



December 8, 2008

**Message from the Chair of the
Public Sector Accounting Board
Regarding Accounting Standards for Government Business Enterprises
and Government Business-type Organizations Applying the
CICA Handbook – Accounting**

I am writing to provide you with an update on the application of International Financial Reporting Standards to government business enterprises and government business-type organizations.

The Public Sector Accounting Board (PSAB) establishes generally accepted accounting principles (GAAP) for governments and government organizations, including government business enterprises and government business-type organizations. These organizations have traditionally followed GAAP for profit-oriented enterprises. Other government organizations self-select their source of GAAP. Government not-for-profit organizations are being addressed separately.

Following extensive and widespread consultation with stakeholders, including government organizations, the Accounting Standard Board (AcSB) decided that Canadian GAAP for publicly accountable enterprises would adopt International Financial Reporting Standards (IFRS) with effect in 2011.

PSAB was asked to clarify whether the traditional requirement, confirmed in the Introduction to the Public Sector Accounting Handbook, that those government organizations that tend to follow commercial practices should prepare their financial statements in accordance with GAAP for profit-oriented enterprises would continue.

PSAB proposed maintaining status quo, whereby government business enterprises and government business-type organizations should continue their practice of preparing their statements in accordance with GAAP for profit-oriented enterprises. The proposals were released for public comment and were supported by most commentators. Accordingly, PSAB confirmed that government business enterprises and government business-type organizations would continue to follow profit-oriented GAAP which, for publicly accountable enterprises, would be International Financial Reporting Standards for financial statements relating to years beginning on or after January 1, 2011.

PSAB has subsequently heard concerns expressed about continuing this practice and stakeholders have asked that the previous decision be re-evaluated. At PSAB's meeting on November 17-18, 2008, they agreed to do so, and have directed staff to develop an Invitation to Comment for approval



at a special meeting in January 2009 seeking additional input from all of its stakeholders on this issue.

PSAB recognizes the time sensitivity and will act expeditiously to arrive at a fully considered resolution. I urge you to provide us with your thoughts and input on the forthcoming Invitation to Comment.

A handwritten signature in black ink that reads 'Nola Buhr'. The signature is written in a cursive, flowing style.

Nola Buhr, CA, PhD
Chair, Public Sector Accounting Board