



PSAB AT A GLANCE

Section PS 3430 - Restructuring Transactions

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Effective Date
Fiscal periods beginning on or after April 1, 2018¹

SCOPE

Applies to:

- All restructuring transactions that meet the definition below.
- Only entities that adhere to the standards for the PSA Handbook for their financial reporting.

Does not apply to:

- Acquisitions of a group of assets, an operation or an entity;
- Contributions of assets or assumptions of liability; or
- Disposal and abandonment of assets, or discontinuance of operations that is not part of a restructuring transaction.

Accounting for acquisitions for an operation or an entity is addressed in Section PS 2510, *Additional Areas of Consolidation*, and Section PS 3070, *Investment in Government Business Enterprises*.

RESTRUCTURING TRANSACTIONS

- A **restructuring transaction** is a transfer of an integrated set of assets and/or liabilities together with related program or operation responsibilities without consideration based primarily on the fair value of the individual assets and liabilities transferred.
- Restructurings can be initiated by the entities involved or can be imposed by a higher level of government through legislation or by the controlling government.
- There can be more than one transferor and one recipient in a restructuring transaction.
- An entity can be both a transferor and a recipient if it transfers and receives assets and/or liabilities, together with related program or operating responsibilities, to/from one or more entities within a restructuring transaction.

Examples of **restructuring activities** include, but are not limited to:

- Amalgamations of entities or operations within the government reporting entity;
- Amalgamations of local governments;
- Annexation or boundary alteration between neighbouring local governments;
- Transfers of operations or programs from one entity to another; and
- Shared service arrangements entered into by local governments in a region.

CHARACTERISTICS OF RESTRUCTURING TRANSACTIONS

- The **key characteristics** of restructuring transactions are:
 - Their non-purchase nature, which is generally reflected by the absence of considerations that is primarily based on, but not necessarily equal to, the fair value of the individual assets and liabilities transferred. This is the key distinction between a restructuring transaction and an acquisition.
 - The transfer of an integrated set of assets and/or liabilities that are not random or unrelated, but instead are an integrated set that is somewhat complete in supporting the related program or operation that is transferred. This is the key distinction between a restructuring transaction and an acquisition of a group of assets or an assumption of liabilities.
 - The transfer of program or operating responsibilities previously performed by the transferor that are related to the assets and liabilities transferred to the recipient. This distinguishes a restructuring transaction from receipts of contributions, gifts or government transfers.

¹ This Section applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2018. Earlier adoption is permitted. Section PS 2120, *Accounting Changes*, does not apply to this Section.



RECOGNITION

ASSETS AND LIABILITIES TRANSFERRED AND RECEIVED

- At the restructuring date individual assets and liabilities received in a restructuring transaction are recognized by the recipient and derecognized by the transferor.
- The increase in net assets or net liabilities resulting from recognition and derecognition of individual assets and liabilities received from all transferors and transferred to all recipients in a restructuring transaction is recognized as revenue or as an expense.

COMPENSATION

- If the compensation is dependent on the occurrence of future events or transactions, the entities involved would assess the nature and terms of the compensation against the individual Sections of the PSA Handbook to determine if the compensation gives rise to an asset or liability at the restructuring date.
- If the compensation is not dependent on the occurrence of future events or transactions, it is recognized as an expense and revenue at the restructuring date, regardless of when the payment is made.

RESTRUCTURING-RELATED COSTS AND EVENTS

- Restructuring-related costs are recognized as an expense when incurred in accordance with individual Sections of the PSA Handbook.
- Restructuring may give rise to certain events or transactions that are not part of the restructuring transactions. These events or transactions would be accounted for in accordance with individual Sections of the PSA Handbook.

MEASUREMENT

INDIVIDUAL ASSETS AND LIABILITIES TO BE TRANSFERRED

- Prior to the restructuring date, a transferor continues to measure individual assets and liabilities to be transferred in an upcoming restructuring transaction on the same basis.
- For example, a transferor does not write down a tangible capital asset that will be transferred in a restructuring transaction simply because of the upcoming restructuring or its expected change in use after the restructuring. The transferor only considers any change in the use of the asset prior to the restructuring date to determine whether a write-down is required in accordance with Section PS 3150, *Tangible Capital Assets*.

INDIVIDUAL ASSETS AND LIABILITIES TRANSFERRED AND RECEIVED

- At the restructuring date:
 - A transferor derecognizes the individual assets and liabilities transferred at their carrying amount.
 - A recipient recognizes the individual assets and liabilities received at their carrying amount and makes the following adjustments, where applicable:
 - To comply with PSA standards;
 - To align with accounting policies, methods and assumptions to be adopted by the recipient; and
 - To reflect the circumstances of the recipient.

CLASSIFICATION

- The recipient initially classifies individual assets and liabilities received in a restructuring transaction based on its accounting policy and circumstances at the restructuring date.

PRESENTATION

- The net effect of a restructuring transaction must be presented as a separate revenue or expense item in the Statement of Operations.
- Neither a transferor nor a recipient restates its financial position or results of operations prior to the restructuring date to retroactively report the effects of a restructuring transaction in its financial statements as if the restructuring transaction took place prior to the restructuring date.



20 Wellington Street East
Suite 500
Toronto ON M5E 1C5
416-865-0111
www.bdo.ca

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