

**Patented Medicine Prices Review Board**  
**Future-Oriented Statement of Operations (*Unaudited*)**  
**For the Year Ending March 31**  
*(in dollars)*

	<b>Forecast Results 2015-16</b>	<b>Planned Results 2016-17</b>
<b>Expenses</b>		
Patented Medicine Prices Regulation Program	\$ 5,792,128	\$ 7,276,954
Pharmaceutical Trends Program	1,936,223	1,923,013
Internal Services	2,835,285	2,957,432
<b>Total expenses</b>	<b>10,563,636</b>	<b>12,157,399</b>
<b>Revenues</b>		
Voluntary compliance undertakings	5,752,813	-
Other	53	-
Revenues earned on behalf of Government	(5,752,818)	-
<b>Total revenues</b>	<b>48</b>	<b>-</b>
<b>Net cost of operations before government funding and transfers</b>	<b>\$ 10,563,588</b>	<b>\$12,157,399</b>

The accompanying notes form an integral part of the future-oriented statement of operations.

## **Notes to the Future-Oriented Statement of Operations (*Unaudited*)**

### **1. Methodology and Significant Assumptions**

The future-oriented statement of operations has been prepared on the basis of government priorities and the Patented Medicine Prices Review Board's (PMPRB) plans as described in the Report on Plans and Priorities.

The information in the forecast results for fiscal year 2015-16 is based on actual results as at December 31, 2015 and on forecasts for the remainder of the fiscal year. Forecasts have been made for the planned results for the 2016-17 (i.e., the future year) fiscal year.

The main assumptions underlying the forecasts are as follows:

- The PMPRB's activities will remain substantially the same as in the previous year.
- Expenses and revenues, including the determination of amounts internal and external to the government, are based on experience. The general historical pattern is expected to continue.

These assumptions are adopted as at December 31, 2015.

### **2. Variations and Changes to the Forecast Financial Information**

While every attempt has been made to forecast final results for the remainder of 2015-16 and for 2016-17, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing this future-oriented statement of operations, the PMPRB has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Factors that could lead to material differences between the future-oriented statement of operations and the historical statement of operations include the following:

- The timing and amount of acquisitions and disposals of capital assets may affect gains/losses and amortization expense.
- Implementation of new collective agreements.
- Economic conditions may affect the amount of revenue earned.
- Further changes to the operating budget through additional new initiatives or technical adjustments later in the year.
- The frequency of hearings and variance in related costs.

Once the Report on Plans and Priorities is presented, the PMPRB will not be updating the forecasts for any changes in financial resources made in ensuing supplementary estimates. Variances will be explained in the Departmental Performance Report.

### **3. Summary of Significant Accounting Policies**

The future-oriented statement of operations has been prepared using the Government's accounting policies that came into effect for the 2015-16 fiscal year, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

#### **(a) Expenses**

Expenses are recorded on an accrual basis. Expenses for the PMPRB's operations are recorded when goods are received or services are rendered, including services provided without charge for accommodation, employer contributions to health and dental insurance plans and legal services, which are recorded as expenses at their estimated cost. Vacation pay and compensatory leave, as well as severance benefits, are accrued and expenses are recorded as the benefits are earned by employees under their terms of employment.

Expenses also include provisions to reflect changes in the value of assets, including provisions for bad debt on accounts receivable and advances, or liabilities, including contingent liabilities, to the extent the future event is likely to occur and a reasonable estimate can be made.

Expenses also include amortization of tangible capital assets, which are capitalized at their acquisition cost. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset.

**(b) Revenues**

Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.

Other revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.

Revenues that are non-respendable are not available to discharge the PMPRB's liabilities. While the deputy head is expected to maintain accounting control, she has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented in reduction of the entity's gross revenues.

**4. Parliamentary Authorities**

The PMPRB is financed by the Government of Canada through parliamentary authorities. Financial reporting of authorities provided to the PMPRB do not parallel financial reporting according to generally accepted accounting principles because authorities are primarily based on cash flow requirements. Items recognized in the future-oriented statement of operations in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, the PMPRB has different net cost of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

**(a) Reconciliation of net cost of operations to requested authorities**

(in dollars)

	<b>Forecast Results 2015-16</b>	<b>Planned Results 2016-17</b>
<b>Net cost of operations before government funding and transfers</b>	\$ 10,563,588	\$ 12,157,399
<b>Adjustments for items affecting net cost of operations but not affecting authorities:</b>		
Amortization of tangible capital assets	(55,461)	(76,933)
Services provided without charge by other government departments	(1,159,801)	(1,185,174)
Decrease (increase) in vacation pay and compensatory leave	11,310	(661)
Decrease in employee future benefits	(6,690)	(5,795)
Refund/adjustment of prior years' expenditures	20,254	18,172
Total items affecting net cost of operations but not affecting authorities	<u>(1,190,388)</u>	<u>(1,250,391)</u>
<b>Adjustments for items not affecting net cost of operations but affecting authorities:</b>		
Acquisition of tangible capital assets	66,320	58,100
Proceeds from disposal Crown assets	48	-
Total items not affecting net cost of operations but affecting authorities	<u>66,368</u>	<u>58,100</u>
<b>Requested authorities</b>	<b><u>\$9,439,568</u></b>	<b><u>\$10,965,108</u></b>

**(b) Authorities requested**  
(in dollars)

	<b>Forecast Results 2015-16</b>	<b>Planned Results 2016-17</b>
<b>Authorities requested:</b>		
Vote 1 - Program expenditures	\$ 10,301,065	\$ 9,943,258
Statutory amounts	1,018,131	1,021,850
Less: Lapsed authorities	(1,879,628)	-
<b>Requested authorities</b>	<b>\$ 9,439,568</b>	<b>\$10,965,108</b>