IPSASB Presentation of Financial Statements

Concurrent Exposure Draft – ED 221

ACCOUNTING STANDARDS BOARD

Disclaimer

The views and opinions expressed in this presentation are those of the individual. Official positions of the ASB on accounting matters are determined only after extensive due process and deliberation.

Objective of the project

Enhancing the existing presentation requirements by developing a new IPSAS.

Increasing transparency, relevance and understandability, of information in financial statements.

Improved information for decision making and accountability purposes.

Project Scope

- The IPSASB is taking a phased approach to communicate with and solicit feedback from constituents on how it proposes to enhance its presentation requirements.
- This project focuses on the presentation guidance for:
  - General Presentation Requirements
  - Statement of Financial Position
  - Statement of Financial Performance
  - Statements of Changes in Net Assets/Equity
  - Disclosure of Information in the Notes

Project Scope

Consultation Paper Phase → Exposure Draft Phase → Final Pronouncement Phase

Development of New Presentation Standard

- IPSASB proposes modernising IPSAS 1 while maintaining public-sector objectives, considering IFRS developments.
- Develop a new IPSAS Standard to replace IPSAS 1, considering IFRS 18 with appropriate public-sector adaptations.
- The IPSASB considers that the presentation requirements between IPSAS Standards and IFRS Accounting Standards should be consistent unless there is a public sector reason to warrant a departure.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed in the development approach

Preliminary View 1

- The IPSASB's Preliminary View is that the development of a new IPSAS Standard to replace IPSAS 1, *Presentation of Financial Statements* should consider IFRS 18 Presentation and Disclosure in Financial Statements, with appropriate adaptations to reflect the objectives of financial reporting by public sector entities

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Chapter 2: General Presentation Requirements

Proposal A: Objectives of Financial Statements (PV 4)

- Carry forward/align the **objectives** guidance (with structural alignment to IFRS 18 as appropriate) while maintaining public-sector emphasis on accountability and decision-making.
- IPSASB confirmed IPSAS 1's objectives are consistent with the IPSASB Conceptual Framework and aligned in substance with IFRS 18 (with public sector focus).

Chapter 2: General Presentation Requirements

Proposal B: Components of Financial Statements (PV 4)

- Carry forward guidance on the components of a complete set of financial statements (consistent with IPSAS 1 and IFRS 18), including that entities may use different titles if they faithfully represent the items presented.

Proposal C: Roles of the Primary Financial Statements and Notes (new) (PV 4)

- The IPSASB proposes to incorporate IFRS 18 guidance to clarify that:
    - the role of the primary financial statements is to provide structured summaries useful for understanding, comparisons, and identifying areas for further detail; and
    - the role of the notes is to provide material information necessary to understand line items and supplement the primary statements to achieve the objective.

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Chapter 2: General Presentation Requirements

Proposal D: Definitions (PV 2)

- The IPSASB proposes to continue providing definitions on financial statement elements (aligned with Conceptual Framework and IFRS 18) and include other definitions that support understanding and application of presentation requirements.
- IPSAS 1 definitions have remained unchanged since 2000; updates may be necessary for consistency with the Conceptual Framework and IFRS 18.

Proposal E: General requirements for financial statements (PV 3 & 4)

- The IPSASB proposes to :
  - retain existing **comparative** requirements, and
  - add the requirement for an additional Statement of Financial Position at the beginning of the preceding period when previously reported information has been materially impacted by a restatement or reclassification, aligned with IFRS 18.
- The IPSASB also concluded that the revised **materiality** guidance in the Definition of Material pronouncement should be incorporated into the new IPSAS.

Chapter 2: General Presentation Requirements

Proposal F: General requirements for financial statements

Table 2 – Other General Presentation Requirements[19]

Other general presentation requirements in IPSAS 1	Other general presentation requirements in IFRS Accounting Standards that were not in IPSAS 1
Fair Presentation and Compliance with IPSAS Standards	Accrual Basis of Accounting
Going Concern	Principles of Aggregation and Disaggregation
Frequency of Reporting	
Timeliness	
Consistency of Presentation	
Offsetting	

- For the requirements that are currently included in IPSAS 1, the IPSASB concluded that these requirements and related guidance are still relevant and useful, e.g., material uncertainty to continue as a going concern.
- For the requirements that are not currently included in IPSAS 1 but included in IFRS Accounting Standards, the IPSASB proposes to carry them forward into the new IPSAS Standard replacing IPSAS 1, with public-sector terminology adjustments.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons, and clearly explain what you consider should be changed from a public-sector perspective.

Preliminary View 2

- The IPSASB's Preliminary View is to continue providing **definitions on financial statement elements** (aligned with the IPSASB Conceptual Framework and IFRS 18) in the new IPSAS Standard, and to provide other definitions that support the understanding and application of presentation requirements.

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Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons, and clearly explain what you consider should be changed from a public-sector perspective.

Preliminary View 3

- The IPSASB's Preliminary View is to retain the existing requirements regarding **comparative information**, and to add the requirement for an additional Statement of Financial Position at the beginning of the preceding period when previously reported information has been materially impacted by a restatement or reclassification into IPSAS Standards, aligned with IFRS 18 requirements.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons, and clearly explain what you consider should be changed from a public-sector perspective.

Preliminary View 4

The IPSASB's Preliminary View regarding the other general presentation requirements is to:

a) Retain existing IPSAS 1 guidance, without updates:

i. The **responsibility of financial statements** (paragraphs 2.9-2.10);

b) Retain existing IPSAS 1 guidance, with updates to align with IFRS 18 for the public sector context:

i. The **objective of financial statements** (paragraphs 2.4-2.8);

ii. The **complete set financial statements** (paragraphs 2.11-2.13);

iii. **Identification of financial statements** (paragraphs 2.20-2.21);

iv. **Material information** (paragraphs 2.33-2.34);

v. The **other general presentation** requirements in **Table 2** (paragraphs 2.41-2.44);

c) Add new guidance, aligned with IFRS 18 and the IPSASB's Conceptual Framework:

i. **The roles of the financial statements and notes** (paragraphs 2.14-2.19); and

ii. The other general presentation requirements in **Table 2** (paragraphs 2.41-2.44

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Chapter 3: Statement of Financial Position

Proposal A: Classification of Assets and Liabilities (PV 5)

- The IPSASB proposes to retain :
  - (a) current/non-current as general approach;
  - (b) order of liquidity on an exception basis; and
  - (c) mixed approach.
- CP explains IPSASB did not identify a need to develop a new classification approach; existing approach is broadly used and supports consistency and comparability

Proposal B: Presentation of Specific Line Items (PV 6)

- The IPSASB proposes to carry forward IPSAS 1 required line items, with improvements limited to adding a new line item for goodwill (to align with IFRS 18).
- IPSASB considers current IPSAS 1 line items fit for purpose; goodwill is added to distinguish it from other intangible assets and maintain alignment with IFRS 18.

Proposal C: Structure and Subtotals (PV 7)

- Retain IPSAS 1 requirements to:(a) not prescribe a specific structure (order/format); and(b) not require presentation of specific subtotals.
- Entities should continue to have flexibility to tailor structure based on circumstances and user needs; IPSASB does not consider it useful/feasible to define specific subtotals internationally.

Chapter 3: Statement of Financial Position

Figure 2 — Example of Current/Non-current Classification

Statement of Financial Position		
As at December 31, 20X6	20X6	20X5
ASSETS		
Current assets		
...		
Total current assets		
Non-current assets		
...		
Total non-current assets		
Total assets		
LIABILITIES		
Current liabilities		
...		
Total current liabilities		
Non-current liabilities		
...		
Total non-current liabilities		
Total liabilities		
Net assets		
NET ASSETS/EQUITY		
Components of net assets/equity		
Total net assets/equity		

Figure 3 — Example of Order of Liquidity Approach

Statement of Financial Position		
As at December 31, 20X6	20X6	20X5
ASSETS		
Cash and cash equivalents		
Receivables		
Financial assets		
Total assets classified as held for sale and assets included in disposal groups classified as held for		
Inventories		
Investment property		
Investments accounted for using the equity method		
Intangible assets		
Property, plant, and equipment		
Total assets		
LIABILITIES		
Payables		
Taxes and transfers payable		
Social benefits liabilities		
Financial liabilities		
Provisions		
Liabilities included in disposal group classified as held for sale		
Total liabilities		
Net assets		
NET ASSETS/EQUITY		
Components of net assets/equity		
Total net assets/equity		

Figure 4 — Example of Financial/Non-financial Classification

Statement of Financial Position		
As at December 31, 20X6	20X6	20X5
ASSETS		
Financial assets		
...		
Total financial assets		
Non-financial assets		
...		
Total non-financial assets		
Total assets		
LIABILITIES		
Financial liabilities		
...		
Total financial liabilities		
Non-financial liabilities		
...		
Total non-financial liabilities		
Total liabilities		
Net assets		
NET ASSETS/EQUITY		
Components of net assets/equity		
Total net assets/equity		

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed regarding the classification of assets and liabilities on the Statement of Financial Position.

Preliminary View 5

The IPSASB's Preliminary View regarding the other general presentation requirements is to:

The IPSASB's Preliminary View is to retain:

(a) The current/non-current approach as the general approach for classifying assets and liabilities on the face of the Statement of Financial Position;

(b) The order of liquidity approach as a permitted approach on an exception basis; and

(c) The mixed approach, to allow some assets and liabilities to be presented using the current/non-current classification, and others are presented in order of liquidity.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what line items should be added or removed from the list provided in Table 3.

Preliminary View 6

The IPSASB's Preliminary View is that the specific line items required in IPSAS 1 should be carried forward, with enhancements limited to adding a new line for goodwill (to align with IFRS 18).

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed regarding the structure and the presentation of specific subtotals.

Preliminary View 7

The IPSASB's Preliminary View is that the new IPSAS Standard should retain IPSAS 1 requirements to:

(a) Not prescribe a specific structure (i.e., order or format) for presenting the Statement of Financial Position; and

(b) Not require the presentation of specific subtotals on the Statement of Financial Position.

Chapter 4: Statement of Financial Performance

Proposal A: Categorisation (PV 8)

- The IPSASB proposes to present revenue and expense items recognised in surplus or deficit in categories on the Statement of Financial Performance, aligned with IFRS 18, with additional public sector guidance.
- CP notes lack of specific guidance has resulted in diversity in practice and creates challenges for users to understand, analyse, and compare financial performance information; categorisation would reduce diversity and support user needs.

Proposal B: Totals and Subtotals (PV 9)

- Present totals/subtotals and permit additional subtotals, aligned with IFRS 18 and adapted for the public sector; include a required operating surplus or deficit subtotal; retain surplus or deficit total.
- CP states users use totals/subtotals as starting points for analysis; operating surplus/deficit helps users understand the current level of revenues and whether sufficient to maintain services and achieve future activities/objectives (consistent with Conceptual Framework).

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Chapter 4: Statement of Financial Performance

Category	Presents financial statement users information about...	Examples of public sector transactions that generate revenue and expenses in this Category
Operating	Revenue received and expenses incurred in delivering the entity's core public service delivery objectives, including whether the current levels of revenues are sufficient to maintain the volume and quality of services currently provided, to assess its performance of its core service delivery objectives.	All revenue and expenses in the reporting period that are not classified into the other four categories, such as revenue and expenses from: • Operations and activities to achieve service delivery objectives, accounted for using a variety of standards (including but not limited to IPSAS 47, *Revenue* and IPSAS 48, *Transfer Expenses*) • Consumption, depreciation and amortization of assets accounted for under various IPSAS Standards
Investing	Revenue and expenses arising from investments of resources to maintain service delivery over the medium and long term. These investment returns are generated individually and largely independently from the reporting entity's operations.	Revenue and expenses from: • Debt and equity investments under IPSAS 41, *Financial Instruments* • Investments in associates and joint ventures under IPSAS 36, *Investments in Associates and Joint Ventures* • Investment properties accounted for under IPSAS 16, *Investment Property*
Financing	Revenue and expenses from the effects of financing, arising from liabilities from transactions involving only the raising of finance, and other liabilities that do not only involve raising finance.	Revenue and expenses from: • Loans and bonds under IPSAS 41 • Lease liabilities under IPSAS 43, *Leases* • Pension liabilities under IPSAS 39, *Employee Benefits* and IPSAS 49, *Retirement Benefit Plans*
Income Taxes	For public sector entities subject to income taxes, any expenses from income taxes.	Expenses from: • Income tax requirements, according to relevant international or national accounting standards
Discontinued Operations	Revenues or expenses from the reporting entity's discontinued operations.	Revenue and expenses from: • Discontinued operations under IPSAS 44, *Non-current Assets Held for Sale and Discontinued Operations*

Proposed Totals and Subtotals

Public Sector Entity *For the year ended December 31, 20X6*		
Taxes revenue	500	Operating
Other revenue	80	
Wages expenses	(200)	
Operating expenses	(300)	
Other expenses	(58)	
Operating surplus or deficit	**22**	
Investment income	15	Investing
Investment expenses	(13)	
Interest expense on loan	(21)	Financing
Surplus or deficit	**3**	

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed (for example, if you

prefer a specific public-sector specific categorization, such as those considered in paragraph 4.30, please explain why it would meet the criteria in paragraph 4.29).

Preliminary View 8

The IPSASB's Preliminary View is to present revenue and expense items recognised in surplus or deficit in categories on the Statement of Financial Performance. The categorization requirements are aligned with IFRS 18 requirements, with additional public sector guidance.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed.

Preliminary View 9

The IPSASB's Preliminary View is to present totals and subtotals, and to permit entities to present additional subtotals, on the Statement of Financial Performance, as listed in paragraph 4.35. The total and subtotal requirements are aligned with IFRS 18 requirements, adapted for the public sector.

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Chapter 4: Statement of Financial Performance

Proposal C: Minimum Line Items (PV 10)

- Maintain minimum requirements regarding presentation of line items on the face of the Statement of Financial Performance, with additional guidance (aligned with IFRS 18 and public sector guidance).
- Existing requirements remain fit for purpose and operate effectively; they are adjusted in the context of categorisation and supported by Application Guidance.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed.

Preliminary View 10

The IPSASB's Preliminary View is to maintain the minimum requirements regarding the presentation of line items on the face of the Statement of Financial Performance, with additional guidance. The minimum line item presentation requirements are aligned with IFRS 18 requirements, with additional public sector guidance.

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Chapter 4: Statement of Financial Performance

Presentation of Expenses: Nature of Function

- The IPSASB proposes to retain presentation of expenses by nature or by function.
- Additional guidance is proposed to clarify how entities apply each method and improve consistency in practice.
- Both approaches are used in practice, but may not always provide the most useful information for all expense types.
- The IPSASB is therefore exploring whether permitting mixed presentation could better reflect how expenses are managed and presented.

Specific Matter for Comment

If not, please provide your reasons and clearly explain what you consider should be changed.

Specific Matter for Comment 1

The IPSASB proposes to maintain the requirements to present expenses by the nature of the expenses or by their function to the entity on the face of the Statement of Financial Performance, in alignment with IFRS 18 requirements, with additional guidance.

In your view, should the new IPSAS Standard replacing IPSAS 1 permit mixed presentation, where some expense line items are presented by nature, while others are presented by function?

Would mixed presentation result in a useful structured summary of those expenses for users of financial statements in your jurisdiction?

Please provide the reasoning behind your view.

Chapter 5: Statement of Changes in Net Assets/Equity

Proposal A: Items recognised outside surplus/deficit & reclassification (PV 11)

- Maintain requirements to present revenue/expense items recognised outside surplus/deficit directly in net assets/equity, and requirements related to reclassification adjustments.
- The CP explains that the Statement of Changes in Net Assets/Equity is intended to highlight total revenue and expenses, including those recognised directly in net assets/equity, supporting users’ understanding of changes in financial position between reporting dates.

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Chapter 5: Statement of Changes in Net Assets/Equity

Figure 2

(a) One Financial Performance Statement
(paragraph 5.12(a))

Statement of Financial Performance
For the year ended December 31, 20X6
Revenue
Expenses
Surplus / (Deficit)
Other revenue
Other expenses
Total other financial performance *
Total financial performance *

(b) Two Financial Performance Statements
(paragraph 5.12(b))

Statement of Financial Performance
For the year ended December 31, 20X6
Revenue
Expenses
Surplus / (Deficit)

Statement of Other Financial performance *
Surplus / (Deficit)
Other revenue
Other expenses
Total other financial performance *
Total financial performance *

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Do you agree with the IPSASB's Preliminary View?

If you do not agree, please provide your reasons and clearly explain what you consider should be changed

Preliminary View 11

The IPSASB's Preliminary View is to maintain

(1) requirements to present revenue and expense items recognized outside surplus or deficit directly in net assets/equity, on the Statement of Changes in Net Assets/Equity, and

(2) requirements related to reclassification adjustments.

Do you agree with the IPSASB's Preliminary View, and are there additional enhancements to these IPSAS 1 requirements the IPSASB should consider (for example, whether to enhance disclosure requirements to help users

better understand the nature and composition of material revenue and expense items recognized outside of surplus or deficit)?

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Chapter 5: Statement of Changes in Net Assets/Equity

Proposal B: Reconciliation displayed on the face (PV 12)

- Revise reconciliation requirement to require reconciliation be displayed on the face of the Statement (rather than a choice of face or notes).

Proposal C: IFRIC 17 not incorporated (PV 13)

- Guidance based on IFRIC 17 Distribution of Non-cash Assets to Owners should not be incorporated into IPSAS Standards because relevant transactions are not prevalent in the international public sector.

Do you agree with the IPSASB's Preliminary View?

If you do not agree, please provide your reasons and clearly explain what you consider should be changed

Preliminary View 12

The IPSASB's Preliminary View is to maintain the presentation requirements regarding the Statement of Changes in Net Assets/Equity, and revise the reconciliation requirement to require the reconciliation be displayed on the face of the Statement.

Do you agree with the IPSASB's Preliminary View?

If you do not agree, please provide your reasons and clearly explain what you consider should be changed

Preliminary View 13

The IPSASB's Preliminary View is that guidance based on IFRIC 17 Distribution of Non-cash Assets to Owners

should not be incorporated into the IPSAS Standards, as the relevant transactions are not prevalent in the international public sector

Chapter 6: Disclosure of Information in the Notes

Proposal A: Notes disclosures (PV 14)

- Retain existing IPSAS 1 requirements for disclosures in the notes and incorporate IASB amendments to IAS 1 (as referenced in the CP) to align with equivalent IFRS guidance.

Proposal B: MPMs (PV 15 and PV 16)

- Do not incorporate IFRS 18 definition and disclosure requirements for management-defined performance measures (MPMs).
- Do not introduce an amended MPM concept for the public sector (no amended definition/disclosure requirements in IPSAS)

Do you agree with the IPSASB's Preliminary View?

If you do not agree, please provide your reasons and clearly explain what you consider should be changed

Preliminary View 14

The IPSASB's Preliminary View is to retain existing IPSAS 1 requirements for the disclosure of information in the notes to the financial statements, and incorporate the IASB's amendments to IAS 1 (as presented in paragraphs 6.7 and 6.12) which would align with equivalent IFRS Accounting Standards guidance.

Do you agree with the IPSASB's Preliminary View?

If you do not agree, please provide your reasons and clearly explain what you consider should be changed

Preliminary View 15

The IPSASB's Preliminary View is to not incorporate the IFRS 18 definition and disclosure requirements for management-defined performance measures (MPMs) into the IPSAS Standards.

Do you agree with the IPSASB's Preliminary View?

If you do not agree, please provide your reasons and clearly explain what you consider should be changed

Preliminary View 16

The IPSASB's Preliminary View is to not include an amended IFRS 18 MPM concept for application in the public sector (thereby not introducing an amended version of the IFRS 18 MPM definition or disclosure requirements into the IPSAS Standards).

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