

PSAB

At a Glance

Section PS 3390 - Contractual
Obligations

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Contractual obligations

- Obligations of a government to others that will become liabilities in the future when the terms of those contracts or agreements are met.
- They are distinct from liabilities since no past transaction or event obligating the government to a future sacrifice of economic benefits has occurred at the financial statement date.
- The government does not have a liability until a transaction or event under a contract occurs.
- Disclosure of contractual obligations relates to the unperformed portion of these contracts.
- They are distinct from contingent liabilities since there is no uncertainty related to the existence of the contractual obligation.

Disclosure

- A government's financial statements must disclose information about a government's contractual obligations. This disclosure must be provided in the notes or schedules of the financial statements and a description of the nature, extent and timing of the related expenditures must be included.

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