PSAB
Public Sector
Accounting Board

“Tangible Capital Assets, Proposed Amendments to Section PS 3150”

Responses to Exposure Draft

April 2024

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February 14, 2024

By email: mpuskaric@psabcanada.ca

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

From: The City of Calgary

Re: PSAB Exposure Draft – Proposed Amendments: Tangible Capital Assets

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 exposure draft – Tangible Capital Assets, Proposed Amendments to Section PS 3150 issued December 2023.

All references made to the standard are in red.

Responses to Specific Questions:

1. Do you agree with retaining the existing definition of "tangible capital assets" in paragraph PS 3150.05(a) with only the proposed amendment to clarify that tangible capital assets are acquired, constructed, and developed? That is, do you agree that amending the definition of "tangible capital asset" in Section PS 3150 to include "intangible properties" is not needed as PSAB's Intangible Asset project will address the topic from a broader perspective and the proposed transitional provisions in this Exposure Draft will minimize any significant implications (see paragraphs 15 and 20-31 in the Basis for Conclusions)?

City Response:

The City agrees with retaining the existing definition of tangible capital assets, and the amendment clarifying how tangible capital assets **are acquired, constructed and developed**. Additionally, we agree "intangible properties" in PS 3150 is not required within the definition but PS3150 should have a section where PSG 8 is addressed or made reference to. Currently there is a footnote "2" in PS 3150.05(1) which says, "*For purposes of this Section, tangible capital assets are defined to include computer software*." The City believes the footnote should be expanded to reference PSG 8 otherwise confusion could be caused which may result in intangible assets within the scope of PSG 8 being recorded as TCA.

2. Do you agree with not incorporating the capital asset recognition exemption from Section PS 4230 into Section PS 3150 (see paragraphs 15 and 32-36 in the Basis for Conclusions)? Please explain how this might impact your entity.

City Response:

The City agrees with not incorporating this exemption criteria within PS 3150.

The recognition exemption within PS 4230 allows those Government Not-for-Profit Organizations with average annual revenues recorded in the statement of operations for the current and preceding period of less than

$500,000 to apply certain exemption criteria when capitalizing tangible capital assets. The City is in agreement with not incorporating this capital asset recognition exemption into PS 3150. The City will not be impacted by this change; however, The City understands that smaller organizations with capacity constraints could be impacted. Although The City believes this impact would be limited when considering PS 4200 – Financial statement presentation by not-for-profit which states "*Financial statements should present any information required for the fair presentation of an entity's financial position, net financial assets or net financial liabilities, results of operations, changes in net assets or net liabilities and cash flow".* Fair presentation as interpreted by The City is case specific relevant to any entity in question. The accounting policies (i.e. capitalization thresholds) selected by an organization are specific for the users of the financial statements.

3. Do you agree that providing note disclosure only for works of art, historical treasures and collections will provide relevant information for interested and affected parties (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?

City Response:

The City is in agreement with providing note disclosure only for works of art, historical treasures and collections. The City understands the significance and purpose of works of art, historical treasures and collections can widely vary from organization to organization. For example, the impact of this disclosure is much more significant to a museum versus another organization, who's core operations differ.

4. Do you agree the proposed note disclosure for works of art, historical treasures and collections will provide relevant information for interested and affected parties (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?

City Response:

The City is in agreement with the proposed note disclosure in .42(e), .43, and .44 except for .42(e)(v) which states *"if works of art, historical treasures and collection items are sold in the current periods, the proceeds of the sales and how the proceeds were used."* The City is in disagreement with disclosing "*how the proceeds were used*" as this information is typically captured within the Statement of Cashflows. The use of proceeds and their timing could differ widely, and The City believes other sections of PSAS cover the disclosure of cash usages well enough that it does not need to be explicitly mentioned in .42(e).

5. Do you agree the proposed note disclosures for works of art, historical treasures and collections should be available to all public sector entities that may hold such assets (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?

City Response:

The City agrees that the proposed note disclosures (except for 42(e)(v) as discussed in question 4) should be available to all public sector entities however these items could vary significantly from organization to organization depending on the nature of operations. The City has no concerns as the Conceptual Framework provides the appropriate guidance that the organization should consider the usefulness of the information to the reader in deciding what to disclose.

6. Do you agree with adding the proposed guidance for situations where an entity purchases a tangible capital asset at substantially below fair value that, in substance, a portion of the purchase was a contribution and should be accounted for accordingly? Is the proposed guidance clear that you must consider the substance of the transaction and that this would not pertain to ordinary purchases of capital assets? Do you believe the proposed guidance may lead to unintended consequences (see paragraph .10A for the additional proposed guidance and paragraphs 49-55 for rationale in the Basis for Conclusions)?

City Response:

The City agrees with the proposed guidance in section .10A. As mentioned in Basis for Conclusion paragraph 49 there was previous guidance in PS 4230. The guidance is clear that recognizing a tangible capital asset at fair value is specific to the substance of the transaction as stated, "*acquired at substantially below fair value*".

Section .10A references Revenue, Section PS 3400, and Restricted Assets and Revenue, Section PS 3100, it would be helpful if the reference provided the specific paragraph numbers within the sections that are relevant to provide a better reference to users.

7. Do you agree that adding the proposed guidance for situations where contributed materials and labor are provided in determining the cost of constructing a tangible capital asset is helpful? Do you believe the proposed guidance may lead to unintended consequences (see paragraph .10 for the additional proposed guidance and paragraphs 56-60 for rationale in the Basis for Conclusions)?

City Response:

The City disagrees with the guidance for situations where contributed materials and labor are provided in determining the cost of a constructed capital asset into section .10. This could lead to incomparability among organizations operating within the same environment as the fair value determination could be difficult to quantify. For organizations who have capacity limitations this could result in added time and financial pressures to fair value the contributed materials and labor. Furthermore, this goes against the basic concept of TCA being at cost; although, The City agrees cost should approximate the fair value at the time of capitalization.

The City has reviewed the proposed changes to .42(c) which states financial statement disclosure needs to include the nature and amount of contributed tangible capital assets, including contributed materials and labor. This is sufficient to disclose contributed items, however The City disagrees with capitalizing these costs.

The City believes the addition to .10 would lead to unintended consequences regarding the recorded value of tangible capital assets as it would result in decreased comparability since a fair value assessment can be performed differently organization to organization.

8. Do you agree with the proposed transitional provisions (paragraphs.45-.47) and the rationale outlined in the Basis for Conclusions (paragraphs 61-66)?

City Response:

The City is in agreement with the proposed transitional provisions (paragraphs .45-.47) that are set out in Section PS 3150 regarding its effective date of proposed amendments beginning on or after April 1, 2029, while also permitting early adoption.

The City has no further comments on the rationale in the Basis of Conclusions in paragraphs 61-66.

9. Are there any other issues that you would like to raise for consideration?

City Response:

The City sees no other issues we would like to raise at this time.

Conclusion:

Our responses to your questions take into consideration 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 and 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) 268-1734.

Sincerely,

Nicole Hiscock, CPA, CA
Financial Reporting Officer
The City of Calgary
Nicole.Hiscock@calgary.ca
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Ingenium
Canada's Museums of Science and Innovation
Musées des sciences et de l'innovation du Canada

April 5, 2024

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

RE: Proposed Amendments to Tangible Capital Assets, Section PS 3150

The National Museum of Science and Technology (NMST) appreciates the opportunity to comment on the Public Sector Accounting Board (PSAB)'s Exposure Draft.

The NMST supports the PSAB's efforts to simplify the accounting standards applicable to Government Not-for-Profit Organizations (GNFPOs) by incorporating guidance from the PS 4200 series into the Canadian Public Sector Accounting Standards with potential customizations that are considering the comparability and consistency between GNFPOs, and the needs of the financial statement users.

This document provides NMST's comments on the questions from the Exposure Draft.

Background

The National Museum of Science and Technology was established by the *Museums Act* on July 1, 1990, and is a Crown Corporation named in Part I of Schedule III to the *Financial Administration Act.* The NMST represents one of the six national museums in Canada.

The mandate of the NMST, as stated in the *Museums Act*, is to foster scientific and technological literacy throughout Canada by establishing, maintaining and developing a collection of scientific and technical objects, with special but not exclusive reference to Canada, and by demonstrating the products and processes of science and technology and their economic, social and cultural relationships with society.

The NMST operates as Ingenium - Canada's Museums of Science and Innovation. It manages three museum sites: the Canada Science and Technology Museum, the Canada Aviation and Space Museum, and the Canada Agriculture and Food Museum.

The NMST's financial statements are currently prepared in accordance with Section 4200 of the Canadian Public Sector Accounting Standards applicable to Government Not-for-Profit Organizations.

Comments

1. **Do you agree with retaining the existing definition of "tangible capital assets" in paragraph PS 3150.05(a) with only the proposed amendment to clarify that tangible capital assets are acquired, constructed and developed? That is, do you agree that amending the definition of "tangible capital asset" in Section PS 3150 to include "intangible properties" is not needed as PSAB's Intangible Asset project will address the topic from a broader perspective and the proposed transitional provisions in this Exposure Draft will minimize any significant implications (see paragraphs 15 and 20-31 in the Basis for Conclusions)?**

   The NMST agrees with PSAB's proposal. The proposed amendment to the tangible capital asset definition will provide clarity and ensure comparability across the public sector. The NMST supports the exclusion of intangible properties from PS 3150 and the associated transitional provision. The NMST does not currently own intangible assets beyond computer software and those that have been purchased.

2. **Do you agree with not incorporating the capital asset recognition exemption from Section PS 4230 into Section PS 3150 (see paragraphs 15 and 32-36 in the Basis for Conclusions)? Please explain how this might impact your entity.**

   The NMST agrees with this proposal. As a national museum with average annual revenues well beyond the $500,000 threshold, the NMST would not be affected by this change. Additionally, the NMST is unaware of any GNFPOs in its sector that have benefited from this exemption. It anticipates that any GNFPOs that have done so would most likely possess the majority of the information necessary for retroactive application through existing disclosure requirements.

3. **Do you agree that providing note disclosure only for works of art, historical treasures and collections will provide relevant information for interested and affected parties (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?**

   The NMST agrees with PSAB's proposal. The NMST would have preferred collections to be recognized at a nominal value on the Statement of Financial Position to further emphasize their importance to financial statement users and maintain some comparability with private sector counterparts, but understands that this would go against the Conceptual Framework for Financial Reporting in the Public Sector.

   The NMST would appreciate additional clarification on contributed collection items. The NMST's current accounting policy in regards to its collection is to recognize it at a nominal value on the Statement of Financial Position because of the practical difficulties in reflecting it at a meaningful value. Items purchased for the collection are recorded as expenses in the year of acquisition and items donated are recorded as assets at a nominal value. Once PS

3150 is adopted, the NMST's understanding is that donated collection items would be excluded from PS 4200 since they won't meet the contribution's definition (PS 4210.02(b)) as they can't be recognized as assets. Additionally, as per PS 4210.16-17, contributed collection items would generally not meet the recognition criteria, therefore only the disclosure requirements under PS 3150.42(e) would apply.

4. **Do you agree the proposed note disclosure for works of art, historical treasures and collections will provide relevant information for interested and affected parties (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?**

   Overall, the NMST agrees with the proposed note disclosure. The NMST recognizes that the disclosure requirements under PS 3150.42(e) (iii) could provide readers of the financial statements with insight into the financial resources necessary to care for a collection. However, the NMST wishes to raise a concern that determining "the amount of expenditures associated with protecting and preserving its works of art, historical treasures and collection items in the period" is a subjective process that might lead to a lack of comparability between public sector entities and reduce the usefulness of this information to the financial statement user. The NMST suggests to remove PS 3150.42(e)(iii) as the level of effort to determine the amount would most likely exceed the benefits. In the case where PSAB would like to keep this specific disclosure requirement, further guidance about elements to disclose (e.g. nature of expenses, basis for attribution/allocation of expenses, etc.) would be required in order to help improve understandability of the financial statements and comparability across the public sector.

5. **Do you agree the proposed note disclosures for works of art, historical treasures and collections should be available to all public sector entities that may hold such assets (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis or Conclusions)?**

   The NMST agrees with this proposal as it will promote comparability across the public sector.

6. **Do you agree with adding the proposed guidance for situations where an entity purchases a tangible capital asset at substantially below fair value that, in substance, a portion of the purchase was a contribution and should be accounted for accordingly? Is the proposed guidance clear that you must consider the substance of the transaction and that this would not pertain to ordinary purchases of capital assets? Do you believe the proposed guidance may lead to unintended consequences (see paragraph .10A for the additional proposed guidance and paragraphs 49-55 for rationale in the Basis for Conclusions)?**

   The NMST supports incorporating guidance from PS 4230.10 into PS 3150.10A. It expands on the guidance for contributions of tangible capital assets already discussed in PS 3150.14 (and PS 4230.09) and would not lead to unintended consequences.

7. **Do you agree that adding the proposed guidance for situations where contributed materials and labour are provided in determining the cost of constructing a tangible capital asset is helpful? Do you believe the proposed guidance may lead to unintended consequences (see paragraph .10 for the additional proposed guidance and paragraphs 56-60 for rationale in the Basis for Conclusions)?**

   The NMST supports incorporating guidance from PS 4230.13 into PS 3150.10. It expands on the guidance for contributions of tangible capital assets already discussed in PS 3150.10 and 3150.14 (and PS 4230.09) and would not lead to unintended consequences.

8. **Do you agree with the proposed transitional provisions (paragraphs 45-47) and the rationale outlined in the Basis for Conclusions (paragraphs 61-66)?**

   The NMST agrees with the proposed transitional provisions and the rationale outlined.

9. **Are there any other issues that you would like to raise for consideration?**

   No, any concerns raised by the NMST regarding the Exposure Draft have been addressed in previous sections of this document.

Bianca Langelier, CPA
Yannick Brazeau, CPA, CGA
National Museum of Science and Technology

April 8, 2024

SENT ELECTRONICALLY

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

Re: Exposure Draft, "Tangible Capital Assets, Proposed Amendments to Section PS 3150"

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.

We support PSAB's efforts to address accounting for tangible capital assets. While we've noted a concern, we generally agree with the proposed amendments to Section PS 3150. Explanations related to our concern are included below.

Question 4: Do you agree the proposed note disclosure for works of art, historical treasures and collections will provide relevant information for interested and affected parties (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?

We agree that the proposed note disclosure for works of art, historical treasures and collections will provide relevant information for interested and affected parties. However, we believe additional guidance would be beneficial on the definition and identification of historical treasures and collections by providing additional examples of the types of assets that would and would not meet the definition (e.g., based on nature of asset and how the asset is being utilized). For example, some buildings owned by local municipalities are designated as provincial historical sites. Subject to applicable legislation, provincial governmental approval may be required if these buildings are to be altered, repaired, renovated, disturbed, destroyed, or removed. While these buildings are of historical significance, they may continue to be utilized for uses similar to any other non-historical building. For example, these historical buildings may be used as office space, schools, art galleries or museums, etc.

Do these buildings, which are historical in nature but are also used for another purpose, meet the definition of a historical treasure in accordance with PS 3150.08A?

We would be pleased to offer our assistance to 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

Maryse Vendette

Maryse Vendette, CPA, Auditor
Partner, Assurance Professional Standards, Technical Services

First Nations FINANCIAL MANAGEMENT BOARD | CONSEIL DE GESTION FINANCIÈRE des Premières Nations

April 10, 2024

Camila Santos, CPA
Principal, Public Sector Accounting Board

Sandra Waterson, CPA, CA
Principal, Public Sector Accounting Board

Dear Mesdames Santos and Waterson:

RE: PSAB Exposure Draft – Tangible Capital Assets, Proposed Amendments to Section PS 3150

Thank you for the opportunity to provide comments on the development of the Public Sector Accounting Board's ("PSAB') Exposure Draft on ""Tangible Capital Assets, Proposed Amendments to Section PS 3150".

The First Nations Financial Management Board (the "FMB") is a First Nations-led organization established under the First Nations Fiscal Management Act. The FMB works with First Nations 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.

The Proposed Amendments will be beneficial to users and preparers alike. In respect of Indigenous preparers, Canada's Indigenous Peoples are sophisticated peoples with varying levels of self-governance. Accordingly, Canada's Indigenous Nations may create not-for-profit entities that may be users of the Proposed Amendments.

As users, Indigenous Peoples may benefit from improved reporting and disclosure by government not-for-profit organizations of art, historical treasures and collections. This will be especially relevant for, among others, Canadian museums.

<u>Substantive Comments</u>

It is good to see that PSAB incorporated the United Nations Declaration on the Rights of Indigenous Peoples ("UNDRIP") in preparing the Proposed Amendments. We agree that Articles 11, 12 and 31 of UNDRIP substantively apply to the Proposed Amendments.

In specific relation to art, historical treasures and collections, we agree that UNDRIP Article 11 is important. We note that there are parallels with Truth and Reconciliation Call to Action 67 ("TRC 67"). We reproduce both clauses here for your ease of reference:

UNDRIP Article 11

1. Indigenous peoples have the right to practise and revitalize their cultural traditions and customs. This includes the right to maintain, protect and develop the past, present and future manifestations of their cultures, such as archaeological and historical sites, artefacts, designs, ceremonies, technologies and visual and performing arts and literature.

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2. States shall provide redress through effective mechanisms, which may include restitution, developed in conjunction with indigenous peoples, with respect to their cultural, intellectual, religious and spiritual property taken without their free, prior and informed consent or in violation of their laws, traditions and customs.

TRC 67

We call upon the federal government to provide funding to the Canadian Museums Association to undertake, in collaboration with Aboriginal peoples, a national review of museum policies and best practices to determine the level of compliance with the United Nations Declaration on the Rights of Indigenous Peoples and to make recommendations.

Given the parallels and the Canadian context, we thus recommend that the PSAB also make specific reference to TRC 67 in the Proposed Amendments. It is essential that preparers consider both UNDRIP 11 and 12 and TRC 67 when making their disclosures.

Procedural Comments

Procedurally, we would also recommend that PSAB apply UNDRIP Article 18 to this project:

Indigenous peoples have the right to participate in decision-making in matters which would affect their rights, through representatives chosen by themselves in accordance with their own procedures, as well as to maintain and develop their own indigenous decision-making institutions.

Enabling Indigenous Peoples' participation in matters that may affect them is in keeping with UNDRIP, and with PSAB's interest to respond to the Truth and Reconciliation Commission's call to Canadians, as set out paragraph 67 of the Proposed Amendments. Finally, it is a matter of prudence to consult with Indigenous Nations as these Nations will potentially be users of the Proposed Amendments.

We look forward to PSAB's final set of amendments regarding Section PS 3150.

Sincerely,

FIRST NATIONS FINANCIAL MANAGEMENT BOARD

Per: *Scott Munro*

Scott Munro
FCPA, FCA, CAFM
Deputy Chief Executive Officer

Commentaires aux questions de l'exposé sondage

1. Êtes-vous en faveur du maintien de la définition existante d'« immobilisations corporelles » énoncée à l'alinéa SP 3150.05 a), sans autre modification que celle visant à préciser que les immobilisations corporelles sont celles ayant été acquises, construites, développées ou mises en valeur? Autrement dit, êtes-vous d'avis qu'il n'est pas nécessaire de modifier la définition d'« immobilisations corporelles » énoncée au chapitre SP 3150 pour y inclure les immobilisations incorporelles, puisque le projet du CCSP sur les immobilisations incorporelles traitera de ce sujet d'un point de vue élargi et que les dispositions transitoires proposées dans le présent exposé-sondage réduiront au minimum toute incidence importante (voir les paragraphes 15 et 20 à 31 de la base des conclusions)?

   Nous sommes en faveur du maintien de la définition existante, sans autre modification que celle visant à préciser que les immobilisations corporelles sont celles ayant été acquises, construites, développées ou mises en valeur, compte tenu que la date d'entrée en vigueur pour les exercices ouverts à compter du 1er avril 2029 tient compte de l'achèvement prévu du projet de normalisation du CCSP sur les immobilisations incorporelles.

2. Êtes-vous favorable à la proposition de ne pas intégrer au chapitre SP 3150 l'exemption relative à la comptabilisation des immobilisations qui est prévue au chapitre SP 4230 (voir les paragraphes 15 et 32 à 36 de la base des conclusions)? Veuillez expliquer l'incidence que cette proposition pourrait avoir sur votre entité.

   Nous sommes en faveur de cette proposition, celle-ci n'a pas d'incidence sur les entités auditées par le VGQ.

3. Êtes-vous d'avis que la fourniture d'informations sur les œuvres d'art, les trésors historiques et les collections uniquement par voie de notes serait utile aux parties intéressées et concernées (voir l'alinéa .42 e) et les paragraphes .43 et .44 pour les informations à fournir et indications proposées, de même que les paragraphes 37 à 48, 67 et 68 de la base des conclusions pour le raisonnement)?

   Nous sommes d'avis que fournir des informations en notes sur les œuvres d'art, les trésors historiques et les collections est utile aux utilisateurs des états financiers et qu'il n'est pas nécessaire qu'ils soient comptabilisés à l'état de la situation financière.

4. Êtes-vous d'avis que les informations qu'il est proposé de fournir par voie de notes sur les œuvres d'art, les trésors historiques et les collections seraient utiles aux parties intéressées et concernées (voir l'alinéa .42 e) et les paragraphes .43 et .44 pour les informations à fournir et indications proposées, de même que les paragraphes 37 à 48, 67 et 68 de la base des conclusions pour le raisonnement)?

   Nous sommes d'avis que les informations qu'il est proposé de fournir en notes sur les œuvres d'art, les trésors historiques et les collections seront utiles aux utilisateurs des états financiers.

5. Êtes-vous d’accord que la proposition de fournir par voie de notes des informations sur les œuvres d’art, les trésors historiques et les collections devrait s’appliquer à toutes les entités du secteur public qui détiendraient de tels biens (voir l’alinéa .42 e) et les paragraphes .43 et .44 pour les informations à fournir et indications proposées, de même que les paragraphes 37 à 48, 67 et 68 de la base des conclusions pour le raisonnement)?

   Nous sommes d’avis que les informations demandées permettent de fournir des informations pertinentes et appropriées pour les utilisateurs des états financiers. Nous ne voyons pas d’enjeux pour les entités auditées par le VGQ, car elles présentent déjà par voie de notes la majorité des informations demandées.

6. Appuyez-vous l’ajout d’indications voulant qu’une partie de l’achat d’une immobilisation corporelle, dans les situations où le montant de cet achat est considérablement inférieur à la juste valeur, constitue, en substance, un apport et devrait être comptabilisée en conséquence? Les indications proposées précisent-elles clairement qu’il faut tenir compte de la substance de l’opération et que les achats ordinaires d’immobilisations ne seraient pas concernés? Croyez-vous que les indications proposées sont susceptibles d’avoir des conséquences non voulues (voir le paragraphe .10A pour les indications supplémentaires proposées et les paragraphes 49 à 55 de la base des conclusions pour le raisonnement)?

   Nous sommes en accord avec cet ajout. Il pourrait toutefois y avoir des enjeux d’évaluation pour les entités quant à l’estimation de la juste valeur de l’immobilisation corporelle. Les indications ne sont pas suffisamment précises et claires quant aux situations nécessitant de tenir compte de la substance de l’opération de même que les achats ordinaires d’immobilisations qui ne seraient pas concernés par ces indications. Le paragraphe 52 des bases de conclusion pourraient donner lieu à des conséquences non voulues.

7. Êtes-vous d’accord que les indications proposées concernant la détermination du coût de construction d’une immobilisation corporelle seraient utiles dans les cas où il y a des matières ou de la main-d’œuvre reçues en apport? Croyez-vous que les indications proposées sont susceptibles d’avoir des conséquences non voulues (voir le paragraphe .10A pour des indications supplémentaires proposées et les paragraphes 56 à 60 de la base des conclusions pour le raisonnement)?

   Nous sommes en accord avec les indications proposées et celles-ci permettront une application uniforme dans de telles situations. Il pourrait toutefois y avoir des enjeux d’évaluation pour les entités quant à l’estimation de la juste valeur des apports en main-d’œuvre.

8. Appuyez-vous les dispositions transitoires proposées (paragraphes .45 à .47) et le raisonnement présenté dans la base des conclusions (paragraphes 61 à 66)?

Nous sommes en accord avec les dispositions transitoires proposées car elles tiennent compte de la date d'entrée en vigueur pour les exercices ouverts à compter du 1er avril 2029, soit la date l'achèvement prévue du projet de normalisation du CCSP sur les immobilisations incorporelles. De plus, l'application rétroactive avec retraitement permet d'avoir des informations comparatives cohérentes.

9. Y a-t-il d'autres points que vous aimeriez soulever?

Au Québec, en vertu de la Politique d'intégration des arts à l'architecture et à l'environnement des bâtiments et des sites gouvernementaux et publics, les gouvernements, les organismes publics et toute personne qui obtiennent une subvention gouvernementale pour réaliser un projet de construction, d'agrandissement ou de réaménagement (comprenant un changement de vocation du lieu) et dont le coût est de 150 000 $ ou plus doivent réserver environ 1 % du coût total de leur projet pour l'intégration d'une œuvre d'art.

Dans ces situations, nous croyons que l'œuvre d'art est étroitement liée au bâtiment et qu'elle devrait faire partie intégrante du coût de l'immobilisation corporelle, compte tenu du caractère obligatoire de l'incorporation de l'œuvre d'art à l'immobilisation corporelle en vertu de cette politique. Nous considérons qu'une précision devrait être faite à cet égard dans la norme. À notre connaissance, au moins une autre province a une politique similaire.

15 April 2024

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

Re: Response to PSAB Exposure Draft,
Tangible Capital Assets, Proposed Amendments to Section PS 3150

Dear Mr. Puskaric,

Please find attached our responses to the questions outlined in the Tangible Capital Assets, Proposed Amendments to Section PS 3150.

Thank you for the opportunity to comment.

Yours truly,

Amy Murdock

Amy Murdock, CPA, CA
Comptroller
Office of the Comptroller, Finance and Treasury Board

Enclosure

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Exposure Draft – Tangible Capital Assets, Proposed Amendments to Section PS 3150

Question:

1. Do you agree with retaining the existing definition of “tangible capital assets” in paragraph PS 3150.05(a) with only the proposed amendment to clarify that tangible capital assets are acquired, constructed and developed? That is, do you agree that amending the definition of “tangible capital asset” in Section PS 3150 to include “intangible properties” is not needed as PSAB’s Intangible Asset project will address the topic from a broader perspective and the proposed transitional provisions in this Exposure Draft will minimize any significant implications (see paragraphs 15 and 20-31 in the Basis for Conclusions)?

Response:
We have no concerns with this change.

Question:

2. Do you agree with not incorporating the capital asset recognition exemption from Section PS 4230 into Section PS 3150 (see paragraphs 15 and 32-36 in the Basis for Conclusions)? Please explain how this might impact your entity.

Response:
We have no concerns with this change. Standards generally do not include thresholds; therefore, materiality should be considered.

Question:

3. Do you agree that providing note disclosure only for works of art, historical treasures and collections will provide relevant information for interested and affected parties (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?
4. Do you agree the proposed note disclosure for works of art, historical treasures and collections will provide relevant information for interested and affected parties (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?
5. Do you agree the proposed note disclosure for works of art, historical treasures and collections should be available to all public sector entities that may hold such assets

(see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?

Response:
At the provincial government level, we believe that this would be immaterial to the provincial financial statements. The cost/benefit of providing this information is questionable. We believe that this could require a significant amount of work to conclude that it is immaterial, as well as to obtain sufficient and appropriate support to demonstrate the same to our auditors.

We believe the amount of disclosure proposed is excessive for the type of transactions that Municipal, Provincial, Territorial and Federal governments incur. In Question # 5, "should be available to" implies that that these portions of the standard are optional, whereas they are not written that way. There should be certain basic required disclosures and other more detailed optional disclosures, with examples, for public sector entities to disclose when they deem necessary. We would support optional disclosures so that the entity can determine what would be the most useful to the user of their financial statements.

We believe that interested and affected parties are not looking to the financial statements for information on these types of items, therefore the financial statements are not the correct place for this type of disclosures to be provided. They would look at narrative reporting provided by the entity, news releases, summarized information.

More specifically, we have concerns with the proposed paragraph .42 (e)(iii) which appears to be new since PS 4240. We believe that determining what costs are associating with protecting and preserving versus regular operational costs would be difficult to determine.

Under the proposed paragraph .42(e)(i)-(v) it requires specific information to be disclosed about donations, disposals, expenses, etc. We question why these revenue / expense streams require a more detailed disclosure, versus the remainder of the financial statements.

However, we do agree that providing a summarized narrative disclosure only in notes for works of art, historical treasures, collections, as in .42(e)(i) would be useful to acknowledge the existence of these items to the reader so that they are able to seek out any desired additional information elsewhere.

Question:

6. Do you agree with adding the proposed guidance for situations where an entity purchases a tangible capital asset at substantially below fair value that, in substance, a portion of the purchase was a contribution and should be accounted for accordingly? Is the proposed guidance clear that you must consider the substance of the transaction and that this would not pertain to ordinary purchases of capital assets? Do you believe the proposed guidance may lead to unintended consequences (see paragraph .10A for the additional proposed guidance and paragraphs 49-55 for rationale in the Basis for Conclusions)?

Response:
We already disclose contributed assets in accordance with the current PS 3150.

We are not clear how the intended result would be any different than what is done currently. We agree that if a portion of the purchase is a contribution, that should be recognized.

We are not clear on what the difference would be between ordinary purchases and items acquired substantially below fair market value. What are “ordinary purchases”?

Currently we assume the transaction is done at fair market value unless there are indications otherwise, versus assessing each transaction individually. We do not agree that this needs to be assessed at each transaction. We feel that there are unintended consequences to this change. There would be a significant increase in the volume of support needed to substantiate the transaction and provide to the auditors analysis that each transaction had occurred at fair market value.

Question:

7. Do you agree that adding the proposed guidance for situations where contributed materials and labour are provided in determining the cost of constructing a tangible capital asset is helpful? Do you believe the proposed guidance may lead to unintended consequences (see paragraph .10 for the additional proposed guidance and paragraphs 56-60 for rationale in the Basis for Conclusions)?

Response:
We have no concerns with including contributed materials, as they have a cost, and the value is easily determined.

We have major concerns with the valuation of contribution of labour. There could be instances of attempting to assign a value to the labour done by volunteers who are experts in the field, versus inexperienced volunteers, which would be a large range of values.

We are concerned that the proposal may be inconsistent with the guidance in PS 4210 Contributions – revenue recognition.

Currently PS 4210.16 states that “An organization may choose to recognize contributions of materials and services, but should do so only when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the organization's operations and would otherwise have been purchased.”

PS 4210.19 states “Contributions should be measured at fair value at the date of contribution if fair value can be reasonably estimated.”

PS 4230.13 states “A capital asset which is developed or constructed by an organization might include contributed materials or labour, which would be recognized at fair value at the date of contribution”.

However, in proposed paragraph .10 “In some cases, the cost of a constructed asset or developed asset may include contributed materials and/or labour which would be recognized at fair value at the date of contribution”.

This is not reflecting the same level of flexibility as the previous 4210 and 4230 standards and has the unintended consequence of not permitting the preparer to consider if fair value can be reasonably estimated and/or if materials and services are in the normal course of operations. This is inconsistent with other standards.

In the Basis of Conclusion paragraph 59 it states that “It is not meant to address situations where a public sector entity receives services in-kind”. This requires clarification, as we are uncertain what the difference is between services in-kind and contributed labour.

We do not believe that this section has particular relevance to provincial governments and may only apply to some of our government reporting entities, as provincial governments would rarely have contributions of labour and materials. We question if there is a frequent enough occurrence of this type of transaction with other public sector entities for the standard to specifically address it.

Question:

8. Do you agree with the proposed transitional provisions (paragraphs.45-.47) and the rationale outlined in the Basis for Conclusions (paragraphs 61-66)?

Response:

We have no concerns on the implementation date.

In .46 it states: “In certain circumstances, it may be extremely difficult to obtain the necessary financial data to enable a change in an accounting policy to be applied retroactively. In such circumstances, the new accounting policy would be applied prospectively”.

We have concerns with the use of the words “extremely difficult”. We find that this is a threshold that is hard to prove and support. This would be a very onerous and unrealistic threshold to determine and then to substantiate to an auditor.

In .47 “ … the amendments would be applied retroactively with restatement of prior periods”. As a provincial government, we are not certain what restatement would be necessary, unless it is presenting comparative figures for the note disclosures. This paragraph would need clarification.

Question:

9. Are there any other issues that you would like to raise for consideration?

Response:

We believe that clarification is needed in the proposed 3150 .40(f) “accumulated amortization at the beginning and end of the period; *including the amount of any write-downs.”*

We believe that this wording is not clear - “including” - and appears to be inconsistent with the section on Write-downs in 3150.31 “the cost of the tangible capital asset should be reduced to reflect the decline in the asset's value”.

An illustrative example of the required presentation could work to demonstrate what was intended.

April 15, 2024

Michael Puskaric, MBA, CPA, CMA
Director
Public Sector Accounting Board
277 WELLINGTON STREET WEST
TORONTO ON M5V 3H2

By Email: mpuskaric@psabcanada.ca

Dear Mr. Puskaric:

Exposure Draft: Tangible Capital Assets, Proposed Section PS 3150

In response to the Exposure Draft, below are the comments from the Government of the Northwest Territories (GNWT).

Questions and responses:

1. Do you agree with retaining the existing definition of "tangible capital assets" in paragraph PS 3150.05(a) with only the proposed amendment to clarify that tangible capital assets are acquired, constructed and developed? That is, do you agree that amending the definition of "tangible capital asset" in Section PS 3150 to include "intangible properties" is not needed as PSAB's Intangible Asset project will address the topic from a broader perspective and the proposed transitional provisions in this Exposure Draft will minimize any significant implications (see paragraphs 15 and 20-31 in the Basis for Conclusions)?

   The GNWT Response:

   We agree with retaining the existing definition of tangible capital assets (TCAs).

2. Do you agree with not incorporating the capital asset recognition exemption from Section PS 4230 into Section PS 3150 (see paragraphs 15 and 32-36 in the Basis for Conclusions)? Please explain how this might impact your entity.

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The GNWT Response:

We agree with not incorporating the capital asset recognition exemption based on revenue of the public sector. The GWNT's agencies/boards/crown corporations have not made use of the exemption of $500,000 and have instead maintained a lower threshold for TCA that is consistent with other GNWT policies such as procurement guidelines, capital budget requirements and so forth: the omission of the Exemption will not have an adverse effect on the GNWT.

3. Do you agree that providing note disclosure only for works of art, historical treasures and collections will provide relevant information for interested and affected parties (see paragraphs .42€, .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?

   The GNWT Response:

   We agree that providing note disclosure only for works of art, historical treasures, and collections. Recording the amounts in the financial statements, particularly if fair value must be evaluated as proposed in .10A may introduce significant variations in the operating surplus and therefore would not be ideal.

4. Do you agree the proposed note disclosure for works of art, historical treasures and collections will provide relevant information for interested and affected parties (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?

   The GNWT Response:

   We agree with proposed note disclosure except as to request clarifications described below.

   .42(e)(i) proposes that a description of the relevance of the works of art, historical treasures and/or collections in relation to the delivery of public sector services be provided. We would propose that the section "of the relevance" be removed as there are instances when the work of art is not related to the delivery of public sector services. Further, should the work of art, historical treasure and/or collections link to the provision of service, that relevance may be subjective as well as they may change over time. Providing a factual description of the works of art, historical treasures and/or collections allows the public accounts to be easier to prepare and to audit.

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.42(e)(iii) proposes that the amount of expenditures associated with protecting and preserving the works of art, historical treasures and collection items in the period be disclosed. Defining which expenditures should be included would enable calculations that are consistent across jurisdictions: some jurisdiction may want to disclose direct expenditures only while other jurisdictions may conclude that indirect expenditures such as an allocation of interest expense or compensation costs of staff in oversight offices) should be included in the calculation.

5. Do you agree the proposed note disclosures for works of art, historical treasures and collections should be available to all public sector entities that may hold such assets (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?

   The GNWT Response:

   We agree with the proposed note disclosures for works of art, historical treasures and collections should be available to all public sector entities that may hold such assets. This supposes that the word "hold" is intended to be equivalent to "owns or controls" such assets. The GNWT has works of art in all departments/locations/offices/agency but those works of art are reported under one entity and are otherwise loaned out to the other departments/agencies/locations/offices. The proposed disclosures would therefore apply to the agency responsible for purchasing, and protecting said works of art, historical treasures, and collections and not every single department/location/office/agency.

6. Do you agree with adding the proposed guidance for situations where an entity purchases a tangible capital asset at substantially below fair value that, in substance, a portion of the purchase was a contribution and should be accounted for accordingly? Is the proposed guidance clear that you must consider the substance of the transaction and that this would not pertain to ordinary purchases of capital assets? Do you believe the proposed guidance may lead to unintended consequences (see paragraph .10A for the additional proposed guidance and paragraphs 49-55 for rationale in the Basis for Conclusions)?

   The GNWT Response:

   We do not agree with adding the proposed guidance for situations where an entity purchases a tangible capital asset at substantially below fair value that, a contribution should be recorded for the following reasons:

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Obtaining a fair value figure in a situation where a transfer is being made to a government or a government controlled entity is difficult in most circumstances because a) there is oftentimes not a market as the TCAs are normally specific to government needs/operations b) the government makes up a significant portion of the NWT economy therefore have an outsized impact c) there are limited firms who are available to calculate fair value and even less who have expertise in estimating fair value for government transactions. To date, our calculation of fair value tends to be the amount agreed upon by the transferring government and the GNWT. Revising this to be actuarially generated fair value would be burdensome.

The GNWT auditors would need to be able to audit fair value figures; they would be faced with similar challenges as noted in the paragraph above.

We do believe that the proposed guidance to record a contribution in relation to TCAs may have unintended effect. The operating surplus of the GWNT is referenced in the Fiscal Responsibility Policy and in the Borrowing Plan. Debt service payments as well as planned capital purchase are restricted to a percentage of the operating surplus. Recording a contribution amount based on a fair value differential instead of the agreed upon amount between transferring and recipient governments would impact the operating surplus and therefore the decisions of the legislature when reviewing the main estimates and borrowing plan for approval.

7. Do you agree that adding the proposed guidance for situations where contributed materials and labour are provided in determining the cost of constructing a tangible capital asset is helpful? Do you believe the proposed guidance may lead to unintended consequences (see paragraph .10 for the additional proposed guidance and paragraphs 56-60 for rationale in the Basis for Conclusions)?

   The GNWT Response:

   We agree that adding the proposed guidance is helpful but also that it may lead to unintended consequences. GNWT has limited situations where contributed materials and labour are provided during constructing a TCA but such costs are not currently recorded. Our main concern relates to the substantiation and valuation of such contributed materials and/or labour.

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Our concerns relating to unintended consequences are twofold: 1) as noted under question no. 6, the operating surplus will be increased in the year of contribution and decreased as the associated amortization takes place which impacts the amounts used in decision making of legislators, 2) including an amount in cost relating to contributed labour and materials will change the reported cost and therefore might change the replacement value for insurance purposes. Additionally, will the insurance providers amend their requirements such that volunteers must be trained and only allowed to work on projects if they have pre-determined skill set? Finally, will the insurance industry insure the project or attempt to limit coverage to the portions constructed by qualified engineers? The Government has difficulty obtaining coverage given the challenges faced in the north and any additional complexity is best avoided.

8. Do you agree with the proposed transitional provisions (paragraphs .45-.47) and the rationale outlined in the Basis for Conclusions (paragraphs 61-66)?

   The GNWT Response:

   We agree with the proposed transitional provisions.

9. Are there any other issues that you would like to raise for consideration?

   The GNWT Response:

   We have no other issues to raise for your consideration.

We appreciate the opportunity to provide our comments to the Exposure Draft; thank you for your consideration and thank you for the work conducted in continuously updating the accounting standards.

Sincerely,

Celestino Oh, CPA, CA
Assistant Comptroller General
Finance

April 15, 2024

506888

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

Dear Michael:

RE: Proposed Amendments to Section PS 3150 Tangible Capital Assets

Thank you for the opportunity to provide comments on the Exposure Draft titled "Proposed Amendments to Section PS 3150 Tangible Capital Assets". 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.

We agree that adding more disclosure requirements within Section PS 3150 will convey the importance of works of art, historical treasures, and collections in government financial Statements. However, the level of detail proposed in PS 3150.42(e) is excessive and will be a challenge for entities to determine and confirm each year. The increased benefit to these proposed disclosures would not outweigh the costs associated with obtaining the information required to satisfy the note disclosure requirements. Disclosing these additional financial details regarding art, historical treasures and collections could lead to more confusion from users of the financial statements. Furthermore, for certain historical treasures and collections specifically, the fair value might not be readily available to determine the material increases. We propose that the disclosure requirements on the nature of the works of art, historical treasures, and collections be summarized at a level appropriate for the readers.

We require more clarification on contributed labour and in-kind contributions. Paragraph 0.10 seems contradictory and unclear on what it is trying to accomplish. The rationale in the Basis of Conclusions states this proposal is not meant to address situations where an entity receives services in-kind. However, contributed labour would be treated as in-kind contributions. Museums rely on volunteers to construct, manage, and dismantle permanent exhibits. These

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exhibits would be capitalized over the life of the exhibit. If volunteers are considered in-kind contributions, it would be difficult to consistently value their time towards different exhibits. The additional resources and time to capitalize in-kind contributions outweigh the benefit to financial statement users. Users of the financial statements analyze Tangible Capital Assets and want to understand the net book value of the asset on the Financial Statement Date.

Responses to specific questions posed in the exposure draft are attached. Should PSAB have any comments or questions, please contact me at: 778-698-7768 or via e-mail: Nicole.Wright@gov.bc.ca , or Diane Lianga, Executive Director, Financial Reporting and Advisory Services Branch, at 778-698-5428 or by e-mail: 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: Michael Pickup, FCPA, FCA
Auditor General
Province of British Columbia

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

Comments Requested:

1. **Do you agree with retaining the existing definition of "tangible capital assets" in paragraph PS 3150.05(a) with only the proposed amendment to clarify that tangible capital assets are acquired, constructed and developed? That is, do you agree that amending the definition of "tangible capital asset" in Section PS 3150 to include "intangible properties" is not needed as PSAB's Intangible Asset project will address the topic from a broader perspective and the proposed transitional provisions in this Exposure Draft will minimize any significant implications (see paragraphs 15 and 20-31 in the Basis for Conclusions)?**

   We agree with amending the definition of tangible capital assets in PS 3150 to include intangible properties is not needed.

   However, we recommend the proposed amendment of the definition of tangible capital assets should also define "contributed" capital assets to be consistent across all public sector entities as some public sector entities receive wholly donated contributed assets. Adding "contributed" to the proposal in 3150.05(a)(ii) would provide a clearer definition of tangible capital assets.

2. **Do you agree with not incorporating the capital asset recognition exemption from Section PS 4230 into Section PS 3150 (see paragraphs 15 and 32-36 in the Basis for Conclusions)? Please explain how this might impact your entity.**

   We agree with the proposal to not incorporate capital asset recognition exemption. We agree that public sector entities have a responsibility for stewardship of public resources that have been entrusted with them and therefore should disclose how public resources are used, managed, and maintained. All entities within the provinces reporting entity are required to report all capital assets.

3. **Do you agree that providing note disclosure only for works of art, historical treasures and collections will provide relevant information for interested and affected parties (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?**

   We agree with the proposal to provide note disclosures only. However, there are challenges associated with determining the cost of historical treasures and collections and therefore the cost of valuing them could outweigh the benefit. It is recognized that these details are important to users of financial statements, however only certain details relevant to users should be summarized in the notes to the financial statements.

4. **Do you agree the proposed note disclosure for works of art, historical treasures and collections will provide relevant information for interested and affected parties (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?**

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We do not agree that the proposed note disclosure for works of art, historical treasures and collections will provide relevant information for interested and affected parties.

While we agree there is a need for additional note disclosures on art, historical treasures and collections, the value from these additional disclosures would not outweigh the costs associated with obtaining the information required to complete the note disclosure. The purpose of historical treasures and collections held by the province are not intended to be held to receive an economic return, as if it were an investment. They are held for their cultural significance. Changes in fair value each year would have no impact on the province's intention with the historical treasures and collections. These items can be viewed as invaluable and sacred therefore there isn't a ready market available to value them accurately. Disclosing the material increases of these items could lead to more confusion from readers of the financial statements. For certain historical treasures and collections, the fair value might not be readily available to determine the material increases.

5. **Do you agree the proposed note disclosures for works of art, historical treasures and collections should be available to all public sector entities that may hold such assets (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?**

   We agree with the proposal that note disclosures for works of art, historical treasures and collections should be available to all public sector entities that may hold such assets. The province requires all entities to provide this information to consolidate and prepare its summary financial statements and notes.

6. **Do you agree with adding the proposed guidance for situations where an entity purchases a tangible capital asset at substantially below fair value that, in substance, a portion of the purchase was a contribution and should be accounted for accordingly? Is the proposed guidance clear that you must consider the substance of the transaction and that this would not pertain to ordinary purchases of capital assets? Do you believe the proposed guidance may lead to unintended consequences (see paragraph .10A for the additional proposed guidance and paragraphs 49-55 for rationale in the Basis for Conclusions)?**

   We agree that assets should be recognized at cost and on the date of acquisition that is approximately the fair value. It is recognized that there should be guidance for transactions that are purchased at substantially below fair value. However, we require more clarification on paragraph 0.10A. This paragraph will lead to confusion by trying to measure "substantially" less than fair value and raises the risk of inflating capital assets.

7. **Do you agree that adding the proposed guidance for situations where contributed materials and labour are provided in determining the cost of constructing a tangible capital asset is helpful? Do you believe the proposed guidance may lead to unintended consequences (see paragraph .10 for the additional proposed guidance and paragraphs 56-60 for rationale in the Basis for Conclusions)?**

…/5

More clarification is needed on the proposal outlined in paragraph 0.10 since the proposal seems contradictory and unclear about what it is trying to accomplish. The rationale in the Basis of Conclusions states this proposal is not meant to address situations where an entity receives services in-kind. However, contributed labour would be treated as in-kind contributions.

Capitalizing contributed labour to construct or develop an asset will have a negative impact on the Province's:

1. Appropriation rules – as there would be an increase in capital assets (capital spending authority), but no decrease in cash to justify the spending authority.
2. Balanced Budgets – as there would be an increase in revenue in one year, with only subsequent amortization expense in the following years. The Province is required under the *Balanced Budget and Ministerial Accountability Act* to achieve a balanced budget and this amendment could have unintended consequences going forward.

The ability to accurately value the contribution would likely require additional resources and time which may not be consistently applied across all public sector entities. Every entity has different programs and initiatives which may require more in-kind contributions compared to others. For example, a museum relies on volunteers to construct, manage, and dismantle permanent exhibits. These exhibits would be capitalized over the life of the exhibit. If volunteers are considered in-kind contributions, it would be difficult to consistently value their time towards different exhibits. The resources and time by entities to capitalize in-kind contributions outweighs the benefit to users of the financial statements. Asset values including in-kind contributions will lead to confusion within financial statement users on the net value of the asset on the financial statement date.

Another concern from these proposed changes is the comparability of GNFPO's financial statements year-over-year. If these organizations were able to value each volunteer's time consistently and accurately, revenue will be recognized in year one, with subsequent amortization expense recognized in the following years. This could negatively impact their ability to raise donations and operate if their financial statements are showing increased surplus in one year, and deficits in the subsequent years. When users of the financial statements are reviewing GNFPOs to assess if the going concern assumption is appropriate before providing funding or donations, recurring annual deficits resulting from increased amortization could deter potential donors. This could lead to real impacts to GNFPO operations preventing them from being able to offer services or programs within their communities.

8. Do you agree with the proposed transitional provisions (paragraphs.45-.47) and the rationale outlined in the Basis for Conclusions (paragraphs 61-66)?

We agree with the proposed transitional provisions. The timeframe for implementation gives entities sufficient time to plan and change any internal policies. We agree that restatement of the prior year's figures would result in consistent information between reporting periods.

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9. **Are there any other issues that you would like to raise for consideration?**
We agree that adding more disclosure requirements within Section PS 3150 will convey the importance of works of art, historical treasures, and collections in government financial Statements. However, the level of detail proposed in PS 3150.42(e) is excessive and will be a challenge for entities to determine and confirm each year. The increased benefit to these proposed disclosures would not outweigh the costs associated with obtaining the information required to satisfy the note disclosure requirements. Disclosing these additional financial details regarding art, historical treasures and collections could lead to more confusion from users of the financial statements. Furthermore, for certain historical treasures and collections specifically, the fair value might not be readily available to determine the material increases. We propose that the disclosure requirements on the nature of the works of art, historical treasures, and collections be summarized at a level appropriate for the readers.

We require more clarification on contributed labour and in-kind contributions. Paragraph 0.10 seems contradictory and unclear on what it is trying to accomplish. The rationale in the Basis of Conclusions states this proposal is not meant to address situations where an entity receives services in-kind. However, contributed labour would be treated as in-kind contributions. Museums rely on volunteers to construct, manage, and dismantle exhibits. These exhibits would be capitalized over the life of the exhibit. If volunteers are considered in-kind contributions, it would be difficult to consistently value their time towards different exhibits. The additional resources and time to capitalize in-kind contributions outweigh the benefit to financial statement users. Users of the financial statements analyze Tangible Capital Assets and want to understand the net book value of the asset on the Financial Statement Date.

April 15, 2024

Michael Puskaric, MBA, CPA, CMA
Director, Public Sector Accounting
Chartered Professional Accountants Canada
277 Wellington Street West
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Dear M. Puskaric:

RE: December 2023 Exposure Draft - Proposed Amendments to Section PS 3150 Tangible Capital Assets

Overall, we have some significant concerns with the changes proposed in the Exposure Draft – Proposed amendments to Section PS 3150 Tangible Capital Assets. The attachment sets out our responses to the specific questions in the exposure draft.

Yours truly,

T. Clemett

Tara Clemett, CPA, CA, CISA
Provincial Auditor
Office of the Provincial Auditor

SW/mr
Attachment

	Question	Comments
1	Do you agree with retaining the existing definition of "tangible capital assets" in paragraph PS 3150.05(a) with only the proposed amendment to clarify that tangible capital assets are acquired, constructed and developed? That is, do you agree that amending the definition of "tangible capital asset" in Section PS 3150 to include "intangible properties" is not needed as PSAB's Intangible Asset project will address the topic from a broader perspective and the proposed transitional provisions in this Exposure Draft will minimize any significant implications (see paragraphs 15 and 20-31 in the Basis for Conclusions)?	Yes – We agree with retaining the existing definition and that amending the definition to include "intangible properties" is not needed. However, we are concerned that if the project on intangibles does not result in standard changes before the effective date of the changes proposed in this exposure draft, some GNFPO's will have to derecognize some intangibles from their financial statements and then have to recognize them again later once the new standard comes into place. We believe this will cause confusion to preparers and users of the financial statements and does not foster comparability of information.
2	Do you agree with not incorporating the capital asset recognition exemption from Section PS 4230 into Section PS 3150 (see paragraphs 15 and 32-36 in the Basis for Conclusions)? Please explain how this might impact your entity.	Yes – We agree with not incorporating the capital asset recognition exemption from PS 4230 into PS 3150. Allowing entities to not recognize capital assets does not promote accountability for all resources entrusted to an entity. We do not anticipate removing this exemption to have a significant impact on the entities we audit.
3	Do you agree that providing note disclosure only for works of art, historical treasures and collections will provide relevant information for interested and affected parties (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?	Yes – We agree that for those GNFPOs that currently recognize works of art, historical treasures and collections, providing note disclosure for those items will provide relevant information for interested and affected parties. However, we are concerned with the proposal to expand the requirement for note disclosure to Governments overall and to other government entities that currently do not provide this information as outlined in our response to question #4.
4	Do you agree the proposed note disclosure for works of art, historical treasures and collections will provide relevant information for interested and affected parties (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?	No – We disagree with the proposed note disclosure for works of art, historical treasures and collections for Governments and government entities (who were not previously applying PS 4230 and PS 4240) as we question the cost/benefit of having to collect and report this information. While many Governments and government entities hold works of art, historical treasures, and collections, these activities <u>are not integral to their overall mandate or purpose</u> and as such we question the value of requiring them to report on these in their financial statements at the level of detail as outlined in paragraph 42(e). In addition, as one of the key reasons these items are not permitted to be recognized in PSAS is the inability to value them (because a reasonable estimate of the future benefits associated with such property cannot be made), we see significant challenge with Governments and government agencies

		being able to meet 42(e)(ii) which requires description of the material increases and decreases related to its works of art, historical treasures and collections in the period. We have similar concerns with requiring Governments and government entities to apply this requirement retroactively with restatement.
5	Do you agree the proposed note disclosures for works of art, historical treasures and collections should be available to all public sector entities that may hold such assets (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?	See our response to question #4 above.
6	Do you agree with adding the proposed guidance for situations where an entity purchases a tangible capital asset at substantially below fair value that, in substance, a portion of the purchase was a contribution and should be accounted for accordingly? Is the proposed guidance clear that you must consider the substance of the transaction and that this would not pertain to ordinary purchases of capital assets? Do you believe the proposed guidance may lead to unintended consequences (see paragraph .10A for the additional proposed guidance and paragraphs 49-55 for rationale in the Basis for Conclusions)?	While we agree with the concept being proposed, we have some concerns with the practical application of this proposed change as outlined below. We agree the proposed guidance is clear that you must consider the substance of the transaction and that this would not pertain to ordinary purchases of capital assets. However, this could be made clearer by adding examples of what types of purchases this would not pertain to (what is meant by “ordinary” purchases). We are significantly concerned with the ability to audit this aspect (and additional resources required) as the auditor will be required to make significant judgments regarding TCA purchases as to whether they are “substantially below fair value”. Also, due to the nature of some of these items (the inability to value them because a reasonable estimate of the future benefits associated with such property cannot be made), we believe there may be significant challenges with determining what fair value would be.
7	Do you agree that adding the proposed guidance for situations where contributed materials and labour are provided in determining the cost of constructing a tangible capital asset is helpful? Do you believe the proposed guidance may lead to unintended consequences (see paragraph .10 for the additional proposed guidance and paragraphs 56-60 for rationale in the Basis for Conclusions)?	We do not agree with the addition of the proposed guidance as we believe it has unintended consequences. We are concerned with the proposed addition to the existing guidance in PS 3150 paragraph .10. When reviewing the proposed change along with comments in paragraph 58 of the Exposure Draft, we think it implies that government entities <u>must</u> recognize the value of donated materials and labour in their cost of TCA (not discretionary). This imposes a new requirement on Governments and

		government entities currently applying PS 3150 and we question the benefit of requiring them to value this aspect given this could involve significant effort. As the changes to PS 3150 are being proposed to apply retroactively with restatement, we are concerned with the amount of effort that Governments and government entities will be required to put in to determine a value for these amounts historically. We are not convinced of the cost/benefit of having to provide this information. We are also concerned with our ability to obtain sufficient and appropriate audit evidence over these historical values. In addition, paragraph 60 indicates this is not meant to address situations where a public sector entity receives "services in-kind". We are not clear what the distinction is between donated labour and receiving services in-kind.
8	Do you agree with the proposed transitional provisions (paragraphs.45-.47) and the rationale outlined in the Basis for Conclusions (paragraphs 61-66)?	See comments above regarding potential challenges in Governments and government entities being required to apply this standard retroactively with restatement.
9	Are there any other issues that you would like to raise for consideration?	We are unclear as to why additional disclosure related to write-downs is required in paragraph 40(f) as we believe the requirement to provide this information is already covered off in paragraph 40(d).

April 15, 2024

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

Dear Mr. Puskaric:

RE: EXPOSURE DRAFT —PROPOSED AMENDMENTS TO SECTION PS 3150, TANGIBLE CAPITAL ASSETS—DECEMBER 2023

Thank you for providing us with the opportunity to comment.

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

Question 1

Do you agree with retaining the existing definition of "tangible capital assets" in paragraph PS 3150.05(a) with only the proposed amendment to clarify that tangible capital assets are acquired, constructed and developed? That is, do you agree that amending the definition of "tangible capital asset" in Section PS 3150 to include "intangible properties" is not needed as PSAB's Intangible Asset project will address the topic from a broader perspective and the proposed transitional provisions in this Exposure Draft will minimize any significant implications (see paragraphs 15 and 20-31 in the Basis for Conclusions)?

Generally, we agree with retaining the existing definition of tangible capital assets. However, we are concerned that the proposal to include "acquired, constructed and developed" in the definition of tangible capital assets may lead to unintended consequences when applying Section PS 3280, *Asset Retirement Obligations.*

As Crown lands are inherited rather than acquired, constructed or developed, the proposed amendment would result in the exclusion of Crown lands from the definition of a tangible capital asset. As stated in Section PS 3280, asset retirement obligations relate only to tangible capital assets. The proposed amendment would effectively scope out Crown lands (and other inherited tangible capital assets) from the definition of asset retirement obligations. The exclusion of Crown lands from asset retirement obligations may have a significant impact on the financial position of senior governments and other public sector entities.

Question 2

Do you agree with not incorporating the capital asset recognition exemption from Section PS 4230

into Section PS 3150 (see paragraphs 15 and 32-36 in the Basis for Conclusions)? Please explain how this might impact your entity?

Yes, we agree. Accounting for tangible capital assets provides information for accountability purposes and this is a key responsibility of all public sector entities, irrespective of their size.

Question 3

Do you agree that providing note disclosure only for works of art, historical treasures and collections will provide relevant information for interested and affected parties (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?

Yes, we agree that note disclosure is sufficient to provide relevant information to financial statement users. The costs associated with obtaining a reasonable estimate of the value of art, historical treasures and collections generally exceeds its information value to users of financial statements. Presently, public sector entities applying the 4200 series (GNFPOs) are permitted to capitalize the cost of collections under Section 4240, *Collections Held by Not-for-Profit Organizations*. However, we noted that in the public sector, GNFPOs generally do not elect to do so. Instead, GNFPOs often record collections at a nominal value and/or expense these items as acquired and provide additional note disclosure in the financial statements, in line with the proposed amendments.

Question 4

Do you agree the proposed note disclosure for works of art, historical treasures and collections will provide relevant information for interested and affected parties (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?

The proposed disclosures related to art, historical treasures and collections must be taken in the context of their relevance to the mandate of the public sector entity as a whole. If the public sector entity was established with the explicit purpose of acquiring and/or maintain such assets, the proposed note disclosure is appropriate. However, in some cases public sector entities may hold such items incidentally (for example, donations in-kind), in which case the proposed disclosure requirements far exceeds the information needs of financial statement users. We recommend that PSAB amend these proposals to include consideration of the context associated with the public sector organization’s purpose and mandate.

Questions 5

Do you agree the proposed note disclosures for works of art, historical treasures and collections should be available to all public sector entities that may hold such assets (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?

Please see our response to Question 4.

Question 6

Do you agree with adding the proposed guidance for situations where an entity purchases a tangible capital asset at substantially below fair value that, in substance, a portion of the purchase was a contribution and should be accounted for accordingly? Is the proposed guidance clear that you must consider the substance of the transaction and that this would not pertain to ordinary purchases of capital assets? Do you believe the proposed guidance may lead to unintended consequences (see paragraph .10A for the additional proposed guidance and paragraphs 49-55 for rationale in the Basis for Conclusions)?

We agree that when an entity purchases a tangible capital asset from outside the government reporting entity, any significant differences between the fair value and the purchase price should be treated as contributions. However, more guidance is needed to assist in applying the concept of fair value to the measurement of tangible capital assets. For instance, paragraph 30 of Section PS 3160, *Public Private Partnerships,* states that, for the purposes of measuring an infrastructure asset, fair value is "the price a market participant would pay for an equivalent infrastructure asset with the same service potential and risk profile." It is not clear if this definition would also be applicable to tangible capital assets. If it is applicable, what factors are considered in assessing if another asset is "equivalent", and how is "service potential" and "risk profile" determined? If the guidance in Section PS 3160 is not applicable to tangible capital assets, how would it differ? We encourage PSAB to develop a framework for measuring fair value to achieve consistent application in practice and comparability across public sector entities.

Question 7

Do you agree that adding the proposed guidance for situations where contributed materials and labour are provided in determining the cost of constructing a tangible capital asset is helpful? Do you believe the proposed guidance may lead to unintended consequences (see paragraph .10 for the additional proposed guidance and paragraphs 56-60 for rationale in the Basis for Conclusions)?

Please see our response to Question 6.

Question 8

Do you agree with the proposed transitional provisions (paragraphs.45-.47) and the rationale outlined in the Basis for Conclusions (paragraphs 61-66)?

We agree. We encourage PSAB to monitor the progress of the current Intangible Assets project to ensure that the effective date of the new standard on intangible assets will ultimately coincide with the effective date of the amendments proposed in this exposure draft. This will prevent GNFPOs currently recognizing internally developed intangible assets under Section 4230, *Capital Assets Held by Not-for-Profit Organizations*, from having to temporarily derecognize these assets.

Question 9

Are there any other issues that you would like to raise for consideration?

Overhead costs

Section PS 3150 includes directly attributable overheard costs in the cost of a constructed tangible capital asset. There are varying interpretations of the term "directly attributable" and we have noted inconsistencies in practice. 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 3150 to promote consistency and comparability in the measurement of constructed tangible capital assets.

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 financial commitments at the outset. We encourage PSAB to develop robust and comprehensive guidance in this area. PSAB should consider the guidance in AcG-20, *Customer's Accounting for Cloud Computing Arrangements* that permit entities to "capitalize the expenditures on implementation activities that are directly attributable to preparing the software service for its intended use as an asset" (paragraph 24b).

Thank you for the opportunity to comment.

Sincerely,

Shelley Spence
Auditor General of Ontario

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

15 April 2024

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

RE: Exposure Draft – *Proposed Amendments to Section PS 3150 – Tangible Capital Assets*

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 retaining the existing definition of “tangible capital assets” in paragraph PS 3150.05(a) with only the proposed amendment to clarify that tangible capital assets are acquired, constructed and developed? That is, do you agree that amending the definition of “tangible capital asset” in Section PS 3150 to include “intangible properties” is not needed as PSAB’s Intangible Asset project will address the topic from a broader perspective and the proposed transitional provisions in this Exposure Draft will minimize any significant implications (see paragraphs 15 and 20-31 in the Basis for Conclusions)?

OAG response:

Yes, we agree with retaining the existing definition of “tangible capital assets” (TCA) in paragraph PS 3150.05(a) with only the proposed amendment to clarify that TCAs are acquired, constructed and developed. The proposed amendment to the definition provides more clarity and we do not believe that it would change practice significantly.

We also agree that amending the definition of TCA in Section PS 3150 to include “intangible properties” is not currently needed as PSG-8 covers purchased intangibles and PSAB is developing a Canadian PSAS for intangible assets which will eventually replace PSG-8. However, since Government Not-for-Profit Organisations (GNFPOs) are currently allowed to recognize constructed or developed intangibles assets under PS 4230, *Capital assets held by not-for-profit organizations*, we support not amending the definition of TCA as long as the new intangible assets standard is effective before or at the same time as the proposed amendments to Section PS 3150 as proposed in this exposure draft (ED). This would prevent GNFPOs from derecognizing some intangibles (when amendments to PS 3150 are effective and PS 4230 no longer applies) from their financial statements and recognizing them again later, if the recognition of constructed or developed intangibles eventually becomes possible outside of the PS 4200 series.

Question 2

Do you agree with not incorporating the capital asset recognition exemption from Section PS 4230 into Section PS 3150 (see paragraphs 15 and 32-36 in the Basis for Conclusions)? Please explain how this might impact your entity.

OAG response:

Yes, we agree with not incorporating the capital asset recognition exemption from Section PS 4230 into Section PS 3150. From a stewardship perspective, we are of the view that it is important that public sector entities ensure that they manage their assets responsibly. Recognizing all TCAs in the financial statements and providing related disclosure is aligned with the overriding objective of financial reporting which is to provide information for accountability purposes per paragraph 3.03 of the Conceptual Framework for Financial Reporting in the Public Sector (CF).

Question 3

Do you agree that providing note disclosure only for works of art, historical treasures and collections will provide relevant information for interested and affected parties (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?

OAG response:

Yes, we agree that providing note disclosure only for works of art, historical treasures and collections will provide relevant information for interested and affected parties.

Currently, for GNFPOs using the 4200 series, capitalization of collections is not precluded but it is not required (PS 4240.06). Works of art and treasures that are not part of a collection are recognized as capital assets if the organization has the technology and financial ability to protect and preserve them (PS 4230.21). Public sector entities currently using PS 3150, do not recognize collections, works of art and treasures since a reasonable estimate of the future benefits associated with such property cannot be made (PS 3150.08). The review of our GNFPO portfolio shows that most entities applying the 4200 series recognize collections, works of art and treasures at a nominal amount in their statement of financial position due to the difficulties in determining a reasonable estimate of the future economic benefits. We support the provision of note disclosure only because the recognition criteria are often not met based on what we have seen in practice. However, we note that IPSAS 45, *Property, Plant and Equipment,* which is effective on 1 January 2025, requires the recognition of heritage assets which includes works of art, historical treasures and collections if it is probable that future economic benefits or service potential associated with the item will flow to the entity and the item can be measured reliably. Per IPSAS 45.77, where heritage property, plant, and equipment or a class of heritage property, plant, and equipment is not recognized in the financial statements because, at initial measurement, its cost or current value cannot be measured reliably, the entity shall provide disclosures that are aligned with disclosures per PS 3150.42(e). Before finalizing this standard, we would encourage PSAB to consider the requirements in IPSAS 45 and to factor them in their proposals and basis for conclusions.

Question 4

Do you agree the proposed note disclosure for works of art, historical treasures and collections will provide relevant information for interested and affected parties (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?

OAG response:

No, we do not agree that the proposed note disclosure for works of art, historical treasures and collections will provide relevant information for interested and affected parties.

For many GNFPOs, works of art, historical treasures and collections are central to their mandate (i.e. museums). We agree that disclosing information on works of art, historical treasures and collections is important to the users of financial statements of these entities, especially for stewardship purposes as discussed in chapter 3 of the CF, given their mandate often includes establishing, maintaining and developing collections.

On the other hand, some Governments and other public sector entities may hold works of art, historical treasures and collection that are incidental to their mandate and these items are likely not significant to the mission of these public sector entities. Therefore, we are of the view that when works of art, historical treasures and collections are incidental to the mandate of these entities, the proposed note disclosures may not be relevant to the users of the financial statements.

As a result, we believe the proposed note disclosures would be useful and relevant only for entities for which works of art, historical treasures or collections are significant to their mandate.

Question 5

Do you agree the proposed note disclosures for works of art, historical treasures and collections should be available to all public sector entities that may hold such assets (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?

OAG response:

Yes, we agree that the proposed note disclosures for works of art, historical treasures and collections should be available to all public sector entities that may hold such assets. However, we believe that public sector entities need to carefully consider the factors listed in paragraph PS 3150.43 of the ED such as the usefulness of the information to the reader, in determining what information to disclose.

As mentioned in our response to Question 4, we are of the view that the usefulness and relevance of the note disclosures will vary significantly amongst public sector entities based on their mandate.

Question 6

Do you agree with adding the proposed guidance for situations where an entity purchases a tangible capital asset at substantially below fair value that, in substance, a portion of the purchase was a contribution and should be accounted for accordingly? Is the proposed guidance clear that you must consider the substance of the transaction and that this would not pertain to ordinary purchases of capital assets? Do you believe the proposed guidance may lead to unintended consequences (see paragraph .10A for the additional proposed guidance and paragraphs 49-55 for rationale in the Basis for Conclusions)?

OAG response:

Yes, we agree with adding the proposed guidance for situations where an entity purchases a TCA at substantially below fair value, and where in substance, a portion of the purchase was a contribution and should be accounted for accordingly. We are of the view that the proposed guidance is clear that you must consider the substance of the transaction and that this would not pertain to ordinary purchases of capital assets since in most cases, the cost of those ordinary purchases will approximate the fair value.

However, we believe the proposed guidance may lead to unintended consequences especially in paragraph .10A where it refers to PS 3100, *Restricted assets and revenues* or PS 3400, *Revenue* for the recognition of the contribution portion of the purchase. We understand that the existing standard (PS 3150) and IPSAS 45 does not include how the other side of the transaction is to be treated. In the purpose and scope section of PS 3400, we note that paragraph .03 (a) excludes contributions that are voluntary and non-reciprocal in nature. We anticipate that TCAs could be contributed voluntarily and could be non-reciprocal in nature and therefore, would be out of scope of PS 3400. Therefore, there appears to be some inconsistencies between the proposed PS 3150 and PS 3400. As such it is not clear whether a TCA acquired at substantially below fair value would automatically be in scope of PS 3400 given PS 3400.03. We believe that before indicating that the contribution would be recognized under PS 3400, PSAB should ensure that these types of transactions are indeed in scope of this standard. In addition, currently, GNFPOs would refer to PS 4210, *Contributions – revenue recognition* for guidance on the accounting for contributions. Given PSAB has not yet reviewed this standard as part of its GNFPO Strategy, and there could be further updates needed to PS 3100 or PS 3400, it might be advisable for

PSAB to not include any reference to PS 3100 or PS 3400 until all standards within the 4200 series have been reviewed.

In addition, we offer the following comments and improvements for PSAB consideration:

- Currently, PS 3150.14 provides that the cost of a contributed TCA be considered equal to its fair value at the date of the contribution. However, it does not provide guidance for situations where a TCA is acquired at substantially below fair value. The proposed additional guidance in PS 3510.10A would require for TCAs purchased at substantially below fair value, to recognize the difference between the fair value and the consideration paid as a contribution. Since contributed TCA and TCA acquired at substantially below fair value are expected to be measured and recognized the same way, we would encourage PSAB to consider whether it would be better to update the wording in PS 3150.14 to also include TCA acquired at substantially below fair value instead of adding a new paragraph (.10A).

- We also note that the basis for conclusion indicates that this proposed guidance would align with the AcSB's accounting treatment on purchases of capital assets below fair value. However, it is our understanding that the international strategy suggests alignments should be made with International Public Sector Accounting Standards (IPSAS). We did not see how this was factored in within the basis for conclusions. IPSAS 45.97(b) indicates that Property, plant, and equipment are measured at their deemed cost at the date of acquisition. While IPSAS 45 does not specifically speak to TCAs purchased at substantially below fair value, the standard does indicate that the value would be deemed cost, which is measured at either current operational value or fair value. We are of the view that this aligns closely with the proposed new guidance in paragraph.10A. We would encourage PSAB to consider assessing whether the basis for conclusion should be updated to refer to IPSAS.

Question 7

Do you agree that adding the proposed guidance for situations where contributed materials and labour are provided in determining the cost of constructing a tangible capital asset is helpful? Do you believe the proposed guidance may lead to unintended consequences (see paragraph .10 for the additional proposed guidance and paragraphs 56-60 for rationale in the Basis for Conclusions)?

OAG response:

Yes, we agree that adding the proposed guidance for situations where contributed materials and labour are provided in determining the cost of constructing a tangible capital asset is helpful and we do not believe the proposed guidance may lead to unintended consequences.

The current PS 3150.10 already provides examples of different types of costs associated with an asset such as installation costs, design fees and engineering fees as well as direct construction or development costs which includes materials and labour. The proposed added disclosure clarifies that the cost of a constructed asset or developed asset may include contributed material and/or labour. We note that paragraph 59 of the basis for conclusion indicates that the added guidance was not meant to address situations where a public sector entity receives services in-kind. However, we see services in-kind as similar as contributed labour and therefore, we are unclear about this explanation in the basis for conclusions. In addition, per paragraph 60 of the basis for conclusion, the clarification to PS 3150.10 was added to improve comparability. This clarification aligns with the current PS 3150.14 and the new paragraph .10A which require contributions to be recognized at fair value.

Lastly, paragraph 60 of the basis for conclusion indicates that this proposed guidance was to align with the AcSB's accounting treatment, but there is no mention of whether this aligns with the IPSAB's accounting treatment. Similar to the comment we have made in our response to Question 6, we would encourage PSAB to ensure that the proposed changes are in line with IPSAS, given PSAB's international strategy.

Question 8

Do you agree with the proposed transitional provisions (paragraphs.45-.47) and the rationale outlined in the Basis for Conclusions (paragraphs 61-66)?

OAG response:

Yes, we agree with the proposed transitional provisions and the rationale outlined in the basis for conclusions. We note that should the intangible assets project be delayed, we would encourage PSAB to consider a delay in the effective date of this standard as well, in order to prevent GNFPOs from derecognizing some intangibles (when amendments to PS 3150 are effective and PS 4230 no longer applies) from their financial statements and recognized them again later, if the recognition of constructed or developed intangibles eventually becomes possible outside of the PS 4200 series.

Question 9

Are there any other issues that you would like to raise for consideration?

OAG response:

No, we did not identify any additional issues that we would like to raise for consideration.

Colin Semotiuk, CPA, CA
Wayne Morgan, Ph.D, CPA, CA, CISA
Office of the Auditor General of Alberta[1]
Edmonton, Alberta

April 15, 2024

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

Dear Michael Puskaric,

Our response to PSAB's Exposure Draft *Proposed Amendments to Section PS 3150* is below:

1. Do you agree with retaining the existing definition of "tangible capital assets" in paragraph PS 3150.05(a) with only the proposed amendment to clarify that tangible capital assets are acquired, constructed and developed? That is, do you agree that amending the definition of "tangible capital asset" in Section PS 3150 to include "intangible properties" is not needed as PSAB's Intangible Asset project will address the topic from a broader perspective and the proposed transitional provisions in this Exposure Draft will minimize any significant implications (see paragraphs 15 and 20-31 in the Basis for Conclusions)?

We agree with the proposed "tangible capital assets" definition amendment to state "have been acquired, constructed or developed;" in paragraph PS 3150.05(a)(ii).

We note the question provided above states "and" which we would disagree with. We support the draft wording as stated on page two which uses "or".

2. Do you agree with not incorporating the capital asset recognition exemption from Section PS 4230 into Section PS 3150 (see paragraphs 15 and 32-36 in the Basis for Conclusions)? Please explain how this might impact your entity.

We agree. We also think PS 3150 should have explicit guidance on capitalization thresholds for all entities. An example is a capital asset such as a stapler, which has a useful life greater than a year, but would likely be expensed because the costs of capitalization and tracking outweighs the benefits. PSAB could add guidance that it is acceptable for entities to establish capitalization thresholds.

3. Do you agree that providing note disclosure only for works of art, historical treasures and collections will provide relevant information for interested and affected parties (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?

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

In our view, PSAB has an inconsistency by stating works of art, historical treasures and collections are too difficult to value, yet allowing level 3 investments to be recorded in PS 3450. If PSAB doesn't allow recognition of these works of art, historical treasures and collections assets based on measurement difficultly, it should also consequently remove Level 3 financial instrument(s) recognition.

The definition proposed in paragraph .08A of the exposure draft does not include items of historical significance. We would expect historical treasures to be items "with historical significance that are protected, cared for and preserved," however such items are currently not stated in paragraph .08A. Alternatively, paragraph .08 would change the words "historical value" to "historical significance."

We note that the word order drafted in paragraph .08A (a) could be interpreted in two ways; "held for public exhibition, education or research; and" or "held for public exhibition, public education or public research; and." We do not agree that the education or research must be public, therefore we suggest the order of the requirements be updated to "held for education, research or public exhibition; and" or that the word "public" be removed from .08A so it would read "held for exhibition, education or research." It does not matter if the exhibition is public or private (e.g. a work of art that is in a private meeting room of a public sector entity would still be in scope, the same as a desk or computer system in that same private meeting room).

4. Do you agree the proposed note disclosure for works of art, historical treasures and collections will provide relevant information for interested and affected parties (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?

We agree that for public sector entities, the proposed note disclosure for works of art, historical treasures and collections will provide relevant information. We are unsure whether the terms "art, historical treasures and collections" will be broad enough. For example, some may contest the definition of what is "art" e.g. the floor of a public building may have an artistic design, or perhaps entire buildings (such as a legislature) may be considered to be works of art or have historical significance. While the building has a cost, it seems inappropriate to exclude it from recognition because it is considered "art" or of "historical significance." For another example, a city may acquire a historical home in order to preserve the property for its historical significance. In our view, the cost paid for the property should be capitalized, not expensed.

Revised PS 3150 should clearly state that works of art, historical treasures or collections are capitalized at cost when purchased. This is consistent with recent PSG-8 guidance.

5. Do you agree the proposed note disclosures for works of art, historical treasures and collections should be available to all public sector entities that may hold such assets (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?

We agree. We note that PS 1202.033 materiality is an important consideration for these disclosures. PSAB should consider adding a footnote to PS 1202.033 to paragraph .42. We are unsure why paragraph .43 does not refer to materiality in .43 (b).

6. Do you agree with adding the proposed guidance for situations where an entity purchases a tangible capital asset at substantially below fair value that, in substance, a portion of the purchase was a contribution and should be accounted for accordingly? Is the proposed guidance clear that you must consider the substance of the transaction and that this would not pertain to ordinary purchases of capital assets? Do you believe the proposed guidance may lead to unintended consequences (see paragraph .10A for the additional proposed guidance and paragraphs 49-55 for rationale in the Basis for Conclusions)?

We are unsure whether PSAB intends this change to apply only to art, historical treasures or collections. We see that purchases of such assets may be less than fair value if a contribution was being made by a donor of such an asset.

As proposed .10A is not limited to art, historical treasures, or collections. Therefore, it is a general principle. We disagree with tangible capital assets purchased substantially below fair value being recorded at a value other than the purchase price. Tangible capital assets are not fair valued and therefore it is not appropriate to record it at other than purchase price (cost). If PSAS adopts this fair value accounting, it should adopt fair value accounting for all tangible capital assets, with remeasurements.

We suggest PSAB also add guidance to PS 3150 that assets purchased substantially above fair value are also recorded at cost (price paid).

7. Do you agree that adding the proposed guidance for situations where contributed materials and labour are provided in determining the cost of constructing a tangible capital asset is helpful? Do you believe the proposed guidance may lead to unintended consequences (see paragraph .10 for the additional proposed guidance and paragraphs 56-60 for rationale in the Basis for Conclusions)?

As stated in our response to question 6, we do not agree with recording the cost of tangible capital assets at a value other than the purchase price and therefore we do not agree with the proposed amendment to paragraph .10. When the amount of contributed materials or labour is material, we do agree with including the disclosure of this information, even if not recognized in the financial statements. We see an inconsistency in the proposed standard between the recording of tangible capital assets and expenses. Specifically, the exposure draft introduces the recording cost of donated labour for tangible capital assets, however such costs are not recorded for operational expenses, e.g. volunteer hours as payroll expense. By introducing the ability to include these contributions in tangible capital assets, PSAB is opening the debate to record similar “contributions” as operational expenses. In principle, we believe financial statements should record transactions at historical cost to the entity and recording contributions of labour and/or materials at “fair value” as the historical cost departs from this principle.

8. Do you agree with the proposed transitional provisions (paragraphs.45-.47) and the rationale outlined in the Basis for Conclusions (paragraphs 61-66)?

If the amendments we outlined above are included, we agree with the transitional provisions contingent on feedback from preparers. Preparers have the knowledge to determine if fiscal years beginning on or after April 1, 2029, is sufficient time to prepare 2030 financial statements with 2029 restatements.

9. Are there any other issues that you would like to raise for consideration?

We commend PSAB for including Indigenous considerations. It shows PSAB is responsive to the IRCSS and the public interest.

We note in places that the words “usually” or “in some cases” or other similar language is included. Such language creates uncertainty in application. We recommend PSAB remove the example in paragraph .08B of regular library books where “usually” is used and remove the “In some cases” from the proposed change to paragraph .10 and more clearly say “The costs of a constructed asset includes contributed materials…” (although as noted above, we disagree with that change itself).

We note PS 3150 could be improved by providing guidance on when interest should be capitalized. Paragraph 42 (f) implies interest can be capitalized but provides no guidance on when interest should be capitalized.

It appears that the title for “Presentation” is removing “and Disclosure.” However, current PS 3150 only uses the title “Presentation” so we are unsure what this change is. Various other standards use Presentation or Disclosure or some combination. Our preference is “Presentation and Disclosure” through all the standards. Perhaps these are changes made as 2022-2023 annual improvements.

We note an edit to paragraph .08B. It states, “For example, an organizations’ library” but it should be “For example, an organization’s library”.

We note an edit to paragraph .42 (e) (i) which states “works of art, historical treasures and/or collections” while (ii) through (v) use “works of art, historical treasures and collections.” In our view, it should be “works of art, historical treasures or collections” throughout PS 3150. We note also that collections is sometimes plural and other times says “collection items” but an entity may be purchasing a collection, or items for a collection. A footnote at beginning of PS 3150 may help.

We disagree with expensing all acquisitions of works of art, historical treasures and collections when purchased. We suggest that a disclosure category for these be specifically added to the presentation and disclosure requirements, or paragraph .42 (e) (iv) states “… capitalized or expensed in the current period.”

In paragraph 42 (e) (v) it states, “how the proceeds were used.” This is unclear especially if the proceeds are used to fund general operations, or if the use of the proceeds is undetermined. PS 4240.11 had clear guidance on this and should be included in the PS 3150 if this requirement is adopted.

Thank you for the opportunity to comment.

Sincerely,

Colin Semotiuk
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April 15, 2024

Michael Puskaric, MBA, CPA, CMA
Director, Public Sector Accounting
Public Sector Accounting Board
277 Wellington Street West
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Subject: Invitation to Comment - Exposure Draft: Proposed Amendments to Tangible Capital Assets, Section PS 3150

Dear Mr. Puskaric:

We thank you for the opportunity to provide comments on the above noted Exposure Draft regarding the proposed amendments to Tangible Capital Assets, Section PS 3150.

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 commend the Public Sector Accounting Board for taking on this project and are supportive of the Board in its attempt to align and clarify the accounting treatment of certain tangible capital assets and collections which will reduce diversity in practice. We have also included 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 Matthew Colley (mcolley@deloitte.ca) at 416-643-8428 or Patrick Ho (patho@deloitte.ca) at 604-640-4907.

Yours truly,

Deloitte LLP

Chartered Professional Accountants

Appendix
Proposed Amendments to Tangible Capital Assets, Section PS 3150

1. **Do you agree with retaining the existing definition of "tangible capital assets" in paragraph PS 3150.05(a) with only the proposed amendment to clarify that tangible capital assets are acquired, constructed and developed? That is, do you agree that amending the definition of "tangible capital asset" in Section PS 3150 to include "intangible properties" is not needed as PSAB's Intangible Asset project will address this topic from a broad perspective and the proposed transitional provisions in this Exposure Draft will minimize any significant implications (see paragraph 15 and 20-31 in the Basis for Conclusions)?**

   We agree with the proposed amendment to clarify that tangible capital assets are acquired, constructed and developed. However, we believe that the exclusion of intangible properties could lead to potential diversity in practice due to the lack of specific guidance related to the recognition, measurement and disclosure of intangible assets. Specifically, as it relates to cloud computing arrangements in which the arrangement could contain implementation expenditures that relate to purchased or internally developed elements. Without clear guidance on elements that can and cannot be capitalized, preparers may defer to exercising judgement in application of the definition of an asset per Section PS 3210, Assets, and capitalize expenditures that may not have otherwise been permissible.

   We acknowledge that there is an active project in place to develop a new accounting standard and provide guidance on recognition, measurement and disclosure of intangible assets held by all public sector entities that apply the PSA Handbook, including GNFPOs. We believe that the timing difference between these amendments and the completion of the project could result in diversity in practice with respect to the accounting of intangible assets.

2. **Do you agree with not incorporating the capital asset recognition exemption from Section PS 4230 into Section PS 3150 (see paragraphs 15 and 32-36 in the Basis for Conclusions)? Please explain how this might impact your entity.**

   We agree with not incorporating the capital asset recognition exemption from Section PS 4230, Capital assets held by not-for-profit organizations, into Section PS 3150. However, we believe that consideration for additional transition considerations and guidance would be helpful for entities that have previously applied the recognition exemption under PS 4230. The transition guidance included within paragraph 46 of the proposed amendments places the responsibility onto the preparer to ascertain whether obtaining the necessary financial data is "extremely difficult". We believe determining if it is "extremely difficult" requires additional judgement to assess and could lead to diversity in application as "extremely difficult" differs from entity to entity, depending on the resources available. Additionally, to assess whether it would be "extremely difficult" to obtain the necessary financial data would require a certain degree of upfront investment in time and resources by a preparer, before concluding whether the amendments can be applied prospectively or not.

   Furthermore, for entities that previously applied the recognition exemption, we believe that retrospective application would not provide incremental information that would have value to users of financial statements. This is because the users of the financial statements did not use tangible capital asset information in decision making in historical periods where the exemption from Section PS 4230 was applied. Thus, while the consistency and comparability of the financial statements are enhanced by retrospective application in the year of adoption, we believe that the incremental benefit derived, if any, is substantially less than the effort required by preparers to provide such historical information. As such, we believe that providing transition relief for entities that previously have not recorded any tangible capital assets would alleviate the burden for preparers that would otherwise need to invest significant time and efforts in collating the necessary information to recognize the tangible capital assets.

3. **Do you agree that providing note disclosure only for works of art, historical treasures and collections will provide relevant information for interested and affected parties (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?**

   We agree that providing note disclosures only for works of art, historical treasures and collections will provide relevant information for some but not all interested and affected parties. Specifically for entities whose main mandate and service capacity relates entirely to the management of collections, additional disclosures may not provide significant incremental benefits to interested and affected parties. This is because the quantitative and qualitative information provided within their financial statements and other reporting, already capture the nature and relevance of works of art and historical treasures, as well as the extent that the entity is responsible for protecting and preserving said works and the associated cash flows.

   Furthermore, we believe that further clarification is needed for entities such as museums or galleries, where the entity's main mandate relates to the management and exhibition of works of art, historical treasures and collections. Certain of these exhibits may consist of works of art, historical treasures and collections and constructed elements that could meet the definition of tangible capital assets given that this property is held for the supply of a service to the general public. Furthermore, given that the main mandate of these entities is to hold these properties for public exhibition, education and research, there is a view that there are future economic benefits associated with such property. As such, in the context of these entities, clarification on how the guidance per paragraph .08A and .08B would apply to these types of entities would be highly beneficial.

   Lastly, we believe that additional guidance for derecognition of previously recognized works of art, historical treasures and collections upon transition would be beneficial to preparers and would enhance consistency and comparability between entities.

4. **Do you agree the proposed note disclosure for works of art, historical treasures and collections will provide relevant information for interested and affected parties (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?**

   We agree the proposed note disclosure for works of art, historical treasures and collections will provide relevant information for interested and affected parties as they provide context in relation to the importance of the property to the entity. However, we believe that there will be diversity in what is disclosed due to entity specific circumstances (i.e., differences in what constitutes as material to one entity would likely differ from another). We also recognize that not all preparers would defer to paragraph 47 of the Basis of Conclusions when determining what to disclose within the financial statements and believe that providing the same guidance and considerations within the disclosure requirements itself would help clarify what an entity should disclose.

   Additionally, similar to our response to Question #3, we believe that further consideration should be made for entities whose primary mandate relates to the exhibition of works of arts, historical treasures and collections. For these types of entities, we foresee challenges in determining what should be disclosed to meet the disclosure requirements. For instance, the costs reported by a museum within the statement of operations would likely make up a majority of the costs associated with protecting and preserving the property in the period. For these types of scenarios, it is not clear as to whether an entity should provide disclosures in addition to what has been included in the financial statements. We believe there is a need to provide additional clarification for entities whose main mandate relates to the management of such property, to address potential challenges in determining what incremental disclosures should be made to meet the requirements, if any.

5. **Do you agree the proposed note disclosures for works of art, historical treasures and collections should be available to all public sector entities that may hold such assets (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?**

   We agree that the consistency across all public sector entities would enhance interested and affected parties' understanding of the importance of such assets, as well as an entity's obligations related to protecting and preserving the same. However, we also understand that extending the requirements to non-GNFP entities may increase the costs associated with tracking the information required for disclosure purposes if the entity's main mandate does not relate to the management of these property types. We believe that consistent with our response to Question #4, inclusion of the guidance provided in paragraph 47 of the Basis of Conclusions into the disclosure requirements would address this issue as it provides guidance that allows entities to exercise judgement in determining the appropriate level of detail to disclose, that would provide useful information to users.

6. **Do you agree with adding the proposed guidance for situations where an entity purchases a tangible capital asset at substantially below fair value that, in substance, a portion of the purchase was a contribution and should be accounted for accordingly? Is the proposed guidance clear that you must consider the substance of the transaction and that this would not pertain to ordinary purchases of capital assets? Do you believe the proposed guidance may lead to unintended consequences (see paragraph .10A for the additional proposed guidance and paragraphs 49-55 for rationale in the Basis for Conclusions)?**

   We agree with the basis of the proposed guidance as we believe it would best reflect the substance of a transaction. However, we note that in practice it may be challenging for entities to determine whether a tangible capital asset was purchased at substantially below fair value. Certain assets acquired may not necessarily have an open market, which may pose a challenge in application of the proposed amendments. In other cases, a government entity may have acquired certain tangible capital assets for the purposes of integrating it into a larger piece of infrastructure, but these assets may not have any value to a non-government entity and thus lack an observable open market through which the entity could derive a fair value for the asset. As such, we believe that additional clarification as to what "fair value" and "active market" means in the context of public sector would be beneficial to support an entity's assessment as to whether a tangible capital asset was acquired at a value substantially below fair value and quantifying the difference that would be accounted for per Section PS 3400, Revenue.

   With respect to unintended consequences, we believe that the current transition provisions could create challenges for preparers from a completeness perspective, as entities may not have all of the necessary books and records to assess transactions that are potentially within the scope of this guidance. Furthermore, preparers may encounter difficulties with determining an appropriate fair value for tangible capital assets that were historically purchased. Additionally, they may inadvertently apply hindsight when attempting to determine fair value of historically acquired assets. Consequently, we believe additional guidance with respect to determining the fair value of tangible capital assets acquired in prior periods would alleviate challenges that preparers may face in retrospective application of the amendments. Or alternatively, consideration for transition relief such that the amendments can be applied prospectively, would similarly address the same issue.

7. **Do you agree that adding the proposed guidance for situations where contributed materials and labour are provided in determining the cost of constructing a tangible capital asset is helpful? Do you believe the proposed guidance may lead to unintended consequences (see paragraph .10 for the additional proposed guidance and paragraphs 56-60 for rationale in the Basis for Conclusions)?**

   Yes, we agree with the proposed guidance for situations where contributed materials and labour are provided in determining the cost of constructing a tangible capital asset. However, consistent with our response to Question #6, we anticipate that preparers may face challenges upon transition with respect to completeness of the transactions that need to be reassessed in order to be included in the cost of a constructed tangible capital asset. Furthermore, an entity may not have the information available to ascertain the appropriate fair value of historical contributed materials and labour.

8. **Do you agree with the proposed transitional provisions (paragraphs.45-.47) and the rationale outlined in the Basis for Conclusions (paragraphs 61-66)?**

   While we agree that the proposed transitional provisions will provide consistency and comparability between periods and different public sector entities, we note that retrospective application may create challenges for entities, particularly those that may not have the necessary financial information. Specifically:
   - Entities that previously applied the tangible capital asset exemption under Section PS 4230 would need to exercise judgement in determining whether it is "extremely difficult" to obtain the necessary information to apply the changes retrospectively.
   - Entities may encounter difficulty with determining the fair value of tangible capital assets acquired in prior periods in order to retrospectively apply the amendments related to accounting for tangible capital assets acquired substantially below fair value. The same challenge would likely arise for entities that may need to reassess contributed materials and labour as discussed in Question #7.

   As such, we believe that consideration should be made to provide transition relief to entities to address such concerns.

9. **Are there any other issues that you would like to raise for consideration?**

   No, we do not have other issues that we would like to raise for consideration at this time.

ORDRE DES COMPTABLES
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Montréal, le 15 avril 2024

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 *« Immobilisations corporelles – Projet de modification du chapitre SP 3150 ».*

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 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, CA
Représentante du groupe de travail technique Secteur public – Comptabilité dans le secteur public

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.

QUESTION SPÉCIFIQUE DU CCSP

1. ***Êtes-vous en faveur du maintien de la définition existante d'« immobilisations corporelles » énoncée à l'alinéa SP 3150.05 a), sans autre modification que celle visant à préciser que les immobilisations corporelles sont celles ayant été acquises, construites, développées ou mises en valeur? Autrement dit, êtes-vous d'avis qu'il n'est pas nécessaire de modifier la définition d'« immobilisations corporelles» énoncée au chapitre SP 3150 pour y inclure les immobilisations incorporelles, puisque le projet du CCSP sur les immobilisations incorporelles traitera de ce sujet d'un point de vue élargi et que les dispositions transitoires proposées dans le présent exposé-sondage réduiront au minimum toute incidence importante (voir les paragraphes 15 et 20 à 31 de la base des conclusions)?***

   Les membres sont en accord avec les propositions.

2. ***Êtes-vous favorable à la proposition de ne pas intégrer au chapitre SP 3150 l'exemption relative à la comptabilisation des immobilisations qui est prévue au chapitre SP 4230 (voir les paragraphes 15 et 32 à 36 de la base des conclusions)? Veuillez expliquer l'incidence que cette proposition pourrait avoir sur votre entité.***

   Les membres croient que les incidences importantes toucheront un nombre limité d'entités. Ils sont d'accord avec les propositions, car ils sont d'avis que l'inclusion d'une exception sous la forme d'un choix de méthode comptable qui représente une exception ou une dérogation aux fondements conceptuels des NCSP devrait être évitée.

   Les membres ont répondu aux questions 3 à 5 simultanément. Leurs réponses sont exposées à la suite de ces questions.

3. ***Êtes-vous d'avis que la fourniture d'informations sur les œuvres d'art, les trésors historiques et les collections uniquement par voie de notes serait utile aux parties intéressées et concernées (voir l'alinéa .42e) et les paragraphes .43***

et .44 pour les informations à fournir et indications proposées, de même que les paragraphes 37 à 48, 67 et 68 de la base des conclusions pour le raisonnement)?

4. ***Êtes-vous d'avis que les informations qu'il est proposé de fournir par voie de notes sur les œuvres d'art, les trésors historiques et les collections seraient utiles aux parties intéressées et concernées (voir l'alinéa .42e) et les paragraphes .43 et .44 pour les informations à fournir et indications proposées, de même que les paragraphes 37 à 48, 67 et 68 de la base des conclusions pour le raisonnement)?***

5. ***Êtes-vous d'accord que la proposition de fournir par voie de notes des informations sur les œuvres d'art, les trésors historiques et les collections devrait s'appliquer à toutes les entités du secteur public qui détiendraient de tels biens (voir l'alinéa .42e) et les paragraphes .43 et .44 pour les informations à fournir et indications proposées, de même que les paragraphes 37 à 48, 67 et 68 de la base des conclusions pour le raisonnement)?***

Les membres ont répondu à 3 à 5 simultanément.

À propos de l'alinéa e) du paragraphe .42, les membres sont en désaccord avec plusieurs des informations demandées et ont expliqué leur propos en partie par des exemples. Ils sont d'avis que plusieurs de ces informations n'ont pas leur place dans les états financiers, car elles sont de nature subjectives. Bien que pertinentes dans certaines circonstances, (notamment pour les musées ou les galeries), les membres questionnent la mesure dans laquelle ces informations contribuent à donner une image fidèle de la situation financière de la majorité des entités du secteur public ou des résultats de leurs activités. Elles pourraient être colligées ailleurs par exemple dans un rapport annuel. Les informations identifiées pourraient aussi entraîner un lot d'enjeux pour les auditeurs, qui ne pourront pas obtenir des éléments probants sur des éléments subjectifs.

Par exemple .42e) i) demande une description de la pertinence des œuvres, des trésors historiques et des collections. Dans la situation d'une entité qui a pu recevoir des dons d'œuvre d'art, la pertinence des œuvres reçues par rapport à la prestation de services publics est difficile à expliquer. De plus, ces œuvres n'ont pas été obtenues avec des fonds publics. On se questionne donc sur la pertinence de fournir ces informations par toutes les entités du secteur public. De plus, comme la pertinence est affaire de jugement, les membres se questionnent sur les informations qui devraient être fournies à cet égard et comment l'auditeur pourra émettre une opinion sur un tel jugement.

À propos de .42e) ii), comme les œuvres, trésors historiques et collections ne sont pas comptabilisés par les entités, il n'est pas clair que les entités pourront obtenir les informations demandées, et les auditeurs risquent de manquer d'éléments probants pour auditer ces informations.

À propos de.42e) iii) une entité dont la vocation n'est pas de détenir des œuvres d'art, des trésors historiques et des collections, n'aura probablement pas de politique de protection, de préservation et ne colligera pas nécessairement ces informations. Les membres ont également soulevé que les exigences d'informations à fournir qui sont ajoutées aux sous-paragraphes .42 e) i) à v) proviennent du chapitre SP 4240, « Collections détenues par les organismes sans but lucratif », et qu'elles étaient conséquemment exclusivement applicables à des organismes qui détiennent des collections. Les membres questionnent la pertinence d'élargir ces exigences à des entités qui détiennent uniquement des œuvres d'art ou des trésors historiques ne répondant pas à la définition d'une collection. Certaines entités utilisent d'ailleurs des œuvres d'art comme des œuvres d'art pour « décorer » des immobilisations ou emplacements existants, avec comme seule politique de les remplacer en fin de vie utile. Les membres ne sont pas certains que ces informations sont pertinentes dans les états financiers et seraient aussi difficilement vérifiables.

Bref, les membres sont d'avis que ce genre d'information pourrait être pertinente pour des entités dont l'objet est décrit au paragraphe .08A des propositions (tels que des musées ou des galeries), ou encore lorsque les œuvres sont acquises avec des fonds publics, mais non aux autres entités comme celles visées au paragraphe .08B. Les membres sont d'accord à fournir un minimum d'information sur la nature des actifs détenus, mais croient qu'on devrait limiter les informations à fournir.

De plus, les membres ont aussi discuté des exigences de la *Politique d'intégration des arts à l'architecture et à l'environnement* du gouvernement du Québec, qui force les entités du secteur public réalisant certains investissements dans des projets de construction, d'agrandissement ou de réaménagement à réserver environ 1 % du coût total du projet pour l'intégration d'une œuvre d'art aux bâtiments et sites gouvernementaux et publics. Ces œuvres sont souvent incorporées aux immobilisations corporelles et difficiles à dissocier de celles-ci. Selon eux, on ne devrait pas dissocier ces œuvres des immobilisations construites et plutôt permettre qu'elles puissent être comptabilisées à même l'immobilisation construite.

Puisque, tel qu'ils l'ont énoncé précédemment, les membres questionnent les raisons pour lesquelles les exigences qui étaient applicables antérieurement uniquement aux collections ont été élargies dans les propositions à toutes les œuvres d'art et tous les trésors historiques, les membres questionnent également la pertinence d'incorporer dans le chapitre SP 3150 les paragraphes .08A et .08B permettant de définir les collections et de les distinguer des œuvres d'arts et des trésors historiques qui n'ont pas les caractéristiques d'une collection.

6. ***Appuyez-vous l'ajout d'indications voulant qu'une partie de l'achat d'une immobilisation corporelle, dans les situations où le montant de cet achat est considérablement inférieur à la juste valeur, constitue, en substance, un apport et devrait être comptabilisée en conséquence? Les indications proposées précisent-elles clairement qu'il faut tenir compte de la substance de l'opération et que les achats ordinaires d'immobilisations ne seraient pas concernés? Croyez-vous que les indications proposées sont susceptibles d'avoir des conséquences non voulues (voir le paragraphe .10A pour les indications supplémentaires proposées et les paragraphes 49 à 55 de la base des conclusions pour le raisonnement)?***

Les membres ne sont pas d'accord avec les propositions pour plusieurs raisons. Ils proposent plutôt au CCSP d'introduire un choix de comptabiliser des apports sous forme de biens et de services à la juste valeur, et de permettre de le faire uniquement si l'on peut en établir une estimation raisonnable. Ils ont expliqué plus bas leurs raisons.

D'abord, les membres font remarquer que les normes applicables avant le changement n'obligeaient pas les OSBL à comptabiliser obligatoirement les apports sous forme de biens et de services, mais permettaient de les comptabiliser seulement si l'OSBL respectait certains critères et décidait volontairement de les comptabiliser (SP 4210.16 à .18).

Les membres sont d'avis que dans plusieurs situations en pratique, on ne comptabilise pas les apports sous forme de biens et de services, car il n'est pas possible d'en estimer la juste valeur et que cette situation est particulièrement fréquente dans le cas des apports de main-d'œuvre (bénévolat). Par exemple, à quel montant doit-on comptabiliser des apports de services de peinture effectués par des bénévoles lorsque ces services ne sont pas rémunérés, que les conditions salariales diffèrent d'une convention collective à une autre pour ce genre de métier, que les conditions salariales équivalentes pour des gens œuvrant dans ce corps de métier ne sont possiblement pas une base de référence fiable si les bénévoles n'ont pas d'expérience ou d'expertise dans ce type d'activités et qu'ils ne remplissent pas de feuilles de temps? De plus, il n'est pas clair si l'auditeur peut émettre une opinion sans réserve sur cette comptabilisation, compte tenu de la difficulté à obtenir des éléments probants à l'appui de ces données ou des hypothèses utilisées pour estimer la juste valeur.

Les membres ne sont pas en désaccord avec le principe des propositions, mais la comptabilisation s'avère impossible dans plusieurs situations et selon eux, le CCSP devrait en tenir compte.

De plus, ils se sont dit préoccupés par la présence de plusieurs paragraphes dans le chapitre SP 3150 (incluant dans les modifications proposées) qui traitent de la comptabilisation, sous une forme ou une autre, d'apports reliés aux immobilisations, dont certains ne sont pas repris dans l'exposé-sondage. En effet, comme ce ne sont pas tous les paragraphes traitant des apports relatifs aux immobilisations qui sont modifiés par les propositions et qui ont été repris dans l'exposé-sondage, et que par ailleurs tous ces paragraphes ne sont pas regroupés ensemble pour consultation, il semble en résulter une grande incompréhension. Les membres sont d'ailleurs d'avis que certains de ces paragraphes sont susceptibles d'entraîner des changements significatifs par rapport aux méthodes comptables utilisées par les OSBL du secteur public.

Par exemple, le paragraphe 3150.04 (qui n'est pas modifié par les propositions) stipule que « les gouvernements comptabilisent les subventions d'équipement et les transferts d'immobilisations corporelles conformément au chapitre SP 3410, PAIEMENTS DE TRANSFERT ». En considérant les modifications découlant du projet d'améliorations annuelles 2022-2023, ce paragraphe serait reformulé en remplaçant le terme « gouvernement » par « entité du secteur public », de sorte que les OSBL du secteur public se trouveraient à devoir appliquer les exigences du chapitre SP 3410 à certaines de leurs opérations.

Le paragraphe 3150.10A (proposé) et le paragraphe 3150.14 (qui n'est pas modifié non plus par les propositions) traitent tous les deux de circonstances qui sont en substance identiques, soit de circonstances où une immobilisation corporelle est acquise pour un montant considérablement inférieur à sa juste valeur (paragraphe .10A) ou de circonstances où des immobilisations corporelles sont reçues sous forme d'apport (paragraphe .14). Ainsi, deux paragraphes distincts de la norme proposée prévoient des exigences différentes applicables à des opérations similaires en substance.

Les membres se sont également montrés préoccupés du fait que le chapitre SP 3150 tel que proposé prévoit des indications applicables à la comptabilisation de certaines formes d'apports, alors que le projet visant à intégrer les exigences actuelles des chapitres SP 4210 et SP 4220 dans les NCSP n'a pas été élaboré. La publication ou l'adoption des exigences proposées du chapitre SP 3150 pourrait être contradictoire avec les exigences qui résulteront de cette étape ultérieure du projet d'intégration des chapitres de la série SP 4200 dans les NCSP.

À propos de la terminologie utilisée au paragraphe .10A de l'exposé-sondage, les membres demandent au CCSP de clarifier ou de définir ce qu'il entend par « pour un montant considérablement inférieur à sa juste valeur ». Cette terminologie s'écarte de celle utilisée en pratique et définit dans la préface du Manuel de CPA Canada pour le Secteur public et dans le glossaire du Manuel de CPA Canada – Certification.

7. ***Êtes-vous d'accord que les indications proposées concernant la détermination du coût de construction d'une immobilisation corporelle seraient utiles dans les cas où il y a des matières ou de la main-d'œuvre reçues en apport? Croyez-vous que les indications proposées sont susceptibles d'avoir des conséquences non voulues (voir le paragraphe .10A pour des indications supplémentaires proposées et les paragraphes 56 à 60 de la base des conclusions pour le raisonnement)?***

Les membres ont répondu essentiellement dans les questions précédentes.

8. ***Appuyez-vous les dispositions transitoires proposées (paragraphes .45 à .47) et le raisonnement présenté dans la base des conclusions (paragraphes 61 à 66)?***

Les membres sont d'avis que le CCSP devrait finaliser d'autres projets avant d'appliquer les présentes propositions, notamment le projet sur la comptabilisation des apports, pour les raisons énoncées dans leur réponse à la question 6.

9. Y a-t-il d’autres points que vous aimeriez soulever?

Concernant les achats dont le montant est considérablement inférieur à la juste valeur, les membres font remarquer que le paragraphe 55 du document intitulé « Base des conclusions » stipule que les indications proposées favoriseraient une application uniforme des normes et qu’elles concorderaient avec celles du CNC concernant le traitement comptable des achats d’immobilisations à un prix inférieur à la juste valeur. Toutefois, ils se sont demandé si cet exercice n’aurait pas plutôt dû être fait avec les IPSAS, étant donnée la stratégie du CCSP à propos des normes internationales.

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April 15, 2024

Re: PSAB Exposure Draft – Proposed Amendments to Section PS 3150 Tangible Capital Assets

Dear Mr. Puskaric,

We have read the above-mentioned Exposure Draft that was issued December 2023 and are pleased to have the opportunity to provide responses to your specific question as outlined below.

1. *Do you agree with retaining the existing definition of "tangible capital assets" in paragraph PS 3150.05(a) with only the proposed amendment to clarify that tangible capital assets are acquired, constructed and developed? That is, do you agree that amending the definition of "tangible capital asset" in Section PS 3150 to include "intangible properties" is not needed as PSAB's Intangible Asset project will address the topic from a broader perspective and the proposed transitional provisions in this Exposure Draft will minimize any significant implications (see paragraphs 15 and 20-31 in the Basis for Conclusions)?*

   We do not agree with the proposed amendment to the existing definition of "tangible capital assets" in paragraph PS 3150.05(a) for the following reason.

   The proposed wording for the definition is currently:

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

   (a) **Tangible capital assets** are non-financial assets[2] having physical substance that:

   (i) are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets;

   (ii) <u>have been acquired, constructed or developed</u>;

   (iii) have useful economic lives extending beyond an accounting period;

   (iv) are to be used on a continuing basis; and

   (v) are not for sale in the ordinary course of operations.

While we do not believe the Board's intention in adding the wording in .05(a)(ii) "have been acquired, constructed or developed" to the definition of tangible capital assets in Section PS 3150 was to change practice, we believe this proposed amendment could have unintended consequences. We believe this amendment as worded could inadvertently exclude capital assets that are contributed to a public sector entity from meeting the definition of tangible capital assets in Section PS 3150. As a result, we would encourage the Board to consider either removing the wording "have been acquired, constructed or developed" from the definition in PS 3150.05(a), or adding the word "contributed" such that .05(a)(ii) would read "have been acquired, constructed, developed or contributed".

Additionally, in relation to the question about intangibles, we understand and agree with the Board's rational to not amend the definition of tangible capital assets in Section PS 3150 to include intangible properties, since the Board has undertaken a project to develop a stand alone comprehensive section on intangible assets. The Exposure Draft also notes that the Board does not expect GNFPOs currently applying the PS 4200 series to experience a significant change from current practice, because most intangibles they currently recognize relate to either purchased licenses or computer software. However, we do not believe this is the case for all GNFPOs, as some GNFPOs have more complex intangibles that may not be captured within computer software or purchased licenses. As a result, we believe it is imperative that the effective date of the changes proposed to Section PS 3150 and the withdrawal of Section PS 4230 is not earlier than the effective date of the new intangibles standard, as it would make no sense and would be onerous for GNFPOs to be put in a position where they could have to derecognize some intangible assets upon adoption of the amendments proposed in this tangible capital asset project and then re-recognize those intangible later when the new intangible assets standard becomes effective.

2. *Do you agree with not incorporating the capital asset recognition exemption from Section PS 4230 into Section PS 3150 (see paragraphs 15 and 32-36 in the Basis for Conclusions)? Please explain how this might impact your entity.*

   We agree with not incorporating the capital asset recognition exemption from Section PS 4230 into Section PS 3150. We agree that presenting information about an entity's complete stock of tangible capital assets and the related amortization demonstrates stewardship and provides transparency into the cost of using such assets to deliver programs and provide services. We also do not believe this change will have a significant impact on the majority of our clients as the current $500,000 average revenue criteria is too low for most GNFPO's currently following the PS 4200 series to qualify to use the capital asset recognition exemption.

3. *Do you agree that providing note disclosure only for works of art, historical treasures and collections will provide relevant information for interested and affected parties (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?*

   We agree that providing note disclosure only for works of art, historical treasures and collections instead of recognition will provide relevant information for interested and affected parties in most circumstances. We also believe the costs of requiring public sector entities to recognize works of art, historical treasures and collections in the financial statements would outweigh the benefits. We believe there may be some entities such as museums that have been following the PS 4200 series of sections that may have been recognizing such items in their financial statements in the past and that this change could have a more significant impact for such entities. However, we believe note disclosure will still allow such entities to tell their story.

4. *Do you agree the proposed note disclosure for works of art, historical treasures and collections will provide relevant information for interested and affected parties (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?*

   We agree note disclosure for works of art, historical treasures and collections can be used to provide relevant information for interested and affected parties. However, we disagree with the definition of a collection proposed in the Exposure Draft and some of the disclosures proposed as outlined below.

   First, in regard to the proposed definition of a collection, we strongly disagree with the proposal to remove the third criteria from the existing definition of a collection in Section PS 4240 when incorporating the definition of a collection into Section PS 3150 and with the characterization in the Exposure Draft that this will not result in a change in practice. The proposed definition of a collection in paragraph PS 3150.08A of the Exposure Draft currently reads as:

   .08A Collections are works of art, historical treasures or similar assets that are:

   (a) held for public exhibition, education or research; and

   (b) protected, cared for and preserved.

   This definition is incredibly broad and could be interpreted by public sector entities, auditors and interested and affected parties in a variety of ways, which will make it difficult to apply in practice and lead to diversity. For instance, some entities may determine that certain items do not meet the definition of a collection and thus can meet the definition of a tangible capital asset and be recognized in the financial statements. Other entities may determine that those same items do not meet the definition of a collection, nor of a tangible capital asset, because they do not want to provide the required collection disclosures. While other entities may determine a very large number of items meet the definition of a collection and struggle in determining the level of information to disclose in the financial statements.

   We believe the third criteria of the definition of a collection from paragraph .03(b)(iii) in Section PS 4240 should be added to the proposed definition of a collection in paragraph PS 3150.08A:

   (iii) subject to an organizational policy that requires any proceeds from their sale to be used to acquire other items to be added to the collection or for the direct care of the existing collection.

   The existing definition of a collection in paragraph .03(b) of Section PS 4240 is well understood. It is also the same definition of a collection that is included in paragraph .03(b) of Section 4441, *Collections Held by Not-for-Profit Organizations,* in Accounting Standards for Not-for-Profit Organizations (ASNPO) that is followed by private sector NFPOs. This definition is clear and helps an entity narrow down and identify what items would be considered part of a collection and what items would not.

   Additionally, the Board is proposing disclosures in paragraph PS 3150.42(e) that would be difficult for an entity to comply with for collections if it did not have a policy such as that outlined in PS 4240.03(b)(iii). For example, the disclosures in subparagraphs PS 3150.42(e)(iii) and (iv).

Second, in regard to the proposed disclosures, we believe the extent of disclosures proposed may be onerous for public sector entities to apply. While as set out in our response to question 5 below we agree the disclosures should be available to all public sector entities, the disclosures proposed are significantly more extensive than those currently required by entities following the PS 4200 series and by entities not following the PS 4200 series. Entities not following the PS 4200 series are currently only required by paragraph .42(e) in Section PS 3150 to disclose the "nature" of works of art and historical treasures held by the public sector entity." Going from that disclosure to the disclosures proposed could be quite burdensome, specifically for public sector entities that have not been following the PS 4200 series, as such entities may not have been tracking this information in the past and may need to develop processes to begin tracking this information.

We believe the Board should consider amending the proposed disclosures as follows:

- Amend proposed paragraph PS 3150.42(e)(i) to only require a description of the entity's works of art, historical treasures and/or collections. We do not believe it is necessary for an entity to explain the relevance of these items in relation to the delivery of public sector services. For example, some entities may hold items for cultural reasons that do not specifically align with their main public sector service deliver objective. Nevertheless these items are valuable to the entity and its interested and affected parties.
- Paragraph PS 3150.42(e)(ii) seems to be missing the word "acquired" as it provides examples of increases as "donations or repatriations received", but it does not include acquisitions which would also increase an entity's works of art, historical treasures and collections in a period. Additionally, the word "material" could be difficult for some entities to apply, particularly in relation to donations and repatriations. The Board has proposed that entities would not recognize collections in the financial statements due the costs and difficulties with measuring them. In the case of donations and repatriations in order to determine whether they are "material" the entity will have to determine some way to measure them. Additionally, in applying all disclosures in the PSA Handbook an entity needs to consider what is material to the users of its financial statements when determining the level of disclosures to include in the financial statements. We find the use of the word material in only subparagraph PS 3150.42(e)(ii), but not in the rest of the subparagraphs in paragraph PS 3150.42(e) confusing. As a result, we would suggest the Board consider removing the word material in subparagraph PS 3150.42(e)(ii). Then an entity would consider materiality overall and the guidance in paragraph PS 3150.43 in determining the level of disclosures to provide in its financial statements related to works of art, historical treasures and collections. As a result, we would suggest the Board consider revising paragraph PS 3150.42(e)(ii) as follows:
    - A description of the increases (e.g., donations received, repatriations received, or acquisitions) and decreases (e.g. disposals or repatriations made) related to its works of art, historical treasures and collections in the period;

Simplifying the disclosures requirements for all public sector entities would not prevent those public sector entities who want to provide additional disclosures related to their works of art, historical treasures or collections (for example museums who previously used to recognize such assets in their financial statements under Sections PS 4230 and PS 4240) from doing so in the notes to their financial statements.

5. *Do you agree the proposed note disclosures for works of art, historical treasures and collections should be available to all public sector entities that may hold such assets (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?*

   We agree the proposed note disclosure, subject to our comments above in question 4, for works of art, historical treasures and collections should be available to all public sector entities that may hold such assets. We agree that this will assist in providing comparability amongst public sector entities.

6. *Do you agree with adding the proposed guidance for situations where an entity purchases a tangible capital asset at substantially below fair value that, in substance, a portion of the purchase was a contribution and should be accounted for accordingly? Is the proposed guidance clear that you must consider the substance of the transaction and that this would not pertain to ordinary purchases of capital assets? Do you believe the proposed guidance may lead to unintended consequences (see paragraph .10A for the additional proposed guidance and paragraphs 49-55 for rationale in the Basis for Conclusions)?*

   We agree with adding the guidance in proposed paragraph PS 3150.10A for situations where an entity purchases a tangible capital asset at substantially below fair value that, in substance, a portion of the purchase was a contribution and should be accounted for accordingly. We believe that the proposed guidance is clear that an entity must consider the substance of the transaction and that this would not pertain to ordinary purchases of capital assets.

   At this time we do not believe the proposed guidance will lead to unintended consequences. However, we would propose a slight modification to proposed paragraph PS 3150.10A to remove the word "also" in the part of the sentence where it says "…below fair value would also be recognized…". We propose this wording change if the Board agrees to our change proposed in our response to question 7 below.

   Alternatively, we believe proposed paragraph PS 3150.10A could be moved below existing paragraph PS 3150.14 as it would flow quite well there and the proposed paragraph could be renumbered from 10A to 14A. In this case the word "also" would not need to be removed since the previously paragraph PS 3150.14 is already referring to fair value so the use of the word "also" would be appropriate.

7. *Do you agree that adding the proposed guidance for situations where contributed materials and labour are provided in determining the cost of constructing a tangible capital asset is helpful? Do you believe the proposed guidance may lead to unintended consequences (see paragraph .10 for the additional proposed guidance and paragraphs 56-60 for rationale in the Basis for Conclusions)?*

   We agree that adding the guidance for situations where contributed materials and labour are provided in determining the cost of constructing a tangible capital asset could be helpful. However, we believe some modifications to the proposed guidance is needed to avoid unintended consequences.

First, we find the current placement of the guidance awkward as it has been dropped into the middle of existing paragraph PS 3150.10 without any real context. When similar guidance is included in Section PS 4230 and in other frameworks such as Section 4433, *Tangible Capital Assets Held by Not-for-Profit Organizations,* in ASNPO it is included in its own stand alone paragraph, which makes the guidance easier for an entity navigating the standards to locate and to understand the application. As a result, we would suggest the Board move the proposed guidance that states "In some cases, the cost of a constructed asset or developed asset may include contributed materials and/or labour which would be recognized at fair value at the date of contribution.", from paragraph PS 3150.10 and instead include it in as a stand alone paragraph, which could be labeled PS 3150.10A or .10B (note we do not propose including this guidance within the Board's current proposed paragraph PS 3150.10A and if the Board continues to keep its proposed paragraph PS 3150.10A (see our response to question 7 above) we would propose this guidance on contributed labour be included in a separate paragraph numbered PS 3150.10B).

Second, we believe it would be important for the Board to add to this proposed guidance what would be done when fair value cannot be reasonably determined for contributed materials and labour. In many instances, an entity may not be able to determine the fair value of such contributed items, particularly contributed labour as it may not be able to accurately track labour hours or it may be quite onerous to do so (for example if many different volunteers help with various aspects of construction of a new building for various hours on various days over a number of months) and/or may not be able to determine an appropriate labour rate (for example what is the appropriate fair value for an hour of labour from a non-professional individual who volunteers a few hours to help paint part of a room of a new building an entity is constructing). As a result, we believe guidance should be added the proposed stand alone paragraph to say that where an estimate of fair value cannot be reasonably determined the entity would record the contributed labour and materials a nominal value.

As a result, we would propose the guidance be as follows:

> .10A In some cases, the cost of a constructed asset or developed asset may include contributed materials and/or labour which would be recognized at fair value at the date of contribution. In circumstances where a reasonable estimate of fair value cannot be made, the cost of contributed materials and/or labour would be recognized at a nominal value.

Finally, we do not agree with the separate disclosure requirement added to paragraph PS 3150.42(c) requiring the nature and amount of contributed materials and labour included in the cost of constructed tangible capital assets received in the period and recognized in the financial statements to be disclosure. We believe that this disclosure is excessive and such disclosure was not required by Section PS 4230 nor is it required in Section 4441 in ASNPO.

8. *Do you agree with the proposed transitional provisions (paragraphs.45-.47) and the rationale outlined in the Basis for Conclusions (paragraphs 61-66)?*

We partially agree with the proposed transitional provisions outlined in paragraphs PS 3150.45-.47 for the following reasons.

In the interest of providing useful guidance in a timely manner we agree with the Board's decision to stager the implementation of the GNFP Strategy and to consider the effective date on an individual standards-level basis as each standard-level project is completed.

However, we strongly urge the Board to align the effective date of changes where projects interact, such as aligning the effective date of the the Board's amendments proposed in this tangible capital assets project with the effective date of the Board's intangible asset project as outlined in our response to question 1 to avoid creating unintended consequences and to ease the burden of transition for entities adopting the amendments.

In terms of the transitional provisions proposed for GNFPOs in paragraph PS 3150.46, we appreciate the relief provided for such entities as it will ease the burden of adoption for any entities transitioning to the new guidance who may have been applying the $500,000 tangible capital asset recognition exemption outlined in question 2 in the past. However, we would encourage the Board to remind entities in the Basis for Conclusions that prospective application under the PSA Handbook is defined in Section PS 2120 paragraph .06(a) as:

> "…the new accounting policy is applied only to events and transactions occurring after the date of the changes and to any outstanding related balances existing at the date of the change… (emphasis added).

As a result, any tangible capital assets an entity holds at the date the proposed changes are effective still need to be recognized in the entity's financial statements at the date the changes are adopted. The transitional relief does not mean that the changes are applied purely on a go forward basis to new tangible capital assets obtained subsequent to the date of adoption of the changes.

In addition, for all public sector entities we strongly urge the Board to consider providing transitional relief to exclude tangible capital assets in existence at the date these amendments are effective from having to be restated retroactively or prospectively (as defined in PS 2120.06(a)) to include the fair value contributed materials and labour, as it would be incredibly onerous for entities to try to go back and determine the fair value of such items. Instead, we believe the new guidance proposed for recognizing the fair value of contributed labour and materials should be applied to new tangible capital assets constructed subsequent to the effective date of these changes to Section PS 3150.

9. *Are there any other issues that you would like to raise for consideration?*

While we appreciate the Board trying to clean up the wording in some other parts of Section PS 3150 we disagree with the following proposed changes:

- Paragraph PS 3150.40(g) has been amended to include the wording "including major categories of tangible capital assets not being amortized." While we do not disagree that disclosure of such information could be useful, we do not believe this requirement should be included within existing paragraph PS 3150.40(g), as we believe it is important for entities to disclose the net book value in total for each major category of tangible capital assets. Additionally, entities typically provide the disclosures required by paragraph PS 3150.40 in a continuity schedule and trying to pull apart major categories to disclose tangible capital assets being amortized vs those not being amortized as part of this continuity schedule could be confusing to a financial statement reader and would not result in the total net book value of the overall major category being disclosed as noted above. Additionally, disclosure of the net book value of tangible capital assets not being amortized is already required by paragraph PS 3150.42(b). As such, the amendment to paragraph PS 3150.40(g) appears to be a duplication of a disclosure requirement. As a result, we would suggest the Board not amend paragraph PS 3150.40(g) and if the Board feels strongly that the net book value of tangible capital assets not being amortized needs to be disclosed grouped by major category, to include the wording for such a requirement within existing paragraph PS 3150.42(b) instead.

- Paragraph PS 3150.42(d) has been amended to include the wording "including contributed tangible capital assets". However, we feel this wording is redundant since in Section PS 3150 the only time a tangible capital asset would be recorded at a nominal value would be when it is contributed and fair value cannot be determined as set out in paragraph PS 3150.14. As a result, we could suggest the Board consider not including the proposed amendment to paragraph PS 3150.42(d).

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 me at 705-963-0824 or via email at sbarton@bdo.ca.

Yours sincerely,

Sayja Barton, CPA, CA, MAcc
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April 15, 2024

Mr. Michael Puskaric, MBA, CPA, CMA
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Dear Mr. Puskaric:

Re: Exposure Draft - Proposed Amendments to Tangible Capital Assets, Section PS 3150 (the Exposure Draft)

We welcome the opportunity to comment on the Public Sector Accounting Board's (PSAB or the Board) Exposure Draft, *Proposed Amendments to Tangible Capital Assets, Section PS 3150*.

We generally agree with the proposed amendments in the Exposure Draft and we believe that the proposed amendments will promote consistency and comparability among public sector entities.

We have certain additional comments and recommendations with respect to the proposed amendments. We have summarized these below.

1. Proposed amendment to the definition of tangible capital assets - we recommend combining the proposed definition in paragraph PS 3150.05(ii) with paragraph PS 3150.05(iv) so it aligns with the definition in paragraph .05(b)(ii) of Section PS 4230 *Capital Assets Held by Not-for-Profit Organizations* (GNFPOs) as illustrated below:

   PS 3150.05 The following definitions have been adopted for the purposes of this Section:

   (a) Tangible capital assets are non-financial assets having physical substance that:

   [...]

   (ii) Have been acquired, constructed or developed with the intention of being used on a continuing basis;

   (iii) Have useful economic lives extending beyond an accounting period;

   ~~(iv) Are to be used on a continuing basis;~~ and

   (iv) Are not for sale in the ordinary course of operations.

2. Write-downs - The Exposure Draft, including its basis for conclusions, does not consider the difference in the guidance for write-downs between PS 3150 and PS 4230. Under paragraph PS 4230.28, tangible capital assets are written down when there is no longer any long-term service potential.

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In contrast, under paragraphs PS 3150.31 and .34, conditions indicating that a write-down is appropriate also include a reduction in service potential such as a change in the extent to which the tangible capital assets is used. We believe it would be beneficial to highlight this difference as GNFPOs evaluate the impact of the adoption of the proposed amendments.

3. Collections - The proposed amendments include new paragraphs PS 3150.08A and .08B to define what a collection is. However, paragraph 3150.08 does not explicitly state that collections would not be recognized as tangible capital assets. We recommend retaining the definition of works of art and historical treasures in paragraph .08, and including an additional paragraph .08C to indicate that works of art, historical treasures, and collections are not recognized as capital assets. See suggested wording below:

   08 Works of art and historical treasures are property that has cultural, aesthetic or historical value that is worth preserving perpetually.

   [...]

   08C Works of art, ~~and~~ historical treasures, and collections would not be recognized as tangible capital assets in financial statements because a reasonable estimate of the future benefits associated with such property cannot be made. Nevertheless, the existence of such property should be disclosed (see paragraph PS 3150.42(e)).

4. Presentation and disclosures - We suggest retaining 'and disclosures' in the heading for presentation and disclosure requirements under PS 3150.40 - 42.

5. Transitional provisions - Proposed paragraph PS 3150.45 refers to 'this Section'. However, Section PS 3150 is pre-existing. Unless the full Section PS 3150 is reissued for all public sector entities, we suggest updating the transitional provisions to clarify that the amendments to PS 3150 are effective for fiscal years beginning on or after April 1, 2029 instead of referring broadly to the Section.

We would be pleased to respond to any questions you might have. Questions can be addressed to Celeste Murphy (celeste.k.murphy@pwc.com), Lucy Durocher (lucy.durocher@pwc.com), or Sean Cable (sean.c.cable@pwc.com).

Yours very truly,

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April 15, 2024

SUBJECT: Tangible Capital Assets Exposure Draft (December 2023)

Dear Mr. Puskaric:

Grant Thornton LLP and Raymond Chabot Grant Thornton LLP (we) would like to thank you for the opportunity to provide comments on the Public Sector Accounting Standards Board's (the "Board" or "PSAB") Exposure Draft, *Tangible Capital Assets* (the "ED"). We agree with the majority of the proposals in the ED; however, we believe the PSAB should reconsider forcing government not-for-profit organizations ("GNPOs") that have any intangible other than software to expense their intangibles, when a new Intangibles Project may result in them having to re-recognize such items. We are strong proponents of an Intangible Assets Project; however, while this project is being developed, we believe GNPOs that have intangible assets other than software should have those assets grandfathered in as they will likely retain them once a new standard is implemented.

Please see the Appendix for our responses to the specific questions contained in the ED.

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

Yours sincerely,

Grant Thornton LLP

Melanie Joseph, CPA, CA

Raymond Chabot Grant Thornton LLP

Stéphane Landry, CPA auditor

Appendix - Responses to Exposure Draft questions

1. **Do you agree with retaining the existing definition of "tangible capital assets" in paragraph PS 3150.05(a) with only the proposed amendment to clarify that tangible capital assets are acquired, constructed and developed? That is, do you agree that amending the definition of "tangible capital asset" in Section PS 3150 to include "intangible properties" is not needed as PSAB's Intangible Asset project will address the topic from a broader perspective and the proposed transitional provisions in this Exposure Draft will minimize any significant implications (see paragraphs 15 and 20-31 in the Basis for Conclusions)?**

   Yes, we agree. We strongly believe that the PSAB should not require GNPOs to remove any intangible assets other than software from their financial statements given the intangible assets project will likely result in those entities having to put them back into their financial statements. As a result, we believe the Board should allow those entities to continue to record those intangibles until the new standard resulting from the PSAB's Intangible Asset project is effective.

2. **Do you agree with not incorporating the capital asset recognition exemption from Section PS 4230 into Section PS 3150 (see paragraphs 15 and 32-36 in the Basis for Conclusions)? Please explain how this might impact your entity.**

   Yes, we agree.

3. **Do you agree that providing note disclosure only for works of art, historical treasures and collections will provide relevant information for interested and affected parties (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?**

   Yes, we agree that for comparability purposes, disclosure only is appropriate. However, many public sector entities own works of art that may be of significant value that may not meet the definition provided in paragraph .08. For example, works of art may have been acquired in accordance with certain regulatory requirements, as is the case in Québec under *Politique d'intégration des arts à l'architecture et à l'environnement des bâtiments et des sites gouvernementaux et publics* which requires, in some circumstances, that 1% of the total cost of construction (or renovation) of a building be dedicated to the integration of a work of art. Such works of art will often be integrated as part of the building; therefore, we would suggest that clarification be provided in the definition provided in paragraph .08 to help assess if such an investment would meet the definition of a "work of art" provided in PSAS. Paragraph .08 could be modified as follows (revisions in underline):

   > *Works of art and historical treasures are property that have cultural, aesthetic or historical value that is worth preserving perpetually. Works of art or historical treasures <u>having those characteristics</u> would not be recognized as tangible capital assets in financial statements because a reasonable estimate of the future benefits associated with such property cannot be made. Nevertheless, the existence of such property should be disclosed (see paragraph PS 3150.42(e)). <u>However, works of art that form an integral part of a tangible capital asset having a definite useful life (i.e., cannot be preserved perpetually) are recognized and accounted for as a tangible capital asset.</u>*

4. **Do you agree the proposed note disclosure for works of art, historical treasures and collections will provide relevant information for interested and affected parties (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?**

   We agree the disclosures are relevant for entities (including GNPOs) that own collections. However, we believe that those disclosures should be mandatory only for collections that meet the definition and criterion described in the proposed paragraphs .08A and .08B.

   The current proposal significantly broadens the disclosure requirements to all works of art and historical treasures (even those that do not form part of a collection). We believe those disclosures 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. However, we believe the disclosure requirements are not useful or relevant and an unnecessary significant burden will be placed 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. For example, an entity may own works of art that are received through donations; determining whether those donations represent a “significant increase” would be hard to assess, given that no fair value assessment is required for accounting purposes. Moreover, we believe that requiring disclosure about the relevance of works of art or historical treasures that may be owned by these types of public sector entities may often lead to boilerplate disclosures that would not provide relevant information to stakeholders. Consequently, we believe those disclosures should be optional for works of art and historical treasures that do not meet the definition of a collection.

5. **Do you agree the proposed note disclosures for works of art, historical treasures and collections should be available to all public sector entities that may hold such assets (see paragraphs .42(e), .43 and .44 for proposed disclosures and guidance as well as paragraphs 37-48 and 67-68 for the rationale in the Basis for Conclusions)?**

   See our response to Question 4 above.

6. **Do you agree with adding the proposed guidance for situations where an entity purchases a tangible capital asset at substantially below fair value that, in substance, a portion of the purchase was a contribution and should be accounted for accordingly? Is the proposed guidance clear that you must consider the substance of the transaction and that this would not pertain to ordinary purchases of capital assets? Do you believe the proposed guidance may lead to unintended consequences (see paragraph .10A for the additional proposed guidance and paragraphs 49-55 for rationale in the Basis for Conclusions)?**

   Yes, we agree with adding the proposed guidance. We believe it is clear and cannot think of any unintended consequences of the proposed guidance.

7. **Do you agree that adding the proposed guidance for situations where contributed materials and labour are provided in determining the cost of constructing a tangible capital asset is helpful? Do you believe the proposed guidance may lead to unintended consequences (see paragraph .10 for the additional proposed guidance and paragraphs 56-60 for rationale in the Basis for Conclusions)?**

   While we agree with adding guidance and requirements to recognize contributed assets at their fair value, including contributed material and/or labour, we would like to raise some concerns.

   When adding the proposed paragraphs in Section PS 3150, paragraphs .04, .10A and .14 will add requirements regarding revenue recognition related to tangible capital assets. Paragraph .04 would require NPOs to apply Section PS 3410 for the recognition of contributions received from government bodies related to capital assets. Paragraphs .10A and .14 also direct the accounting for revenue in other circumstances. However, the Board has not issued Exposure Drafts dealing with what guidance NPOs will follow (i.e. those quoted Sections or new NPO-specific paragraphs). If an NPO was to adopt the Tangible Capital Assets Section early, it would cause issues given they will still have guidance on revenue recognition in the 4200 series.

   If the Board is going to allow early adoption, we suggest that while those paragraphs are fine for public sector entities other than GNPOs who follow the 4200 series, for GNPOs following the 4200 who have early adopted, the Board should have one paragraph that refers to the relevant paragraphs in the 4200 series. Once the project to incorporate contributions revenue recognition into PSAS is completed, the Board can update the references. Until then, our Firms will hold off on comments as to what is the relevant revenue recognition for GNPOs related to revenue for tangible capital assets.

8. **Do you agree with the proposed transitional provisions (paragraphs.45-.47) and the rationale outlined in the Basis for Conclusions (paragraphs 61-66)?**

We suggest that early adoption should not be allowed until the project to incorporate Sections PS 4210 and PS 4220 is published as well as the intangible asset project is developed and published. We strongly believe that all those standards should be adopted simultaneously.

9. **Are there any other issues that you would like to raise for consideration?**

No, we do not have any other issues to raise.