

## 22.1 Expenses – General

### Policy Statement

It is the policy of the Province of Nova Scotia to record expenses on an accrual basis in accordance with generally accepted accounting principles for the public sector. Further, it is the policy of the province to net recoveries and fees against the expenses to which they directly relate. The amount of gross expenses before the impact of recoveries are disclosed in the province's financial statements.

### Definitions

#### **EXPENSE**

Decrease in economic resources, either by way of outflows or reductions of assets or incurrance of liabilities, resulting from the operations, transactions and events of the accounting period. Expenses include transfer payments due where no value is received directly in return.

#### **NET EXPENSES**

Include recoveries and fees that are directly related to the expenses and are not normally considered to be revenues

#### **RECOVERIES**

Created from an agreement with an external party to compensate the province for the full cost or a portion of the cost incurred on its behalf

#### **FEES**

Charges to identifiable clients outside government pertaining to the provision of goods and/or services from sources other than regulatory/legislated items.

#### **GOVERNMENT TRANSFERS**

Transfers of money from a government to an individual, an organization or another government for which the government making the transfer does not:

- a. receive any goods or services directly in return,
- b. expect to be repaid in the future, or
- c. expect a financial return

## Policy Objectives

The objective of this policy is to provide guidance to facilitate government-wide expense recognition that is applied on a complete, reasonable, and consistent basis.

## Application

This policy applies to all departments and public service agencies contained within the Consolidated Fund.

## Policy Directives

This policy should be read in combination with 16.1 Liabilities - General.

### GENERAL RECOGNITION

Expenses are recorded during the period in which (1) there is an appropriate basis of measurement, and (2) a reasonable estimate can be made of the amount involved.

At times, an exact amount of expense is not known, whereby a reasonable estimate is accrued to ensure the expense is captured during the correct period when the obligation arose (i.e., when the goods / services were received, etc.) A reasonable amount may be calculated or estimated using methods such as past/similar experience or by using quoted prices in a situation where goods or services have been received.

Any revisions to accruals that are known before the financial statements are completed, are adjusted in those financial statements.

### GOVERNMENT TRANSFERS – GRANTS, COST SHARING AGREEMENTS, ENTITLEMENTS

Government Transfers are recorded during the period in which the events giving rise to the transfer occurred, as long as:

- a. transfer is authorized;
- b. eligibility criteria, if any, have been met by the recipient; and
- c. a reasonable estimate of the amount can be made.

### LOAN GUARANTEES AND OTHER CONTINGENT LIABILITIES

Expenses are recognized only when any amount of loss/expense is (1) likely, and (2) the amount of the loss/expense can be reasonably determined.

### OUTSTANDING PURCHASE ORDERS FOR GOODS OR SERVICES NOT YET RECEIVED

No expense is recognized until goods or services are received.

## Accountability

Departments are individually responsible for ensuring that expenses are appropriately and completely reflected in their accounts.

Government Accounting will rely on information provided by the departments to include appropriate recognition and disclosure in the province's financial statements.

## Monitoring

Government Accounting will provide necessary guidance to each department in applying this policy. Further, Government Accounting will monitor compliance with, and the effectiveness of, the policy across the departments.

## References

PS 1000 Financial Statement Concepts  
PS 3200 Liabilities  
PS 3410 Government Transfers

## Enquiries

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