

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 and fundamentals that lead to consistent standards or the 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 and use of public resources;
- volume and financial significance of non-exchange transactions; and
- longevity of the public sector.

Characteristics and user needs lead to the accountability objective and the 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 primary users.

- Primary users = the public and its elected or appointed representatives.
- Broad financial reporting accountabilities:
 - Financial condition (one aspect of service capacity).
 - Financial performance (one aspect of change in service capacity).
 - Comparison to financial authorities and plan.
- Financial statements provide some of the information needed to meet the broad accountabilities.

Financial Statement Concepts

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 4

Financial Statement Foundations

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

Chapter 5

Chapter 6

Financial Statement Objectives

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

Chapter 7

Financial Statement Information: Qualitative Characteristics and Related Considerations

Qualitative Characteristics

- Relevance
 - Confirmatory and predictive value
- Faithful representation
 - Substance over form
 - Completeness
 - Neutrality
 - Free from material error
- Verifiability
- Comparability
- Understandability
- Timeliness

Related Considerations

- Benefit versus Cost
- Materiality
- Prudence

Chapter 8

Elements of Financial Statements

- Assets
- Liabilities
- Revenue
- Expense

No deferrals that are not assets and liabilities.
No equity element.

Certain revenue and expense of a period may be recognized outside surplus or deficit in the period they arise (i.e., directly in a 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, such as fair value, may be determined by PSAB to better serve the accountability objective.
- Going concern assumption.

Presentation (including Disclosure) Concepts for Financial Statements

Chapter 10

Reporting Model – Standards Level (GAAP) – Proposed Section PS 1202

¹ This page summarizes the main themes proposed in the Exposure Draft, "The Conceptual Framework for Financial Reporting in the Public Sector."