



New and Proposed Changes to the Public Sector Accounting Handbook Sections

For the two years ended December 31, 2021



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New and Amended Standards	Date Issued	Effective Date
2018 – 2019 Annual Improvements to Public Sector Accounting Standards (Amendment)	September 2019	Effective for fiscal years beginning on or after April 1, 2020 and should be applied retrospectively. Early adoption is permitted.
2019 – 2020 Annual Improvements to Public Sector Accounting Standards (Amendment)	November 2020	Effective for fiscal years beginning on or after April 1, 2021 and should be applied retrospectively. Early adoption is permitted.
PS 1150 Generally Accepted Accounting Principles (Amendment)	April 2021	Effective for fiscal years beginning on or after April 1, 2021 and should be applied only to new transactions or events for which the entity has no existing accounting policy.
PS 1201 Financial Statement Presentation (New)	June 2011	Effective in the same period PS 2601 and PS 3450 are adopted. PS 2601 and PS 3450 are to be adopted together and are effective for fiscal years beginning on or after April 1, 2022. Early adoption is permitted.
PS 1201 Financial Statement Presentation (Amendments)	April 2021	Effective in the same period PS 2601 and PS 3450 are adopted. PS 2601 and PS 3450 are to be adopted together and are effective for fiscal years beginning on or after April 1, 2022. Early adoption is permitted.
PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation and PS 3450 Financial Instruments (Amendments)	October 2020	Effective in the same period PS 1201, PS 2601 and PS 3450 are adopted. Effective for fiscal years beginning on or after April 1, 2022. Early adoption is permitted.
PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation and PS 3450 Financial Instruments (Amendments)	April 2021	Effective in the same period PS 1201, PS 2601 and PS 3450 are adopted. Effective for fiscal years beginning on or after April 1, 2022. Early adoption is permitted.

New and Amended Standards	Date Issued	Effective Date
PS 2601 Foreign Currency Translation (New)	September 2015	Effective in the same period PS 1201 and PS 3450 are adopted. PS 1201 and PS 3450 are effective for fiscal years beginning on or after April 1, 2022. Early adoption is permitted.
PS 3041 Portfolio Investments (New)	March 2012	Effective in the same period PS 1201, PS 2601 and PS 3450 are adopted. PS 1201, PS 2601 and PS 3450 are to be adopted together and are effective for fiscal years beginning on or after April 1, 2022. Early adoption is permitted.
PS 3160 Public Private Partnerships (New)	April 2021	Effective for fiscal years beginning on or after April 1, 2023. Early adoption is permitted.
PS 3280 Asset Retirement Obligations (New)	August 2018	Effective for fiscal years beginning on or after April 1, 2022. Early adoption is permitted.
PS 3400 Revenue (New)	November 2018	Effective for fiscal years beginning on or after April 1, 2023. Early adoption is permitted.
PS 3450 Financial Instruments (New and Amended)	August/September 2015	Effective for fiscal years beginning on or after April 1, 2022. In the period that a public sector entity applies PS 3450, it also applies PS 1201 and PS 2601. Early adoption is permitted.
PS 3450 Financial Instruments (Amendment)	April 2020	Effective for fiscal years beginning on or after April 1, 2022. Early adoption is permitted.
PSG-8 Purchased Intangibles (New)	November 2020	Effective for fiscal years beginning on or after April 1, 2023. Early adoption is permitted. Application may be retroactive or prospective.

Exposure Drafts	Date Issued	Effective Date
Employee Benefits, Proposed Section PS 3251	July 2021	Proposed to be effective for fiscal years beginning on or after April 1, 2026. Earlier adoption would be permitted.
The Conceptual Framework for Financial Reporting in the Public Sector	January 2021	Proposed to be effective immediately.
Consequential Amendments Arising from the Proposed Conceptual Framework	January 2021	Proposed to be effective immediately once the proposed Conceptual Framework is issued.
Financial Statement Presentation, Proposed Section PS 1202	January 2021	Proposed to be effective for fiscal years beginning on or after April 1, 2024. Earlier adoption would be permitted.
Consequential Amendments Arising from the Financial Statement Presentation Standard, Proposed Section PS 1202	January 2021	Proposed to be effective for fiscal years beginning on or after April 1, 2024 once the proposed new section PS 1202 <i>Financial Statement Presentation</i> is issued. Earlier adoption would be permitted. The proposed consequential amendments would be applied retroactively with restatement of prior periods.

New and Amended Standards

2018 – 2019 Annual Improvements to Public Sector Accounting Standards (Amendment)

In September 2019, the Public Sector Accounting Board (PSAB) issued annual improvements to correct errors in wording or clarify the PSA Handbook and other guidance. The amendments include:

- Removal of due process procedures from the PSA Handbook and other guidance as PSAB's Due Process Manual contains the due process the Board must follow.
- Various amendments to correct inconsistencies and update terminology in affected Standards related to the introduction of the government component category in 2014.
- Various amendments to PS 3060 *Government Partnerships*, mainly to update terminology.
- Other minor amendments to address further inconsistencies or areas requiring clarification, as well as consequential amendments to various other standards.

The amendments are effective for fiscal years beginning on or after April 1, 2020 and should be applied retrospectively. Early adoption is permitted.

2019 - 2020 Annual Improvements to Public Sector Accounting Standards (Amendment)

In November 2020, the Public Sector Accounting Board (PSAB) issued annual improvements to correct errors in wording or clarify the PSA Handbook and other guidance. The amendments include:

- Clarification that early adoption of a new or amended standard also requires early adoption of all consequential amendments related to that standard and that consequential amendments are not available for early adoption if the related amended standard has not been early adopted;
- Updates to the disclosure requirements in various standards to reflect the requirement of PS 3380 *Contractual Rights* relating to disclosure of contractual rights.
- Replacement of the term "contingencies" with "contingent assets and contingent liabilities" in various standards.

The amendments are effective for fiscal years beginning on or after April 1, 2021 and should be applied retrospectively. Early adoption is permitted.

PS 1150 Generally Accepted Accounting Principles (Amendment)

In April 2021, the Public Sector Accounting Board (PSAB) issued amendments to the GAAP hierarchy set out in PS 1150 *Generally Accepted Accounting Principles* to position International Public Sector Accounting Standards (IPSAS) as the first accounting framework to consult in situations where PSAB has not issued a specific standard, situations not covered by primary sources of GAAP, or for

assistance in applying a primary source of GAAP to specific circumstances and it is necessary to consult pronouncements issued by other bodies authorized to issue accounting standards. This is in response to PSAB's decision to approve "Option 2 – Adapt IPSAS principles when developing future standards" as its future international strategy. Under Option 2, PSAB will continue to develop Canadian Public Sector Accounting Standards (PSAS), but future standards would be based on the principles in IPSAS. As a result, if a project is undertaken and IPSAS already exists, the principles of that IPSAS will be used as a base for developing the corresponding Canadian PSAS.

The amendment is now effective for fiscal years beginning on or after April 1, 2021 and is to be applied only to new transactions or other events for which public sector entities have no existing accounting policy. The amendment does not require revision of existing accounting policies.

PS 1201 Financial Statement Presentation (New)

In June 2011, as a result of the issuance of PS 3450 *Financial Instruments*, the Public Sector Accounting Board (PSAB) issued new PS 1201 *Financial Statement Presentation*, which revises and replaces PS 1200 *Financial Statement Presentation*. The main features of the new standard are:

- Remeasurement gains and losses are reported in a new statement: the statement of remeasurement gains and losses.
- Other comprehensive income arising when a government includes the results of government business enterprises and government business partnerships in its financial statements, is reported in the statement of remeasurement gains and losses.
- Accumulated surplus or deficit is presented as the total of the accumulated operating surplus or deficit and the accumulated remeasurement gains and losses.

This Section is effective in the same period PS 2601 *Foreign Currency Translation* and PS 3450 are adopted. PS 2601 and PS 3450 are to be adopted together and were to be effective for fiscal years beginning on or after April 1, 2019. In March 2018, the Public Sector Accounting Board (PSAB) approved an extension of the effective date to fiscal years beginning on or after April 1, 2021. On June 25, 2020, the PSAB made the decision to defer the effective date by one year due to the impact of the COVID-19 pandemic. The new Section is now effective for annual financial statements relating to fiscal years beginning on or after April 1, 2022. Early application continues to be permitted.

PS 1201 Financial Statement Presentation (Amendments)

In April 2021, the Public Sector Accounting Board (PSAB) issued amendments to PS 1201 *Financial Statement Presentation*.

The narrow-scope amendments clarify the presentation of derivatives, specifically allowing public sector entities to present the remeasurement impact of derivatives separately on the statement of change in net debt. Other minor presentation clarifications have also been included such as allowing a new subtotal for the change in net debt excluding the impact of remeasurement gains and losses on the statement of change in net debt and allowing the inclusion of a footnote on the net debt

indicator in the statement of financial position to refer to additional detail provided on the statement of change in net debt.

The amendments are effective in the same period PS 2601 *Foreign Currency Translation* and PS 3450 *Financial Instruments* are adopted. PS 2601 and PS 3450 are to be adopted together and are effective for annual financial statements relating to fiscal years beginning on or after April 1, 2022. Early application continues to be permitted.

PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation and PS 3450 Financial Instruments (Amendments)

In October 2020, the Public Sector Accounting Board (PSAB) issued amendments to PS 1201 *Financial Statement Presentation*, PS 2601 *Foreign Currency Translation*, and PS 3450 *Financial Instruments*.

PS 2601 has been amended to exclude from its scope the presentation of the exchange gain or loss component of a financial instrument's change in fair value when that financial instrument is associated with the federal government's foreign reserves. PS 1201 and PS 3450 have been amended to clarify that the amounts subject to the scope exclusion in PS 2601 are not required to be presented in the statement of remeasurement gains and losses.

The amendments are effective for fiscal years beginning on or after April 1, 2022. Early application is permitted.

PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation and PS 3450 Financial Instruments (Amendments)

In April 2021, the Public Sector Accounting Board (PSAB) issued amendments to PS 1201 *Financial Statement Presentation*, PS 2601 *Foreign Currency Translation*, and PS 3450 *Financial Instruments*.

The narrow-scope amendments to PS 2601 allow all public sector entities to make an irrevocable accounting policy election to recognize exchange gains and losses, including the exchange gain or loss component of changes in fair value, directly in the statement of operations. The proposed election would be available for any financial asset or financial liability arising from a foreign currency transaction. Amounts subject to the proposed election would not be recognized in the statement of remeasurement gains and losses.

As a result of the amendments made to PS 2601, amendments were also made to PS 1201 and PS 3450. PS 1201 has been amended to clarify that exchange gains and losses subject to the election would not be recognized in the statement of remeasurement gains and losses. PS 3450 has been amended to clarify that public sector entities should disclose in the notes the carrying amounts of financial assets and financial liabilities in which exchange gains and losses are recognized directly in the statement of operations.

The amendments are effective for fiscal years beginning on or after April 1, 2022. Earlier application will be permitted. Transitional provisions have also been introduced in PS 2601.

PS 2601 Foreign Currency Translation (New)

In June 2011, as a result of the issuance of PS 3450 *Financial Instruments*, the Public Sector Accounting Board (PSAB) issued new PS 2601 *Foreign Currency Translation*, which revises and replaces PS 2600 *Foreign Currency Translation*. The main features of the new standard are:

- The definition of currency risk is conformed to the definition in PS 3450.
- Removal of the exception relating to the measurement of items on initial recognition that applies when synthetic instrument accounting is used.
- Subsequent to initial recognition, non-monetary foreign currency items included in the fair value category in accordance with PS 3450 are adjusted at each financial statement date to reflect the exchange rate at that date.
- The deferral and amortization of foreign exchange gains and losses relating to long-term foreign currency monetary items is discontinued.
- Exchange gains and losses are recognized in the statement of remeasurement gains and losses until the period of settlement.
- Removal of hedge accounting and the presentation of items as synthetic instruments.

The transitional provisions in this standard were amended in May 2012, effective at the time the standard is initially applied, to clarify application to hedging instruments for government organizations transitioning from the standards in Part V of the CPA Canada Handbook – Accounting. Gains or losses yet to be recognized in net income prior to the transition date associated with designated hedging instruments are accounted for in accumulated remeasurement gains or losses at transition. Additionally, a new transitional provision has been added that applies to government organizations transitioning from the standards in Part V with self-sustaining foreign operations. Accumulated other comprehensive income (OCI) from translation of self-sustaining foreign operations is recognized in accumulated remeasurement gains or losses on transition.

This Section is effective in the same period PS 1201 and PS 3450 are adopted. PS 1201 and PS 3450 were to be effective for fiscal years beginning on or after April 1, 2019. In March 2018, the Public Sector Accounting Board (PSAB) approved an extension of the effective date to fiscal years beginning on or after April 1, 2021. On June 25, 2020, the PSAB made the decision to defer the effective date by one year due to the impact of the COVID-19 pandemic. The new Section is now effective for annual financial statements relating to fiscal years beginning on or after April 1, 2022. Early application continues to be permitted.

PS 3041 Portfolio Investments (New)

In March 2012, as a result of the issuance of PS 3450 *Financial Instruments*, the Public Sector Accounting Board (PSAB) issued new PS 3041 *Portfolio Investments*, which revises and replaces PS 3030 *Temporary Investments* and PS 3040 *Portfolio Investments*. The main features of the new standard are:

- PS 3041 does not make a distinction between temporary and portfolio investments, and is cross referenced and conformed to the requirements of PS 3450.

- Investments previously within the scope of PS 3030, which are not cash equivalents, are now accounted for within the scope of PS 3041.

This Section is effective in the same period PS 1201 *Financial Statement Presentation*, PS 2601 *Foreign Currency Translation* and PS 3450 are adopted. PS 1201, PS 2601 and PS 3450 are to be adopted together and were to be effective for fiscal years beginning on or after April 1, 2019. In March 2018, the Public Sector Accounting Board (PSAB) approved an extension of the effective date to fiscal years beginning on or after April 1, 2021. On June 25, 2020, the PSAB made the decision to defer the effective date by one year due to the impact of the COVID-19 pandemic. The new Section is now effective for annual financial statements relating to fiscal years beginning on or after April 1, 2022. Early application continues to be permitted.

PS 3160 Public Private Partnerships (New)

In April 2021, the Public Sector Accounting Board (PSAB) issued a new Section, PS 3160 *Public Private Partnerships*, which contains requirements for recognizing, measuring, and classifying infrastructure procured through a public private partnership. The main features of the new Section include:

- PS 3160 applies when public private partnership infrastructure is procured by the public sector entity using a private sector partner that is obligated to:
 - Design, build, acquire or better new or existing infrastructure;
 - Finance the transaction past the point where the infrastructure is ready for use; and
 - Operate and/or maintain the infrastructure.
- Public private partnership infrastructure should be recognized as an asset when the public sector entity acquires control of the infrastructure.
 - An infrastructure asset acquired in an exchange transaction should be initially measured at cost, which should be equal to the infrastructure asset's fair value on the initial measurement date.
 - The cost of the infrastructure asset would be amortized over the useful life of the asset in a rational and systematic manner.
- A liability, which could be in the form of a financial liability, a performance obligation, or a combination of both, should be recognized when the public private partnership recognizes an asset.
 - When a liability exists, it would be measured at the same value as the asset, reduced for any consideration previously transferred.
 - Subsequent measurement of a financial liability should be at amortized cost using the effective interest method.
 - For the subsequent measurement of the performance obligations, the revenues would be recognized, and the liability reduced in accordance with the substance of the public private partnership agreement.

This new Section is effective for fiscal years beginning on or after April 1, 2023. Earlier application is permitted.

PS 3280 Asset Retirement Obligations (New)

In August 2018, new PS 3280 *Asset Retirement Obligations* was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new PS 3280 establishes standards on how to account for and report a liability for asset retirement obligations (ARO). As asset retirement obligations associated with landfills are

included in the scope of new PS 3280, PS 3270 *Solid Waste Landfill Closure and Post-Closure Liability* will be withdrawn.

The main features of this standard are as follows:

- An ARO represents a legal obligation associated with the retirement of a tangible capital asset.
- Asset retirement costs increase the carrying amount of the related tangible capital asset and are expensed in a rational and systematic manner.
- When an asset is no longer in productive use, the associated asset retirement costs are expensed.
- Measurement of the ARO liability should result in the best estimate of the amount required to retire a tangible capital asset at the financial statement date.
- Subsequent measurement of the ARO liability results in either a change in the carrying amount of the related tangible capital asset or an expense. The accounting treatment depends on the nature of the remeasurement and whether the asset remains in productive use.
- The best method to estimate the liability is often a present value technique.

This standard was to be effective for fiscal years beginning on or after April 1, 2021. On June 25, 2020, the PSAB made the decision to defer the effective date by one year due to the impact of the COVID-19 pandemic. The new Section is now effective for annual financial statements relating to fiscal years beginning on or after April 1, 2022. Early application continues to be permitted.

PS 3400 Revenue (New)

In November 2018, new PS 3400 *Revenue* was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new PS 3400 establishes standards on how to account for and report on revenue by distinguishing between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. The main features of this Section are as follows:

- Performance obligations are enforceable promises to provide specific goods or services to a specific payor.
- Performance obligations can be satisfied at a point in time or over a period of time.
- The new standard outlines five indicators to determine if the revenue would be recognized over a period of time.

- Revenue from a transaction with a performance obligation(s) is recognized when, or as, the entity has satisfied the performance obligation(s).
- Revenue from transactions with no performance obligation is recognized when a public sector entity has the authority to claim or retain an inflow of economic resources and a past event gives rise to a claim of economic resources has occurred.

Further editorial changes have also been made to other standards as a result of the issuance of PS 3400.

This Section was to be effective for fiscal years beginning on or after April 1, 2022. On June 25, 2020, the PSAB made the decision to defer the effective date by one year due to the impact of the COVID-19 pandemic. The new Section is now effective for annual financial statements relating to fiscal years beginning on or after April 1, 2023. Early application continues to be permitted.

PS 3450 Financial Instruments (New and Amendment)

In June 2011, the Public Sector Accounting Board (PSAB) issued new PS 3450 *Financial Instruments*. The new standard establishes requirements for recognition, measurement, derecognition, presentation and disclosure of financial assets and financial liabilities, including derivatives. The main features of the new standard are:

- Financial instruments are classified into two measurement categories: fair value, or cost or amortized cost.
 - Almost all derivatives, including embedded derivatives not closely related to the host contract, are measured at fair value.
 - Portfolio investments in equity instruments quoted in an active market are measured at fair value.
 - Other financial assets and financial liabilities are generally measured at cost or amortized cost.
 - An entity may elect to measure any group of financial assets or financial liabilities (or both) at fair value when the entity has a risk management or investment strategy to manage those items on a fair value basis.
- Remeasurement gains and losses on financial instruments measured at fair value are reported in the statement of remeasurement gains and losses until the financial instrument is derecognized.
- Budget to actual comparisons are not required within the statement of remeasurement gains and losses.
- Financial liabilities are derecognized when, and only when, they are extinguished.
- Financial assets and financial liabilities are only offset and reported on a net basis if a legally enforceable right to set off the recognized amounts exists, and the entity intends to settle on a net basis or realize/settle the amounts simultaneously.

In May 2012, the transitional provisions for this Section were amended, effective at the time the standard is initially applied, to clarify that the measurement provisions are applied prospectively.

Adjustments to previous carrying amounts are recognized in opening accumulated remeasurement gains or losses. Additionally, a new transitional provision has been added that applies to government organizations transitioning from the standards in Part V of the CPA Canada Handbook – Accounting with items classified as available for sale. Accumulated other comprehensive income (OCI) from items classified as available for sale is recognized in accumulated remeasurement gains or losses on transition.

PS 3450 was to be effective for fiscal years beginning on or after April 1, 2019. In March 2018, the Public Sector Accounting Board (PSAB) approved an extension of the effective date to fiscal years beginning on or after April 1, 2021. On June 25, 2020, the PSAB made the decision to defer the effective date by one year due to the impact of the COVID-19 pandemic. The new Section and amendments are now effective for annual financial statements relating to fiscal years beginning on or after April 1, 2022. Early application continues to be permitted. In the period that a public sector entity applies PS 3450, it also applies PS 1201 and PS 2601.

PS 3450 Financial Instruments (Amendment)

In April 2020, the Public Sector Accounting Board (PSAB) issued amendments to PS 3450 *Financial Instruments*. The main features of the amendments include:

Bond Repurchase Transactions

- Bond repurchase transactions are only to be treated as extinguishments when they are either:
 - Legally discharged;
 - An exchange of debt instruments with substantially different terms; or
 - A substantial modification of the terms of an existing financial liability or part of it.

Section Application

- Clarification that PS 3450 does not apply unless a contractual right or a contractual obligation underlies a receivable or payable. By definition, there must be a contract for there to be a financial instrument.
- Clarification for how to account for a transfer of collateral pursuant to a credit risk management mechanism in a derivative contract.
- Addition of application guidance explaining that derecognition of a financial asset does not occur if the transferor of a financial asset retains substantially all the risks and benefits of ownership.

Transitional Provisions

- Clarification that a controlling government should use carrying values of the financial assets and liabilities in the records of its government organizations when consolidating a government organization.
- For financial assets or financial liabilities in the cost or amortized cost category which have an associated unamortized discount, premium or transaction costs, the unamortized discount, premium or transaction costs should be included in the item's opening carrying value.

- For derivatives which may not have been recognized or may not have been measured at fair value prior to the adoption of PS 3450, any difference between the previous carrying value and fair value should be recognized in the opening balance of accumulated remeasurement gains and losses.

The amendments were to be effective for fiscal years beginning on or after April 1, 2021. On June 25, 2020, the PSAB made the decision to defer the effective date by one year due to the impact of the COVID-19 pandemic. The new Section and amendments are now effective for annual financial statements relating to fiscal years beginning on or after April 1, 2022. Early application continues to be permitted.

PSG-8 Purchased Intangibles (New)

In November 2020, the Public Sector Accounting Board (PSAB) issued amendments to PS 1000 *Financial Statement Concepts* and PS 1201 *Financial Statement Presentation*. As a consequence, the new Public Sector Guideline (PSG) – 8 *Purchased Intangibles* was issued at the same time.

The new PSG-8 explains the scope of the intangibles allowed to be recognized in financial statements given the removal of the recognition prohibition relating to purchased intangibles in PS 1000. The main features of the new Guideline are:

- A definition of purchased intangibles;
- Examples of items that are not purchased intangibles;
- References to other guidance in the PSA Handbook on intangibles; and
- Reference to the asset definition, general recognition criteria and the GAAP hierarchy for accounting for purchased intangibles.

The amendments to PS 1000 allow for recognition of purchased intangibles in financial statements.

The main features of the amendments include:

- Removal of the prohibition on recognition of purchased intangibles as assets; and
- Reference to the new PSG-8

The amendments to PS 1201 remove disclosure requirements for unrecognized purchased intangibles as they are irrelevant given the amendments made to PS 1000 allowing recognition of purchased intangibles in financial statements.

The amendments to PS 1000 and PS 1201 and the new PSG-8 are effective for fiscal years beginning on or after April 1, 2023. Early adoption is permitted. Retroactive or prospective application is permitted.

Exposure Drafts

Employee Benefits, Proposed Section PS 3251

In July 2021, the Public Sector Accounting Board (PSAB) issued an Exposure Draft (ED) that outlines the proposed principles for the first of several phases of a project to develop a revised employee benefits standard, PS 3251 *Employee Benefits*. This new Section would replace PS 3250 *Retirement Benefits* and PS 3255 *Post-Employment Benefits, Compensated Absences and Termination Benefits*. The intent of this project is to improve understandability of the financial reporting of employee benefits and provide financial statement users with better information for accountability purposes.

This is the first ED of this project and focuses on guidance for deferral provisions and discount rates. The main features of this ED include:

- A proposed change to the deferral and amortization approach for actuarial gains and losses whereby revaluations of the net defined benefit liability (asset), including actuarial gains and losses, would be recognized immediately on the statement of position within the net defined benefit liability (asset) and the accumulated other component of net assets.
- A proposal that the rate used to discount a post-employment benefit plan would depend on the plan's funding status.
- Changes to the determination of net interest on the net defined benefit liability (asset).
- Minor modifications to the guidance for joint defined benefit plans.
- Expanded disclosures are proposed to improve the relevance and understandability of the information being provided.

The proposed new Section would be effective for fiscal years beginning on or after April 1, 2026. Early adoption would be permitted.

The Conceptual Framework for Financial Reporting in the Public Sector

In January 2021, the Public Sector Accounting Board (PSAB) issued two Exposure Drafts (ED) that propose a revised Conceptual Framework and consequential amendments to related standards of the Public Sector Accounting Handbook.

The first of these is *The Conceptual Framework for Financial Reporting in the Public Sector* ED which proposes a revised Conceptual Framework that would include the following ten chapters and would replace the conceptual aspects of PS 1000 *Financial Statement Concepts* and PS 1100 *Financial Statement Objectives*:

- 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

The proposed revised Conceptual Framework will not have an immediate effect on the financial statements of most reporting entities. However, entities could be affected by the changes if they need to use the revised Conceptual Framework to develop or select accounting policies when no standard specifically applies to a particular economic resource, economic obligations, transaction or other event. In such circumstances, the revised Conceptual Framework would be applied immediately and prospectively and may lead entities to review their financial statement disclosures.

The second ED issued on this topic, *Consequential Amendments Arising from the Proposed Conceptual Framework* ED, proposes further consequential amendments as discussed below and should be read in conjunction with this ED.

Concurrent with the publication of these two EDs, PSAB issued the *Financial Statement Presentation, Proposed Section PS 1202* ED, which builds on the foundational concepts in these EDs and should be read after the EDs on the proposed Conceptual Framework.

Consequential Amendments Arising from the Proposed Conceptual Framework

In January 2021, the Public Sector Accounting Board (PSAB) issued an Exposure Draft (ED) *Consequential Amendments Arising from the Proposed Conceptual Framework* which sets out to amend the CPA Canada Public Sector Accounting (PSA) Handbook to be consistent with the proposed Conceptual Framework outlined in *The Conceptual Framework for Financial Reporting in the Public Sector* ED. In addition to proposing to withdraw the existing conceptual framework, the main amendments to the PSA Handbook proposed include editorial amendments to:

- References to the existing conceptual framework
- The general application standards PS 3200 *Liabilities* and PS 3210 *Assets*
- PS 3400 *Revenue* for refinements to the definition of “revenue”
- The “Introduction to Public Sector Accounting Standards”
- PS 2100 *Disclosure of Accounting Policies*
 - References to “measurement uncertainty”, “service capacity” and “reliability”, and
- Revise the definition of “materiality”.

PSAB expects to issue the final amendments after it finalizes the proposed Conceptual Framework, and similar to the Conceptual Framework, these amendments will be effective immediately when issued.

Financial Statement Presentation, Proposed Section PS 1202

In January 2021, the Public Sector Accounting Board (PSAB) issued two Exposure Drafts (ED) which propose a revised financial reporting model that will be achieved through updates to the financial statement presentation standard and consequential amendments to other related standards.

The first of these, the *Financial Statement Presentation, Proposed Section PS 1202* ED, proposes new Section PS 1202 *Financial Statement Presentation* that would build, improve upon and replace PS 1201 *Financial Statement Presentation* in order to improve understandability and provide financial statement users with better information for accountability purposes.

The main features of this ED as it relates to the financial statement package include:

- A revised statement of financial position which would see the net debt indicator relocated to its own statement (the statement of net financial assets or net financial liabilities) and the net debt position renamed as “net financial liabilities”, among other structure changes.
- A new statement of net financial assets or net financial liabilities, which will present more prominently the net financial assets or net financial liabilities indicator and remove the requirement to present a statement of change in net debt.
- A substantially unchanged statement of operations.
- A new statement of changes in net assets or net liabilities which will show the reconciliation between the opening and closing balances of each component of net assets or net liabilities.
- A change to the statement of cash flow where financing activities are proposed to be isolated.

The ED also features new budget requirements proposing that the budget amounts on the financial statements should be presented on the same basis as the actual amounts in order to increase the understandability of the actual-to-budget comparison. The ED also proposes disclosure requirements for when budget information is not prepared or approved and outlines proposed situations for when an entity may present an amended approved budget.

PS 1202 would apply to all entities that prepare financial statements in accordance with the PSA Handbook, except for those applying the PS 4200 series and the reporting model contained therein. The proposed amendments would be effective for fiscal years beginning on or after April 1, 2024. Earlier adoption would be permitted.

The second ED issued on this topic, *Consequential Amendments Arising from the Financial Statement Presentation Standard, Proposed Section PS 1202* ED, proposes further consequential amendments as discussed below and should be read in conjunction with this ED.

Concurrent with the publication of these two EDs, PSAB issued *The Conceptual Framework for Financial Reporting in the Public Sector* ED as the proposed Conceptual Framework and the principles for a financial statement presentation standard are interrelated. Accordingly, *The Conceptual Framework for Financial Reporting in the Public Sector* ED should be read first.

Consequential Amendments Arising from the Financial Statement Presentation Standard, Proposed Section PS 1202

In January 2021, the Public Sector Accounting Board (PSAB) issued the *Consequential Amendments Arising from the Financial Statement Presentation Standard, Proposed Section PS 1202* Exposure Draft (ED) which sets out to amend the CPA Canada Public Sector Accounting (PSA) Handbook to be consistent with the proposed financial statement presentation standard outlined in the *Financial Statement Presentation, Proposed Section PS 1202* ED.

In addition to proposing to withdraw the existing reporting model standard PS 1201 *Financial Statement Presentation*, the main amendments to the PSA Handbook proposed include editorial amendments to:

- References to PS 1201 *Financial Statement Presentations*
- Acknowledge multiple components of net assets or net liabilities
- References to:
 - “net debt” or “change in net debt”
 - “statement of remeasurement gains and losses”
- Introduce “financial instrument assets” and “financial instrument liabilities”
- Recognize financial liabilities and non-financial liabilities
- Introduce new effective dates and transitional provisions relating to proposed changes to existing standards

PSAB expects to issue the final amendments after it finalizes proposed PS 1202 *Financial Statement Presentation*. The proposed amendments would also be effective for fiscal years beginning on or after April 1, 2024. Earlier adoption would be permitted. The proposed consequential amendments would be applied retroactively with restatement of prior periods.

MADE ^{IN} CANADA

And proud of it!

At MNP we're proud to be the national accounting, consulting and tax firm that is 100% Made in Canada.

Our history defines who we are and our approach to business. Being a Canadian firm has helped shape our values, our collaborative approach, and the way we work with our clients, engaging them every step of the way.

We have a unique perspective. Our decisions are made here – decisions that drive Canadian business and help us all achieve success — and we know the impact that our choices have on the cities and towns we call home.

Throughout our six decades of work, we've seen our communities are more than just a place we do business in. They're a place where our families live, play, and thrive, and we work to make them the best places they can be.

Being 100% Canadian is something we wear proudly. This country provides us with great opportunities, and we're here to help our clients seize the opportunities so we can create a brighter future for the generations to come.





Wherever business takes you

[MNP.ca](https://www.mnp.ca)