

January 30, 2020

Michael Puskaric, CPA, CMA  
Director, Public Sector Accounting  
Public Sector Accounting Board  
277 Wellington Street West  
Toronto, ON M5V 3H2

**Re: Purchased Intangibles: Narrow-Scope Amendments**

Dear Sir,

Thank you for the opportunity to comment on the above-noted exposure draft (“ED”). MNP LLP is one of Canada’s largest chartered professional accountancy and business advisory firms, with a significant focus on clients in the public sector (specifically Indigenous governments). We believe that we are well positioned to provide feedback on this important issue.

We have reviewed the ED and have provided our responses to the question below.

**Do you agree that the PSA Handbook should allow recognition in public sector financial statements of intangibles purchased through exchange transaction, as proposed in the specific narrow-scope amendments for Sections PS 1000 and PS 1201 in this Exposure Draft? Why or why not?**

Yes, we agree with purchased intangibles being recorded as assets. For many of our clients, this solves the mis-match scenario where an intangible such as a license is purchased with debt, but the license itself is expensed. This may also address the recent issue of how to record cloud computing services that is a frequent topic raised by our public sector clients.

We have a concern with restricting the amendment to “purchased” intangibles. We think this may generate a comparability problem. As there exists variability across the country with respect to Indigenous treaties and organizational structures for Indigenous governments, there could be scenarios where intangibles such as the ones being contemplated in the proposed amendment (e.g., fishing or timber licenses) exist that have not been purchased. By restricting asset recognition to “purchased” intangibles, we could see some governments with assets recorded, and some without assets recorded, for example:

- Intangibles contributed/pushed down from other levels of government as part of treaty negotiations or other processes; or
- Intangibles transferred to a government in a reorganization of government business operations.

In these cases, a value may be easily identifiable as other governments or commercial entities would have purchased those same licenses/rights. Under the proposed change, only governments who have purchased the license would record an asset. Therefore, Community A may have an intangible asset recorded for a fishing license, and Community B may not have an intangible asset recorded for a virtually

identical license, simply due to how the license was acquired. In both cases, the values are relatively easily determinable, due to active markets or bidding processes.

While the proposed amendment does scope out “inherited intangibles”, we feel there is still room to look at intangibles acquired through transactional or negotiated methods. Most often these intangibles have a commercial counterpart (e.g., fishing or timber licenses) and provide service potential to the community. Measurement guidance may be needed in these scenarios where intangibles are acquired through means other than a purchase. We encourage PSAB to consider the impact to comparability and whether the restriction to “purchased” intangibles creates an unintended loss of comparability.

For clarification, we are not in favor of delaying adoption of the narrow-scope amendments for purchased intangibles to address the concern we have raised above. We feel that the purchased intangibles amendment will solve a current problem in Indigenous financial reporting, and the other issues raised in our response can be dealt with in a future project.

We would be pleased to offer our assistance to the PSAB in further exploring issues raised in our response or in finding alternative solutions to meet financial statement users’ needs.

MNP LLP is one of Canada’s largest chartered professional accountancy and business advisory firms. Our clients include small to mid-size owner-managed business in agriculture, agribusiness, retail and manufacturing as well as credit unions, co-operatives, Indigenous communities, medical and legal professionals, not-for-profit organizations, municipalities and government entities. In addition, our client base includes a sizeable contingent of publicly traded companies.

Yours truly,  
**MNP LLP**

*Scott Walker*

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