

PSAB

At a Glance

Section PS 3380 - Contractual
Rights

Section PS 3380 - *Contractual Rights*

Effective Date
Fiscal periods beginning on or after April 1, 2017¹

Contractual rights

- **Contractual Rights** are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.
- They arise out of a contract or agreement that is binding between two or more parties, has clear economic consequences and is enforceable by law. They may include contractual rights to receive payments under a shared cost agreement or contractual rights to receive lease payments.
- They are distinct from assets since no past transaction or event giving rise to an asset has occurred at the financial statement date.
- They are distinct from contingent assets since there is no uncertainty related to the existence of the contractual right.
- Contractual rights are governed by contract law and are distinct from certain public sector entity rights, such as the right to tax and the right to license. Such rights are derived from legislation based on constitutional authority or delegated constitutional authority.

Disclosure

- A public sector entity's financial statements must disclose information about its contractual rights. Professional judgment is required to determine which contractual rights to disclose. Factors to consider include:
 - Contractual rights that are abnormal in relation to the financial position or unusual business operations; and
 - Contractual rights that will govern the level of a certain type of revenue for a considerable period in the future.
- This disclosure must include a description of the nature, extent and timing.

¹ Earlier adoption of this Section is permitted.

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