

Frequently Asked Questions

FAQ: Accounting Standards for Government Not-for-Profit Organizations (GNFPOs)

1. Who sets accounting standards for government entities in the public sector?

In Canada, it is the mandate of the Public Sector Accounting Board (PSAB) to issue standards and guidance on accounting matters for the public sector. Public sector refers to federal, provincial, territorial and local governments, government organizations, government partnerships and school boards.

2. What is the definition of a GNFPO? How do I determine if my organization is considered to be a GNFPO?

A GNFPO is an organization that is controlled by the government. It has counterparts outside of the public sector; is an entity normally without transferable ownership interests; is an entity organized and operated exclusively for social, educational, professional, religious, health, charitable or any other not-for-profit purpose; and its members, contributors and other resource providers do not receive any financial return directly from the organization. A GNFPO must exhibit all of the characteristics above.

3. If I am not a GNFPO, what kind of organization might I be? And how do I find out?

To determine what kind of organization you are, refer to the Introduction to Accounting Standards in the CICA Public Sector Accounting Handbook or the decision tree, [Determining an Organization's Basis of GAAP](#). Other types of government entities include other government organizations and government business enterprises.

4. What is the CICA Public Sector Handbook (also referred to as the PSA Handbook)? How do I access it?

This is the Handbook that contains the public sector accounting standards followed by governments in Canada (federal, provincial, territorial and municipal), as well as many government-controlled organizations. The CICA Public Sector Accounting Handbook, along with the CICA Handbook Accounting – and CICA Handbook – Assurance are available on a subscription basis through Knotia. Call 1-866-256-6842 or visit www.knotia.ca for more information.

5. What standards do GNFPOs currently follow?

GNFPOs currently follow the CICA Handbook – Accounting.

6. Why are GNFPs being asked to follow another set of accounting standards?

Adoption of a new strategic plan by the Canadian Accounting Standards Board (AcSB) made it necessary to consider the future of financial reporting by not-for-profit organizations. The CICA Handbook – Accounting is being restructured and the accounting standards currently followed by GNFPs (now in Part V of that Handbook) will be replaced effective in 2012. As a result, PSAB needed to consider what the appropriate accounting standard for GNFPs would be starting in 2012.

7. Am I required to transition to the CICA Public Sector Accounting Handbook (also referred to as the PSA Handbook)? Or may I choose to follow another financial reporting framework?

As of January 1, 2012, GNFPs will be required to follow either the CICA Public Sector Accounting Handbook, including Sections PS 4200 to PS 4270 or, alternatively, the CICA Public Sector Accounting Handbook without Sections PS 4200 to PS 4270.

8. When do the new standards for not-for-profit organizations come into effect?

GNFPs will be required to transition from the CICA Handbook – Accounting (now Part V) to the CICA Public Sector Accounting Handbook for fiscal periods beginning on or after January 1, 2012.

9. Can I early adopt the new standards?

Yes, a GNFP can elect to early adopt the CICA Public Sector Accounting Handbook. A GNFP that chooses to do so should be aware of possible changes to standards in the areas of financial instruments and foreign currency. New standards in these areas are expected to be issued prior to 2012. Early adoption may require a GNFP to transition to existing standards in the CICA Public Sector Accounting Handbook and then to the new standards once they are issued.

10. What accounting standards do I follow until 2012?

A GNFP will continue to follow Part V of the CICA Handbook – Accounting until transitioning to the new standards in 2012, unless it chooses early adoption.

11. Can I choose to follow International Financial Reporting Standards (IFRSs)?

No, GNFPs do not have the option to follow IFRSs. IFRSs are designed for commercial-type organizations.

12. Can I choose to follow accounting standards for private enterprises?

No, GNFPOs do not have the option to follow accounting standards for private enterprises. These standards were designed to address the reporting needs of those entities with limited financial statement users – users that are able to obtain additional information from the entity as needed. Alternatively, GNFPOs provide goods and services to the public and are therefore accountable to the public.

13. What is the 4400 series? What is the PS 4200 series?

The 4400 series refers to the standards in the CICA Handbook – Accounting currently followed by not-for-profit organizations in the public and private sector (now in Part V). When these standards were brought into the CICA Public Sector Accounting Handbook, they were renumbered Sections PS 4200 to PS 4270 (i.e., the PS 4200 series). The standards address accounting issues commonly encountered by GNFPOs, such as how to account for contributions and collections.

14. What will the main similarities and differences be when I move from the CICA Handbook – Accounting to the CICA Public Sector Accounting Handbook (also referred to as the PSA Handbook)?

Many of the principles and concepts underlying the two Handbooks are similar. GNFPOs will be able to continue their existing accounting for matters covered in the PS 4200 series, with a few exceptions, on their transition to the CICA Public Sector Accounting Handbook. It is areas that are not addressed in the PS 4200 series where GNFPOs may need to change their accounting policies. For example, in areas such as retirement benefits and post-employment benefits, leased tangible capital assets and financial instruments, policy changes may be required. A [Summary Comparison of CICA Public Sector Accounting Handbook and CICA Handbook – Accounting](#) highlights similarities and differences between the two Handbooks.

15. Are the standards for GNFPOs similar to those proposed in the March 2010 Exposure Draft, “Financial Reporting by Government Not-for-Profit Organizations”?

The main difference is that GNFPOs are now provided with a choice to follow Sections PS 4200 to PS 4270 (the PS 4200 series) plus the CICA Public Sector Accounting Handbook or, alternatively, the CICA Public Sector Accounting Handbook without the 4200 series. The option of following the CICA Public Sector Accounting Handbook without the PS 4200 series will allow GNFPOs to follow the same basis of accounting as do many other government organizations.

16. What information is found in the Introduction to Public Sector Accounting Standards?

Is it important that I read it?

Acting as the gatekeeper to the CICA Public Sector Accounting Handbook, the Introduction provides an abundance of valuable information. The Introduction defines the different types of government organizations, provides directions as to their appropriate accounting standards and includes transitional guidance on adoption of the CICA Public Sector Accounting Handbook.

17. What are the advantages for GNFPOs transitioning to public sector accounting?

The financial reporting of GNFPOs will now be on a consistent basis with those of many other government organizations and their government reporting entity. Many of the key users of GNFPO financial statements are the same users as those of other government organization financial statements (for example, the public and legislators). These users are familiar with and understand the public sector reporting framework within the CICA Public Sector Accounting Handbook.

18. Where should I look if there is no guidance in the CICA Public Sector Accounting Handbook (also referred to as the PSA Handbook) on a specific matter?

Section PS 1150, *Generally Accepted Accounting Principles*, provides guidance to organizations when the CICA Public Sector Accounting Handbook is silent on specific matters and refers to other sources of GAAP that may be referred to.

19. Can I use the guidance in the PS 4200 series if I am not a GNFPO?

No, government organizations that are not GNFPOs should only refer to Sections PS 4200 to PS 4270 (the PS 4200 series) as another source if the remainder of the CICA Public Sector Accounting Handbook is silent on the matter and the standards in the PS 4200 series are consistent with the conceptual framework in the CICA Public Sector Accounting Handbook.

20. Is there first-time adoption and transition guidance?

Yes, Section PS 2125, *First-time Adoption by Government Organizations*, provides guidance on preparing the first set of financial statements under the CICA Public Sector Accounting Handbook. A number of exemptions are offered to make the transition process less onerous.

21. Is PSAB planning to make changes to the PS 4200 series in the near future? If so, what is the process for these changes and when will they be completed?

While no changes have been identified at this time, PSAB and the Accounting Standards Board have agreed to perform a joint review of the standards for both the public and private sector. Included in the joint review will be an assessment of the various aspects of the PS 4200 series relative to other requirements in the CICA Public Sector Accounting Handbook. Further communications will be issued regarding the timing and content of this review.

22. What source of GAAP will be referenced on my organization's financial statements?

Canadian public sector accounting standards.

23. How can I get involved in the standard-setting process? How do I share my opinions on existing and new public sector accounting standards?

PSAB follows a rigorous consultative process in the development of public sector accounting standards. As part of the due process, PSAB surveys constituents about what issues they consider to be priorities, does research, appoints Task Forces, develops Statements of Principle and, issues Exposure Drafts for public comment, prior to publishing final standards. All stakeholders are welcome to provide feedback on its documents for comment.

24. Where can I access the new standards?

Standards are available, on a subscription basis, through Knotia. To learn more about how to access the standards, go to www.knotia.ca or call 1-800-256-6842.

25. Where can I get more information and resources for GNFPOs transitioning to the CICA Public Sector Accounting Handbook (also referred to as the PSA Handbook)?

There are a number of free resources available if you are interested in learning more on this topic. You can read the [Basis for Conclusions](#) document, and the [Summary Comparison of the CICA Public Sector Accounting Handbook and the CICA Handbook – Accounting](#) that are available on the PSAB website.

26. If I have questions about accounting standards that apply only to GNFPOs, who do I contact?

You can contact Jim Keates, Principal, Public Sector Accounting, at jim.keates@cica.ca or call 1-416-204-3282.