

E-Bulletin

May 9, 2007

TCA Assessment: PSAB Statement of Principles Issued for Comment

We have reported on several occasions that PSAB has embarked on a new project with respect to assessing the condition of tangible capital assets. We originally reported that the project was intended to bring consistent treatment to the measurement of the infrastructure deficit. (See [Status](#) for further background information on this project). In an effort to provide information that is focused and relevant, PSAB is directing its efforts at developing recommended practices, available to be applied by those governments that choose to provide supplementary information about the condition of their tangible capital assets.

The objective of the project is to issue a Statement of Recommended Practice([note 1](#)) that would:

- assist governments in reporting supplementary information about major assets that is useful in evaluating the government's financial condition and financial and non-financial performance;
- improve comparability and reliability of financial and non-financial information about major assets within and across governments; and
- establish specific definition, measurement, presentation recommendations for providing supplementary information about major assets.

On May 8, 2007, the Public Sector Accounting Board (PSAB) issued for comment [A Statement of Principles – Assessment of Tangible Capital Assets](#). PSAB proposes, subject to comments received on the statement of principles, to expose **Assessment of Tangible Capital Assets**, as a new Statement of Recommended Practices (SORP). The SORP would apply to all governments and government organizations. The SORP would contain guidance for providing supplementary information on the physical condition and remaining average life expectancy of tangible capital assets that would assist users to draw conclusions about the effect a government's policies may be having on those assets and the capacity of that government to address the future funding requirements.

We wish to stress that this Statement of Principles does not alter, or propose to alter, any of the reporting requirements previously adopted in PS 3150, Tangible Capital Assets. This Statement of Principles, and the eventual Statement of Recommended Practices to follow, should not affect any of the work currently underway to comply with PS 3150. PSAB did, however, consider it timely that, as local governments go through the exercise of implementing tangible capital asset accounting, they are aware of the proposal to develop recommended practices for providing supplementary information and to take this into consideration if they are contemplating implementation of new financial and asset management systems.

Your input on this topic is crucial. Please respond to PSAB with your views and comments by **June 15, 2007**. You can e-mail your comments (in Word format) to the CICA at ed.psector@cica.ca. MFOA would be delighted to be copied on any response you forward to the CICA. Your views will be important to us should we decide to comment on the Statement as an Association.

Note 1: Statements of Recommended Practice (SORP) are issued by PSAB with respect to matters of reporting in the public sector. The objective is to enhance decision making and accountability usefulness of financial reports by addressing specific aspects of reporting on financial condition and financial and non-financial performance. SORPs do not form a part of generally accepted accounting principles. They are not prescriptive, but offer general guidance to encourage and assist public sector entities in effectively reporting relevant information that is useful in evaluating the government's financial condition at the financial statement date and its financial and non-financial performance during the reporting period.

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