



Capital Assets: The Forgotten Topic

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Capital Assets

- (i) are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets;
- (ii) have useful economic lives extending beyond an accounting period;
- (iii) are to be used on a continuing basis; and
- (iv) are not for sale in the ordinary course of operations



Agenda

1

New and Upcoming Standards

2

Public Private Partnerships

3

Cloud Computing

4

Capital Vote Definition

5

Financial Reporting

New and Upcoming Standards

PS 3280 *Asset Retirement Obligation*

- Comes into effect April 1, 2021
- Earlier adoption is permitted

Public Private Partnerships

- Statement of Principles (SoP) published in 2017
- ED expected Q1 2019

New and Upcoming Standards

PS 3280 Asset Retirement Obligation (ARO)

- New section on ARO and withdrawal of PS 3270
- Effective date – April 1, 2021
- ED implies application of standard for all asbestos
- Liability for a retirement obligation should be recognized only when there is a legal obligation
- Liability for a retirement obligation to be recognized at the individual component level regardless of how the tangible capital asset is accounted for

Public Private Partnerships (P3s)

Statement of Principles (SoP)

- Exposure draft expected Q1 2019
- Measurement Issues
 - Non-financial or combined consideration
- PSAS Challenges
 - Intangible assets
 - Non-monetary transactions
- Inconsistencies with PSG-2
 - Concept of control
 - Discount rate

Challenges

Terminology

**Inconsistency with
PSG-2**

**Non-Monetary
Transaction**



Public Private Partnerships



Disclosure

Handback Standards

Intangible Asset

What is Cloud Computing?



Service Models

Software-as-a-Service (SaaS)

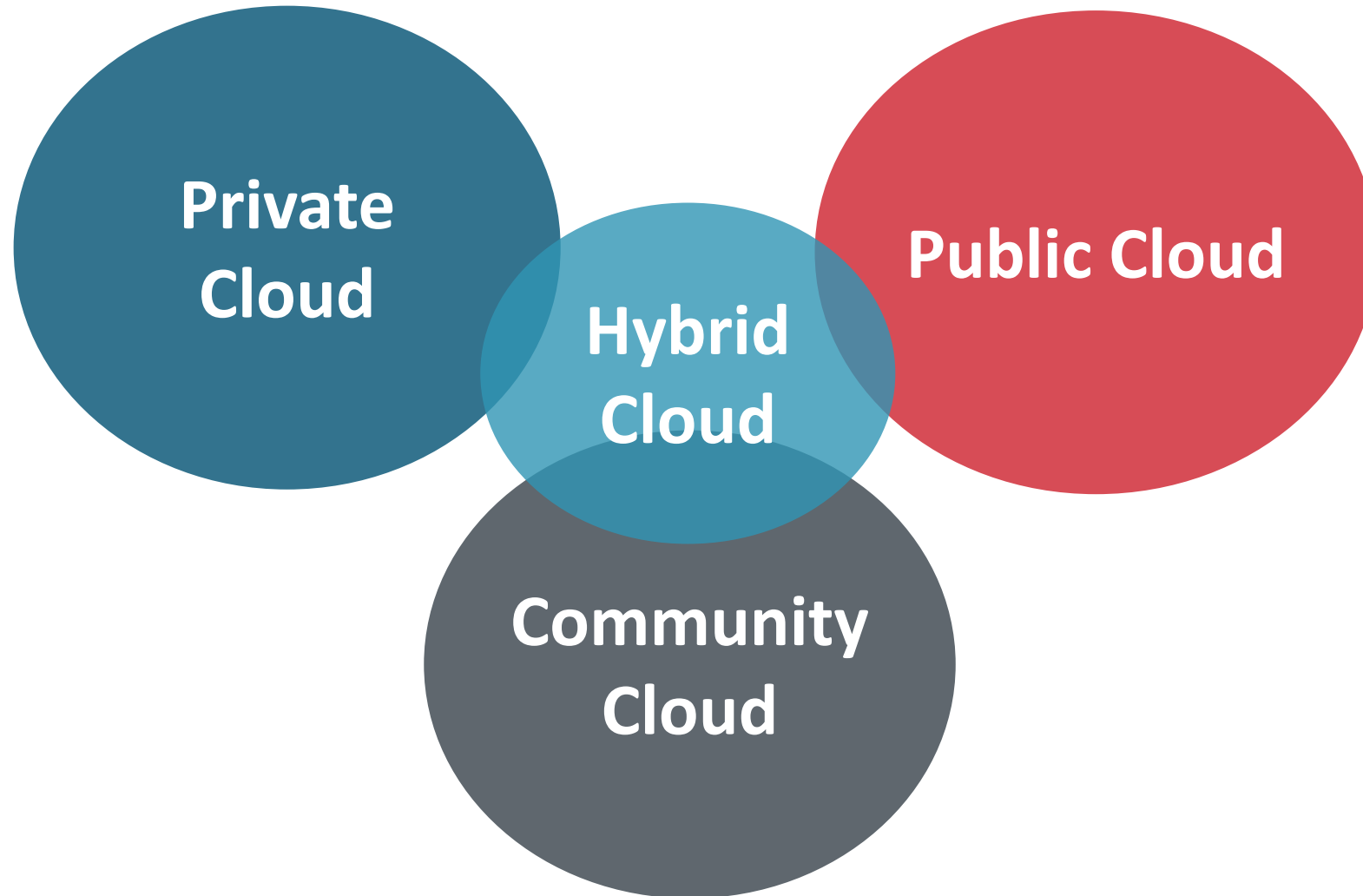
Platform-as-a-Service (PaaS)

Infrastructure-as-a-Service (IaaS)

Characteristics

1. Broad Network Access
2. Rapid Elasticity and on-demand self service
3. Measured Service and pay as you go pricing
4. Resource pooling

Cloud Deployment Models



Sample Scenarios

Scenario 1

Acquired Software based in Cloud

Scenario 2

Shared cost-arrangement to acquire / syndicate multi-year rights to an ERP which is stored in a central location.

Scenario 3

Internally developed software that is stored in the cloud

Scenario 4

ERP that is licensed for use for a predefined multi-year period or in perpetuity with an up-front initial payment and annual service fees.

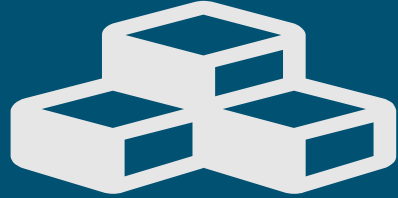
Scenario 5

ERP system that is licensed for a fixed term, with no upfront payment but an annual service fee.

Accounting Options

Expense
Prepaid
Software
Multi-year lease
Conceptual Framework
PSAS
Capital Asset
Intangibles
Development costs
IFRS

PS 3150: Tangible Capital Assets



Physical Substance

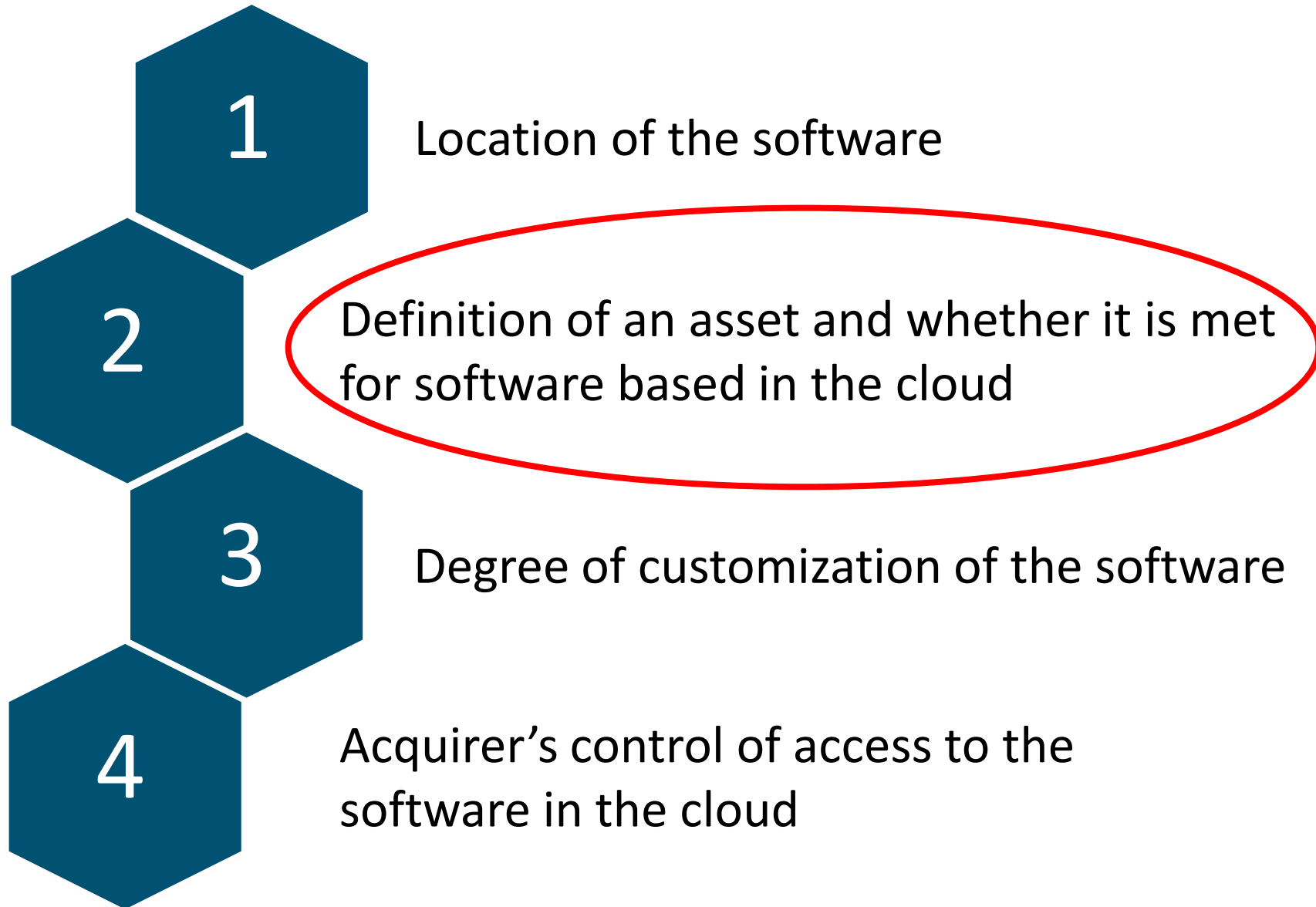


Intangibles are scoped out

Footnote 2:

Tangible capital assets include computer software as they are integral to the use of computer hardware

PSAB Considerations



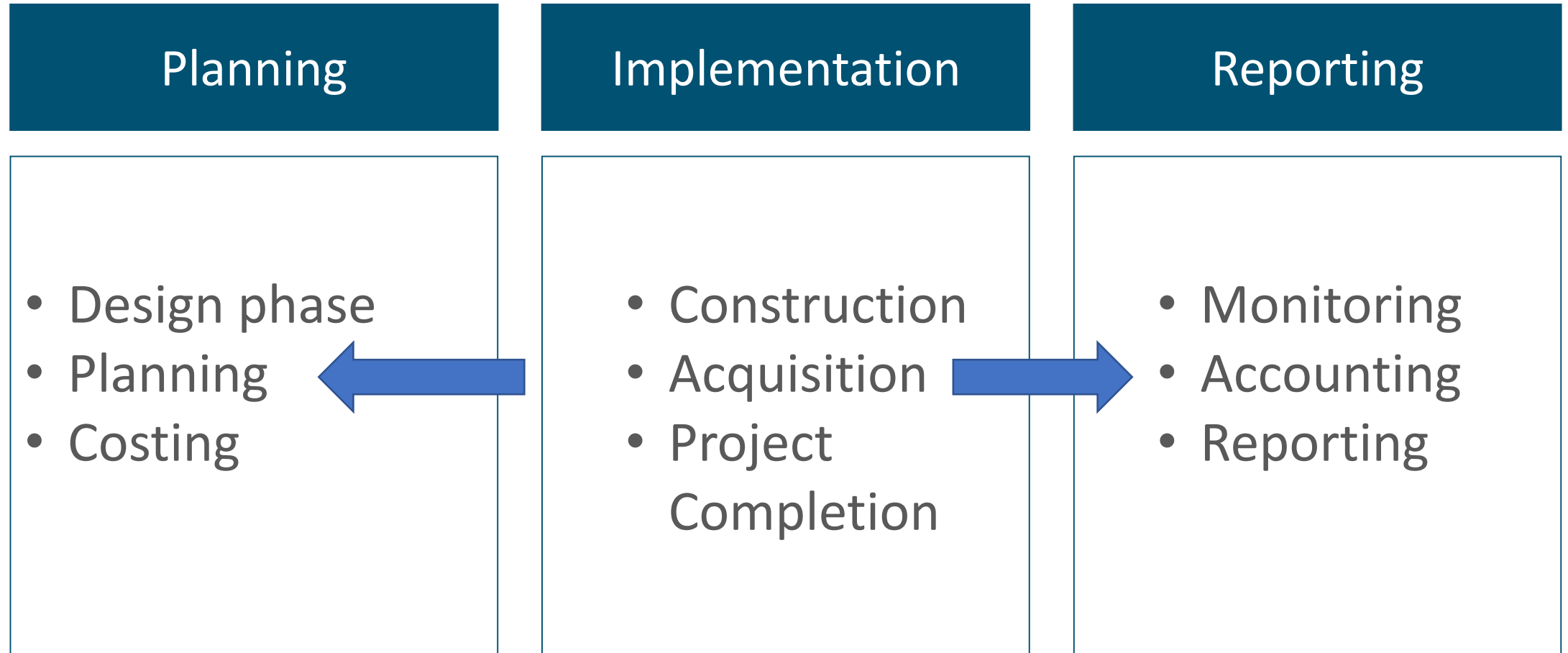
Capital Vote Definition

In the federal government, a capital expenditures Vote is used when the aggregate of capital expenditures equal or exceed \$5 million in a given fiscal year.

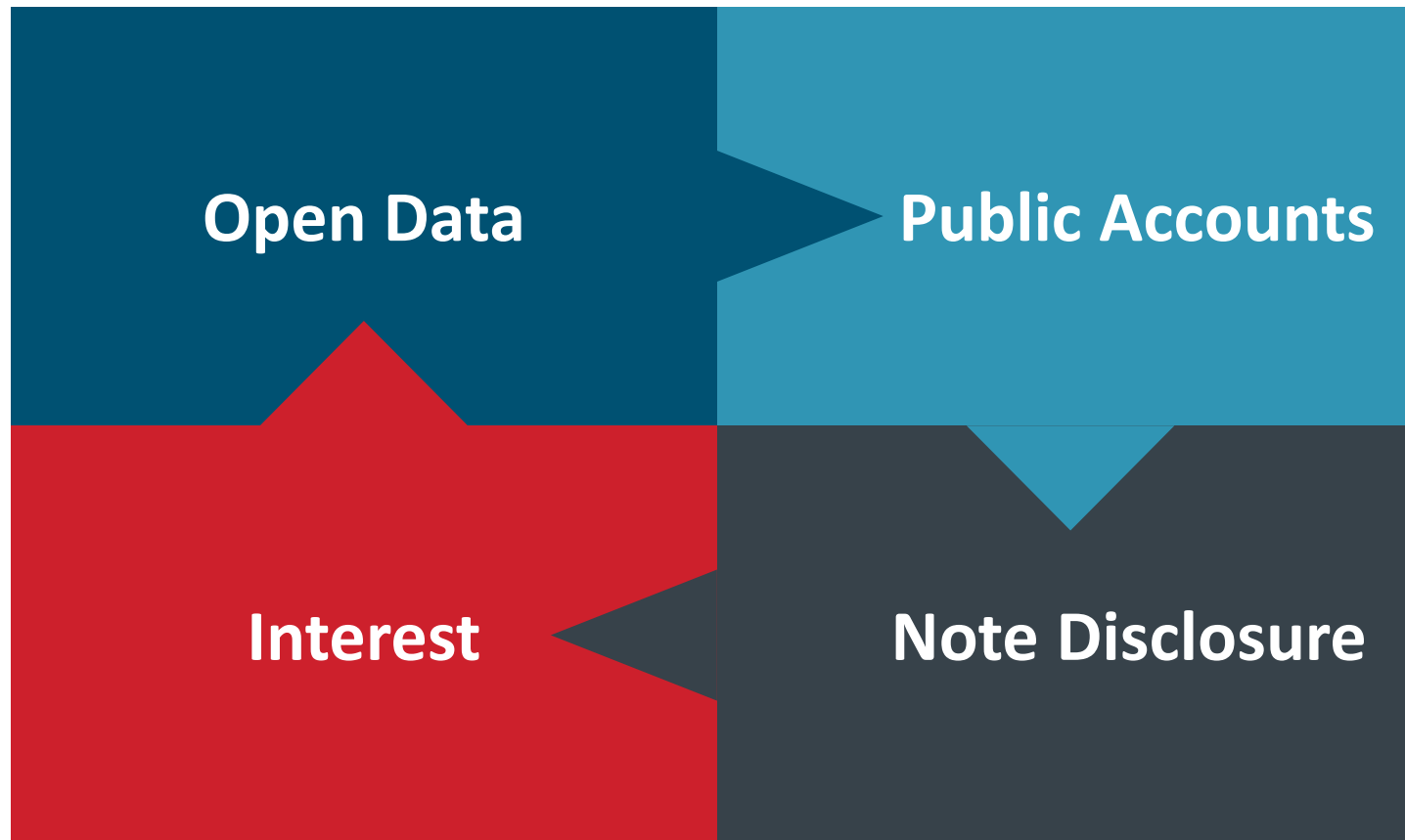
Capital expenditures are those made for the acquisition or development of items that are classified as tangible capital assets as defined by Government accounting policies.

For example, the acquisition of real property, infrastructure, machinery or equipment, or for purposes of constructing or developing assets, where an organization expects to draw upon its own labour and materials, or employs professional services or other services or goods.

Project Management



Financial Reporting



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