

# In Brief

*A plain and simple overview of PSAB's Government Not-for-Profit Strategy Consultation Paper II*

After considering the feedback received on the first Consultation Paper, this follow-up Consultation Paper proposes a Government Not-for-Profit (GNFP) Strategy.

<b>Project objectives:</b>	In <a href="#">PSAB's 2017-2022 Strategic Plan</a> , the Board signaled intent to understand the needs and concerns of GNFPs and consider if some standards should be applied differently by them.
<b>Project stage:</b>	This is the <a href="#">second consultation paper</a> proposing a GNFP strategy.
<b>Comment deadline:</b>	May 12, 2021
<b>Next steps:</b>	The feedback PSAB receives will guide its final decision on a GNFP Strategy.
<b>How to respond:</b>	Submit your feedback by taking part in the <a href="https://connect.frascanada.ca">Connect.FRASCanada.ca</a> <a href="#">project</a> or submitting a <a href="#">comment letter</a> .

### What are the GNFP Strategy options?

There are three options:



1  
Status quo



2  
PSAS incorporating the PS 4200 series with potential customizations



3  
Apply another source of GAAP

#### Option 1 – Status quo

Continue with the existing practice as detailed in the CPA Canada Public Sector Accounting (PSA) Handbook. GNFPs apply public sector accounting standards (PSAS) with or without the PS 4200 series.

#### Option 2 – PSAS incorporating the PS 4200 series with potential customizations

Review and amend, as appropriate, the PS 4200 series guidance and incorporate it within the PSA Handbook available to all public sector entities to apply if appropriate. With this option, existing PS 4200 series standards would be reviewed to determine if they should be retained and added to PSAS.

This may involve amending standards to update them while ensuring consistency with PSAB's conceptual framework. PSAB would also be able to provide some customizations within PSAS to meet any special accommodations GNFPs may require to demonstrate accountability.

#### Option 3 – Apply another source of GAAP

**Option 3A:** In the Introduction to PSAS, GNFPs would be directed to follow CPA Canada Handbook – Accounting, Part III, using Part II of the Handbook as reference standards. (This approach was taken prior to 2012 when GNFPs were directed to follow private sector standards.)

**Option 3B:** In the Introduction to PSAS, a specific GNFP subsector(s) would be identified and directed to follow CPA Canada Handbook – Accounting, Part III, using Part II as reference standards.

## How did PSAB evaluate the options?

PSAB developed five decision-making criteria to evaluate each option.

1. **Users of financial statements and their needs** – It is important and necessary to identify the primary users of a GNFP's financial statements and determine their needs.
2. **Comparability** – The need for comparable financial information varies depending on which organizations a user is comparing financial information for and why. Comparability enables users to identify similarities and differences between information provided by two sets of financial statements of the same or different entities.
3. **Consistency** – To make comparisons meaningful, information needs to be prepared consistently, from one accounting period to another and from one organization to another.
4. **Sustainability** – Today's financial accounting and reporting challenges, as well as anticipated future changes, need to be considered to ensure that the chosen strategy will be in the public interest.
5. **Transitional considerations** – Any strategy needs to ensure that the benefits associated with changing from current practices outweigh expected costs.

PSAB also considered the:

- reporting model changes proposed in [PSAB's Exposure Draft, "Financial Statement Presentation, Proposed Section PS 1202"](#);
- issues raised in Consultation Paper I feedback regarding the current GNFP definition; and
- efficiency and effectiveness of the PS 4200 series of standards.

### What is the recommended strategy?

PSAB recommends Option 2 – PSAS incorporating the PS 4200 series with potential customizations.

#### What does “incorporating the PS 4200 series” mean?

The existing standards in the PS 4200 series would be reviewed to determine if they should be retained and added to PSAS. This may involve amending standards to update them while ensuring consistency with PSAB's conceptual framework.

Incorporating the updated or amended PS 4200 series standards in PSAS would make the guidance available to any public sector entity that has similar types of transactions.

A key feature of this option is that there is no longer a suite of standards that GNFPOs could choose to apply or not.

#### What does “with potential customizations” mean?

PSAB would be able to provide some customizations within PSAS specific to GNFPOs. This allows any special accommodations GNFPOs may require for demonstrating accountability to their users to be met. Such accommodations may include accounting and/or reporting customizations.

As standards are developed, customizations may be permitted within a standard specific to GNFPOs if PSAB determines there are substantive and distinct accountabilities that warrant a modification from PSAS.

#### How do the proposals for a revised Reporting Model affect the option?

An important consideration under this option is [PSAB's Exposure Draft, “Financial Statement Presentation, Proposed Section PS 1202.”](#) These proposals were developed based on extensive consultation with all stakeholders that apply the PSA Handbook, including GNFPOs.

A benefit of these proposals is that they would help to alleviate some of the concerns raised by GNFPO stakeholders.

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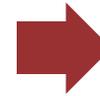
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## Reporting Model Proposals

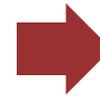
Relocate net debt to its own statement and restructure statement of financial position



Rename net debt to net financial liabilities



Revised net debt calculation



New third Component of Net Assets: Accumulated Other



## Benefit of Proposals

Improves the usefulness and understandability of the statement of financial position

More understandable

More relevant indicator

Helps address complex unique issues

Stakeholders are encouraged to review the [Exposure Drafts, "The Conceptual Framework for Financial Reporting in the Public Sector"](#) and ["Financial Statement Presentation, Proposed Section PS 1202"](#) to understand the proposals and consider implications for GNFPOs.

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### **How does PSAB's International Strategy decision affect GNFPOs?**

PSAB made its [International Strategy decision on May 5, 2020](#) to adapt International Public Sector Accounting Standards (IPSAS) principles when developing future PSAS.

IPSAS do not provide specific guidance for NFPOs. The Board will use [Criteria for Modifying and Reviewing Principles in IPSAS](#) that will act as a framework and provide guidance on when departures from IPSAS principles are permitted.

Additionally, under Option 2, PSAS will have the ability to provide customizations for GNFPOs when substantive and distinct accountabilities warrant a modification from PSAS.

### **Why Option 2?**

One main criticism of current practice is that too many accounting frameworks are being applied, making it difficult to interpret results.

Applying one common framework will improve the understandability of the financial statements. Users will be in a better position to compare financial information as many organizations would be using the same accounting and reporting standards to prepare their financial statements under this option.

GNFPOs may have distinct and substantive accountability needs warranting a modification from PSAS. Option 2 provides PSAB with the ability to modify PSAS following due process, if it determines a customization is needed.

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## Next steps

The deadline for comments is  
May 12, 2021.

### How can I comment on the proposals?

Submit your feedback by taking part in the [Connect.FRASCanada.ca project](https://connect.frascanada.ca) or [submitting a comment letter](#).

### Next steps

Before PSAB makes a final decision regarding its GNFP Strategy, it will consider the feedback to Government Not-for-Profit Strategy Consultation Paper II.

### Stay informed

Stay up-to-date on this project via the [online project page](#).

### Contact

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