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PSAB MISSION AND VISION

PSAB serves the public interest by setting standards and providing guidance for financial and other information reported in the public sector by:

- Establishing independent, conceptually based standards and other guidance through consultation and communication
- Contributing to the development of internationally accepted standards

PSAB's vision is that users understand and have confidence in public sector reporting.

UPCOMING PSAB MEETINGS

- June 14-15, 2010
- September 23-24, 2010
- December 9-10, 2010
- March 24-25, 2011

You can access [meeting agendas](#) 10 days prior to the meeting and the [Decision Summaries](#) 10 days after the meeting.

MESSAGE FROM THE CHAIR



I am very pleased to share with you the first issue of *PSAB Matters*. The purpose of *PSAB Matters* is to make you aware of our latest decisions and discussions on projects, and provide you with a summary of important dates and news. This e-newsletter will be issued four times a year following each Public Sector Accounting Board (PSAB) meeting. For your convenience, *PSAB Matters* will be available on our website, with the most current version on our home page, and the past versions archived.

One section in each issue of *PSAB Matters* will be dedicated to the discussion and descriptions of topics in the CICA Public Sector Accounting Handbook. We hope that this will foster a common understanding that leads to a productive and beneficial conversation in the future. We have chosen to launch this section with a series of discussions on the various components of the existing public sector accounting conceptual framework (see [Conceptual Framework](#)) to support PSAB's strategy to review the conceptual framework in the near future.

The past year has been a fruitful one for PSAB. We have made significant progress in our technical agenda (see [Highlights of New Standards](#)) and have made strides in improving our communications with stakeholders (see [What's New](#)). As we depart from 2009-2010, I want to thank the important contributions of four PSAB members (David Cluff, Vivian Lund, Kim MacPherson and Bernard Turgeon) who recently completed their term(s) serving at the Board. I also want to thank:

- Andrew Lennox, Chair of the Tax Revenue Task Force
- Doug Lynkowski, Chair of the Liability for Contaminated Sites Task Force
- Terry Paton, Chair of the Financial Reporting by Government Organizations Task Force

for their valuable contributions to the successful development of new and amended public sector accounting standards.

PSAB's new 2010-2013 Strategic Plan sets out the strategic directions that will guide our activities over the next three years. A copy will be posted on the PSAB website. The key strategic directions include a review of the public sector accounting conceptual framework and broadening the

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application of the CICA Public Sector Accounting Handbook to government not-for-profit organizations, school boards and First Nations.

Following PSAB's recent proposal to incorporate the existing generally accepted accounting principles for not-for-profit organizations into the CICA Public Sector Accounting Handbook, and as part of its Strategic Plan, the Board will continue to address financial reporting issues of government organizations that are now defined as government not-for-profit organizations. You can monitor the developments of this strategy in the [Project Status](#) section in future issues of *PSAB Matters*, which provides an up-to-date summary on issues raised at various stages of due process by projects.

2010-2011 is shaping up to be a busy standard-setting year with various government organizations moving into the CICA Public Sector Accounting Handbook, and the work that will be required to manage the transition and communicate the changes to those affected (see [Upcoming Events](#)). We expect to finalize both the Financial Instruments and Government Transfers projects in the coming year. Stay tuned for the new and amended public sector accounting standards that are expected to be issued in 2010-2011.

On behalf of the Board and its staff, I welcome and look forward to working with four new PSAB members:

- Byron Rafuse, Associate Deputy Minister of Finance of the Province of Nova Scotia
- James Ralston, Comptroller General of Canada
- Tim Wiles, Deputy Minister of Finance and Enterprise of the Province of Alberta
- Cam Weldon, Deputy City Manager and Chief Financial Officer of the City of Toronto

recently appointed to the Board for 3-year terms by the Accounting Standards Oversight Council.

John Wiersema, FCA

Chair of the Public Sector Accounting Board

Learn more about PSAB members by clicking [here](#).

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CONCEPTUAL FRAMEWORK

What is it?

A conceptual framework is a set of concepts and principles that standard setters use to develop accounting and financial reporting standards, and preparers and auditors refer to when specific standards do not exist.

The public sector accounting conceptual framework is described in Section PS 1000, *Financial Statement Concepts*, and Section PS 1100, *Financial Statement Objectives*, of the CICA Public Sector Accounting Handbook. The framework provides answers to the following questions:

- How are governments and their operations different from the private sector?
- Who are the users of government financial statements and what are their information needs?
- What are the objectives of government financial statements?
- What is considered high-quality and useful accounting information?
- What are the items reported in government financial statements and why?

Why do we need one?

A conceptual framework is the foundation for development of conceptually sound, independent and consistent accounting standards – standards that are based on the information needs of users and the objectives of government financial statements, and reflect the unique nature of government operations. Concepts and principles in the conceptual framework guide standard setters to decide what transactions, events and circumstances should be reported in financial statements, and how they should be measured and presented. They are important evaluation tools for assessing the merits of alternatives for resolving accounting and financial reporting issues.

Accounting standards and guidance must be established independently of those who prepare and audit financial statements. Independently established standards serve the public interest from the perspective of improving the accountability of those responsible for managing public money and other resources and enhancing consistency in financial reporting.

The framework serves as the basic reasoning for stakeholder and standard setter debate on whether one solution to a financial reporting issue is better than the others. It reduces the influence of views, beliefs and biases of

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staff, Board members and certain stakeholder groups in making accounting judgments. It enhances the quality, objectivity and credibility of financial reporting standards.

The conceptual framework is a useful reference for preparers and auditors of financial statements when they apply the principles-based standards and when establishing accounting policies for transactions or events not specifically addressed in existing standards. In areas where accounting options exist, the conceptual framework provides the means to support the exercise of professional judgment.

HIGHLIGHTS OF NEW STANDARDS

This section summarizes the main features and, where applicable, the impacts of public sector accounting standards approved by PSAB in 2009-2010, including:

- Section PS 3510, *Tax Revenue*
- Section PS 3260, *Liability for Contaminated Sites*
- Amendments to the Introduction to Public Sector Accounting Standards
- Withdrawal of Section PS 3800, *Government Assistance – Application of CICA Handbook - Accounting Section 3800*

A summary of the effective dates of new and amended standards can be accessed [here](#).

Tax Revenue

Section PS 3510, *Tax Revenue*, sets out the recognition criteria and reporting requirements of tax revenue. It also provides guidance on a number of tax related accounting issues, including taxes imposed on behalf of others, taxes collected on behalf of others, transfers made through a tax system that are available to people who may not pay tax, and tax concessions that are only available to taxpayers (such as tax credits and deductions). Depending on a government's current practice, implementation of this standard may affect the gross/net reporting of certain tax related revenue/expense and may have implications for budgeting and appropriations. A Basis for Conclusion document can be accessed [here](#).

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Liability for Contaminated Sites

Section PS 3260, *Liability for Contaminated Sites*, addresses the recognition criteria, measurement and disclosure requirements for reporting liabilities associated with remediation of contaminated sites that either are not in use or resulted from unexpected environmental events (such as a toxic spill or natural disaster). It also provides guidance on each of the recognition criteria, as well as issues related to initial and subsequent measurement based on the principles in Sections PS 3200, *Liabilities*, PS 3300, *Contingent Liabilities*, and PS 3390, *Contractual Obligations*.

Introduction to Public Sector Accounting Standards

PSAB approved two amendments to the Introduction.

The first amendment confirms that government business enterprises should follow International Financial Reporting Standards (IFRSs), requires reclassification of government business-type organizations to either government not-for-profit organizations or other government organizations, and allows some other government organizations to follow IFRSs instead of the CICA Public Sector Accounting Handbook for fiscal periods beginning on or after January 1, 2011.

The second amendment removes Appendix B, Standards Applicable to Government Organizations, from the Introduction. This amendment reflects the Board's earlier decision not to override IFRSs by requiring government organizations that follow IFRSs to adhere to additional public sector accounting standards. With this amendment, government organizations that adopt IFRSs in 2011 will not be required to apply Sections PS 3270, *Solid Waste Landfill Closure and Post-closure Liability*, and PS 3800, *Government Assistance – Application of CICA Handbook - Accounting Section 3800*, and can state that they are in full compliance with IFRSs.

Section PS 3800, Government Assistance — Application of CICA Handbook – Accounting Section 3800

Section PS 3800 will be withdrawn from the CICA Public Sector Accounting Handbook effective January 1, 2011.

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PROJECT STATUS

This section provides you with the latest discussions and decisions of PSAB on some of its active projects. You can access a summary of PSAB's 2010-2011 Work Plan based on the 2010-2013 Strategic Plan, with the expected document approval dates of PSAB's active projects [here](#). Additional information about the individual projects including reasons for the project, issues to be addressed, project history, summary of major decisions and next steps of the project can be accessed [here](#).

First-time Adoption of PSA Standards by Government Organizations

The existing Introduction to Public Sector Accounting Standards requires government organizations that adopt the CICA Public Sector Accounting Handbook to apply the changes retroactively with restatement of prior periods as if that organization had always been following the CICA Public Sector Accounting Handbook.

We recognize that in certain circumstances retroactive application can be onerous, and propose that government organizations be given a choice to apply some aspects of certain standards retroactively or prospectively. We are also concerned that retroactive application may not be appropriate when it involves updating previous decisions or accounting estimates, and propose that retroactive application be prohibited in applying some aspects of particular standards.

These proposals are described in an Exposure Draft on "First-time Adoption of the Public Sector Accounting Standards by Government Organizations". A copy of the document can be accessed [here](#).

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Financial Reporting by Government Not-for-Profit Organizations

As a result of PSAB's efforts to address the appropriate sources of generally accepted accounting principles for certain government organizations, an Exposure Draft on "Financial Reporting by Government Not-for-profit Organizations" has recently been issued, with comments due by July 15, 2010.

The Board proposes to incorporate into the CICA Public Sector Accounting Handbook, Sections 4400 to 4470 from the CICA Handbook - Accounting (currently followed by government not-for-profit organizations, also referred to as the "4400 series") and to direct government not-for-profit

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organizations to adhere to the standards for not-for-profit organizations in the CICA Public Sector Accounting Handbook. These proposals were developed after consideration of stakeholder responses to an Invitation to Comment issued in December 2008 and feedback from consultation sessions held across Canada in the first half of 2009.

It is proposed that this change would take effect for fiscal periods beginning on or after January 1, 2012. The existing provisions in the 4400 series will continue to apply to government not-for-profit organizations. Discussion of the long-term strategic direction of financial reporting for government not-for-profit organizations will continue in the near future. A copy of the document can be accessed [here](#).

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Financial Instruments

PSAB issued an Exposure Draft on “Financial Instruments” in September 2009 proposing to introduce a new standard on financial instruments. It proposes that fair value measurement be required for derivatives and portfolio investments that are equity instruments quoted in an active market. It addresses circumstances under which a government can elect to measure its other financial assets or liabilities on a fair value basis. It proposes how a change in fair value of financial instruments, in particular derivative contracts, should be presented in the financial statements. It also addresses disclosure requirements including risk disclosure.

The Board reviewed comments from respondents to the Exposure Draft in March 2010. While there was support for the proposals, whether fair value information should be recognized or disclosed in government financial statements remains an issue for some senior government respondents. PSAB requested that the task force explore a number of options, including hedge accounting and alternative financial statement presentation, and report back to the Board in future meetings. A copy of the document can be accessed [here](#).

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Foreign Currency Translation

Existing Section PS 2600, *Foreign Currency Translation*, is the only accounting standard among those widely used in the world that requires deferral and amortization treatment for foreign exchange gains and losses. This treatment results in items in the statement of financial position that do not meet the definition of an asset or a liability.

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PSAB issued an Exposure Draft on “Foreign Currency Translation” in October 2009. It proposes to remove hedge accounting and the “defer and amortize” provisions from Section PS 2600. These amendments, and the proposed presentation for the effects of a change in exchange rate on a monetary item prior to settlement, are consistent with the proposals regarding Financial Instruments. It is also proposed that Section PS 2600 be applicable to transactions intended to sustain foreign exchange reserves. The Board intends to deliberate this project in conjunction with the Financial Instruments project in future meetings. A copy of the document can be accessed [here](#).

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Government Transfers

PSAB approved a Re-exposure Draft on “Government Transfers” in March 2010 proposing that recipient governments apply the same accounting for all transfers. This represents a major change in accounting for transfers of tangible capital assets and capital transfers from the last document issued in April 2009. The new proposal allows more room for professional judgment in determining when a transfer recipient reports transfer revenue based on the principles in Section 3200, *Liabilities*. A copy of the document, with comments due by September 15, 2010, can be accessed [here](#).

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Amalgamations and Restructurings

The Board approved a project proposal to address amalgamation and restructuring transactions in the public sector in March 2009. PSAB reviewed the results of staff research on four types of restructuring (amalgamation, government internal restructuring, annexation and realignment of responsibilities) at the March 2010 meeting and decided to appoint a task force for this project.

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DOCUMENTS FOR COMMENT

Click here to provide comments on the following documents:

Documents	Deadline for Comments
Financial Reporting by Government Not-for-profit Organizations	July 15, 2010
Government Transfers	September 15, 2010

COMMENTING ON DOCUMENTS

PSAB follows a rigorous consultative procedure in the development and issuance of accounting standards and guidelines, as well as Statements of Recommended Practices, to maintain objectivity in the standard-setting process.

You can help us develop better standards by telling us what you think about our proposals – tell us why you support them or why you disagree with them. We welcome all comments and input from individuals, governments and organizations, whether they are general, specific, comprehensive or targeted to specific issues in our proposals.

We do not develop standards based on a popular vote, but on the strength and substance of the arguments presented in responses to our proposals. Feedback on the conceptual soundness, technical accuracy, practicality, appropriateness, usefulness for decision making and relevancy for accountability of our proposals is useful as it helps us reach our final conclusions and decisions.

In preparing your responses, you may have consulted others within your organization that may have relevant knowledge on the subject of our proposals, or have concern on the issues addressed in our proposals. You can help us develop a better understanding of the perspectives of different stakeholder groups by identifying the representation of these consulted parties and their particular viewpoints in your comment letters.

We want to thank everyone who has provided input in the past. We look forward to your continued support. If you have not taken the opportunity to share your thoughts on our documents in the past, we encourage you to provide your views. If you want to be informed of new documents issued for comments and other news about PSAB, you can subscribe to the CICA website update service by clicking [here](#).

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EFFECTIVE DATES FOR PROPOSED STANDARDS

This section summarizes the effective dates of the proposed standards or amendments based on those proposed in the Exposure Drafts. The proposed effective dates are subject to change pending PSAB's final approval of the new standard or amendment; however, they provide you with advance notice to facilitate implementation planning. Copies of Exposure Drafts can be downloaded [here](#).

Proposed Standards	Proposed effective date for fiscal years beginning on or after
First-time Adoption of Public Sector Accounting Standards by Government Organizations	January 1, 2011
Financial Reporting by Government Not-for-Profit Organizations	January 1, 2012
Financial Instruments	April 1, 2012*
Amendments to Section PS 2600, <i>Foreign Currency Translation</i>	April 1, 2012*
Amendments to Section PS 3410, <i>Government Transfers</i>	April 1, 2012*

* Earlier adoption is encouraged.

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UPCOMING EVENTS

CICA Conference

The first Public Sector and Not-for-Profit Financial Reporting Conference will be held in Ottawa in October 6-7, 2010. Conference information can be accessed [here](#).

Meetings with Deputy Ministers of Finance

The Chair and Director of PSAB, together with representatives of the Accounting Standards Oversight Council, have already started a cross-country tour meeting with some of the deputy ministers and associate deputy ministers of finance. More of these meetings are scheduled in the coming months.

Other Conferences and Events

PSAB staff is scheduled to make presentation in the following conferences and events:

Organization	Date	Location
Association of Municipal Administrators of New Brunswick	May 19, 2010	New Brunswick
Financial Management Institute of Canada – Ontario Chapter	May 26, 2010	Toronto, Ontario
Government Finance Officers Association	September 15-17, 2010	Winnipeg, Manitoba
Provincial Institute of Chartered Accountants – British Columbia	November 2010	Vancouver & Victoria, British Columbia

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WHAT'S NEW

Over the past year, we have received valuable suggestions on how to enhance our communications. Thank you for your input. This section is meant to update you on what actions we have taken. We hope that you find these changes helpful in keeping you up to date on the latest standards developments and our activities.

New Sources of Information

We have introduced three new documents at different milestones of the standards development process to enhance our communication with stakeholders.

1. A **Plain Language Document** for each document issued for comment
This one-page executive summary covers the main features of PSAB's proposals, presented in a question and answer format and in non-technical language. You can access these documents [here](#).
2. An **Issues Analysis** for each exposure draft
This document summarizes PSAB's deliberations in developing the proposals, including background information and a discussion of alternatives evaluated by the Board. You can access these documents [here](#).
3. A **Basis for Conclusion** document for new or amended standards issued
This document provides the rationale for the new standards and amendments. It discusses major issues, alternatives considered, the stakeholders' views on these issues and how PSAB resolved them. You can access these documents [here](#).

In addition, a Summary Comparison of the CICA Public Sector Accounting Handbook and the CICA Handbook - Accounting has been prepared.

It provides a high-level comparison of the two Handbooks. The objective of the comparison is to assist government organizations in their transition to the CICA Public Sector Accounting Handbook. You can access the summary [here](#).