

Chapter 1

Introduction to the Conceptual Framework

A conceptual framework is the foundation for principles-based standards. It is a coherent set of interrelated objectives & fundamentals leading to consistent standards or application of consistent concepts in the absence of specific standards.

Chapter 2

Characteristics of Public Sector Entities

Public sector entities exist to serve the public. Their key characteristics are:

- Inherent public accountability
- Unique governance structures
- Multiple public interest objectives
- Nature & use of public resources
- Financial significance of non-exchange transactions
- Longevity of public sector.

Characteristics & user needs lead to accountability objective and broad financial reporting accountabilities.

Chapter 3

Financial Reporting Objective

The overriding characteristic of public sector entities is their inherent accountability to the public.

The objective of financial reporting is to provide financial information for accountability purposes to the primary users.

- Primary users = public & its elected or appointed representatives
- Broad financial reporting accountabilities:
 - Financial condition (1 aspect of service capacity)
 - Financial performance (1 aspect of change in service capacity)
 - Comparison to financial authorities & plan
- Financial statements provide information to help satisfy broad accountabilities
- Service capacity = capacity to serve public. Important to measure to determine extent to which entity can serve public

Financial Statement Concepts

Chapter 4

Role of Financial Statements

- Help fulfill a public sector entity's duty to be publicly accountable
- Include information to help satisfy the broad financial reporting accountabilities

Chapter 5

Financial Statement Foundations

- Identifiable reporting entity
- Control
- Monetary unit = Canadian \$ with no adjustment for changes in purchasing power
- Basis of accounting = accrual accounting

Chapter 6

Financial Statement Objectives

- Scope of financial statements = reporting entity
 - Reporting financial position = ability to serve the public in terms of economic resources & economic obligations (financial position = multiple components)
 - Reporting changes in financial position = sources, allocation & consumption of entity's economic resources (including cash requirements)
 - Comparing to budget
 - Disclosing non-compliance with financial authorities
 - Disclosing risks & uncertainties
- Objectives met through reporting model.

Chapter 7

Financial Statement Information: Qualitative Characteristics & Related Considerations

- | <u>Qualitative Characteristics</u> | <u>Related Considerations</u> |
|--|---|
| <ul style="list-style-type: none"> • Relevance <ul style="list-style-type: none"> ◦ Confirmatory & predictive value • Faithful representation <ul style="list-style-type: none"> ◦ Substance over form ◦ Completeness ◦ Neutrality ◦ Freedom from material error • Verifiability • Comparability • Understandability • Timeliness | <ul style="list-style-type: none"> • Benefit vs. Cost • Materiality • Prudence |

Chapter 8

Elements of Financial Statements

- Assets
 - Liabilities
 - Revenue
 - Expense
- No deferrals that are not assets & liabilities.
No equity element.
Certain revenue & expense of a period may be recognized outside surplus or deficit in the period they arise (i.e., directly in component of net assets or net liabilities).

Chapter 9

Recognition in Financial Statements

- Recognition criteria include:
- Element definition met
 - Future economic benefits expected to be obtained or sacrificed
 - Item can be measured

Measurement in Financial Statements

- Historical Cost = primary measurement attribute
- Other measurement attributes (e.g., fair value) may be determined by PSAB to better serve the accountability objective
- Going concern presumption

Presentation (incl. Disclosure) Concepts for Financial Statements

Chapter 10