Measurement Uncertainty – Disclosure Requirements

Effective April 1, 2005

The Public Sector Accounting Board (PSAB) section 2130 recommends disclosure of measurement uncertainty arising from items recognized or disclosed in the financial statements.

Measurement uncertainty is uncertainty in the determination of the amount at which an item is recognized or disclosed in financial statements.

Examples of amounts estimated by ministries include:
- Accruals, including A/P and A/R\(^1\)
- Contractual obligations
- Contingent liabilities, including pending litigation and environmental remediation
- Leave liability, pensions and other employee benefits
- Provision for doubtful accounts
- Personal income tax and consumer taxes
- Revenues, such as deferred revenues, CHST revenues and bonus bid revenues
- Inventories
- Amortization (when estimates are used)

When a material change in an amount that is recognized or disclosed is reasonably possible in the near term\(^2\), the notes to the financial statements would provide information about the nature and extent of uncertainty.

Information required for disclosure includes:
- The nature of material measurement uncertainty including:
  - account(s) involved;
  - description of the item with measurement uncertainty;
  - reason why measurement uncertainty exists.
- The extent of measurement uncertainty, when it is reasonably possible that the amount could change by a material amount within one year, including:
  - amounts disclosed or recognized;
  - range (minimum and maximum); and
  - percentage of the possible material change.

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\(^1\) It is unacceptable to include the total balance of the A/P accounts; only include estimated amounts and separate them by category such as accruals based on estimated amounts.

\(^2\) Near term: is a period of time not to exceed one year from the date of the financial statements.
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The determination of whether the extent of uncertainty is material is a matter of professional judgment. A likely change of $10 million in the near term is considered material and should be disclosed in the notes to the Summary Financial Statements. However, where there is potential variability of an amount less than $10 million, but the amount is significant to the ministry or organization, this amount should be reported.

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