

**Purpose:**

- I To provide guidance for departments to account for Restructuring Transactions in accordance with the Public Sector Accounting Standards (PSAS). Restructuring Transactions may occur during:
  - (1) amalgamations;
  - (2) annexations;
  - (3) transfers of program operations;
  - (4) shared service arrangements; or
  - (5) any event that results in multiple asset/liability acquisitions/disposals.

**Procedure:**

- 2 For any event noted above, determine whether the event (Appendix A) qualifies as a Restructuring Transaction in accordance with PSAS and if The City is the Recipient or the Transferor.

(1) If The City is the Recipient:

<b>Action Steps</b>	<b>Responsibility</b>
(a) Submit a revenue budget request for the year the Restructuring Transaction will be completed. The revenue impact (net effect of Restructuring) is calculated as follows: <ol style="list-style-type: none"> <li>(i) Carrying Values of assets received minus liabilities taken over minus Compensation paid.</li> <li>(ii) estimate Carrying Value of assets and liabilities by using the most recent financial statements of the Transferring entity.</li> </ol>	Division Controller/Department Accountant(s)

(2) If The City is the Transferor:

<b>Action Steps</b>	<b>Responsibility</b>
(a) Submit a regular budget request for the year the Restructuring Transaction will be complete. The expense impact (net effect of Restructuring) is calculated as follows: <ol style="list-style-type: none"> <li>(i) liabilities given up minus Carrying Value of assets transferred plus Compensation received.</li> </ol>	Division Controller/Department Accountant(s)

- 3 Once the budget request has been submitted:

<b>Action Steps</b>	<b>Responsibility</b>
(I) Create the following object codes (if required) in the appropriate business unit. If no particular department is responsible for the Restructuring, use General Programs (BU 59). If the Restructuring will result in a new operation (cost centre) for The City, a new business unit should be set up. <ol style="list-style-type: none"> <li>(a) Recipient object codes:</li> </ol>	Financial Analyst, Systems & Methods

<ul style="list-style-type: none"> <li>(i) 6170 – Tangible Capital Assets (TCA) received in Restructuring</li> <li>(ii) 8971 – Transfer to equity – Restructuring</li> <li>(iii) 6171 – Debt received in Restructuring</li> <li>(iv) 6011 – Debt transferred from other entities</li> <li>(v) 6172 – Other assets/liabilities received in Restructuring</li> <li>(vi) 7760 – Compensation paid in Restructuring</li> <li>(b) Transferor object codes:             <ul style="list-style-type: none"> <li>(i) 6180 – TCA transferred for Restructuring</li> <li>(ii) 8871 – Transfer from equity Restructuring</li> <li>(iii) 6181 – Debt transferred for Restructuring</li> <li>(iv) 8991 – Debt transferred to other entities</li> <li>(v) 6182 – Other assets/liabilities transferred for Restructuring</li> <li>(vi) 5917 – Compensation received in Restructuring</li> </ul> </li> </ul>	
<p>(2) Notify the budget analyst to set up a new business unit and accounts in Hyperion.</p>	
<p>(3) For all accounts created, assign mapping code (Cat code 22) 960 – ‘Net effect of Restructuring Transactions’ to ensure accurate financial statement reporting at year-end.</p>	
<p>(4) If the Restructuring involves receiving long-term debt, obtain the amortization schedule(s) from the transferring entity and submit to the Financial Services Accountant who will prepare a Borrowing Bylaw to be approved by Council before the Restructuring date.</p>	<p>Division Controller/Financial Services Accountant</p>
<p>(5) In the days leading up to the Restructuring date, track all legal and other related costs of the Restructuring with a work order to assist in financial statement disclosure at year-end.</p>	<p>Department Accountant(s)</p>

4 On or after the day of Restructuring:

(1) If The City is the Recipient:

<b>Action Steps</b>	<b>Responsibility</b>
<p>(a) Obtain final Carrying Values of assets and long-term debt amortization schedules from transferring entity as of the date of Restructuring and submit copies of the documents to Financial Services.</p>	<p>Division Controller</p>
<p>(b) Submit TCA acquisition forms to Asset Mailbox, if TCA was received. Ensure cost is equal to the Carrying Value as at the date of Restructuring and select an acquisition type of ‘RT’</p>	<p>Department Accountant</p>
<p>(c) If long term debt is received, add the Carrying Value to The City’s long term debt schedule using the amortization schedule from the transferring entity, then prepare a journal entry.</p>	<p>Financial Services Accountant</p>
<p>(d) Prepare journal entries for any other assets or liabilities received or transferred that are not related to TCA or long term debt.</p>	<p>Department Accountant</p>

(2) If The City is the Transferor:

<b>Action Steps</b>	<b>Responsibility</b>
(a) Send the Recipient entity a list of Carrying Values of assets and long-term debt amortization schedules as at the date of Restructuring.	Division Controller
(b) If TCA was disposed of, submit a TCA disposal form to Asset Mailbox and note in the comments that a Restructuring Transaction is involved.	Department Accountant
(c) If long term debt was given up, remove it from The City's long-term debt schedule and prepare a journal entry.	Financial Services Accountant
(d) Prepare journal entries for any other assets or liabilities received or transferred that are not related to TCA or long term debt.	Department Accountant

5 See Appendix B for a guide in preparing the most common types of entries related to Restructuring Transactions.

**Definitions:**

- 6 **“Carrying Value”** means the amount reported on the statement of financial position at a certain date net of any valuation allowances or amortization. It is also referred to as the net book value.
- 7 **“Compensation”** means a payment made to either the Transferor or Recipient as a result of a Restructuring Transaction that is not based on the Fair Value of the assets or liabilities transferred.
- 8 **“Consideration”** means a payment made in an acquisition that is based on the Fair Value of the asset or liability or program operations.
- 9 **“Fair Value”** means the value of an asset or liability or program operations agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.
- 10 **“Recipient”** means an entity that receives assets, liabilities, and related program responsibilities as a result of a Restructuring Transaction.
- 11 **“Restructuring Transaction”** means a transfer of a set of assets and/or liabilities along with their related programs and operating responsibilities without Considerations based on the Fair Value of those assets and liabilities.
- 12 **“Tangible Capital Asset (TCA)”** means a property, plant, and equipment which meet all three of the following criteria:

- (1) the asset is held by The City for use in the production or supply of goods and services, or the development, construction, maintenance or repair of other capital assets;
- (2) it has been acquired, constructed, or developed with the intention of being used on a continuing basis for greater than one year; and
- (3) it is not intended for sale in the normal course of operations.

13 “**Transferor**” means an entity that gives up the assets, liabilities, and related program responsibilities as a result of a Restructuring Transaction.

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**References/Links:**

- 1 CPA Canada Public Sector Accounting Handbook  
(1) PS 3430 – Restructuring Transactions
- 2 Tangible Capital Assets Training Manual
- 3 [Asset Acquisition, Transfer, and Disposal Forms](#)
- 4 Associated Policies and Procedures:  
(1) 5327 – CA Financial Reporting & Accounting  
(2) 5324 – CA Tangible Capital Assets

**Scope/Application:**

- 1 This Procedure applies to applicable City employees responsible for Restructuring Transactions.

**Authority/Responsibility to Implement:**

- 1 The Chief Financial Officer has been delegated the authority to implement and update this Procedure as needed.

**Inquiries/Contact Person:**

- 1 Chief Financial Officer
- 2 Controller – Budget & Investments
- 3 Controller – Systems & Methods

**Procedure Monitoring and Evaluation:**

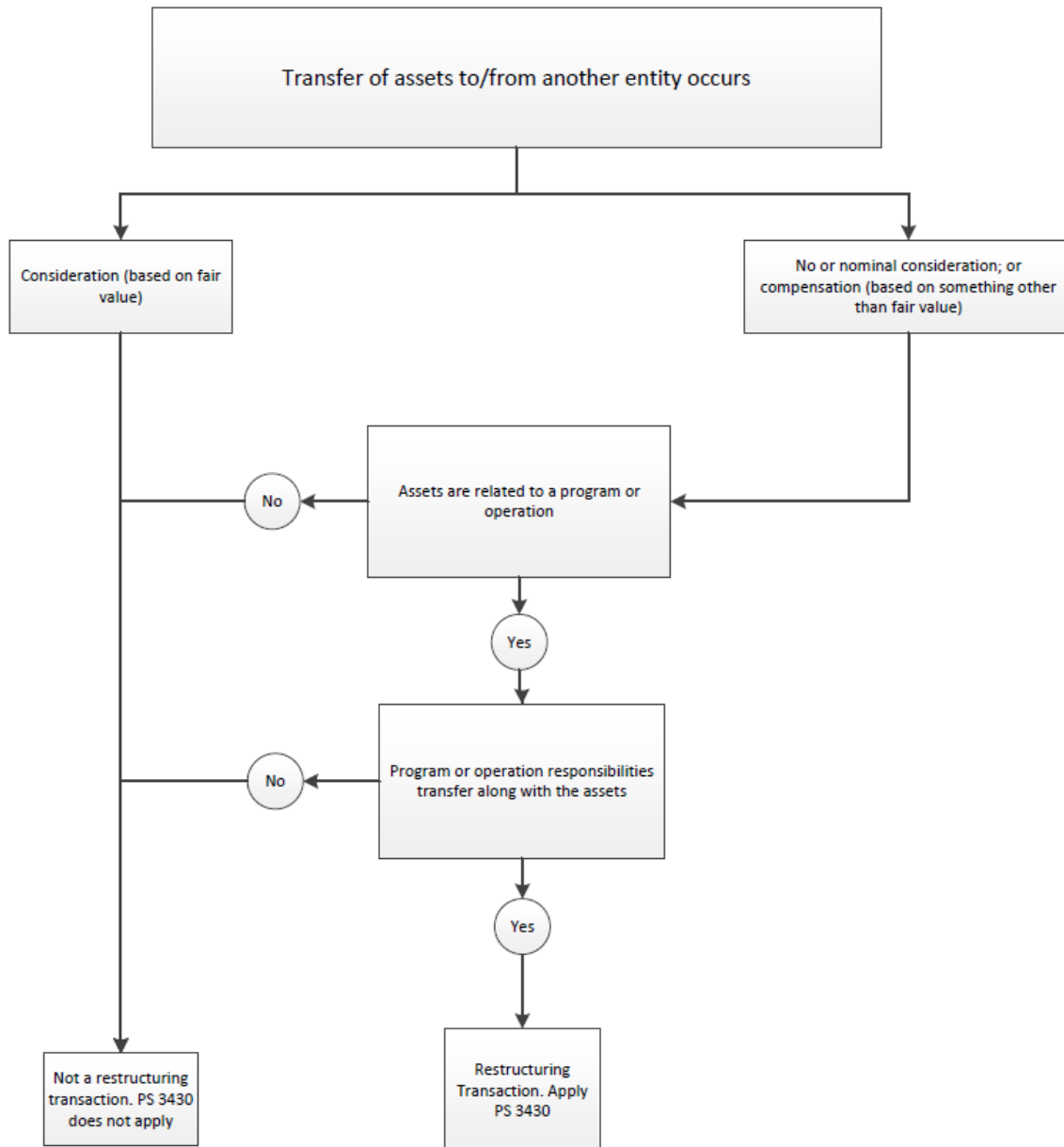
I This Procedure will be reviewed every two years and updated as necessary.

**Document History:**

<b>Date:</b>	<b>Approved/Reviewed By:</b>	<b>Title:</b>
Approved: February 7, 2022	"Tara Lodewyk"	Interim City Manager

Appendix A:

**Flowchart for determining whether a transaction is a Restructuring Transaction**



## Appendix B

**Restructuring Transaction Journal Entry Guide**

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**City as Recipient***TCA Acquisition (Prepared by Financial Services Clerks)*

Dr 6.24XX.XXXXXX TCA account  
Cr BU.6170 TCA received in Restructuring  
Dr BU.8971 Transfer to equity - Restructuring  
Cr 6.4800.XXXXXX TCA equity

*Receipt of long-term debt (Prepared by Financial Services Accountant)*

Dr BU.6171 Debt received in Restructuring  
Cr 2.4120.XXX Debentures  
Dr 6.4800.001 TCA equity debentures  
Cr BU.6011 Debt transferred from other entities

*Receipt of trade AR, AP, inventory, etc. (Prepared by Department Accountants)*

Dr 2.12XX AR account of choice  
Dr 2.17XX Inventory account of choice  
Cr 2.32XX AP account of choice  
Cr BU.6172 Other assets/liabilities received in Restructuring

*Compensation paid (Prepared by Department Accountant)**Present value must be recognized in full as of date of Restructuring*

Dr BU.7760 Compensation paid in Restructuring  
Cr 2.1123/2.31XX Bank or accrual account of choice  
or  
Cr 2.340X Annexation Compensation

**City as Transferor**

*TCA disposal as a result of Restructuring (Prepared by Financial Services Coordinator)*

Dr 6.25XX.XXXXXX	Accum. Amort account
Cr BU.6195	NBV on disposal
Dr BU.6195	NBV on disposal
Cr 6.24XX.XXXXXX	TCA account
Dr 6.4800.XXXXXX	TCA equity
Cr BU.8885	Transfer from equity - disposal
Dr BU.6180	TCA transferred for Restructuring
Cr BU.6195	NBV on disposal
Dr BU.8885	Transfer from equity - disposal
Cr BU.8871	Transfer from equity - Restructuring

*Transfer long-term debt to Recipient entity (Prepared by Financial Services Accountant)*

Dr 2.4120.XXX	Debenture account
Cr BU.6181	Debt transferred for Restructuring
Dr BU.8991	Debt transferred to other entities
Cr 6.4800.001	TCA equity debentures

*Transfer of other assets, liabilities, inventory, etc. (Prepared by Department Accountants)*

Dr BU.6182	Other assets/liabilities transferred for Restructuring
Dr 2.32XX	AP account of choice
Cr 2.17XX	Inventory account of choice
Cr 2.12XX	AR account of choice

*Compensation received (Prepared by Department Accountants)*

*Present value must be recognized in full as of date of Restructuring*

Dr 2.1123/2.12XX	Bank or clearing account of choice
or	
Dr 2.1302.960	Property tax receivable - annex Compensation
Cr BU.5917	Compensation rec'd in Restructuring