



# Exposure Draft

## 2022-2023 Annual Improvements to Public Sector Accounting Standards

**August 2022**

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**COMMENTS TO PSAB MUST BE RECEIVED BY  
OCTOBER 11, 2022**

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We value your input and look forward to your feedback on this Exposure Draft. Comment on this document by uploading your response letter via [this online form](#). Please address your response to:

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This Exposure Draft reflects proposals made by the Public Sector Accounting Board (PSAB). Individuals, governments and organizations are invited to send written comments on the Exposure Draft proposals. Comments are requested from those who agree with the Exposure Draft as well as from those who do not.

Comments are most helpful if they relate to a specific paragraph or group of paragraphs. Any comments that express disagreement with the proposals in the Exposure Draft should clearly explain the problem and include a suggested alternative, supported by specific reasoning. All comments PSAB receives will be available on the website shortly after the comment deadline unless confidentiality is requested. The request for confidentiality must be stated explicitly within the response.

## HIGHLIGHTS

The Public Sector Accounting Board (PSAB) proposes, subject to comments received following exposure, to amend the CPA Canada Public Sector Accounting (PSA) Handbook as set out in this Exposure Draft.

## Background

PSAB has adopted an annual improvements process to correct errors in the wording or clarify the PSA Handbook or other guidance. Major improvements or narrow-scope amendments to the standards or other guidance are not included in the annual improvements process.

## Main features of the Exposure Draft

The 2022-2023 Annual Improvements reflect proposed amendments to:

- replace the term “summary financial statements” with “financial statements” or “financial reports”;
- clarify the Introduction to Public Sector Guidelines and the removal of outdated guidance related to local governments;
- update the transitional provisions in PUBLIC PRIVATE PARTNERSHIPS, Section PS 3160, to explicitly state that early adoption is permitted;
- change some references to the term “power” to “ability” or “authority”, as appropriate, given the use of the term “power” to reference sovereign or equivalent powers in the Conceptual Framework Chapter 5;<sup>1</sup>
- update to correct for grammatical errors in the decision tree in LOANS RECEIVABLE, Section PS 3050;
- update PUBLIC SECTOR GUIDELINE (PSG) 8, Purchased Intangibles, to clarify its application to inter-entity transactions;
- update the designation and numbering of existing appendices in the PSA Handbook to align with categories of guidance established by the International Public Sector Accounting Standards (IPSAS). This is to ensure consistent classification of similar categories of guidance should PSAB adapt IPSAS principles set out in appendices in developing Canadian standards in the future; and
- update the terminology in many of the standards otherwise addressed in this Exposure Draft from “government” to “public sector entity” or “entity”, as appropriate.

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<sup>1</sup> PSAB expects to issue the new Conceptual Framework in the PSA Handbook in December 2022, while the annual improvements in this Exposure Draft are expected to be issued in the PSA Handbook in April 2023.

## **Amendments to replace the term “summary financial statements” with “financial statements” or “financial reports” in the PSA Handbook**

The term “summary financial statements” is used in several standards. Although the term “summary financial statements” has been used extensively in the past, before the PSA Handbook was GAAP, the language PSAB and its stakeholders use today is simply “financial statements”. New standards use the term “financial statements” and do not reference “summary financial statements”.

PSAB proposes to replace references to “summary financial statements” with “financial statements” or “financial reports” to reflect the current terminology. Note that the change has not been proposed for FINANCIAL STATEMENT CONCEPTS, Section PS 1000, FINANCIAL STATEMENT OBJECTIVES, Section PS 1100, or FINANCIAL STATEMENT PRESENTATION, Section PS 1201 as the Board expects to replace these standards in the coming year.

## **Amendments to clarify the Introduction to accounting guidelines and to remove outdated guidance related to local governments**

PSAB proposes to remove guidance related to local governments that is no longer used in practice and to update the Introduction to accounting guidelines to reflect current processes.

- Currently, some paragraphs in the Introduction accounting guidelines are outdated and need revising to reflect current terminology and processes (i.e., Introduction to accounting guidelines, paragraphs .04 and .06, including the heading immediately above paragraph .06).
- Several paragraphs in the PSGs relate to local governments and are no longer used in practice (i.e., Leased Tangible Capital Assets, paragraph PSG-2.31, Funds And Reserves, paragraph PSG-4.12 and the heading immediately above it, Sale-Leaseback Transactions, paragraph PSG-5.56, and Tangible Capital Assets of Local Governments, PSG-7 in its entirety). They are no longer used because they relate to when local governments transitioned to recognizing tangible capital assets and adopting related reporting model changes (i.e., fiscal years beginning on or after January 1, 2009).
- Similarly, some guidance in PSAS standards specific to local governments is no longer used in practice (TANGIBLE CAPITAL ASSETS, paragraphs PS 3150.43-.48 and the heading immediately above them, and GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, paragraph PS 1150.26).

## **Amendments to transitional provisions in PUBLIC PRIVATE PARTNERSHIPS, Section PS 3160, to explicitly state that early adoption is permitted.**

Currently, the transitional provisions in Section PS 3160 do not explicitly state that early adoption is permitted.

PSAB proposes to update the transitional provisions in Section PS 3160 to indicate that early adoption is permitted.

## **Amendments to update some references of “power” to “ability” or “authority”**

There is a discrepancy in how the word “power” is used throughout the PSA Handbook. The new Conceptual Framework will define the term “power” as a unique ability that only governments have been granted that they either invoke themselves or delegate it for invocation by others (i.e., sovereign or equivalent powers). However, the Introduction to public sector accounting standards and many standards define the word “power” as the ability to do something – not a power of government but the more general understanding of the word “power”.

To clarify existing pronouncements and ensure the consistent use of the term “power”, PSAB has made amendments that propose that PSAS use “power” only in relation to unique powers and rights of government (and occasionally in relation to electricity). When referring to the general sense of the word “power” in the PSA Handbook, the Board proposes using the term “ability” or “authority” instead. Note, however, that no changes are proposed to the use of the word “power” in GOVERNMENT REPORTING ENTITY, Section PS 1300. Instead, the Board will include a footnote in Chapter 5 of the new Conceptual Framework to distinguish how the term “power” is used in Section PS 1300 from the sovereign or equivalent powers dealt with in Chapter 5.

### **Amendments to update for grammatical errors in the decision tree in LOANS RECEIVABLE, Section PS 3050**

PSAB proposes amendments to correct several grammatical errors in the decision tree in the Appendix to Section PS 3050.

### **Amendments to PSG-8, Purchased Intangibles, to clarify application to inter-entity transactions**

INTER-ENTITY TRANSACTIONS, Section PS 3420, deals with how to account for and report transactions between entities under common control of the same government (or other reporting entity) from both provider and recipient perspectives. That is, both entities party to a transaction are within the same reporting entity.

Paragraph PSG-8.2 broadly excludes from the Guideline's scope all intangibles acquired through inter-entity transactions. This means that intangibles purchased through an inter-entity transaction would not be recognized as assets but would be written off to expenses on acquisition. If the intangible was originally purchased from outside the reporting entity, this write-off would not be appropriate for the reporting entity on consolidation.

PSAB concluded this was an unintended consequence and proposes to clarify PSG-8. The intent is that if an intangible is purchased through an exchange transaction by a controlled entity from outside of a consolidated reporting entity, that reporting entity should be able to recognize the intangible as an asset in its consolidated financial statements if it meets the asset definition and the general recognition criteria. Such asset recognition should be allowed at the consolidated reporting entity level regardless of whether the intangible is subsequently transferred to another component or controlled entity within the consolidated reporting entity.

### **Amendments to align existing appendices in the PSA Handbook with categories of guidance established by IPSAS**

Currently, PSAB includes additional guidance (e.g., decision trees and illustrative examples) in appendices to individual standards. With its new International Strategy decision, the Board proposes amendments to its appendices to align the titles and paragraphs in each PSA Handbook appendix with the categories of guidance used within IPSAS. This primarily relates to outlining specifically whether an appendix comprises Application Guidance integral to the standard or illustrative examples that are merely illustrative and not integral to the standard.

Amendments have also been proposed to Section PS 1150 to reflect the updated terminology.

Note that changes have not been proposed to Sections PS 1000, PS 1100 or PS 1201 as the Board expects to replace these standards within the coming year.

## Amendments to incrementally change PSA Handbook terminology from “government” to “public sector entity” as appropriate

As part of its annual improvements process, PSAB has committed to incrementally change terminology in the PSA Handbook to reflect fully the PSA Handbook’s applicability to all public sector entities (unless directed to another framework in the Introduction). These changes are proposed for many of the standards otherwise proposed for amendment in this Exposure Draft.

### Timing of application

PSAB expects to issue final amendments in the April 2023 PSA Handbook update. The amendments will be effective for years beginning on or after April 1, 2023. The Board intends that the amendments be applied retrospectively given that annual improvements are not expected to affect practice, and many are purely editorial in nature.

### Comments requested

While PSAB welcomes comments on the changes proposed in this Exposure Draft, it particularly welcomes comments on the questions listed below. Any comments that express disagreement with the proposals in the Exposure Draft should clearly explain the problem and include a suggested alternative, supported by specific reasoning.

1. Do you agree with the proposed amendments to replace the term “summary financial statements” with “financial statements” in applicable individual standards?
2. Do you agree with the proposed amendments to clarify the Introduction to Public Sector Guidelines and the removal of outdated guidance related to local governments?
3. Do you agree with the proposed amendments to the transitional provisions in Section PS 3160 to explicitly outline that early adoption is permitted?
4. Do you agree with the proposed amendments to replace some references of “power” to “ability”?
5. Do you agree with the proposed amendments to align existing appendices in the PSA Handbook with categories of guidance established by IPSAS?
6. Do you agree with the proposed amendments to correct for grammatical errors in the decision tree in Section PS 3050?
7. Do you agree with the proposed amendments to PSG-8 to clarify application to inter-entity transactions?

Comment on this document by uploading your response letter via [this online form](#).

## PROPOSAL

The PSA Handbook would be amended as indicated below. New text is denoted by underlining and deleted text by strikethrough. Amendments have been grouped by the themes outlined above for easy reference.

### Amendments to replace the term “summary financial statements” with “financial statements” or “financial reports” in the PSA Handbook

Note that PSAB proposes other related terminology changes to clarify the paragraphs in this part of the Exposure Draft that reference “summary financial statements”:

- The new Conceptual Framework identifies financial statements as a type of financial report. So, each footnote or paragraph in this part is proposed to use “financial report” to avoid redundantly stating that “financial statements are financial statements”.
- Chapter 10, “Presentation Concepts for Financial Statements,” of the new Conceptual Framework uses the term “present”. So, the term “present” is proposed to replace the phrase “report on”.
- Where it is easy to do so, the term “government” is proposed to change to “public sector entity” or “entity” to include all entities that use the PSA Handbook to prepare their financial statements. This change is proposed for standards already being updated in this Exposure Draft. The table at the end of this Exposure Draft sets out where the proposed changes would be made. For the specific paragraphs in this part of the Exposure Draft, the change from “government” to “public sector entity” is also shown here unless complexities require this change to be postponed for future consideration.

#### SUBSEQUENT EVENTS, Section PS 2400

...

Paragraph .01, footnote 1: The term “financial statements” refers to the ~~summary financial statements reports~~ published by a ~~government~~ public sector entity that ~~report on~~ present the financial position and changes in financial position of the ~~government~~ reporting entity.

...

#### BASIC PRINCIPLES OF CONSOLIDATION, Section PS 2500

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.04 The following definitions have been adopted for the purposes of this Section:

...

- (d) **Government financial statements** are ~~summary financial statements reports~~ published by a government that ~~report on~~ present the financial position and changes in financial position of the government reporting entity through the consolidation of its governmental units and inclusion of its investments in government business enterprises on a modified equity basis.

NOTE: Given the complexity of consolidated financial statements, PSAB will propose to replace “government” with the more inclusive terms “public sector entity” or “entity” in Section PS 2500 as part of future annual improvements.

## PORTFOLIO INVESTMENTS, Section PS 3041

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Paragraph 0.1, footnote 1: The term “financial statements” refers to the ~~summary financial statements~~ reports published by a ~~government~~ public sector entity that ~~report on~~ present the financial position and changes in financial position of the ~~government~~ reporting entity.

...

## LOANS RECEIVABLES, Section PS 3050

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Paragraph 0.1, footnote 1: The term “financial statements” refers to the ~~summary financial statements~~ reports published by a government that ~~report on~~ present the financial position and changes in financial position of the government reporting entity.

NOTE: References to the government reporting entity and government transfers and GOVERNMENT REPORTING ENTITY, Section PS 1300, and GOVERNMENT TRANSFERS, Section PS 3410, have not yet been updated to replace the term “government” with the more inclusive terms “public sector entity” or “entity”. Therefore, PSAB will propose these updates for Section PS 3050 as part of future annual improvements.

## INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES, Section PS 3070

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.04 The following definitions have been adopted for the purposes of this Section:

...

- (c) **Government financial statements** are ~~summary financial statements~~ reports published by a government that ~~report on~~ present the financial position and changes in financial position of the government reporting entity through the consolidation of its governmental units and inclusion of its investments in government business enterprises on a modified equity basis. [Former paragraph PS 3070.03(c), amended by 2018-2019 annual improvements, retained in Archived Pronouncements.]

...

NOTE: The use of “government” is appropriate for government financial statements and so replacing “government” with “public sector entity” is not proposed.

## TANGIBLE CAPITAL ASSETS, Section PS 3150

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Paragraph .01, footnote 1: The term “financial statements” refers to the ~~summary financial statements~~ reports published by a ~~government~~ public sector entity that ~~report on~~ present the financial position and changes in financial position of the ~~government~~ reporting entity.

...



## LONG-TERM DEBT, PS 3230

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Paragraph .01, footnote 1: The term “financial statements” refers to the ~~summary financial statements reports~~ published by a government that ~~report on~~ present the financial position and changes in financial position of the government reporting entity.

NOTE: Given the complexity of debt issued by a government on behalf of a government business enterprise, PSAB will propose to replace the term “government” with the more inclusive terms “public sector entity” or “entity” in Section PS 3230 as part of future annual improvements.

## RETIREMENT BENEFITS, PS 3250

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## GLOSSARY

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**Financial statements** are ~~summary financial statements reports~~ published by a ~~government~~ public sector entity that ~~report on~~ present the financial position and changes in financial position of the ~~government~~ reporting entity. Such statements present aggregated information and serve as a means by which a ~~government~~ public sector entity demonstrates its accountability for the financial affairs and resources entrusted to it.

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## LOAN GUARANTEES, PS 3310

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Paragraph .01, footnote 1: The term “financial statements” refers to the ~~summary financial statements reports~~ published by a ~~government~~ public sector entity that ~~report on~~ present the financial position and changes in financial position of the ~~government~~ reporting entity.

...

## Basis for conclusions

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### Amendments to the Introduction – Basis for Conclusions

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- 1 The CPA Canada Public Sector Accounting (PSA) Handbook was originally developed to address the financial reporting needs of governments in Canada. The terminology used in many of the standards still indicates that they are applicable to governments preparing their ~~summary~~ financial statements.

...

## FINANCIAL STATEMENT PRESENTATION, Section PS 1201

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- 19 When a public sector entity includes the results of government business enterprises and government business partnerships in the entity's **summary** financial statements, it may need to account for the other comprehensive income of those entities. PSAB determined that any other comprehensive income arising from the application of modified equity accounting is reported in the statement of remeasurement gains and losses. Prior to adoption of Section PS 1201, INCLUDING RESULTS OF ORGANIZATIONS AND PARTNERSHIPS APPLYING FAIR VALUE MEASUREMENT, PSG-6, required a public sector entity to report other comprehensive income in the statement of accumulated surplus or deficit. This requirement is reflected in Section PS 1201 and through amendments made to INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES, Section PS 3070.

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## FOREIGN CURRENCY TRANSLATION, Section PS 2601

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- 14 When preparing **summary** financial statements, liabilities are normally grouped with other liabilities and similarly, assets are grouped with other assets. Another drawback of Section PS 2600 was that it allowed assets and liabilities in a hedging relationship to be grouped together when their exposure to currency risk is offsetting. This approach, known as synthetic instrument accounting, has been abandoned by other standard setters as it obscures information about the underlying hedging instrument and the hedging relationship. FINANCIAL INSTRUMENTS, Section PS 3450, severely limits offsetting.

...

## INTER-ENTITY TRANSACTIONS, Section PS 3420

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- 17 There was general agreement among respondents that the PSA Handbook should include recognition and measurement guidance for inter-entity transactions between government organizations under common control and that are part of the same government reporting entity. They commented that existing guidance in the PSA Handbook is focused on **summary** financial statements of the government reporting entity in which related party transactions and unrealized gains or losses are eliminated. It was felt that guidance would help address an increasing number of accounting issues resulting from the adoption of the PSA Handbook standards by government organizations that previously followed other standards.

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## REVENUE, Section PS 3400

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- 73 Some respondents thought the disclosure proposals were too onerous; for example, separately disclosing disaggregated revenues by source and type, with separate disclosure of revenues that are not related to recurring activities especially from a consolidated **summary** financial statement perspective.

74 Some respondents requested additional guidance indicating that materiality and the sensitivity of information needs to be considered in determining disclosure. The usefulness of the information presented to the reader of the ~~summary~~ financial statements should be considered when determining the level of detail to be provided. In addition, materiality of the information is always considered when determining the appropriate level of disclosures to be provided.

...

## STATEMENTS OF RECOMMENDED PRACTICE

### Assessment of Tangible Capital Assets, SORP-3

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**Table I**

This Table illustrates the reconciliation of a report for a major category of tangible capital assets presented in financial statements based on net carrying amount.

<u>Asset category – Roads</u>	<u>20X8</u>	
	<u>Quantity (lane kms)</u>	<u>Net carrying amount (\$ millions)</u>
Assessment completed (expressways, highways, arterials and collectors, and residential streets)	1829	6568
Assessment not completed (laneways, alleys) (a)	155	542
Total per <del>summary</del> financial statements	1984	7110

(a) See Table IV

### Indicators of Financial Condition, SORP-4

...

Paragraph 3, footnote 2: For purposes of this SORP, the term “financial statements” refers to the ~~summary financial statements~~ reports prepared by a government.

...

NOTE: PSAB will propose replacing the term “government” with the more inclusive term “public sector entity” or “entity” in the Statements of Recommended Practice (SORPs) as part of future annual improvements.

## Amendments to clarify the Introduction to Public Sector Guidelines and to remove outdated guidance related to local governments

### GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, Section PS 1150

...

~~26 For local governments that are currently required by legislation or regulation to prepare their financial statements in accordance with a basis of accounting other than GAAP, this Section applies to fiscal years beginning on or after April 1, 2006.~~

...

### TANGIBLE CAPITAL ASSETS, Section PS 3150

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...

#### TRANSITIONAL PROVISIONS FOR LOCAL GOVERNMENTS

~~.43 This Section applies to local governments for fiscal years beginning on or after January 1, 2009. Earlier adoption is encouraged.~~

~~.44 This Section applies to all tangible capital assets.~~

~~.45 When, during the period of transition, a local government has information on some but not all categories of its tangible capital assets, the local government would disclose information in accordance with PUBLIC SECTOR GUIDELINE PSG-7, Tangible Capital Assets of Local Governments.~~

~~.46 All government tangible capital assets would be recorded in a government's accounting system according to this Section. The information recorded would include the actual or estimated original cost of the tangible capital assets, their estimated useful lives and the related estimated accumulated amortization. When recording the initial value of a tangible capital asset for the purposes of applying this Section, consideration would be given to whether the net book value of the tangible capital asset is in excess of the future economic benefits expected from its use and,~~

therefore, whether a write-down is required to establish more appropriate cost and accumulated amortization amounts for the asset.

- .47 — When a government does not have historical cost accounting records for its tangible capital assets, it will need to use other methods to estimate the cost and accumulated amortization of the assets. It may be possible to derive information for recording tangible capital assets from records of government departments that manage those assets. A government would apply a consistent method of estimating the cost of the tangible capital assets for which it does not have historical cost records, except in circumstances where it can be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset.
- .48 — Some government tangible capital assets that are still in use by the government may not have any unamortized cost remaining because of their age and the amortization period set for that type of tangible capital asset. A record of such tangible capital assets would, however, need to be set up for asset control purposes. If a government has the information to estimate the historical cost and accumulated amortization of such fully amortized assets, then that information would be recorded in the accounting records. If a local government does not have this detailed information on its fully amortized assets, it would disclose them at an initial value equal to their residual value, where material and previously known. Otherwise it would disclose them at a nominal value.

...

## Public Sector Guidelines

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### Introduction to accounting guidelines

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- .04 — Changes to Guidelines are identified in the Handbook Revisions Releases Highlight Summaries and former paragraphs are retained in Archived Pronouncements.

...

### TOPICAL INDEX

- .06 — The principal subject matter of each Guideline is included in the Topical Index.

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### PSG-2, Leased Tangible Capital assets

...

- .31 — This Guideline applies to local governments that have adopted FINANCIAL STATEMENT PRESENTATION, PS 1201

...

### PSG-4, Funds and Reserves

...

### TRANSITIONAL PROVISIONS

- 12 — This Guideline applies to local governments that have adopted FINANCIAL STATEMENT

PRESENTATION, PS 1201.

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## PSG-5, Sale-Leaseback Transactions

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~~56 This Guideline applies to local governments that have adopted FINANCIAL STATEMENT PRESENTATION, PS 1201.~~

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## PSG-7, Tangible Capital Assets of Local Governments

(withdrawn April 2023)

~~1 The purpose of this Guideline is to provide transitional guidance to a local government on reporting information related to tangible capital assets in notes or schedules to its financial statements.~~

~~(paragraph 2 deleted)~~

~~3 Tangible capital assets are significant economic resources managed by a local government and a key component of cost in the delivery of many local government programs and services. Tangible capital assets include such diverse items as roads, buildings, vehicles, equipment, land, water and other utility systems, aircraft, computer hardware and software, dams, canals and bridges.~~

~~4 The disclosure of information regarding tangible capital assets in a local government's financial statements would provide information about tangible capital assets by major category. Major categories of tangible capital assets would be determined by type of asset, such as land, buildings, equipment, roads, water and other utility systems, and bridges.~~

~~5 When a local government has information on some but not all categories of its tangible capital assets, it would disclose the information required and, in addition, those categories of tangible capital assets excluded from that disclosure until the relevant information about the complete stock of tangible capital assets can be provided.~~

~~6 A local government would disclose, for each major category of tangible capital assets and in total:~~

~~(a) cost at the beginning and end of the period;~~

~~(b) additions in the period;~~

~~(c) disposals in the period;~~

~~(d) the amount of any write-downs in the period;~~

~~(e) the amount of amortization of the costs of tangible capital assets for the period;~~

~~(f) accumulated amortization at the beginning and end of the period; and~~

~~(g) net carrying amount at the beginning and end of the period.~~

~~7 A local government would also disclose the following information about tangible capital assets:~~

~~(a) the method used for determining the cost of each major category of tangible capital assets;~~

~~(b) the amortization method used, including the amortization period or rate for each major category of tangible capital assets;~~

~~(c) the net book value of tangible capital assets not being amortized because they are under~~

- construction or development or have been removed from service;
- (d) ~~the nature and amount of contributed tangible capital assets received in the period;~~
- (e) ~~the nature and use of tangible capital assets disclosed at nominal value;~~
- (f) ~~the nature of the works of art and historical treasures held by the government; and~~
- (g) ~~the amount of interest included in cost in the period.~~
- 8 ~~When a local government does not have historical cost accounting records for its tangible capital assets, it will need to use other methods to estimate the cost and accumulated amortization of the assets.~~
- 9 ~~It may be possible to derive information for recording tangible capital assets from records of departments and agencies that manage those assets. A local government would apply a consistent method of estimating the cost of the tangible capital assets for which it does not have historical cost records, except in circumstances where it can be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset.~~
- 10 ~~When recording the initial cost of a tangible capital asset, consideration would be given to whether the net book value of the tangible capital asset is in excess of the future economic benefits expected from its use and, therefore, whether a write-down is required to establish more appropriate cost and accumulated amortization amounts for the asset.~~
- 11 ~~Some local government tangible capital assets that are still in use by the local government may not have any unamortized cost remaining because of their age and the amortization period set for that type of tangible capital asset. A record of such tangible capital assets would, however, need to be set up for asset control purposes. If a local government has the information to estimate the historical cost and accumulated amortization of such fully amortized assets, it would disclose that information. If a local government does not have this detailed information on its fully amortized assets, it would disclose them at an initial value equal to their residual value, where material and previously known. Otherwise it would disclose them at a nominal value.~~
- 12 ~~TANGIBLE CAPITAL ASSETS, Section PS 3150, provides further guidance about disclosing information related to tangible capital assets.~~

## TRANSITIONAL PROVISIONS

- 13 ~~This Guideline applies to fiscal years beginning on or after January 1, 2007. Earlier adoption is encouraged.~~

...

## Amendments to transitional provisions in PUBLIC PRIVATE PARTNERSHIPS, Section PS 3160, to explicitly state that early adoption is permitted

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### PUBLIC PRIVATE PARTNERSHIPS, Section PS 3160

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- .73 This Section applies to fiscal years beginning on or after April 1, 2023. Earlier adoption is permitted. This Section may be applied retroactively or prospectively, as follows:
- (a) prospectively, for an infrastructure asset and related liability where control by the public sector entity over the infrastructure asset (i.e., acquisition, construction, or betterment to existing infrastructure) arose on or after April 1, 2023;

- (b) retroactively with or without prior period restatement, for an infrastructure asset and related liability where control by the public sector entity over the infrastructure arose prior to April 1, 2023, and the asset and related liability has not been previously recognized; and
- (c) retroactively with or without prior period restatement, for an infrastructure asset and related liability where control by the public sector entity over the infrastructure asset arose prior to April 1, 2023, and the previously recognized asset and related liability requires adjustment in applying this Section.

...

## Amendments to update some references of “power” to “ability” or “authority”

...

### RESTRICTED ENTITIES AND REVENUES, Section PS 3100

...

- .21 When an organization included in the reporting entity is internally restricted, legislation establishes that the revenues and assets or net assets of that entity can be used only to finance the entity’s operations. They are not available to discharge other government liabilities or to finance other government programs. The key distinction is that the terms of the legislation establish, either explicitly or implicitly, a relationship between the government and external parties who have a direct interest in how funds contributed to the entity have been used. In such circumstances, even though the government has the ~~power-ability~~ to change the restriction without the consent of the external parties, there is a direct accountability to those parties to use the resources as specified while that legislation is in effect. Disclosing information about internally restricted entities in the government’s financial statements demonstrates that accountability to those external parties.

...

### PUBLIC PRIVATE PARTNERSHIPS, Section PS 3160

...

- .17 A public sector entity’s regulation of an economic resource may not, in and of itself, constitute control of an asset. A public sector entity may establish the regulatory environment in an industry or sector in which an organization operates and thereby impose conditions or sanctions on its operations, consistent with ASSETS, paragraph PS 3210.23. For example, a provincial transportation ministry may have the authority to set quality and safety standards for all roads in the province. However, this ~~power-authority~~ does not constitute control of a specific road acquired through a public private partnership arrangement if the authority’s interest extends only to the regulatory use of the economic resources and does not include controlled access to the future economic benefits related to the specific road. The determination of public sector entity control would therefore require additional assessment of control indicators specific to the road acquired through a public private partnership arrangement.

...



## ASSETS, PS 3210

...

- .23 A public sector entity's ability to regulate an economic resource does not, in and of itself, constitute control of an asset. A public sector entity may establish the regulatory environment in an industry or sector within which organizations operate and impose conditions or sanctions on their operations. For example, a pollution control authority may have the ability to close down the operations of entities that are not complying with environmental regulations. However, this ~~power-~~ability does not constitute control because the pollution control authority's interest extends only to the regulatory use of the economic resources and does not include the ability to control access to the future economic benefits.

...

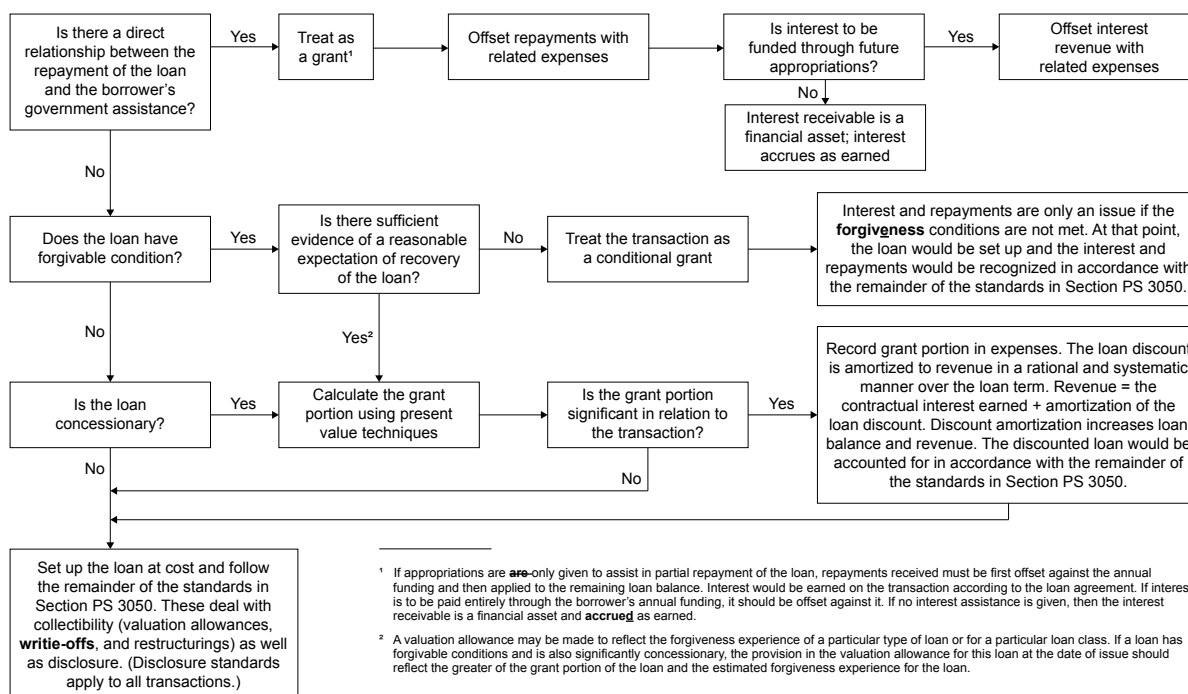
## Amendments to update for grammatical errors in the decision tree in LOANS RECEIVABLE, Section PS 3050

### LOANS RECEIVABLES, Section PS 3050

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#### Decision Tree – Loans

...



...

## Amendments to PSG-8, Purchased Intangibles, to clarify application to inter-entity transactions

...

### PSG-8, Purchased Intangibles

- 2 Intangibles acquired through a transfer,<sup>2</sup> ~~or contribution or inter-entity transaction,<sup>3</sup>~~ are not purchased intangibles.
- 2A For the consolidated reporting entity, only intangibles purchased through an exchange transaction described in paragraph 1 with a party outside of the reporting entity would be considered purchased intangibles for the purposes of this Guideline.
- 2B As long as the initial purchase of an intangible into a consolidated reporting entity is through an exchange transaction described in paragraph 1 with a party outside of the reporting entity, any entity within the reporting entity subsequently receiving the intangible through an inter-entity transaction<sup>3</sup> would account for it as a purchased intangible in accordance with this Guideline.
- 2C These inter-entity transactions do not give rise to a purchased intangible for the purposes of this Guideline:
- (a) An inherited intangible of one entity in a reporting entity is transferred to another entity within the same reporting entity.
  - (b) A developed intangible of one entity in a reporting entity is transferred to another entity within the same reporting entity.

...

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2 Transfers are defined in GOVERNMENT TRANSFERS, paragraph PS 3410.04.

3 Inter-entity transactions are defined in INTER-ENTITY TRANSACTIONS, paragraph PS 3420.04(g).

## Amendments to align existing appendices in the PSA Handbook with categories of guidance established by IPSAS

Currently, the PSA Handbook includes additional guidance (e.g., decision trees and illustrative examples) in appendices to individual standards. With its new International Strategy decision, PSAB is proposing amendments to its appendices to align the titles and paragraphs in each PSA Handbook appendix with the categories of guidance used within IPSAS. This primarily relates to specifically outlining whether an appendix comprises Application Guidance integral to the standard or illustrative examples that are merely illustrative and not integral to the standard. These changes are editorial only and are not intended to change how these appendices are interpreted or used. Clarifications of the status of such appendices are also proposed for inclusion in Section PS 1150.

The following changes are proposed to designate appendices as Application Guidance (AG) or Illustrative examples (IE), with appropriate renumbering of the paragraphs therein as AG or IE:

Standard/Guideline	Appendix	New designation	Paragraphs renumbered as
Introduction to public sector accounting standards	A – Decision Tree	AG	N/A – just designation of appendix as AG
RELATED PARTY DISCLOSURES, Section PS 2200	A – Decision Tree – Scope of Applicability	AG	N/A – just designation of appendix as AG
BASIC PRINCIPLES OF CONSOLIDATION, Section PS 2500	A – Decision Tree – Government Reporting Entity Framework	AG	N/A – just designation of appendix as AG
LOANS RECEIVABLE, Section PS 3050	A – Decision Tree – Loans	AG	N/A – just designation of appendix as AG
INTERESTS IN PARTNERSHIPS, Section PS 3060	A – Spectrum – Types of Contractual Arrangements	AG	N/A – just designation of appendix as AG
PUBLIC PRIVATE PARTNERSHIPS, Section PS 3160	A – Decision Tree – Public Private Partnerships	AG	N/A – just designation of appendix as AG
	B – Illustrative Examples	IE	B1-B47 changed to IE1-IE47
LIABILITIES, Section PS 3200	Decision Tree – Obligations	AG	N/A – just designation of appendix as AG
ASSETS, Section PS 3210	A – Decision Tree – Economic Resources	AG	N/A – just designation of appendix as AG

Standard/Guideline	Appendix	New designation	Paragraphs renumbered as
RETIREMENT BENEFITS, Section PS 3250	A – Schematic – Limit on Accrued Benefit Assets	AG	N/A – just designation of appendix as AG
	B – Illustrative Examples	IE	No paragraph numbers used
POST-EMPLOYMENT BENEFITS COMPENSATED ABSENCES AND TERMINATION BENEFITS, Section PS 3255	A – Chart – Characteristics of Benefit Plans	AG	N/A – just designation of appendix as AG
	B – Illustrative Example	IE	No paragraph numbers used
LIABILITY FOR CONTAMINATED SITES, Section PS 3260	A – Decision Tree – Liability for Contaminated Sites	AG	N/A – just designation of appendix as AG
	B – Illustrative Examples	IE	B1-B23 changed to IE1 to IE23
ASSET RETIREMENT OBLIGATIONS, Section PS 3280	A – Decision Tree – Scope of Applicability	AG	N/A – just designation of appendix as AG
	B – Illustrative Examples	IE	B1-B11 changed to IE1-IE11
REVENUE, Section PS 3400	A – Applying the Requirements	AG	A1-A41 changed to AG1-AG41
	B – Framework Overview	AG	N/A – just designation of appendix as AG
	C – Illustrative Examples	IE	C1-C48 changed to IE1-IE48
GOVERNMENT TRANSFERS, Section PS 3410	A – Decision Tree – Recognition	AG	N/A – just designation of appendix as AG
	B – Distinguishing Types of Transfers	AG	B1-B20 changed to AG1-AG20
FINANCIAL INSTRUMENTS, Section PS 3450	A – Applying the Requirements	AG	A1-A76 changed to AG1-AG76

Standard/Guideline	Appendix	New designation	Paragraphs renumbered as
TAX REVENUE, Section PS 3510	A – Decision Tree – Transfers Made Through a Tax System and Tax Concessions	AG	N/A – just designation of appendix as AG
FINANCIAL STATEMENT PRESENTATION BY NOT-FOR-PROFIT ORGANIZATIONS, Section PS 4200	A – Illustrative Examples	IE	No paragraph numbers used
CONTRIBUTIONS – REVENUE RECOGNITION, Section PS 4210	A – Decision Trees	AG	N/A – just designation of appendix as AG
REPORTING CONTROLLED AND RELATED ENTITIES BY NOT-FOR-PROFIT ORGANIZATIONS, Section PS 4250	A – Decision Tree – Reporting of Controlled and Significantly Influenced Not-for-Profit Organizations and Economic Interests in Not-for-Profit Organizations	AG	N/A – just designation of appendix as AG
	A – Decision Tree — Reporting of Controlled and Significantly Influenced Profit-oriented Enterprises	AG	N/A – just designation of appendix as AG
	B – Illustrative Examples	IE	No paragraph numbers used
DISCLOSURE OF ALLOCATED EXPENSES BY NOT-FOR-PROFIT ORGANIZATIONS, Section PS 4270	A – Application Guidance	AG	A1-A9 changed to AG1-AG9
	B – Illustrative Examples	IE	No paragraph numbers used

Standard/Guideline	Appendix	New designation	Paragraphs renumbered as
PSG-2, Leased Tangible Capital Assets	A – Glossary	Change from Appendix to Glossary to match Sections PS 3250, PS 3260 and PS 3450	N/A
	B – Decision Tree Leased Tangible Capital Assets	Renumber as Appendix A. Glossary in existing Appendix A will not be identified as an appendix.  AG	N/A – just designation of appendix as AG
PSG-5, Sale-Leaseback Transactions	A – Decision Trees	AG	N/A – just designation of appendix as AG
	B – Illustrative Examples	IE	No paragraph numbers used
ASSESSMENT OF TANGIBLE CAPITAL ASSETS, SORP-3	A – Illustrative Examples	IE	No paragraph numbers used

The following changes to text introducing appendices clarify the status of the appendix. In some appendices, decision trees are identified as “illustrative”. In other cases, no text introduces a decision tree, so its status is unclear. A review of the nature of the decision trees in the PSA Handbook indicates that all should be identified as “Application Guidance,” rather than “illustrative examples” given these are the only two categories being used. Note the related change to Section PS 1150 below, which clarifies the status of the two types of appendices within GAAP.

For appendices that are decision trees identified currently as “illustrative only”, and that are proposed to be designated as “AG”, the following change will be made to the text introducing the decision tree(s):

~~The decision tree is illustrative only~~ provides guidance to assist in application; however, ~~and~~ matters of principle relating to particular situations should be decided in the context of the Section.

This change will be made to Appendix A of Sections PS 2200, PS 3160, PS 3210, PS 3260, PS 3410 and PS 3510.

A similar change is proposed for Section PS 3280, Appendix A:

~~This material is illustrative only.~~

The decision tree illustrates the boundaries between this Section and LIABILITY FOR CONTAMINATED SITES, Section PS 3260. Matters of principle relating to particular situations should be decided in the context of this Section.

A similar change is proposed for Section PS 3255, Appendix A:

The following chart assists in determining which paragraphs of this Section apply based on the characteristics of the benefits. The examples provided ~~are illustrative only and~~ are not intended to be a complete listing of the possible types of benefit arrangements.

A similar change is proposed for Section PS 4210, Appendix A:

~~These Decision Trees are illustrative only.~~

A similar change is proposed for Section PS 4250, Appendix A:

~~This Decision Tree is illustrative only.~~

The following appendix is not currently identified with a letter, unlike those in the remainder of the PSA Handbook. So, for consistency within the PSA Handbook, the Board proposes to assign a letter, as follows:

- Appendix to Section PS 3200 is proposed to be listed as Appendix A.

Appendix A in PSG-2 is a glossary and, as in Sections PS 3250, PS 3260 and PS 3450, it should not be identified as an “Appendix” but as a “Glossary”. The changes required are:

- ~~Appendix A~~—Glossary
- Appendix ~~B~~ A – Decision Tree – Leased Tangible Capital Assets

Amendments are also proposed to Section PS 1150 to reflect the updated terminology and the status of application guidance and illustrative examples within GAAP, as follows:

### **GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, Section PS 1150**

...

.03 The following definitions have been adopted for the purposes of this Section:

...

(c) **Primary sources of GAAP** are, in descending order of authority:

- (i) standards in Sections PS 1201-PS 3510;
- (ii) Public Sector Guidelines; and
- (iii) appendices application guidance and illustrative material of those pronouncements described in (i)-(ii) above, except when these are identified as integral to the Section and are therefore part of primary source (i).

...

.16 Appendices are an integral part of the primary sources of GAAP. There are two types: application guidance and illustrative examples. Application guidance may sometimes be indicated as integral to the relevant standard and thus part of the primary source in paragraph .03(c)(i). Illustrative material Application guidance included in Appendices indicates how the accounting policies and disclosures specified in a document might be applied in particular situations or summarizes aspects of the underlying document. Illustrative material may involve illustrative examples or illustrative financial statements and generally includes an introductory statement specifying that it is illustrative only and that matters of principle relating to particular situations should be decided in the context of the Section.

...

## Amendments to incrementally change PSA Handbook terminology from “government” to “public sector entity” as appropriate

As part of its annual improvements process, PSAB has committed to incrementally change terminology in the PSA Handbook to reflect fully the PSA Handbook’s applicability to all public sector entities (unless directed to another framework in the Introduction). Specifically, this means replacing the term “government” with “public sector entity,” “entity” or another appropriate term throughout the PSA Handbook.

In this Exposure Draft, the following standards are proposed to be updated:

Standard	Changes proposed
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, Section PS 1150	Paragraph PS 1150.02 redrafted to refer to all public sector entities.
SUBSEQUENT EVENTS, Section PS 2400	<p>Most instances of the word “government” changed to “public sector entity” or “entity” or removed as appropriate (e.g., when there is no need to specify the type of lending program, or type of public sector official).</p> <p>In some instances, reference to a specific type of government remains appropriate and will be retained (e.g., when referencing evidence required to support announced intentions at federal, provincial and territorial government levels versus local governments in paragraphs PS 2400.06-.07 and indicating legislation specific to local governments in paragraph PS 2400.12).</p>
RESTRICTED ASSETS AND REVENUES, Section PS 3100	<p>All instances of the word “government” changed to “public sector entity” or “entity”, as appropriate, except for reference to:</p> <ul style="list-style-type: none"> <li>• examples specific to a type of government; or</li> <li>• government transfers; or</li> <li>• Section PS 3410, which has not yet been updated to this more inclusive terminology.</li> </ul>
TANGIBLE CAPITAL ASSETS, Section PS 3150	All instances of the word “government” changed to “public sector entity” or “entity” or removed as appropriate (e.g., when there is no need to specify the type of transfer or capital grant).



Standard	Changes proposed
RETIREMENT BENEFITS, Section PS 3250	<p>All instances of the word “government” changed to “public sector entity” or “entity” as appropriate.</p> <p>No change would be made to paragraphs PS 3250.048, PS 3250.075, PS 3250.106, or Examples 1 or 2; or when reference is made to a specific type of government (e.g., reference to a provincial government in paragraph PS 3250.007).</p>
LOAN GUARANTEES, PS Section 3310	<p>All instances of the word “government” changed to “public sector entity” or “entity” or removed as appropriate (e.g., when there is not a need for specificity).</p> <p>No change would be made to the last sentence in paragraph PS 3310.01 and the title before paragraph PS 3310.22.</p>

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