

Measurement Uncertainty – Disclosure Requirements

Effective April 1, 2005

The Public Sector Accounting Board (PSAB) recently issued guidance on the disclosure of measurement uncertainty that is effective for fiscal years beginning on or after April 1, 2005. The new guideline (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
- Pending litigation
- Environmental remediation
- Leave liability
- Provision for doubtful accounts

When a material change in an amount that is recognized or disclosed is reasonably possible in the near term¹, 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 a description of the circumstances giving rise to the uncertainty.
- The extent of measurement uncertainty when it is reasonably possible that the amount could change by a material amount in the near term.

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 that is less than \$10 million, but is of a significant amount for the ministry or organization in question, those amounts should also be reported to the Office of the Comptroller General.

It should be noted that entities within the government reporting entity that follow the Canadian Institute of Chartered Accountants Handbook may currently disclose measurement uncertainty only as it relates to recognized amounts. The Public Accounts, however, will also be required to include information on measurement uncertainty as it relates to disclosed amounts for these entities.

¹ Near term: is a period of time not to exceed one year from the date of the financial statements.