



Issue Date: <b>September 2009</b>	Effective Date: <b>Immediate</b>	Responsible Agency: <b>Office of the Comptroller General</b>	Directive No: <b>911-1</b>
Chapter: <b>Accounting and Control of Revenue</b>			
Directive Title: <b>LOANS AND ADVANCES</b>			

## 1. POLICY

S.27 (1) of the *Nunavut Act* allows the Government to make laws for the lending of money to any person in Nunavut. Persons are deemed to include corporations by virtue of the *Interpretation Act*.

All loans made by the Government must be made pursuant to an act of the Legislative Assembly. The act may provide for ongoing loan programs or may be for specific loans.

## 2. DEFINITIONS

Loans and accountable advances are a special category of accounts receivable and require records and procedures similar to those used for the normal accounts receivable of a Department.

2.1 Accountable advances are payments made for expenses to be incurred (i.e. before the service is received). Examples include petty cash advances, travel advances, and contribution agreements which are authorized under s.54 of the *Financial Administration Act (FAA)*, and are dealt with in the 817 series of Directives.

2.2 Loans are payments made to or on behalf of a borrower pursuant to a written agreement or contract which specifies the repayment terms, interest rate and other conditions. They are authorized under S.27 (1) of the *Nunavut Act* and must be pursuant to an act of the Legislative Assembly.

## 3. DIRECTIVE

Loans made by the Government must comply with the provisions of this directive and must be for the purposes specified in the applicable legislation and departmental policy governing the loans.

## **4. PROVISIONS**

### **4.1. Authorization**

Departments that operate loan programs must have policies in place to govern the operation of these programs and to provide sound financial management over the funds being disbursed.

### **4.2. Accounting**

- 4.2.1. When an amount is advanced with forgivable conditions, it should be accounted for as a grant unless it meets the definition of a loan receivable and there is sufficient evidence of a reasonable expectation of its recovery.
- 4.2.2. Forgivable loans may be treated as a loan receivable if the Government expects repayment, except under specific conditions. On the other hand, if repayment is not required unless certain events take place, or conditions are not met, the amount is treated as a grant. Grants and contributions are dealt with in Directive 801.
- 4.2.3. Where loans are made with terms that are so concessionary that all or a portion of the transaction is in the nature of a grant, the grant portion is to be recognized as a grant expense when the loan is made.

### **4.3. Write down and Write-off**

- 4.3.1. Loans are reflected on the statement of financial position of the Government and are not charged to an appropriation, thus any disbursement of public money for the purpose of making loans must comply with the provisions of S.49 of the *FAA*.
- 4.3.2. If a loan or a portion of the disbursement is considered a grant, as provided for in 4.2.1 through 4.2.3, the grant portion must be charged against an appropriation.
- 4.3.3. When the value of loans carried in the financial records of the Government is higher than their expected recoverable value, the loans must be written down to the expected recoverable value by the use of a valuation allowance. Write-downs must not be reversed and must be charged against an appropriation of the department responsible for the loan.



- 4.3.4. When loans are no longer recoverable, they must be written off. Write-offs must follow the provisions of S.24 of the *FAA* and Directives in the 917 series.

4.4. Control

Departments must monitor and control loans receivable in the same manner as other amounts owing to the Government. The provisions of Directive 908 are to be applied to loans receivable.