

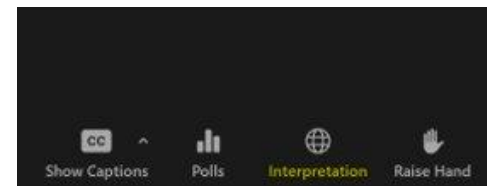
PSAB's New Reporting Model (Section PS 1202, *Financial Statement Presentation*)

March 19, 2024

Before We Start

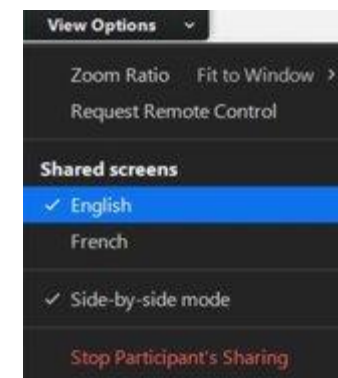
1. Simultaneous translation

1



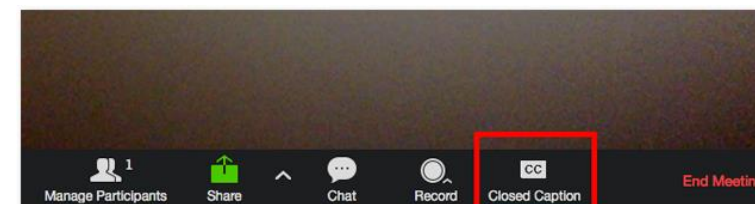
2. Language selection of the presentation

2

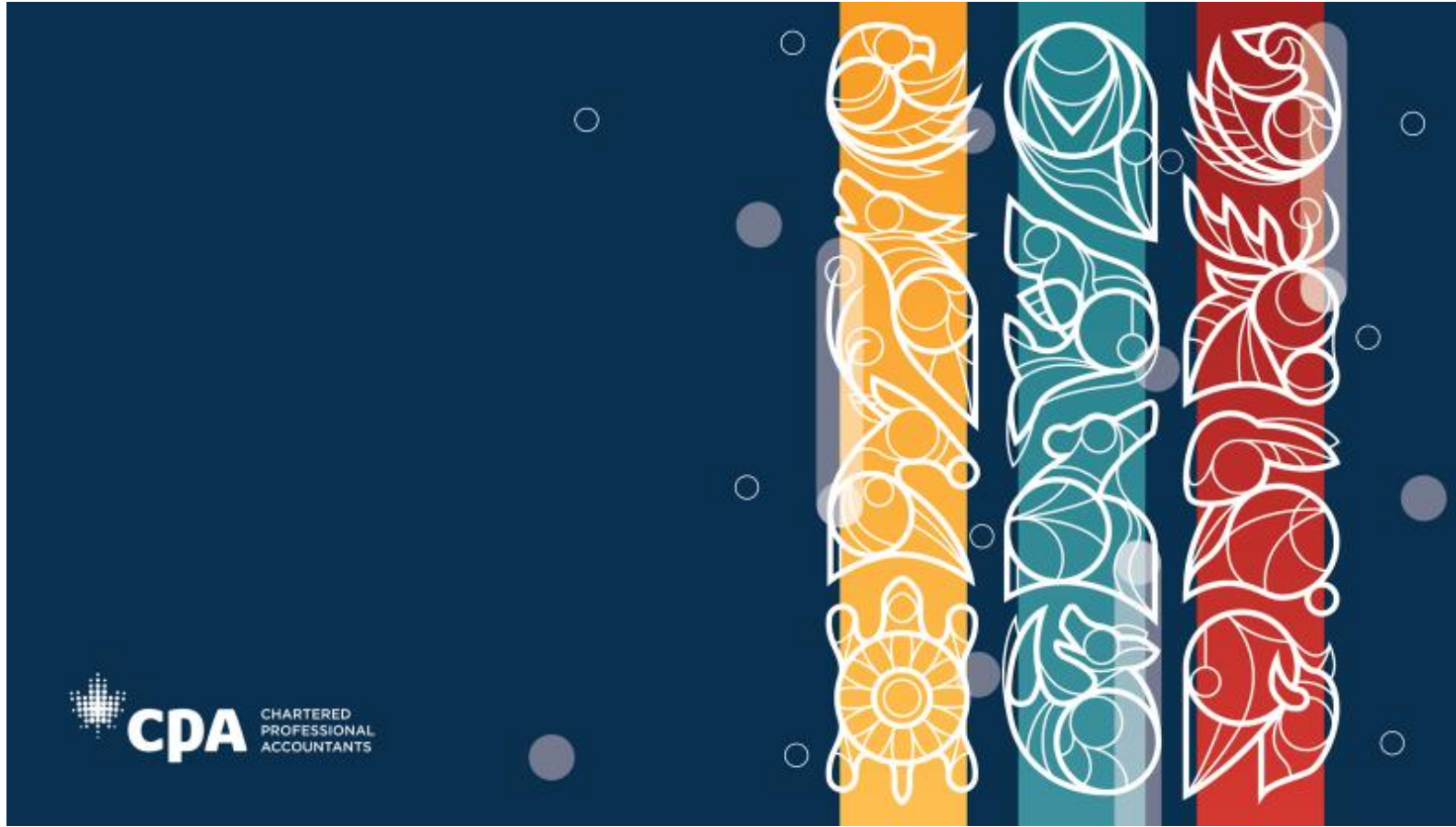


3. Closed captions

3



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 Reporting Model – Q&A Function
- Qualifies for CPD hours with the completion of quiz



Agenda



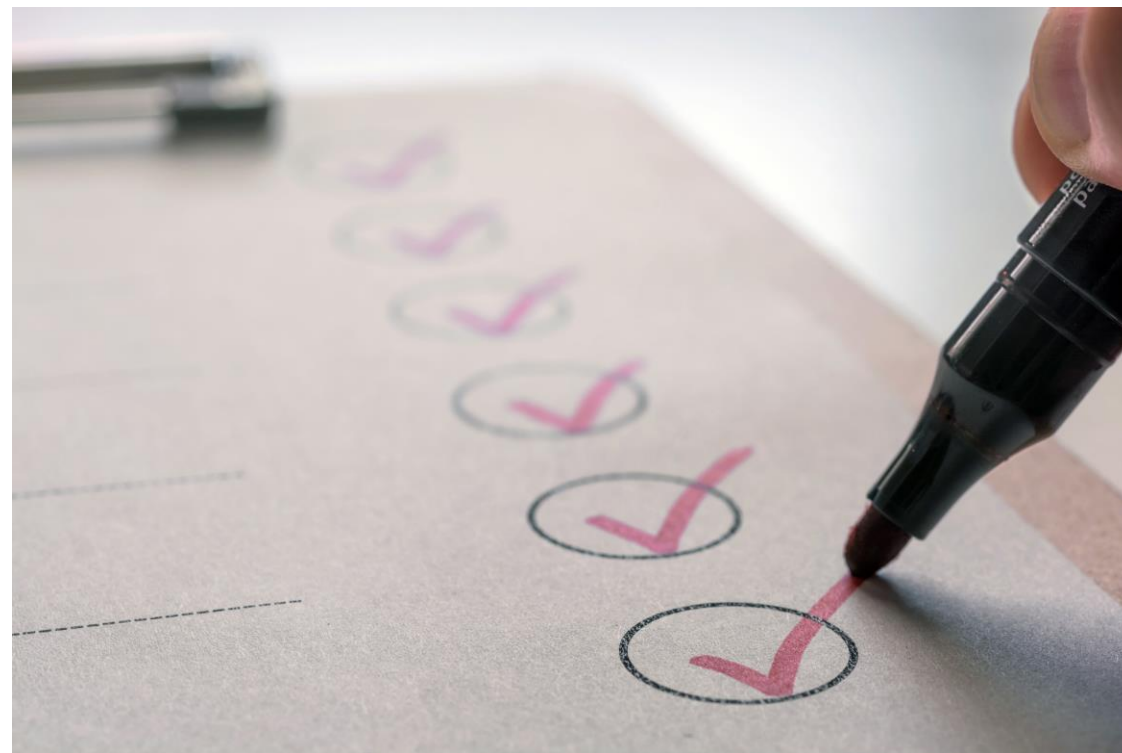
Snapshot of main principles



Main changes
from superseded



Effects of amendments



Overview

Overview: Section PS 1202

Complete set of financial statements

General presentation principles

Meeting the financial statement objectives

Importance of notes and schedules

Reporting on funds and reserves

Effective date and transitional provisions

Appendices



Overview: What are Some of the Main Amendments?

Relocated net debt to own statement

Introduced financial and non-financial liabilities

New 3rd component of net assets: accumulated other

Restructured statement of financial position

Amended non-financial asset definition

Revised net debt calculation

Renamed net debt indicator

Removed statement of change in net debt

New statement of changes in net assets/net liabilities

Isolated financing transactions in cash flow statement

New budget requirements

Overview: What are Some of the Effects of the New Reporting Model?



Builds on the superseded reporting model (PS 1201)



Consequential amendments throughout PSA Handbook



PSAB's International Strategy



Possible tweaks to entities' financial software programs needed

More understandable financial statement information for users

Effective Date and Transitional Provisions



**EFFECTIVE DATE:
APRIL 1, 2026**



**ADOPTION CANNOT BE
BEFORE CONCEPTUAL
FRAMEWORK**



**PRIOR PERIOD AMOUNTS NEED TO
BE RESTATED TO CONFORM TO NEW
PRESENTATION REQUIREMENTS**

General Presentation Principles

General Presentation Principles

Identification of
Financial Statements

Fair Presentation

Going Concern

NEW

Materiality

Aggregation

NEW

Comparisons

Line Items and
Subtotals

NEW

Going Concern

- Provides considerations re: different types of public sector entities
 - Different types of governments
 - Government organizations
- Covid-19 considerations not mentioned (dated reference)
 - But all items affecting financial performance would be considered
- Builds on discussion in Conceptual Framework (Ch 2 & 9)
- Relationship with restructuring standard (Section PS 3430)
 - If meets definition of restructuring transaction → Section PS 3430
 - Section PS 3430 says transferring entity remains a going concern
- Auditing standards would also need to be considered

Meeting the Financial Statement Objectives

Meeting the Financial Statement Objectives

1	Scope	Found in Section PS 1300
2	Reporting Financial Position ✓	Found in Section PS 1202
3	Reporting Changes in Financial Position ✓	
4	Reporting Actual to Budget Comparison ✓	
5	Disclosing Non-Compliance with Financial Authorities	
6	Disclosing Risks and Uncertainties	

Meeting the Financial Statement Objectives: Interconnected with the Conceptual Framework

- **Chapter 4** - Role of Financial Statements
- **Chapter 6** - Financial Statement Objectives
- **Chapter 7** - Financial Statement Information: Qualitative Characteristics and Related Considerations
- **Chapter 10** - Presentation Concepts

Conceptual Framework Webinar



Register

Meeting the Financial Statement Objectives: The Financial Statement Package

- Statement of Financial Position
- Statement of Net Financial Assets or Net Financial Liabilities
- Statement of Operations
- Statement of Net Assets or Net Liabilities
- Statement of Cash Flow
- Notes and Schedules



All statements are important



Need to look at all statements to evaluate entity

Reporting Financial Position (Objective 2): Statement of Financial Position

Reporting Financial Position: Statement of Financial Position

- Net debt relocated to its own statement
 - Option to report net financial assets/liabilities indicator at bottom of statement
- New categories of liabilities: financial and non-financial
- Restructured statement
- 3rd component of net assets added
- Broader non-financial asset definition

Statement of Financial Position as at March 31

	20X3	20X2
Financial assets	XX	XX
Non-financial assets	XX	XX
Total assets	XX	XX
Financial liabilities	XX	XX
Non-financial liabilities	XX	XX
Total liabilities	XX	XX
Net assets (net liabilities)	XX	XX
Net assets (net liabilities) components:		
accumulated surplus/deficit	XX	XX
accumulated remeasurements	XX	XX
accumulated other	XX	XX
	XX	XX

New
Categories

New
Component

Relocated Net Financial Assets / Net Financial Liabilities Indicator to its Own Statement

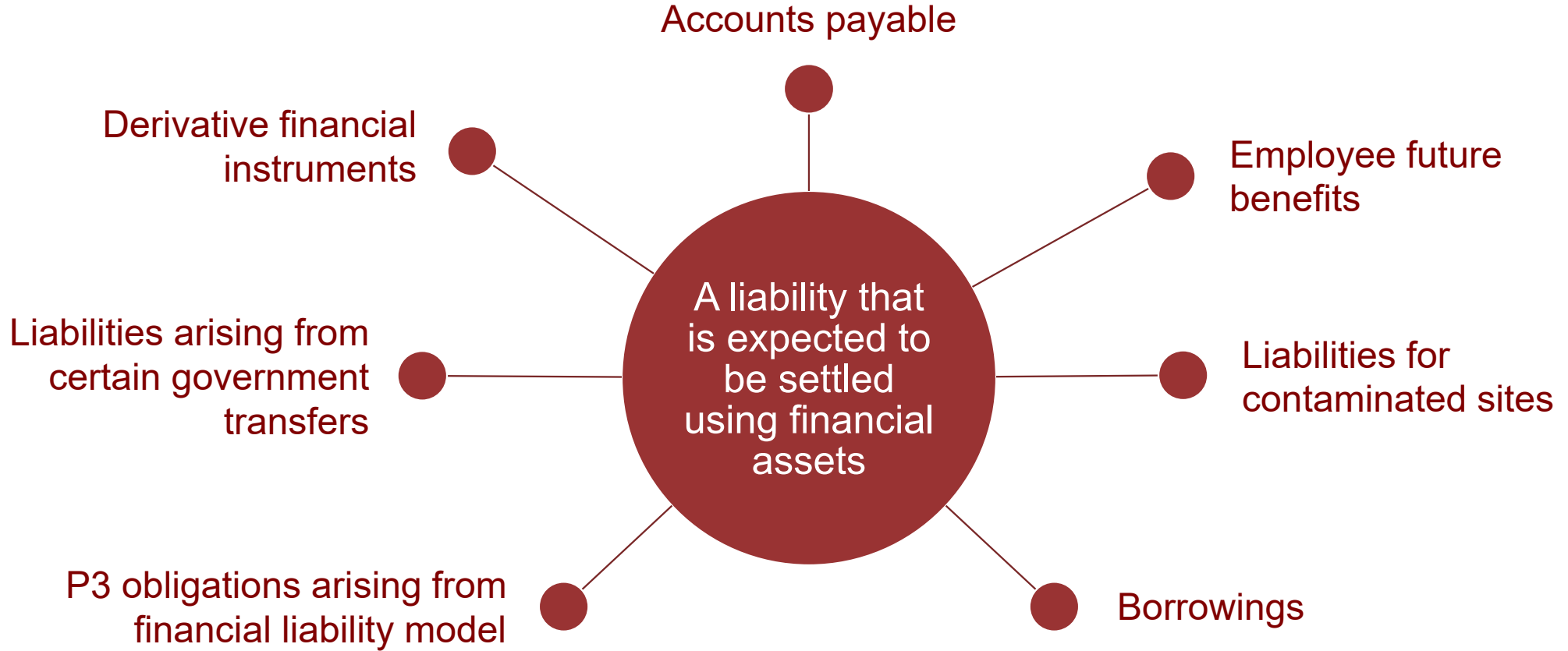
- To display the indicator more prominently
- Can include all the narrative together about the indicator
- Allows statement of financial position to be more understandable and familiar to readers
- To refine the calculation to retain its original meaning

Financial and Non-Financial Liabilities

Why?

- Refine the net financial assets / net financial liabilities calculation
 - Remove liabilities that don't represent future financial resource requirements
 - Only liabilities to be settled with financial assets should be included

Financial Liabilities



Non-Financial Liabilities

Liabilities that do not meet the definition of a financial liability

P3 obligations arising
from user pay model

Obligations arising from government
capital transfers where related TCA has
already been constructed, purchased, or
received and there remains an obligation,
that meets the definition of a liability, to use
the asset to provide services over a
specified number of years

Unearned Revenue: Harder to Classify

Section PS 3100, *Restricted Assets and Revenues*

Section PS 3200, *Liabilities*

Section PS 3400, *Revenue*

Section PS 3410, *Government Transfers*

Unearned Revenue Guidance



Appendix A: Application Guidance – Integral to standard



Appendix D: Decision Tree – Navigating the Financial Versus Non-financial Liability Distinction Guidance



Appendix E: Decision Tree – Classifying Unearned Revenue Liabilities as Financial and Non-Financial

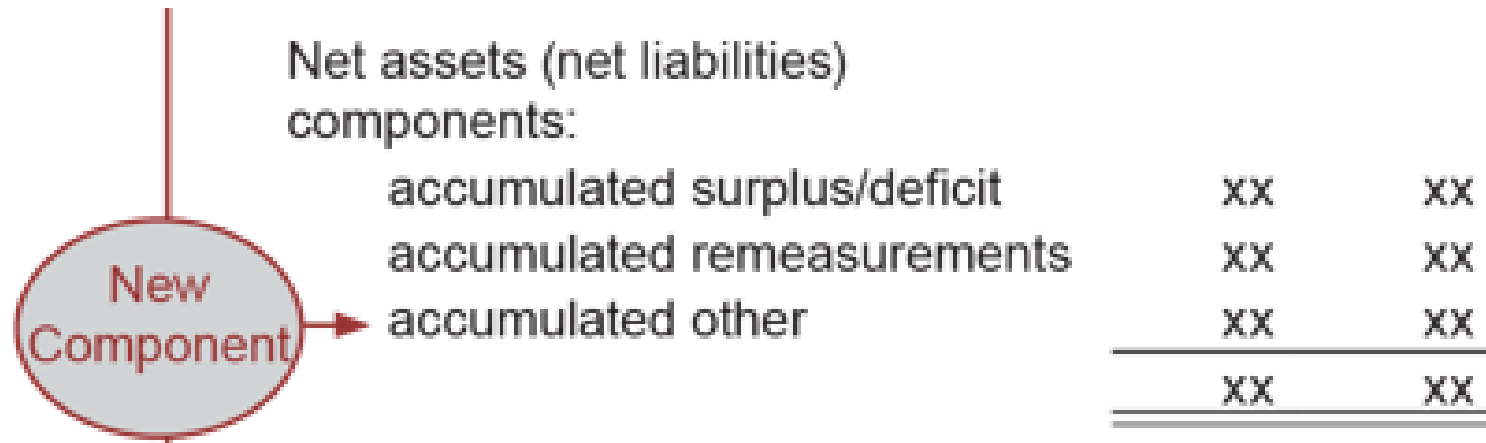


Appendix F: Unearned Revenue – Illustrative Examples (7)

Restructured Statement of Financial Position

		20X3	20X2
	Statement of Financial Position		
	as at March 31		
		XX	XX
		XX	XX
New subtotal	→ Total assets	XX	XX
		XX	XX
		XX	XX
New subtotal	→ Total liabilities	XX	XX
	Net assets (net liabilities)	XX	XX
	Net assets (net liabilities)		
	components:		
	accumulated surplus/deficit	XX	XX
	accumulated remeasurements	XX	XX
New component	→ accumulated other	XX	XX
		XX	XX

Accumulated Other



Accumulated Other (continued)

Why?

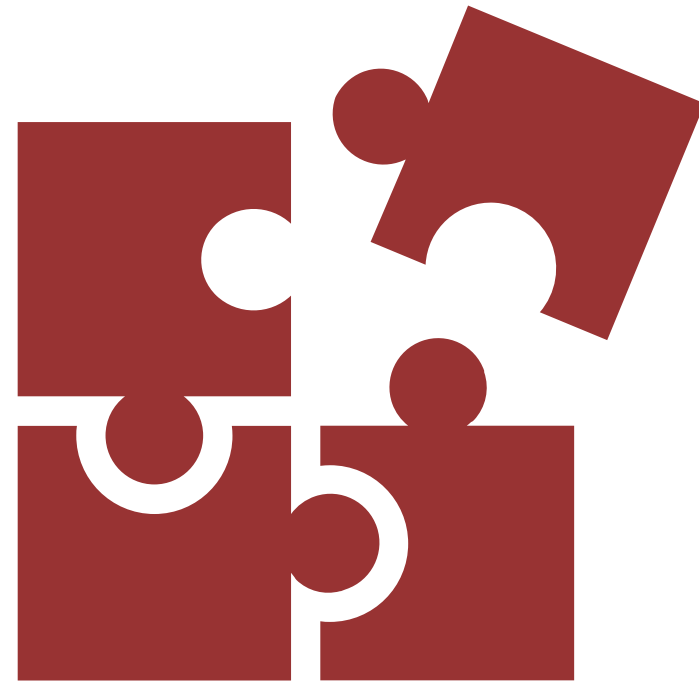
- To respond to users' needs
- Transparently reflect economic substance of unique transactions
- Improve accountability
- Financial position comprises only assets and liabilities
- Allow Reporting Model to be sustainable

When?

- PSAB determines recognition of a revenue or expense in accumulated other provides better information for accountability purposes than recognition in surplus/deficit
- PSAB must document decision in Basis for Conclusions
- Standards-level decision

Accumulated Other (continued)

- Only used in rare circumstances
- **Only PSAB** designates transactions to component
- No transactions designated to component yet
- Possibility to rename or split component as transactions designated
- Consistent with Conceptual Framework



Accumulated Other – Illustrative Example

- Related to endowment contributions
- Demonstrates how component would work
- Aids in understanding component
- Does not presuppose an endowment standard
- May be replaced in future



Good Metaphor for Accumulated Other

Laying the Groundwork for the Future

(installing the plumbing without the
fixtures)



New Non-financial Asset Definition

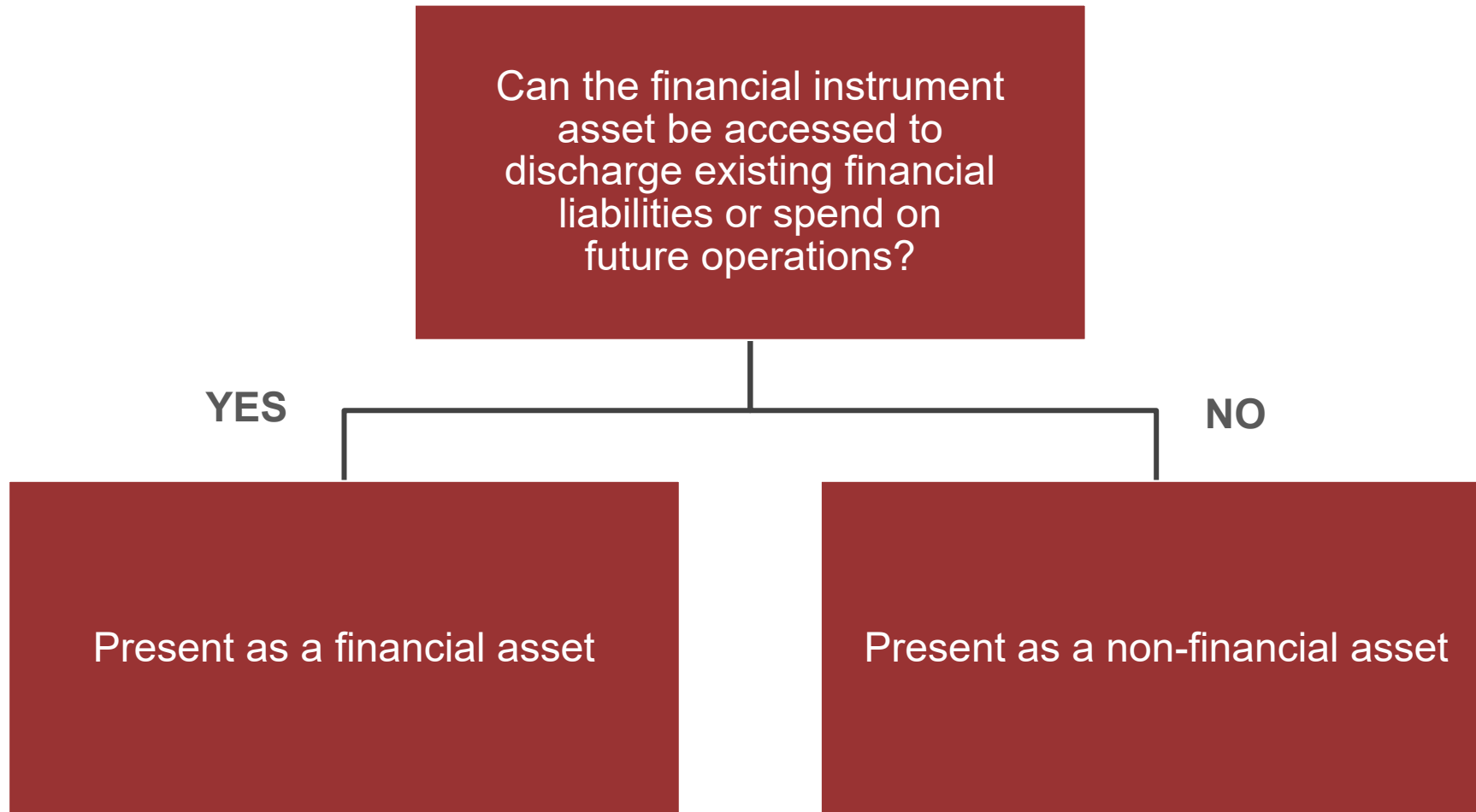
Non-financial assets are acquired, constructed, or developed assets that do not normally provide resources to discharge existing liabilities, but instead:

- (a) are normally employed to deliver government services;
- (b) may be consumed in the normal course of operations; and
- (c) are not for sale in the normal course of operations.



A non-financial asset is an asset that does not meet the definition of a financial asset.

Classifying Financial Instrument Assets



Summary: Statement of Financial Position

- Net debt relocated to its own statement
 - Option to report net financial assets/liabilities indicator at bottom of statement
- New categories of liabilities: financial and non-financial
- Restructured statement
- 3rd component of net assets added
- Broader non-financial asset definition

Statement of Financial Position as at March 31

	20X3	20X2
Financial assets	XX	XX
Non-financial assets	XX	XX
Total assets	XX	XX
Financial liabilities	XX	XX
Non-financial liabilities	XX	XX
Total liabilities	XX	XX
Net assets (net liabilities)	XX	XX
Net assets (net liabilities) components:		
accumulated surplus/deficit	XX	XX
accumulated remeasurements	XX	XX
accumulated other	XX	XX
	XX	XX

New
Categories

New
Component

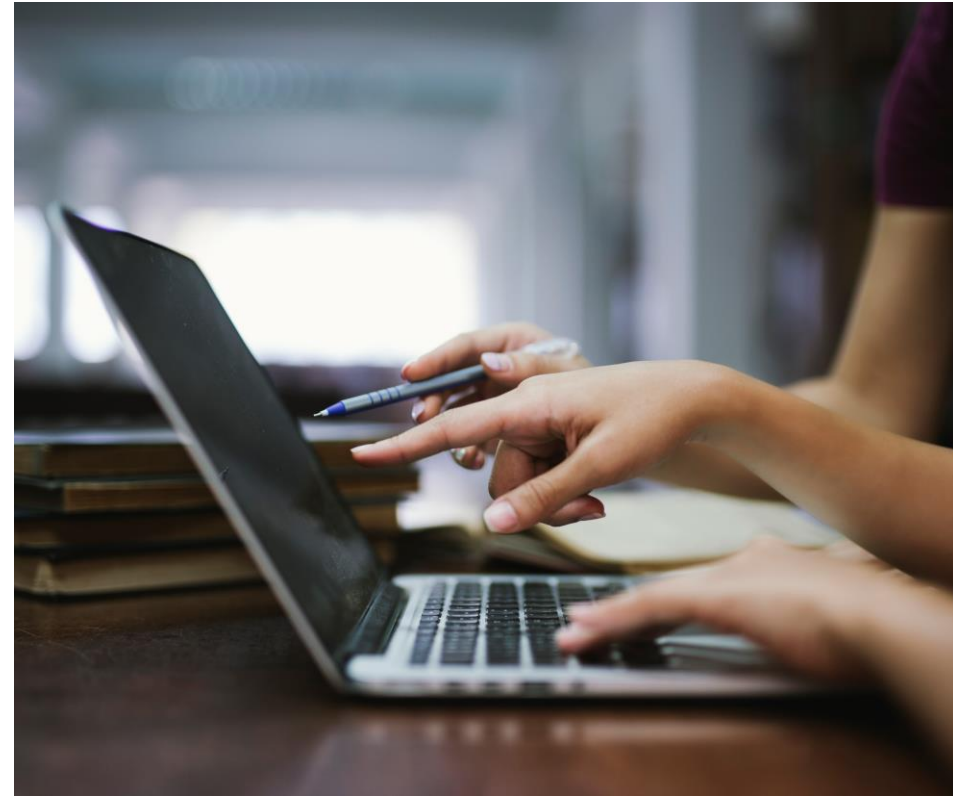
Reporting Financial Position (Objective 2): Statement of Net Financial Assets or Net Financial Liabilities

Reporting Financial Position: Statement of Net Financial Assets (Net Financial Liabilities)

Statement of Net Financial Assets (Net Financial Liabilities) as at March 31		
	20X3	20X2
Financial assets	XX	XX
Financial liabilities	XX	XX
Net financial assets (net financial liabilities)	XX	XX

- + Option to include a calculation of the change in the above indicator plus the reasons for the change in the indicator
- =
- Option to control the narrative regarding the indicator and why it changed

Prior Year Net Debt May Need to Be Recalculated



Benefits of Revised Calculation

Indicator represents what it is meant to report

Items can easily fit into various categories

Spent deferred capital contributions are non-financial liabilities

PSAB can rename the indicator to reduce confusion



Removal of the Requirement to Prepare the Statement of Change in Net Debt

- Statement is a reconciliation and is not understandable
- Attempts to amend the statement did not provide any one presentation that was more understandable
- Retain option to present similar information on bottom of statement of net financial assets or net financial liabilities
- Supported by majority of respondents



Optional Reporting of the Change in the Indicator

- Must be understandable
- Must report:
 - Opening and closing balance
 - Change due to net remeasurement gains and losses
 - Acquisition of tangible capital asset
 - Other significant items (for example change in non-financial liabilities)
 - Budget
- FI Narrow Scope Amendments have been brought forward



Optional Location of Net Financial Assets / Net Financial Liabilities Indicator

Statement of Financial Position as at March 31		20X3	20X2
	Financial assets	XX	XX
	Non-financial assets	XX	XX
New subtotal	Total assets	XX	XX
	Financial liabilities	XX	XX
	Non-financial liabilities	XX	XX
New subtotal	Total liabilities	XX	XX
	Net assets (net liabilities)	<u>XX</u>	<u>XX</u>
	Net assets (net liabilities) components:		
	accumulated surplus/deficit	XX	XX
	accumulated remeasurements	XX	XX
New component	accumulated other	<u>XX</u>	<u>XX</u>

- Option to present indicator at bottom of the statement of financial position
- The indicator would be presented in two places
- Allows for continued understandability and comparability

OPTIONAL PRESENTATION OF INDICATOR

Summary: Net Financial Assets / Net Financial Liabilities Indicator



- Renamed the indicator
- Presented on the statement of net financial assets (net financial liabilities)
- Optional presentation at the bottom of the statement of financial position
- Revised calculation
- Optional presentation of the change in the indicator on the statement of net financial assets (net financial liabilities)

Reporting Changes in Financial Position (Objective 3): Statement of Net Assets (Net Liabilities)

Reporting Changes in Financial Position: Statement of Changes in Net Assets (Net Liabilities)

- ✓ All revenues and expenses are reflected here
- ✓ Most revenue and expense will be recognized in surplus/deficit
- ✓ Only PSAB can designate a revenue or expense to be recognized in accumulated other or accumulated remeasurements
 - ✓ Only when provides better information for accountability
 - ✓ Explain & justify in Basis for Conclusions
- ✓ Snapshot of nature of components

Statement of Changes in Net Assets (Net Liabilities)

for the year ended March 31

	20X3	20X2
Accumulated Surplus/Deficit		
Surplus (deficit)	xx	xx
Opening balance	xx	xx
Ending balance	xx	xx
Accumulated Remeasurements		
Change in remeasurements	xx	xx
Opening balance	xx	xx
Ending balance	xx	xx
Accumulated Other		
Change in accumulated other	xx	xx
Opening balance	xx	xx
Ending balance	xx	xx
Total Net Assets (Net Liabilities)	xx	xx

Accumulated Surplus / Deficit

- Funds and reserves are designations of accumulated surplus / deficit
- Disclose breakdown of accumulated surplus / deficit
 - Examples: invested in capital assets, funds, reserves
- Reference to note that shows the breakdown is helpful
- Misunderstanding of what “accumulated surplus or accumulated deficit” means
- Reconciliation could be done on the statement of operations in limited circumstances



Accumulated Remeasurement Gains and Losses

- Accumulated remeasurement gains and losses component
 - Could include more than financial instruments
- Statement of remeasurement gains and losses
 - Could be retained in limited circumstances



Issued Share Capital

NEW



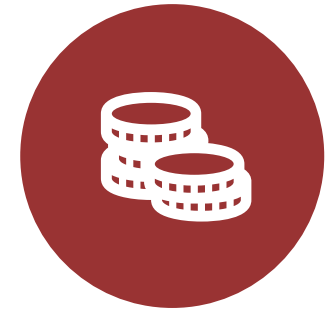
ONLY PRESENTED
BY ENTITIES THAT
HAVE ISSUED SHARE
CAPITAL



DIFFERENT FROM
OTHER
COMPONENTS (E.G.,
CHANGES \neq
REVENUE/EXPENSE)



ALIGNED WITH
CHAPTER 6 OF
CONCEPTUAL
FRAMEWORK



NEED TO
DETERMINE THE
ECONOMIC
SUBSTANCE OF
TRANSACTION

Reporting Changes in Financial Position (Objective 3): Statement of Cash Flows

Reporting Changes in Financial Position: Statement of Cash Flow

- Isolating financing activities
 - Highlights one aspect of sustainability
- More guidance is required for certain transactions
 - Consider separate cash flow statement standard as a possible future project
 - Discussed at [November 2022 PSA DG meeting](#)
- Direct and indirect method are allowed & illustrated

Statement of Cash Flow for the year ended March 31

	20X3	20X2
Cash beginning of year	XX	XX
Cash provided by (applied to) operating transactions ¹	XX	XX
Cash provided by (applied to) capital transactions ¹	XX	XX
Cash provided by (applied to) investing transactions ¹	XX	XX
Net cash provided by (applied to) operating, capital and investing transactions	XX	XX
Net cash before financing transactions	XX	XX
Cash provided by (applied to) financing transactions ¹	XX	XX
Cash end of year	XX	XX

New Requirements

Both the indirect and direct methods are allowed to report cash flow from operations.

Reporting Actual to Budget Comparison (Objective 4)

Comparing Actual Financial Performance to that Budgeted

Budget amounts

Same basis of accounting, principles, scope and classification as actuals



Reconciliations disclosed

When basis, principles, scope or classification is not the same as actual

Reconciling items are entity specific and require professional judgement

Scope adjustments could be approved budgets of controlled entities



When scope changes during the year, original approved budget is presented

Comparing Actual Financial Performance to that Budgeted (continued)

NEW

Note on the statements required when:

- Budget not prepared
- Budget not approved
- Budget for a material, controlled entity is not prepared or approved

Use of amended budget permitted

- FOR GOVERNMENT – when there is an election and new budget is approved
- FOR GOVERNMENT ORGANIZATION – when majority of governing body is elected or appointed and new budget is approved

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**

The Way Forward

- Revised net financial assets/net financial liabilities calculation returns indicator to its original meaning
- Accumulated other introduced to respond to emerging issues
- Statement of financial position restructured so that it could be better understood



Other Effects of the New Reporting Model

Consequential Amendments

Objective

Consistency throughout the PSA Handbook



- Withdrawal of Section PS 1201, *Financial Statement Presentation* (superseded reporting model)
 - Amended references to Section PS 1201 to refer to Section PS 1202
- Amended Section PS 1300, *Government Reporting Entity*
 - Added requirement to identify major changes to the reporting entity in the accounting period

Consequential Amendments (continued)

- Acknowledged multiple components of net assets or net liabilities
- Amended references to net debt or change in net debt
- Amended references to statement of remeasurement gains and losses
- Classified liabilities as financial and non-financial
- Added new paragraphs indicating the changes and transitional provisions
- Added effective dates for any changed principle
- Other miscellaneous amendments

Effects

Some are editorial in nature only
Most change practice – to be in line with new Reporting Model

Timing of Application

Same as Financial Statement Presentation standard

April 1, 2026

PDF of Section PS 1201 and Section PS 3450 is being provided in the PSA Handbook

Effects on Setting Future Standards



- [PSAB's International Strategy](#)
- Criteria for modifying IPSAS principles
 - PSAB's Conceptual Framework
 - Foreshadows Reporting Model
- **Resource:** [PSAB and IPSASB: Comparing Reporting Models](#)

PSAB/IPSASB Reporting Model Comparison

Subject	IPSASB	PSAB
Statement of financial position	Current and non-current	Financial and non-financial
Statement of operations	Report expenses by function or nature	Report expenses by function
Statement of changes in net assets or net liabilities	Accumulated surplus / deficit, reserves, ownership contributions/distributions, non-controlling interest	Accumulated surplus / deficit, accumulated remeasurements, accumulated other, issued share capital
Statement of cash flow	Shows operating, investing and financing activities	Shows operating, capital, investing and financing activities
Statement of net financial assets or net financial liabilities	No such statement as not a required indicator	Important indicator to present
Presentation of the approved budget	Required only if entity makes its budget publicly available	Required

PSAB/IPSASB Reporting Model Comparison (continued)

Financial assets and financial liabilities
≠ IPSAS and IFRS definitions

- Broader definitions needed for net financial assets / net financial liabilities calculation
- “financial instrument assets” and “financial instrument liabilities” ≈ IPSAS financial asset and financial liabilities



Summary

Summary: Section PS 1202

Complete set of financial statements

General presentation principles

Meeting the financial statement objectives

Importance of notes and schedules

Reporting on funds and reserves

Effective date and transitional provisions

Appendices



Summary: What are the Main Amendments?

Relocated net debt to own statement

Introduced financial and non-financial liabilities

New 3rd component of net assets: accumulated other

Restructured statement of financial position

Amended non-financial asset definition

Revised net debt calculation

Renamed net debt indicator

Removed statement of change in net debt

New statement of changes in net assets/net liabilities

Isolated financing transactions in cash flow statement

New budget requirements

Summary: Main Effects of the New Reporting Model?



Builds on the superseded reporting model (PS 1201)



Consequential amendments throughout PSA Handbook



PSAB's International Strategy



Possible changes to financial systems required (Software)

More understandable financial statement information for users

Summary: 5 Illustrative Financial Statements

Indigenous Governments

Federal / Provincial / Territorial Governments

Local Governments

Health-related Public Sector Entity

College and University in the Public Sector



Summary: Key Takeaways



Effective date: April 1, 2026



Revise financial statements package based on new requirements



Read guidance provided in relation to financial and non-financial liabilities



Restate prior year figures to be in compliance with the new requirements



Watch [Conceptual Framework webinar](#)

Summary: Implementation Effort Required

It Depends

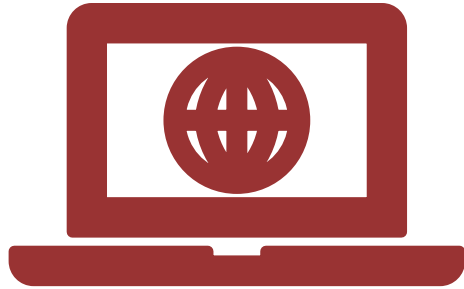
How many unearned revenues do you recognize?

How easily can the software system(s) be updated with the revised financial statements?

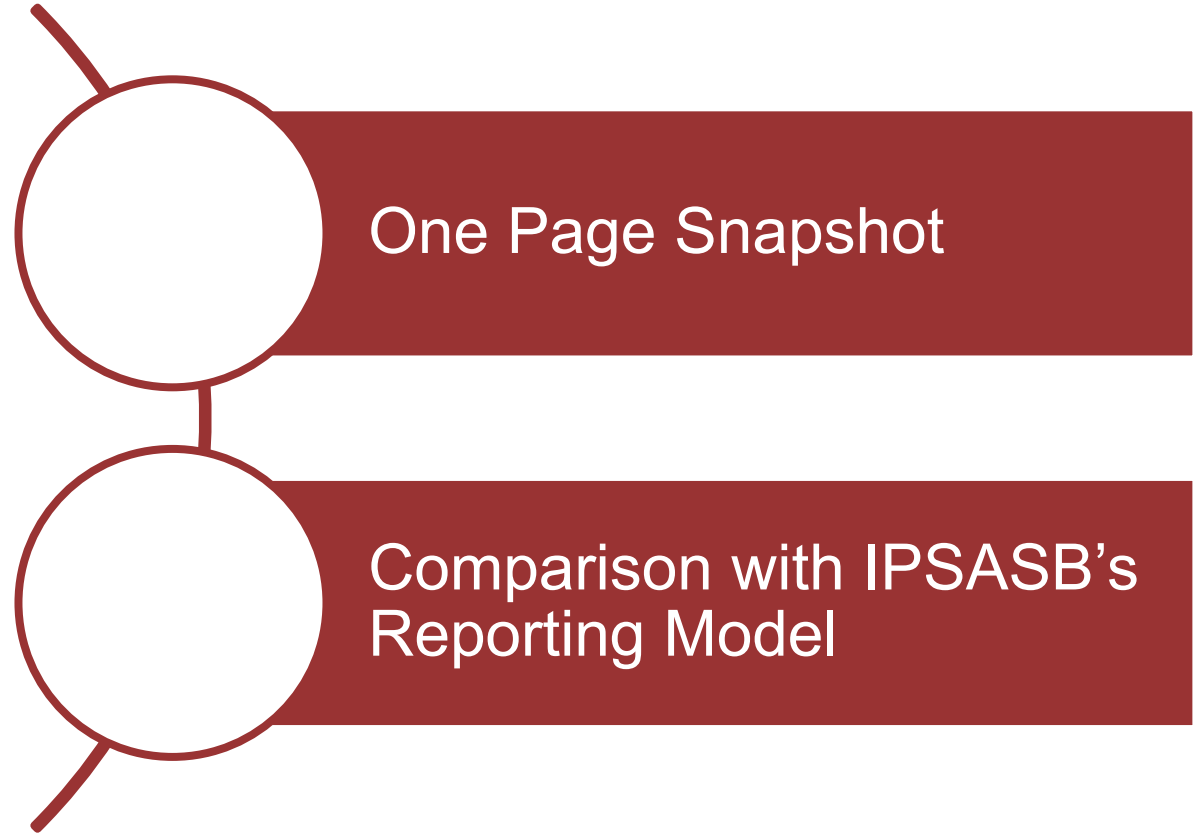
Extent of education needed by interested and affected parties on revised financial statement package?

Resources

For More Information Visit the Project's Website



[frascanada.ca/
PSAB-Reporting-Model](https://frascanada.ca/PSAB-Reporting-Model)



Concluding Thoughts

Questions



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Thank you!

