



Public Sector Accounting Standards (PSAS) update Keeping current

Important caveats

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



Agenda

- Related party and inter-entity transactions
- Assets, contingent assets, and contractual rights
- Restructuring transactions
- Current Projects



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Effective dates for new standards

Public sector accounting

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

Source:

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

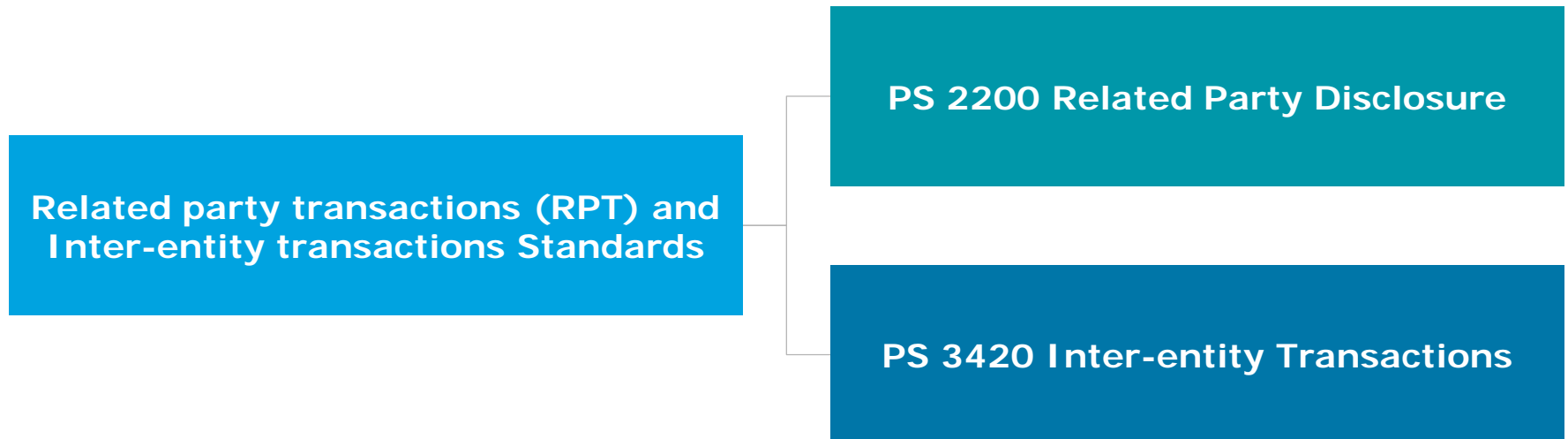
New standards

Related party and Inter-entity transactions

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:

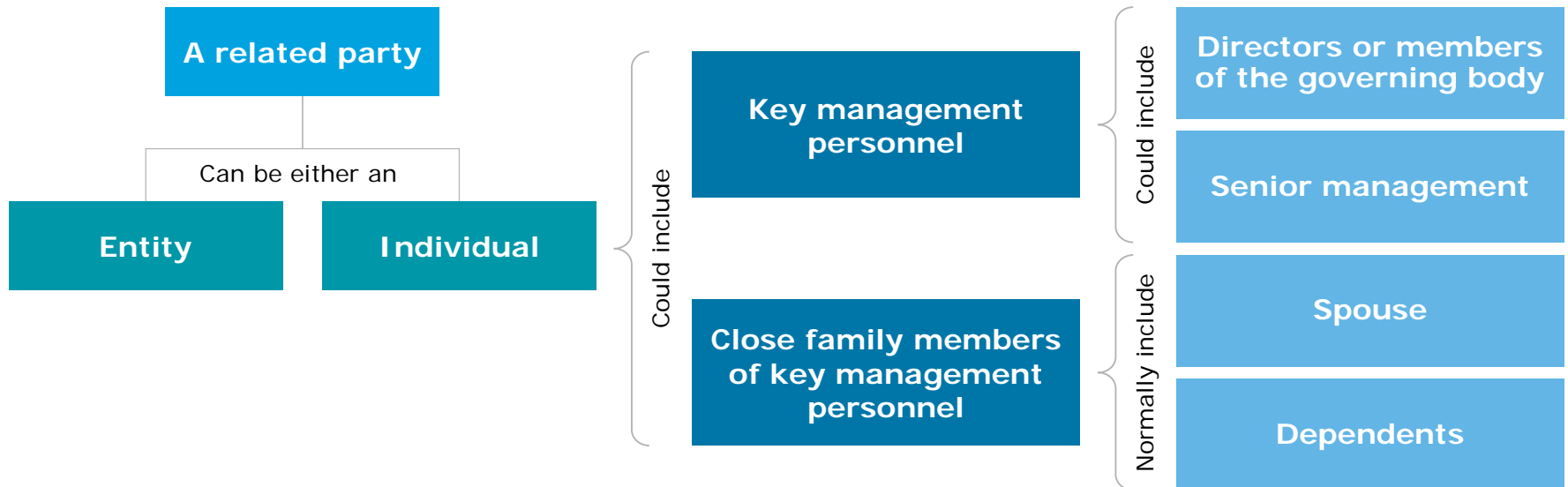


- PS 2200 entities will apply to all financial statements whereas PS 3420 will only apply to entities within the same government reporting entity

PS 2200 Related Party disclosures

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 relate 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?
- Create an audit trail



Related parties disclosures

Implications of the standard

Identify related parties

- Identify the types of related parties that can exist in the context of the accounting standard
- Determine an approach to how to confirm whether all related parties have been identified

Identify whether transactions have occurred with related parties

- Identify system requirements to be able to pull transactions with related parties
- Need to get comfortable that information produced in reports is accurate and complete

Assess whether the transaction should be disclosed

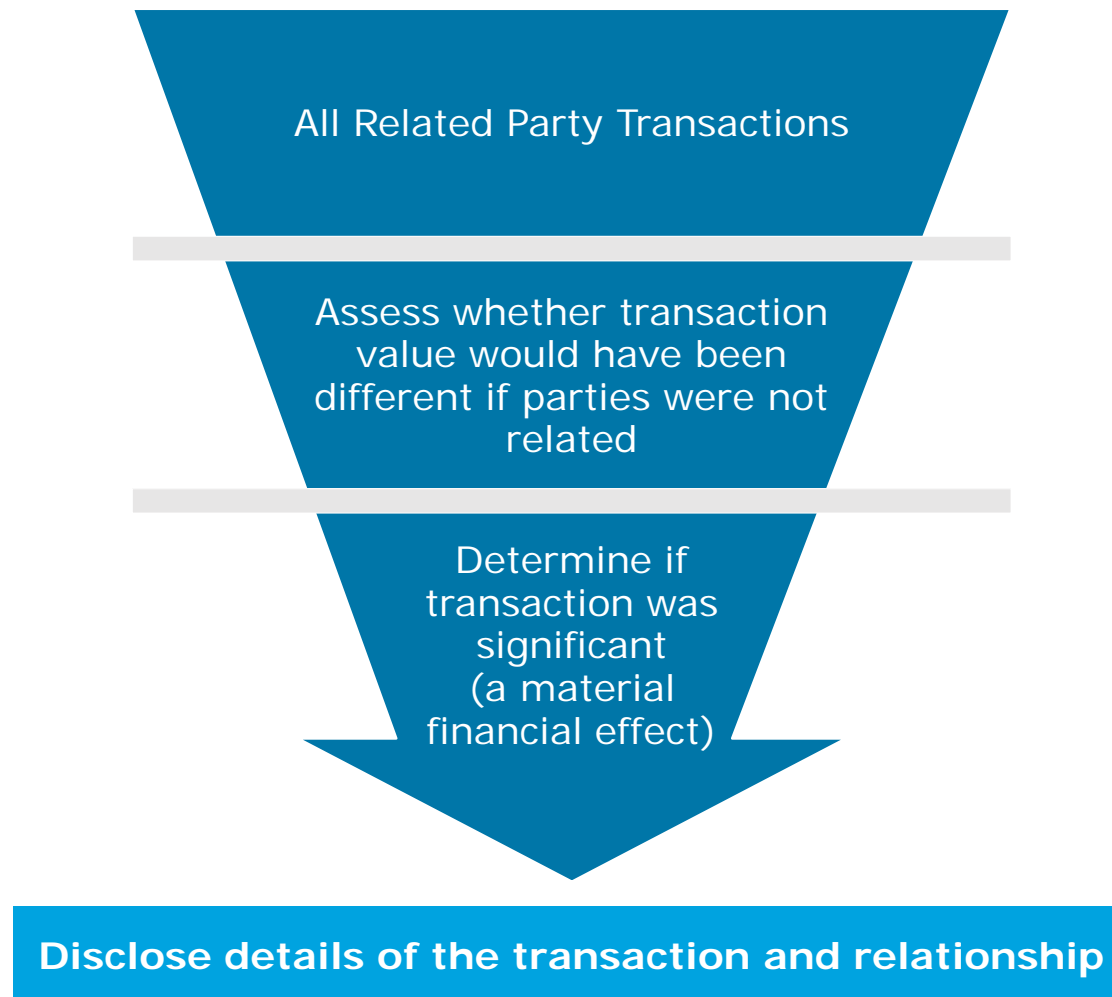
- Develop a scoping methodology to help determine which transactions and relationships should be disclosed

Obtain required data for disclosures

- Develop reporting mechanisms (e.g., excel spreadsheet, other systems) to ensure that all disclosure requirements have been accurately completed and met.

Implementing related party transactions

One approach to consider



PS 2200 related party disclosures

What needs to be disclosed?

Amount of outstanding balances and their terms & conditions

Types of related party transactions with amount recognized

Contractual obligations with related parties

Contingent liabilities involving related parties

Amounts of the transactions recognized

Types of related party transactions with no amount recognized

Basis of measurement used

The nature of the relationship with related parties

PS 3420 inter-entity transactions

Purpose and scope

- Establish standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective
- To achieve their objectives, governments generally conduct activities through a variety of entities such as departments, ministries, government organizations and partnerships

Disclosure

- An entity should disclose in accordance with Section PS 2200 Related Party Disclosures

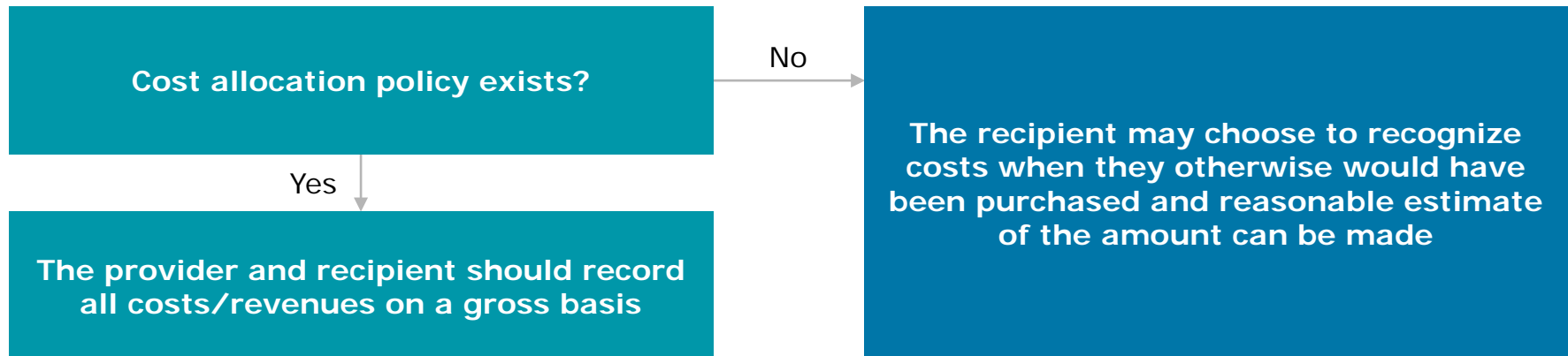


PS 3420 inter-entity transactions (cont'd)

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

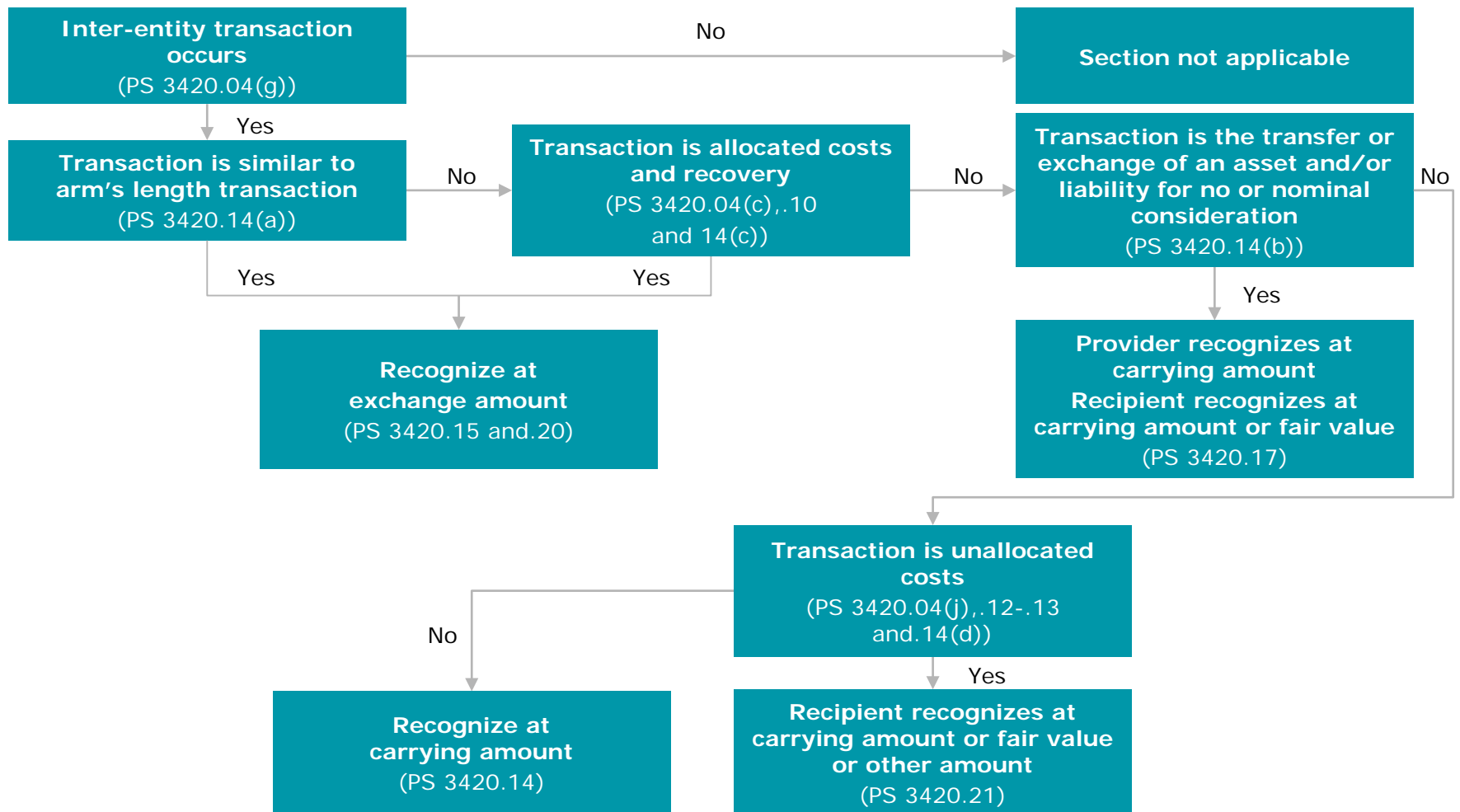


Implementation consideration

- 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 3420 inter-entity transactions (cont'd)

Decision tree – Accounting treatment





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