

CPPM 4.3.14 - Transfer Payments Appendix 2 - Accounting Policy

Government's accounting policy for transfer payments is based on the Public Sector Accounting Board (PSAB) Section 3410 - Government Transfers. Financial Reporting and Advisory Services, Office of the Comptroller General should be consulted on policy interpretation.

Recognition criteria

Government transfers should be recognized in government's financial statements as expenses or revenues in the period that the events giving rise to the transfer occurred, as long as,

- the transfer is authorized by a ministry expense authority;
- eligibility criteria, if any, have been met by the recipient; and
- a reasonable estimate of the amount can be made.

The basis for determining the amount recognized for any particular transfer should be

- applied correctly;
- accounted for; and,
- consistently classified and recorded from year to year

to provide accurate and complete summary reporting, and effective management control. Accounting for the transfers should recognize the substance of the underlying events rather than the form of funding patterns.

Detailed characteristics of transfer payments for recognition and recording are as follows.

1. Entitlements due to individuals are liabilities and must be recognized completely at the year-end for all amounts due to eligible individuals.
2. Entitlements due to other governments or institutions that have met all eligibility criteria and remain unpaid at the end of the accounting period are liabilities and must be recognized completely at the year-end. Estimates must be made for unpaid portions of entitlements due to other governments or institutions in accordance with the governing legislation, regulation and other authorities. Any entitlement amounts determined to be overpaid (and any unpaid entitlements due to the province) must be recognized and recorded as accounts receivable.

Entitlements that the government is eligible to receive in accordance with legislation or regulation should be recognized as a receivable if the amount can be estimated and has not been received at the end of the accounting period.

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3. Unpaid portions of incurred eligible expenses per a transfer under agreement are liabilities and must be recognized and recorded at the year-end.

Unpaid portions of eligible expenses incurred by a ministry that are due to it under a shared cost agreement must be recorded as accounts receivable.

4. Unpaid authorized grants evidenced by a letter or signed agreement at the year-end for which the recipients have met the eligibility criteria are liabilities and must be recognized and recorded.

Authorized grants to the province evidenced by a letter or signed agreement, for which eligibility has been met but are not yet received, must be recorded as accounts receivable.

5. Transfer payments that are paid before the eligibility criteria have been fully met must be recorded as an asset.

Transfer payments received by the province before revenue recognition criteria have been met must be recorded as a liability.

6. When a transfer payment is paid and subsequently refunded in the same fiscal year, the amount must be credited to the applicable expenditure account. If the amount is not refunded in the same fiscal year, it must be credited to miscellaneous revenues.

7. Where repayment of a transfer payment is being sought for certain conditions not having been met, the amount of the transfer payment must be recorded as an account receivable.

8. Transfer amounts that are recorded based on an estimate must be adjusted to recognize the proper expense or revenue if there is a change to the estimate before the financial statements are completed.