



Office of the Auditor General
Prince Edward Island

Accounting and Assurance Standards Update

October 2025



This booklet is written in general terms and is provided for information purposes only. The publication is not designed to address specific situations and you should not rely solely upon the information herein.

Helping You Keep Up with Changing Accounting and Assurance Standards

In this booklet, we highlight the impact of the **new conceptual framework and reporting model** issued by the Canadian Public Sector Accounting Board (PSAB). The new framework and reporting model introduces significant changes to the structure and content of financial statements.

All entities reporting under PSAS are encouraged to familiarize themselves with these changes and evaluate the impact on their financial statements.

We hope your organization finds this resource informative and helpful.



Darren Noonan, CPA, CA

Auditor General of Prince Edward Island



Office of the Auditor General
of Prince Edward Island



Office of the Auditor General
of Prince Edward Island



@oagpei



assembly.pe.ca/auditorgeneral

This Edition: At a Glance

Standards Digest

The following future accounting and assurance standards are detailed in this edition.

Standard	Key Takeaways and Guidance	Effective Date ¹	Page
Public Sector Accounting Standards (PSAS)			
Conceptual Framework for Financial Reporting in the Public Sector & PS 1202 -Financial Statement Presentation	- A new conceptual framework was issued in December 2022. A conceptual framework is a set of core concepts that leads to consistent standards, or the application of consistent concepts in the absence of a specific standard. - In November 2023, PSAB issued PS 1202, <i>Financial Statement Presentation</i> to update the financial reporting model.	April 1, 2026	4
IFRS Accounting Standards (IFRS)			
IFRS 18 – Presentation and Disclosure of Financial Statements	This standard sets out the new requirements for presenting financial statements, replacing IAS 1, <i>Presentation of Financial Statements</i>.	January 1, 2027	9
Amendments to IAS 21 – Effects of Changes in Foreign Exchange Rates	Amendments were made to provide additional guidance for determining when a currency is exchangeable for another currency and for estimating a spot exchange rate when a currency is not exchangeable for another currency.	January 1, 2025	9
Amendments to IFRS 9 – Financial Instruments and IFRS 7 – Financial Instruments: Disclosures	Amendments to the <i>Classification and Measurement of Financial Instruments</i> was issued to address the derecognition of a financial liability settled through the electronic payment system and to clarify the classification of financial assets whose contractual cash flow characteristics are linked to environmental, social and governance (ESG) features.	January 1, 2026	9

¹The effective dates for fiscal years beginning on or after the date shown.

New PSAB Conceptual Framework and Reporting Model

The Canadian Public Sector Accounting Board (PSAB) issued the Conceptual Framework for Financial Reporting in the Public Sector (the conceptual framework) and the new reporting model (PS 1202, *Financial Statement Presentation*) for entities in the public sector, effective for fiscal years beginning on or after April 1, 2026.

The following table highlights some of the major changes that are expected as a result of the adoption of PS 1202.

Please note the table is not a comprehensive list of all possible changes that your organization may need to consider.

Description of Changes Due to the New Reporting Model

Classification of financial and non-financial liabilities

The classification of liabilities as financial and non-financial is a **new requirement** in PS 1202.

A financial liability is a liability that is expected to be settled using existing or future financial assets, such as accounts payable. An example of non-financial liability is a performance obligation that is settled by providing rights to use or access an intangible resource.

Net financial assets or net financial liabilities – indicator and statement

Net financial assets or net financial liabilities is a **new indicator** that replaces the current net debt indicator. This new indicator is calculated as the difference between financial assets and financial liabilities.

Observations:

*Unlike the existing net debt indicator, the net financial assets or net financial liabilities indicator **is not** required to be reported on the statement of financial position. The net financial assets or net financial liabilities indicator is reported on a **new statement** called the statement of net financial assets or net financial liabilities.*

In addition, entities may elect to report the net financial assets or net financial liabilities indicator in the statement of financial position. In this case, it must be reported below the components of net assets or net liabilities indicator, with reference to the calculation on the statement of net financial assets or net financial liabilities.

Description of Change

Statement of financial position

The following significant changes were introduced to the statement of financial position:

- Removed the net debt indicator
- Introduced two categories of liabilities: financial and non-financial
- Added a third component of net assets or net liabilities – “accumulated other”; and
- Restructured the statement to present assets, followed by liabilities, followed by net assets or net liabilities.

All government organizations that apply PSAS will be affected by these changes.

Statement of changes in net assets or net liabilities

PS 1202 requires public sector entities to present a statement of changes in net assets or net liabilities. All government organizations that apply PSAS will be affected by these changes.

This **new statement** reports a reconciliation between the opening and ending accumulated balance of net assets or net liabilities for each of the three components (i.e., accumulated deficit or surplus, accumulated remeasurements gains and losses, and accumulated other) of net assets or net liabilities.

Entities are no longer required to present a separate statement of remeasurement gains and losses, but they may elect to do so.

Observations:

Government organizations that apply PSAS often elect to present the reconciliation of accumulated surplus or accumulated deficit in their statement of operations. This change will require those organizations to present this reconciliation in a separate statement of changes in net assets or net liabilities.

Description of Change

Isolation of financing activities in the statement of cash flows

Public sector entities must report the net cash before financing activities (i.e., the total of all net cash flows from operating, capital, and investing activities) as a **new subtotal** on the statement of cash flows.

Observations:

This new subtotal is only required if an entity has financing transactions. This is the only significant change to the statement of cash flows in PS 1202.

Additional guidance for presenting budgeted amounts

PSAB clarified that the comparison of actual financial performance is with that originally budgeted. For a board-governed organization, use of an amended budget for actual-to-budget comparisons is only permitted when the majority of its governing body has been newly elected or appointed and a new budget is approved.

If a budget is not prepared or approved, entities are now required to acknowledge this fact on the statement of operations and the statement of net financial assets or net financial liabilities, and in the notes to the financial statements.

If an entity does not elect to report the changes in net financial assets or net financial liabilities in the statement of net financial assets or net financial liabilities, it is required to disclose a comparison of actual-to-budgeted capital expenditures in the notes to the financial statements.

All entities applying Canadian public sector accounting standards will also need to **review their accounting policies** and **identify those policies that were developed in the absence of a specific guidance in the Public Sector Accounting Handbook**, often referred to as entity-developed accounting policies. Preparers will need to review these policies to ensure consistency with the new conceptual framework.

Next Steps

Given the extent and significance of these changes, we urge all entities reporting under PSAS to take a **proactive approach** to the new conceptual framework and reporting model, starting with a **preliminary analysis** of the changes to determine the potential impact on their financial statements.

Once the differences are identified, entities will need to integrate these differences into the financial reporting preparation process. This may include:

	Determining whether IT systems capture the necessary information and level of detail to adopt the new requirements.
	Considering whether there is a need to update the chart of accounts and general ledger.
	Educating staff responsible for financial reporting on the impact of these changes.
	Creating pro forma financial statements that reflect the changes.

We recommend that management keeps their Audit Committees and Board of Directors (or equivalent) and other important stakeholders informed of the implications of these changes and their progress towards implementation.

Accounting and Assurance Standards Adoption Timeline

The following timeline shows the effective dates for the future Canadian accounting and assurance standards outlined in this edition.

2025

IAS 21

The Effects of Changes in Foreign Exchange Rates (Amendments)

Effective Date: January 1, 2025

2026

IFRS 7 and IFRS 9

Amendments to the Classification and Measurement of Financial Instruments

Effective Date: January 1, 2026

Chapters 1-10, PS 1202

Conceptual Framework for Financial Reporting in the Public Sector and Financial Statement Presentations

Effective Date: April 1, 2026

2027

IFRS 18

Presentation and Disclosure in Financial Statements

Effective Date: January 1, 2027

IFRS Accounting Standards

IFRS 18 – Presentation and Disclosure of Financial Statements

Effective Date: January 1, 2027
Early Adoption: Permitted

In April 2024, the International Accounting Standards Board (IASB) published IFRS 18, *Presentation and Disclosure in Financial Statements*, replacing IAS 1, *Presentation of Financial Statements*. This standard sets out the new requirements for presenting financial statements.

Key changes include:

- New categories and required subtotals in statement of profit or loss;
- Required disclosures for management-defined performance measures (MPMs), defined as subtotals of income and expenses not specified by IFRS Accounting Standards that are used by management in public communications outside the financial statements; and
- Additional guidance on aggregation and disaggregation of information.

On adoption of IFRS 18, prior period amounts would need to be restated to conform to the new requirements.

Amendments to IAS 21 – The Effects of Changes in Foreign Exchange Rates

Effective Date: January 1, 2025
Early Adoption: Permitted

In August 2023, the IASB published *Lack of Exchangeability* (Amendments to IAS 21). Amendments include guidance on determining when a currency is exchangeable for another currency and for estimating a spot exchange rate when a currency is not exchangeable for another currency. The amendments also require additional disclosure when a currency is not exchangeable.

Amendments to IFRS 9 – Financial Instruments and IFRS 7 – Financial Instruments: Disclosures

Effective Date: January 1, 2026
Early Adoption: Permitted

In May 2024, the IASB published Amendments to the *Classification and Measurement of Financial Instruments* (Amendments to IFRS 9 and IFRS 7). These amendments address financial liabilities settled through the electronic payments system, permitting the derecognition of these financial liabilities before the settlement date only when specific criteria are met. These amendments also clarify the classification to financial assets whose contractual cash flow characteristics are linked to environmental, social and governance (ESG) features.