

## **New and Proposed Changes to PSA HB Sections for the Two Years Ended**

June 30, 2020

NEW AND AMENDED STANDARDS	DATE ISSUED	EFFECTIVE DATE
<a href="#">2018 - 2019 Annual Improvements to Public Sector Accounting Standards (Amendment)</a>	September 2019	Effective for fiscal years beginning on or after April 1, 2020 and should be applied retrospectively. Early adoption is permitted.
<a href="#">PS 1201 Financial Statement Presentation (New)</a>	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, 2021. Early adoption is permitted.
<a href="#">PS 2601 Foreign Currency Translation (New)</a>	September 2015	Effective in the same period PS 3450 is adopted. PS 2601 and PS 3450 are effective for fiscal years beginning on or after April 1, 2021. Early adoption is permitted.
<a href="#">PS 3041 Portfolio Investments (New)</a>	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, 2021. Early adoption is permitted.
<a href="#">PS 3280 Asset Retirement Obligations (New)</a>	August 2018	Effective for fiscal years beginning on or after April 1, 2021. Early adoption is permitted.
<a href="#">PS 3400 Revenue (New)</a>	November 2018	Effective for fiscal years beginning on or after April 1, 2022. Early adoption is permitted.
<a href="#">PS 3450 Financial Instruments (New and Amendment)</a>	August/September 2015	Effective for fiscal years beginning on or after April 1, 2021. In the period that a public sector entity applies PS 3450, it also applies PS 1201 and PS 2601. Early adoption is permitted.
<a href="#">PS 3450 Financial Instruments (Amendment)</a>	April 2020	Effective for fiscal years beginning on or after April 1, 2021. Early adoption is permitted.



EXPOSURE DRAFTS	DATE ISSUED	EFFECTIVE DATE
<a href="#">2019 – 2020 Annual Improvements to Public Sector Accounting Standards</a>	January 2020	Proposed to be effective for fiscal years beginning on or after April 1, 2021. Earlier application is permitted.
<a href="#">Financial Instruments: Federal Government Narrow-Scope Amendments</a>	January 2020	No date yet specified.
<a href="#">Purchased Intangibles: Narrow-Scope Amendments</a>	November 2019	Proposed to be effective for fiscal years beginning on or after April 1, 2021. Earlier application is permitted.
<a href="#">Public Private Partnerships</a>	November 2019	Proposed to be effective for fiscal years beginning on or after April 1, 2022. Earlier application would be permitted.

## **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.

### **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. Early adoption is permitted.

### **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 3450 is adopted. PS 2601 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. Early adoption is 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. Early adoption is permitted.

#### **PS 3280 Asset Retirement Obligations (New)**

In August 2018, new PS 3280 *Assets 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 is effective for fiscal years beginning on or after April 1, 2021. Early adoption is 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 is effective for fiscal years beginning on or after April 1, 2022. Early adoption is 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. 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)***

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 are effective for fiscal years beginning on or after April 1, 2021. Early application is permitted.

## **Exposure Drafts**

### ***2019 - 2020 Annual Improvements to Public Sector Accounting Standards***

In January 2020, the Public Sector Accounting Board (PSAB) issued its annual improvements Exposure Draft (ED) to correct errors in wording or clarify the PSA Handbook and other guidance. The ED reflects the following proposed improvements:

- Clarification of the transitional provisions, i.e., method of application and effective dates, for consequential amendments;
- 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 proposed to be effective for fiscal years beginning on or after April 1, 2021. Earlier application will be permitted. The amendments are proposed to be applied retrospectively.

### ***Financial Instruments: Federal Government Narrow-Scope Amendments***

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

The narrow-scope amendment proposed in this ED includes the special presentation of foreign exchange gains or losses resulting from transactions intended to sustain foreign exchange reserves and orderly conditions in the foreign exchange market for the Canadian dollar or to aid foreign countries. These gains and losses would be presented directly in the statement of operations for financial instruments associated with Canada's foreign reserves. This would have an impact on the annual surplus/deficit to provide greater transparency to the federal government's financial results.

An effective date for the proposed amendments has not yet been determined.

### ***Purchased Intangibles: Narrow Scope Amendment***

In November 2019, the Public Sector Accounting Board (PSAB) issued an Exposure Draft (ED) which proposes to amend PS 1000 *Financial Statement Concepts* and PS 1201 *Financial Statement Presentation*.

The ED proposes to remove the recognition prohibition in PS 1000 and the disclosure requirements in PS 1201 relating to purchased intangibles and thus, allow the recognition of purchased intangibles in public sector financial statements.

The amendments are proposed to be effective for fiscal years beginning on or after April 1, 2021. Earlier application is permitted.

### ***Public Private Partnerships***

In November 2019, the Public Sector Accounting Board (PSAB) issued an Exposure Draft (ED) that proposes to issue a new Section, PS 3160 *Public Private Partnerships*, which would contain new requirements for recognizing, measuring, and classifying infrastructure procured through a public private partnership. The main features of this ED include:

- PS 3160 would apply 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 infrastructures;
  - Finance the transaction past the point where the infrastructure is ready for use; and
  - Operate and/or maintain the infrastructure.
- Public private partnership infrastructure would be recognized as an asset when the public sector entity acquires control of the infrastructure.



- An infrastructure asset acquired in an exchange transaction would 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, would 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 would reflect the public sector entity's payment to settle the liability and finance charges being passed on to the public sector entity through the public private partnership agreement.
  - For the subsequent measurement of the performance obligations, the revenues would be recognized, and the liability reduced in accordance with the substance of public private partnership agreement.

The ED is proposed to be effective for fiscal years beginning on or after April 1, 2022. Earlier application would be permitted.

# MADE <sup>IN</sup> CANADA

## And Proud of it!

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

Why is this important? Because it defines who we are and our approach to business. It has helped shape our values, our collaborative approach and the way we work with our clients, engaging them every step of the way.

Our history gives us a unique perspective. We know Canada because we are a part of Canada. All of our decisions are made here – decisions that drive Canadian business and help us all further achieve success.

And the sense of strong Canadian commitment, being a part of every community we live and work in, and always being there through prosperous and challenging times.

Being 100% Canadian is something we wear proudly because we know the great opportunities that exist here. The opportunities that have been afforded to our firm, the same opportunities that we deliver to our clients.



## ABOUT MNP

MNP is a leading national accounting, tax and business consulting firm in Canada. We proudly serve and respond to the needs of our clients in the public, private and not-for-profit sectors. Through partner-led engagements, we provide a collaborative, cost-effective approach to doing business and personalized strategies to help organizations succeed across the country and around the world.

KINCENTRIC  
Best Employer

CANADA 2019



Praxity AISBL is a global alliance of independent firms. Organised as an international not-for-profit entity under Belgium law, Praxity has its executive office in Epsom. Praxity – Global Alliance Limited is a not-for-profit company registered in England and Wales, limited by guarantee, and has its registered office in England. As an Alliance, Praxity does not practice the profession of public accountancy or provide audit, tax, consulting or other professional services of any type to third parties. The Alliance does not constitute a joint venture, partnership or network between participating firms. Because the Alliance firms are independent, Praxity does not guarantee the services or the quality of services provided by participating firms.

ACCOUNTING › CONSULTING › TAX

[MNP.ca](http://MNP.ca)

Wherever business  
takes you.

