



**Public Sector Accounting
Standards update**
Keeping current

Public Sector Discussion Group – Year in review

Important caveats

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



Public Sector Discussion Group

Topics in current discussion

What has the PSDG worked on?

- There are a number of issues that the PSDG has looked at over the last two years, including:

Section	Description	Meeting date
PS 3060	Shared Control Considers guidance on determining shared control as it relates to government partnerships.	November 18, 2016
Intro., PS 1000, PS 1201, PS 1300	Recognition Prohibitions – Early Intervention Investments and Urban Forests Considers if early intervention investments can be recognized as assets in financial statements and whether urban forests can be recognized as assets in financial statements.	November 18, 2016
Intro., PS 1300	Scope of the Public Sector Considers how to apply the Introduction to Public Sector Accounting Standards in determining the standards to be applied by for not-for-profit organizations.	November 18, 2016
PS 1300	Trusts and Holding Companies – Economic Substance Whether an Investment Holding Company can be Government Business Enterprise Considers the economic substance of trusts and holding companies for the purposes of applying Section PS 1300. Considers the nature of an investment holding company in the public sector and if it can meet the definition of a government business enterprise	March 15, 2017 and November 18, 2016
PS 3410	Authority to Pay and Transfer Receivables Considers the different interpretations of the need to have the authority to pay before a transfer receivable is recognized	March 15, 2017
PS 2600	Foreign Currency Debt – Rates and Hedges Considers issues relating to foreign currency denominated debt for government departments and organizations.	March 15, 2017

Source:

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

Shared control

November 18, 2016

Background

- PS 3060.06(a)-(d) outlines the characteristics of when a government partnership exists
- However, it can be difficult determining whether the definition of a government partnership is met for a particular situation
- Where much of the difficulty lies is determining whether shared control (PS 3060.06(c)) exists
- The submission to PSDG that the existing PS 3060 standard does not provide sufficient guidance to determine whether shared control exists

Issue(s)

- For the criteria on shared control in paragraph PS 3060.06(c) to be met, what are the essential decisions that would be required to be made by unanimous consent of the board members?

Shared control (cont'd)

PS 3060

Three views considered – What are the essential decisions of the entity?

View A

Indicators of control in PS 1300

- Since there is no specific guidance in PS 3060 on what the essential decisions should be, it would be appropriate to use the indicators of control in PS 1300.18-19.

View B

Look to guidance outside of the PSA Handbook (IFRS 10)

- Helpful to look to the guidance in IFRS 10 Consolidated Financial Statements when determining the essential decisions of the entity. Activities and goals may be considered equivalent to the “relevant activities” of an entity as described in IFRS 10.

View C

Use of Professional Judgment

- PS 1150.05 requires that an entity use professional judgment that is consistent with the primary sources of GAAP and the conceptual framework when a standard is not specific
- Under this view, some could determine they have shared control, while others may determine they do not

The PDSB Discussion

- The PDSG was most comfortable with View A. The PDSG believes questions on shared control are best resolved through the consideration of indicators of control set out for the reporting entity in Section PS 1300.
- They believed that:
 - Referencing IFRS 10 (View B) might be interpreted as contradicting PS 3060.
 - Using professional judgment (View C) was not sufficiently distinct.
- It is believed that PSAB’s Public Private Partnerships project may provide helpful guidance in this area.

Whether an Investment Holding Company (IHC) can be a Government Business Enterprise (GBE)

November 18, 2016

Background

- The designation of an IHC as (1) an “other” government organization (OGO), or (2) a GBE, would affect:
 - How the entity is included in the government financial statements
 - The amount recognized in the periodic financial statements in relation to the IHC’s results
- OGO – Consolidation
- GBE – Modified Equity Method

Issue(s)

- When would an IHC be accounted for as a GBE?
- Does an entity need to be controlled by a government to have the characteristics of a GBE?

Whether an IHC can be a GBE

PS 1300

Three views considered – When would an IHC be accounted for as GBE?

View A

An IHC is a GBE because it meets the characteristics of a GBE itself

- An IHC can meet the definition of a GBE when all the criteria of PS 1300.28 are met. Modified equity method would be used.
- A GBE is a government organization that is controlled by the government. An IHC whose shares are 100% owned by the government would likely be controlled by that government.
- Key criterion: requirement for revenue to come from outside of the government reporting entity.

View B

An IHC cannot itself meet the characteristics of a GBE

- An IHC does not meet the definition of a GBE as PS 1300.28(b)-(d) are not met. It would be consolidated.
- Active management of investments does not qualify as a business under PS 1300.28(b)
- When an IHC owns investments in GBEs/corporations within the government reporting entity, any dividends/investment income received would not be from outside the government reporting entity.

View C

An IHC is a GBE if a majority of its investments have the characteristics of GBEs

- If the majority of the investments held by an IHC are GBEs, the IHC should be classified as a GBE. It would be accounted for using the modified equity method.

Authority to pay and transfer receivables

March 15, 2017

Background

- The PDSG is currently looking into three issues relating to transfer recipient accounting under Section PS 3410
- The issues focus on whether the timing of recognition of a transfer receivable must always consider if the transferor's authority to pay is in place

Issue(s)

- Would the transferor's timing of recognition determine recipient timing?
 - The PDSG noted that symmetrical accounting by the transferor and recipient would usually occur. However, there may be instances where each party may not have the same evidence to support recognition.
- Can a recipient consider a transfer authorized if the transferor includes a clause that says future payments are "subject to future appropriation"?
 - The PDSG noted that a recipient can look to the substance of the arrangement and other evidence and make a determination as to whether the asset definition is met
- What happens in the case where legislation disallows receivable recognition until authority to pay is in place?
 - The PDSG expressed discomfort about legislated accounting practices as this takes away the recipient's ability to make its own determination of authorization and existence of an asset based on an evaluation of evidence available to it



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