

November 3, 2014

by email: ed.psector@cpacanada.ca

Mr. Tim Beauchamp, Director
Public Sector Accounting
The Canadian Institute of Chartered Professional Accountants
277 Wellington Street West
Toronto, ON M5V 3H2

Dear Mr. Beauchamp:

Re: Invitation to Comment on Exposure Draft – Assets, Contingent Assets and Contractual Rights.

We appreciate the opportunity to respond to the Public Sector Accounting Board Exposure Draft (ED) on Assets, Contingent Assets and Contractual Rights issued in August, 2014.

Assets

1. Is the proposed guidance on control clear and useful?

We generally agree that the guidance on control is clear and useful. However, introducing the concept of control applying to individual rights associated with an asset creates a certain amount of confusion since the example provided in paragraph 21 relates to a leased asset. The Exposure Draft states:

“For example, a single leased asset embodies different economic benefits. It may give the lessee the right to use the property and the lessor the right to receive rents and any residual value. Thus, both parties may have assets corresponding to their respective rights.”

Certain readers may find this confusing and/or a requirement to capitalize the lessor’s intangible asset associated with leased property. While the example is a good illustration of the concept being applied to individual rights related to this asset, it may also be helpful to state clearly that a public sector entity is still prohibited from recording intangible rights. To the extent that there are tangible rights illustrating this concept, it would be helpful to provide a further example.

2. Do you agree that external restrictions on the economic resources do not negate control?

We agree that external restrictions do not negate control. It would be helpful to further illustrate this concept with the concept of risk/loss. That is to say, although a public sector entity may have a portfolio of investments subject to external restrictions requiring that they be used to fund certain expenditures, the public sector entity still controls the portfolio since it benefits from the economic resources through reduced cash flows, it can deny or regulate access to those benefits, and it is still exposed to risks associated with the portfolio.

3. Do you agree with the proposed disclosure requirements?

We agree with the disclosure requirements.

Contingent Assets

1. Do you agree with the proposed disclosure requirements?

We agree with the disclosure requirements.

Other matter regarding Contingent Assets

We note the discussion in paragraph .07 of the Exposure Draft that speaks to measurement uncertainty and how “measurement uncertainty does not, in and of itself, constitute the type of uncertainty that characterizes a contingent asset”.

Paragraph .08 then goes on to provide an example whereby “a public sector entity may have incurred an unexpected loss and **there is sufficient evidence for potential recovery**. The potential for recovery constitutes the existing condition or situation giving rise to a possible asset. It is a possible asset because of the uncertainty around recovery and it is only a future event that will confirm whether an asset exists.”

This example is confusing since it appears to state that there **is** an asset relating to the recovery and that said asset is not contingent. What appears uncertain in this example is the measurement of the asset. We would point out that this example seems to be based upon on an insurance recovery situation where the claimant is uncertain as to how much they will recover but is certain that they have coverage. This kind of example appears to be more in line with the description in paragraph .07 meaning that the uncertainty is really related to the measurement thereof, not the existence of the asset itself. We would encourage the Board to reconsider this example.

Contractual Rights

1. Do you agree with the proposed disclosure requirements?

We disagree with the disclosure requirements to the extent that paragraph .12 would appear to require disclosure of all material contractual rights rather than just those that are abnormal in relation to the financial position or unusual business operation and those that extend far into the future as described in paragraph .13. We would encourage the Board to clarify that it is these types of disclosures that are required under paragraph .12 rather than a broad requirement to disclose all contractual rights.

We would be pleased to discuss any questions or comments you may have with respect to this letter. To do so, please contact Lynn Pratt (613-751-5344), Cindy Veinot (416-643-8752) or the undersigned.

Yours truly,



Julie Corden
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