

5.7 Basis of Accounting for Federal Revenues

Government currently records Federal revenues on a modified accrual basis of accounting. The modified accrual basis of accounting involves recording these revenues based on regular entitlements received for the current year, with adjustments made against future years' revenues when known. These revenues include equalization transfers, Health and Social Transfers, personal income taxes, corporate income taxes, and Harmonized Sales Taxes (HST). Government does not attempt to provide a reasonable estimate of future revisions. Financial reporting would be improved if all revenues were recorded on a full accrual basis of accounting.

Recommendation

Government should develop a reasonable basis for estimating future revisions to entitlements, which could be used as a basis for recording Federal government revenues on a full accrual basis of accounting.