

### 4.3. Accounting for Physical Assets:

27. The balance sheet of the federal government includes liabilities and financial assets. Physical assets are not valued and included in this balance sheet; rather, the accumulation of physical assets is included as a current expenditure. Two things can result from this practice. On the one hand, the government can increasingly lease physical assets rather than purchasing them, to lessen the constraint of the spending limits. Or, on the other hand, it can alter its accounting practices to fully account for such capital accumulation, which would then significantly reduce total spending and/or debt accumulation.

### 4.4. Contingent Liabilities:

28. One of the services that the federal government provides to the business community is to grant a kind of insurance in the event that certain events take place. A common example is the guarantee of loans that the federal government provides, which enables corporations to borrow at lower rates than normally would be the case. Such a loan guarantee is a direct substitute for an interest rate subsidy which would be recorded as a program expenditure.

29. While the Public Accounts of Canada do identify contingent liabilities assumed by the government, they do not record the costs of such liabilities. On the other hand, the government has altered its accounting practice as of 1986 to level a minimum charge on departments undertaking some such liabilities and in some circumstances the charge can be 100%. Future spending of the government is dependent upon uncertain events, but the probability of such events can be estimated and the expected cost to the government can also be calculated and entered into the budget statements.

### 4.5. Regulation as an Alternative to Spending:

30. The federal government can achieve its policy goals in a number of ways, including ways which have no direct bearing on summary statistics as outlined in the budget, whether the reference be to expenditures or the deficit. For example, instead of using federal monies to support Canadian music and drama, the federal government can simply legislate the use of such Canadian content on the part of radio and television stations. The latter is a clear substitute for the former, yet it entails little in the way of direct government spending. In the environmental field, the government also has the option of using regulation as opposed to spending and tax measures as a way of promoting its environmental goals. The former would not appear in its accounting framework whereas the latter will.