

PSAB

At a Glance

Section PS 3041 - Portfolio
Investments

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Effective Date
This Section applies in the period Sections PS 1201, *Financial Statement Presentation*, PS 2601, *Foreign Currency Translation*, and PS 3450, *Financial Instruments*, are adopted¹

Portfolio investments			
<ul style="list-style-type: none"> Investments in organizations that do not form part of the government reporting entity. They are normally equity instruments or debt instruments issued by the investee. They do not include investments in government business enterprises which are defined in Section PS 1300, <i>Government Reporting Entity</i>, or loans receivable which are defined in Section PS 3050, <i>Loans Receivable</i>. 			
Accounting			
<ul style="list-style-type: none"> Portfolio investments that <u>do not</u> contain concessionary terms are recognized and measured in accordance with Section PS 3450, <i>Financial Instruments</i>. 			
Portfolio investments held by sinking funds	Loss in value of a portfolio investment	Gains & losses on sales of portfolio investments	Portfolio investments with concessionary terms
<ul style="list-style-type: none"> Are accounted for in accordance with paragraphs PS 3041.03-.26 and follow the presentation and disclosure requirements of paragraphs PS 3041.27-.33. A government may also disclose information about its designation assets as outlined in Section PS 3100, <i>Restricted Assets and Revenues</i>. Portfolio investments held in externally restricted sinking funds follow the presentation and disclosure requirements of Section PS 3230, <i>Long-term Debt</i>. 	<ul style="list-style-type: none"> A portfolio investment should be written down to recognize a loss in value that is other than a temporary decline. The amount of the write-down must be reported in the Statement of Operations. If the loss in value relates to an item in the fair value category, the reversal of any net remeasurements must be reported in the Statement of Remeasurement Gains and Losses. A write-down cannot be reversed. Refer to paragraphs PS 3041.11-.12 for potential indicators of impairment. 	<ul style="list-style-type: none"> When calculating a gain or loss on the sale of a portfolio investment, the cost of the investment sold is calculated on the basis of the average carrying value of the portfolio investment as measured in relation to cost or amortized cost. The gain or loss is recorded in the Statement of Operations in the period the sale occurs. 	<ul style="list-style-type: none"> Portfolio investments that <u>contain</u> concessionary terms are: <ul style="list-style-type: none"> Initially measured in accordance with paragraphs PS 3041.17-.26; and Categorized and subsequently measured in accordance with Section PS 3450. When the terms associated with a government's portfolio investment are so concessionary that in substance all or part of the investment is in the nature of a grant, at the time the investment is made, the grant portion of the transaction must be recognized as an expense. <ul style="list-style-type: none"> Refer to paragraph PS 3041.19 for additional guidance on how to account for this type of transaction. When present value techniques are used to recognize a portion of a portfolio investment as a grant, the value of the investment recorded at the investment date must be its cost less the amount calculated as the investment discount. The amount of the investment discount must be amortized to revenue by applying the effective interest method over the term to redemption or maturity of the investment. <ul style="list-style-type: none"> The amortization of the investment discount is recorded as an increase in the carrying value of the investment and investment income. Dividends or interest earned as outlined in the terms of the investment should no longer be accrued when their collectability is not reasonably assured. <ul style="list-style-type: none"> When this occurs or the return of the government's capital is no longer reasonably assured, amortization of the investment discount would also cease. In this situation, a government must look at whether its portfolio investment is impaired. If impairment has occurred it should be accounted for in accordance with paragraphs PS 3041.07-.14. In addition, any dividends or interest previously accrued but not yet received that are considered doubtful must be provided for by a valuation allowance or written off. In the situation where a government has recorded an investment as a grant and then subsequently receives all or part of its capital back, the government would recognize the return of its capital as revenue at the time it is received.
Presentation			
<ul style="list-style-type: none"> The Statement of Financial Position must separately report portfolio investments. The Statement of Operations must separately report income from portfolio investments. The applicable standards in Section PS 3450 related to presentation must also be considered. 			

¹ Government organizations - must adopt Sections PS 2601, PS 3450 and PS 1201 for fiscal periods beginning on or after April 1, 2012.

Governments - must adopt Sections PS 2601, PS 3450 and PS 1201 for fiscal periods beginning on or after April 1, 2022. Earlier adoption is permitted.

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