

1400 Contingent Assets

A. Overview

Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events, not wholly within the Government's control, occurs or fails to occur. Resolution of that uncertainty in the future confirms if an asset existed at March 31.

Two basic characteristics of contingent assets are:

- there is an existing condition or situation that is unresolved at March 31 that indicates there may be an asset; and
- there is an expected future event that will resolve the uncertainty related to the existence of an asset at March 31 (the future event proves or disproves the existence of the asset).

It is important to note that "uncertainty" here differs from "measurement uncertainty". For example, there may be measurement uncertainty related to an accounts receivable balance reported in financial statements. However, there is no doubt that the accounts receivable balance exists (i.e., there is no uncertainty).

B. Accountability

Ministries are responsible for maintaining working papers and files supporting contingent assets for internal and external audit and review.

Ministries are required to:

- establish and maintain accounting systems to collect and report information on their contingent assets;
- establish and maintain adequate internal control systems to ensure the accuracy and reliability of contingent asset information and reports;
- monitor the status of contingent assets; and
- ensure contingent assets are appropriately disclosed to the Provincial Comptroller's Office in the year-end schedules.

C. Procedures

Accounting procedures for contingent assets are based on guidance outlined in the Public Sector Accounting Handbook section PS3320 Contingent Assets. Refer to PS3320 Contingent Assets for further guidance.

Disclosing a government's contingent assets is useful because it provides information about economic resources that may be available to a government in future years to finance operations and/or meet its obligations.

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C. Procedures *(continued)*

A contingent asset is allowed to be recorded only if it reduces the amount accrued for a related contingent liability and the probability of recovery is likely. Otherwise, a contingent asset is not recorded. Information on the existence, nature, and extent of contingent assets is disclosed in the notes to the Summary financial statements when the confirming event is “likely” and material.

C1. Throughout the Year

To ensure the completeness and accuracy of reporting contingent assets, ministries should, among other things:

- communicate regularly with program staff to identify and analyze any potential for recovery due to lawsuits, pending litigations, insurance proceeds, grants/transfers, and other unrecorded possible assets; and
- maintain an up-to-date list of unrecorded possible assets, including any relevant details for the future tracking of contingent assets.

C2. Quarter end

Given that no disclosure is included within the quarter-end financial information, no specific procedures are required at quarter end.

C3. Year end

The most common form of a contingent asset is possible litigation proceeds. Contingent assets related to legal actions should be confirmed with the Ministry of Justice and Attorney General, both for the likelihood and estimated amount.

Grants, transfers, or contributions that are likely to be recovered because it is likely that a grant/transfer recipient will not meet the conditions related to a particular grant/transfer are also examples of contingent assets. These potential recoveries do not affect the timing of recognition of the transfer expense. Refer to [Section 3200 – Government Transfers](#) and [Appendix E - Government Transfers Application Guidance](#).

Ministries may have other items that meet the definition of a contingent asset.

A contingent asset is recorded only if it reduces an amount recorded for a related contingent liability, and the probability of recovery is likely. Refer to [Section 2200 – Contingent Liabilities](#).

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C. Procedures *(continued)*

C3. Year end *(continued)*

Disclosure of a contingent asset is required when the probability of a future event occurring, which will confirm an asset existed at March 31, is assessed as *likely*.

Likely – the probability of the occurrence (or non-occurrence) of the future event(s) is high;

Unlikely – the probability of the occurrence (or non-occurrence) of the future event is slight;
and

Not Determinable – the probability of the occurrence (or non-occurrence) of the future event cannot be determined.

Disclosure information on contingent assets should include the nature and estimate, unless an estimate cannot be made, or disclosure of the estimate would have an adverse effect on the outcome.

Ministries are annually required to report contingent assets to the Provincial Comptroller's Office as outlined in [Appendix A - General Revenue Fund Year-end Procedures and Schedules](#).

D. Definition

Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events, not wholly within the Government's control, occurs or fails to occur. Resolution of that uncertainty in the future confirms if an asset existed at March 31.

E. References

[2200 Contingent Liabilities](#)

[3200 Government Transfers](#)

[Appendix A – General Revenue Fund Year-end Procedures and Schedules](#)

[Appendix E – Government Transfers Application Guidance](#)

Public Sector Accounting Handbook

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