



## Recording of Expenses in Departments and Agencies

Under full accrual accounting, as introduced by the Financial Information Strategy (FIS), expenses will be recorded in the period in which they are incurred – that is, when the goods and services are used or consumed.

### *How will recording of expenses be different under FIS?*

Previously, expenses (expenditures) were recorded when they were paid.  
*(The single exception was items received prior to year-end but not yet paid by a department or agency).*

Under full accrual accounting, expenses incurred during the fiscal year will be reported on the department's or agency's Statement of Operations. This means that expenses related to a specific period will be recorded and reported in that period.

Hence, more complete information on the cost of program delivery will be available. Financial performance will become increasingly measurable as financial results are linked to operations and programs.

### *How will some typical expenses be affected?*

- **Prepaid expenses:** Any payment for such things as subscriptions or systems maintenance contracts will be recorded first as an asset on the Statement of Financial Position and subsequently as an expense on the Statement of Operations, in the period in which the service is provided. Previously, such payments were reported as expenditures in the period in which they were paid.

- **Capital assets:** Under full accrual accounting, a capital asset is recorded as an asset. Only the portion of a capital asset that has been used or consumed during the reporting period (i.e., the amortization or depreciation amount) is recorded as an expense. Previously, the amount of the capital asset was recorded and reported as an expenditure in the period in which the asset was acquired.
- **Accumulated vacation leave:** Under full accrual accounting, departments and agencies are required to record unused leave as a liability. The Statement of Operations for the accounting period reflects the vacation time earned, rather than vacation time paid for.
- **Employee salaries:** These are recorded in the same way as other expenses. Even though the salary earned in one period may not actually be paid until the next period, full accrual accounting requires that departments and agencies record the expense in the period in which the salary was earned, with a corresponding liability recorded.

**For more information,** contact your departmental financial advisor or visit the Treasury Board Secretariat Website at <http://www.tbs-sct.gc.ca/fin/fis-sif/>.