

PSAB's Proposed Conceptual Framework for the Canadian Public Sector

2018 CAGFO Conference - Winnipeg

September 12, 2018

The North Star



Session Agenda

- Introduction
- Highlights of Some Key Proposals
 - Financial Statement Foundations: Service capacity and Control
 - Elements of financial statements
 - Recognition exclusions
 - Derecognition
 - Presentation Concepts
- International Comparison

Task Force Members

- **Clyde MacLellan** (Chair),
AAG Canada
- **Tim Beauchamp**, Retired,
Director PSA Standards
- **Pete DeVries**, Retired,
Dept. of Finance, Canada
- **Paula Jesty**, Partner, Deloitte
- **Brad Klaiber**, Director,
University of Calgary
- **Merwan Saher**, AG Alberta
- **Cindy Veinot**,
Comptroller General, Ontario
- **Cheryl Wenezenki-Yolland**,
Retired in mid-2017
(former Associate DM Finance,
British Columbia)
- **Nickie Young**, Professor,
St. Mary's University,
Nova Scotia

Working in the Public Interest

IN THE PUBLIC
INTEREST

ACCOUNTABILITY



Consulting with Stakeholders

Time	Project Milestones
December 2010	Project proposal approved
August 2011	Consultation Paper 1 issued
October 2011	Consultation Paper 1 comment deadline
October 2012	Consultation Paper 2 issued
January 2013	Consultation Paper 2 comment deadline
March 2015	Consultation Paper 3 issued
August 2015	Consultation Paper 3 comment deadline

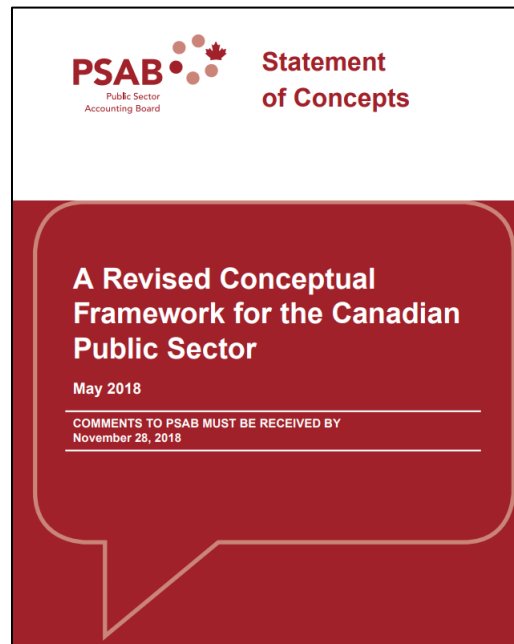
Listening to Your Feedback



May 2018 – Release of Proposals for a Revised Conceptual Framework



Statement of Concepts for a Revised Conceptual Framework



Proposals for a Revised Conceptual Framework

Existing Conceptual Framework

- Section PS 1000, *Financial Statement Concepts*
- Section PS 1100, *Financial Statement Objectives*

Proposed Conceptual Framework

- Chapter 1: Introduction to the Conceptual Framework
- Chapter 2: Characteristics of Public Sector Entities
- Chapter 3: Financial Reporting Objective
- Chapter 4: Role of Financial Statements
- Chapter 5: Financial Statement Foundations
- Chapter 6: Financial Statement Objectives
- Chapter 7: Qualitative Characteristics and Related Considerations
- Chapter 8: Elements of Financial Statements
- Chapter 9: Recognition and Measurement
- Chapter 10: Presentation Concepts

Statement of Concepts: What's New

- Defining the conceptual framework
- Derecognition concepts
- Presentation concepts

Statement of Concepts: What's Different

- ❖ Characteristics of public sector entities
- ❖ Qualitative characteristics and related considerations
- ❖ Recognition prohibitions

Statement of Concepts: What's the Same

- ✓ Financial reporting objective = **Accountability**
- ✓ Financial statement foundations: *reporting entity, control, service capacity focus, Canadian \$, accrual accounting*
- ✓ Elements of financial statements
- ✓ Recognition and measurement

Financial Statement Foundations



- Identifiable reporting entity
- Control
- Service capacity
- Unit of measure = CAN \$
- Basis of accounting = accrual

Control

CONTROL

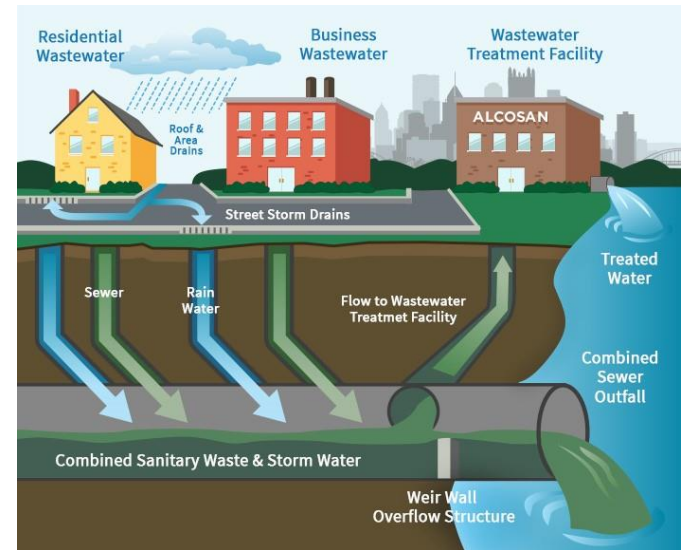
NO CONTROL



What is control?

How does
control work?

Service Capacity



Service Capacity Feedback

Does not consider:

- Borrowing capacity
- Ability to raise future taxes
- Assets that are not included in FS
- Factors that may change in the future
- Infrastructure deficits

May be confused with
“service potential”

Requires estimating
infrastructure deficits

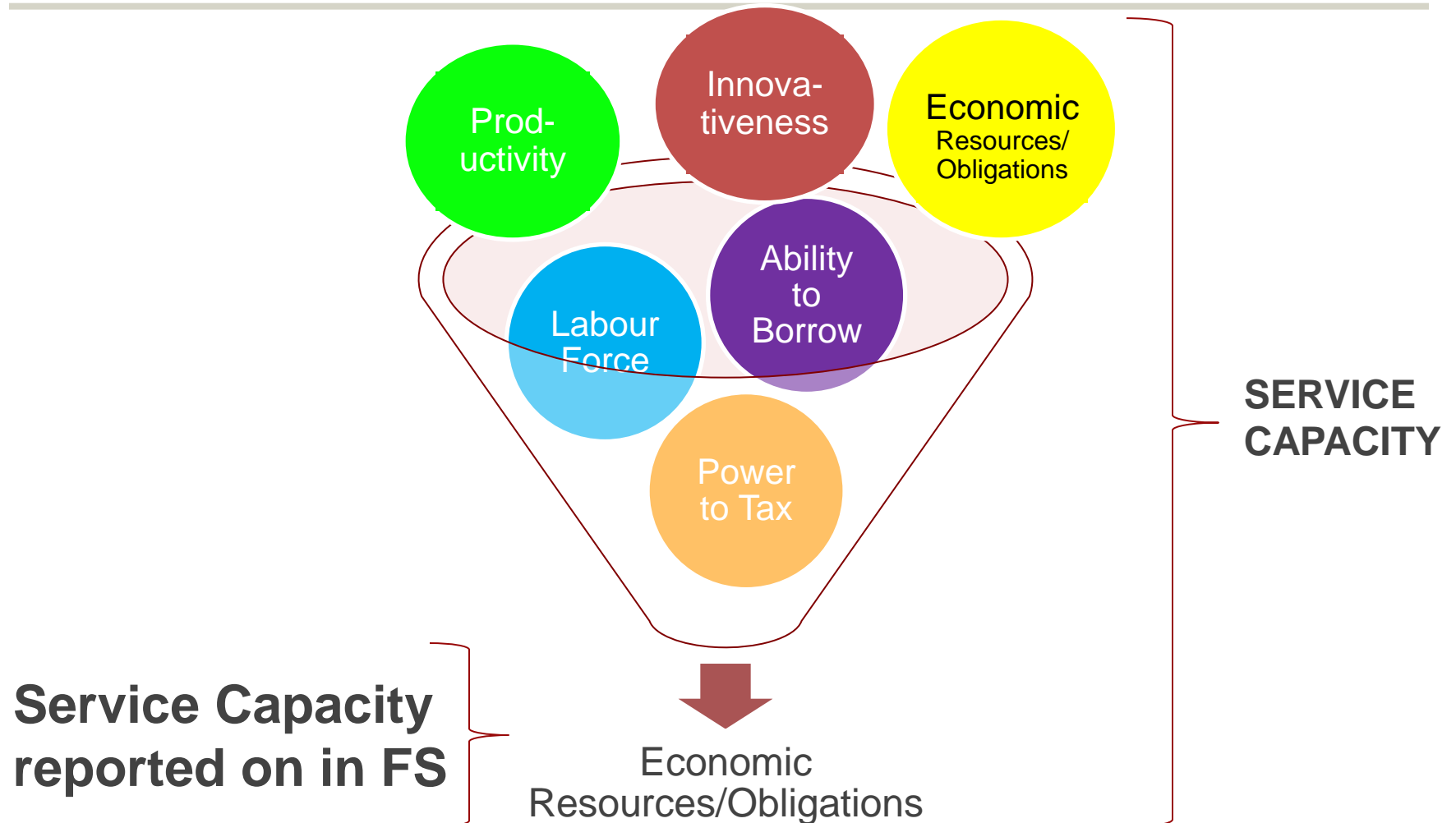
Emphasizes
one indicator
over others

Service Capacity

What should be measured in the
Financial Statements of a Public
Sector Entity?

**The capacity to serve
the public**

Service Capacity



Service Capacity

- Measures of Service Capacity
 - Net economic resources
 - The service capacity available to meet future objectives
 - Net economic obligations
 - The service capacity required to be built up to meet future objectives
- A foundational concept
 - It underlies the measurement of financial position and financial performance

Elements of Financial Statements

- Asset
- Liability
- Revenue
- Expense



Elements of Financial Statements



Exclusions from Recognition

inherited natural
resources

inherited Crown
lands

purchased and
inherited art and
historical
treasures

all intangibles

Derecognition



Derecognize when:

- Item no longer meets definition of an element
- Criteria for recognition no longer met

Presentation Concepts



Presentation...

...the process by which an entity communicates information in its financial statements to meet the objective of financial reporting and the specific financial statement objectives.

...involves the selection, location and organization of information.



Presentation Objective

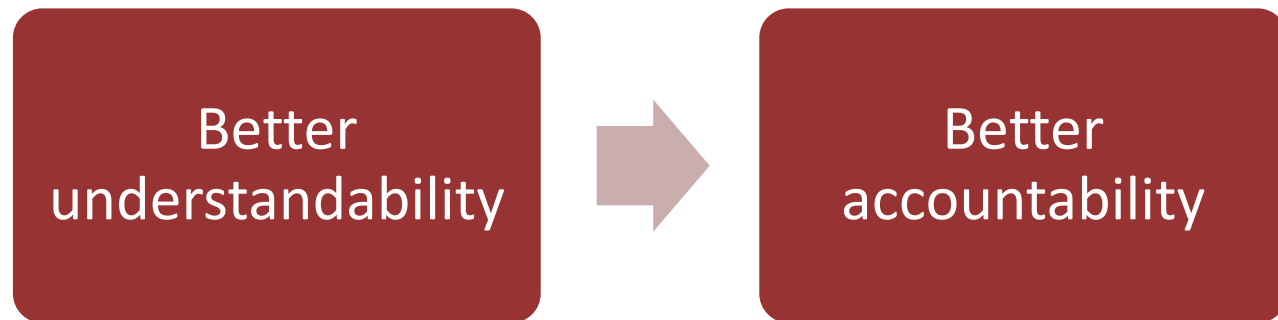
Present information in financial statements in a manner that:

1. maximizes the accountability value of financial statements
2. portrays a cohesive financial picture
 - objective of financial reporting
 - financial statement objectives
 - qualitative characteristics & related considerations



Summary

- Building on and improving the existing conceptual framework
 - Providing guidance
 - Adding clarity
 - Adding concepts



Proposed Conceptual Framework

IN THE PUBLIC
INTEREST

ACCOUNTABILITY



International Strategy



International Comparison

Summary Comparison: PSAB's Proposals for a Revised Conceptual Framework and IPSASB's Existing Conceptual Framework

Subject	Comparison
Characteristics of public sector entities	Similar / Consistent
Objective of financial reporting	Similar / Consistent
Primary users of financial reporting	Minor Differences Noted
Information needs of users	Similar / Consistent
Role of financial statements	Similar / Consistent
Financial statement foundations ¹	Similar / Consistent
Financial statement objectives	Minor Differences Noted
Qualitative characteristics	Similar / Consistent
Considerations	Minor Differences Noted
Elements of financial statements	Minor Differences Noted
Recognition criteria	Minor Differences Noted
Derecognition	Similar / Consistent
Measurement attribute	Difference Noted
Presentation definition	Similar / Consistent
Presentation objective	Similar / Consistent

Comparison of Measurement Attribute

PSAB	<div>MEASUREMENT ATTRIBUTE</div> <div>=</div> <div>Historical Cost</div> <div>Or, rarely, an attribute that better serves the accountability objective</div>												
IPSASB	<div>No single measurement attribute</div> <table><tr><th>Assets</th><th>Liabilities</th></tr><tr><td>Historical cost</td><td>Historical cost</td></tr><tr><td>Market value</td><td>Market value</td></tr><tr><td>Replacement cost</td><td>Assumption price</td></tr><tr><td>Net selling price</td><td>Cost of release</td></tr><tr><td>Value in use</td><td>Cost of fulfillment</td></tr></table>	Assets	Liabilities	Historical cost	Historical cost	Market value	Market value	Replacement cost	Assumption price	Net selling price	Cost of release	Value in use	Cost of fulfillment
Assets	Liabilities												
Historical cost	Historical cost												
Market value	Market value												
Replacement cost	Assumption price												
Net selling price	Cost of release												
Value in use	Cost of fulfillment												

IPSASB Elements



- Elements
 - Assets
 - Liabilities
 - Revenues
 - Expenses
 - Ownership contributions
 - Ownership distributions
- Categories (not elements)
 - Other resources
 - Other obligations

We Want Your Feedback



Comment
deadline:
**November
28, 2018**

Stay Up-to-Date

Check our project web page –
www.frascanada.ca/ConceptsUnderlyingFinancialPerformance

and

www.frascanada.ca/psabbigprojects2018

WHAT'S NEXT?

- Foster understanding of proposals
 - Webinars – October 15 (English) November 5 (French)
 - articles
 - videos
- Develop exposure draft



Questions and/or Comments



THANK YOU



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