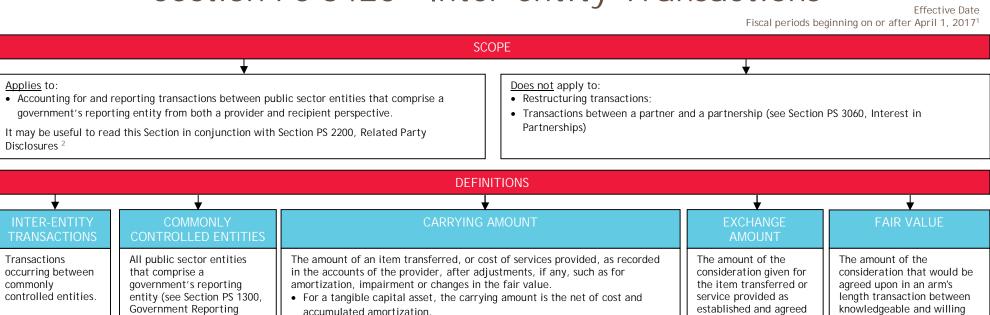






Section PS 3420 - Inter-entity Transactions



RECOGNITION

• For other assets, the carrying amount may be the net of cost and valuation

allowances or fair value, as appropriate.

TRANSFER OF ASSETS OR LIABILITIES

• Inter-entity transactions involving the transfer of assets or liabilities should be recognized by both the provider and the recipient.

Entity).

- The provider removes the assets or liabilities from its financial statements and any difference between the net proceeds received and the carrying amounts transferred is accounted for as a revenue or expense in the statement of operations.
- The recipient recognizes assets or liabilities in its financial statements when the items satisfy the definition and recognition criteria for an asset and liability in Section PS 1000, Financial Statement Concepts.

COST ALLOCATION AND RECOVERY

- When there is a policy of cost allocation and recovery for the provision of goods and services:
- The provider reports all revenues and expenses on a gross basis; and
- The recipient reports expenses on a gross basis.

INALLOCATED COSTS

parties who are under no

compulsion to act.

- When there is no policy for allocating costs, the recipient may choose to recognize these costs when they would otherwise have been purchased and a reasonable estimate of the amount involved can be made.
- When the recipient chooses to recognize unallocated costs it reports these items as revenues and expenses.

to by the related

parties.

¹ Earlier adoption of this Section is permitted. If application of the Section results in a change of accounting policy, Section PS 2120, Accounting Changes, applies.

² See also our publication PSAB AT A GLANCE: Section PS 2220 - Related Party Transactions.



MEASUREMENT

- Inter-entity transactions should be recorded at the carrying amount as determined at the transaction date unless:
 - Transactions are undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length;
 - Assets or liabilities are transferred for nominal or no consideration;
 - Transactions are allocated costs and recoveries; or
 - Transactions are unallocated costs.

TRANSACTIONS SIMILAR TO ARM'S LENGTH TRANSACTIONS

 Inter-entity transactions should be recorded at the exchange amount when they are undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length

ASSETS OR LIABILITIES TRANSFERRED FOR NOMINAL OR NO CONSIDERATION

- When inter-entity transactions involve the transfer of assets or liabilities for nominal or no consideration, they should be measured at the carrying amount by the provider and at the carrying amount or fair value by the recipient.
- Symmetrical accounting by the provider and recipient is not required.

GAINS OR LOSSES ON TRANSFERRED ASSETS AND LIABILITIES

 When there is a difference between the exchange amount and the carrying amount of a transferred or exchanged asset or liability, a gain or loss should be reported in the statement of operations.

COST ALLOCATION OR RECOVERY

 Allocated costs and recoveries should be measured at the exchange amount.

UNALLOCATED COSTS

 When recognized by the recipient, unallocated costs should be measured at the carrying amount or fair value unless policy, budget practices or accountability structures dictate otherwise.

DISCLOSURE

• An entity discloses information about inter-entity transactions, whether or not those transactions were given accounting recognitions, in accordance with the requirements of Section PS 2200, Related Party Disclosures.

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