PSAB
At a Glance

Section PS 3410 - Government Transfers

March 2013

Section PS 3410 – *Government Transfers*

Effective Date
Fiscal periods beginning on or after April 1, 2012[1]

Scope

Applies to:

- Accounting for and reporting government transfers to individuals, organizations and other governments from both a transferring government's perspective and a recipient government's perspective.

Does not apply to:

- Transfers made through a tax system that are authorized through tax legislation (refer to paragraph .41 of Section PS 3510, *Tax Revenue*);
- Grants in lieu of taxes[2];
- Settlements of lawsuits or other types of legal compensation provided by governments;
- Canada Pension Plan (CPP) and Quebec Pension Plan (QPP) payments[3]; and
- Transfers of non-monetary assets other than tangible capital assets, such as transfers of purchased natural resources and rights, transfers of equity investments, transfers of items inherited in right of the Crown or transfers or works of art and historical treasures[4].

Definitions

Government transfers

- Transfers of monetary assets or tangible capital assets from a government to an individual, an organization or another government for which the government making the transfer does not:
  - Receive any goods or services directly in return, as would occur in a purchase / sale or other exchange transaction;
  - Expect to be repaid in the future, as would be expected in a loan; or
  - Expect a direct financial return, as would be expected in an investment.

Eligibility criteria

- Terms imposed by a transferring government that specify who qualifies to receive a transfer and / or the actions necessary to qualify for a transfer.
- Have a nature and substance that require they be met before a transfer is provided. They are pre-conditions that must be satisfied in advance for a recipient to qualify for a transfer.

Stipulations

- Terms imposed by a transferring government regarding the use of transferred resources or the actions a recipient must perform in order to keep a transfer.
- Have a nature and substance that require they be met after a transfer is provided. They must be met by recipients who have already qualified to receive a transfer by meeting eligibility criteria, or have already received a transfer.
- They are often terms that need to be satisfied through direct application of the transfer.

Recognition

- Government transfer programs are discretionary and entirely under the direction of the transferring government, although there may be negotiation of transfer terms.
- The transferring government has the ability to impose transfer terms referred to as eligibility criteria and stipulations (described above).
- Symmetrical accounting by the transferor and the recipient of a government transfer is not required by this Section.
- For transferring and recipient governments recognition requirements apply equally to operating transfers, capital transfers and transfers of tangible capital assets.

Transferring government

- Recognizes a government transfer as an expense in the period:
  - The transfer is authorized[5]; and
  - All eligibility criteria have been met by the recipient.

[1] Earlier adoption of this Section is encouraged. This Section may be applied retroactively or prospectively.
[2] Governments are not precluded from applying the standards if, in their judgment, the standards are appropriate because their grants in lieu of taxes have the characteristics of government transfers.
[3] CPP and QPP payments are not considered to meet the definition of a government transfer.
[4] In accordance with Section PS 1000, *Financial Statement Concepts*, all intangibles, and items inherited by right of the Crown, such as Crown lands, forests, water and mineral resources, as well as works of art and historical treasures, are not recognized as assets in government financial statements.
[5] Refer to paragraphs PS 3410.28-32 for guidance on authorization for transferring governments.

Recipient government

• Recognizes a transfer without eligibility criteria or stipulations as revenue when:
  • The transfer is authorized[6].
 	
• Recognizes a transfer with eligibility criteria but without stipulations as revenue when:
  • The transfer is authorized[6]; and
  • All eligibility criteria have been met.
• When a recipient government creates an obligation meeting the definition of a liability before the financial statement date to use a transfer received without stipulations, the two events (the receipt of the transfer and the creation of a liability) are recognized separately.
 	
• Recognizes a transfer with or without eligibility criteria but with stipulations as revenue in the period:
  • The transfer is authorized[6]; and
  • All eligibility criteria have been met, except when and to the extent that:
    • The transfer gives rise to an obligation that meets the definition of a liability for the recipient government in accordance with Section PS 3200, *Liabilities*.
• In determining whether a liability would result for a recipient government in relation to a transfer the following would influence the decisions:
  • The stipulations of the transfer alone; or
  • The stipulations of the transfer together with the actions and communications of the recipient government before the financial statement date; and
  • Whether an obligation meeting the definition of a liability in PS 3200 would be created in either set of circumstances.
• Refer to paragraphs PS 3410.21-.24 for more guidance on determining whether a liability would result in relation to a transfer.
• A liability recognized in accordance with paragraph PS 3410 is reduced and an equivalent amount of revenue is recognized as the liability is settled. Revenue recognition must occur in a manner consistent with the circumstances and evidence used to support the initial recognition of the transfer as a liability.
  • Refer to paragraphs PS 3410.26-.27 for more guidance on revenue recognition.

[6] Refer to paragraphs PS 3410.33-34 for guidance on authorization for recipient governments.

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