

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 record expenses at their gross amounts. Recoveries and fees are not netted against the expenses to which they relate.

Definitions

EXPENSE

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

GROSS EXPENSES

Full amount of expenses excluding recoveries and fees that are directly related to the expenses.

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.

Policy Objectives

The objective of this policy is to ensure that expenses are properly, consistently and accurately identified and recorded in the Public Accounts.

Application

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

Policy Directives

This policy should be read in combination with 16.1 Liabilities – General and 22.3 Government Transfers.

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 to be adjusted in those financial statements.

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

Departmental Financial Services Divisions of Corporate Service Units are responsible for ensuring that expenses are appropriately and completely reflected in their departments' accounts. Departments and public service votes are also responsible for policy implementation and compliance.

Government Accounting is responsible for policy development and enforcement. Government Accounting coordinates with departments to obtain information necessary for presentation 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 3300 Contingent Liabilities
PS 3310 Loan Guarantees

Enquiries

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