



Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

Accounting and Assurance Standards Update

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Helping You to Keep Up with Changing Accounting and Assurance Standards

The Office of the Auditor General of Ontario is pleased to provide this fourth annual newsletter. The newsletter is designed to make it easier for you to stay informed about changes to the CPA Canada Handbook that might affect your organization.

In this issue, we highlight key developments in the area of financial reporting, including the future of sustainability reporting standards and the ongoing financial reporting implications of the COVID-19 pandemic.

This newsletter focuses on the most relevant accounting and assurance standard changes, prepared in an easy-to-read reference format.

We track four key areas of interest: Public Sector Accounting Standards (PSAS); PSAS for Government Not-for-Profit Organizations; International Financial Reporting Standards (IFRS); and Assurance Standards. This edition contains updates to PSAS, IFRS and Assurance Standards. We encourage Government Not-for-Profit Organizations to review PSAS updates as these may also apply.

We hope you will find this newsletter useful. Please share your thoughts about it with Rebecca Yosipovich, Director, Professional Practices, and David Catarino, Director, Accounting Centre of Excellence, so we can make future editions even better.

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■ Key Developments in Financial Reporting

Sustainability Reporting Standards

Sustainability reporting has increasingly become a key focus for governments, private-sector companies, investors and other stakeholders globally. "Sustainability reporting" is a term used to describe the frameworks used by organizations to measure and report on their environmental, social and governance (ESG) performance.

Currently, there are numerous standard-setting organizations worldwide that have developed a range of voluntary sustainability reporting frameworks, standards and metrics, such as the Task Force on Climate-Related Financial Disclosures (TCFD) and the Global Reporting Initiative (GRI).

Due to the diversity and voluntary nature of these disclosure frameworks, sustainability reporting today remains fragmented and inconsistent. There has been a growing momentum toward a global harmonization of sustainability-related financial reporting standards in recent years. At the November 2021 United Nations Climate Change Conference (COP26), the International Financial Reporting Standards (IFRS) Foundation announced the creation of the new International Sustainability Standards Board (ISSB). The ISSB will develop sustainability disclosure standards to provide a global baseline of disclosure requirements designed to give investors high quality, globally comparable sustainability information that can be used by jurisdictions on a standalone basis or incorporated into requirements to meet broader, multi-stakeholder or public policy needs. The ISSB will have offices across the globe, including Montreal, Canada.

In December 2021, the Independent Review Committee on Standard Setting in Canada released a consultation paper seeking feedback on the proposed establishment of a Canadian sustainability standards board. The deadline for public comment was March 31, 2022.

Ongoing Financial Reporting Implications of the COVID-19 Pandemic

All entities will need to continue to monitor the impact of the ongoing COVID-19 pandemic on financial reporting. As the COVID-19 pandemic evolves, the financial risks and uncertainties may evolve. Identification and analysis of the ongoing impact of the pandemic on financial reporting continues to be important.

This Edition at a Glance

Standards Digest

The following future accounting and assurance standards are detailed in this edition:

Page	Standard	Key Takeaways and Guidance	Effective Date ¹
9	PSG-8 Purchased Intangibles	<ul style="list-style-type: none"> Guideline issued in November 2020. Permits recognition of intangible assets that are acquired through an arm's length exchange transaction between willing parties. Recognition prohibition for purchased intangibles that was previously in PS 1000, <i>Financial Statement Concepts</i>, was removed. 	April 1, 2023
9	PS 3160 – Public Private Partnerships	<ul style="list-style-type: none"> Standard issued in April 2021. Recognition, measurement presentation and disclosure of public private partnerships. Applies to partnerships that involve the public sector entity obtaining control of the infrastructure asset and the private sector partner designing, building, acquiring and/or bettering the infrastructure, financing the transaction past the point the infrastructure is ready for use, and operating and/or maintaining the infrastructure on an ongoing basis. 	April 1, 2023
10	Amendment to PS 1150 – Generally Accepted Accounting Principles (GAAP)	<ul style="list-style-type: none"> PS 1150 provides guidance on sources to consult if the Public Sector Accounting Standards Handbook (Handbook) and the Public Sector Guidelines do not explicitly address the accounting for an event or transaction. PS 1150 was amended in April 2021 to direct public sector entities to consult the pronouncements issued by the International Public Sector Accounting Standards Board (IPSASB) for guidance before considering any other authoritative sources of GAAP outside the Handbook. Applies to new transactions or other events for which the entity has no existing accounting policy. Amendment does not require revision of existing accounting policies. 	April 1, 2021

1. The effective date is for financial years beginning on or after the date shown.

Page	Standard	Key Takeaways and Guidance	Effective Date ¹
10	PS 3400 – Revenue	<ul style="list-style-type: none"> Standard issued in June 2018. Recognition, measurement and presentation of revenues in the public sector that are not government transfers or taxes. Two categories of public sector revenues: exchange transactions and unilateral (non-exchange) transactions with different recognition criteria. In response to the COVID-19 pandemic, the effective date for this standard was deferred from April 1, 2022 to April 1, 2023. 	April 1, 2023
11	PS 3280 – Asset Retirement Obligations	<ul style="list-style-type: none"> Standard issued in August 2018. Recognition and measurement of obligations that arise from permanent removal of tangible capital assets from service. In response to the COVID-19 pandemic, the effective date for this standard was deferred from April 1, 2021 to April 1, 2022. 	April 1, 2022
12	PS 3450 – Financial Instruments	<ul style="list-style-type: none"> Part of a suite of standards (PS 3450, PS 2601, PS 1201). Recognition, measurement, presentation and disclosure of financial instruments, including derivatives. All financial instruments to be measured in one of two categories: (i) fair value; or (ii) cost or amortized cost. In response to the COVID-19 pandemic, the effective date for this standard was deferred from April 1, 2021 to April 1, 2022. 	April 1, 2022 ²
12	PS 2601 – Foreign Currency	<ul style="list-style-type: none"> Part of a suite of standards (PS 3450, PS 2601, PS 1201). Replaces the guidance in section PS 2600, <i>Foreign Currency Translation</i>. Exchange gains/losses on monetary assets and liabilities prior to settlement are recorded in the statement of remeasurement gains and losses. Upon settlement, cumulative unrealized foreign exchange gains/losses are reclassified to the statement of operations. Eliminates hedge accounting for foreign currencies. In response to the COVID-19 pandemic, the effective date for this standard was deferred from April 1, 2021 to April 1, 2022. 	April 1, 2022 ²

1. The effective date is for financial years beginning on or after the date shown.

2. Government organizations that applied the CPA Canada Handbook – Accounting prior to their adoption of the Public Sector Accounting Handbook are required to apply these sections to fiscal years beginning on or after April 1, 2012.

Page	Standard	Key Takeaways and Guidance	Effective Date ¹
13	PS 1201 – Financial Statement Presentation	<ul style="list-style-type: none"> • Part of a suite of standards (PS 3450, PS 2601, PS 1201). • Replaces PS 1200, <i>Financial Statement Presentation</i>. • Introduces statement of remeasurement gains and losses. • Remeasurement gains and losses arise from (i) foreign exchange gains and losses on items in the amortized cost category; (ii) unrealized gains and losses on financial instruments measured at fair value. • Accumulated remeasurement gains or losses at the end of the period are reported as a separate component of accumulated surplus or deficit. • In response to the COVID-19 pandemic, the effective date for this standard was deferred from April 1, 2021 to April 1, 2022. 	April 1, 2022 ²
13	PS 3041 – Portfolio Investments	<ul style="list-style-type: none"> • Adopted in the same period that PS 1201, PS 2601 and PS 3450 are adopted. • Standard replacing PS 3040, <i>Temporary Investments</i>. • Portfolio investments measured in accordance with PS 3450, Financial Instruments unless they have concessionary terms. • Losses in the value of a portfolio investment that are not a temporary decline should be recognized and recorded in the statement of operations. • In response to the COVID-19 pandemic, the effective date for this standard was deferred from April 1, 2021 to April 1, 2022. 	April 1, 2022 ²
14	Annual Improvements to Public Sector Accounting Standards	<ul style="list-style-type: none"> • The 2019-2020 Annual Improvements clarified that early adoption of a new or amended standard also requires early adoption of all consequential amendments related to that standard. • The 2019-2020 Annual Improvements further amended various standards to reflect the requirement to disclose contractual rights in addition to contractual obligations, and to replace the term "contingency" with "contingent assets and contingent liabilities". 	April 1, 2021

1. The effective date is for financial years beginning on or after the date shown.

2. Government organizations that applied the CPA Canada Handbook – Accounting prior to their adoption of the Public Sector Accounting Handbook are required to apply these sections to fiscal years beginning on or after April 1, 2012.

Page	Standard	Key Takeaways and Guidance	Effective Date ¹
14	Financial Instruments and Foreign Currency Translation – Narrow Scope Amendments	<ul style="list-style-type: none"> • Amendment to PS 3450, <i>Financial Instruments</i> that clarifies that bond repurchase transactions are not treated as an extinguishment unless the bond is legally discharged, or is exchanged for a bond with significantly different terms. • Amendment to PS 2601, <i>Foreign Currency Translation</i>, that permits public sector entities to make an irrevocable election upon initial recognition of a financial asset or financial liability arising from a foreign currency transaction. The election would allow public sector entities to recognize any related unrealized foreign exchange gain or loss directly in the statement of operations. The April 2021 amendment further clarified that public sector entities may present the remeasurement impact of derivatives separately on the statement of change in net debt. PS 1201, <i>Financial Statement Presentation</i>, and PS 3450, <i>Financial Instruments</i>, were also revised to align with this amendment. 	April 1, 2022
15	IFRS 17 – Insurance Contracts	<ul style="list-style-type: none"> • Replaces IFRS 4, <i>Insurance Contracts</i>. • Profit from insurance contracts is initially recorded as a liability called the contractual service margin. • Contractual service margin is recognized over the insurance contract’s coverage period. • Requires entities to update actuarial assumptions and estimates in measuring insurance contracts in subsequent reporting periods. • Accelerates the recognition of losses on insurance contracts that are expected to be onerous. 	January 1, 2023
15	Amendments to IFRS 9 – Financial Instruments	<ul style="list-style-type: none"> • Amendments to provide temporary exceptions from applying specific hedge accounting requirements in IFRS 9 and IAS 39 to all hedging relationships directly affected by interest rate benchmark reform. • An additional amendment to IFRS 9 clarified which fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. 	Various (see details on page 15)
16	Amendments to IAS 1 – Presentation of Financial Statements	<ul style="list-style-type: none"> • Amendments to clarify the requirements for classification of liabilities as current or non-current. • Further amendments were issued to provide additional guidance to entities to assist them in determining which accounting policies to disclose in the notes to the financial statements. 	January 1, 2023

1. The effective date is for financial years beginning on or after the date shown.

Page	Standard	Key Takeaways and Guidance	Effective Date ¹
16	Amendment to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors	<ul style="list-style-type: none"> Amendment designed to make it easier for entities to distinguish between a change in accounting estimate and a change in an accounting policy. 	January 1, 2023
16	Amendment to IAS 16 – Property, Plant and Equipment	<ul style="list-style-type: none"> Amendment to clarify that if an item of property, plant and equipment generates sales before it is available for its intended use, the proceeds from these sales cannot be deducted from the cost of the item. 	January 1, 2022
16	Amendment to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets	<ul style="list-style-type: none"> Amendment to specify that when an entity assesses whether a contract is onerous, in calculating the costs of the contract it should include both the incremental costs associated with the contract as well as an allocation of other costs directly related to fulfilling the contract. 	January 1, 2022
17	CAS 701 – Communicating Key Audit Matters in the Independent Auditor’s Report	<ul style="list-style-type: none"> Introduces new section in the auditor’s report called Key Audit Matters (KAM). KAM are those matters that, in the auditor’s professional judgment, were of most significance to the audit. KAM is required for the audit of all listed entities. Listed entities are entities whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body. 	Various (see details on page 17)
17	CSRS 4400 – Agreed-Upon Procedures Engagements	<ul style="list-style-type: none"> Agreed-upon procedures are procedures that are agreed to by the practitioner and the engaging party (and other parties, if applicable) that leads to a report of factual findings. Unlike an audit or a review, agreed-upon procedures do not provide any level of assurance. Updates and replaces existing Section 9100, <i>Reports on the Results of Applying Specified Auditing Procedures to Financial Information Other than Financial Statements</i> and Section 9110, <i>Agreed-Upon Procedures Regarding Internal Control over Financial Reporting</i>. Expands on the scope of Section 9100 by including non-financial subject matters. Requires additional areas in the agreed-upon procedures report. 	Agreed-upon procedures engagements for which the terms of engagement are agreed to on or after January 1, 2022

1. The effective date is for financial years beginning on or after the date shown.

Accounting and Assurance Standards Adoption Timeline

The following timeline shows the effective dates for the future accounting and assurance standards outlined in this edition.

2021	IFRS 9	Financial Instruments (Amendment)	January 1
	PS 1150	Modification to the GAAP Hierarchy (Amendment)	April 1
2022	IAS 16	Property, Plant and Equipment (Amendment)	January 1
	IAS 37	Provisions, Contingent Liabilities and Contingent Assets (Amendment)	January 1
	PS 1201	Financial Statement Presentation	April 1
	PS 2601	Foreign Currency Translation	April 1
	PS 3041	Portfolio Investments	April 1
	PS 3280	Asset Retirement Obligations	April 1
	PS 3450	Financial Instruments	April 1
	PS 3450/ PS 2601	Narrow Scope Amendments to Financial Instruments and Foreign Currency Translation	April 1
	CAS 701	Communicating Key Audit Matters in the Independent Auditor's Report	December 15
CSRS 4400	Agreed-Upon Procedures Engagements	January 1	
2023	IAS 1	Presentation of Financial Statements (Amendments)	January 1
	IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1
	IFRS 17	Insurance Contracts	January 1
	PSG-8	Purchased Intangibles	April 1
	PS 3160	Public Private Partnerships	April 1
	PS 3400	Revenues	April 1

Public Sector Accounting Standards (PSAS)

Purchased Intangibles

Effective Date:* April 1, 2023

Early Adoption: Permitted

The Public Sector Accounting Board (PSAB) issued Public Sector Guideline 8, *Purchased Intangibles* in November 2020 to provide general guidance on the recognition of intangibles purchased through an exchange transaction. Purchased intangibles are defined as identifiable non-monetary economic resources without physical substance acquired through an arm's length exchange transaction between knowledgeable, willing parties who are under no compulsion to act. Examples of purchased intangibles include licences, trademarks and film and television rights.

PS 1000, *Financial Statement Concepts* was amended concurrently to remove the recognition prohibition relating to purchased intangibles. PS 1201, *Financial Statement Presentation*, was also amended to remove the requirement to disclose unrecognized purchased intangibles.

Government not-for-profit organizations applying the 4200 series continue to follow the guidance in PS 4230, *Capital Assets Held by Not-for-Profit Organizations*.

Public Private Partnerships

Effective Date:* April 1, 2023

In April 2021, PSAB issued PS 3160, *Public Private Partnerships*, to provide guidance on the recognition, measurement, presentation and disclosure of public private partnerships. This section applies to partnerships in which the public sector entity obtains control of the infrastructure asset and the private sector partner performs all of the following activities:

- (i) designs, builds, acquires and/or betters infrastructure on behalf of the public sector entity;
- (ii) finances the transaction past the point the infrastructure is ready for use; and
- (iii) operates and/or maintains the infrastructure.

An infrastructure asset is recognized when the public sector entity controls all of the following:

- (i) the purpose and use of the infrastructure;
- (ii) access to the future economic benefits and exposure to the risks of the infrastructure asset; and
- (iii) significant residual interest in the infrastructure, if any, at the end of the public private partnership's term.

Infrastructure assets are recognized at cost. The cost, less any residual value, of an infrastructure asset with a limited life is amortized over its useful life.

Upon recognition of the infrastructure asset, a liability is recognized equal to the infrastructure asset, less any amounts previously paid to the private sector partner. The liability is settled by future payments of cash or other financial assets (financial liability), or by granting rights to the private sector partner to earn revenue from the infrastructure asset (user pay model).

A public sector entity discloses the significant terms of the arrangement, the key rights and obligations for the public sector entity and private sector partner, the accounting policy, and changes in the terms of the public private partnership arrangement occurring during the reporting period.

* The effective date is for financial years beginning on or after the date shown.

Public Sector Accounting Standards (PSAS)

Modification to the Hierarchy of Generally Accepted Accounting Principles – Amendment to PS 1150

Effective Date:* April 1, 2021

In April 2021, PSAB issued an amendment to PS 1150, *Generally Accepted Accounting Principles*. Under this standard, when an event or transaction is not explicitly addressed by a primary source of generally accepted accounting principles (i.e. the Public Sector Accounting Standards Handbook or Public Sector Guidelines), public sector entities are directed to consult other authoritative sources of GAAP. The amendment requires that the pronouncements issued by the International Public Sector Accounting Standards Board (<https://www.ipsasb.org>) be considered first before looking at other authoritative sources of GAAP.

The amendment only applies to new transactions or other events for which the entity has no existing accounting policy. The amendment does not require revision of existing accounting policies.

PS 3400 – Revenue

Effective Date:* April 1, 2023

Early Adoption: Permitted

In June 2018, PSAB approved Section PS 3400 to provide guidance on the recognition, measurement and presentation of revenues that arise in the public sector, but are outside the scope of PS 3410, *Government Transfers* and PS 3510, *Tax Revenues*.

Section PS 3400 separates public sector revenues into two categories: exchange transactions and unilateral (non-exchange) transactions. The distinguishing feature is the existence of a performance obligation, an enforceable promise to provide a good or service to a payor. Exchange transactions are characterized by one or more performance obligations. By contrast, unilateral transactions, such as fines and penalties, are not associated with a performance obligation.

Revenues from an exchange transaction are recognized as or when the public-sector entity satisfies the performance obligation. Performance obligations may be satisfied at a point in time or over a period of time, depending on which method best depicts the transfer of goods or services to the payor.

Unilateral revenues are recognized when there is the authority and a past event that gives rise to a claim of economic resources.

This standard was originally approved by PSAB for fiscal years beginning on or after April 1, 2022. In November 2020, in response to the COVID-19 pandemic, PSAB deferred the effective date for this section by one year to April 1, 2023.

* The effective date is for financial years beginning on or after the date shown.

Public Sector Accounting Standards (PSAS)

PS 3280 – Asset Retirement Obligations

Effective Date:* April 1, 2022
Early Adoption: Permitted

Section PS 3280 was issued in August 2018 to provide guidance on the recognition and measurement of obligations that arise from asset retirement activities. Asset retirement is the permanent removal of a tangible capital asset from service.

A retirement obligation is recognized as a liability when:

- (i) there is a legal obligation to incur costs to permanently remove a tangible capital asset from service. Legal obligations can arise from legislation, contracts and promissory estoppel;
- (ii) the past transaction giving rise to the liability, such as acquisition, construction, development or normal use, has already occurred;
- (iii) there is an expectation that future economic benefits will be given up; and
- (iv) a reasonable estimate of the liability can be made. The estimate includes costs directly attributable to the retirement activities, including post-retirement operation, maintenance and monitoring.

Upon recognition of the obligation, the carrying amount of the related tangible capital asset is increased by the same amount as the liability. The cost included in the carrying amount of the tangible capital asset is allocated to expense in a rational and systematic manner (e.g., amortization over the remaining useful life of the related tangible capital asset).

If the related asset is no longer in productive use, or if the related asset is not recognized for accounting purposes, the related retirement costs would be recorded as an expense.

PSAB withdrew the guidance on solid waste landfill closure and post-closure liability (Section PS 3270) following the issuance of this standard. Section PS 3270 remains effective until PS 3280 is adopted.

This standard was originally approved by PSAB for fiscal years beginning on or after April 1, 2021. In November 2020, in response to the COVID-19 pandemic, PSAB deferred the effective date for this section by one year to April 1, 2022.

* The effective date is for financial years beginning on or after the date shown.

Public Sector Accounting Standards (PSAS)

PS 3450 – Financial Instruments

Effective Date:* April 1, 2022

Early Adoption: Permitted
(PS 3450, PS 2601 and PS 1201
are to be adopted together)

For governments and government entities that did not apply the CPA Canada Handbook – Accounting prior to adoption of the CPA Canada Public Sector Accounting Handbook.

Section PS 3450 provides guidance on the recognition, measurement, presentation and disclosure of financial instruments. Financial instruments include accounts receivable and payable, equity instruments and derivatives.

The new standard introduces the requirement to measure all financial instruments in one of two categories:

- (i) fair value; or
- (ii) cost or amortized cost.

Under Section PS 3450, investments in equity instruments that are quoted in an active market and derivatives are measured at fair value.

This standard was originally approved by PSAB for fiscal years beginning on or after April 1, 2015. The effective date had previously been extended three times (April 1, 2016, April 1, 2019, and April 1, 2021).

In November 2020, in response to the COVID-19 pandemic, PSAB deferred the effective date for this section by an additional year to April 1, 2022.

PS 2601 – Foreign Currency Translation

Effective Date:* April 1, 2022

Early Adoption: Permitted
(PS 3450, PS 2601 and PS 1201
are to be adopted together)

For governments and government entities that did not apply the CPA Canada Handbook – Accounting prior to adoption of the CPA Canada Public Sector Accounting Handbook.

Section PS 2601 replaces the guidance in Section PS 2600, *Foreign Currency Translation*. Under Section PS 2601, exchange gains and losses arising on monetary assets and liabilities prior to settlement are recorded in the statement of remeasurement gains and losses. Once the foreign currency denominated item is settled, the cumulative amount of unrealized foreign exchange gain or losses previously recognized is reclassified to the statement of operations.

The introduction of PS 2601 eliminates the practice of deferring unrealized gains and losses arising from foreign currency translation and the previous guidance surrounding hedge accounting of foreign currencies.

This standard was originally approved by PSAB for fiscal years beginning on or after April 1, 2015. The effective date had previously been extended three times (April 1, 2016, April 1, 2019, and April 1, 2021).

In November 2020, in response to the COVID-19 pandemic, PSAB deferred the effective date for this section by an additional year to April 1, 2022.

* The effective date is for financial years beginning on or after the date shown.

Public Sector Accounting Standards (PSAS)

PS 1201 – Financial Statement Presentation

Effective Date:* April 1, 2022

Early Adoption: Permitted

(PS 3450, PS 2601 and PS 1201
are to be adopted together)

For governments and government entities that did not apply the CPA Canada Handbook – Accounting prior to adoption of the CPA Canada Public Sector Accounting Handbook.

Section PS 1201 replaces PS 1200, *Financial Statement Presentation*.

Section PS 1201 introduces the statement of remeasurement for gains and losses. Remeasurement gains and losses arise from:

- (i) exchange gains and losses on items in the amortized cost category denominated in a foreign currency; and
- (ii) unrealized gains and losses on financial instruments that are measured at fair value.

The accumulated remeasurement gains or losses at the end of the period are reported in the statement of financial position as a separate component of accumulated surplus or deficit.

This standard was originally approved by PSAB for fiscal years beginning on or after April 1, 2015. The effective date had previously been extended three times (April 1, 2016, April 1, 2019, and April 1, 2021).

In November 2020, in response to the COVID-19 pandemic, PSAB deferred the effective date for this section by an additional year to April 1, 2022.

PS 3041 – Portfolio Investments

Effective Date:* April 1, 2022

Early Adoption: Permitted

(Adopted at the same time PS 3450, PS 2601 and
PS 1201 are adopted)

For governments and government entities that did not apply the CPA Canada Handbook – Accounting prior to adoption of the CPA Canada Public Sector Accounting Handbook.

PS 3041 replaces Section PS 3040, *Temporary Investments* and PS 3030, *Temporary Investments*. PS 3041 states that portfolio investments are measured in accordance with PS 3450, *Financial Instruments* unless they have concessionary terms, such as little or no return on the government's investment or are part of the government reporting entity.

Losses in the value of a portfolio investment that are not a temporary decline should be recognized in the statement of operations.

This standard was originally approved by PSAB for fiscal years beginning on or after April 1, 2015. The effective date had previously been extended three times (April 1, 2016, April 1, 2019, and April 1, 2021).

In November 2020, in response to the COVID-19 pandemic, PSAB deferred the effective date for this section by an additional year to April 1, 2022.

* The effective date is for financial years beginning on or after the date shown.

Public Sector Accounting Standards (PSAS)

Annual Improvements to Public Sector Accounting Standards

Effective Date:* April 1, 2021

In previous years, PSAB issued annual improvements to correct minor inconsistencies or areas requiring clarification in the Public Sector Accounting Handbook (Handbook).

Most recently, in November 2020, PSAB issued the 2019 – 2020 Annual Improvements. The *Introduction to Public Sector Accounting Standards* was amended to clarify that the effective date of a consequential amendment is the same effective date as the standard which gave rise to the consequential amendment, unless otherwise determined by PSAB. Early adoption of a new or amended standard also requires early adoption of all consequential amendments related to that standard. Other improvements to the Handbook include revisions to individual standards to reflect the requirement to disclose contractual rights in addition to contractual obligations, and to replace the term "contingency" with "contingent assets and contingent liabilities".

Financial Instruments and Foreign Currency Translation – Narrow Scope Amendments

Effective Date:* April 1, 2022
Early Adoption: Permitted

In April 2020, PSAB issued amendments to PS 3450, *Financial Instruments*. The main change related to the treatment of bond repurchase transactions. The amendment clarifies that bond repurchase transactions are not treated as an extinguishment unless the bond is legally discharged, or is exchanged for a bond with significantly different terms. Other amendments include the addition of new guidance to the transitional provisions of this standard.

In April 2021, PSAB amended PS 2601, *Foreign Currency Translation*, to allow public sector entities to make an irrevocable election upon initial recognition of a financial asset or financial liability arising from a foreign currency transaction. If this election is made, public sector entities would recognize any related unrealized foreign exchange gain or loss directly in the statement of operations. As a result of this revision, PS 1201, *Financial Statement Presentation*, was also amended to clarify that exchange gains or losses associated with this election would not be recognized in the statement of remeasurement gains and losses. PS 3450, *Financial Instruments* was also amended to require disclosure of the carrying amounts of the related financial assets or financial liabilities. The April 2021 amendment further clarified that public-sector entities may present the remeasurement impact of derivatives separately on the statement of change in net debt.

* The effective date is for financial years beginning on or after the date shown.

International Financial Reporting Standards (IFRS)

IFRS 17 – Insurance Contracts

Effective Date:* January 1, 2023

Early Adoption: Permitted

(with adoption of IFRS 9)

IFRS 17 was issued by the IASB (International Accounting Standards Board) in May 2017 to replace IFRS 4, Insurance Contracts. Under IFRS 4, entities were permitted to continue to use accounting policies for insurance contracts that were in place prior to the entity's adoption of IFRS. IFRS 17 increases comparability across reporting entities by standardizing accounting for insurance contracts.

Under IFRS 17, profit from insurance contracts is initially recorded as a liability called the contractual service margin. The contractual service margin is recognized over the insurance contract's coverage period.

IFRS 17 also requires entities to update actuarial assumptions and estimates in measuring insurance contracts in subsequent reporting periods. It also accelerates the recognition of losses on insurance contracts that are expected to be onerous.

The standard was originally approved by the IASB for fiscal years beginning on or after January 1, 2021. In March 2020, the IASB deferred the effective date of IFRS 17 to fiscal years beginning on or after January 1, 2023.

The IASB also announced that it will extend the exemption currently in place for some insurers regarding the application of IFRS 9 Financial Instruments to enable them to implement both IFRS 9 and IFRS 17 at the same time.

Amendments to IFRS 9 – Financial Instruments

Effective Date:* Various
(as indicated in summary)

Early Adoption: Permitted

In August 2020, the IASB issued amendments to provide temporary exceptions from applying specific hedge accounting requirements in IFRS 9 and IAS 39 to all hedging relationships directly affected by interest rate benchmark reform, including the phasing out of interest-rate benchmarks such as the interbank lending rate (IBOR). The amendment is effective for annual periods beginning on or after January 1, 2021.

As part of the Annual Improvements to IFRS Standards 2018-2020, in September 2020, the Accounting Standards Board issued a further amendment to clarify which fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. This amendment is effective for annual periods beginning on or after January 1, 2022.

* The effective date is for financial years beginning on or after the date shown.

International Financial Reporting Standards (IFRS)

Amendments to IAS 1 – Presentation of Financial Statements

Effective Date:* January 1, 2023
Early Adoption: Permitted

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1). These amendments clarified that the criteria for classifying a liability as current or non-current is based on the right to defer settlement of the liability for at least 12 months after the reporting period. This amendment was originally effective for fiscal year beginning on or after January 1, 2022.

In July 2020, the IASB deferred the effective date for this amendment by one year to annual periods beginning on or after January 1, 2023.

In February 2021, the IASB issued amendments to IAS 1 to provide additional guidance to entities to assist them in determining which accounting policies to disclose in the notes to the financial statements. The IASB also amended IFRS Practice Statement 2, *Making Materiality Judgements*, first issued in October 2017, in order to assist entities in applying materiality judgments to accounting policy disclosures.

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

Effective Date:* January 1, 2023
Early Adoption: Permitted

In February 2021, the IASB published *Definition of Accounting Estimates* (Amendments to IAS 8). Amendments include a new definition of an accounting estimate, and guidance to distinguish changes in accounting estimates from changes in accounting policies.

Amendment to IAS 16 – Property, Plant and Equipment

Effective Date:* January 1, 2022
Early Adoption: Permitted

In May 2020, the IASB issued an amendment to IAS 16. If an item of property, plant and equipment generates sales before it is capable of being operated in the manner intended by management, the related proceeds cannot be deducted from the cost of the item. The proceeds from the sales should be recognized in the statement of profit and loss instead.

Amendment to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets

Effective Date:* January 1, 2022
Early Adoption: Permitted

In May 2020, the IASB issued an amendment to IAS 37 to specify that when an entity assesses whether a contract is onerous, in calculating the costs of the contract it should include both the incremental costs associated with the contract as well as an allocation of other costs directly related to fulfilling the contract.

* The effective date is for financial years beginning on or after the date shown.

Assurance Standards

CAS 701 – Communicating Key Audit Matters in the Independent Auditor’s Report

Effective Date: Various
(as indicated in summary)
Early Adoption: Permitted

In June 2017, the Auditing and Assurance Standards Board (AASB) issued CAS 701 to provide guidance on the implementation of a new section in the auditor’s report called Key Audit Matters. Key Audit Matters (KAM) are those matters that, in the auditor’s professional judgment, were of most significance to the audit. The goal of KAM is to provide greater transparency to users about the audit.

At the time CAS 701 was issued, the AASB determined that KAM should be included at the auditor’s discretion or if required under law or regulation and was effective for audits of financial statements for periods ending on or after December 15, 2018.

In November 2019, the AASB announced that Key Audit Matters are required for the audit of all listed entities effective for periods ending on or after December 15, 2022. Listed entities are entities whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body.

CSRS 4400 – Agreed-Upon Procedures Engagements

Effective Date: Agreed-upon procedures
engagements for which the terms of
engagement are agreed to on or after
January 1, 2022
Early Adoption: Permitted

CSRS 4400 updates and replaces existing Section 9100, *Reports on the Results of Applying Specified Auditing Procedures to Financial Information Other than Financial Statements* and Section 9110, *Agreed-Upon Procedures Regarding Internal Control over Financial Reporting*. Agreed-upon procedures are procedures that are agreed to by the practitioner and the engaging party (and other parties, if applicable) that leads to a report of factual findings. Unlike an audit or a review, agreed-upon procedures do not provide any level of assurance.

CSRS 4400 expands on the scope of Section 9100 by including non-financial subject matters. It also requires additional areas in the agreed-upon procedures report.