PRACTICE GUIDANCE

Restructuring Transactions

Effective April 1, 2018

The Public Sector Accounting Board (PSAB) PS 3430 – Restructuring Transactions establishes standards on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities within the Government Reporting Entity (GRE). The recognition and measurement criteria are similar to the existing policies outlined in the Core Policy and Procedures Manual.

Recognition:

The key characteristics of restructuring transactions are:

(a) their non-purchase nature;

(b) transfers of an integrated set of assets and/or liabilities that are not random or unrelated; and

(c) transfers of program or operating responsibilities related to the assets and liabilities transferred.

The key distinction between a restructuring transaction and an acquisition is that restructuring transactions usually involve no or nominal payment for the individual assets and liabilities transferred.

- Individual assets and liabilities transferred in a restructuring transaction should be recognized by the recipient if they meet the definitions of assets and liabilities and applicable recognition criteria at the restructuring date.

- Individual assets and liabilities transferred in a restructuring transaction should be derecognized by the transferor if they no longer meet the definitions of assets and liabilities and applicable recognition criteria at the restructuring date.

- The increase in net assets or net liabilities resulting from recognition and derecognition of individual assets and liabilities received from all transferors and transferred to all recipients in a restructuring transaction should be recognized as revenue or as an expense.

- Restructuring-related costs made to parties other than the transferors or recipients would be recognized as an expense when incurred.

- Example of these costs include legal, accounting and professional services costs as well as costs to achieve the objectives of restructuring.

Measurement:

Individual assets and liabilities transferred in a restructuring transaction are derecognized by the transferor at their carrying amount and recognized by the recipient at the same carrying amount at the restructuring date.

The assets and liabilities, once transferred, will follow the accounting policies of the recipient.

Reporting Requirements:

Individual assets and liabilities received in a restructuring transaction are classified in the Statement of Financial Position of the recipient based on its accounting policy and circumstances at the restructuring date.

- The net effect of a restructuring transaction is presented as a separate revenue or expense item in the Statement of Operations for the transferor and the recipient.

- The financial position and results of operations prior to the restructuring date are not restated for the transferor and the recipient.

- Entities within the GRE are expected to report all restructuring transactions that are equal to or greater than $100,000 as part of their reporting requirements for the quarterly and year-end reporting on the Supplemental Financial Reporting template to Financial Reporting and Advisory Services (FRAS).

- Ministries are required to post transactions within the Corporate Accounting System using the appropriate supplier code which will identify transactions occurring with entities within the GRE.

This information is reviewed during the preparation of the consolidated Summary Financial Statements.

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