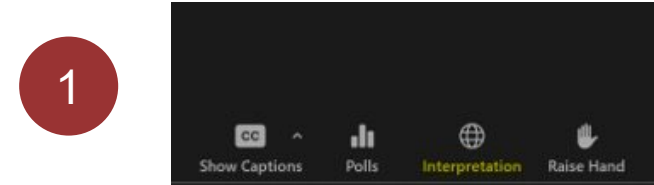


PSAB's New Conceptual Framework for Financial Reporting for the Canadian Public Sector

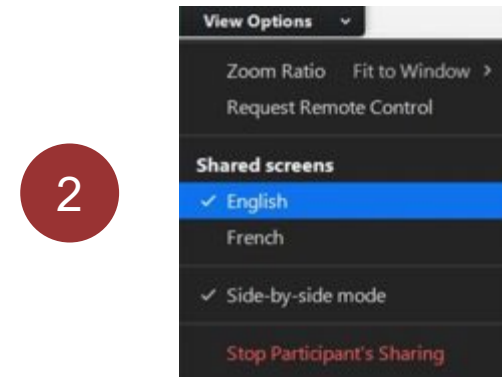
February 27, 2024

Before We Start

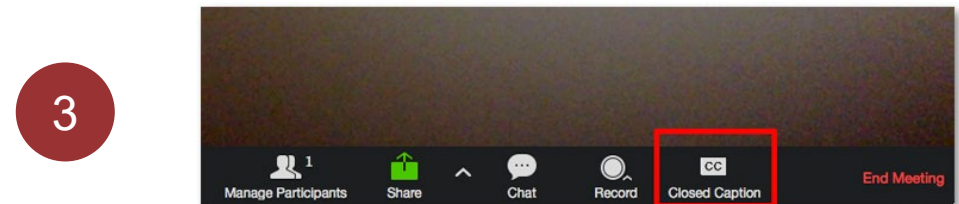
1. Simultaneous translation



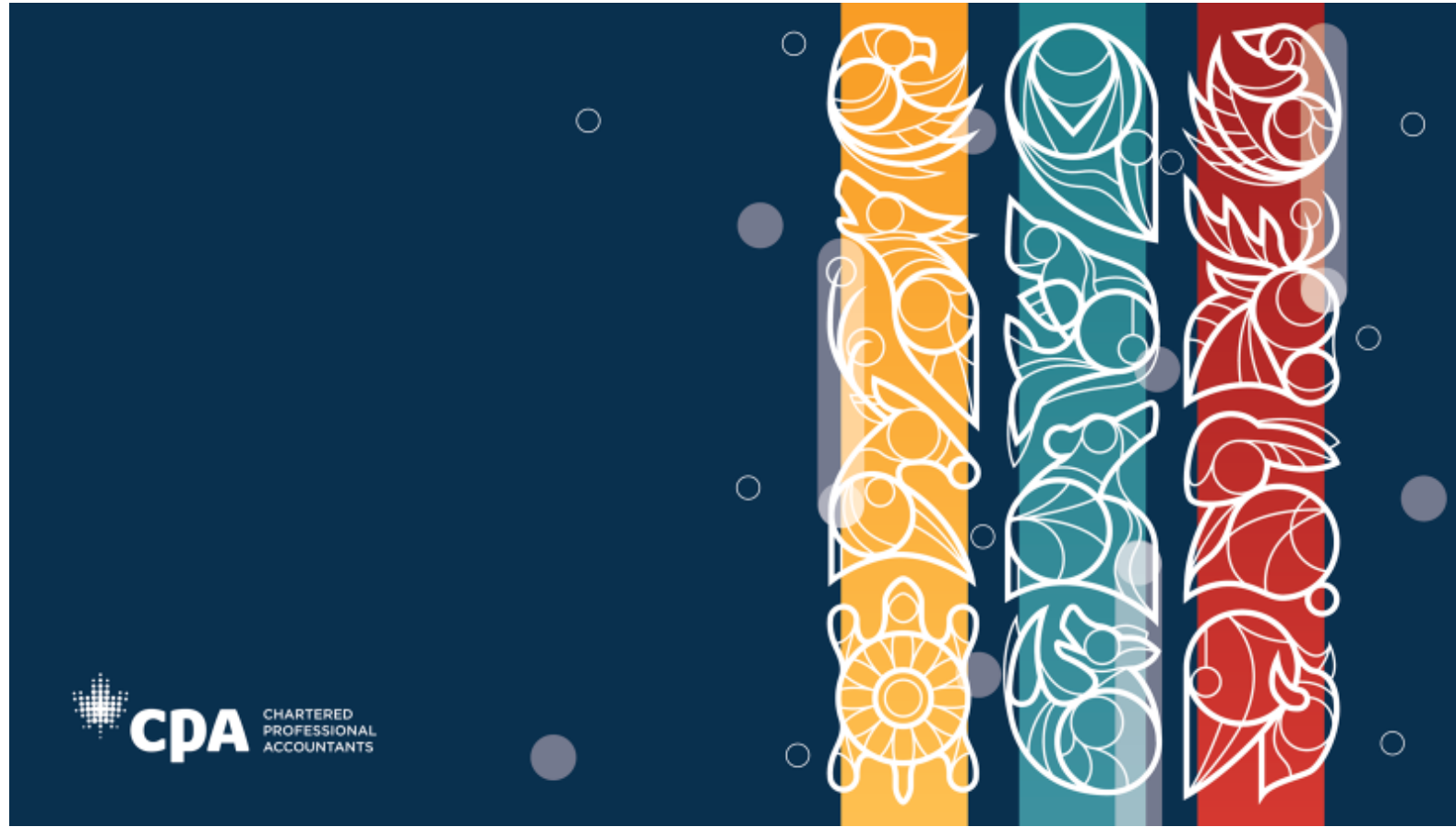
2. Language selection of the presentation



3. Closed captions



Land Acknowledgement



Important Administrative Items

- Recordings in French and English will be available
- Slides are available in French and English
- Technical issues – Q&A Function
- Questions on Conceptual Framework – Q&A Function
- Qualifies for CPD hours with the completion of quiz





Agenda

The Journey

Overview

MAIN CONCEPTS
IN EACH
CHAPTER

MAIN CHANGES
FROM
SUPERSEDED

EFFECTS OF
AMENDMENTS

The Journey: How We Got to Where We Are

The Journey: Extensive Consultation

2010	Project Approved
2011	Consultation Paper 1
2012	Consultation Paper 2
2015	Consultation Paper 3
2018	Statement of Concepts and Statement of Principles
2021	4 Exposure Drafts
2022	Approval of Conceptual Framework and Consequential Amendments
2023	Approval of Reporting Model and Consequential Amendments

The Journey: Concepts Underlying Financial Performance Task Force

- Nickie Young (Chair)
- Cindy Veinot
- Paula Jesty
- Brad Klaiber
- Cheryl Wenezenki Yolland
- Merwan Saher
- Tim Beauchamp
- Pete DeVries
- Clyde MacLellan
- Bill Matthews
- Velma Geddes
- Kent Kirkpatrick

The Journey: Extensive Feedback Received

Consultation Paper 1	<ul style="list-style-type: none">• 24 responses
Consultation Paper 2	<ul style="list-style-type: none">• 48 responses
Consultation Paper 3	<ul style="list-style-type: none">• 39 responses
Statement of Concepts and Statement of Principles	<ul style="list-style-type: none">• 39 responses• 43 responses
Conceptual Framework and Consequential Amendments Exposure Drafts	<ul style="list-style-type: none">• 56 responses• 16 responses
Reporting Model and Consequential Amendments Exposure Drafts	<ul style="list-style-type: none">• 67 responses• 18 responses



Why?



Respond to concerns of interested and affected parties

- Needs to reflect public sector environment



Hasn't been reviewed for some time

- Important to review to ensure it is relevant



Increase understandability

Overview

Overview: PSAB's New Conceptual Framework

Superseded
Conceptual
Framework

- Section PS 1000, *Financial Statement Concepts*
- Section PS 1100, *Financial Statement Objectives*

New Conceptual
Framework

- Chapter 1: Introduction to the Conceptual Framework
- Chapter 2: Characteristics of Public Sector Entities
- Chapter 3: Financial Reporting Objective
- Chapter 4: Role of Financial Statements
- Chapter 5: Financial Statement Foundations
- Chapter 6: Financial Statement Objectives
- Chapter 7: Financial Statement Information: Qualitative Characteristics and Related Considerations
- Chapter 8: Elements of Financial Statements
- Chapter 9: Recognition and Measurement in Financial Statements
- Chapter 10: Presentation Concepts for Financial Statements

Overview: What are the Main Amendments?

New concepts



- financial reporting objective, primary users, and the broad financial reporting accountabilities
- service capacity concept
- derecognition
- presentation concepts

Updated



- characteristics of public sector entities that have financial reporting implications
- financial statement objectives
- qualitative characteristics of financial information and the related considerations
- element definitions
- measurement attribute

Clarified



- foundation of the Conceptual Framework
- financial statement foundations
- going concern presumption

Relocated the recognition exclusions



Overview: What are the Effects of the New Conceptual Framework?



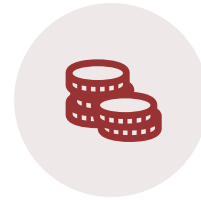
Entities affected if already have or are creating “entity-developed accounting policies”



Chapter 10 may lead to review of disclosures



Consequential amendments throughout PSA Handbook



Chapter 6 led to new Financial Statement Presentation Standard



Relocation of recognition exclusions creates opportunity for recognition of excluded items in future



Touchstone for PSAB’s International Strategy – Amend IPSAS principle if contrary to CF

More understandable financial statement information for users

Chapter 1: Introduction to the Conceptual Framework

Chapter 1: Introduction to the Conceptual Framework

Definition	Coherent set of interrelated concepts New
Objective	Provide guidance to preparers, users, PSAB New
Status	Not a standard, does not override specific standards
Applicability	All public sector entities that follow the PSA Handbook
Transitional Provisions	Apply prospectively New
Effective Date	April 1, 2026 New
Scope and structure	Financial reporting (Ch 2-3) and financial statements (Ch 4-10) New

Status of the Conceptual Framework

General
Principles

Principles for
Specific Items

Principles for
Specific Financial
Statement Items

Conceptual Framework

Effective Date and Transitional Provisions



**EFFECTIVE DATE:
APRIL 1, 2026**



**APPLIED
PROSPECTIVELY**

Implications of Delaying the Effective Date

What happens between December 2022 and April 1, 2026 (or January 1, 2027 for December year ends) with respect to entity-developed accounting policies?

Consequential amendments



Section PS 1150, *Generally Accepted Accounting Principles*:
If an entity needs to develop a new entity-developed accounting policy

Needs to be consistent with the new Conceptual Framework



Section PS 2120, *Accounting Changes*:
If an entity changes an existing entity-developed accounting policy

Needs to be consistent with the new Conceptual Framework

Entity Developed Accounting Policies

- Develop plan for updating all entity developed accounting policies
- Considerations:
 - Project on PSAB's technical agenda?
 - Effective date of guideline / standard pending?
 - Materiality?



Chapter 2: Characteristics of Public Sector Entities

Chapter 2: Characteristics of Public Sector Entities



Inherent public accountability



Unique governance structures



Multiple public interest objectives



Nature and use of public resources



Financial significance of non-exchange transactions



Longevity of the public sector

Chapter builds on Appendix A in former Section PS 1100

Definition of Government Removed

Based on feedback

- Definition referred to elected and appointed policy-makers rather than ongoing entity that survives change in elected representatives

Chapter 2 lays foundation for public sector environment

- Considers the longevity of the public sector

PSA Handbook readers understand what the term represents

Chapter 3: Financial Reporting Objective

Chapter 3: Financial Reporting Objective

New



To whom? (**the primary users**):

- ✓ the public and
- ✓ its elected or appointed representatives

For what? Serving the public and providing information on the **broad accountabilities**:

- ✓ Performance against financial authorities
- ✓ Financial condition (*includes service capacity*)
- ✓ Financial performance (*includes changes in service capacity*)

Service Capacity

- An entity's ability or capacity to serve the public
- Underpins broad accountabilities
- Term would not replace labels in financial statements
- Similar to capital maintenance concept in private sector
- Broad concepts that cannot be entirely reported on in FS



Chapter 4: Role of Financial Statements

Chapter 4: Role of Financial Statements

Financial statements are:

- a fundamental component of financial reporting
- help satisfy users' needs
- an important anchor to an entity's other financial and accountability reporting

Guidance was added



Chapter 5: Financial Statement Foundations

Chapter 5: Financial Statement Foundations

New



- Identifiable reporting entity
- Control
- Unit of measure
 - = CAN \$
- Basis of accounting
 - = accrual

Concept of Control

- Conceptual Framework includes general idea of control
- Individual standards deal with application of control
- Review of Section PS 1300 is out of scope
- No intent to change the meaning of control or how it's currently applied

Having a power or right alone does not constitute control

- A past event(s) to acquire control is required

Can acquire control through invoking a power or right

- AND gaining coincident access to benefits and/or exposure to the risks

Chapter 6: Financial Statement Objectives

Chapter 6: Financial Statement Objectives

① The “how” is found in Section PS 1300

① Scope

③ Reporting Changes in Financial Position

⑤ Disclosing Non-Compliance with Financial Authorities



② Reporting Financial Position

④ Reporting Actual to Budget Comparison

⑥ Disclosing Risks and Uncertainties

② - ⑥ The “how” is found in Section PS 1202

Meeting the Financial Statement Objectives



Reporting Model Webinar

Financial Statement Objectives: Amendments

Section PS 1100

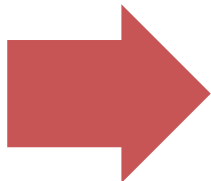
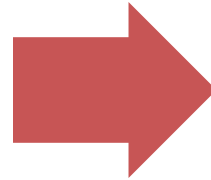
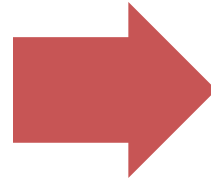
① Scope of government financial statements

② Reporting financial position

- Financial and non-financial resources
- Net financial resources / net debt

③ Reporting changes in financial position

- Reporting surplus/deficit
- Reporting cash flow
- Reporting change in net debt



New Conceptual Framework

Determining the scope of financial statements

Reporting financial position

- Financial and non-financial resources
- Net financial resources / net financial obligations
- Financial and non-financial obligations **New**
- Components of net assets/net liabilities **New**

Reporting changes in financial position

- Reporting surplus/deficit
- Reporting cash flow

Financial Statement Objectives: Amendments

Section PS 1100

New Conceptual Framework

4

Legislative control and government financial accountability

- Compare actual financial performance to that budgeted
- Highlight when revenue, expense, expenditure, borrowing, and investing activities were not carried out as authorized by legislature



Comparing actual financial performance to that budgeted



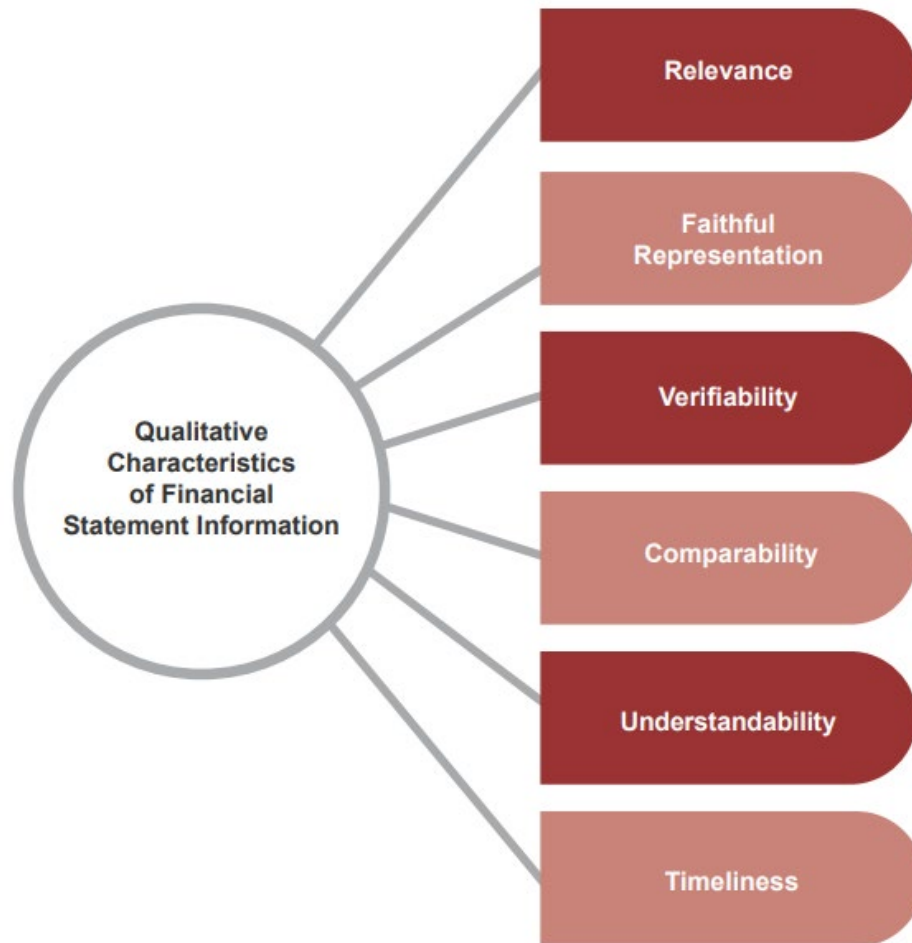
Disclosing non-compliance with financial authorities



Disclosing risks and uncertainties **New**

Chapter 7: Financial Statement Information: Qualitative Characteristics and Related Considerations

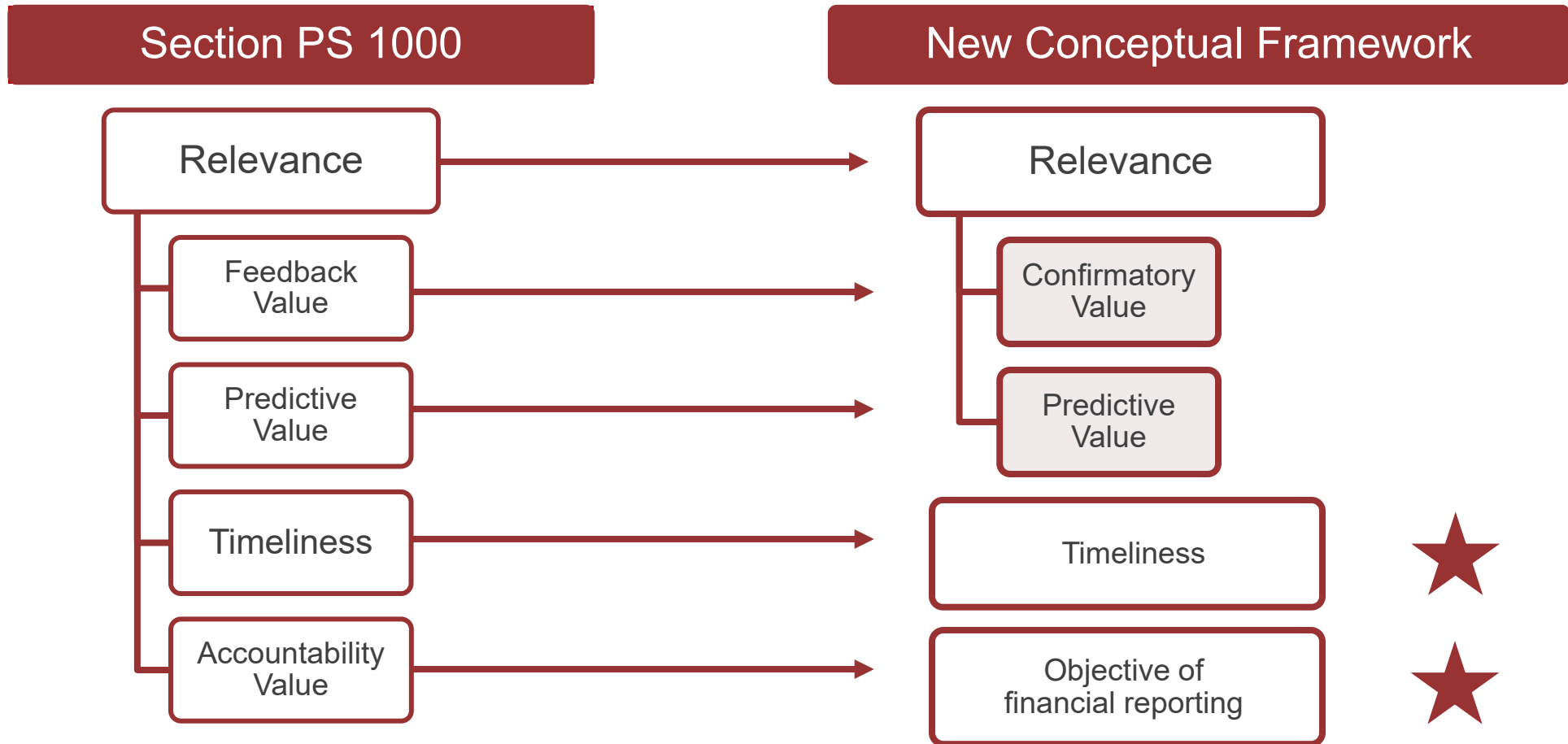
Chapter 7: Financial Statement Information – Qualitative Characteristics and Related Considerations



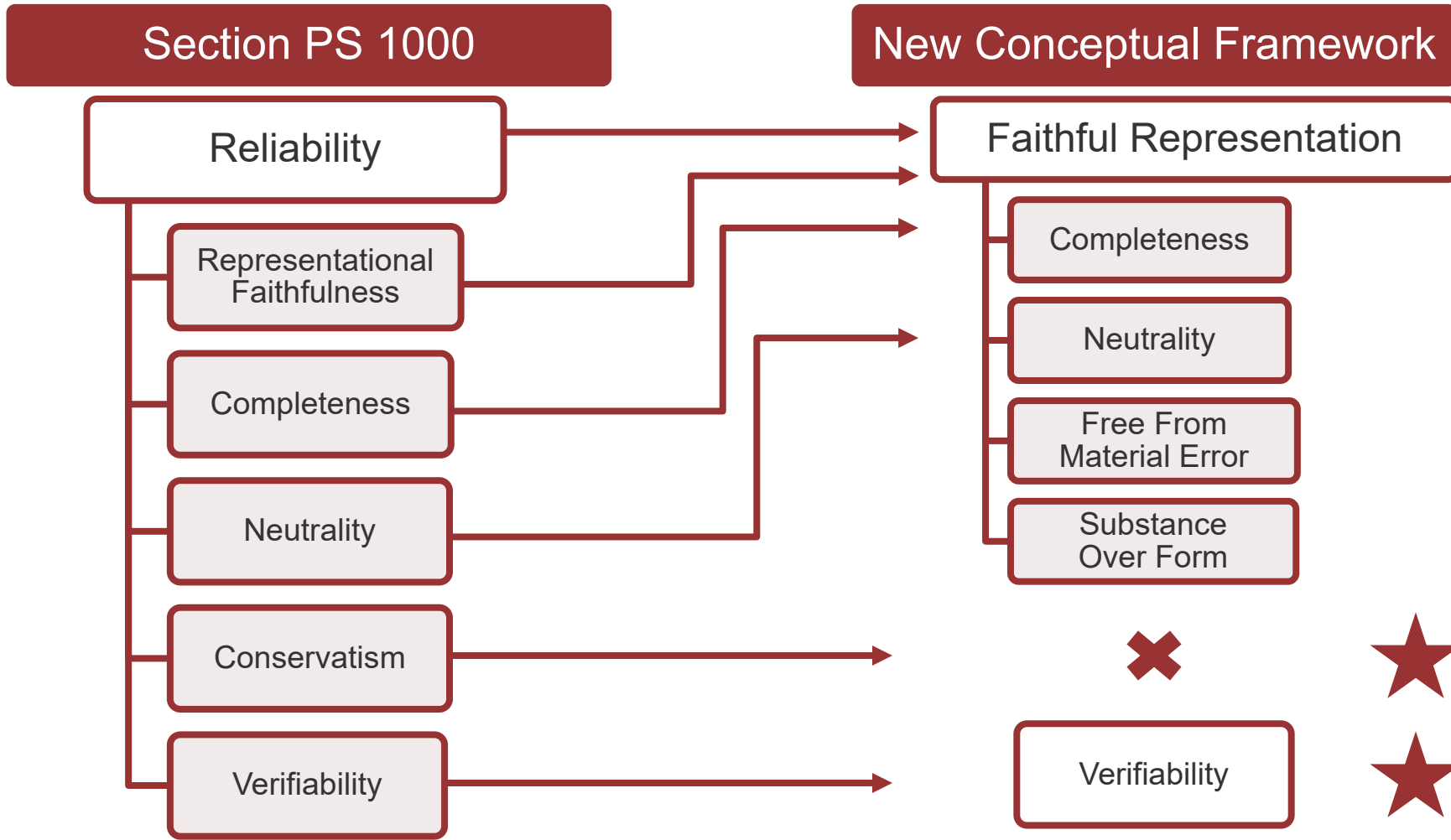
Considerations:

- Benefit-versus-cost
- Materiality
- Prudence

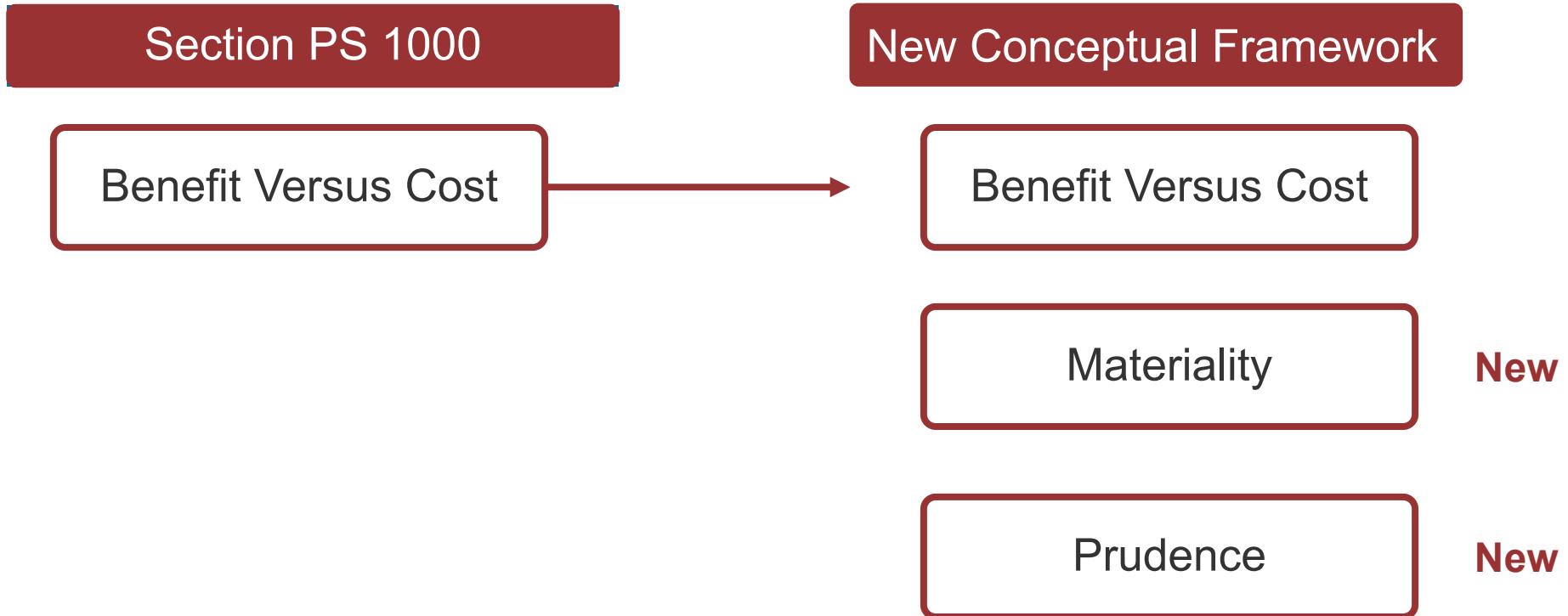
Qualitative Characteristic: Relevance



Qualitative Characteristic: Faithful Representation

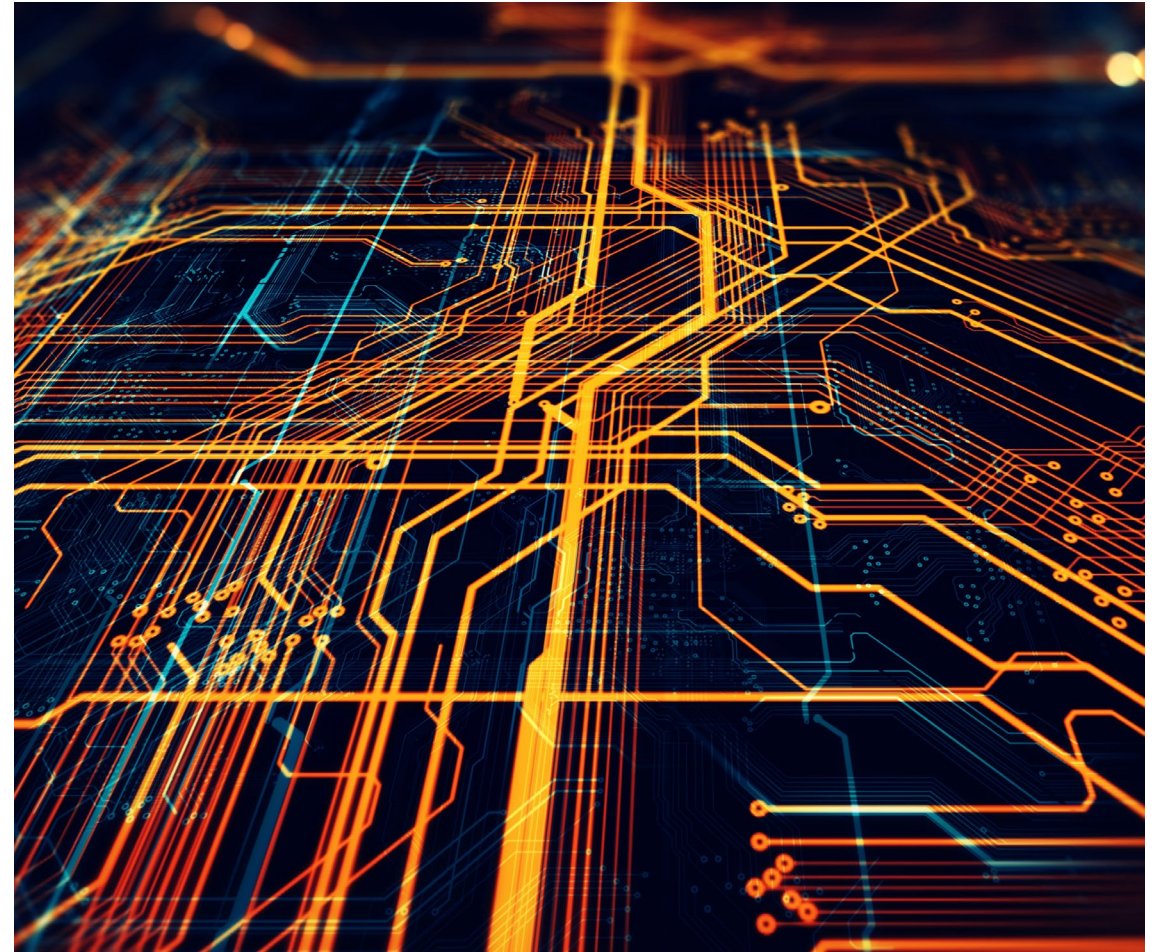


Considerations



Why Were the Amendments Made?

- Clarify
- Consider international developments
- Orient towards accountability objective
- Make financial statement information more understandable



Chapter 8: Elements of Financial Statements

Chapter 8: Elements of Financial Statements

Assets

Liabilities

Revenues

Expenses

Guidance found in individual standards

Elements of Financial Statements

Importance of
all elements

No deferred inflows
or deferred outflows
as elements

Net assets or net
liabilities is a
residual amount,
not an element

Elements of Financial Statements: Amendments

Improvements to the asset and liability definitions

- Constructed in parallel fashion
- Why? To make similarities and differences clear
- No change in substance is intended
- Effect? Consequential amendments to Section PS 3200, *Assets*, and Section PS 3210, *Liabilities*

Elements of Financial Statements: Amendments

Improvements to the revenue and expense definitions

- Removed unnecessary detail
- Incorporated effect on net assets/liabilities
- Why? Allow definitions to stand on their own
- No change in substance is intended
- Effect? Consequential amendment to Section PS 3400, *Revenue*

Chapter 9: Recognition and Measurement in Financial Statements

Recognition

Recognition is the inclusion of an item, transaction or other event within one or more financial statements

General Recognition Criteria

item, transaction, or other event meets the definition of an element

it is expected that the future economic benefits related to the item will be obtained or sacrificed

the item, transaction, or other event can be measured

No substantive change in practice expected

Derecognition

Derecognition **New**

Derecognition is the removal of all or part of a previously recognized item from the financial statements

all or part of an item no longer meets the definition of an asset or liability

it is no longer expected that the future economic benefits related to the item will be obtained or sacrificed

the item can no longer be measured

No substantive change in practice expected

Relocation of Recognition Exclusions

New

Recognition Exclusions



Natural resources that have not been purchased



Crown lands that have not been purchased



Works of art and historical treasures



Certain intangibles (developed and not purchased)

Recognition exclusions removed from Conceptual Framework as not conceptual

Relocated to Financial Statement Presentation Standard (Section PS 1201, PS 1202)

May be on future technical agenda

Measurement

MEASUREMENT ATTRIBUTE

=

Historical Cost

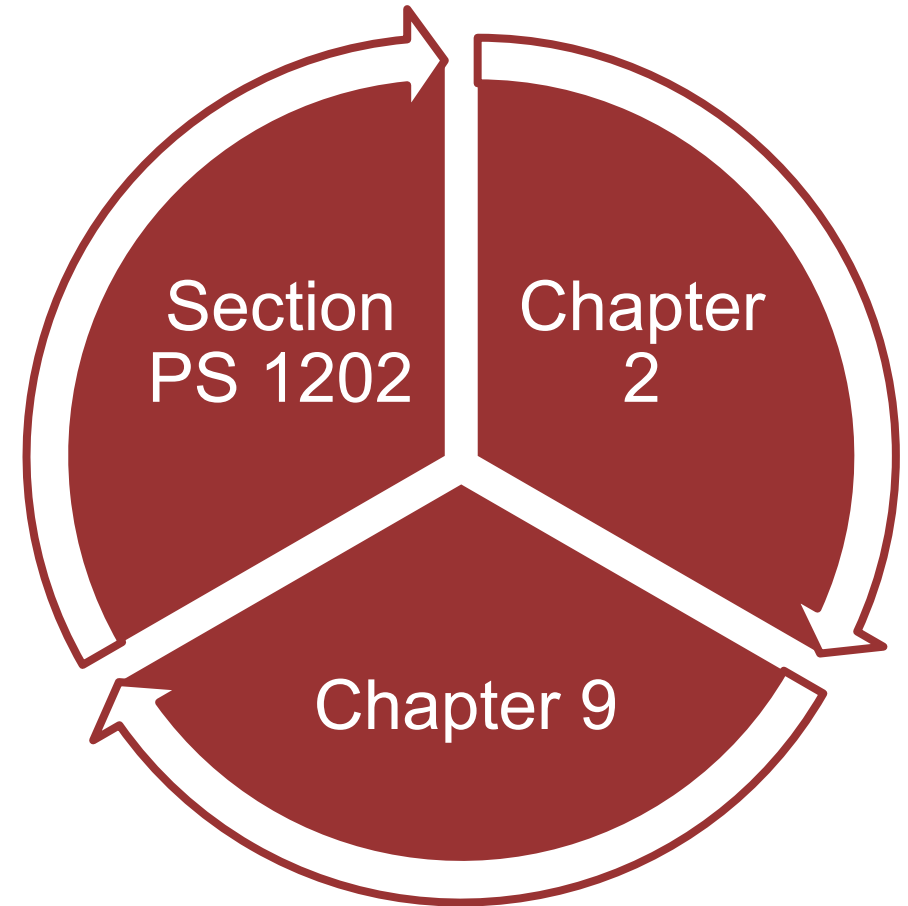
Unless

PSAB determines that another attribute better serves the accountability objective for an item, transaction, or other event



Going Concern

- Entity presumed to continue in operation
- Governments are long-term institutions
- Governments (and their components) are expected to operate in perpetuity
- Government organizations may be discontinued or sold (evidence required to rebut GC presumption)



Chapter 10: Presentation Concepts for Financial Statements

Chapter 10: Presentation Concepts for Financial Statements

New

No one individual statement is more important than any other - each statement has its own purpose

Information presented in financial statements must meet the presentation objective

Disclosure in the notes and schedules is not a substitute for proper recognition and/or measurement

Presentation choices are made within the context of whether they add to or support the accountability value



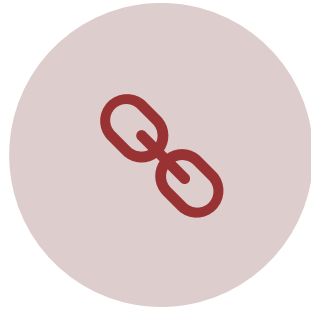
Use emerging technology

FOCUS: Communicating understandable information

Review Your Financial Statement Note Disclosures



FOCUS ON WHAT
WAS IMPORTANT IN
THAT YEAR



USE LINKS TO SHOW
A COHESIVE
PICTURE



DON'T HAVE
BOILERPLATE
DISCLOSURE



ARE THE NOTES
OVERLY DETAILED
AND/OR COMPLEX?

Why This is the Way Forward

The Way Forward...



- Grounded in the need for accountability
- In the public interest
- Considers the feedback received

Responsive and responsible

Other Effects of the New Conceptual Framework

Consequential Amendments

Objective

Consistency throughout the
PSA Handbook.



- Withdrawal of the existing conceptual framework (Sections PS 1000 and PS 1100)
- Amendments to references to the existing conceptual framework
- Amendments to the “Introduction to Public Sector Accounting Standards”
- Additions to Section PS 1150, *Generally Accepted Accounting Principles*
- Additions to Section PS 1201, *Financial Statement Presentation*

Consequential Amendments (continued)

- Section PS 1300, *Government Reporting Entity*
- Section PS 2100, *Disclosure of Accounting Policies*
- Section PS 2120, *Accounting Changes*
- Section PS 3200, *Liabilities*
- Section PS 3210, *Assets*
- Section PS 3400, *Revenue*

Effects

Do not change practice as editorial in nature only except for amendments in Sections PS 1150, PS 2100 and PS 2120 (entity-developed policies and use of emerging technology)

Effects on Setting Future Standards



- International Public Sector Accounting Standards (IPSAS)
- Criteria for modifying IPSAS principles
 - PSAB's Conceptual Framework
- Resource: [PSAB and IPSASB: Comparing Conceptual Frameworks](#)

PSAB/IPSASB Conceptual Framework Comparison

Subject	IPSASB	PSAB
Characteristics of Public Sector Entities	~	~
Objective of Financial Reporting	Information for accountability and decision-making purposes	Information for accountability purposes, which will inform decision-making
Primary Users of Financial Reporting	Service recipients and resource providers and their representatives	Public and its elected representatives
Information Needs of Users	~	~
Role of Financial Statements	~	~
Financial Statement Foundations	Not articulated, but consistent	Reporting entity, control, accrual accounting, unit of measure

PSAB/IPSASB Conceptual Framework Comparison

Subject	IPSASB	PSAB
Financial Statement Objectives	Not included	Unique to Canada
Qualitative Characteristics	~	~
Considerations	Materiality, cost-benefit, and achieving an appropriate balance between the characteristics	Materiality, benefit versus cost and prudence
Elements	Assets, liabilities, revenues, expenses, ownership contributions, and ownership distributions	Assets, liabilities, revenues, and expenses
Additional categories of financial position	“other resources” and “other obligations”	Only assets and liabilities; does not include “other resources” and “other obligations”

PSAB/IPSASB Conceptual Framework Comparison

Subject	IPSASB	PSAB
Definitions of Assets and Liabilities	Does not include “expectation”	Includes “expectation”
Recognition Criteria	Does not include “expectation”	Includes “expectation”
Derecognition	Reverse of recognition criteria	Reverse of recognition criteria
Measurement	Various measurement bases allowed	Primary measurement attribute
Presentation Definition	~	~
Presentation Objective	~	~

Summary

Summary: PSAB's New Conceptual Framework

Superseded
Conceptual
Framework

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- Section PS 1100, *Financial Statement Objectives*

New Conceptual
Framework

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- service capacity concept
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Updated



- characteristics of public sector entities that have financial reporting implications
- financial statement objectives
- qualitative characteristics of financial information and the related considerations
- element definitions
- measurement attribute

Clarified



- foundation of the Conceptual Framework
- financial statement foundations
- going concern presumption

Relocated the recognition exclusions



Summary: What are the Effects of the New Conceptual Framework?



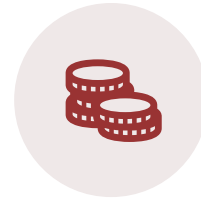
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Chapter 10 may lead to review of disclosures



Consequential amendments throughout PSA Handbook



Chapter 6 led to new Financial Statement Presentation Standard



Relocation of recognition exclusions creates opportunity for recognition of excluded items in future



Touchstone for PSAB’s International Strategy – Amend IPSAS principle if contrary to CF

More understandable financial statement information for users

Summary: Key Takeaways



Effective date: April 1, 2026



If amending entity-developed accounting policies, ensure they are consistent with new Conceptual Framework



If developing new entity-developed accounting policies, ensure they are consistent with new Conceptual Framework



Review financial statements note disclosures (Chapter 10)



Watch [Reporting Model webinar](#)

Summary: Implementation Effort Required

It Depends

How many entity-developed accounting policies does an entity have?

Are the entity-developed policies consistent with the new Conceptual Framework?

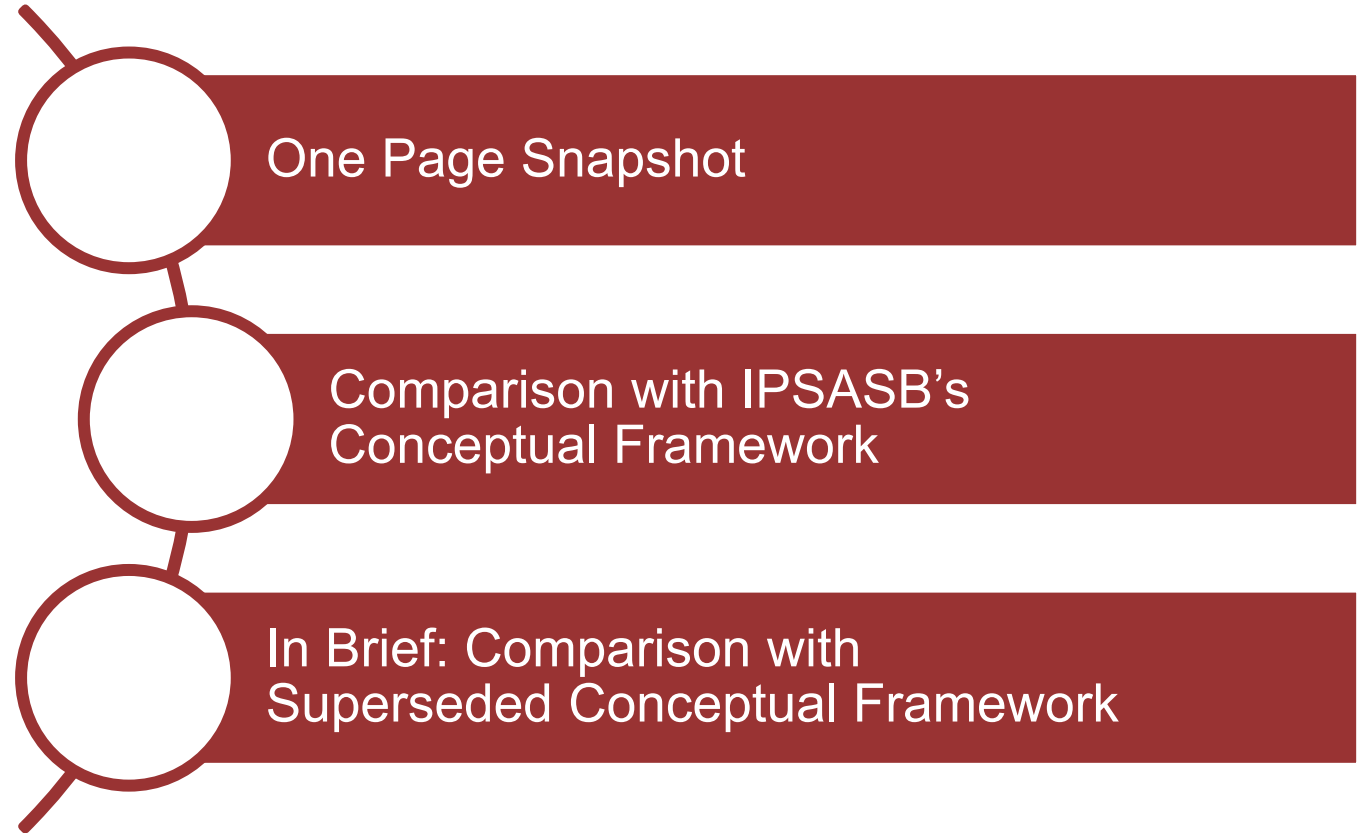
Are an entity's note disclosures consistent with the presentation concepts?

Resources

For More Information Visit the Project's Website



[fracanada.ca/
PSAB-Framework](https://fracanada.ca/PSAB-Framework)



Concluding Thoughts

Questions



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Thank you!

