

Proposed Statement of Principles

PSAB has issued a Statement of Principles (SOP) that proposes standards for issuing financial statements at the government entity level. Responses are requested by September 28, 2009.

Why look at issuing a standard on financial reporting for government entities?

Doesn't the CICA Public Sector Accounting Handbook (PSA Handbook) address the issues already? The PSA Handbook sets out the sources of generally accepted accounting principles (GAAP) for governments and various categories of government entities in Canada. Whereas the standards in the PSA Handbook are directed towards a government as a whole, some of the issues faced by other government organizations that use the PSA Handbook have not yet been addressed. The SOP proposes guidance to government organizations (entities) that source their GAAP from the PSA Handbook.

Does the SOP require government entities to issue financial statements?

No, the principles in the SOP apply to those government entities that choose or are directed by their governments to issue general purpose financial statements according to the PSA Handbook.

This SOP applies to those government entities that issue general purpose financial statements according to the PSA Handbook, and addresses those issues specific to entity level financial statements.

What specific accounting and financial reporting issues are addressed in the SOP? Based on the definitions of elements in the conceptual framework, the SOP provides guidance to entities to determine which assets and liabilities should be recognized in a set of entity level financial

statements.

The SOP proposes:

- appropriations received or receivable from an entity's controlling government should be separately identified and reported at gross amounts in arriving at surplus or deficit for the period, and reconciled with authorized amounts;
- intra-government transactions, as related party transactions, should be recognized in the financial statements on a gross basis by both the providing and recipient entities, at an amount that is determined by the providing entity; and
- an entity should report agency activities, and exclude administrative activities from its financial statements.

Go to www.psab-ccsp.ca to view the SOP.