

The Proposed Standard

This proposed standard sets out principles for reporting of government transfers to individuals, organizations and other governments in both transferring and recipient government financial statements. Responses are requested by September 15, 2009.

PSAB has issued a Re-Exposure Draft (Re-ED) with new government transfers proposals for public comment.

When does a recipient government recognize an operating transfer?

An operating transfer is recognized in revenue unless the transfer terms create a liability for the recipient. Or a liability may exist because the transfer terms and the actions and communications of the recipient government direct the use of the funds for specific purposes. In both cases, revenue would be recognized as the liability is discharged.

When does a recipient government recognize a capital transfer?

A capital transfer is recognized as a deferred capital contribution. They are not liabilities and should be excluded from the calculation of net debt and must be reported separately below non-financial assets. They are recognized in revenue as the related capital asset is recognized in expenses, such as through depreciation.

When does a transferor recognize a transfer?

A transferring government recognizes a transfer in expenses when the transfer has been authorized and recipients have met its eligibility criteria. This rule applies to operating and capital transfers.

What are eligibility criteria?

Eligibility criteria are transfer terms that state what a recipient must do or be in order to get a transfer.

Some operating transfers may be liabilities and most capital transfers would be reported in revenue as the asset is used.

What are stipulations?

Stipulations are terms a recipient has to meet in order to keep a transfer. Examples are time, purpose and accountability requirements that affect how and/or when a transfer is used.

Stipulations may affect when a recipient government recognizes a transfer in revenue.

When is a transfer authorized for financial statement purposes?

For a recipient government, a transfer is authorized when the enabling legislation, regulations or by-laws have been fully approved by the transferring government and that authority has been exercised in some manner.

This same authorization requirement would apply to a transferring government in most cases. However, in rare cases, a transfer might be considered authorized by a transferor before it has been fully approved by the legislature or council. It requires evidence to be in place by year end that the government is committed to the transfer and approval of the transfer before the financial statements are completed.

So, the same transfer might be considered authorized for a recipient government in a later fiscal period than for the transferring government – particularly for transfers authorized at or near the fiscal year end.

Go to www.psab-ccsp.ca to view the Re-ED