

PSAS

At a Glance

Section PS 1202 - Financial
Statement Presentation

Section PS 1202 - *Financial Statement Presentation*

Effective Date
Fiscal years beginning on or after April 1, 2026¹

Complete set of financial statements

- A complete set of financial statements includes:
 - A statement of financial position
 - A statement of net financial assets or net financial liabilities
 - A statement of operations
 - A statement of changes in net assets or net liabilities
 - A statement of cash flow
 - The accompanying notes and schedules
- If the detail of the changes in “accumulated remeasurements” or “accumulated other” component of net assets or net liabilities becomes too complex, supplementary statements may be needed, such as the statement of remeasurement gains and losses in addition to the statement of changes in net assets or net liabilities.
- Notes and schedules integral to the financial statements must be clearly identified. These notes and schedules have the same significance as the information included in the body of the statements. Notes and supporting schedules must not be used as a substitute for proper recognition and/or measurement of an item/transaction or other event.

General presentation principles

Identification of the financial statements & fair presentation

- An entity’s financial statements must be clearly identified and include:
 - The name of the reporting entity,
 - The date of the end of the accounting period or the period covered by the financial statements, and
 - The level of rounding used in presenting amounts.
- The financial statements must include or be accompanied by an acknowledgement of management’s responsibility for their preparation.
- The auditor’s report must be appended to the financial statements when they are subject to an independent audit. When financial statements are unaudited, they must be clearly identified as such.
- Any information required for the fair presentation of an entity’s financial position, net financial assets or net financial liabilities, results of operations, changes in net assets or net liabilities and cash flow must be presented in the financial statements.
- Financial statements must be presented using a format, terminology, and classification structure that ensures the information is readily understandable.
- The substance of items, transactions and events must be presented in the financial statements.
- When legislation requires certain transactions / balances be accounted for in a manner that does not reflect their substance, special purpose financial statements / reports would be prepared to meet the legislative requirements.
- An entity would consider providing additional disclosures when compliance with specific standards is insufficient for users to understand the impact of items, transactions, and events on its financial position and performance.

Aggregation, comparative financial information, line items & subtotals

- In determining which line items to report in the financial statements or the items disclosed in the notes, an entity must apply the principles of aggregation and disaggregation:
 - Items should be classified and aggregated based on shared characteristics;
 - Items that do not share characteristics should not be aggregated; and
 - Aggregation and disaggregation should not obscure relevant information or reduce the understandability of the information presented.
- Each material group of similar items should be presented separately in the financial statements. Items of a dissimilar nature or function should be presented separately unless they are immaterial.
- Comparative information for the prior period must be presented. Prior period information must be reported using accounting policies and classification consistent with those applied in the current period.
- Changes to accounting policies are only made when they result in more appropriate presentation.
- Refer to Section PS 2120, *Accounting Changes*, for guidance and disclosure on changes in accounting policies.
- An entity should present additional line items, headings and subtotals when necessary to provide an understandable overview of its financial position and changes in financial position.
- When an entity presents additional subtotals in accordance with paragraph PS 1202.041, those subtotals must:
 - Comprise line items made up of amounts recognized and measured in accordance with standards in the PSA Handbook;
 - Be presented and labelled in a manner that faithfully represents the line items that constitute the subtotal, making the subtotal clear and understandable;
 - Be consistent from period to period; and
 - Not be displayed with more prominence than the subtotals and totals required by the PSA Handbook.

¹ This Section applies in the same period the Conceptual Framework is adopted. Earlier adoption is permitted only if the Conceptual Framework is also adopted at the same time.

Going concern

- When preparing financial statements, it is presumed that the entity will be able to continue as a going concern. Financial statements should be prepared on a going concern basis unless the entity intends to cease operating or has no realistic alternative but to do so.
- In assessing whether the going concern presumption is appropriate, those responsible for preparing the financial statements consider all available information about the future. When those responsible for preparing the financial statements are aware of significant changes in circumstances, such that there may be cause to question the entity's ability to continue as a going concern, the material uncertainties related to this presumption must be disclosed.
- In the extremely rare circumstances when financial statements are not prepared on a going concern basis, that fact should be disclosed, together with the basis on which the financial statements are prepared and the reason why the basis has changed. If the going concern presumption is questioned after the financial statement date but prior to completion date, an entity refers to Section PS 2400, *Subsequent Events* for guidance on accounting and disclosure requirements.

Meeting the financial statement objectives

Reporting financial position

Statement of financial position

- The statement of financial position must report financial assets, non-financial assets, total assets, financial liabilities, non-financial liabilities and total liabilities.
- The statement of financial position should account for net assets or net liabilities as the indicator of net financial position.
- The statement of financial position should report the components of net assets or net liabilities.

Assets²

Financial assets²

- Must be reported in the statement of financial position segregated by main sub-classifications such as:
 - Cash and cash equivalents
 - Accounts receivable
 - Inventories for sale and other assets held for sale that meet the requirements of paragraph PS 1202.064 described below
 - Amounts due from other public sector entities
 - Loans receivable
 - Portfolio investments
 - Derivative financial instruments
 - Investments in government business enterprises; and
 - Interests in business partnerships.
- Adequate information on the nature and terms of the entity's financial assets including any related valuation allowance must be disclosed.
- Valuation allowances must be used to reflect financial assets at their net realizable value or other appropriate value.
- When all the following criteria are met an asset held for sale must be recognized as a financial asset:
 - The appropriate level of authority commits the government to selling the asset before the financial statements date
 - The asset is in a condition to be sold
 - The asset is publicly seen to be for sale
 - An active market for the asset exists
 - A plan for selling the asset is in place; and
 - The sale of the asset to a purchaser external to the government reporting entity is reasonably anticipated to be completed within one year of the financial statement date.

Non-financial assets²

- Must be reported in the statement of financial position segregated by main sub-classifications such as:
 - Tangible capital assets
 - Inventories held for use
 - Prepaid expenses
 - Purchased intangibles
 - Assets that would otherwise be classified as financial, but which cannot be used to discharge existing financial liabilities or to spend on future operations because of external restrictions preventing access to the assets; and
 - Any other asset not available for sale.
- Adequate information on the nature and terms of an entity's non-financial assets must be disclosed.
- Works of art and historical treasures, developed or non-purchased intangibles, and non-purchased items, such as Crown lands and natural resources, are not recognized in a public sector entity's financial statement. The major categories of asset not recognized must be disclosed.

² All assets must be classified as financial or non-financial. Financial assets are those that could be used to discharge existing financial liabilities or to spend on future operations and are not for consumption in the normal course of operations. Non-financial assets are those that do not meet the definition of financial assets. Most financial instrument assets are presented as financial assets however there may be certain financial instruments presented as non-financial assets if those assets are subject to external restrictions. External restrictions affect classification as financial or non-financial. Refer to Paragraph PS 1202.066 for further guidance around classification between financial and non-financial assets.

Liabilities

Financial liabilities³

- Must be reported in the statement of financial position segregated by main sub-classifications such as:
 - Accounts payable and accrued liabilities
 - Liabilities for employee future benefits
 - Liabilities for contaminated sites
 - Asset retirement obligations
 - Borrowings
 - Liabilities payable to others, including to other public sector entities
 - Derivative financial instruments
 - Capital lease obligations
 - Public private partnership obligations arising from the financial liability model of public private partnership arrangement
 - Unearned revenue liabilities resulting from economic resources received prior to recognition as revenue that give rise to financial performance obligations; and
 - Unearned revenue liabilities resulting from economic resources received in non-exchange transactions (in relation to Section PS 3410, *Government Transfers*, Section PS 3100, *Restricted Assets and Revenues* or Section PS 3200, *Liabilities*) that give rise to financial liabilities.
- Adequate information on the nature and terms of the entity's financial liabilities must be disclosed.
- A liability may have both financial and non-financial components if settling the liability involves both the spending of financial assets and the entity using/allowing an external party to use/access its non-financial assets or unrecognized economic resources. If material, significant separable components of a liability that will be settled differently would be separately classified when the liability arises.

Non-financial liabilities

- Must be reported in the statement of financial position segregated by main sub-classifications such as:
 - Liabilities arising from the user-pay model of public partnership arrangement
 - Obligations arising from government capital transfers where the related tangible capital asset has already been constructed, purchased or received by the recipient and there remains an obligation for the recipient that meets the definition of a liability to use the asset to provide services over a specified number of years⁴
 - Unearned revenue liabilities resulting from economic resources received prior to recognition as revenue that give rise to non-financial performance obligations; and
 - Unearned revenue liabilities resulting from economic resources received in non-exchange transactions (in relation to Section PS 3100, *Restricted Assets and Revenues* or Section PS 3200, *Liabilities*) that give rise to non-financial liabilities.
- Adequate information on the nature and terms of an entity's non-financial liabilities must be disclosed.

Net assets or net liabilities

- The net assets or net liabilities indicator is the measure of an entity's net financial position and is broken down into its components. The components provide information about the nature of the entity's net assets or net liabilities.
- An entity's net assets or net liabilities will always include the accumulated surplus or deficit component.
- Standards may require certain revenues or expenses to be initially recognized directly in a component of net assets or net liabilities rather than in the surplus or deficit for the period in which they arise. When applicable, an entity must disclose the composition of its net assets or net liabilities at the financial statement date, segregated by the following main components:
 - Accumulated surplus or deficit; and, if applicable
 - Accumulated remeasurement gains and losses; and/or
 - Accumulated other.
- In rare circumstances, for some entities, issued share capital may be an additional component. Changes in share capital do not represent revenue or expense.

Reporting changes in financial position

- Together the statement of operations, the statement of changes in net assets or net liabilities and the statement of cash flows explain the total changes in the entity's financial performance for the period.

³ Liabilities represent financial resource requirements arising from past events that are expected to be settled using existing/future financial assets such as repayments, future expenditures or disbursements, satisfaction of financial performance obligations or satisfaction of restrictions and/or stipulations requiring future spending and include financial performance obligations that arise from exchange transactions such as promised goods and services (refer to paragraph PS 1202.AG.18-19) and other financial liabilities that arise from non-exchange transactions, such as transfers and externally restricted inflows (refer to paragraph PS 1202.AG.30)

⁴These may be sometimes referred to as "spent deferred capital contributions".

Reporting changes in financial position (cont)

Statement of net financial assets or net financial liabilities

- The statement of net financial assets or net financial liabilities must account for the difference between financial assets and financial liabilities and report the net financial assets or the net financial liabilities indicator of financial position.
- The net financial assets or net financial liabilities indicator may also be reported on the statement of financial position **below** the components of the net assets or net liabilities indicator and reference to the calculation on the statement of net financial assets or net financial liabilities would be provided.
- The net financial assets or net financial liabilities position is calculated as the difference between financial assets and financial liabilities.
- An entity may **choose** to provide information about the change in its net financial assets or net financial liabilities position in the period and the reasons for the change on the statement of net financial assets or net financial liabilities. If an entity chooses this **optional** presentation, it includes the following:
 - Net financial assets or net financial liabilities at both the beginning and end of the accounting period for the current and prior periods
 - The extent to which net financial assets or net financial liabilities changed due to net remeasurement gains and losses in the accounting period
 - The acquisition of tangible capital assets in the accounting period; and
 - Any other significant items (e.g., significant expenditures) that explain the change in net financial assets or net financial liabilities in the period.

Revenue and expense	Statement of operations	Losses arising from asset impairment and changes in valuation allowances
<ul style="list-style-type: none"> • Revenue and expense must be reported at gross amounts unless another standard requires otherwise⁵. 	<ul style="list-style-type: none"> • All revenue and expense arising in a period must be recognized in the statement of operations unless a standard requires otherwise. • The statement of operations must: <ul style="list-style-type: none"> • Report revenues segregated by significant type • Report expenses by function or major program; and • Account for the surplus or deficit for the period, which is the difference between the revenues and expenses recognized in the statement of operations. • Expenses of the accounting period should be disclosed by object in the notes or schedules. 	<ul style="list-style-type: none"> • Losses arising from asset impairment and changes in valuation allowances must be recognized as expenses in the statement of operations in the accounting period. • A change in the value of a financial asset attributable to a remeasurement gain / loss must be recognized in the accumulated remeasurement gains and losses component and reported in the statement of changes in net assets or net liabilities.

Statement of changes in net assets or net liabilities

- The statement of changes in net assets or net liabilities must show a reconciliation between the accumulated balance at the beginning and end of the period for each component of net assets or net liabilities.
- If the statement of changes in net assets or net liabilities is too summarized or becomes too complicated, then the changes in different components must be supported by detail in separate statements or schedules.
- If an entity does **not** have any transactions/other events a standard requires to be directly recognized in the accumulated remeasurement gains/losses and/or accumulated other components, the reconciliation between opening and closing accumulated surplus or deficit can be done on the statement of changes in net assets/net liabilities **or** on the statement of operations and the statement of changes in net assets or liabilities would not be required.
- If an entity does **not** have any transactions/other events a standard requires to be directly recognized in the accumulated remeasurement gains/losses and/or accumulated other components, the component(s) does not need to be presented on the statement of changes in net assets or liabilities. Alternatively, the entity may choose to present it at a zero balance.
- Only transactions and other events PSAB designates in individual standards should be recognized directly in the accumulated remeasurements gains and losses component and the accumulated other component.
- The statement of changes in net assets or net liabilities should include the effects of retroactive application of a change in an accounting policy and/or retroactive correction of an error, in accordance with PS 2120, *Accounting Changes*, for each component of net assets or net liabilities affected by the change.

⁵ Refer to Paragraph PS 3400.A40 and Paragraph PS 3510.44 for examples when revenue is not reported at gross amounts

Statement of changes in net assets or net liabilities (cont)

Recognizing revenue and expense outside of surplus/deficit	Accumulated surplus/deficit	Accumulated rereasurement gains and losses	Accumulated other	Issued share capital
<ul style="list-style-type: none"> Subsequent to initial recognition, if there is no clear basis in other standards for identifying the period and/or amount in which revenue or expense should be reclassified, reclassification from accumulated rereasurement gains/losses or accumulated other to a future period's surplus/deficit will not occur. If revenue/expense is permanently reported outside of surplus/deficit this fact must be disclosed on the statement of changes in net assets/liabilities. The amount of the opening and closing balance of each component that is permanently reported outside of surplus or deficit must be disclosed in the notes or schedules. 	<ul style="list-style-type: none"> The presentation of the accumulated surplus or deficit component must include: <ul style="list-style-type: none"> The balance at the beginning of the period The surplus or deficit of the period; and The balance at the end of the period. 	<ul style="list-style-type: none"> The presentation of the accumulated rereasurement gains and losses component must include: <ul style="list-style-type: none"> The balance at the beginning of the period Rereasurement gains and losses during the period, distinguishing between amounts arising and reclassified during the period <ul style="list-style-type: none"> Any other comprehensive income that arises when an entity includes the results of government business enterprises and business partnerships in its consolidated financial statements; and The balance at the end of the period. 	<ul style="list-style-type: none"> The presentation of the accumulated other component must include: <ul style="list-style-type: none"> The balance at the beginning of the period Transactions and other events affecting the accumulating other balance during the period, distinguishing between amounts arising and reclassified during the period and The balance at the end of the period. 	<ul style="list-style-type: none"> When an entity has share capital, it must report it as a separate component of net assets/liabilities on the statement of financial position and the statement of changes in net assets/liabilities. Any changes in issued share capital are recognized in the issued share capital component. The details of the changes must be reported in the statement of changes in net assets/ liabilities and the change between opening and ending balances explained. The reconciliation of the issued share capital component should include: <ul style="list-style-type: none"> The balance at the beginning of the period Transactions and other events affecting the issued share capital during the period; and The balance at the end of the period. When an entity has issued share capital, it should disclose the number of shares authorized and issued, par value per share and a description of each type of issued share capital.

Statement of cash flow

- The statement of cash flow must report how an entity generated and used cash and cash equivalents in the accounting period, the resulting change in cash and cash equivalents in the period and the balances both at the beginning and end of the accounting period.
- Cashflows during the period must be classified by operating, capital, investing and financing activities.
- Cash flows from operating activities can be reported using either the direct method or the indirect method (refer to paragraphs PS 1202.183-.184 for more guidance).
- When an entity uses the indirect method and there is a significant difference between interest revenue or expense recognized in the statement of operations and the interest receipt or payment recognized in the statement of cash flows, the amount of this difference and the reason for it must be disclosed in the financial statements.
- If an entity enters financing activities, the statement of cash flow should account for the net cash available to be used for financing activities or the net cash needed to be generated by financing activities. This amount is determined by combining the opening cash balance with the net cash flows provided from or required by all of the operating, capital and investing activities of the entity.
- Major classes of gross cash receipts and gross cash payments that arise from capital, investing and financing activities, except for cash flows presented on a net basis described below, must be reported separately in the statement of cash flow.
- Cash flows resulting from the following operating, capital, investing or financing activities may be presented on a net basis when cash flows from cash receipts collected and payments made on behalf of entities external to the reporting entity, including taxpayers and beneficiaries, reflect the activities of the external party instead of those of the reporting entity; and cash receipts and payments for items with rapid turnover, large amounts and short maturities.
- Cash flows resulting from interest paid on debt issued on behalf of a government business enterprise and the interest received from that government business enterprise must be presented on a net basis when the debt meets the criteria in paragraph PS 3230.12, *Long-Term Debt*.
- When capital, investing and financing transactions do not use cash or cash equivalents, they are excluded from the statement of cash flow and are disclosed in the financial statements in a way that provides all the relevant information about these capital, investing and financing activities.
- Financial statements must present:
 - The components of cash and cash equivalents and
 - The reconciliation of the amounts of cash and cash equivalents in the statement of cashflow with the equivalent items presented in the statement of financial position either on the statement of cashflows or in the notes.
- An entity must disclose the policy it adopts in determining the composition of cash and cash equivalents.

Comparing actual financial performance to that budgeted

- The statement of operations must present a comparison of the actual financial performance of the accounting period with that originally budgeted
- If an entity reports the change in net financial assets or net financial liabilities on the statement of net financial assets or net financial liabilities, the statement should present a comparison of the items that comprise the change in net financial assets or net financial liabilities for the accounting period, as well as the change in net financial assets or net financial liabilities for the period, with the figures originally budgeted for **both** operating and capital expenditures. A comparison to budget is not required for the remeasurement gains or losses.
- If an entity chooses not to report the change in net financial assets or net financial liabilities, it should disclose in the notes or schedules a comparison of the total actual capital expenditures incurred in the period with those originally budgeted.
- The budget amounts on the face of the financial statements or disclosed in the notes or schedules should be presented using the same⁶:
 - Basis of accounting
 - Accounting principles
 - Scope of activities; and
 - Classifications, as the actual amounts.

When a budget is not prepared or approved ⁶

- An acknowledgement stating this fact should be presented on the statement of operations in relation to surplus or deficit, and on the statement of net financial assets or net financial liabilities in relation to the change in net financial assets or net financial liabilities if such change is presented, or in the notes or schedules in relation to capital expenditures if the change in net financial assets or net financial liabilities is not presented.
- The acknowledgement must explain why the actual-to-budget comparison could not be done, as the budget is a key aspect of the accountability cycle.

Use of an amended budget

- Amended budgets may be used only in certain specific circumstances when there has been a change in government. When the government is determining whether to use the original or amended budget, they must consider which budget provides the best accountability information.
- The use of an amended budget rather than an approved budget must be disclosed, along with the reasoning for using the amended budget.

Disclosing non-compliance with financial authorities

- Financial statements must disclose in the notes or schedules of the financial statements, information that highlights when an entity's expenses, expenditures, revenue, borrowing and investing were not within the limits authorized by its financial authorities.

Disclosing risks and uncertainties

- Financial statements must disclose information about the risks and uncertainties that could affect an entity's financial position or changes in financial position.

Reporting on funds and reserves

- Funds and reserves are disclosed in accordance with the guidance provided in PSG-4, Funds and Reserves.

⁶ Refer to Paragraphs PS 1202.213-.214 for additional guidance on actual-to-budget comparisons, examples and treatment of reconciling items.

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