

IN THIS ISSUE

- Message from the Chair
- Conceptual Framework
- Highlights of New Standards
- Project Status
- Technical Agenda
- Documents for Comment
- Effective Dates for Proposed Standards
- Myth or Fact?
- Upcoming Events
- What's New

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

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



Over the last few months, the Director of Public Sector Accounting, representatives of the Accounting Standards Oversight Council and I have met with Deputy Ministers and Associate Deputy Ministers of Finance from five provinces and the Government of Canada as part of our efforts to improve communications with this important stakeholder group. We plan to continue this cross-country tour and meet with Deputy Ministers from the other provinces over the summer.

The meetings have been productive. PSAB continues to work through the issues raised by governments, including their concerns with PSAB's conceptual framework and the effects of accounting standards on governments' public policy decisions. While the specific concerns vary across jurisdictions, there is support for PSAB's role as an independent standard setter and recognition of the important contribution the Board has made to high-quality financial reporting by governments in Canada. I look forward to continuing these discussions.

In response to these concerns, at its most recent meeting, PSAB discussed how to best approach a project to review the conceptual framework. PSAB decided to deal with it in a phased approach, beginning with the specific suggestions made by the Joint Working Group (which comprised selected PSAB members and Deputy Ministers of Finance) sub-group that focused on the conceptual framework. It will be an iterative process. As issues are addressed, their impact on the remaining issues and on existing standards will need to be considered. This is a high-priority project for PSAB.

The Board has directed staff to prepare a project proposal for approval at its September 2010 meeting and to continue their consultations with stakeholder groups over the summer. PSAB will continue to monitor the developments of an international public sector conceptual framework and will leverage work done internationally where appropriate.

At the June 2010 meeting, the Board also discussed our progress toward finalizing a new standard on Financial Instruments, one of our commitments identified in the 2010-2011 Work Plan. PSAB discussed options that may address stakeholders' concern over the volatility of the annual surplus and deficit that may result from including remeasurement gains and losses

IN THIS ISSUE

- Message from the Chair
- Conceptual Framework
- Highlights of New Standards
- Project Status
- Technical Agenda
- Documents for Comment
- Effective Dates for Proposed Standards
- Myth or Fact?
- Upcoming Events
- What's New

arising from changes in fair value and foreign exchange in governments' statement of operations. This was proposed in the Exposure Drafts on Financial Instruments and Foreign Currency Translation issued in 2009. The Board directed staff to develop a Re-exposure Draft that would present the remeasurement gains and losses in a separate financial statement for the Board's consideration in September 2010. This approach would improve financial reporting by providing more meaningful and relevant information on the statement of financial position, result in improved transparency and address some stakeholders' primary concern.

We also approved a new standard that provides guidance for government organizations adopting the public sector accounting standards for the first time (see [Highlights of New Standards](#)).

John Wiersema, FCA
Chair of the Public Sector Accounting Board

IN THIS ISSUE

- Message from the Chair
- Conceptual Framework
- Highlights of New Standards
- Project Status
- Technical Agenda
- Documents for Comment
- Effective Dates for Proposed Standards
- Myth or Fact?
- Upcoming Events
- What's New

CONCEPTUAL FRAMEWORK

The public sector accounting conceptual framework is based on the premise that governments are different from businesses. The framework discusses the nature of government operations, the unique characteristics of governments and their implications on public sector reporting in Section PS 1100, *Financial Statement Objectives*.

How are governments and their operations different from the private sector?

Governments have different purposes, operating environments, sources of revenue, rights and powers, stakeholders and budgetary accountability. Public sector accounting and financial reporting standards are necessary to meet the needs of public sector stakeholders to assess government accountability and to make decisions relevant to their interests in governments' accomplishment of their objectives.

The primary goal of a business is profit. The purpose of governments is to enhance or maintain the well-being of citizens by providing public services and redistributing wealth for social and economic purposes.

Governments do not have owners or shareholders like businesses do. Net income as the predominant measure for business performance is not adequate to represent a government's performance in achieving its multiple social and economic objectives. Due to their unique operating environment, governments need multiple, financial and non-financial measures to reflect their accountability and performance against the budget plan.

The public, as involuntary resource providers and recipients of government services, is entitled to hold governments to a standard of accountability that is higher and broader than for businesses. They have the right to know how public resources have been spent, any risks they have been exposed to and the overall performance of a government in the delivery of its services.

Governments operate in a non-competitive environment. On the revenue side, they have the power to tax and levy fees. The principal source of revenue for government is taxation. Businesses receive revenues from voluntary exchange transactions between willing buyers and sellers. Legally, taxpayers cannot choose whether to pay taxes, even if they do not receive or take advantage of all services provided. Also, the payment of taxes does not necessarily entitle a taxpayer to any particular public service or benefit. The amount of taxes paid by an individual or a business seldom bears a direct relationship to the cost or value of the services received by that individual or business from the government.

IN THIS ISSUE

- Message from the Chair
- Conceptual Framework
- Highlights of New Standards
- Project Status
- Technical Agenda
- Documents for Comment
- Effective Dates for Proposed Standards
- Myth or Fact?
- Upcoming Events
- What's New

Governments have power and rights not available to businesses. They hold assets in right of the Crown (such as Crown lands and natural resources), that may generate future cash inflows to the government, without paying for the acquisition of the assets. The federal government can control the money supply and has access to international agreements that no other organizations have. With their power to tax, the limits on senior governments' debt capacities are their ability (in relation to the existing tax level) and willingness to levy taxes to service debt load and to finance debt repayment.

On the expense side, governments provide public services including public safety, education, health care and transportation. Among other reasons, government provides these services because the economic incentives for businesses to provide them at the quantity, quality, and price considered appropriate by public policy are not sufficient. Even when governments provide the same services as a business, such as schools and hospitals, their objective is not to make a profit. Public services are often provided free. When fees are charged, they usually do not result in governments recovering their costs or making a profit. The relationship between revenues and costs is not the same for government as it is for business. Governments also incurred some unique expenses, such as social welfare and national defense.

Businesses acquire capital assets with the objective of using them to produce goods that can be sold to generate future cash inflows. Their focus is on the recoverability of these assets through future sales. Governments invest in tangible capital assets primarily for their potential or capacity in providing public services or, like some of the recent economic stimulus initiatives, creating employment and promoting economic activities during their construction.

Unlike businesses, there are no market forces that would determine the level of revenue, expense and spending a government should operate. A government's budget portrays its public policy, estimates of financial resources required to meet the forecast expenses and the financing needs for operating and capital spending for the period. A government's budget is a tool the public and their elected representatives use to hold a government accountable. For businesses, the budget represents an internal financial management tool that is controlled entirely by management.

IN THIS ISSUE

- Message from the Chair
- Conceptual Framework
- Highlights of New Standards
- Project Status
- Technical Agenda
- Documents for Comment
- Effective Dates for Proposed Standards
- Myth or Fact?
- Upcoming Events
- What's New

HIGHLIGHTS OF NEW STANDARDS

This section summarizes the main features and, where applicable, the impacts of public sector accounting standards approved by PSAB at its most recent meeting. A summary of the effective dates of new and amended standards can be accessed [here](#).

First-time Adoption by Government Organizations

Section PS 2125, *First-time Adoption by Government Organizations*, provides guidance for government organizations preparing their first financial statements in accordance with public sector accounting standards from another basis of generally accepted accounting principles. It requires that the adoption of the CICA Public Sector Accounting Handbook be accounted for retroactively with restatement of prior periods except for the exemptions and exceptions prescribed in the Section.

Due to the time and costs associated with retroactive application of certain aspects of the CICA Public Sector Accounting Handbook, the new Section provides government organizations with a choice to implement the following provisions on a retroactive or prospective basis:

- The discount rate used in actuarial valuation for accrued benefit obligations and the recognition of actuarial gains and losses under Section PS 3250, *Retirement Benefits*, and Section PS 3255, *Post-employment Benefits, Compensated Absences and Termination Benefits*, at the transition date
- The application of the purchase method of accounting for business combinations under Section PS 2510, *Additional Areas of Consolidation*, and the application of the modified equity method of accounting for government partnerships and investments in government business enterprises
- The accounting for write-down of tangible capital assets under Section 3150, *Tangible Capital Assets*

Government organizations are not permitted to apply the CICA Public Sector Accounting Handbook on a retroactive basis in areas that involve revisiting previous decisions such as the designation of hedge transactions under PS Section 2600, *Foreign Currency Translation*, or accounting estimates.

IN THIS ISSUE

- Message from the Chair
- Conceptual Framework
- Highlights of New Standards
- Project Status
- Technical Agenda
- Documents for Comment
- Effective Dates for Proposed Standards
- Myth or Fact?
- Upcoming Events
- What's New

PROJECT STATUS

This section provides you with PSAB's latest discussions and decisions regarding 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](#).

Financial Instruments and Foreign Currency Translation

Responding to the primary concern of some stakeholders regarding the volatility of government's annual surplus and deficit that may result from the proposals contained in the Exposure Draft on "Financial Instruments" issued in September 2009, PSAB reviewed two options - hedge accounting and an alternative presentation model.

The Board requested staff to develop a Re-exposure Draft that would present the unrealized gains and losses arising from remeasurement of fair value and foreign exchange in a separate financial statement for its consideration in September 2010.

A copy of the Exposure Draft on "Financial Instruments" issued in September 2009 can be accessed [here](#). A copy of the Exposure Draft on "Foreign Currency Translation" issued in October 2009 can be accessed [here](#).

Staff contact:

Bob.Correll@cica.ca 416-204-3460

Entity Level Financial Statements

PSAB issued a Statement of Principles in August 2009 proposing principles that would apply to government entities that follow the CICA Public Sector Accounting Handbook in preparation of their general purpose financial statements. Responses to the document identified a few issues, including related party transactions, appropriations, the terminology used in the Handbook to describe government entities and the appropriate financial statement presentation.

In the November 2009 meeting, the Board agreed that these issues would be more appropriately addressed through clarification of current guidance and development of transaction level standards. PSAB continued its discussion including review of a project proposal to address related party transactions and appropriations. Given other priorities that have arisen since the Board's last discussion, PSAB decided not to approve a new project and

IN THIS ISSUE

- Message from the Chair
- Conceptual Framework
- Highlights of New Standards
- Project Status
- Technical Agenda
- Documents for Comment
- Effective Dates for Proposed Standards
- Myth or Fact?
- Upcoming Events
- What's New

agreed to reconstitute the project to clarify the application of individual standards including financial statement presentation for other government organizations. The reconstituted project is renamed “Financial Statements for Government Organizations” and has been put on hold until staff resources become available.

Staff contact:

Martha.Denning@cica.ca 416-204-3288

Basis of Accounting for Disclosure Purposes

The current CICA Public Sector Accounting Handbook does not prescribe the wording for the basis of accounting disclosed in the significant accounting policies note to government financial statements or the reference in auditors' reports. The accounting frameworks are changing in the private, not-for-profit and public sectors in Canada. Descriptions of these frameworks with standardized wordings would avoid confusion to users of financial statements. PSAB agreed that governments and government organizations that follow the CICA Public Sector Accounting Handbook should describe their accounting policies as “Canadian public sector accounting standards”. Proposed amendments to Section PS 2100, Disclosure of Accounting Policies, will be exposed for public comments.

Staff contact:

Tim.Beauchamp@cica.ca 416-204-3286

IN THIS ISSUE

- Message from the Chair
- Conceptual Framework
- Highlights of New Standards
- Project Status
- Technical Agenda
- Documents for Comment
- Effective Dates for Proposed Standards
- Myth or Fact?
- Upcoming Events
- What's New

TECHNICAL AGENDA

This section provides you with PSAB's latest discussions and decisions regarding its technical agenda. Some of these items may become active projects after a project proposal is approved in future Board meetings.

Accounting Standards for Government Not-for-Profit Organizations

As part of PSAB's strategy of broadening the scope of application of the CICA Public Sector Accounting Handbook to government not-for-profit organizations, and subsequent to the issuance of an Exposure Draft earlier this year to incorporate Sections 4400 to 4470 from the CICA Handbook - Accounting (currently followed by government not-for-profit organizations, also referred to as the "4400 series") into the CICA Public Sector Accounting Handbook, the Board discussed the next steps of implementation of this strategy.

The Board agreed that accounting standards for government not-for-profit organizations should be reviewed with the objective of identifying and addressing differences between the 4400 series and other standards and the conceptual framework in the CICA Public Sector Accounting Handbook. This approach is based on the premise that government not-for-profit organizations are no different from governments or other government organizations. Consequently, there is no justification for these organizations to follow standards that differ from other organizations that follow the CICA Public Sector Accounting Handbook. PSAB's vision is to eliminate the category of government not-for-profit organizations and issue standards that are common to all government organizations.

As the Accounting Standards Board also plans to undertake a similar review of the 4400 series, the Board agreed that a task force should be appointed jointly with the Accounting Standards Board to review areas that are sector neutral. PSAB will undertake its own review of areas that involve issues unique to the public sector. A notice of recruitment for members of this joint task force is posted on PSAB's website and can be accessed [here](#).

Staff contact:

Jim.Keates@cica.ca 416-204-3282

IN THIS ISSUE

- Message from the Chair
- Conceptual Framework
- Highlights of New Standards
- Project Status
- Technical Agenda
- Documents for Comment
- Effective Dates for Proposed Standards
- Myth or Fact?
- Upcoming Events
- What's New

Review of Conceptual Framework

One of PSAB's strategies in the 2010-2013 Strategic Plan is to assess the conceptual framework in conjunction with the efforts of the International Public Sector Accounting Standards Board (IPSASB), taking into consideration the Joint Working Group (which comprised selected PSAB members and Deputy Ministers of Finance) reports. PSAB discussed the scope of a review of the Canadian public sector accounting conceptual framework and the composition of a task force. The Board decided a phased approach for the review. Developments of an international public sector conceptual framework will be monitored and work done internationally will be considered where appropriate.

The Board requested staff to identify and prioritize issues that should be reviewed in the project, considering issues raised in the Joint Working Group Conceptual Framework sub-group report and issues related to measure of financial performance in the public sector. Staff was directed to consult with major stakeholder groups over the summer before PSAB approves a project proposal in September 2010.

Staff contact:

Martha.Denning@cica.ca 416-204-3288

DOCUMENTS FOR COMMENT

Click [here](#) to download the Re-exposure Draft on "Government Transfers" and its associated Plain Language and Issues Analysis documents. Comments are due by September 15, 2010.

A Plain Language Document is a one-page executive summary that covers the main features of PSAB's proposals, presented in a question and answer format and in non-technical language. An Issues Analysis summarizes PSAB's deliberations in developing the proposals, including background information and a discussion of alternatives evaluated by the Board.

IN THIS ISSUE

- Message from the Chair
- Conceptual Framework
- Highlights of New Standards
- Project Status
- Technical Agenda
- Documents for Comment
- Effective Dates for Proposed Standards
- Myth or Fact?
- Upcoming Events
- What's New

EFFECTIVE DATES FOR PROPOSED STANDARDS

This section summarizes the effective dates of the 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
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.

IN THIS ISSUE

- Message from the Chair
- Conceptual Framework
- Highlights of New Standards
- Project Status
- Technical Agenda
- Documents for Comment
- Effective Dates for Proposed Standards
- Myth or Fact?
- Upcoming Events
- What's New

MYTH OR FACT?

Have you heard any of the following myths?

- PSAB is adopting the International Financial Reporting Standards (IFRSs) developed by the International Accounting Standards Board (IASB)
- PSAB is considering adopting the International Public Sector Accounting Standards Board (IPSASB) conceptual framework
- The IPSASB conceptual framework would be based on the IASB conceptual framework unless there is a justification for public sector to deviate from private sector

What are the facts?

Fact 1: PSAB is not adopting IFRSs.

IFRSs are designed to apply to the general purpose financial statements and other financial reporting of profit-oriented entities. They are not designed to apply to not-for-profit activities in the private sector, public sector or government, though some entities with such activities may find them appropriate.

As discussed in the [Conceptual Framework](#) section of this issue of *PSAB Matters*, governments are fundamentally different from businesses in terms of their purposes, operating environments, sources of revenues, rights and powers, stakeholders and budgetary accountability. Public sector accounting standards are necessary to meet the needs of public sector stakeholders to assess government accountability and to make decisions relevant to their interests in governments' accomplishment of their objectives.

Fact 2: PSAB is not considering adopting the IPSASB conceptual framework.

Currently, PSAB does not have an international convergence strategy. Though we actively participate in the development of IPSASB's standards and conceptual framework, our goals are to share our experience that may benefit the international public sector community and to increase the potential for consistency between the Canadian and international public sector accounting standards.

PSAB's plan is to leverage on work done in the development of IPSASB's conceptual framework as part of its review of the Canadian public sector accounting conceptual framework. A number of national standard setters, including PSAB, are contributing to this international public sector project.

IN THIS ISSUE

- Message from the Chair
- Conceptual Framework
- Highlights of New Standards
- Project Status
- Technical Agenda
- Documents for Comment
- Effective Dates for Proposed Standards
- Myth or Fact?
- Upcoming Events
- What's New

Fact 3: The IPSASB conceptual framework will not be based on IASB conceptual framework.

The objective of the IPSASB conceptual framework project is not to interpret the application of the IASB conceptual framework to the public sector, though it may leverage on the work of the IASB conceptual framework where it is relevant to the public sector. IPSASB's objective is to develop a public sector conceptual framework that makes explicit the concepts, definitions and principles that underpin the development of International Public Sector Accounting Standards.

Many components of the conceptual framework Consultation Paper issued by IPSASB in September 2008 differ from those proposed in the conceptual framework Exposure Draft issued by IASB in May 2008. For example, IPSASB proposed that the primary users of general purpose financial reports of public sector entities are service recipients, resource providers or their representatives, and that the objectives of public sector financial reporting are to provide information that would be useful for accountability and decision making purposes. However, IASB proposed that capital providers are primary users of general purpose financial reporting in the private sector and that the objectives of financial reporting is to provide information useful to present and potential equity investors, lenders and other creditors in making decisions in their capacity as capital providers.

IN THIS ISSUE

- Message from the Chair
- Conceptual Framework
- Highlights of New Standards
- Project Status
- Technical Agenda
- Documents for Comment
- Effective Dates for Proposed Standards
- Myth or Fact?
- Upcoming Events
- What's New

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](#).

Other Conferences and Events

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

Organization	Date	Location
Government Finance Officers Association	September 15-17, 2010	Winnipeg
Certified General Accountants of Ontario	September 30, 2010	Ottawa
Institute of Chartered Accountants of British Columbia	November 18, 2010 November 19, 2010	Victoria Vancouver
Institute of Chartered Accountants of Alberta	November 25, 2010 November 26, 2010	Edmonton Calgary
Institute of Chartered Accountants of Nova Scotia	November 29, 2010	Halifax
New Brunswick Institute of Chartered Accountants	November 30, 2010	Saint John
Certified General Accountants of Ontario	December 3, 2010	Toronto
Institute of Chartered Accountants of Saskatchewan	December 14, 2010 December 15, 2010	Regina Saskatoon
Certified General Accountants of Alberta	January 19, 2011	Edmonton

IN THIS ISSUE

- Message from the Chair
- Conceptual Framework
- Highlights of New Standards
- Project Status
- Technical Agenda
- Documents for Comment
- Effective Dates for Proposed Standards
- Myth or Fact?
- Upcoming Events
- What's New

WHAT'S NEW

Recent Update of the Handbook

The CICA Public Sector Accounting Handbook was updated in June 2010 as follows. A copy of the Handbook can be ordered [here](#).

- New 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*

Related Basis for Conclusion documents are posted on PSAB's website for each of the above. These documents provide the rationale for the new standards and amendments. They discuss major issues, alternatives considered, stakeholders' views on these issues and how PSAB resolved them. You can access the documents [here](#).

Webinar Presentation

The webinar presentation on "The Future of Financial Reporting by Government Not-for-Profit Organizations," held on May 7, 2010, can be accessed [here](#). You can listen to the presentation and download the slides even if you did not previously register for the webinar. The presentation includes:

- An overview of what is being proposed in the Exposure Draft on "Financial Reporting by Government Not-for-Profit Organizations" and the rationale
- Background and history of the project
- Impacts of the proposals
- Differences between the CICA Handbook - Accounting and the CICA Public Sector Accounting Handbook
- Transition issues related to first-time adoption
- Long-term objectives of financial reporting by government not-for-profit organizations

IN THIS ISSUE

- Message from the Chair
- Conceptual Framework
- Highlights of New Standards
- Project Status
- Technical Agenda
- Documents for Comment
- Effective Dates for Proposed Standards
- Myth or Fact?
- Upcoming Events
- What's New

PSAB 2009-2010 Annual Report

The 2009-2010 Annual Report is posted on PSAB's website and can be accessed [here](#). It contains reports from the Chair of PSAB and the Director of Public Sector Accounting and provides highlights of the following results:

- Standards development
- Strategic planning
- International involvement
- Stakeholder outreach
- PSAB operations

PSAB Terms of Reference

A revised Terms of Reference for PSAB is posted on PSAB's website and can be accessed [here](#).

Magazine Articles

An article entitled "The gatekeeper - Why government organizations should become familiar with the introduction to the PSA Handbook" published in the June/July 2010 issue of the CA magazine can be accessed [here](#).