizing and appropriately measuring these assets will provide a more accurate reflection of an entity's financial position and performance.

Question 5: Do you agree with the transitional provisions?

We agree with the proposed effective date and transitional provisions. The transitional provision options will provide flexibility for entities and reduce the cost of initial implementation. Further, this implementation period will allow sufficient time to apply the new standard.

We would be pleased to offer our assistance to the PSAB for any future proposed changes to accounting standards and in helping to find solutions which meet the needs of the financial statement users.

Yours truly,

MNP LLP

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May 30, 2025

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Re: PSAB Exposure Draft – Intangible Assets, Proposed Section PS 3155 ("Exposure Draft")

Dear Michael Puskaric,

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

1. *Do you agree with the proposals in the Exposure Draft? If not, which proposals do you disagree with and why?*

   We agree with many of the proposals in the Exposure Draft, however there are some proposals within the current version of the Exposure Draft which we believe may cause issues or confusion, as noted below:

- In paragraph .020, it cross references the definition of an intangible asset to paragraphs .010-.019 of this standard for recognition of an intangible asset, but then in paragraph .023, it states that an intangible asset should only be recognized if it "meets the definition of an asset". This appears to mirror IPSAS 31 paragraphs .26 and .28, however having 3155.020(a) stating "the definition of an intangible asset", while 3155.023(a) states, "the intangible asset meets the definition of an asset" could lead users to default to recognizing intangible assets on the basis of PS 3210, thereby broadening the scope of the standard. Given that an intangible asset is defined via paragraphs .010-.019, paragraph .023 seems redundant.
- The guidance regarding measuring recoverable service amounts in this Exposure Draft requires the determination of an intangible asset's "Value in use". The definition in paragraph .009(j) for Value in use refers to the present value of an intangible asset's remaining service potential. To calculate the intangible asset's present value, it would require management to determine the expected cash inflows that would be associated with the intangible asset for this impairment assessment. This diverges from the impairment guidance in Section PS 3150, *Tangible capital assets*, which requires management to assess the ability of the tangible capital asset to contribute to the public sector entity's ability to provide goods and services.
- Paragraph .004 refers to the use of professional judgment to determine whether software should be considered an integral part of the related hardware, and thus whether it would be classified as a tangible capital asset under PS 3150 or an intangible asset under this Section. With the divergence noted in the point above on how impairment is assessed, this could result in the same software having different conclusions with respect to whether it is impaired.

- For finite life intangible assets and residual value, there is a provision that the residual value should be zero, unless there is a commitment by a third party to acquire it at the end of its useful life or an active market exists for it (paragraph .083). It would be helpful to provide examples of intangible assets which would have an active market for it at the end of its useful life.
- In the retirements and disposals section (paragraphs .116-.120), it states that a gain or loss on derecognition should be recognized in surplus or deficit, but it does not specify if a loss should be classified as an expense or other item in the Statement of Operations, as PS 3400.58-.80 and PS 3400.A33-.A34, Section PS 3100, *Restricted assets and revenues*, and the proposed revised Section PS 3410, *Government transfers*, are silent on this.
- The reference to Section PS 3400, *Revenues*, in paragraph .014 on binding arrangements might be better if it were moved to the section on measurement of intangible assets acquired via non-exchange transactions and exchanges of assets in paragraphs .037 - .040. In situations where the fair value of an intangible asset acquired through a non-exchange transaction is not determinable, additional guidance would be helpful.
- In Appendix A - Illustrative Examples, the subtitle for IE 16 - IE17 states that an acquired broadcasting license expires in five years, but the example states that there is only three years left until it expires. This appears to be contradictory, unless the intent is that a new broadcasting license would be issued for a term of five years, but the remaining term for the acquired license is three years.
- In the Illustrative Examples, there is a typo in IE24, table item (c).

2. *Do you believe adopting the terminology "binding arrangements" may result in broadening the scope of arrangements for your organization? If yes, please explain.*

   Currently, paragraph .014 refers to Section PS 3100, *Restricted assets and revenues*, and Section PS 3400, *Revenues*, in its definition of what a "binding arrangement" is for the context of this standard. However, within PS 3100 and PS 3400, there is no mention of binding arrangements nor a definition which could be used for assessing whether a contractual arrangement would actually be a binding arrangement that could result in the recognition of an intangible asset. Although it is noted in the Basis of Conclusion that, "… in substance ["binding arrangement" is] similar to the definitions and descriptions of contractual rights and obligations found throughout the PSA Handbook." If there is a risk that this could result in broadening the scope of the standard, as inferred by the question, then it is our opinion that if the terminology of "binding arrangements" is to be adopted, greater consideration should be given to the broader implications to the standards as a whole, not solely to the scope of PS 3155.

   As well, by providing more clarity in the definition of a binding arrangement within this Standard, this could be an opportunity to include other items, such as cloud computing arrangements, as intangible assets.

   Finally, we believe it would be helpful to include examples of binding arrangements, either within the Standard itself, in the Illustrative Examples, or in the Basis for Conclusions if no further definition or distinction is made with regards to the terminology.

3. *Do you agree with the consequential amendments to the recognition exclusions (i.e., with paragraph PS 1202.079)? If no, please explain.*

   We agree with the consequential amendments to paragraph PS 1202.079.

4. *Do you agree with all the other consequential amendments? If not, why?*

   The proposed consequential amendments to Section PS 3150, *Tangible capital assets*, which removed all references to computer software, appears contradictory to paragraph PS 3155.004, which cross-references PS 3150 with respect to software that is an integral part of the related hardware.

5. *Do you agree with the transitional provisions?*

   We agree with the transitional provisions.

Thank you for your consideration of the above-noted responses. We would be pleased to elaborate on our comments in more detail if you require. If so, please contact Sharon Tse, Senior Manager National Accounting Standards (+1-416-673-7235 or email stse@bdo.ca) or myself.

Yours sincerely,

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May 30, 2025

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Public Sector Accounting Board
277 Wellington Street West
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Subject: Invitation to Comment – Exposure Draft: Intangible Assets, Proposed Section PS 3155

Dear Mr. Puskaric:

We thank you for the opportunity to provide comments on the above noted Exposure Draft regarding Intangible Assets, Proposed Section PS 3155.

Our response was developed collaboratively between practitioners that have a deep knowledge of public sector entities and organizations ranging from government components and organizations to municipalities, provincial and federal governments. Overall, we are supportive of the Public Sector Accounting Board's Proposed Section PS 3155 ("Section PS 3155"), however, we note that Section PS 3155 was primarily developed based on existing standards from international and other accounting frameworks that were developed in the past. Consequently, we note that the proposed standard, including certain illustrative examples, do not consider the more recent evolution in the nature and form of intangible assets, for example, cloud computing arrangements. We have included certain additional areas, which in our view, would benefit from further clarification for the Board's consideration.

Please find attached our comments to the specific questions raised in the Exposure Draft. If you have any questions, please contact Martin Roy (mroy@deloitte.ca) at 416-601-5679.

Yours truly,

Deloitte LLP

Chartered Professional Accountants

Appendix
Intangible Assets, Proposed Section PS 3155

1. **Do you agree with the proposals in the Exposure Draft? If not, which proposals do you agree with and why?**

   We are supportive of the overall proposals included in the Exposure Draft which provide preparers with a framework for the recognition and measurement of intangible assets. However, there are certain points of feedback with respect to scoping, as well as some practical application challenges that we foresee, and that we would like to bring to the Board's attention.

   Scoping and cloud computing arrangements:

   We acknowledge that there is an active project to develop a new accounting standard and provide guidance on the recognition, measurement, and disclosure of cloud computing arrangements ("CCAs") held by all public sector entities that apply the Public Sector Accounting Handbook ("PSA Handbook"). In absence of specific guidance for CCAs, preparers are likely to develop accounting policies based on the proposed guidance under Section PS 3155 that may serve as a temporary solution in the intervening period between when Section PS 3155 is effective and when the CCAs guidance is effective, which may result in diversity in practice and a lack of comparability of financial statements.

   We believe that the lack of specific guidance relating to the accounting for CCAs could lead to potential diversity in practice as the accounting for CCAs require significant judgement, particularly in determining if an entity controls the software used as part of a service. Furthermore, CCAs often involve material upfront implementation costs, and a lack of clear guidance on elements that can and cannot be capitalized, may lead to preparers deferring to exercising judgement in application of the definition of an asset as defined in Section PS 3210, Assets. This may result in the capitalization of expenditures that may not have otherwise been permissible. As such, we would like to recommend the Board consider deferring the effective date of proposed Section PS 3155 and align the effective date with the completion of the CCAs project. We believe this could reduce the potential diversity in application and significant judgement required by preparers, when assessing CCAs.

   Relevancy of examples:

   Certain references and examples in the proposed standard may lack relevancy to preparers due to the evolution in the form and nature of intangible assets. For instance:

   - Reference to "compact disc" within Proposed Section PS 3155 paragraph .004, which may not be relevant given the current technological landscape with respect to advancements in technology such as Generative Artificial Intelligence, and CCAs.
   - Various references to research and development terms more commonly utilized in industries that engage in manufacturing activities such as "prototype", "tools" and "jigs", contained within Proposed Section PS 3155 paragraph .052, may not be as prevalent in the public sector. Many preparers may not necessarily have the resources dedicated to developing intangible assets that are provided as examples, but rather primarily dedicate resources to developing software that can be used to deliver a particular service. As such, certain words and examples that heavily draw on manufacturing type activities may not equip preparers with an adequate understanding as to how the guidance should be applied to intangible assets such as internally generated software.

- The illustrative examples are primarily focused on the assessment of the useful lives of intangible assets. However, the illustrative examples do not provide guidance on how preparers should apply the recognition criteria, particularly for intangible assets that are prevalent in the public sector, such as software. For instance, there is limited guidance on agile software development methodologies, which are more widely used to deliver digital solutions. Agile approaches often involve iterative releases, overlapping phases of development, and evolving project scopes. Some large and complex internally developed software may have independent modules that can "go-live" at different points in time. Consequently, it may not be immediately apparent to preparers if these modules and sprints should be accounted for as separate intangible assets, or as subsequent expenditures that can be added to the existing carrying amount, if any. The lack of clarity on how to apply recognition and measurement principles in this context may leave preparers uncertain about when and how to recognize intangible assets under such models.

In light of the observations above, we recommend the Board explore adding additional illustrative examples that draw on relevant and common intangible assets, such as internally generated software, or service assets that involve both physical and intangible components (i.e., public transportation fare systems that involve system software, hardware and other physical assets deployed at transportation stations).

Impairment:

With respect to the impairment guidance, we anticipate that preparers may face challenges in the practical application of the standard, specifically with regards to the following areas:

- The calculation of depreciated replacement cost approach may be difficult to apply in practice. For instance:
  - Replacement cost might not be easily determinable by preparers, particularly if the intangible asset was built for a specific and niche purpose where quotations for costs may not be readily available. In cases where the preparer did not construct or separately acquire the intangible asset, would they have the option to approximate replacement cost by observing the cost to lease the intangible?
  - Paragraph .113 is unclear if the depreciated amounts are intended to reflect "accounting depreciation" that the entity would have recorded based the established amortization method per its accounting policies, or if depreciation should reflect the entity's best estimate of physical deterioration, functional and economic obsolescence. In the case of the latter, preparers may require the use of valuation experts to support the determination of the appropriate value in use measure, which would result in increased costs to the preparer.
  - Although paragraph .114 notes that the replacement and reproduction cost of an asset should be determined on an optimized basis, it does not address whether preparers should factor in inputs such as inflation, when determining a standalone replacement value. If preparers should include inflation, would the replacement cost inadvertently be higher than the carrying amount in most scenarios, such that no impairment charges should be recognized? Alternatively, should preparers determine the replacement cost using valuation date costs only, and disregard any potential fluctuation in cost that may occur over a prolonged period that would be needed to fully reconstruct the intangible asset?
- We encourage the Board to consider including additional clarifying guidance with respect to determining the appropriate inputs and judgements that should be made by preparers when calculating the depreciated replacement value to enhance preparers' ability to apply the guidance in practice.

Additionally, the challenges noted above would inevitably result in incremental audit challenges with respect to auditing the preparer's estimates and judgements required to determine an appropriate measurement of the recoverable amount.

Clarification on the usage of "faithfully representative" in the context of measurement:

Although we agree with the inclusion of the term "faithfully representative" to be consistent with the *Conceptual Framework*, we note that achieving faithful representation requires the consideration of broader qualitative characteristics, including substance over form, completeness, neutrality, and freedom from material error. Consequently, it is not immediately apparent how these qualitative factors should be considered and applied in the context of measuring the cost of an intangible asset. As such, we recommend the Board to consider providing additional clarification with respect to how preparers should apply the concept of faithful representation specifically to the measurement of the cost of an intangible asset.

Other editorial observations:

Please find below other editorial observations we would like to share with the PSAB for consideration.

- Paragraph 128 references "… since a reasonable estimate of the amounts involved cannot be made…" which appears inconsistent with the usage of "faithfully representative" throughout the rest of the Proposed Section PS 3155.
- Illustrative Example 24 makes reference to the concept of "non-cash generating asset", which is not a concept that was discussed in previous paragraphs of the proposed impairment guideline.
- Illustrative Example 24: typological item noted with respect to the spelling of "replacement" as "remplacement".

2. **Do you believe adopting the terminology "binding arrangements" may result in broadening the scope of arrangements for your organization? If yes, please explain.**

   We do not believe the adoption of the terminology "binding arrangements" would result in the broadening of the scope of arrangements for preparers. However, there may be challenges for preparers to identify a complete list of intangible assets previously not recognized or identified as intangible assets, resulting in potential preparer and auditor challenges with respect to the completeness of the intangible assets identified upon initial adoption.

3. **Do you agree with the consequential amendments to the recognition exclusions? (i.e., with paragraph 1202.079). If no, please explain.**

   We agree with the consequential amendments to the recognition exclusions as noted in the Basis for Conclusions paragraphs 43-45.

4. **Do you agree with all other consequential provisions? If not, why?**

   We agree with all other consequential amendments as noted in the Basis for Conclusions paragraphs 41 and 42.

5. **Do you agree with the transitional provisions?**

   We agree with the proposed transitional provisions.

New Nouveau Brunswick

30 May 2025

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

**Re: Response to PSAB Exposure Draft,
Intangible Assets PS 3155**

Dear Mr. Puskaric,

Please find attached our responses to the questions outlined in the PSAB Exposure Draft, Intangible Assets PS 3155.

Thank you for the opportunity to comment.

Yours truly,

Haley Keyser

Haley Keyser, CPA, CA
Assistant Comptroller
Office of the Comptroller, Finance and Treasury Board

Enclosure

Exposure Draft – Intangible Assets, Proposed Section PS 3155

Question 1:

Do you agree with the proposals in the Exposure Draft? If not, which proposals do you disagree with and why?

Response:

We do not agree with the disclosure of R&D expenditures as stipulated in section .126. Per section .047, expenditures on research are not capitalized. Expenditures in the development phase may only be capitalized in specific circumstances per section .050. The tracking of research and development expenses that cannot be recognized as part of the cost of the internally generated intangible asset does not provide useful information to the financial statement user (cost vs. benefit threshold not met). This disclosure requirement is inconsistent with the disclosure requirements of PS 3150 Tangible Capital Assets.

Question 2:

Do you believe adopting the terminology of "binding arrangements" may result in broadening the scope of the arrangements for your organization? If yes, please explain.

Response:

Yes, we feel it broadens the scope of arrangements; however, it is consistent with guidance provided in PS 3280 Asset Retirement Obligations.

Definition of a binding arrangement would be helpful (not necessarily in this standard). This would reduce the incidents of repeating the terminology, rights from contracts or other legal rights throughout the proposed standard.

Broadening of the scope may lead to increased preparer/auditor challenges, difficulty to define, document, and audit.

Question 3:

Do you agree with the consequential amendments to the recognition exclusions (i.e. with paragraph PS 1202.079)? If no, please explain.

Response:

Yes, we agree with the consequential amendment to paragraph PS 1202.079.

Question 4:

Do you agree with all the other consequential amendments? If not, why?

Response:

Yes.

Question 5:

Do you agree with the transitional provisions?

Response:

No, we do not agree with the effective date. We would like to be able to review the impacts of implementing PS 1202 and the new Conceptual Framework before implementing this standard. Further, we have concerns with future guidance for cloud computing and would like this to be rolled out along with Intangibles.

May 28, 2025

Michael Puskaric, MBA, CPA, CMA
Director, Public Sector Accounting
Chartered Professional Accountants of Canada
277 Wellington Street West
TORONTO, ON M5V 3H2

Dear M. Puskaric:

Re: Proposed Section PS 3155 *Intangible Assets*

While we agree with many of the concepts included in the Exposure Draft, we have concerns that the proposals do not provide sufficient examples that are particularly relevant to the public sector to assist in understanding and applying the standard. The attachment sets out our responses to the specific questions listed in the exposure draft.

Yours truly,

T. Clemett

Tara Clemett, CPA, CA, CISA
Provincial Auditor

DF/mr
Attachment

	Question	Response
1	Do you agree with the proposals in the Exposure Draft? If not, which proposals do you disagree with and why?	We have concerns that the proposals do not provide sufficient examples that are particularly relevant to the public sector to assist in understanding and applying the standard. Throughout the standard, when discussing economic benefits relating to the intangibles, the focus does not seem to reflect the public sector focus on service delivery versus profit generation. <u>Specifically:</u> -Paragraph .010 would be more understandable if it included examples of "relationships with users of a service" in the public sector context that could be an intangible asset. -We find paragraph .018 confusing and difficult to understand in the public sector context. For example: • it indicates "in the absence of legal rights to protect, or other ways to control the relationships with users of a service or loyalty of those users….". What are examples of "other ways to control" the relationships that would be relevant to the public sector (other than ones arising from powers and/or rights provided for in the Constitution or devolved or delegated through legislation or bylaws or provided for in accordance with Indigenous rights or laws – amended PS 1202.079 indicates these would not be recognized)? We suggest examples of other ways to control should be provided. Also, it may be useful to add a footnote that includes the relevant excerpt from PS 1202.079 as an example of a way to control access to the asset that would <u>not</u> result in recognition of an intangible asset. • Paragraph .018 indicates that "exchange transactions for the same or similar non-contractual customer relationships" provide evidence of ability to control the expected future economic benefits flowing from those relationships. What would examples be of equivalent types of exchange transactions in the public sector? Given government entities undertake numerous non-exchange type transactions, would this preclude recognition of any intangibles because there are no same or similar exchange transactions? We suggest examples of exchange transactions that would be relevant to the public sector should be provided.

	Question	Response
		• Given the difficulties we see in understanding the guidance in paragraph .018 in the public sector context, we suggest the illustrative examples should include situations that may arise under paragraph .018 (examples of situations where there may be "other ways to control the relationships with users of a service" and examples of "exchange transactions for the same or similar non-contractual customer relationships") -Paragraph .052 (a), (b), (c) – the specific examples of development activities in these paragraphs do not seem to reflect typical examples encountered in the public sector. We suggest these examples be modified to reflect more common examples that would be found in the public sector (e.g., program development). -Paragraph .069 (a), (d), (e) – the specific examples of factors to consider regarding useful life included in these paragraphs do not seem to reflect typical examples encountered in the public sector. We suggest these examples be modified to reflect more common examples that would be found in the public sector. -Paragraph .077 indicates "The amortization charge for each period should be recognized in surplus or deficit unless this or another Section permits or requires it to be included in the carrying amount of another asset". What other PS Sections would this be referring to? -Paragraph .081 allows for revenue generation to be used as a basis for amortization of intangibles. This does not seem to align with the fact that the public sector is generally not profit oriented, rather is focused on service delivery. In addition, this does not align with how tangible capital assets are amortized (amortized over period of use in service delivery) and we are not clear on the rationale for the difference. -Paragraph .121(e) requires disclosure of the carrying value of intangible assets not being amortized because they are under development or have been removed from service. However, paragraph .120 indicates that amortization of an intangible asset with a finite useful life does not cease when the intangible asset is no longer used which appears inconsistent with guidance in 121(e). In addition, we note there is no similar requirement to paragraph .120 in Section PS 3150 – Tangible Capital Assets and are unclear why intangible assets would be treated differently.

	Question	Response
		Other editorial comments: Paragraph .014 refers to other PS revenue standards (Section PS 3100 and PS 3400) but excludes mention of PS3410 – Government Transfers. We are unclear why PS 3410 has been omitted. Paragraph .038 – we are unclear why this paragraph does not include a reference to PS 3430 – Restructuring Transactions. Paragraph IE24 has a spelling error in the table - “Remplacement cost” should be “Replacement cost”.
2	Do you believe adopting the terminology of “binding arrangements” may result in broadening the scope of arrangements for your organization? If yes, please explain	We are unsure whether adopting this terminology will result in broadening the scope of arrangements for the public sector entities we audit – we expect preparers of the financial statements would be better equipped to provide this information. Other comments regarding binding arrangements: PS 3155.013 indicates a binding arrangement includes rights from contracts or “other legal rights”. We suggest providing examples of what “other legal rights” would be in the public sector context that would create an intangible asset. We are concerned with the concept of binding arrangements introduced in paragraph .013 as it seems to place focus on legal form versus economic substance which does not seem to align with the PSAS Conceptual Framework (Chapter 7 – paragraphs 7.12 to 7.14).
3	Do you agree with the consequential amendments to the recognition exclusions (i.e., with paragraph 1202.079)? If no, please explain.	Yes, we agree.
4	Do you agree with all the other consequential amendments? if not, why?	Yes, however we suggest adding to the amendment to PS 3160.02 examples of an intangible asset that would arise in a public private partnership.
5	Do you agree with the transitional provisions?	Yes, we agree.

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Public Sector Accounting Board
277 Wellington Street West
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May 30, 2025

SUBJECT: EXPOSURE DRAFT – INTANGIBLE ASSETS, PROPOSED SECTION PS 3155 (FEBRUARY 2025)

Dear Mr. Puskaric:

Doane Grant Thornton LLP and Raymond Chabot Grant Thornton LLP (hereinafter "we") would like to thank you for the opportunity to provide comments on the Public Sector Accounting Board's (hereinafter the "PSAB" or the "Board") Exposure Draft, *Intangible Assets, Section PS 3155* (hereinafter the "ED").

While we are generally supportive of the Board's proposals, we are strongly opposed to providing extensive impairment guidance related to recoverable service amounts when there is no similar guidance in the tangible capital asset standard. We strongly recommend the Board should have just one standard on impairment of long-lived tangible and intangible assets. We believe having more in-depth guidance tied to fair values/values in use/replacement cost for only intangible assets, while having different guidance for tangible assets would be confusing to preparers and users of financial statements. While overall we do not disagree with the impairment proposals, they should be part of a separate standard covering both tangible and intangible assets.

Moreover, we would urge the Board to include in the proposed standard (or alternatively, to issue a public sector guideline) guidance on accounting for cloud computing arrangements. We strongly believe that such guidance is required to appropriately analyze the intangible asset recognition criteria to these arrangements that are widely prevalent in the public sector.

Below please find our responses to the questions in the Exposure Draft.

1. Do you agree with the proposals in the Exposure Draft? If not, which proposals do you disagree with and why?

While we do agree with most of the proposals in the Exposure Draft (apart from impairment), we do have some individual comments below:

Definitions and terminology

- IPSAS and other frameworks define an intangible asset "*an identifiable nonmonetary* ***asset*** *without physical substance*" (emphasis added). We are unclear why PSAB changed the definition to replace "asset" with "economic resource" and recommend that it use the word asset for better clarity.
- The French version of the proposed standard (and the consequential amendments) include both terms *immobilisations incorporelles* and *éléments incorporels* (the latter being based on the French terminology used in PSG-8). We would recommend that only *immobilisations incorporelles* should be used in PSAS.

Scope

- We believe that leases should be included in the list of excluded items in paragraph .003.
- Using start-up costs as an example of items related to extractive or exploration entities that fall under Section PS 3155 in paragraph .007 will create confusion as start-up costs could refer to virtually anything in the creation of an operation. The Board should give more concrete examples of exact expenditures that may fall within the scope of the proposed Section to prevent unintended interpretations.

Identifiability

- Paragraphs .011 and .012 use the term "goodwill" which is not the main term used (or defined) in PSAS. Other sections refer to a "purchase premium". As a result, we believe the same terminology should be used in proposed Section PS 3155.
- Given the importance of the content in paragraph .13, we believe it should be italicized.

Control of an asset

- Paragraph .017 states that "*an entity **usually** has insufficient control over the expected future economic benefits arising from a team of skilled staff and from training…"* (emphasis added). The word "usually" opens the possibility that an entity can set up an asset for skilled staff and training when we believe it would be highly unlikely. We strongly recommend the removal of the word "usually" or, at a minimum, provide examples of when these items would qualify.
- We would suggest that the Board consider potential unintended consequences pertaining to the interaction between the proposed standard and Section PS 3420 *Inter-entity transactions*. Guidance specific to inter-entity transactions is provided in paragraphs .038 and .039 respectively, which deal with intangible assets acquired through non-exchange transactions or through an exchange of assets refers entities to Section PS 3420. Proposed paragraph PS3155.018 states,

  "*In the absence of legal rights to protect such relationships, exchange transactions for the same or similar non-contractual customer relationships provide evidence that the entity is nonetheless able to control the expected future economic benefits flowing from the relationships with the users of a service. Because such exchange transactions also provide evidence that the relationships with users of a service are separable, those relationships meet the definition of an intangible asset*."

  For example, government organization A may be legislated to collect fees for services from a group of "customers". Based on the interaction of PS 3155 with PS 3420, we believe a government could transfer those non-contractual customer relationships from government organization A through an inter-entity transfer to government organization B for no consideration and be allowed to recognize those relationships at their fair value in entity B (assuming it is not a restructuring transaction). Is it the intent of the Board for a public sector entity to recognize an intangible asset that was previously not recognized in the separate financial statements of the recipient at fair value in an inter-entity transaction (since PS 3420 provides for a choice between carrying amount and fair value measurement)?

- Paragraph .018 states that exchange transactions provide evidence that the relationships with users of a service are separable and therefore meet the definition of an intangible asset, even in circumstances where there is absence of legal rights or other ways to control or protect such relationships. We believe that paragraph .018 is confusing and may lead to inconsistent or inappropriate application, especially if it is an inter-entity transaction. We believe that this paragraph should be clarified to specify that although in such circumstances the portfolio of users meet the definition of an intangible asset, guidance specific to internally generated intangible asset must be considered in assessing if such an asset may be recognized.
- The Board should consider proving an example of where diminishing balance method makes sense and where it would not (e.g., using 2% diminishing balance basis for a building would amortize it over hundreds of years – and may be inappropriate), similar to the example provided in paragraph .081 that illustrates a situation where revenue being generated by the intangible asset could be an appropriate basis for amortizing the asset.

Recognition and measurement

- We strongly suggest that the Board group paragraphs .020 and .023 rather than have stakeholders look in various places.
- The wording in paragraph .023 is similar to the wording in IPSAS 31.28, but we note that in paragraph .023(a), the Board's wording is "*the intangible asset meets the definition of an asset*". The IPSAS wording is much clearer in that it states what criteria must be met. The Board's current wording uses the word asset in "intangible asset" before you have met the definition of an asset. We would suggest revising the wording to match IPSAS 31.28(a).
- It would be very useful to have a numerical illustrative example to better demonstrate the intent of paragraph .034.
- We believe paragraph .38 should also include guidance similar to paragraph PS 3150.14 for circumstances where the fair value cannot be measured reliably.
- We believe paragraph .026 should be located after the title below it and not before.

Impairment

- As mentioned in our opening to this letter, we strongly disagree with the Board issuing the recoverable amount guidance for only intangible assets. We believe there should be a separate impairment standard that deals with assessing impairment for tangible and intangible assets. The Board should not issue impairment guidance that is more rigorous for intangible assets, while keeping the current guidance in Section PS 3150. The Board should retain similar proposals to what is currently in Section PS 3150 until it can issue a separate *Impairment of long-lived assets* standard to deal with impairment of assets falling under PS 3150 and PS 3155.
- Overall, we believe the guidance on the depreciated replacement cost approach is incredibly confusing and hard to understand (Paragraphs .113-.114); preparers will struggle to figure out how to come up with this measure. The illustrative example does not provide additional guidance on coming up with this measurement. Without additional guidance or an illustrative example on how to estimate this figure, entities will struggle; so, we strongly advise the Board to reconsider the guidance.

Disclosures

- Paragraph .123 contains a lot of detail related to Section PS 2120 that all other sections do not. A general reference to Section 2120 would be sufficient. We also believe that the wording used in this paragraph leads to the conclusion that change in amortization method is automatically a change in accounting estimate; however, we believe professional judgment is required in such circumstances based on the facts and circumstances leading to that change because it could be the result of a change in accounting estimate or change in accounting policy. Also, the Board should know that, in practice, few entities provide any disclosures related to the impacts of changes in accounting estimates on the current period.
- The proposed requirements in paragraph .124(b) would require entities to carry forward these disclosures perpetually. To prevent disclosure overload and provide users with the most relevant information, we believe these disclosures should only be provided in the year of acquisition.
- We strongly believe the proposed disclosure requirements in paragraphs .126-.127 related to research and development expenditures are unnecessary and often not readily available. For example, an entity may not track the portion of salary expenditures or other costs directly attributable to its research projects such that it could provide the disclosure, since it would have concluded that those costs would not be recognized as an intangible asset.

Other

- Section PS 3150 has guidance on contributed tangible capital assets and contributed materials and services; the Board should be consistent and add guidance for situations in which an intangible asset (or materials and services acquired in a development project) were acquired at substantially below fair value.
- In our response to the proposed amendments to Section 3150, we conveyed our view that the new disclosures for works of art, historical treasures and collections should only be provided for public sector entities that own collections (e.g., museums, libraries, etc.) as they provide relevant information related to their main (or one of their main) activities. We believed the disclosure requirements were not useful or relevant and were an unnecessary significant burden on entities that do not have a collection but still own works of art or historical treasures, which may be of significant value, whether due to government requirements or donations. We still hold the same position for intangible works of art and historical treasures.

2. Do you believe adopting the terminology of "binding arrangements" may result in broadening the scope of arrangements for your organization? If yes, please explain.

We cannot think of how the term binding arrangement will broaden the scope of arrangements for our clients. However, we did find the use of the term somewhat confusing as it seems the same as a contractual arrangement. Reading the basis for conclusions appears to clarify that fact. Nevertheless, most stakeholders do not review the basis for conclusions and the use of that terminology within the proposed section seems to imply there is a difference which may cause unnecessary confusion and costs in assessing whether there is a difference (e.g., paragraph .003(c)). We believe the Board should retain contractual arrangements as the terminology as it is well understood in the Canadian public sector space.

3. Do you agree with the consequential amendments to the recognition exclusions (i.e., with paragraph PS 1202.079)? If no, please explain.

Yes, we agree.

4. Do you agree with all the other consequential amendments? If not, why?

Yes, we agree. We do note that the proposed changes to paragraph PS 3420.04 for intangibles are not consistent with the wording for tangible capital assets (which does not refer to accumulated impairment losses in the Exposure Draft). We believe the proposed wording for intangibles is appropriate and that the wording for the previous sentence for tangible capital assets should also include "and accumulated impairment losses".

5. Do you agree with the transitional provisions?

Yes, we agree.

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

Yours sincerely,

Doane Grant Thornton LLP

Raymond Chabot Grant Thornton LLP

Doane Grant Thornton LLP
Melanie Joseph, CPA, CA

Raymond Chabot Grant Thornton LLP
Stéphane Landry, CPA Auditor

Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

30 May 2025

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

RE: Exposure Draft – *Intangible Assets, Proposed Section PS 3155*

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

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

Sincerely,

Heather Miller, CPA, CMA
Assistant Auditor General
Office of the Auditor General of Canada

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

Question 1

Do you agree with the proposals in the Exposure Draft? If not, which proposals do you disagree with and why?

OAG response:

Overall, we agree with the majority of the proposals in the Exposure Draft. We have outlined four items for consideration below.

1. For consistency with the definition of tangible capital assets in paragraph .05 of PS 3150, we recommend PSAB consider replacing "economic resource" with "asset" in the definition of intangible asset provided in paragraph .009(f) (similar to the definition provided in the "main features of the Exposure Draft" on page 3 of the Exposure Draft).
2. Proposed paragraph .018 touches on whether customer relationships might be recognizable as intangible assets. It implies that legal rights protecting such customer relationships may result in an ability to recognize intangible assets. Given that there are public sector entities who operate under legislation mandating that the public may only obtain a particular service from those entities and nobody else (for example, obtaining a driver's license), we wonder whether the concepts discussed in paragraph .018 may unintentionally lead to certain entities with legislated mandates considering that they could capitalize as intangible assets pretty much any costs they incur relating to their customers. Such an outcome may not be what is intended by PSAB in its drafting of paragraph .018. PSAB may therefore want to consider if this creates a risk of an unintended consequence and, if yes, whether revisions should be made to the wording of this paragraph.
3. The proposed paragraph .060(b) identifies the following as not forming part of the cost of intangible assets: "identified inefficiencies and initial operating deficits incurred before the asset achieves planned performance;". There can be considerably different judgments from one entity to the next in respect of what is considered to be "inefficiencies". It can also be the case that "planned performance" may not necessarily be a hardened concept on all projects. In the interest of enhancing comparability across different entities, PSAB should consider if the proposed new standard may benefit from the inclusion of some application guidance in respect of the paragraph .060(b) concepts.
4. Consider whether the proposed standard may benefit from additional illustrative examples relating to activities that are more commonly provided only by public sector entities (such as licensing, public health care, education, infrastructure, etc.).

Question 2

Do you believe adopting the terminology of "binding arrangements" may result in broadening the scope of arrangements for your organization? If yes, please explain.

OAG response:

We do not believe that adopting the terminology of "binding arrangements" may result in broadening the scope of arrangements our organization deals with. However, we are of the view that the description of "binding arrangement" in paragraph .014 would be clearer if the wording was more closely aligned to the wording used in the French version of this Exposure Draft. PSAB should consider amending the first sentence in paragraph .014 to "for the purposes of this Section, a binding arrangement describes an arrangement that confers enforceable rights and obligations on the parties to it ~~as if it were~~ similar to those which would be evidenced in the form of a contract.". The current use of the words "as if it were" might be interpreted by some as implying that a binding arrangement never takes the form of a contract, which in some cases it does as outlined in .013(b).

Question 3

Do you agree with the consequential amendments to the recognition exclusions (i.e., with paragraph PS 1202.079)? If no, please explain.

OAG response:

Yes, we agree with the consequential amendments to the recognition exclusions (i.e., with paragraph PS 1202.079).

Question 4

Do you agree with all the other consequential amendments? If not, why?

OAG response:

No, we do not agree with all the other consequential amendments. We have described our areas for consideration below.

The proposed consequential amendments to PS 3420.04(a) would result in including the following excerpt (with underlining emphasis to show which portion of this wording relates to the proposed consequential amendment, and **bolding emphasis** to show the area of concern): "…For a tangible capital asset, the carrying amount is the **net of cost and accumulated amortization**. For an intangible asset, carrying amount is the **net of cost and any accumulated amortization and accumulated impairment losses**."

We are of the view that this proposed wording would incorrectly imply that the carrying amount for intangible assets is impacted by accumulated impairment losses, but that the carrying amount for tangible capital assets is not. In reality, accumulated impairment losses can impact the carrying amount of both tangible capital assets and intangible assets.

As such, we recommend PSAB consider if the proposed consequential amendment to PS 3420.04(a) should instead result in the following wording: "… For a tangible capital asset or an intangible asset, the carrying amount is the net of cost and any accumulated amortization and accumulated impairment losses."

In addition, for purposes of internal consistency in terminology, we recommend that the proposed consequential amendments to PS 1202.068 refer to "intangible assets" instead of "intangibles". PSAB should consider making the same change to BC.41(b).

Finally, we note that the proposed consequential amendments to PS 3410.23(e) and (f) seem to be redundant, as we cannot think of a scenario where a preparer would have a transfer in scope of (f) without that same transfer also already being in scope of (e), based on the proposed wording for each paragraph. PSAB may also want to consider that this same comment also could be applied to the already existing paragraphs (b) and (c) of PS 3410.23.

Question 5

Do you agree with the transitional provisions?

OAG response:

Yes, we agree with the transitional provisions, including the effective date of 1 April 2030, as long as the date of issuance of the standard is not less than 18-24 months before the effective date. This is to allow entities sufficient time to implement the new Section.

May 30, 2025

514144

Michael Puskaric, CPA, CMA
Director, Public Sector Accounting
Public Sector Accounting Board
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mpuskaric@psabcanada.ca

Dear Michael:

RE: Intangible Assets, Proposed Section PS 3155

Thank you for the opportunity to provide comments on the Exposure Draft titled "Intangible Assets, Proposed Section PS 3155". The views expressed in this letter reflect the views of the Government of the Province of British Columbia, including central agencies, ministries and entities consolidated into the British Columbia Summary Financial Statements. The Summary Financial Statements of the Province are prepared in accordance with Canadian Public Sector Accounting Board (PSAB) standards.

Inconsistencies with existing standards and revised conceptual framework
We are concerned that certain elements within the exposure draft are inconsistent with existing guidance in Canadian public sector standards. This exposure draft introduces new terminology such as "binding arrangements" and "service capacity"; however, these concepts already exist with a more fulsome definition in PS3200 Liabilities and in the conceptual framework. Additionally, this proposed standard does not incorporate the preparer's use of professional judgment but rather elects to be prescriptive in its application. Overall, the language in the proposed standard is highly technical and difficult to read which is a departure from the tone and presentation of existing standards. Additional illustrative guidance may be required to assist users in understanding the full extent of the guidance. We recognize this may be a result of it being the first exposure draft released under the international strategy; however, the quality of, and consistency within, Canadian standards should not be compromised under this new strategy.

Our comments on the specific questions in the Exposure Draft are attached.

…/2

Should PSAB have any comments or questions, please contact me via e-mail at Nicole.Wright@gov.bc.ca, or Diane Lianga, Senior Executive Director, Financial Reporting and Advisory Services Branch at Diane.Lianga@gov.bc.ca.

On behalf of the Government of British Columbia,

Sincerely,

Nicole Wright, CPA, CMA
Comptroller General
Province of British Columbia

Encl.

cc: Sheila Dodds, CPA, CA, CIA
Acting Auditor General
Province of British Columbia

Diane Lianga, CPA, CGA
Chief Accountant and Senior Executive Director
Financial Reporting and Advisory Services
Office of the Comptroller General

<u>Comments Requested:</u>

1. **Do you agree with the proposals in the Exposure Draft? If not, which proposals do you disagree with and why?**

   We agree with the standards stating that all costs incurred throughout the research phase should be expensed per paragraph 0.47, and how the standards further explain why staff costs cannot be capitalized due to insufficient control over the future economic benefits arising from such staff costs.

   We also agree with how the proposed section on intangible works of art (paragraph .008) aligns with the current treatment of tangible works of art per PSAS 3150.08, in that only a note disclosure is required, since a reasonable estimate of the future benefits associated with such property (whether tangible or intangible) cannot be made.

   However, we do not agree with the following proposals in the exposure draft, as discussed below:

   We question whether the binding attributes of legislation have been considered in the development of this proposal, specifically relating to binding arrangements in the form of a contract as discussed in paragraph .014. We recommend considering or discussing the potential impacts existing legislation could have on a binding arrangement or contract within the government.

   We suggest that the costs associated with dismantling an intangible asset also be included in subsequent measurement, alongside the accumulated amortization and any impairment losses as described in paragraph .066. For example, data and information must be updated, disposed of or transferred before said intangible asset can be dismantled. As such, we believe those costs should be included in subsequent measurement to be consistent with recognition of asset retirement obligations associated with tangible capital assets.

   We note that PS 1201 and PS 1202 state that "the determination of what information is needed in a particular case requires the exercise of professional judgement. No rule of general application can be phrased to suit all circumstances that may arise." Paragraph .077 should not prescribe amortization methods to be used.

   Furthermore, we disagree with paragraph .082, which permits the capitalization of amortization so long as it "constitutes part of the cost of the other asset and is included in the carrying amount." We foresee confusion and prolonged recognition of capital costs arising from this application.

We find the disclosure requirements for intangible assets to be too prescriptive. It is understandable to have in depth disclosure requirements for tangible capital assets, especially when the nominal value is significant. However, since the value of intangible assets is typically less significant, this leads us to question the usefulness and complexity of said disclosure requirements for intangible assets.

We question what value is gained when an entity discloses the aggregate amount of research and development expenditures recognized as an expense during that period for its users. We predict that this requirement could overcomplicate disclosure requirements and add minimal insight to its users. This is also inconsistent with PS1202.133 that requires disclosure of expenses by function or program – not by expenditure type.

We find the section "Recoverability of the Carrying Amount – Impairment Losses" to be overly prescriptive and perhaps conflicting with future impairment guidance. We recommend that a separate comprehensive guideline for all asset impairment (financial and non-financial, tangible and intangible) be developed through due process, or that equivalent items be added to both tangible and intangible asset sections of the handbook. We agree in keeping the current sections in paragraphs .094 - .102.

The proposed standard does not state in the body that it is only applicable to intangible assets, as per BC.38. We feel that this could lead preparers to inadvertently apply the guidance to tangible capital or other assets. Furthermore, the proposed guidance cannot be considered "interim" guidance for tangible capital assets and therefore does not address the current preparer concerns about the lack of impairment guidance.

We find the section "Measuring recoverable service amounts" very similar to PS 3150 .031-.037, however, it does not share the same terminology (i.e. - service potential vs. recoverable service amounts) nor are they defined relative to each other. The proposed sections in PS 3155 go into much greater detail about measurement, which may lead to inconsistencies when any future guidance for tangible capital assets is developed. Additionally, the concept of "service capacity" is far too important in the government for it to only be defined in this section.

We suggest that references to the estimation of "expected remaining future economic benefits" and/or the "expected present value of future economic benefits" be supported by illustrative examples. The term “present value” implies the use of discounting, which is not a method referred to in this standard.

We question the reliability in using the “depreciated replacement cost approach” as it relies heavily on estimates, that may or may not be appropriate to all situations. The exposure draft indicates it is an option frequently used when valuing something for which there is no current market value available. We do not agree with this being the required method of estimating the present value of an asset’s remaining service potential, but it could be an option depending on the circumstances.

We do not agree that the date of disposal of an asset should be “the date that the recipient obtains control of an asset” (paragraph .0118). We believe the date of disposal is the date that the transferor loses control of the asset and access to the future economic benefits. There is no requirement or expectation for symmetrical accounting.

We find the current explanation in BC.31 does not provide enough detail about why the existing PSAS guidance does not align completely with IPSAS 31. For example, the acquisition accounting model from IPSAS 31was removed as it would have required substantial amendments for PSAB Handbook sections PS 2510 and PS 3070, but these amendments are out of scope for PSAB’s Intangible Assets project. Additional detail on how the removed guidance is out of scope and what the nature of the substantial modifications was would have added clarity to the stakeholders for PSAB’s decision.

We find that paragraph .122(a) which includes “mastheads and publishing titles” contradicts paragraph .056, which states that internally generated versions should not be recognized as intangible assets. Therefore, we suggest that .122(a) specify that these must be **purchased** mastheads and publishing titles.

We also find that section .121(e) which states that an entity should disclose the carrying value of intangible assets not being amortized because they are under development or have been removed from service, contradicts paragraph .120 which says amortization of an intangible asset with a finite useful life does not cease when the intangible asset is no longer used, unless the asset has been fully amortized or reclassified as a financial asset.

In IE24, next to (c) in the table, the word “Remplacement” is spelled incorrectly.

2. Do you believe adopting the terminology of "binding arrangements" may result in broadening the scope of arrangements for your organization? If yes, please explain.

We do not believe adopting this terminology will result in broadening the scope of our arrangements. We would continue to consider binding arrangements as one factor to consider when determining whether an asset exists.

Additionally, there is existing guidance in PS 3200 on what constitutes binding arrangements and the proposed standard should leverage, and align to, existing standards.

3. Do you agree with the consequential amendments to the recognition exclusions (i.e., with paragraph PS1202.079)? If not, please explain.

Yes, we agree with the appropriate exclusions.

4. Do you agree with all the other consequential amendments? If not, why?

We do not agree that "software" should be completely removed from PS 3150.02, (per BC.45), because some software is included with tangible assets (PS 3155.004).

5. Do you agree with the transitional provisions?

We agree with the transitional provisions; however, an entity should not be prohibited from full retroactive application if this results in a more representationally faithful presentation. Please consider including this option. The transitional provisions should also address transition for entities that adopted PSG-8 on or before April 1, 2023.

Alberta Treasury Board and Finance

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May 30, 2025

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

PSAB Exposure Draft: Intangible Assets, Proposed Section PS 3155

Thank you for considering the feedback from the 2022 Work Plan Consultation and developing this Intangible Assets Standard. The guidance will allow for more consistent application in the accounting and financial reporting of intangibles, and it will fill a gap for comprehensive, foundational guidance on intangible assets.

We generally agree with the proposals in the Exposure Draft but want to make note that the standard should maintain flexibility and allow for professional judgement as it is being used in the public sector context. We believe additional guidance should be considered on the topics of Future Economic Benefits and Research and Development and suggest PSAB reconsider the disclosure requirements for intangible assets. Furthermore, we believe PSAB should delay the effective date for PS 3155, having it effective concurrently with the Cloud Computing Arrangement guidance and provide clarity on the transitional provisions relating to modified retroactive application.

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

Sincerely,

Dan Stadlwieser

Dan Stadlwieser
Controller
Attachment

1. ***Do you agree with the proposals in the Exposure Draft? If not, which proposals do you disagree with and why?***

   Overall, we agree with the proposals in the Exposure Draft. However, the following should be considered for improvement:

   - The section should maintain flexibility and allow for professional judgment within the public sector context. There are sections where certain language is perceived as more aligned with private sector contexts. For example, the factors outlined in determining useful life are more appropriate for private sector entities and not well suited to public sector organizations focused on providing services.
   - Future Economic Benefits (.019) – we believe more guidance should be provided around this topic for intangibles. Unlike the private sector, where economic benefits can be more directly measured, the public sector's focus on service delivery complicates asset valuation. Terminology related to "service capacity" or "service potential" may benefit from further clarification within the context of the conceptual framework.
   - Some different terminologies are used within the Exposure Draft compared to other sections even though they technically have the same meaning. For example:
     - "Carrying amount" is used in the Exposure Draft versus "net book value" within PS 3150.
     - "Impairment loss" is used in the Exposure Draft versus "write-downs" under PS 3150.

     We believe the terms in PS 3150 should be updated for consistency.
   - There is more guidance around impairment loss within the Exposure Draft compared to other sections of PSAS (e.g. PS 3150), including specific guidance on how impairment loss is calculated. We believe the sections should be aligned regarding guidance around impairment.
   - It may be difficult to apply the research and development guidance to long-term information technology (IT) projects in the public sector. The classification of developed intangibles and determining development phases versus research phases may require further clarification as it is largely subjective.
   - Disclosure requirement is quite prescriptive and detailed, even though amounts may not be material for a number of jurisdictions. We suggest the disclosure requirements be less prescriptive.

2. ***Do you believe adopting the terminology of "binding arrangements" may result in broadening the scope of arrangements for your organization? If yes, please explain.***

   No. Although we do not currently believe the term "binding arrangements" will change the scope for us, we have the following concerns:

- Definition is broad and may be subject to interpretation; and
- Changing the term will cause inconsistency with the rest of the sections under PSAS.

3. ***Do you agree with the consequential amendments to the recognition exclusions (i.e., with paragraph PS 1202.079)? If no, please explain.***

   Generally, we agree with the consequential amendments in PS 1202.079. However, we believe the term “non-purchased” should be updated since the term “purchased intangibles” no longer exists.

4. ***Do you agree with all the other consequential amendments? If not, why?***

   Agree.

5. ***Do you agree with the transitional provisions?***

   When determining the effective date for PS 3155, we believe it’s important for PSAB to consider when the cloud computing arrangement (CCA) guidance will be available and effective. CCA may be accounted for differently when only PS 3155 is in effect, compared to when both PS 3155 and the CCA guidance is in effect. This will result in additional time and resources spent to revisit the accounting treatment and make any required changes.

   In addition to the above, PSAB should also consider the effective dates for other standards such as PS 3251 and updated PS 3150, both of which is currently proposed to be effective around the same time. Having multiple standards released around the same time creates resource constraints.

   We suggest delaying the effective date for PS 3155 and having it effective concurrently with the CCA guidance.

   Additionally, PS3155.130(b) permits “modified retroactive application”, measuring useful life and impairments using information and assumptions current on adoption (PS3155.131). We believe additional clarification is warranted on the definition of modified retroactive application, similar to the transitional provisions under PS3280.69-.71

June 2, 2025

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

Dear Mr. Puskaric:

Re: Exposure Draft – Intangible Assets, Proposed Section PS 3155 (*the "Exposure Draft"*)

We welcome the opportunity to comment on the Public Sector Accounting Board's ("PSAB" or the "Board") Exposure Draft, *Intangible Assets, Proposed Section PS 3155*.

1. Do you agree with the proposals in the Exposure Draft? If not, which proposals do you disagree with and why?

We agree with much of the proposed Section with some observations on specific aspects of the Exposure Draft as summarized below.

Scope

Paragraph 6 of the proposed Section PS 3155 specifies that rights held by a lessee under licensing arrangements for items such as motion picture films, video recordings, plays, manuscripts, patents and copyrights are within the scope of PS 3155 and are excluded from the scope of PSG-2, *Leased Tangible Capital Assets (PSG-2)*. We note that this scope clarification is consistent with equivalent scoping in paragraph 6 of IAS 38 *Intangible Assets* and paragraph 9 of IPSAS 31 *Intangible Assets*. However, given the specificity of the examples provided in paragraph PS 3155.006, it is not clear whether leases or licenses of intangible assets *other than* those listed examples would be in scope of the proposed Section PS 3155 and, if not, which standard would include those leases or licenses of intangible assets. We appreciate the challenges inherent in delineating the proper accounting scope, but we are concerned the absence of a clear and direct reference to which standard (if any) is applicable to such arrangements will lead to diversity in practice. Therefore, we believe it would be beneficial to clarify which standard would apply to leases and licenses of intangible assets other than those specifically listed in paragraph 6.

Measurement

Intangible assets acquired at substantially below fair value

The measurement guidance in the proposed Section PS 3155 does not specifically contemplate the measurement of intangible assets acquired at substantially below fair value. In the amendments to PS 3150, paragraph 10B was added to provide guidance on how to measure a tangible capital asset that is acquired at substantially below fair value.

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Per paragraph PS 3150.10B, when indicators suggest a tangible capital asset is acquired at substantially below fair value, it would be recognized at its fair value with the difference between the consideration paid for the tangible capital asset and fair value reported as a contribution. We suggest that similar guidance be included in the proposed Section PS 3155.

Intangible assets acquired through non-exchange transactions

Proposed paragraphs PS 3155.037-.038 require intangible assets acquired through non-exchange transactions to be measured at fair value unless measurement guidance for the non-exchange transactions is specified in another Section such as Section PS 3420, *Inter-entity Transactions*. However, there is no definition of "non-exchange transaction" included in the proposed standard and therefore it is not clear which transactions would be captured by this requirement. Non-exchange transactions could be defined broadly to include both voluntary and involuntary non-reciprocal transactions, e.g., a non-exchange transaction is any transaction for which the recipient receives an intangible asset and does not transfer any monetary or non-monetary consideration for that asset. A clear definition would be helpful because it may differ from other uses of the phrase "non-exchange transaction" in public sector accounting standards, such as in Section 3400. We note that the definition in Section 3400 would not be easy to apply to PS 3155 as it defines non-exchange transactions as "transactions or events where there is no direct transfer of goods or services to a payor", whereas in Section 3155 by definition there is a transfer of an intangible asset (a good).Therefore we suggest the Board provide a definition of non-exchange transaction suitable for the context of the proposed standard.

We also note that the wording in proposed Section 3155 differs from that provided by Section 3150 that relates to tangible capital assets in three areas. Specifically:

- Within Section 3150, both the definition of cost and the requirements in paragraphs 10A-10D refer to "contributions" of tangible capital assets rather than non-exchange transactions. It is not clear whether this has the same meaning as "non-exchange transactions". Therefore, it would be useful to align the wording in both standards. We believe both standards should capture the same scope of transactions.
- Unlike Section 3150, there is no proposed guidance for transactions when the fair value of a contributed asset, or an asset acquired at substantially below fair value, cannot be reliably measured. In this case, we suggest that guidance be included for the measurement of the intangible asset consistent with that presently required in paragraph 3150.10D.
- The guidance in proposed paragraph 3155.40 on determining whether the fair value of an intangible asset can be measured in a faithfully representative way for a non-monetary exchange is incremental to that provided in Section 3051. We believe this guidance would also be useful to include for non-exchange and below fair value transactions in both proposed Section 3155 and as a consequential amendment to Section 3150.

Internally generated intangible assets

Paragraph 59 of the proposed Section PS 3155 includes an example of costs of materials and services used in creating, producing and preparing the intangible asset. However, in the public sector context, there could also be contributed materials and services.

In the amendments to PS 3150, paragraph 10A was added to clarify that such contributed materials and services that would typically be purchased would be recognized at fair value at the date of the contribution. In addition, paragraph 10D was added to clarify that in circumstances where the fair value of the contributed materials and/or labour and the purchases substantially below fair value cannot be reasonably estimated, the contributed materials and/or labour would be recognized at nominal value. We propose that similar guidance be considered and included in the proposed Section PS 3155.

Variable consideration

There may be variable consideration related to the acquisition of intangible assets. Examples include additional payments to be made contingent on future events or outcomes, or volume-based or usage-based payments such as royalties. Proposed paragraph PS 3155.034 provides measurement guidance when the payment for an intangible asset is deferred beyond normal credit terms. However, we believe proposed paragraph .034 does not capture situations where payments are conditional on events or outcomes other than the passage of time. As the standard does not address variable consideration it is unclear if it would form part of the cost of the asset and, if so, when and how that incremental cost should be recognized. In the absence of any guidance, we believe diversity in practice will emerge, as it has done in other accounting frameworks.

For example, the accounting for variable payments for asset purchases was discussed by the IFRS Interpretations Committee in March 2016. The Committee was unable to reach a consensus on whether the purchaser recognizes a liability for variable payments that depend on an asset's future activity at the date of purchasing the asset or instead, recognizes such a liability only when the related activity occurs. The determination of whether a liability exists impacts when the associated asset is recognized and how it is measured. As a result, different accounting practices have developed in this area. In some instances, the purchase is accounted for as an executory contract until the related activity that triggers payment occurs (that is, a cost accumulation model) while in other instances, based on the specific facts and circumstances, the purchased asset and the associated obligation are recognized at the fair value of the variable consideration at the date of purchase, with subsequent changes in estimates either included in the cost of the asset or expensed to the statement of operations. This matter is also relevant in the adoption of the proposed Section PS 3155 when a modified retroactive application approach (PS 3155.130(b) -.131) is used and there is variable consideration related to previously acquired intangible assets.

We encourage the Board to consider providing specific guidance on the recognition and measurement of variable consideration relating to the acquisition or use of an intangible asset, both on adoption of proposed Section PS 3155 as well as during ongoing application of the new Section. In the absence of prescriptive guidance, diversity in practice may emerge.

Deferred consideration

Proposed paragraph 34 states "if payment for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent". In some cases where unique intangible assets are being sold it may be challenging to establish what is a cash price equivalent.

If the Board is intending this phrase to require consideration of discounting, then we believe a more explicit requirement will be more consistently applied. For example, “if payment for an intangible asset is deferred beyond normal credit terms, its cost would be the payment terms discounted at an amount that reflects the time value of money”.

Retirements and disposals

Proposed paragraph PS 3155.120 specifies that amortization of an intangible asset with a finite useful life does not cease when the intangible asset is no longer used unless that asset has been fully depreciated or is classified as held for sale. This is consistent with paragraph 116 of IPSAS 31. However, the disclosure requirement in proposed paragraph PS 3155.121(e) suggests that an intangible asset is no longer amortized when it is removed from service. These two pieces of guidance appear to be inconsistent with one another. We suggest the requirements are made consistent regarding amortization when an intangible asset is no longer used.

Disclosures of intangible works of art, historical treasures and/or collections

Paragraph 8 of the proposed Section PS 3155 indicates that intangible works of art, historical treasures and/or collections would not be recognized in the financial statements and requires disclosure of the existence of those assets and information similar to that required by paragraphs PS 3150.42(e) and PS 3150.43 -.45. We are concerned that preparers may miss these important disclosure requirements, as they are included within the Scope section of PS 3155 and not the Disclosure section. We suggest adding these specific disclosure requirements in the Disclosure section of PS 3155.

2. Do you believe adopting the terminology of “binding arrangements” may result in broadening the scope of arrangements for your organization? If yes, please explain.

We believe that “binding arrangements” would capture arrangements beyond those from contractual arrangements. We interpret the terminology to generally include enforceable rights and obligations that would hold up in the court of law and this aligns with what we would consider when assessing whether the asset is identifiable (PS 3155.013). In our view, the adoption of the terminology of “binding arrangements” is implementable and aligns with the conceptual framework.

3. Do you agree with the consequential amendments to the recognition exclusions (i.e., with paragraph PS 1202.079)? If no, please explain.

Yes, we agree.

4. Do you agree with all the other consequential amendments? If not, why?

We agree with all the other consequential amendments with one suggestion below.

Amendment to paragraph PS 1202.080 refers to the disclosure requirements in paragraphs PS 3150.42-43 on works of art, historical treasures, an/or collections not recognized in the financial statements. We suggest adding a reference to the disclosure requirements in PS 3155 as well. Refer to our discussion on disclosures of intangible works of art, historical treasures and/or collections in Question 1.

5. Do you agree with the transitional provisions?

Except as noted in our response to Question 1 above, we agree with the transitional provisions.

We would be pleased to respond to any questions you might have. Questions can be addressed to Lucy Durocher (lucy.durocher@pwc.com), Moltakran Thangsereekul (moltakran.thangsereekul@pwc.com) or Sean Cable (sean.c.cable@pwc.com).

Yours very truly,

PricewaterhouseCoopers LLP

Chartered Professional Accountants

OFFICE OF THE AUDITOR GENERAL
NEWFOUNDLAND AND LABRADOR

Independence. Credibility. Integrity.

30 May 2025

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

RE: Exposure Draft – Intangible Assets, Proposed Section PS 3155

Thank you for the opportunity to comment on the above Exposure Draft. We are responding on behalf of the Office of the Auditor General of Newfoundland and Labrador.

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

Sincerely,

Keith Butt

KEITH BUTT, CPA
Assistant Auditor General – Professional Practice and Innovation

Snow Bai

SNOW BAI, CPA
Manager – Professional Practice

Enclosure

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

Question 1

Do you agree with the proposals in the Exposure Draft? If not, which proposals do you disagree with and why?

OAG Newfoundland and Labrador response:

We generally agree with the proposals in the Exposure Draft and appreciate the efforts to enhance clarity and consistency in the recognition and measurement of intangible assets. We would like to offer the following considerations for further improvement:

1. Definition of an intangible asset

We recommend aligning the terminology in PS 3155 with that used in PS 3150 – Tangible Capital Assets. The Exposure Draft defines an intangible asset as a "non-monetary economic resource without physical substance," while PS 3150 refers to tangible capital assets as "non-financial assets having physical substance." To support consistency and clarity, we suggest describing intangible assets as "non-financial assets without physical substance."

Additionally, the use of the term "economic resource" may cause confusion regarding whether control is a necessary criterion for asset recognition. As noted in Chapter 8 of the Public Sector Conceptual Framework, an economic resource becomes an asset when it is controlled by an entity. While the Exposure Draft addresses the concept of control in paragraphs .015 to .018, we believe emphasizing this element within the core definition would enhance clarity and reinforce alignment with foundational principles.

2. Accounting for betterment costs

PS 3155 does not currently address the accounting treatment of betterment costs. However, in practice, entities may invest in improving intangible assets after acquisition. For example, an internally developed asset—such as a secondary school math curriculum - may undergo enhancements that improve usability.

We believe that it would be beneficial for users if the standard provided guidance on how to account for such betterment costs, both for purchased and internally developed intangible assets. Clarifying whether and how these costs can be capitalized would enhance consistency in practice and ensure that financial reporting reflects changes in service potential. As noted in paragraph .022 of the Exposure Draft, betterments may not occur that often, but it would be beneficial to have guidance for when it does.

3. Implementation costs related to Software as a Service (SaaS) arrangements

SaaS arrangements are becoming more commonplace in the public sector. Public sector entities can incur significant implementation costs to configure or customize the software to meet their specific requirements. We believe it would be beneficial to users to include guidance regarding the accounting treatment of these costs in the standard itself rather than in a guideline, to avoid inconsistent interpretations and ensure stronger, more uniform application.

Question 2

Do you believe adopting the terminology of "binding arrangements" may result in broadening the scope of arrangements for your organization? If yes, please explain.

OAG Newfoundland and Labrador response:

We believe that adopting the term "binding arrangements" could broaden the scope of arrangements our organization considers, depending on how the term is applied in practice.

Paragraph .014 of the Exposure Draft defines a binding arrangement as one that confers enforceable rights and obligations, regardless of whether it takes the form of a traditional contract. The focus is on enforceability, and the phrase "including rights from contracts or other legal rights" suggests that the term encompasses a wide range of legal instruments.

However, in practice the scope for public sector entities may not expand significantly, as most enforceable arrangements are already captured through existing instruments.

In addition, we also noted that the Exposure Draft includes the following: "…binding arrangements (including rights from contracts or other legal rights)" throughout. To improve clarity and usability, we recommend including the phrase "including rights from contracts or other legal rights" directly in the definition of binding arrangement that is included in paragraph .014 of the Exposure Draft, rather than using it in parentheses throughout the standard.

<u>**Question 3**</u>

Do you agree with the consequential amendments to the recognition exclusions (i.e., with paragraph PS 1202.079)? If no, please explain.

OAG Newfoundland and Labrador response:

Yes, we agree with the consequential amendments to the recognition exclusions (i.e., with paragraph PS 1202.079).

<u>**Question 4**</u>

Do you agree with all the other consequential amendments? If not, why?

OAG Newfoundland and Labrador response:

No, we do not agree with all the other consequential amendments. We outline below three areas for further consideration.

1. “<u>Intangibles” versus “intangible asset”</u>

With the introduction of PS 3155, we recommend adopting the formal term “intangible asset” consistently across the Public Sector Accounting Standards. Currently, PSG-8 uses the terms “intangibles” and “purchased intangibles,” while PS 3155 introduces “intangible asset.”

For example, references in the following standards could be updated for consistency:

- PS 1202.068(d): “intangibles”
- PS 1202.078–.080: “natural resources, intangibles,” and “non-purchased intangibles”
- PS 3410.05(e) (Footnote 4): “certain intangibles”

2. <u>“Impairment” vs. “Write-down”</u>

PS 3155 uses the term “impairment” to describe reductions in the value of intangible assets, whereas PS 3150 uses “write-down” for tangible capital assets. These terms appear to describe similar accounting treatments, and we suggest that PSAB consider harmonizing terminology across standards for clarity and consistency.

If "impairment" is adopted uniformly, PS 3150 may require a consequential amendment to reflect this terminology. This would also affect proposed amendments in PS 3420.04(a), which currently states:

"… For a tangible capital asset, the carrying amount is the net of cost and accumulated amortization. For an intangible asset, carrying amount is the net of cost and any accumulated amortization and accumulated impairment losses…"

This wording may unintentionally suggest that impairment applies only to intangible assets. To address this, we suggest revising it to:

"For a tangible capital asset or an intangible asset, the carrying amount is the net of cost and any accumulated amortization and accumulated impairment losses."

Such revision would more accurately reflect accounting practice and support consistent use of the term "carrying amount" across asset types.

3. <u>Duplicates in PS 3410.23(c) and (f)</u>

We also note that the proposed consequential amendments to PS 3410.23(c) and (f) may duplicate provisions already covered by 23(b) and 23(e), respectively:

- 23(b): "a capital transfer for the purpose of acquiring or developing a tangible capital asset".
- 23(c): "a capital transfer for the purpose of acquiring or developing a tangible capital asset for use in providing services for a defined number of years".
- 23(e): "a transfer for the purpose of acquiring or developing an intangible asset".
- 23(f): "a transfer for the purpose of acquiring or developing an intangible asset for use in providing services for a defined number of years".

If 23(c) and 23(f) are intended to convey a distinct accounting treatment, additional application guidance would be helpful to clarify how these provisions differ from 23(b) and 23(e), respectively.

Question 5

Do you agree with the transitional provisions?

OAG Newfoundland and Labrador response:

We support the proposed effective date of April 1, 2030, provided the final standard is issued at least 18 to 24 months in advance. This would allow entities sufficient time to prepare for implementation.

We also support modified retroactive application as outlined in the Exposure Draft.

CHARTERED PROFESSIONAL ACCOUNTANTS

May 30, 2025

Michael Puskaric, MBA, CPA, CMA *sent via email*
Director, Public Sector Accounting
Public Sector Accounting Board
277 Wellington Street West
Toronto, ON M5V 3H2

Re: Exposure Draft on Intangible Assets, Proposed Section PS 3155

On behalf of the Standards and Ethics Consultation Group (Working Group) of CPA Manitoba, CPA New Brunswick, CPA Newfoundland and Labrador, CPA Nova Scotia, and CPA Saskatchewan, we appreciate the opportunity to provide feedback on the Public Sector Accounting Board (PSAB)'s exposure draft on *Intangible Assets*, Proposed Section PS 3155.

EXPOSURE DRAFT RESPONSE

There were two Working Group participants who participated in this project.

The first participant provided the following comments:

- In general, the document is extremely well written and the coverage of the many different types of possible value points is very well done.
- However, after reading the first 14 pages of the exposure draft, the participant spent a significant amount of time trying to determine how they would implement and maintain a staff and accounting system to accommodate what is being proposed. The participant struggled to identify the value this would bring to an organization and questioned how a system could be designed to stand up to audit requirements, if applicable. The participant feels that the reason the cost of most intangibles are expensed relates primarily to the costs of capturing the value of the expenditures and the difficulty of proving the final result.
- The participant also noted that the exposure draft uses the phrase "faithfully representative way" to replace the word "reliable" on page 13 items .039, .040 and .077. The participant reiterated concerns with this phrase, cautioning that it may lead to unintended results, as it might be too easy to meet this test.

The second participant indicated their agreement with the proposals of the exposure draft and had no further comments or changes.

CONTACT INFORMATION

This specific Exposure Draft response has been submitted with contributions from the following individuals:

- Ross Harwood, FCPA
- Tanya Scott, CPA, CGA

If you require any clarification regarding this response, please contact the Working Group leader, Marilyn Flaman, CPA at rules@cpask.ca.

Regards,

Marilyn Flaman, CPA

Associate Director, CPD and Monitoring
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June 3, 2025

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

Dear Michael Puskaric:

Thank you for the opportunity to review the Public Sector Accounting Board's Exposure Draft (ED) on the proposed Section PS 3155 – Intangible Assets.

We have concerns with the proposals, which are outlined as answers to the questions posed.

The ED for PS 3155 Intangible Assets is overly complicated and detailed, which is a departure from existing Public Sector Accounting (PSA) standards that are generally easy to read and apply. Apart from software systems, including cloud computing, it is unlikely that public sector entities will have significant intangible assets. The intangible assets section should provide clear guidance that is easy to interpret like PS 3150 Tangible Capital Assets.

We acknowledge that this is the Board's first official application of its International Strategy. In many cases, the international standards (IPSAS) are complicated and not easily interpreted. To facilitate implementation and acceptance by Canadian public sector entities, standards proposed using the Board's International Strategy must have a Canadian public sector focus, which includes wording that is easy to read and apply.

This ED retains many of the references to commercial activities that are included in IPSAS 31 Intangible Assets. The wording is complex and would be difficult for Canadian public sector entities to apply. We question whether the retention of the commercially focused wording is a result of the Board having chosen to bypass use of a task force. Involvement of a task force would likely have added a Canadian public sector context to the development of the ED.

The rationale for the Board's choice to provide specific guidance on cloud computing arrangements outside of the Intangible Assets section is not clear. We believe that now is the right time, when the Intangible Assets section is being developed, to ensure the relevant guidance for cloud computing is included. To date, guidelines have not been intended to provide further guidance on developing standards but have traditionally provided guidance to supplement or clarify an existing standard or to address areas with insufficient guidance. This does not seem to be the case in this situation.

Assessment of this ED is difficult without guidance on accounting for cloud computing arrangements, which is a known gap in the PSA guidance. We were disappointed in the Board's decision to provide this necessary guidance separately.

Answers to the questions listed within the ED follow.

1. **Do you agree with the proposals in the Exposure Draft? If not, which proposals do you disagree with and why?**

   No, we do not agree with all of the proposals.

   Development is defined in terms of when commercial production or use begins (PS 3155.009(a)). There is limited applicability or relevance of commercial production in the Canadian public sector. The definition should be worded to apply in a Canadian public sector context.

   Separately acquired intangible assets are discussed in PS 3155.027 in terms of how the assets' price reflects the inflow of future economic benefits, whether the timing or amount of inflow is known. The available service potential of the acquired asset should be a key part of the guidance. Revised wording is required to ensure applicability to the public sector.

   Capitalization of the development phase of an internally developed asset requires the availability of adequate technical, financial and other resources to complete development (PS 3155.050(e)). Guidance on interpreting this requirement (PS 3155.054) lists the availability of external financing as an indicator of available financial resources. External financing for a specific project is not often used by public sector entities. Approval of funding by the governing body is a key indicator of available public sector financial resources. Wording should be revised to reflect the Canadian public sector.

   The capitalization of operating deficits (3155.032 and.060) is not relevant for the public sector. It would be more appropriate to exclude certain operating costs, rather than operating deficits, from capitalization.

   Value in use is defined as the present value of service potential. This wording is difficult to understand. PS 3155.112 provides guidance that value in use should be determined using the depreciated replacement cost approach. The new conceptual framework defines replacement cost as the amount needed currently to acquire an asset with the equivalent service potential (conceptual framework 9.33(b)). We do not agree with the deviation from the conceptual framework in defining value in use.

PS 3155.018 provides guidance on a portfolio of users. It is confusing and contradictory. We agree with PS 3155.056 that lists of users of a service should be excluded from recognition as intangible assets. We suggest the wording in 3155.018 be clarified.

The recognition and measurement section is confusing. PS 3155.020 states that the recognition of an item as an intangible asset requires an entity to demonstrate that the item meets (a) the definition of an intangible asset, and (b) the recognition criteria in PS 3155.023. However, paragraph .023 lists only two criteria, one of which is that the item meets the definition of an asset. It is not clear how something can meet the definition of an intangible asset and not also meet the definition of an asset. See Paragraph .011 which discusses the definition of intangible asset and refers to PS 3210 Assets.

PS 3155.039 includes the following sentence, which doesn't contribute to the guidance: "Otherwise, the following discussion refers simply to an exchange of one non-monetary asset for another, but it also applies to all exchanges described in the first sentence." It should be removed.

In determining the useful life of an intangible asset (PS 3155.069), whether the asset could be "managed efficiently by another management team" is listed as a factor for consideration. It is not clear what is meant by this phrase. We agree that the length of time an intangible asset would be efficiently managed is an appropriate factor, but the party performing that management seems irrelevant.

PS 3155.087 and .092 require certain changes in amortization policies be accounted for as changes in accounting estimates in accordance with PS 2120. We disagree with including a specific conclusion on accounting treatment in accordance with PS 2120. While these changes may frequently meet the definition of changes in accounting estimates, certain situations may be the result of events that meet the definition of changes in accounting policy. It would be more appropriate to reference PS 2120 and allow preparers to determine the appropriate accounting treatment.

The disclosure requirements in PS 3155.124 are excessive:

- It is not reasonable to require an entity to specify in its financial statements the reasons supporting its assessment of indefinite life and the factors that played a significant role in that determination (PS 3155.125(a)).
- Disclosure of both fair value and book value of intangible assets acquired through non-exchange transactions is unnecessary (PS 3155.124(b)). We would agree

that it is appropriate to disclose the fair value recognized in the year of initial acquisition.
- The disclosure of contractual commitments (PS 3155.124(d)) is covered in PS 3390 Contractual Obligations. To avoid duplicate guidance, this requirement should be removed.

Detailed guidance on impairment losses is provided in the ED. We think it would be better to provide detailed guidance on impairment losses in a separate section rather than including it in individual sections.

Paragraph 3155.125 is redundant.

Providing the presentation guidance (PS 3155.129) after the guidance on disclosure (PS 3155.121 to .128) is inconsistent with the Conceptual Framework which says that disclosure is part of presentation. Recent amendments made though the annual improvements process places presentation before disclosure.

Service potential is a key aspect of public sector reporting but reference to service potential is missing in the following illustrative examples, which use situations and wording that are more in the nature of commercial activities:
- IE5 provides an example of determining whether an internally developed system meets the definition of an asset. It does not consider the service potential of the system to determine whether the asset will generate future economic benefits, only whether there is a market demand for the output of the system.
- IE12 and IE13 provide an example of estimating the useful life of an acquired copyright. The example estimates the useful life based on the period the entity could generate future cash inflows. A better example would outline an assessment where little to no cash flows are generated and/or the service potential of the copyright is evaluated.
- E18 and E19 provide an example of an acquired right. The useful life is determined based only on generation of cash flows. The entity acquired the right to meet a service need and guidance on determining service potential should be included.

The calculation of impairment using the depreciated replacement cost approach in IE24 is flawed. The calculation does not agree to the guidance on depreciated replacement cost in PS 3155.113, which requires that a replacement asset with gross service potential be depreciated. In IE23, the acquired asset replaces the remaining service potential but is still depreciated. A revision of IE23 or IE24 is required.

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2. **Do you believe adopting the terminology of "binding arrangements" may result in broadening the scope of arrangements for your organization? If yes, please explain.**

   Yes. Although it may not actually broaden the scope of arrangements, it could introduce further uncertainty. We question why the terminology of binding arrangements is being kept if it is in substance similar to the definitions and descriptions of contractual rights and obligations already found throughout the PSA Handbook (as noted in the basis for conclusions BC.27). Why not continue to use those definitions for consistency?

3. **Do you agree with the consequential amendments to the recognition exclusions (i.e., with paragraph PS 1202.079)? If no, please explain.**

   Yes, we agree with the amendments.

4. **Do you agree with all the other consequential amendments? If not, why?**

   No, we do not agree with the other consequential amendments. The removal of software from PS 3150 Tangible Capital Assets requires guidance on the treatment of software systems and other software assets previously recognized under that section.

5. **Do you agree with the transitional provisions?**

   No, we think that there should be additional specific guidance on the transition related to computer software capitalized under guidance in PS 3150 Tangible Capital Assets.

Please contact Gabriel Plosker with any questions at 306-787-6832.

Sincerely,

Chris Bayda, FCPA, FCA
Provincial Comptroller

cc: Jane Borland, Provincial Comptroller's Office, Ministry of Finance
Tamara Stocker, Provincial Comptroller's Office, Ministry of Finance
Gabriel Plosker, Provincial Comptroller's Office, Ministry of Finance

May 29, 2025

Michael Puskaric, MBA, CPA, CMA
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Public Sector Accounting Board
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Dear Michael Puskaric:

PSAD exposure draft intangible assets proposed section PS 3155

Thank you for the opportunity to comment on the PSAB exposure draft (ED) intangible assets proposed section PS 3155.

We have reviewed the ED and our responses to the specific questions are noted below:

1. **Do you agree with the proposals in the Exposure Draft? If not, which proposals do you disagree with and why?**

   We agree with the proposals in the Exposure Draft except that:

   - 0.038 indicates that the cost of the item for intangible assets acquired through non-exchange transaction should be its fair value but does not provide guidance in circumstances where neither a cost nor a fair value is available.
   - .069 provides factors to consider in determining the useful life of an intangible asset but the majority of the factors provide are not relevant to a public sector entity.
   - .121(a) requires that the useful lives used for each class of intangible assets be disclosed but does not indicate use of an average useful life. Further, .067 requires the determination of useful life of each asset vs class of asset. As a result, it could be interpreted to require that for each asset class, each and every useful life used need to be disclosed. This will likely be an issue of discussion between preparers and auditors.
   - .008 requires disclosure for intangible works of art, historical treasures and/or collections similar to the disclosure in Section PS 3150 even though they would not be recognized in the financial statements. The resources necessary to prepare the disclosure for an item not recognized in the financial statement will be onerous to public sector entities and we would recommend that the disclosure requirement be reduced.

…/2

2. **Do you believe adopting the terminology of "binding arrangements" may results in broadening the scope of arrangements for your organization? If yes, please explain.**

   Yes, we agree that adopting the terminology of "binding arrangements" versus using the existing "contractual rights" will broaden the scope of work required to annually assess if there are additions or disposals of intangible assets. There is also a risk that the entities in 'binding arrangements" may independently arrive at conclusions that each of them control the intangible and both of them recognize and report on the same intangible asset. Retaining the "contractual" arrangements ensures that all entities involved has a signed document to refer to when making the assessment.

3. **Do you agree with the consequential amendments to the recognition exclusions (i.e., with paragraph PS 1202.079)? If no, please explain.**

   We agree with the consequential amendments to the recognition exclusions.

4. **Do you agree with all the other consequential amendments? If not, why?**

   We agree with all the other consequential amendments.

5. **Do you agree with the transitional provisions?**

   We agree with the transitional provisions but would ask that the proposed section include some guidance as to the treatment of existing software. In particular, should the amounts that are currently reported as tangible capital asset be reported as "disposed" or "transferred" or other terminology.

Once again, thank you for the opportunity to provide comment.

Sincerely,

Celestino Oh, CPA
Assistant Comptroller General
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June 5, 2025

Mr. Michael Puskaric, MBA, CPA, CMA
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Toronto ON M5V 3H2

Dear Mr. Puskaric:

Re: Exposure Draft — Intangible Assets, Proposed Section PS 3155— February 2025

Thank you for providing us with the opportunity to comment on proposed Section PS 3155, *Intangible Assets*.

Our Office supports PSAB's project to provide guidance on the recognition and measurement of intangible assets.

Responses to Requests for Specific Comments

Our responses to the matters on which you specifically requested comments are set out below.

Question 1

Do you agree with the proposals in the Exposure Draft? If not, which proposals do you disagree with and why?

Generally, we agree with guidance on the recognition and measurement. However, as we detail below, further clarification and enhancement is needed to ensure consistent application in practice.

Cloud Computing Arrangements

Cloud computing arrangements (software-as-a-service) has become increasingly prevalent in the public sector in recent years. The development and implementation of cloud computing arrangements often requires significant up-front financial outlays. We noted that there is a wide variation in approaches to capitalizing cloud computing costs across the private and public sector. This inconsistency detracts from the comparability of public sector financial statements.

We are aware that PSAB has formed a Cloud Computing Task Force to address this topic. We urge PSAB to expedite the work of the task force to make the guidance on cloud computing arrangements available as soon as possible.

Overhead Costs

Section PS 3155 proposes the inclusion of general overhead expenditures if they can be directly attributed to preparing the intangible assets for use. There are varying interpretations of the term "directly attributable". We believe that only those overhead costs that are direct and incremental should be capitalized. We encourage PSAB to take this opportunity to amend Section PS 3155 to promote consistency and comparability in the measurement of internally generated intangible asset.

Identified Inefficiencies

Paragraph 60 of proposed Section 3155 excludes identified inefficiencies from the cost of an internally generated intangible asset. While we agree that inefficiencies should not be capitalized, the proposed Section PS 3155 does not provide guidance to stakeholders in identifying and measuring such inefficiencies. We encourage PSAB to develop further guidance, including illustrative examples.

Illustrative Examples

More broadly, we find that illustrative examples are excellent tools to educate stakeholders and demonstrate the application of the standard. We recommend that PSAB incorporate illustrative examples to help clarify how the guidance on the measurement and impairment of intangible assets are applied in the context of the public sector.

Question 2

Do you believe adopting the terminology of "binding arrangements" may result in broadening the scope of arrangements for your organization? If yes, please explain.

We have no concerns in this regard.

Question 3

Do you agree with the consequential amendments to the recognition exclusions (i.e., with paragraph PS 1202.079)? If no, please explain.?

Yes, we agree.

Question 4

Do you agree with all the other consequential amendments? If not, why?

Yes, we agree.

Question 5

Do you agree with the transitional provisions?

We agree with the transitional relief that permits entities to apply Section PS 3155 to new transactions and other events occurring on or after the effective date of this section. We agree that this will be the best way to transition as many entities will have some software capitalized in as part of tangible capital assets and it would be confusing to readers to reassess the nature of these assets.

Given the need for guidance on cloud computing, as many entities are changing to cloud now, and the importance and magnitude of intangible assets, we believe that the effective date for this section should be earlier than April 1, 2030. The prospective treatment permitted by the transitional provisions of this section can facilitate earlier adoption of these proposals.

Kind regards,

Shelley Spence
Auditor General

Wayne Morgan PhD, CPA, CA, CISA
Colin Semotiuk CPA, CA
Edmonton, Alberta[1]

May 30, 2025

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Public Sector Accounting Board
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Dear Mr. Puskaric,

Our response to the PSAB Exposure Draft: Intangible Assets, Proposed Section PS 3155 is below:

1. Do you agree with the proposals in the Exposure Draft? If not, which proposals do you disagree with and why?

   Overall, we support the need for an intangible asset standard in PSAS. The standard fulfills an important part of the asset series of PSAB. The need for this standard is similar to the need for a natural resource standard in PSAS. With new accounting and transparency regarding intangibles, the accountability value of financial reporting is significantly improved.

   In our view, the proposed intangibles standard is too private-sector focused. PSAB should not adopt IPSASB's intangibles standard, even with the amendments.

   We recognize that PSAB's development process requires PSAB to first look at IPSAS and develop a Canadian standard using the IPSAS standard when appropriate, however the proposed standard incorporates private sector principles and does not include sufficient public section examples and principles. This is illustrated by multiple sections, including measuring recoverable service amounts (.103-.107), fair value less costs to sell (.108-.111), value in use (.112), depreciated replacement cost approach (.113-.115), etc. The public sector most frequently operates in the areas where the private sector will not operate because there is no clear present value or return on investment, such as roads, education, etc. or the cost for the private sector to provide the services is too high, e.g. healthcare, yet the ED consistently references present value. The public sector in Canada focuses on service potential and many of these services require either purchased or developed intangible assets.

   In our view, PSAB should model its intangibles standard on PS 3150. We note that a departure from IPSAS within PSAB's international strategy can be supported by arguing that in Canada, given the prominence and relative importance of the public sector as part of the economy and society, recognition of intangibles is necessary for accountability reasons. Countries with a

[1] The views expressed herein do not necessarily reflect the views of the Office of the Auditor General of Alberta.

much smaller public sector presence in social, civic and economic spheres may have less need for a robust intangibles standard.

We note that intangible assets overlap many concepts with tangible capital assets, so much so that a PSAB intangible capital asset standard should be very similar in structure and content (concepts and principles) to its tangible capital standard.

In addition, intangible capital assets may also overlap concepts in accounting with natural resources and accounting for works of art and historical treasures. We urge PSAB to make progress on these topics as well. Natural resources for public sector entities are likely the biggest asset that the government controls on behalf of its residence/citizens and these assets are currently not recorded on the statement of financial position and have no financial statement disclosure. We acknowledge that natural resources, including mineral resources, oil, natural gas, forest, etc., are not intangible assets and are appropriately excluded from intangible assets (paragraph .002). However, we encourage PSAB to prioritize a PSAS Natural Resources standard and given the issues outlined below, potentially issue the Exposure Draft simultaneously with an updated intangible assets re-Exposure Draft. Natural resources involve intangibles as well, most obviously mineral rights but more abstract concepts such as a "park" as we discuss herein.

Similarly, works of art, historical treasures and collections derive their value and importance from their intangible qualities. The cost of the paint in a work of art rarely has the value as what the paint has been formed into; a historical treasure such as a fossil or pottery does not have its value in the bone or clay but instead in the cultural, historical and social significance of the fossil or pottery i.e. intangible properties. In our view, these issues are significant enough that we think it is unfortunate that PS 3150, recently exposed, was not updated at the same time as the PS 3155 Exposure Draft being released. In our view, PSAB should include recognition under PS 3155, not as part of 3150, and not just disclosure, of works of art, historical treasures and collections as intangible capital assets for which, like software, the physical media is incidental to the value (in most cases, other than obviously a work of art or pottery that loses its physical media also loses its intangible value).

In our view, the standard has to engage with the concept of public goods. A public good, often intangible, is something that use by one person does not impair others' ability to also benefit from that good. The private sector has little use for public goods because public goods do not typically clearly support maximizing shareholder value. However, that is not a concern for public sector entities. Many public goods are intangibles, and many may meet the definition of an asset, including that the public sector entity can "control" it. We believe PSAB's definition of "exclude others from use" in asset can be problematic for entities that serve the public interest rather than the private interest, and is especially problematic in the Intangibles standard, e.g. paragraph .015, as it may prevent recognition of many intangible assets. What matters is expected future benefit. It matters much less whether the public sector entity can prevent others from also obtaining that benefit, unless others obtaining of the benefit impairs the public sector entity's intangible asset. PSAB should review literature on public goods, derive a list of public goods in Canada, and then go through that list and include examples in appendices to the intangible assets standard. There are many public goods: research, laws, defense, parks, clean air and resources, as well as specific public goods, examples of which we provide herein.

We also note that many intangibles may exhibit "network effects" i.e. use by many others increases the service potential of the intangible, rather than impairing its value or precluding accounting recognition. For example, intangibles such as government statistical data, or curriculum designs, school designs, or traffic laws, increase in service capacity if they are used more – they may become "standards" of design, authoritative sources, or established ways of coordinating activity. It matters much less to accounting recognition that the public sector entity controls it; what matters are expected future economic benefits.

Other specific concerns we also identified are the following:

- We disagree with paragraph .007 scope exclusion. The exploration for, or development and extraction of oil, gas and mineral deposits is no more specialized and complex than other components already recorded in PSAS, including pension obligations, Level 3 investment assets, etc. It is not clear what standard applies to these transactions; perhaps PS 3400 may apply to royalties, but the intangible rights associated with such items are also important. If PSAB is going to exclude these from the standard, we suggest that it improves and completes paragraph .002 (c) and (d) by specifying which standards(s) apply to these items. Presently it is unclear if these would be dealt with via the GAAP hierarchy in PS 1150 or the conceptual framework. We also don't see how these rights, such as the right to explore, are different from examples in IE 14 and IE 15 concerning broadcasting licenses.
- Paragraph .010 specifies that fishing licenses and import quotas must be "acquired," but why are they required to be "acquired" and not developed? When/if a public sector entity decides to create quotas and requires sellers to purchase them, either through law or regulation, why would this not be an intangible asset? If quotas must be "acquired" then why aren't motion picture films also required to be "acquired"?
- Paragraph .015 is missing "or service potential" in the first line. It should read, "*An entity controls an asset if the entity has the ability to obtain the future economic benefits* <u>*or service potential*</u> *flowing from . . .*" While other paragraphs clarify that economic benefits include service potential, we believe inclusion in paragraph 15 emphasizes the concept.
- Paragraph .016 is a good concept and we agree with it. Scientific or technical knowledge as intangibles may give rise to future economic benefits in terms of cash inflows or service capacity. However, we disagree with the remainder of the paragraph that the knowledge has to be copyrighted, or a restraint of trade or confidentiality agreements need to be present. Scientific or technical knowledge that is more in the nature of public goods may not meet these additional characteristics yet still meet the definition of the asset if an entity expects future economic benefit and can control the benefit. We view control as being able to access the benefit i.e. part of ensuring the expectation of future economic benefit is met, not in the sense of exclusion to others. Such concepts are useful for private sector context of wealth accumulation so are understandable in IFRS, but are not necessary in a public sector context.

- Paragraph .018 is extremely unclear and should be re-written. We also note that the emphasis in .018 and elsewhere on legal rights and obligations is more suitable to a private sector standard rather than a public sector standard where legal rights and obligations and their tie to who benefits is much less clear. Public sector entities often exercise their legal rights and obligations in service delivery to others.
- Paragraph .021 is redundant and can be removed.
- We disagree with paragraphs .036 and .047 because in our view some research expenses may be intangible assets.
- Paragraph .038 should directly state that for "inter-entity transactions, the cost of the item is the carrying amount of the asset."
- We disagree with paragraph .047 i.e. that no intangible asset arising from research should be recognized. We recognize this distinction has existed in private sector standards for a long time, arising perhaps because of the difficulty of privatizing gains and accumulating wealth from research that cannot be patented, but in the public sector this distinction serves no purpose. It contradicts paragraph .016.
- Paragraph .050 seems too private sector focused. It refers to "sell" or "existence of a market for the output" but these may be irrelevant to public sector intangibles. What are the markets for output of a new curriculum for all elementary schools in a jurisdiction? How is technical feasibility demonstrated? In our view, paragraphs .46 to .057 are too restrictive and should not be in the standard, as no similar restrictions are on tangible capital assets in PS 3150. What matters is whether the intangible asset is identifiable and whether future benefits are expected.
- Paragraph .052 development of tools, jigs, moulds or dyes seems irrelevant and reveals the inappropriate private sector basis of the standard. Public sector entities rarely undertake manufacturing requiring tools, jigs and moulds, or these are undertaken by Government Business Enterprises that would not use PS 3155. However, the concept of a physical object having value beyond its physical material i.e. a tool, jig or mould, is important and in our view leads to recognition and measurement under PS 3155 of works of art, historical treasures, and collections, and other things as well. Tools, jigs, moulds and dyes may be useful in research activity e.g. in testing labs, as they embody scientific and technical knowledge, and therefore should be capitalized. We think paragraph .052 is meant to be taken literally and not figuratively, but would PSAB consider the intangible asset which is the design of the eligibility criteria and stipulations for a government transfer program to be an abstract "mould?"
- We disagree with paragraphs .056 and .057, specifically the terms "and other items of similar in substance." Firstly, we note intangibles have no substance so the grammar seems incorrect. Secondly, as noted herein, there are many examples which in our view are intangible assets yet may be prohibited from recognition under .057 because they cannot be distinguished from the cost of developing the entity's operations as a whole. In our view, it is irrelevant if they relate to the cost of developing the entity's operations as a whole; what matters is whether they are identifiable (as these are) and are expected to provide future economic benefits, including service potential.
- The terminology of "using the principles provided in this Section" and "In accordance with the principles provided in this Section" is used throughout the ED (paragraphs .053,

.091, .093, etc.), however these principles are not clearly stated and therefore it is unclear what this means. We are not advocating to not have a principle based standard, our feedback is that the principles in this ED should be more clearly stated.

- We disagree with paragraph .062 because we believe research costs can be an intangible asset when they have expected future benefit(s).
- We question the need for paragraph .063. It seems to describe accrual accounting, but then also reverts to language of rights and legalism of contracts, and also it is unclear why the statement "an entity has a right to access goods when it owns them" is in the standard. In concept, intangible assets could be leased to others, in which case the entity still owns the intangible asset but no longer has right to access (use) it, while under lease.
- Paragraph .072 (c) in too vague. Specifically, the "cost to the entity of renewal is not significant when compared with the future economic benefits. . ." What is "not significant"? Does this mean not material to the FS? Does this mean "other than insignificant (an audit concept)?
- We disagree with paragraph .079. Why is an amortization period based on revenue generated specifically outlined to these two limited circumstances? We find there is no conceptual basis for this exclusion.
- Paragraphs .112, .113 and .114 use the term "present value of the asset's remaining service potential." We question the logical coherence of this concept because in our view "service potential" is not something that can be present valued. Service potential can be converted to something else e.g. cash flows, to which present value could be applied. But this is a misapplication of the concept of present value because in our view replacement cost (as proxy for service potential) and fair value are mutually exclusive measurement bases. This term is more appropriate in the private sector, for example how does a public sector entity "present value" service potential? Our view is intangible assets and tangible capital assets should have parallel measurement and write-downs, specifically 3150.09 and 3150.31-.37.
- We note that if adopted as is, PS 3155 Intangibles will be significantly different in structure and content from PS 3150 Tangible capital assets. These differences should not exist, because other than intangibles not having physical substance, the accounting for tangible and intangible assets should be very similar. So, for example, references to "physical" in 3150, such as physical damage, would not necessarily apply to intangible assets (although as noted in our historical treasures example it does). Specifically, we question the appropriateness of guidance in paragraphs 3155.94 through .115 regarding recoverability. Either these should also be in 3150, or they should not be in the Handbook, as there is no substantial difference between recoverability, if the initial definition of an intangible asset is met. Alternatively, paragraphs 3150.31 to .37 should replace 3155.94 to .115, except perhaps for 3150.34 (d) physical damage.
- We disagree with the concept of "optimized basis" in paragraph .114. "Optimized basis" does not take into account long-term planning considerations e.g. optimized for use now, or use in the future? It also is not a concept in PS 3150 Tangible capital assets, but should be if it is in Intangible assets. A road that is not built on a "optimized basis" now because it has four lanes when three would do, could be on an optimized basis if

one considers municipal and senior government planning that includes urban expansion and future use. Paragraph .115 appears to allow for this, but it is better if the concept is removed. We also question why there is no "underdesigned" or "undercapacity" concept. Is a fully utilized asset "underdesigned" or "optimally designed" and in our view some assets should not always be fully utilized. Fire halls are a good example of how the public interest could be at risk if they were reduced such that the fire halls were always busy – it is a necessary part of their design that they are underutilized i.e. "standby availability." Such may be the case for many intangibles. Example IE 23 doesn't provide further clarification, as it seems to imply concepts of recoverable cost, fair value, or net realizable value, but it is not clear what triggered this evaluation in period 2003. Why wasn't the same test done in 2000, or 2001, or 2002? In three years it appears usage declined from 100% to 15%, but was it 100%, 100%, 100% then 15? (We also note a typo "Remplacement cost" in IE24 table).

- We suggest that "optimized basis" be replaced with the more familiar in the public sector concept of "*effective, efficient or economical design and operation. An intangible capital asset that is no longer effective, efficient or economical should be assessed for impairment."* In our view the same should apply to tangible capital assets.

Other examples

We provide several examples below. We encourage PSAB to work though these and determine if they are within the scope of the standard or not. In our view, the standard isn't correct until these are intangible assets. We encourage PSAB to include these or similar examples as illustrative examples to the standard.

Illustrative example #1: Education curriculum

Public sector entities may incur costs[2] in developing curriculums for education. In our view, the research and development of an education curriculum should be recognized as an intangible asset, because a curriculum has service potential that helps to ensure the public sector entity meets its objective(s), it is separately identifiable, and has service capacity greater than one year.

The standard should clearly illustrate that the development of a new education curriculum or the development of a new government program that is used over a period of multiple years, including the research and development expenditures relating to such an asset, should be recognized as an intangible asset. In our view, the recognition of this intangible asset based on the ED is unclear. Paragraphs 0.047-.049 would exclude the research expenditures from being included as an intangible asset, paragraph .050 refers to the need for a "technical feasibility" and need to "measure in a faithfully representative way" the development costs, paragraphs .103 to .107 require the determination of recoverable service amount, etc. It's not clear what "technical feasibility" of a curriculum would be, other than fit for use.

[2] We use "costs" although the term would likely be "expenditures" in the standard if these are capital in nature.

We note that it may be that the more a curriculum is used, the greater the value that curriculum would have, e.g. it is a public good and exhibits network effects. A curriculum may be used in more schools, or even other jurisdictions, particularly if it results in improved efficiency, better student experiences, or higher educational outcomes (which may be its "technical feasibility"). However, the proposed requirements for restraints on use in the standard could inappropriately prevent recognition of the curriculum as an intangible asset.

Illustrative example #2: Traffic laws

Traffic laws are intangible assets. There is economic benefit (traffic would stop or be dangerous without them) and the government controls the laws. The costs of research, studies and implementation of the traffic laws under the intangible standard would be capitalized and amortized over some life (if they apply to specific roads) or indefinite life. They may not be part of the tangible capital asset of roads but the research and development that goes into setting load limits for the road, acceptable speed limits for the road, etc. are intangible assets as legitimate as the road itself, and also impact the service capacity and useful life of the road. In substance, traffic laws are the operating system of roads and just like operating systems of computer hardware are capitalized, so possibly should be traffic laws.

Illustrative example #3: Standard setting, measurement systems and data

While we agree with IE5 example, we think it is too narrow and seems to focus on the software system, not the data itself as the intangible. Public sector entities develop measurement systems to coordinate activity. There is economic benefit (the government and others use these systems fundamental to economic and civic activity) and the government controls them, so the intangible assets standard should clearly require their recognition as assets. But the proposed requirements may prevent their recognition, because use may not be restricted enough, again contrary to the network effects that contribute to their service capacity as intangible assets. These measurement systems include things such as the costs to do studies of acceptable levels of pollution, costs associated with specific measurement systems (such as the metric system), and statistical measurements of the population demographics e.g. surveys, etc. that form the basis for decisions made by public sector entities and others in society.

Illustrative example #4: Government transfer program design

Public sector entities may incur costs designing programs, including government transfers. Costs may include research and development regarding the program objectives, what are appropriate eligibility criteria and stipulations, length of the program, whether any caps are necessary, internal procedures including systems and controls, monitoring and reporting, and other considerations. These are all intangible assets because they intrinsically relate to the specific service capacity (service delivery) of the public sector entity. As drafted the proposals may not permit these costs to be treated as intangible assets if they are research or if their "technical feasibility" is not established, but in our view "technical feasibility" is not applicable.

Program design costs are identifiable and have service capacity, especially if the policy makers determine the program should be put in place, and these costs have future benefits over the life of the program. As well, the government clearly controls the asset and the future benefit. In our view, these costs are no different from the software costs to develop the systems to administer the grants, which could be capitalized under PS 3150; it is the "government transfer program design" that is the "software" running the government transfer program.

We are unsure whether broader program planning activities are also intangible assets. For example, costs to develop a public sector entity's green energy strategy or develop systems to report sustainability activity under GRI, or costs to research and develop a public sector entity's best approach to implementing the recommendations of the *Truth and Reconciliation Commission*, are not specific to one program, but they are identifiable. They are not as general as "policy making" or "peace, order and good government" (which are not intangible assets due to their generality), but are also not as specific as a single government program research and design costs (in our view clearly intangibles), so we are unsure whether they would also be intangible assets. Their coordinating nature provides benefits that extend beyond one period and enhance all the programs within. In our view, these likely are intangible assets because the service potential, including effectiveness, efficiency and economy of specific programs is enhanced by these broader, yet still identifiable, program planning activities.

Illustrative example #5: Parks

We note this overlaps with natural asset accounting, because parks have a natural resources aspect to them, as well as a tangible capital asset aspect to them in the form of buildings, roads and campsites in the park. PSAB should work through whether a park i.e. an area of land set aside for conservation and recreation purposes, is an intangible asset. In accordance with PS 3400, a public sector entity derives future economic benefits (charging park passes) and controls that benefit (it can expand the park, or limit access to the park). The "park" is more than the collection of trees, animals, buildings and other things within it and its intangible characteristics that are a specific synthesis of these elements is what contributes to its service potential.

Illustrative example #6: Infrastructure designs

Public sector entities may incur costs for research and development of technical designs. For example, a public sector entity may have a design for a school that it reuses over and over, for many schools. In our view, the infrastructure design is an intangible asset as it has service potential, but it is not obvious they would be given the proposed requirements.

We also note that the concept of an exchange or developed with respect to infrastructure designs may not always be clear. For example, a public sector entity could state that all respondents must agree that their designs submitted as part of a public procurement process become the property of the government (perhaps on a non-exclusive basis i.e. the private sector party still owns the design and can use it elsewhere such as in other jurisdictions). It is not clear whether something like this is internally developed or acquired via a non-exchange transaction.

Regardless of whether the public sector entity acquired or developed the infrastructure design, in our view these are intangible assets.

2. Do you believe adopting the terminology of "binding arrangements" may result in broadening the scope of arrangements for your organization? If yes, please explain.

   We encourage PSAB to define "binding arrangement(s)" within the definitions. Without a clear definition, the only impact we can identify is that inconsistency of application will occur.

   We convey a caution against PSAS standards turning too legalistic and away from principles-based standards. It appears "binding arrangements" is more suitable to private sector standard setting.

3. Do you agree with the consequential amendments to the recognition exclusions (i.e. with paragraph PS 1202.079)? If no, please explain

   We do not agree with the recognition exclusion of natural resources and crown lands not purchased. As noted above, natural resources may be a public sector entity's most significant asset and these assets are currently not recorded on the statement of financial position and have no financial statement disclosure. Their recognition may improve citizens' ability to hold a public sector entity accountable for the management and oversight of these assets. The quality of those natural resources in terms of clean water or sustainable biodiversity is also an important intangible. In our view, PSAB should develop its own set of sustainability standards, unless the CSSB moves beyond its sustainability-for-investors-only position or IPSASB develops a standard that is not as limited as its initial proposed one, because we believe thinking along ESG lines may illuminate other intangible assets that could be within the scope of PS 3155, and there will be synergies with having these in the same standard setter that has a clear public sector and public interest focus.

4. Do you agree with all the other consequential amendments? If not, why?

   We agree.

5. Do you agree with the transitional provisions?

   We agree. The date allows public sector entities sufficient time to identify intangible assets.

Given IPSAS-based employee future benefits (pensions) and now Intangibles do not seem appropriate for the Canadian context, we suggest PSAB reconsider whether its international strategy remains appropriate, or the criteria for amendments should be expanded, i.e. alignment with other existing sections of the Handbook.

Thank you for the opportunity to comment.

Sincerely,

Wayne Morgan
Colin Semotiuk

Treasury Board of Canada Secretariat
Secrétariat du Conseil du Trésor du Canada

Ottawa, Canada
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Michael Puskaric, MBA, CPA, CMA
Director, Public Sector Accounting Board
Public Sector Accounting Board
277 Wellington Street West
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Dear Mr. Puskaric:

SUBJECT: Exposure Draft, Intangible Assets, Proposed Section PS 3155

Thank you for the opportunity to comment on the Exposure Draft (ED) *Intangible Assets, Proposed Section PS 3155*. We support the Public Sector Accounting Board's development of a comprehensive standard on intangible assets. Overall, we agree with the Board's proposals included in the ED. However, we have noted some observations for your consideration, as part of our responses to the specific questions posed by the Board, as provided in **Appendix A**.

If you have any further questions related to our comments, please do not hesitate to contact either John Daley at John.Daley@tbs-sct.gc.ca (343-549-6304) or myself at Blair.Kennedy@tbs-sct.gc.ca (613-404-2996).

Yours sincerely,

Blair Kennedy

Blair Kennedy, CPA, CA
Executive Director,
Government Accounting Policy and Reporting

c.c.: Annie Boudreau, Comptroller General of Canada
Martin Krumins, Assistant Comptroller General, Financial Management Sector

Canada

APPENDIX A

Responses to Questions Posed

1. ***Do you agree with the proposals in the Exposure Draft? If not, which proposals do you disagree with and why?***

   We agree with the majority of the proposals in the Exposure Draft. However, some proposals with which we disagree, and the reasons therefor, are as follows.

   Intangible assets held by an entity as Inventory and/or for sale in the course of its operations

   We have concerns with paragraph .002 (g) of the proposed standard, whereby "intangible assets held by an entity as inventory and/or sale in the course of its operations" are excluded from its scope. We believe that the paragraph as drafted may be interpreted as excluding all intangible assets held for sale from the scope of the proposed standard, an exclusion with which we disagree. Our view is that, consistent with International Public Sector Standard ("IPSAS") 31 *Intangible Assets*, only those intangible assets held for sale in the *ordinary* or *normal* course of operations should be excluded from the scope of the proposed standard.

   The corresponding scope exclusion in IPSAS 31 is found in paragraph .06 (a), which states the standard does not apply to "intangible assets held by an entity for sale in the ordinary course of operations…" Our view is that the specification of "ordinary" in IPSAS 31 is meaningful, restricting the exclusion to intangible assets acquired and held principally with the intent to resell. We believe intangible assets held for sale in the "ordinary" course of operations are distinctly different from those acquired and held principally for use, such as for licensing or for otherwise adding service capacity, which at some point become held for sale. While both may be held for sale, the distinguishing factor is whether the intangible assets are held for sale in the "ordinary" course of operations. Our view is that intangible assets acquired and held principally for use, which at some point become held for sale, would be excluded from the scope of IPSAS 31, given their being held for sale did not arise in the "ordinary" course of operations.

   We also do not agree with specifying "inventory" in this scope exclusion, given that term is not defined in Canadian Public Sector Accounting Standards ("PSAS"). Our primary concern is that the use of an undefined term will lead to unnecessary difficulties in interpretation and application. We believe the items intended to be excluded from scope by the use of the term "inventory" would continue to be excluded if the paragraph were modified to refer only to "intangible assets held by an entity for sale…"

Based on our concerns, we suggest that the PSAB consider modifying the scope exception in paragraph .002 (g) to be "intangible assets held by an entity for sale in the normal course of its operations." For clarity, we also suggest that the scope exception states whether the requirements of PS 1202.064 must be met for an asset to be considered "held by an entity for sale."

Definition of intangible asset

We do not agree with the proposed modification to the International Public Sector Standard ("IPSAS") 31 *Intangible Assets* definition of an "intangible asset." IPSAS 31 defines an intangible asset as "an identifiable nonmonetary asset without physical substance." In the PS 3155 Exposure Draft definition, the term "asset" is replaced with "economic resource." We believe the definition of an intangible asset should directly reference the term "asset" rather than "economic resource." Our view is that one of the fundamental characteristics of an intangible asset is that it meets the general definition of an asset. Given that not all economic resources are assets under *The Conceptual Framework for Financial Reporting in the Public Sector*, we foresee difficulties in applying the definition as proposed. We therefore suggest that the PSAB reconsider the modification made to the definition of an intangible asset.

Impairment Losses

We do not agree with the proposed modification to the principles in IPSAS 31 which allow for the reversal of impairment losses. Under IPSAS, impairment losses may be reversed if, and only if, there is a change in the estimates used to determine an asset's recoverable service amount or recoverable amount, as the case may be, since the last impairment loss was recognized. Under the proposed standard, no reversal of impairment losses is allowed.

The justification for the modification as noted in the Basis for Conclusions is that it "ensures alignment of the treatment of impairment losses with the treatment of write-downs as provided in Section PS 3150 [*Tangible Capital Assets*]." Our view is that intangible assets are sufficiently different in nature from tangible capital assets to warrant a different treatment of impairment losses.

As proposed paragraph .071 states, "given the history of rapid changes in technology, computer software and many other intangible assets are susceptible to technological obsolescence." While we agree with this, we also believe rapid technological change can lead to positive changes in the future economic benefits of intangible assets subsequent to an impairment assessment. For instance, new applications of intellectual property such as, but not limited to, patents and license agreements may arise subsequent to impairment, resulting in future economic benefits that were not apparent at the time impairment was assessed.

Where new circumstances lead to an increase in the estimated recoverable service amount of a previously impaired intangible and the increase is sufficiently supported, we believe it is reasonable to adjust the carrying amount of the asset upwards to the new recoverable service amount, as allowed under IPSAS. Where an impairment loss is reversed, we support the IPSAS requirements to limit the revised carrying amount to an amount not exceeding the carrying amount that would have been determined (net of amortization) if no impairment had been recognized for the asset.

The IPSAS principles allowing reversal of impairment losses for intangible assets to the extent of the carrying amount had no impairment been recognized are not, in our view, contrary to *The Conceptual Framework for Financial Reporting in the Public Sector*.

We therefore encourage the PSAB to reconsider incorporating the IPSAS 31 principles for reversing impairment losses into the proposed standard.

2. ***Do you believe adopting the terminology of "binding arrangements" may result in broadening the scope of arrangements for your organization? If yes, please explain.***

Yes, we believe adopting the terminology of "binding arrangements" as currently drafted may result in broadening the scope of arrangements subject to the proposed standard. Without further analysis it is unclear the impact on our organization.

The term "binding arrangements" is not currently used in Canadian Public Sector Accounting Standards ("PSAS"). The Basis for Conclusions notes that binding arrangements are "in substance similar to the definitions and descriptions of contractual rights and obligations found throughout the PSA Handbook." However, proposed paragraph .013(b) describes binding arrangements as "including rights from contracts or other legal rights," suggesting the term extends beyond contracts. While we believe "other legal rights" would include items such as patents, licences, trademarks, and copyrights, we are uncertain about the extent to which legislation could create a binding arrangement. To add clarity we suggest that the PSAB consider including in the proposed standard a definition of "binding arrangements" that includes examples of typical arrangements that meet the definition.

3. ***Do you agree with the consequential amendments to the recognition exclusions (i.e., with paragraph PS 1202.079)? If no, please explain.***

We have concerns with the consequential amendments to paragraphs PS 1202.079 (b) and (c) which we believe may lead to difficulties in interpretation and application.

Intangibles arising from powers and/or rights: scope exclusion in PS 3155 and asset recognition exclusion in PS 1202

The powers and rights subject to the scope exclusion in PS 3155.002 (e) and the asset recognition exclusion in PS 1202.079 (b) are described inconsistently, with PS 3155.002 (e) referring to "sovereign or equivalent powers and/or rights…" and PS 1202.079(b) referring to "powers and/or rights…" It is therefore not clear to us whether the powers and rights in PS 1202.079 (b) are meant to solely address the powers and rights excluded from the scope of the proposed standard by PS 3155 (e). We therefore suggest that the PSAB consider clarifying the relationship between the powers and right subject to PS 3155.002 (e) and PS 1202.079 (b) and aligning the wording of these paragraphs, if appropriate, to reduce possible ambiguity.

We also have concerns with the modification to the recognition exclusion for intangibles arising from powers and rights in paragraph PS 1202.079 (b) from "developed and non-purchased intangibles" to "non-purchased intangibles." The basis of conclusions notes that this amendment was made because "proposed Section PS 3155 provides guidance on the recognition of these types of intangible assets" [i.e., developed or internally generated intangibles]. However, it appears that all intangibles arising from powers and rights are excluded from the scope of proposed PS 3155 by paragraph PS 3155.02 (e). Therefore, internally generated intangibles arising from powers and rights would neither be within the scope of PS 3155 nor PS 1202.079 (b), leading to uncertainty as to the guidance applicable to them. We therefore suggest that the PSAB consider clearly indicating the guidance applicable to internally generated intangibles arising from powers and rights. Our preference would be to continue excluding these intangibles from recognition as assets.

Additionally, in our view the continued use of the term "non-purchased intangibles" in PS 1202 may cause difficulties in application unless a definition of the term is added. Under current PSAS, PSG-8 *Purchased Intangibles* defines "purchased intangibles," which can then serve as a basis on which to determine what constitutes non-purchased intangibles. However, as PSG-8 is to be withdrawn upon the proposed standard becoming effective, there will be no basis on which to define "non-purchased intangibles." Consequently, we believe there will be uncertainty as to what constitutes a non-purchased intangible. We therefore suggest that the PSAB consider adding a clear description as to what constitutes a "non-purchased intangible, including what distinguishes non-purchased intangibles from internally generated intangibles.

We also suggest that additional context be added to the continued explicit exclusion in PS 1202.079 (b) of "wireless spectrum rights, air rights, sea rights and forestry rights" as "non-purchased intangibles arising from powers and/or rights provided for in the Constitution or devolved or delegated through legislation or bylaws or provided for in accordance with Indigenous rights or laws." As the recognition exclusion is for "non-purchased intangibles," it is commonly held that this recognition exclusion applies to the inherent holder of the rights rather than to a holder of a license to use those rights. However, we believe it would be beneficial to add clarity by stating this qualification.

"Human capital"

We do not agree with the retention of the "human capital" recognition exclusion in PS 1202.079 (c) given this concept is addressed in paragraph .017 of proposed standard PS 3155. We also note that retaining PS 1202.079 (c) would be contrary to the proposed standard by explicitly excluding recognition of "human capital." While the proposed standard notes that "usually" an entity would have insufficient control of future economic benefits to recognize an intangible asset associated with human capital, it does not explicitly prohibit the recognition of such assets. We therefore suggest the removal of this recognition exclusion from PS 1202.

4. ***Do you agree with all the other consequential amendments? If not, why?***

We do not agree with proposed paragraph .078 of PS 1202, which states:

> intangibles[5]…that are purchased are recognized in financial statements when they meet the definition of an asset and the general recognition criteria. [Footnote 5: Recognition of acquired intangibles is addressed in INTANGIBLE ASSETS, Section PS 3155.]

In our view, this paragraph continues to reflect current PSAS, whereby purchased intangibles are recognized as assets under PSG-8 if they meet the definition of an asset and the general recognition criteria. However, once PS 3155 becomes effective, the requirements for recognizing intangible assets extend beyond meeting the definition of an asset and the general recognition criteria.

We are also concerned that this paragraph is limited to intangibles that are purchased and does not expressly acknowledge that internally generated intangibles may be also recognized as assets if they meet the appropriate criteria. We do not see a need to restrict the discussion of intangibles in PS 1202.78 to those “that are purchased.”

We therefore suggest that PSAB consider modifying PS 1202.078 to acknowledge all the intangible assets that may be recognized as assets, rather than only those “that are purchased,” and to specify that such assets are recognized in the financial statements when they meet the criteria in PS 3155, rather than the “definition of an asset and the general recognition criteria.” We note this would be best achieved in PS 1202.078 by separating the discussion of intangibles from natural resources and Crown lands.

5. ***Do you agree with the transitional provisions?***

No, we do not entirely agree with the transitional provisions. While we support the options entities may elect upon transition to the proposed standard, we are concerned with the lack of guidance for the treatment of outstanding related balances existing at the date of transition, namely those related to software and purchased intangibles. Under current PSAS, these items may be recognized as assets under PS 3150 *Tangible Capital Assets* and PSG-8 *Purchased Intangibles*, respectively.

If an entity elects to apply the transitional provision in paragraph .130 (a), the proposed standard would apply to “new transactions and other events occurring on or after April 1, 2030.” It is unclear which PSAS would then apply to any software and purchased intangible assets outstanding at the date of transition, given such assets would have resulted from transactions and other events *prior* to April 1, 2030. We therefore suggest the PSAB consider providing guidance for the treatment of outstanding related balances existing at the date of transition when an entity elects the transitional provision in paragraph .130 (a).

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June 23, 2025

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

Re: Exposure Draft - Intangible Assets, Proposed Section PS 3155

Dear Mr. Puskaric,

Thank you for the opportunity to provide comments on the Exposure Draft - Intangible Assets, Proposed Section PS 3155. Our comments are below.

Questions

1. **Do you agree with the proposals in the Exposure Draft? If not, which proposals do you disagree with and why?**

   We generally agree with the proposals set out in the Exposure Draft. The introduction of additional guidance for intangible assets fills a gap in the PSA Handbook, particularly with respect to internally generated intangible assets. In addition, we would like to highlight the following:

   Are the development phase criteria too subjective? The requirement to demonstrate all six criteria outlined in paragraph PS 3155.050 for internally generated intangibles may be too subjective for the public sector, particularly where project scopes shift over time and opinions on meeting those criteria may differ between preparers and auditors. However, we understand the importance of having established criteria to prevent misapplication of the standard. Adding additional illustrative examples may be helpful to clarify when those conditions are met and how certain projects may differ.

   Combined research and development phases: The Exposure Draft relies on the ability to clearly distinguish between the research and development phases (PS 3155.045–.057). In practice, this distinction is not always clear. Public sector projects frequently mix research and development phases, making it difficult to separate them—for example, a healthcare initiative might include analyzing disease trends (research) while also creating a digital tool to manage patient data (development). Additional guidance on how to differentiate between these two phases when they overlap may be beneficial.

   Incorporation of cloud computing guidance: Although the work of the cloud computing task force is going on simultaneously to this exposure draft feedback, it is very important to us to understand how the cloud computing guidance will tie-in seamlessly to this standard. As a result, we would appreciate the ability to provide feedback at that time. We have some concern that this project will move to a basis of conclusions phase without having captured any feedback on this very important piece of work.

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2. Do you believe adopting the terminology of "binding arrangements" may result in broadening the scope of arrangements for your organization? If yes, please explain.

Yes, adopting the terminology of "binding arrangements" may broaden the scope of arrangements recognized by our organization. We enter into several non-contractual but enforceable agreements (memorandums of understanding and program delivery and funding agreements). These would now meet the identifiability test under paragraph PS 3155.013(b). This change may result in the recognition of assets otherwise excluded from our reporting.

There is some concern with expanding the scope of the current definition for this standard alone, outside normal practice. We encourage PSAB to issue implementation guidance to clarify what constitutes a binding arrangement in practice and how this is different, in terms of identifiability, between the different forms. It may also be beneficial to consider omitting this phrasing or using alternative terminology that aligns with existing PSAS recognition practices.

3. Do you agree with the consequential amendments to the recognition exclusions (i.e., with paragraph PS 1202.079)? If no, please explain.

We agree with the removal of the recognition exclusion for developed intangibles in paragraph PS 1202.079. This amendment supports a more complete picture of assets controlled by public sector entities.

The implementation of this change may require system and process changes, including identifying and tracking development costs over time. In addition, it may add increased complexity to government audits, due to differences in opinion between preparers and their auditors.

4. Do you agree with all the other consequential amendments? If not, why?

We generally agree with the consequential amendments proposed. The changes appear consistent with the principles outlined in Section PS 3155 and improve consistency across the PSA Handbook.

However, we recommend that PSAB closely monitor the implementation of amended guidance related to intangible collections and cultural assets (PS 3155.008 and related updates to PS 3150), particularly given the challenges around measurement and disclosure. Entities with public stewardship duties may need additional support in determining what qualifies for disclosure versus recognition.

Guidance for current users on the transition from the Public Sector Guideline (PSG-8) to the new standard, may also be beneficial. In addition, since Software will now get categorized as an intangible asset vs. a tangible capital asset before, disclosure changes and an assessment of this impact as well as guidance, should also be considered by PSAB.

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5. Do you agree with the transitional provisions?

We agree with many of the proposed transitional provisions. However, we believe the transition date should be extended to 2031 to give entities sufficient time to assess the impact, update systems, and provide training while also transitioning to the new Employee Future Benefits standard in 2029. We would also like to see the cloud computing guidance be released in combination with this standard. Also, we appreciate that the provisions allow for prospective application, given the challenges of retroactive costing for internally generated assets.

Sincerely,

Robert E. Bourgeois, CPA, CA
Controller
NS Dept of Finance and Treasury Board