

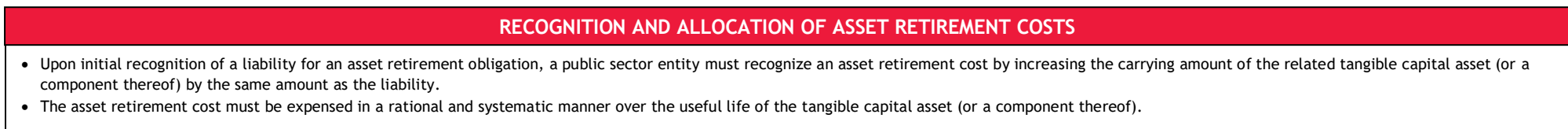
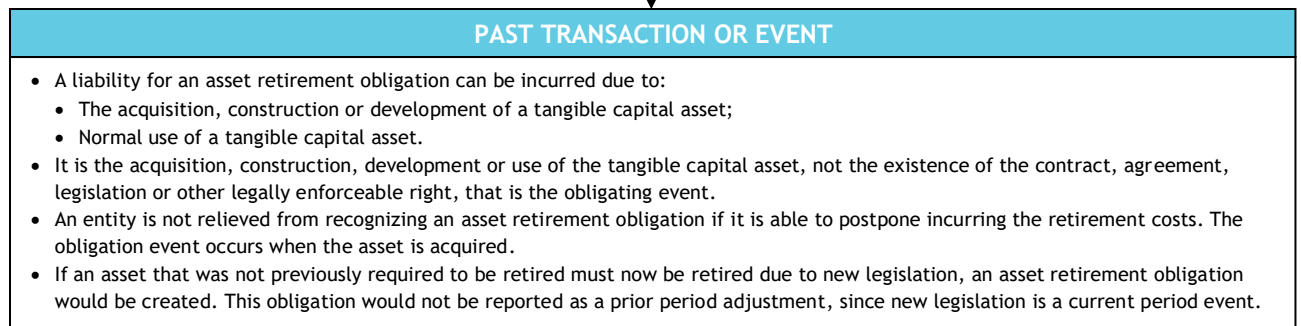
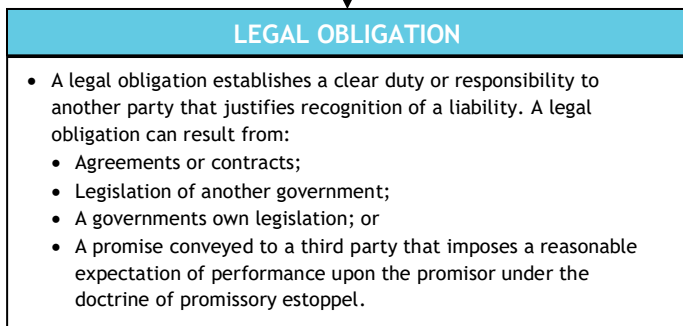
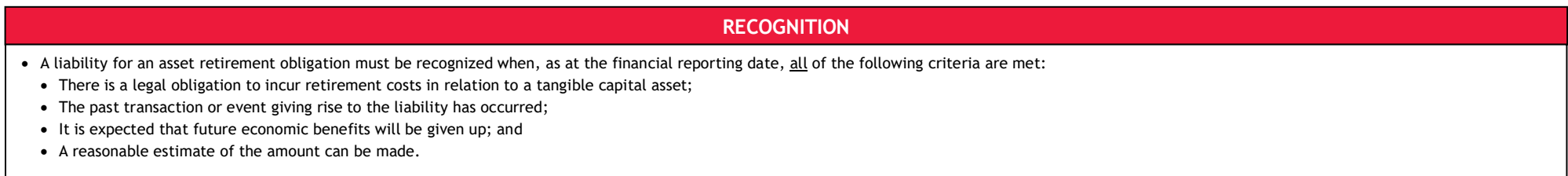
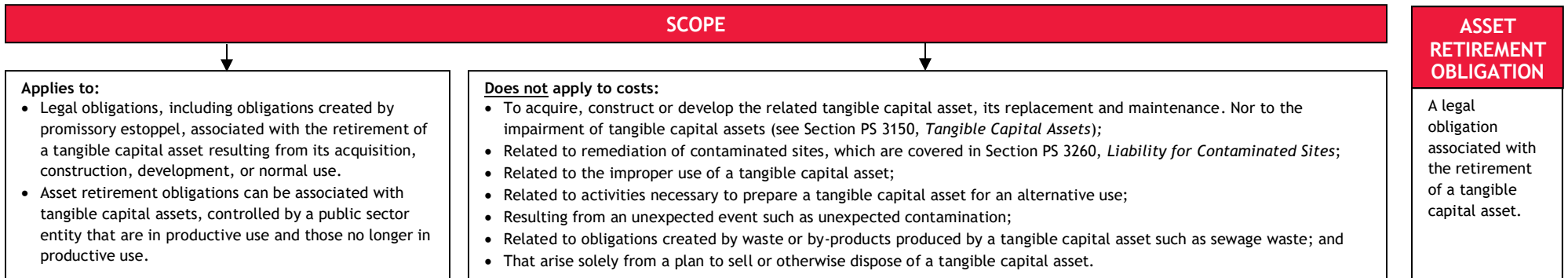
A photograph of two women sitting at a table in a meeting room. The woman on the left has long red hair and is looking at a laptop. The woman on the right has dark curly hair and is looking at the laptop. There are white chairs, a glass of water, and a pen on the table. A red vertical bar is on the left side of the image.

PSAB AT A GLANCE

Section PS 3280 - Asset Retirement Obligations

Section PS 3280 - Asset Retirement Obligations

Effective Date
Fiscal years beginning on or after April 1, 2022



RECOGNITION AND ALLOCATION OF ASSET RETIREMENT COSTS (CONTINUED)

OBLIGATIONS ASSOCIATED WITH FULLY AMORTIZED TANGIBLE CAPITAL ASSETS	OBLIGATIONS ASSOCIATED WITH UNRECOGNIZED TANGIBLE CAPITAL ASSETS	OBLIGATIONS ASSOCIATED WITH TANGIBLE CAPITAL ASSETS NO LONGER IN PRODUCTIVE USE
<ul style="list-style-type: none"> An asset retirement obligation may exist for a fully amortized tangible capital asset that is still in productive use. Even though the asset is fully amortized, its cost basis exists and the liability for an asset retirement obligation related to the initial acquisition, construction or development of the asset would increase its cost base. The costs would be amortized to expense over the revised estimate of the remaining useful life. 	<p>When an asset retirement obligation arises in connection with a tangible capital asset that is not recognized in an entity's financial statements, the asset retirement cost is expensed, since there is no cost basis of the underlying asset to which the asset retirement cost can be attached.</p>	<p>If an asset retirement obligation arises for a tangible capital asset that is no longer in productive use, the asset retirement costs would be expensed, since there is no longer any period of future benefit associated with the costs.</p>

MEASUREMENT

INITIAL MEASUREMENT

- Measurement of a liability for an asset retirement obligation should result in the best estimate of the amount required to retire a tangible capital asset (or component thereof) at the financial statement date.
- The estimate of the liability should include costs directly attributable to asset retirement activities. Such costs would include:
 - Post-retirement operation, maintenance and monitoring that are an integral part of the retirement of the tangible capital asset; and
 - Costs of tangible capital assets acquired as part of asset retirement activities to the extent those assets have no alternative use.
- The liability would be estimated based on information that is available at the financial statement date.

SUBSEQUENT MEASUREMENT

- The carrying amount of a liability for an asset retirement obligation is reconsidered at each financial reporting date.
- In periods subsequent to initial measurement, a public sector entity must recognize period to period changes in a liability:
 - Resulting from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate, as part of the cost of the related tangible capital asset; and
 - Resulting from the passage of time as an accretion expense.
- The revised carrying amount of the related tangible capital (or component thereof) should be amortized in a rational and systematic manner on a go-forward basis.
- Once the tangible capital asset (or component thereof) is no longer in productive use, all subsequent changes in the estimate of the liability for asset retirement obligations should be recognized as an expense in the period they are incurred.
- A liability for an asset retirement obligation continues to be recognized until it is settled or otherwise extinguished.

MEASUREMENT UNCERTAINTY

- In some cases, the settlement date for an asset retirement obligation may not be known. Uncertainty about the timing and amount of settlement does not remove the obligation, but affects its measurement.

RECOVERIES

- A recovery related to an asset retirement obligation must be recognized when:
 - The recovery can be appropriately measured;
 - A reasonable estimate of the amount can be made; and
 - It is expected that future economic benefits will be obtained.
- A recovery cannot be netted against the liability.
- A contingent recovery would be disclosed in accordance with Section PS 3320, *Contingent Assets*.



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