

**Public Sector Accounting
Standards update**
Keeping current

New Standards – Implementation Considerations

Important caveats

- This webcast does not provide official Deloitte interpretive accounting guidance.
- Check with your advisor before taking any action.



New public sector accounting standards

Changes in PSAS

Implementation considerations

- There are a number of new PSAS accounting standards coming into effect in the current and future years
- Ensuring compliance with the disclosure requirements of these standards is critical to ensure successful financial reporting

Topic	Purpose	Effective date
Section PS 2200 Related Party Disclosures PS 3420 Inter-entity Transactions	Address the recognition, measurement and disclosure of related party transactions	April 1, 2017 Earlier adoption permitted
Section PS 3210 Assets PS 3320 Contingent Assets PS 3380 Contractual Rights	Address application of the definition and essential characteristics of assets. Also add guidance on reporting contingent assets and contractual rights	April 1, 2017 Earlier adoption permitted
Section PS 3430 Restructuring Transactions	Address the initial recognition, measurement and disclosure of assets and liabilities transferred in restructuring transactions	April 1, 2018 Earlier adoption permitted
Section PS 3450 Financial Instruments	Address the recognition and derecognition criteria; measurement bases and issues; and presentation issues and disclosure requirements unique to financial instruments	April 1, 2019 Earlier adoption permitted

Source:

<http://www.frascanada.ca/standards-for-public-sector-entities/effective-dates-for-new-standards/public-sector-accounting/index.aspx>

New public sector accounting standards

What do we need to consider?

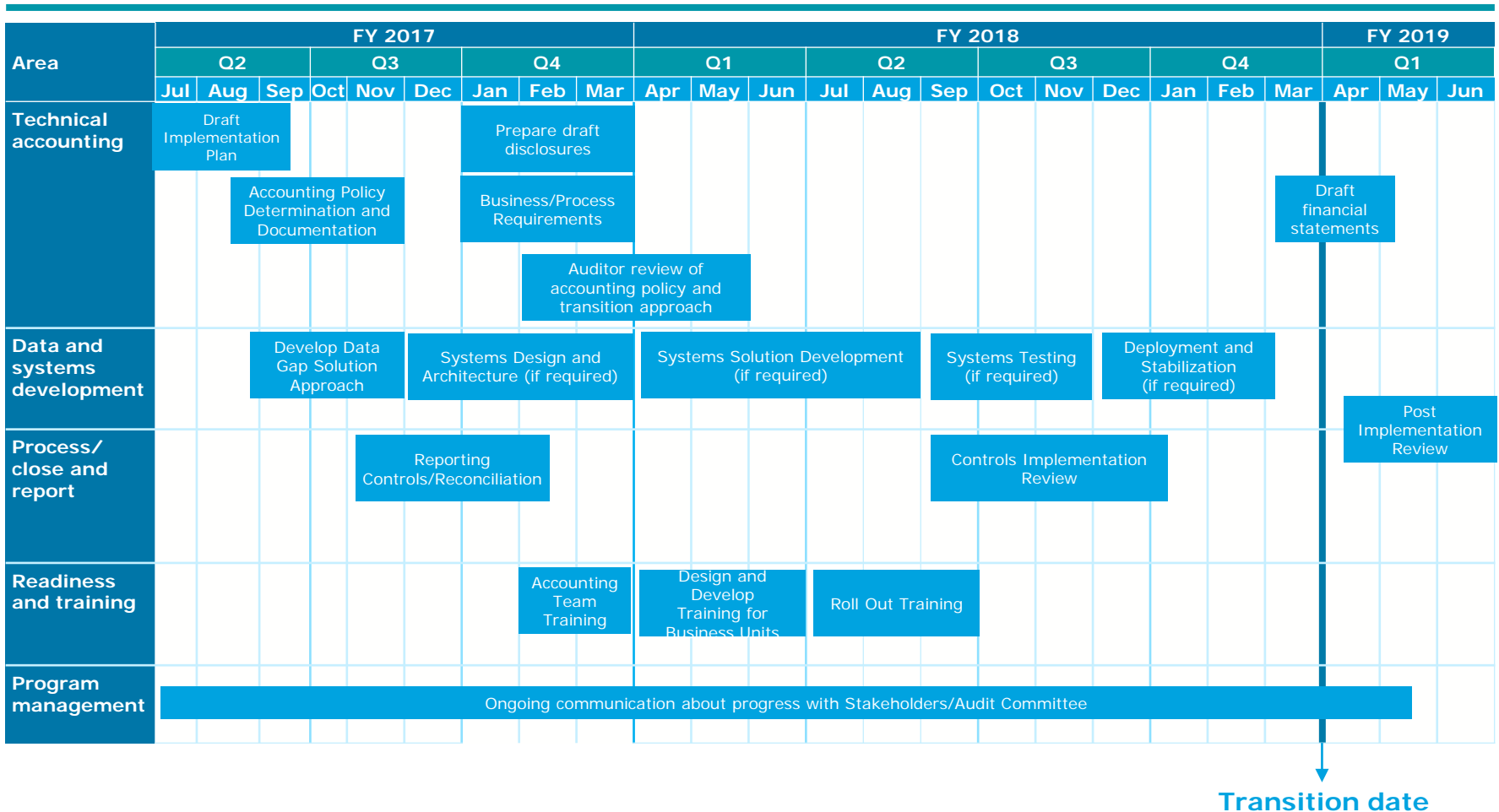
Implementation considerations

With the implementation of these standards, public sector organizations need to ask themselves the following questions:

- Do we understand what is required with the implementation of these new standards?
 - Do we understand the compliance and disclosure requirements of these new standards?
 - Do we have the capabilities and skillsets within Finance to ensure these new standards are implemented correctly?
 - Do we have the tools and systems in place to isolate the data and financial information needed for compliance and disclosure?
 - What departments or divisions outside of Finance will we need support from in order to comply with the disclosure requirements?
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Illustrative roadmap

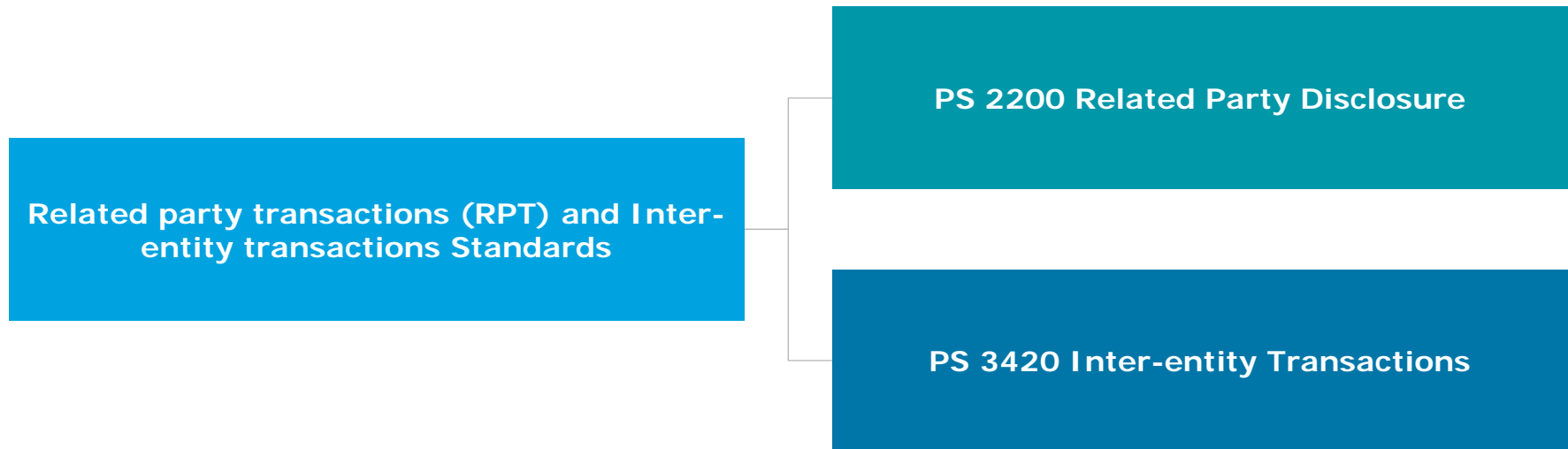
New PSAS standard implementation



Related Party Transactions (RPT)

Purpose and scope

- To address the recognition, measurement and disclosure of RPT
- PS 4260 Disclosure of Related Party Transactions by Not-for-Profit Organizations has been removed
- Resulted in 2 standards:



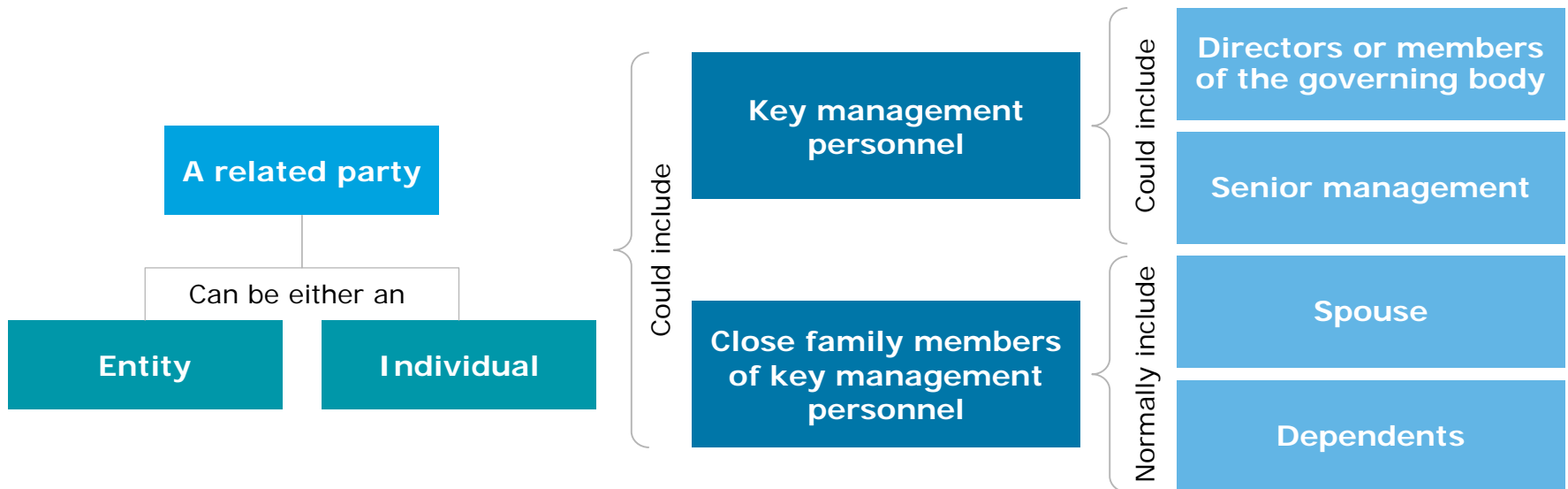
- PS 2200 entities will apply to all financial statements whereas PS 3420 will only apply to entities within the same government reporting entity

PS 2200 related party disclosures

Implications of the standard

Implementation considerations:

- A critical judgment and estimate will be determining who in fact is part of Key Management Personnel
- Consider an implementation plan that has two streams – One for related party through entities, and one for related parties through key management personnel
- Are there existing processes or information that you can leverage, such as conflict of interest declarations?
- What tools, systems and reports can we run to identify and quantify related party transactions?
- Create an audit trail



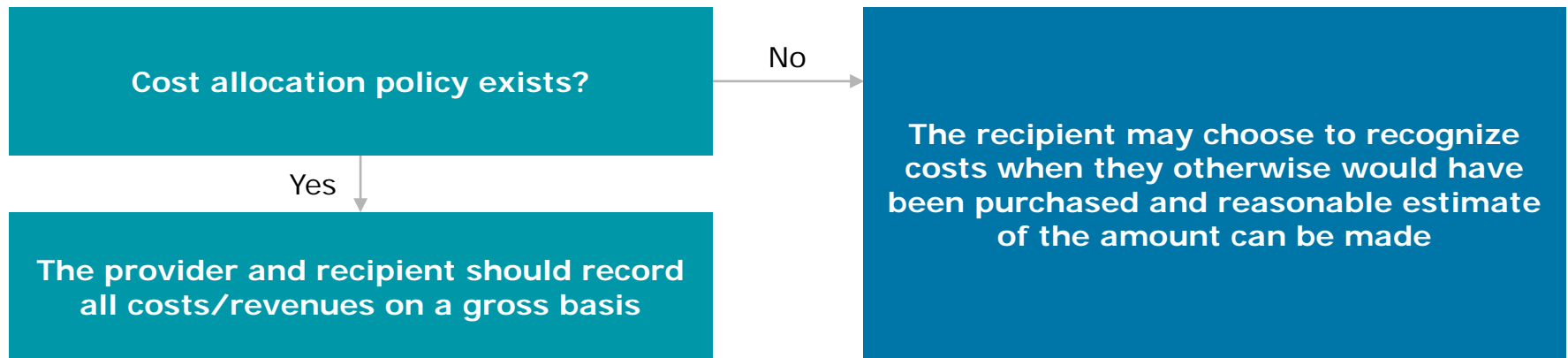
PS 3420 inter-entity transactions

Implications of the standard

Recognition

- Inter-entity transactions involving the transfer of assets or liabilities should be recognized by both the provider and the recipient
- A central entity conducting activities for all controlled entities – May follow a policy of allocating or recovering costs from other entities – Or alternatively may not allocate these costs

Cost allocation

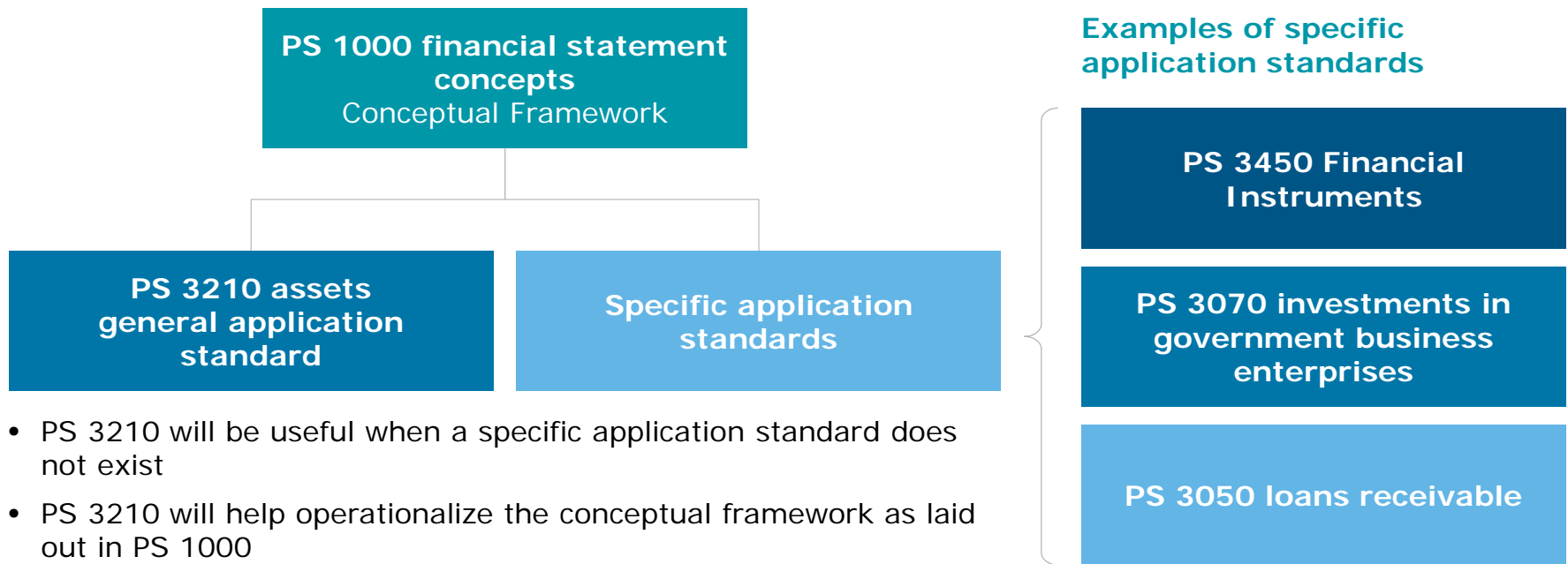


Implementation consideration

- What process will you have to identify inter-entity transactions? Will these transactions be identified as they are initiated or will they be identified after they are recorded?

PS 3210 assets

Implementation considerations



Implementation considerations

- What assets do you currently recognize that do not have a specific application standard?
- Do you rely on PS 1000 to support the recognition of assets?
- Assets that cannot be recognized should be disclosed – What processes will you implement to capture data on these assets?

PS 3380 contractual rights

Implementation considerations

Definition of contractual rights

- Contractual rights are rights to economic resources arising from contracts/agreements

Characteristics of contractual rights:

Arises out of a contract/agreement that is binding

Has clear economic consequences

Enforceable by law

- PSAS only requires disclosure of contractual rights when those rights will result in both an asset and revenue in the future
 - Agreements that require an exchanging of assets do not meet the definition of contractual rights
 - Agreements that do not result in revenue do not meet the definition of a contractual right

Implementation considerations

- Does your organization have a good inventory of contracts and does your finance/accounting function have access to those contracts?
- How can you track the data from relevant contracts to produce information required by disclosure requirements?
- How involved will the Procurement function be in this review process?



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