CPA ONTARIO

Standards in Focus

Public Sector Accounting Standards (PSAS)

Section PS 1202, *Financial Statement Presentation* (Reporting Model)

August 2026

Why has the standard changed?

The **Public Sector Accounting Board (PSAB)** replaced Section PS 1201 with **Section PS 1202**, *Financial Statement Presentation*. Section PS 1202 introduces a modernized financial reporting model (the "Reporting Model").

This new Reporting Model restructures public sector general purpose financial statements. It standardizes key financial indicators (such as net financial assets or net financial liabilities and net assets or net liabilities) and integrates new budget requirements.

Ultimately, these updates improve transparency. They enable stakeholders to better assess financial performance and stewardship of public resources.

While the new Reporting Model builds on basic concepts familiar to users of Section PS 1201, it aligns with PSAB's new Conceptual Framework.

Specifically, Section PS 1202 operationalizes the core objectives found in Chapter 6 of the Conceptual Framework, by embedding them into detailed presentation and disclosure requirements for financial statements.

Refer to Section PS 1202, *Financial Statement Presentation*.

When is Section PS 1202 effective?

Section PS 1202 is effective for **fiscal years beginning on or after April 1, 2026**. Earlier adoption was permitted only if the Conceptual Framework was also adopted at the same time.

The new Section PS 1202 aims to:

ALIGN

Align financial statement presentation with PSAB's Conceptual Framework to ensure consistency with public sector financial reporting objectives.

ENHANCE

Enhance users' understanding of a public sector entity's financial position, financial performance, and key indicators through clearer and more coherent presentation.

STRENGTHEN

Strengthen accountability by improving transparency over how resources are managed and financed, including clearer presentation of net financial assets or net financial liabilities.

IMPROVE

Improve the usefulness and decision-relevance of financial statements by refining statement structure and the presentation of financial information.

What do CPAs need to know?

The new Reporting Model changes how public sector financial performance and position are communicated. CPAs are critical in implementing these changes and explaining how financial results reflect an entity's financial sustainability and accountability.

These changes are reflected in a revised financial statement package, comprising the complete set of the following documents:

- Statement of financial position
- Statement of net financial assets or net financial liabilities
- Statement of operations
- Statement of changes in net assets or net liabilities
- Statement of cash flow
- Accompanying notes and schedules

CPAs play a critical role in communicating these changes to management, those charged with governance, and financial statement users, including explaining why certain statements or indicators have changed, been relocated or are presented differently.

With the introduction of Section PS 1202, there will be a need for immediate updates to financial statement preparation processes, templates and systems. Comparative information must also be presented on a consistent basis.

To support implementation, CPAs should focus on the following areas to help ensure compliance with the standard:

- Re-map existing reporting templates, disclosure notes and financial statement structures to conform to the new presentation model.
- Review all liabilities for strict distinction between financial and non-financial liabilities.
- Critically evaluate complex balances, specifically those originating from government transfers and externally restricted inflows.
- Review how budget information is approved, tracked and presented to ensure alignment with PSAS.
- Assess system readiness, including whether general ledger accounts and reporting templates support:
  - Classifying financial and non-financial liabilities separately.
  - Preparing the statement of net financial assets or net financial liabilities.
  - Comparing actual financial performance against the original budget.

Section PS 1202 also includes illustrative financial statements in the appendices to assist entities in applying the new presentation model in practice.

For further information refer to PSAB's resources: *In Brief*[1], *Visual*[2], *PSAB and IPSASB International Comparison*[3] and *Webinar*[4].

Who is impacted?

All stakeholders within the public sector financial reporting ecosystem are impacted. Section PS 1202 sets out the general and specific requirements for the presentation of information in general purpose financial statements and therefore applies to all public sector entities that prepare such statements in accordance with PSAS. As a result, preparers, auditors, management, those charged with governance and users of financial statements will be affected by the new presentation requirements.

[1] In Brief – A plain and simple overview of the Reporting Model and the Financial Statement Presentation standard: then and now (published by PSAB in November 2024).

[2] Visual – Section PS 1202, Financial Statement Presentation (published by PSAB in October 2023).

[3] PSAB and IPSASB: Comparing Reporting Models (published by PSAB in November 2023).

[4] Webinar – PSAB's New Reporting Model (Section PS 1202, Financial Statement Presentation) (released by PSAB in March 2024).

What are the key changes?

The following illustration of the financial statement package (reproduced with permission from PSAB's Visual-Section PS 1202, *Financial Statement Presentation*) highlights the changes introduced under PSAB's new Reporting Model and supports the key presentation changes described below.

Financial Statement Package

Statement of Financial Position
as at March 31

New Structure

New Categories

	20X3	20X2
Financial assets[1]	xx	xx
Non-financial assets[1]	xx	xx
Total assets	xx	xx
Financial liabilities[1]	xx	xx
Non-financial liabilities[1]	xx	xx
Total liabilities	xx	xx
Net assets (net liabilities)	xx	xx
Net assets (net liabilities) components:		
accumulated surplus/deficit	xx	xx
accumulated remeasurements	xx	xx
accumulated other	xx	xx
	xx	xx

New Component

An entity can choose to present the net financial assets or net financial liabilities indicator. The indicator would also need to be presented on the statement of net financial assets or net financial liabilities.

New Statement

Statement of Net Financial Assets (Net Financial Liabilities)
as at March 31

	20X3	20X2
Financial assets	xx	xx
Financial liabilities	xx	xx
Net financial assets (net financial liabilities)	xx	xx

New Name

An entity can choose to present the change in the above indicator and the reasons for the change.

New Option

This presentation allows all the information on the indicator to be on one statement.

Statement of Operations
for the year ended March 31

	Budget	20X3	20X2
Revenue[1]	xx	xx	xx
Expense (by function)[1]	xx	xx	xx
Surplus (deficit)	xx	xx	xx

Requirements for the Budget Presented on the Statement of Operations

- Budget should be presented using the same:
  - basis of accounting;
  - accounting principles;
  - scope of activities; and
  - classifications

  as the actual amounts.
- When budget information is not prepared or approved, an acknowledgment stating this fact should be presented, as the budget is a key aspect of the accountability cycle.
- Amended budgets may be used but only in certain specific circumstances when there has been a change in governance.

New Requirements

New Statement

Statement of Changes in Net Assets (Net Liabilities)
for the year ended March 31

	20X3	20X2
Accumulated Surplus/Deficit		
Surplus (deficit)	xx	xx
Opening balance	xx	xx
Ending balance	xx	xx
Accumulated Remeasurements		
Change in remeasurements[2]	xx	xx
Opening balance	xx	xx
Ending balance	xx	xx
Accumulated Other		
Change in accumulated other[2]	xx	xx
Opening balance	xx	xx
Ending balance	xx	xx
Total Net Assets (Net Liabilities)	**xx**	**xx**

Statement of Cash Flow
for the year ended March 31

	20X3	20X2
Cash beginning of year	xx	xx
Cash provided by (applied to) operating transactions[1]	xx	xx
Cash provided by (applied to) capital transactions[1]	xx	xx
Cash provided by (applied to) investing transactions[1]	xx	xx
Net cash provided by (applied to) operating, capital and investing transactions	xx	xx
Net cash before financing transactions	xx	xx
Cash provided by (applied to) financing transactions[1]	xx	xx
Cash end of year	**xx**	**xx**

New Requirements

Both the indirect and direct methods are allowed to report cash flow from operations.

Key features

- Only assets and liabilities comprise financial position.
- Financial position = net assets or net liabilities.
- Three components of net assets or net liabilities position.
- All revenue and expenses are recognized in surplus or deficit unless PSAB determines otherwise. PSAB alone determines if a revenue or expense should instead be initially recognized directly in a component of net assets or net liabilities. Justification required regarding how such recognition provides better accountability.
- Revenues and expenses to be reported at gross amounts unless net amounts required by another standard.
- Revenue or expense recognized in net assets or net liabilities may or may not be recognized in surplus or deficit in a future period(s).
- Cash flow statement restructured to highlight need for cash from financing transactions, as applicable.
- Refined calculation of net debt indicator to allow it to measure what it was meant to measure; future financial resource requirements. Net debt indicator renamed "net financial liabilities".
- New option to present and explain change in net financial assets or net financial liabilities on statement of net financial liabilities or net financial assets.

Notes:

1. For illustrative purposes, the financial statements have been summarized. The actual financial statements would show the details under the heading.
2. If the detail of the changes in "accumulated remeasurements" or "accumulated other" component of net assets or net liabilities becomes too complex, supplementary statements may be needed, such as the statement of remeasurement gains and losses. Or, schedules to the financial statements could provide the details.

1. Revised structure and presentation of the statement of financial position

The presentation of the statement of financial position has been revised to improve clarity, comparability and users' understanding of an entity's financial position. Key changes include:

- **Restructured layout of assets and liabilities**
  - All assets are presented together and all liabilities are presented together.
  - The distinction between **financial and non-financial assets**[5] is retained.
- **Introduction of distinct financial and non-financial liability categories**

  Under superseded Section PS 1201 liabilities were presented as a single category with no distinction based on how they would be settled. This new classification supports the revised calculation of net financial assets or net financial liabilities and enhances transparency in presenting an entity's liabilities. Under Section PS 1202:

  - **Financial liabilities** are liabilities expected to be settled using existing or future financial assets (i.e. they represent a financial resource requirement).
  - **Non-financial liabilities** are liabilities that are not expected to be settled through an outflow of existing or future financial assets (i.e. they do not represent a financial resource requirement). They arise from exchange transactions (service contracts) and non-exchange transactions (restricted transfers).

    For the comprehensive definition of liabilities and guidance on their classification, including decision trees, please refer to Section PS 1202 (including Appendices A-E and the Illustrative Examples in Appendix F).

[5] Section PS 1202 amended the definition of a non-financial asset. A non-financial asset is now defined as an asset that does not meet the definition of a financial asset (see paragraph PS 1202.067).

- **Introduction of a third component of net assets or net liabilities ("accumulated other")**
  - In addition to accumulated surplus or deficit and accumulated remeasurement gains and losses, a third component, **accumulated other**, has been introduced for use in rare circumstances.
  - Only transactions and other events PSAB designates in individual standards would be recognized directly in accumulated other. Such decisions would be based on providing better accountability information to the user. No revenues or expenses are currently designated in this component.

2. Introduction of a new statement of net financial assets or net financial liabilities

The statement of net financial assets or net financial liabilities has been added to the financial statement package to provide greater transparency for a key indicator of financial position.

- The statement presents the revised calculation of net financial assets or net financial liabilities (formerly known as "net debt indicator") that was previously presented within the statement of financial position. The calculation is now based solely on **financial assets and financial liabilities**, excluding items that do not represent future requirements for financial resources, particularly liabilities that are not settled using financial assets. This ensures the indicator reflects only financial resource requirements and better aligns with its intended measure of affordability.
- Although the net financial assets or net liabilities calculation is no longer presented within the statement of financial position, entities may continue to present the indicator at the bottom of that statement, provided it is clearly cross-referenced to the new statement of net financial assets or net financial liabilities.

This change improves the relevance, transparency and clarity of the indicator for users.

3. Optional presentation of changes in net financial assets or net financial liabilities

The mandatory statement of change in net debt under superseded Section PS 1201 has been removed. An entity may now **choose** to provide information explaining changes in net financial assets or net financial liabilities and include it in the statement of net financial assets or net financial liabilities[6].

When this information is not provided, an entity must however disclose a comparison of actual capital expenditures to budgeted amounts in the notes or schedules[7].

This change provides flexibility in presentation while retaining accountability through required capital expenditure disclosures.

4. Introduction of a statement of changes in net assets or net liabilities

With the new statement of changes in net assets or net liabilities, the core requirement is to reconcile opening and closing balances for components of net assets/(liabilities) such as accumulated surplus or deficit, accumulated remeasurement gains and losses, and accumulated other.

This statement will allow the entity to be transparent about which revenues and expenses are recognized in surplus or deficit and those that are recognized directly in a component of net assets or net liabilities.

5. Enhanced presentation of budget information

Budget figures must be presented on the same accounting basis, principles, scope and classification as the actual amounts reported in the statement of operations to ensure meaningful comparability.

When the basis of accounting, accounting principles, scope or classification used in the budget is different from that used for the financial statements, the approved budget amounts would need to be restated prior to inclusion in the statement of operations. A note disclosure or supporting schedule should reconcile the restated budget amounts to those originally approved in the budget.

There are further enhancements in Section PS 1202 in relation to budget information to improve transparency, comparability and users' ability to assess financial performance and accountability.

6. Enhanced presentation of the statement of cash flow

The statement of cash flow now presents financing activities separately and highlights the net cash available or the cash deficiency before financing activities. This presentation provides a clearer view of whether an entity's other activities generated sufficient cash or required additional cash to be raised through financing activities.

These changes will require CPAs and public sector entities to adopt more rigorous, forward-looking assessments and enhance disclosures, supported by stronger documentation, controls and financial reporting processes, ultimately improving transparency and accountability.

---

[6] As required by paragraph PS 1202.120.

[7] As required by paragraph PS 1202.224.

What can you do?

01

Read Section **PS 1202**, its **Basis for Conclusions** and **Highlight Summary no. 57**, available to CPAs in the handbook.

READ IT

02

Regularly visit CPA Ontario's **Guidance on Compliance Knowledge Hub** to stay current on evolving standards.

CHECK FOR UPDATES

03

Visit the PSAB resource page.

READ NOW

04

Contact Professional Advisory Services by phone at **416 204.3106** or **1 800 387.0735 x 4456** or email us.

EMAIL US

Disclaimer

This article is intended for general informational purposes only. **It is your responsibility to ensure compliance with Section PS 1202, Financial Statement Presentation, as outlined in the Public Sector Accounting Handbook**, based on your specific situation. In the event of any discrepancy between this article and the applicable official standards or guidance, the official sources shall prevail. Users are encouraged to consult the original sources for complete and authoritative information.