



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

545 Fifth Avenue, 14th Floor Tel: (212) 286-9344
New York, New York 10017 Fax: (212) 286-9570
Internet: <http://www.ifac.org>

Agenda Item
3A

Date: May 25, 2011
Memo to: Members of the IPSASB
From: Gwenda Jensen
Subject: Draft Consultation Paper: The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Phase 4: Presentation and Disclosure

Objectives

- To provide directions to Staff on the key issues in this memorandum; and
- To review a draft of the Consultation Paper (CP).

Agenda Material

3A.1 Draft Consultation Paper

Background

1. Presentation and Disclosure (P&D) is Phase 4 of the IPSASB's Conceptual Framework (Framework) project. During 2010 the IPSASB made a number of tentative decisions related to this phase. In March 2011 previous decisions were reviewed, with clarification of several key issues, including the relationship between presentation and disclosure and the broad approach that Staff should take in developing presentation concepts. The IPSASB affirmed that the CP should propose high-level concepts that apply the QCs to presentation.
2. In March the IPSASB also provided comment on a preliminary draft Consultation Paper (CP), which illustrated five presentation concepts and a draft structure for the CP. Members directed Staff to revise the draft CP for the IPSASB's consideration at its June meeting, incorporating feedback provided. The IPSASB noted that it would review the revised concepts and make a decision in June on whether the proposed approach to presentation concepts would be appropriate for the Framework.
3. The IPSASB directed that the CP be amended as follows:
 - Ensure that the paper reflects the Board's decision on presentation, disclosure and display.
 - Include brief coverage of how the concepts were developed.
 - Develop four of the five proposed presentation concepts further (the concepts numbered 1, 2, 4 and 5 in the March 2011 preliminary draft CP)

- Provide a mapping of the relationship between each concept and the QCs.
 - Show how the concepts work in practice by providing examples of their application.
4. The IPSASB also directed that Staff consider:
- Whether there are other presentation concepts that should be included.
 - The relevance of the work undertaken on the flowchart for information location issues.
 - The different types of information that should be included in GPFRs, linking this to the objectives of GPFRs.
5. The draft March minutes relating to presentation and disclosure are included in Appendix A.
6. A draft CP was circulated to the Task Based Group (TBG) and Advisory Group in April and revisions were made to the draft CP in response to comments received.

Next Steps

7. The Consultation Paper is designed to solicit input on issues related to presentation and disclosure from a broader group of interested parties useful for the development of a draft Exposure Draft for Phase 4 of the Conceptual Framework. The key issues and actions required of the IPSASB in Naples to move toward this goal are identified below. Members are asked to provide any comments on the structure and contents of the draft CP, including whether any additional information should be included.

Key Issues

Key Issue 1 - Relationship between “Presentation”, “Display”, and “Disclosure”

8. The Board’s discussion at its March 2011 meeting concluded that “presentation” should be used as an all-encompassing term, including both “display” and “disclosure”. “Display” should be used to describe information shown on the face of a statement, whether that is a financial statement or some other type of statement reporting more comprehensive scope information. “Disclosure” should describe information located elsewhere in GPFRs, including in the notes to statements, in narrative, or in non-narrative presentation formats that do not involve statements, for example charts or graphs.
9. The terms “basic information” and “other information” were mentioned during the March discussion, with basic information applying to information in GPFSs (see the inner circle of Diagram 1, on page 9 of the draft CP), while “other information” was applied to more comprehensive scope information, (see the outer ring of Diagram 1). It was not clear whether Members were all of the view that the CP should use the terms “basic information” and “other information”. If this distinction is viewed as important then clarification of what constitutes

- “GPFSS” as opposed to “more comprehensive information” is needed. For example, the draft CP classifies a statement of comparisons of budget and actuals as falling within ‘more comprehensive information’ and outside of ‘financial statements’ or GPFSS. It is not clear whether all Board Members agree with this position.
10. There are differing views as to whether a list of defined terms for this area would be helpful. The IPSASB has previously determined that explanations of the terms presentation and disclosure should be developed, but that precise definitions should not be proposed.

11. Members are asked to provide direction to Staff on whether:
- (a) The discussion and accompanying diagram reflects the Board’s view on the meanings of, and relationships between, “presentation,” “display” and “disclosure” (see Section 2, paragraphs 2.1 to 2.7 of the draft CP, including Diagram 1);
 - (b) The two terms “basic information” and “other information” should be used to describe the inner circle and the area between the inner and outer circles (GPFRs not including GPFSS);
 - (c) Definitions for terms related to this diagram should be developed for inclusion in the CP, specifically the terms “presentation”, “display”, “disclosure”, “statement”, “financial statements”, “GPFSS”, “basic information”, and “other information”.

Key Issue 2 – Overall Approach to Presentation Concepts

12. As stated above, the IPSASB decided in March that it would make a decision on whether the proposed approach to presentation concepts would be appropriate for the Framework.

13. Members are asked to provide direction to Staff on whether the approach to presentation concepts in the draft CP is appropriate for the Framework.

Key Issue 3 – Presentation Concepts Proposed and Contents of Draft Consultation Paper

14. The draft CP proposes the following five presentation concepts:
- Concept 1: Presentation should make clear important relationships between information contained within different parts of a GPFR, relationships between information across different GPFRs, and may also need to provide links inside the GPFRs to information outside of the GPFRs.
 - Concept 2: Presentation should ensure that information in a GPFR is at the right level of detail to support achievement of users’ needs.
 - Concept 3: Presentation should remain consistent over time for the same reporting entity

Concept 4: The benefits of presenting information should justify the costs.

Concept 5: Presentation requirements should provide scope for preparers to take responsibility for presenting the information about a particular reporting entity that meets GPFR objectives, the needs of users, the QCs and the information constraints.

Concept 6: Information should be presented on a timely basis and with sufficient frequency to provide information useful for accountability and decision-making.

15. TBG and Advisory Group comments on an earlier set of concepts included suggestions that:

- Concept 4 should be revised to focus on all three information constraints, not just the cost-benefits constraint.
- Further concepts should be developed to include coverage of: comparability between entities; more discussion of principles to guide the use of standard formulations (boiler plate information); and, a concept applicable to what guides the ordering of information.

16. Members are asked to provide direction to Staff on:

- (a) Whether or not each concept should be included in the CP, any improvements that could be made to each concept's description, each concept's related presentation techniques, and any other issues related to the concept.
- (b) Whether there are further presentation concepts that should be included in the CP.
- (c) The structure and contents of the draft CP, including whether any additional information should be included.

APPENDIX A

A Excerpt from Draft Minutes for the IPSASB's March 2011 Meeting

3.2 Conceptual Framework for General Purpose Financial Reporting – Presentation: Discuss Issues (Agenda Item 2A)

Staff presented an issues paper on presentation concepts and a preliminary draft Consultation Paper (CP). Four key issues related to Phase 4 of the Conceptual Framework “Presentation” were identified. The IPSASB was asked to provide directions to staff on how to address these issues and on the structure of the draft CP.

Issue 1 – Descriptions of “Presentation” and “Disclosure”

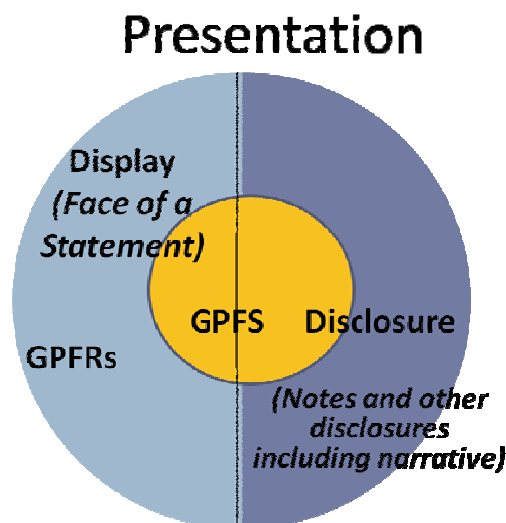
Staff sought clarification of a direction the Board had given in November 2010. There was some uncertainty as to whether the IPSASB thought that presentation and disclosure were distinct aspects or whether in fact presentation is a broader term that includes disclosure. Current practice has typically used the term presentation to mean on the face of the financial statements and disclosures to mean in the notes thereto. One Member noted that it is important to establish a convention and to apply that convention consistently.

Overall, Members thought that presentation should be used as an all-encompassing term, including disclosures to be applied not only to GPFS but also to GPFRs. They discussed the meaning of “presentation”, “disclosure”, and “display” and the interrelationship among them, acknowledging the need to be clear.

Members considered that “display” should be used to describe information shown on the face of a statement, while “disclosure” should describe information located elsewhere in a GPFR, including what is shown in:

- The notes to a statement (where a statement could be a financial statement or a statement developed to address information reported as part of the more comprehensive scope GPFRs);
- Narrative information; and
- Non-narrative presentation formats that do not involve a statement, including presentation to address information reported as part of the more comprehensive scope GPFRs (e.g., charts or graphs).

In summary, “presentation” covers both display and disclosure. Presentation, display, and disclosure apply to both the financial statements and GPFRs generally. These relationships are represented in the following diagram:



Issue 2 – High-level concepts

Staff sought clarification on whether the IPSASB's November 2010 direction that presentation should be addressed through application of the qualitative characteristics (QCs) meant a discussion of the QCs' application to presentation or the development of separate presentation concepts that would apply the QCs. Members considered that the CP should propose high-level presentation concepts that interpret or apply the QCs to presentation. The concepts should provide a bridge between the QCs and presentation and be useful for standard setting. Presentation concepts were seen as important to guide standard setters in developing standards-level presentation requirements and guidance. An approach of applying the QCs to derive a layer of presentation concepts sitting between the QCs and the standard-setting level was noted as being similar to what has been done in Phase 2 Element and Phase 3 Measurement, where concepts applicable to elements and their measurement were developed through application of objectives and QCs. Members had different views about the extent to which the presentation concepts and the QCs should be similar. There was also concern that the proposed concepts were simply repeating the QCs rather than providing presentation-specific concepts. Some Members thought that even where a concept mapped primarily to one QC this could be helpful in establishing presentation requirements when standard setting.

Issue 3 – Separate GPFRs

Conceptual Framework Exposure Draft 1, *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Role, Authority and Scope; Objectives and Users; Qualitative Characteristics; and The Reporting Entity* (CF ED1) states that GPFRs are likely to comprise multiple reports, each responding more directly to certain aspects of the objectives of financial reporting and matters included within the scope of financial reporting. Members confirmed that the Presentation CP should not seek to develop concepts to indicate whether a new information area should be presented in an existing GPFR, a new GPFR, or a combined GPFR, but instead should focus on how information should be presented in a GPFR once a new information area is identified.

Members agreed that decisions on where information on an area within the scope of financial reporting is presented should be addressed at the standards level.

Issue 4 – Structure of CP and Illustrative Presentation Concepts

Members were asked for directions on the proposed structure for the Presentation CP and the following five illustrative presentation concepts presented therein:

Concept 1: Presentation should make clear any important relationships between information displayed in different parts of a GPFR.

Concept 2: Presentation should ensure that information in a GPFR is at the right level of detail to support achievement of users' needs.

Concept 3: Information complementary to the financial statements and necessary to achieve financial reporting objectives and users' needs should be presented in GPFRs.

Concept 4: Presentation should remain consistent over time for the same reporting entity to the extent appropriate.

Concept 5: The benefits of presenting information should exceed the costs.

Members noted that the structure of the paper will need to be amended to reflect the Board's decision on presentation, disclosure, and display. The paper should include very brief coverage of how the concepts were developed.

Members considered that concepts 1, 2, 4, and 5 were worth developing further. Further development should include:

- Mapping the relationship between each concept and the QCs.
- Making the concepts more useful for standard setting and showing how they would work in practice by providing examples of their application.
- Considering whether there are other concepts that should be included.
- Considering the relevance of work undertaken on the flowchart for information location issues.

The IPSASB would review the revised presentation concepts at the June 2011 meeting and then decide whether the illustrated approach to presentation concepts would be appropriate for the Framework. Members then provided their views on each specific concept.

Concept 1 – Presentation should make clear any important relationships between information displayed in different parts of a GPFR

Some Members expressed concern that the list of presentation techniques was more appropriate for the standards level and related too much to private sector users' needs as described by the IASB, whereas the focus should be on public sector users' needs. Members discussed situations where linkage may need to be provided in a GPFR to information in other GPFRs and possibly to information outside of the GPFRs. It was also noted that information users can benefit from standardization. For example coding of

information on the face of statements can support comparisons of financial information reported by different national governments.

Concept 2 – Presentation should ensure that information in a GPFR is at the right level of detail to support achievement of users’ needs.

Several Members were of the view that this concept should be deleted on the basis that it does not add to the existing qualitative characteristics and will not be useful. Others were of the view that the concept should be further developed. Development would include:

- Reviewing the concept against the QCs;
- Including materiality criteria as part of the concept;
- Inclusion of techniques relevant to more comprehensive scope reporting; and
- Relating cost/benefit, materiality and understandability to this concept.

Different views were expressed on whether presentation techniques should be included with the concepts, with Members overall in favor of their inclusion.

Concept 3 – Information complementary to the financial statements and necessary to achieve financial reporting objectives and users’ needs should be presented in GPFRs

Members decided that issues raised by this concept could better be addressed through further development of an information flowchart rather than by inclusion within Phase 4 Presentation. Therefore Concept 3 should be deleted.

Concept 4 – Presentation should remain consistent over time for the same reporting entity to the extent appropriate

Members generally supported this concept, but commented that the description focuses too much on financial statements and will need to be widened to relate to more comprehensive-scope information as well. Some Members expressed concerns that the ideas expressed in this concept are already captured in CF ED1, and therefore, there is no need to restate this concept within presentation.

Concept 5 – The benefits of presenting information should exceed the costs

Some Members expressed concern that this concept is identical to an existing information constraint in CF ED1. and therefore should not be included within Phase 4 of the CF. An opposing view was that standard setters have not done enough cost-benefit analysis and need ways to operationalize this. The concept applies decision theory to try to model the value of information. Members decided that any coverage of this concept within Phase 4 of the CF should apply the existing literature on cost-benefit analysis.

Other issues and next steps

Members also raised the need to consider further the different types of information that should be included in GPFRs, linking this to the objectives of GPFRs. For example, to fulfill the decision-making objective, necessary information could include coverage of risks, how the information has been prepared, and level of detail, while for the accountability objective necessary information could include comparisons to the budget or to targets.

Members directed staff to revise the draft CP for the IPSASB's consideration at its June 2011 meeting.

DRAFT Consultation Paper

Month 201X

Comments are requested by Month XX, 201X

International Public Sector Accounting Standards Board

**Conceptual Framework for General
Purpose Financial Reporting by Public
Sector Entities:**

Presentation



**International Federation
of Accountants**

**DRAFT CONSULTATION PAPER
CONCEPTUAL FRAMEWORK FOR GENERAL PURPOSE FINANCIAL
REPORTING BY PUBLIC SECTOR ENTITIES:
PRESENTATION**

Background to the Conceptual Framework

The *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the Conceptual Framework) will establish and make explicit the concepts that are to be applied in developing International Public Sector Accounting Standards (IPSASs) and other documents that provide guidance on information included in general purpose financial reports (GPFs).

IPSASs are developed to apply across countries and jurisdictions with different political systems, different forms of government and different institutional and administrative arrangements for the delivery of services to constituents. The International Public Sector Accounting Standards Board (IPSASB) recognizes the diversity of forms of government, social and cultural traditions, and service delivery mechanisms that exist in the many jurisdictions that may adopt IPSASs. In developing this Conceptual Framework, the IPSASB has attempted to respond to and embrace that diversity.

The Accrual Basis of Accounting

This Consultation Paper (CP) deals with concepts that apply to general purpose financial reporting (hereafter referred to as financial reporting) under the accrual basis of accounting.

Under the accrual basis of accounting, transactions and other events are recognized in financial statements when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate.

Financial statements prepared under the accrual basis of accounting inform users of those statements of past transactions involving the payment and receipt of cash during the reporting period, obligations to pay cash or sacrifice other resources of the entity in the future and the resources of the entity at the reporting date. Therefore, they provide information about past transactions and other events that is more useful to users for accountability purposes and as input for decision-making than is information provided by the cash basis or other bases of accounting and financial reporting.

Project Development

The IPSASB is developing the Conceptual Framework with input from an advisory panel comprising a number of national standard setters and similar organizations with a role in establishing financial reporting requirements for governments and other public sector entities in their jurisdictions.

The purpose of the IPSASB's Conceptual Framework project is to develop concepts, definitions and principles that:

- Respond to the objectives, environment and circumstances of governments and other public sector entities; and therefore
- Are appropriate to guide the development of IPSASs and other documents dealing with financial reporting by public sector entities.

Many of the IPSASs currently on issue are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), to the extent that the requirements of those IFRSs are relevant to the public sector. The IPSASB's strategy also includes maintaining the alignment of IPSASs with IFRSs where appropriate for the public sector.

The IASB is currently developing an improved Conceptual Framework for private sector business entities in a joint project with the Financial Accounting Standards Board (FASB) of the USA. Development of the IASB's Conceptual Framework is being closely monitored. However, development of the IPSASB's Conceptual Framework is not an IFRS convergence project, and the purpose of the IPSASB's project is not to interpret the application of the IASB Framework to the public sector.

The concepts underlying statistical financial reporting models, and the potential for convergence with them, are also being considered by the IPSASB in developing its Conceptual Framework. The IPSASB is committed to minimizing divergence from the statistical financial reporting models where appropriate.

Consultation Papers and Exposure Drafts

Although all the components of the Conceptual Framework are interconnected, the Conceptual Framework project is being developed in phases. The components of the Conceptual Framework have been grouped as follows, and are being considered in the following sequence:

Phase 1—the scope of financial reporting, the objectives of financial reporting and users of GPFRs, the qualitative characteristics (QCs) of information included in GPFRs, and the reporting entity;

Phase 2—the definition and recognition of the “elements” of financial statements;

Phase 3—consideration of the measurement basis (or bases) that may validly be adopted for the elements that are recognized in the financial statements; and

Phase 4—consideration of the concepts that should be adopted in deciding how to present financial and non-financial information in GPFRs.

The project initially involves the development and issue for comment of CPs that draw out key issues and explore the ways in which those issues could be dealt with. The CP dealing with Phase 1 was issued in September 2008¹. CPs dealing with Phase 2 and Phase 3, and the Exposure Draft (ED) dealing with Phase 1 were issued in December 2010².

¹ Consultation Paper, *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: The Objectives of Financial Reporting; The Scope of Financial Reporting; The Qualitative Characteristics of Information Included in General Purpose Financial Reports; The Reporting Entity*.

² Consultation Paper, *Elements and Recognition in Financial Statements* (CP-Elements), Consultation Paper, *Measurement of Assets and Liabilities in Financial Statements* (CP-Measurement), and Conceptual

The IPSASB's current intention is to issue Exposure Drafts dealing with each of Phases 2, 3 and 4 of the Conceptual Framework after consideration of responses to the CPs dealing with those Phases. The process for developing the finalized Conceptual Framework will be determined in light of the responses received to the CPs and EDs, and may include issue of an umbrella ED of the full Conceptual Framework.

Objective of the Consultation Paper

The Consultation Paper *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation* sets out the specific matters on which comments are requested. The IPSASB has not provided preliminary views on the issues so as to get the widest possible consultation. Respondents may choose to address all or just selected matters, and are welcome to comment on any other matter they think the IPSASB should consider in forming its views.

Guide for Respondents

The IPSASB would welcome comments on all of the matters discussed in this CP. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate and contain a clear rationale.

The Specific Matters for Comment requested in the CP are provided below.

Specific Matters for Comment

Constituents are asked for their views on the following matters for comment:

Specific Matter for Comment 1 (See paragraphs 2.1 to 2.8)

Are the descriptions of 'presentation,' 'display,' 'disclosure,' 'basic information,' and 'other information' and the proposed relationships between these terms appropriate?

Specific Matter for Comment 2 (See paragraphs 3.1 to 3.4)

Do you agree with the proposal for high level presentation concepts, which:

- Relate to more comprehensive scope information rather than focus on financial statements; and
- Apply the qualitative characteristics in the context of presentation?

Specific Matter for Comment 3 (See paragraphs 3.10 to 3.47)

There are six presentation concepts proposed in the CP. Please provide your views on these six concepts, in particular whether:

- a. Any of the concepts should not be included in the Framework or whether there are further concepts that should be included in the Framework;
- b. Presentation techniques should be included as part of the commentary related to each specific concepts;
- c. The description of each specific concept could be improved; and

Framework Exposure Draft 1 (CF-ED1), *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Role, Authority, and Scope; Objectives and Users; Qualitative Characteristics; and Reporting Entity*.

- d. Illustrative presentation techniques should be included with the concepts and, if yes, whether the techniques included for each specific concept could be enhanced, reduced or improved.

Executive Summary

This CP explores presentation concepts applicable to public sector GPFRs, including public sector general purpose financial statements (GPFSS). It begins by describing ‘presentation,’ ‘display,’ ‘disclosure,’ ‘basic information,’ and ‘other information’. Then six presentation concepts are proposed:

Concept 1: Presentation should make clear important relationships between information contained within different parts of a GPFR, relationships between information across different GPFRs, and may also need to provide links inside the GPFRs to information outside of the GPFRs.

Concept 2: Presentation should ensure that information in a GPFR is at the right level of detail to support achievement of users’ needs.

Concept 3: Presentation should remain consistent over time for the same reporting entity

Concept 4: The benefits of presenting information should justify the costs.

Concept 5: Presentation requirements should provide scope for preparers to take responsibility for presenting the information about a particular reporting entity that meets GPFR objectives, the needs of users, the QCs and the information constraints.

Concept 6: Information should be presented on a timely basis and with sufficient frequency to provide information useful for accountability and decision-making.

Each presentation concept relates to one or more of the QCs and constraints on information. These six presentation concepts provide a framework from which to develop presentation requirements within standards and to guide preparers as they consider presentation in areas where no standards apply.

1 Introduction

- 1.1. This CP is Phase 4 of the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*. The CP explores presentation concepts (PCs) that could be adopted for public sector GPFRs, including General Purpose Financial Statements (GPFSS). It considers presentation within the context of the more comprehensive scope for GPFRs that has been proposed in Phase 1. It particularly considers how the QCs proposed in the Conceptual Framework Exposure Draft 1 (CF-ED1), *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Role, Authority, and Scope; Objectives and Users; Qualitative Characteristics; and Reporting Entity*, relate to presentation.

Relevance of Work Done in Phase 1 of Conceptual Framework

- 1.2. The CP builds on and is intended to be read within the context established in CF-ED1. CF-ED1 covers the scope, objectives, users, QCs and the reporting entity. CF-ED1 proposes that GPFRs of public sector entities include, but are more

comprehensive than, financial statements, including their notes. CF-ED1 also proposes that the objectives of financial reporting are to provide information about the entity that is useful to users for accountability purposes and for decision-making purposes. The form of presentation should support those objectives. Presentation concepts proposed in this paper have been developed to be applicable to this more comprehensive scope for financial reporting. They also relate to the objectives, users and needs of users proposed in Phase 1, and meet the QCs and constraints articulated in Phase 1. Further information on the scope, objectives and primary users and the needs of users proposed in CF-ED1 is provided in Appendix A.

- 1.3. The QCs are relevance, faithful representation, understandability, timeliness, comparability, and verifiability. The descriptions of these six QCs in CF-ED1 are provided in full in Appendix B. Each of the QCs is integral to, and works with, the other characteristics to provide information useful for achieving the objectives of financial reporting. However, in practice, all QCs may not be fully achieved, and a balance or trade-off between certain of them may be necessary. CF-ED1 further notes that the extent to which the QCs can be achieved may differ depending on the degree of uncertainty and subjective assessment or opinion involved in compiling financial and non-financial information. Materiality, cost-benefit, and achieving an appropriate balance between the QCs are pervasive constraints on information included in GPFs.

Relevance of Work Done in Phase 2 Elements and Phase 3 Measurement

- 1.4. Phase 2 Elements and Phase 3 Measurement cover the definition, recognition and measurement of the elements reported in the financial statements. A CP has been issued for each Phase. Consultation Paper, *Elements and Recognition in Financial Statements* (CP-Elements). CP-Elements:
 - Comments on the boundary between financial elements and presentation, explaining that sub-classifications within an element and aggregations or combinations of elements fall within presentation rather than elements.
 - States that disclosure of information in the notes to the financial statements does not compensate for a failure to recognize items that meet the definitions and specified recognition criteria of elements and that certain types of note disclosures with respect to recognized items can enhance information for decision making and accountability, because notes provide further details about recognized items.
 - Notes that how financial elements are defined can impact on what needs to be presented on the faces of the different financial statements.
- 1.5. The Consultation Paper, *Measurement of Assets and Liabilities in Financial Statements* (CP-Measurement) states that good presentation and disclosure can ensure that the measurement bases used and the amounts reported on each basis are clear.

2 Meaning of presentation, display and disclosure

- 2.1. This section explores what is meant by ‘presentation’ and describes the relationship between ‘presentation’, ‘display’, and ‘disclosure’. The approach reflects the intention to develop concepts that apply to all information within the scope of general purpose financial reporting and not just the general purpose financial statements (GPFSSs) that are at the core of the GPFRs.
- 2.2. ‘Presentation’ is the selection, organization, display and disclosure of information to meet the objectives of financial reporting, needs of users and QCs. Effective presentation provides necessary information, organized in a manner that clearly communicates that information and achieves the QCs of financial reporting.
- 2.3. This description of presentation contrasts with a commonly held view that, in the context of financial statements, presentation only addresses information reported on the face of a statement, while disclosure addresses information reported in the notes. Instead, this description treats presentation as an all-encompassing term, which covers both ‘display’ of information on the face of a statement and ‘disclosure’ of information. This description has been developed to apply to both the financial statements and the more comprehensive scope information outside the financial statements, where information may be shown in other types of statements and disclosures could cover a range of different information types.
- 2.4. The term ‘display’ is used for information shown on the face of a statement. A ‘statement’ may be a financial statement or another statement in a more comprehensive scope information area. ‘Disclosure’ is the term used to describe information located elsewhere in a GPFR, including:
 - The notes to a statement (where a statement could be a financial statement or a statement in more comprehensive scope information areas);
 - Narrative information; and
 - Non-narrative presentation formats that do not involve a statement, including tables, charts and graphs.
- 2.5. **Diagram A** below shows the inter-relationships between ‘presentation’, ‘display’, and ‘disclosure’.

Diagram A
Presentation

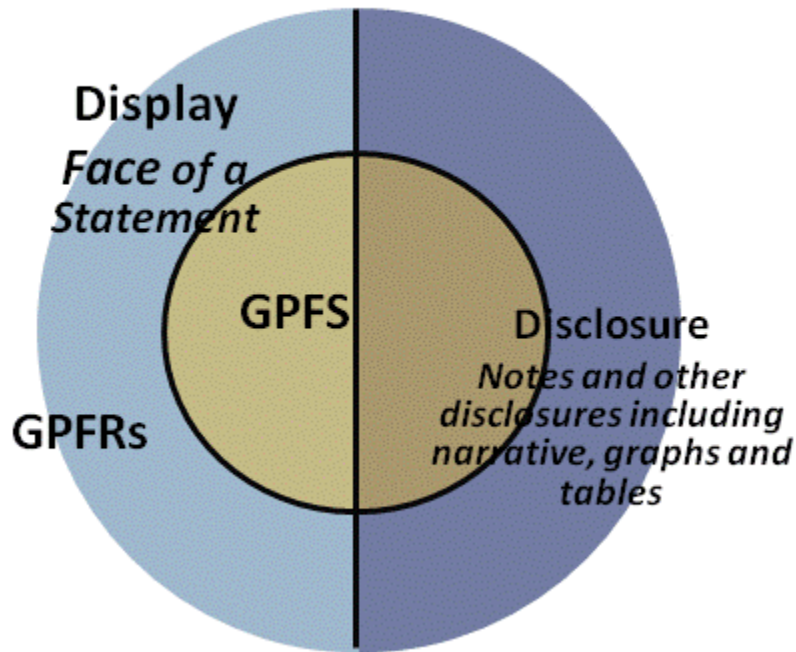






Diagram A Legend

<i>Basic information (GPFSs) - Display</i>	
<i>Basic information (GPFSs) - Disclosure</i>	
<i>Other (GPFRs) information - Display</i>	
<i>Other (GPFRs) information - Disclosure</i>	
<i>'Basic' and 'other' information</i>	

- 2.6. The inner circle in Diagram A represents information displayed or disclosed in financial statements. The outer circle represents information displayed or disclosed outside of GPFSs, in more comprehensive scope information areas. It is proposed that the term 'basic' information is used for information shown in the GPFSs, and the term 'other' information is used for information shown outside the GPFSs. The term 'GPFSs' excludes more comprehensive scope information, including such potential areas as budget information, service performance information, narrative, and information on fiscal or environmental sustainability.

- 2.7. In the case of basic information in the GPFSs, presentation involves taking items or values generated through the process of element identification, recognition and measurement and making decisions on how such items will be displayed on the face of the financial statements and disclosed in the notes. Presentation also involves decisions on further disaggregation and the provision of supporting information in the notes to the GPFS statements, where supporting information could relate to amounts displayed on the face of a financial statement or other information on, for example related party disclosures or contingencies. As highlighted previously, Phases 2 and 3 of the Framework cover concepts related to the definition, recognition and measurement of elements in the financial statements.

3 Presentation concepts

Presentation concepts versus presentation decisions at the standards level

- 3.1. Presentation concepts are high level principles for general application that will guide how the IPSASB makes decisions on presentation requirements to be included in standards and guidance. Presentation concepts should be relevant to the IPSASB as guidance for the development of standards level requirements for any GPFR. Decisions about what specifically should be presented are made at the standards level consistent with the concepts outlined.
- 3.2. Presentation concepts guide what, how and where information should be presented. Presentation decisions include consideration of:
- *What* information needs to be shown. For example decisions about:
 - What information items (particular statements, notes, sets of supplementary information, other items) should be included in a GPFR in order to achieve GPFRs' objectives, consistent with the needs of users and the scope.
 - At the level of an individual item in a GPFR such as a statement, what particular line items, comparatives, totals, sub-totals, explanations and supporting schedules are needed in order to achieve that item's purpose.
 - *How* information should be organized. For example, decisions about:
 - The use of a statement to show information (as opposed to narrative, a table or a graph); and,
 - A statement's overall structure (use of columns and line items, location of the explanatory notes before or after the face of the statement, use of titles and headings, and use of different sections within a single statement).
 - *Where* information should be shown. For example decisions about:
 - Whether information should be displayed on the face or disclosed in the notes (in the case of presentation involving statements); and
 - Other types of information placement decisions.
- 3.3. Consistent with the IPSASB's view that the objective(s), content and structure of specific GPFRs are standards level concerns, this paper does not attempt to specify a set of GPFRs that an entity should prepare in order to meet the

objectives of financial reporting, nor does it attempt to specify types of information that should be included in different GPFRs, even in broad terms. With respect to the financial statements, there is no attempt to identify a list of financial statements or the broad content of the financial statements.

Development process

3.4. Development of the presentation concepts proposed in this CP has involved:

- Review of approaches by other standard setters to presentation concepts, the implicit concepts underlying IPSASB and other standard setters' presentation related pronouncements, and effective communication principles;
- Consideration of the types of concepts needed to address presentation related decisions;
- Application of the QCs to presentation with reference to the constraints on information; and
- Discussion of different possible approaches to presentation concepts and specific proposed concepts.

Presentation concepts, evolving scope and needs of users

3.5. Presentation concepts need to be applicable to a wide range of different types of information reported in GPFRs. Some types of information are identifiable. For example, standards have been produced on reporting budget information and disclosure of information on the general government sector in the statistical basis of reporting. Projects have been initiated by the IPSASB to develop guidance on reporting on the sustainability of the public finances, service performance reporting, and narrative reporting. However, the evolution of user needs is such that future financial reporting information demands cannot be predicted. It is possible that, in the future, guidelines or standards will be needed to provide information on other areas such as governance, environmental sustainability, human resources, and the preservation of a nation's or area's heritage. The six presentation concepts (PCs) proposed in this paper are intended to be applicable to the development of presentation requirements for any information area.

Presentation aims to meet specific needs of users

- 3.6. The PCs have been developed to guide presentation decisions for GPFRs. For each information area, presentation decisions begin with reference to the needs of users that the information area is expected to address. Decisions about information selection, organization, display and disclosure, will be made at the standards level and will be driven overall by the particular needs of users being addressed.
- 3.7. The description of each concept is followed by illustrative presentation techniques showing ways to implement that concept. These techniques are not part of the concept and are non-prescriptive. They are not a comprehensive list of all possible techniques. Each information area needs to be considered on its own terms to decide what particular presentation techniques should be applied. Presentation techniques are chosen for a particular area in order to ensure that information is

presented in a way that is likely to meet the needs of users and achieve the objectives of information useful for accountability and decision-making, while also achieving the QCs and information constraints.

Application of the QCs to presentation

- 3.8. The PCs have been developed through application of the QCs and information constraints to presentation. Information should meet the six QCs and the three constraints of materiality, cost-benefit, and balance between the QCs. In making presentation decisions at the standards level the PCs apply the QCs to presentation decisions at the standards level. The addition of either a large amount of information, for example a new statement, or a small amount of information, for example the addition of a new line item or note disclosure, requires a review of that new information to ensure that it meets the QCs and pervasive constraints on information.
- 3.9. When applying QCs, trade-offs between different QCs may be necessary. For example, in some cases highly relevant information may warrant inclusion, even though its level of verifiability is lower than that for other types of information. In such cases additional information to clarify this situation, so that users are aware of the trade-off involved, may be required. Another example of trade-offs can be illustrated in the context of reporting on the sustainability of the public finances, where producing a statement that shows projections at the end of a 75 year horizon may be understandable, but the extent to which it is representationally faithful may be more questionable. On the other hand, providing a columnar analysis for every year until the expiry of the time horizon may be representationally faithful, but such detail may undermine understandability.
- 3.10. A brief description of how each individual presentation concept relates to particular QCs and constraints is provided below, following the description of the proposed presentation concepts.

The proposed presentation concepts

Concept 1: Presentation should make clear important relationships between information contained within different parts of a GPFR, relationships between information across different GPFRs, and may also need to provide links inside the GPFRs to information outside of the GPFRs.

- 3.11. This concept involves consideration of ways that presentation can identify and clarify important relationships between information in different areas, whether different parts within a GPFR, or different GPFRs. The concept may involve linking information inside a GPFR to information outside the GPFRs.
- 3.12. Important relationships include those of enhancement, similarity or of shared purpose. Within a GPFR, information in one area may be enhanced through further information being provided in one or more other areas. The enhancement of information may help users understand the basis and context within which the information is provided. It may also provide supplemental information, including further relevant detail. For example, notes in the financial statements provide

enhancing information, which is related to items on the face of the statements through the use of cross-referencing. Tables and graphs may be used to enhance the understanding of narrative information.

- 3.13. A “relationship of similarity” exists where information reported in one area is based on information reported in another area, appears similar, and either has not been adjusted or had relatively minor adjustments. Where numerical information is involved, the numbers reported may be similar or even equal, having been derived from the same source, with minor or no adjustments made. An example of a relationship of similarity is the relationship between financial amounts included in service performance information and amounts presented in the GPFSs. If service performance reporting includes services costs or the value of assets deployed in different service areas then it may be helpful to show how those totals relate to expenses and assets reported in the GPFSs. Another example is that of relationships between the total expenses reported for budget actuals and total expenses reported in other financial statements, where the two amounts are similar but not identical. A reconciliation between the two different amounts can support users’ understanding of both amounts.
- 3.14. A “relationship of shared purpose” exists where information reported in different areas contributes to a shared purpose. An example of such a situation is that of different statements and disclosures providing information needed for accountability for services provided. Information about the actual and budgeted cost of different services, financial and non-financial resources used in the provision of different services, and narrative on actual, budgeted, and expected future provision of different services may be included in different areas. In order to make the relationship between the information in different areas clear, it may be appropriate to use presentation techniques such as the use of common headings and referencing.
- 3.15. In some cases these different types of relationship may overlap, with linkage between two sets of information being important in order to clarify two or more over-lapping relationships.
- 3.16. Presentation techniques relevant to this concept could, to the extent appropriate, include the use of:
- Consistent labelling, including referencing, and ordering of items across different parts of a GPFR;
 - Standardized sequences and structures across different statements (to support the identification of related information); and
 - Reconciliations between different numerical totals in different parts of a GPFR.
- 3.17. Before starting to consider presentation techniques related to Concept 1 an important relationship that warrants highlighting through presentation must exist. Then a technique is chosen that will be appropriate given the particular

circumstances. The list of possible techniques above is illustrative only. Other techniques may be more appropriate given particular circumstances.

- 3.18. Presentation should help to ensure that key messages are understandable without further explanation or information. Presentation that clearly identifies important relationships is likely to enhance the extent to which a GPFR achieves financial reporting objectives and embodies the QCs. Information about relationships presented in GPFRs, the way that information is organized and where it is located should ensure that users' questions about important relationships between reported information are answered by the GPFRs.
- 3.19. One question raised by this concept is whether relationships with information presented outside of GPFRs might also be important. GPFRs, including financial statements, may be issued at the same time as, or close to, other reports. It might be useful for the GPFRs to include an explanation of the relationship with the information reported outside the GPFRs. For example information reported in the GPFRs on budget compliance may benefit by being related to budget information reported outside the GPFRs.

Concept 2: Presentation should ensure that information in a GPFR is at the right level of detail to meet the needs of users

- 3.20. This concept involves the right balance between having too much detail and having too little detail. Presentation involves decisions to summarize, prioritize, select and reject information. In some situations total amounts must be broken down into smaller parts – disaggregated - in order to ensure that the QCs of relevance and representational faithfulness are met. For example, the presentation of information in financial statements can be viewed as a process of identifying aggregate amounts (for example total assets), which are then disaggregated in a way that meets the needs of users (for example, current and non-current assets).
- 3.21. In other situations, it will be important for simpler summaries of very detailed information to be presented – aggregations – in order for information to be understandable, while still providing sufficient detail to achieve the QCs of relevance and representational faithfulness. For example, budget information may need to be extracted from detailed budget reports and aggregated for financial reporting purposes in order to avoid information overload. Similarly, service performance information may reflect a summarized view of the services provided by a reporting entity, focused on the most important services.
- 3.22. The right level of detail is determined through consideration not just of understandability, but also constraints on information.
- 3.23. Presentation techniques relevant to this concept could, to the extent appropriate, include the use of:
 - Summary sub-totals and totals;
 - Development of criteria for identification of meaningful groups of information;

- Aggregation or disaggregation of information to generate meaningful line items for inclusion in statements; and
- ‘Layering’ of information, through the use of brief overview summaries, followed by more detailed breakdowns and supporting information in other parts of a GPFR.

Concept 3: Presentation should remain consistent over time for the same reporting entity

- 3.24. CF-ED-1 explains that consistency differs from comparability. Consistency refers to the use of the same accounting policies and procedures, either from period to period within an entity or in a single period across more than one entity. Comparability is the quality of information that enables users to identify similarities in, and differences between, two sets of phenomena. Comparability is the goal, and consistency helps in achieving that goal. The concept of consistent presentation relates to the need for information to generate a reliable, comparable chronological series of data points, which supports accountability and decision-usefulness. Such a series can be used to compare information in one year with information reported in previous years, either the immediate prior year or a multi-year period. Data points of such chronological series have the capacity to be used to develop forward-looking projections. This information needs consistency with respect to all three aspects of presentation; what information, where information is located, and how information is organized.
- 3.25. Consistency must not be so rigidly applied that it deters appropriate changes to presentation. For example, a reporting entity’s accounting policies for the same phenomenon should remain constant over time, unless extenuating factors apply. Two extenuating factors for a change of accounting policy would be that:
- A financial reporting standard has changed, requiring a policy change; and
 - The economic phenomenon reported has changed, with the result that a different accounting policy would better achieve the objectives of financial reporting, the needs of users, and/or information that meets the QCs.
- 3.26. While consistency argues in favor of providing the same set of financial statement line items each reporting period, entities may also need to change reported line items when circumstances change and individual line items stop being material. A tendency to continue with line items and other items of information regardless of their materiality is one cause of information overload.
- 3.27. Consistency matters both for basic information in the financial statements and for other information outside the financial statements. However, the extent to which consistency over time is possible or desirable may vary between different information areas. For example changes to service performance may be made in order to improve the reported measures. But this may mean that prior year comparatives for that service are not available, because there were no systems in place during the previous year to collect that information.

- 3.28. Presentation techniques relevant to this concept include the establishment of requirements to ensure that, to the extent appropriate, information will be:
- Prepared on the same basis from year to year, applying the same accounting policies (financial statements) or same methods of preparation (more comprehensive scope GPFRs information);
 - Disaggregated into the same subsets from year to year; and
 - Located in the same locations from year to year, using the same structure, headings, and location cues.
- 3.29. For consistent information to provide the expected benefits arising from consistency it is also important for the information to be available on a timely basis and with sufficient frequency. These considerations are addressed within Concept 6 below.

Concept 4: The benefits of presenting information should justify the costs.

- 3.30. This concept relates to the need for the benefits of information to justify the costs of generating the information. Determination of benefits involves identification of information useful to users of GPFRs for accountability and decision making purposes. Users reap the majority of benefits from the information provided by GPFRs. However, information prepared for GPFRs may also be used internally by management and result in better management decision making. The disclosure of information in GPFRs consistent with the concepts identified in this Conceptual Framework and IPSASs derived from them will enhance and reinforce perceptions of the transparency of reporting by governments and other public sector entities and contribute to the more accurate pricing of public sector debt. Therefore, public sector entities may also benefit in a number of ways from the information provided by GPFRs. The costs of providing information include the costs of collecting and processing the information, the costs of verifying it and/or presenting the assumptions and methodologies that support it, and the costs of disseminating it. Users incur the costs of analysis and interpretation. Omission of useful information also imposes costs.
- 3.31. Presentation techniques relevant to this concept could, to the extent appropriate, include:
- Determining what particular line items, comparatives, totals, sub-totals, explanations and supporting schedules are needed; and
 - Development of criteria for selection of narrative information, including graphs and tables.
- 3.32. Because the cost/benefit evaluation may change over time there is a need for standards and standard setting processes that allow for regular reviews and reconsideration of the cost/benefits of required information. In developing disclosure and display requirements in standards, a focus on presentation of only that information where the benefits justify the costs is likely to enhance the relevance and understandability of the information.

Concept 5: Presentation requirements should provide scope for preparers to take responsibility for presenting the information about a particular reporting entity that meets GPFR objectives, the needs of users, the QCs and the information constraints.

- 3.33. Presentation requirements in standards should provide sufficient flexibility for preparers to ensure that reported information adequately reflects the reporting entity while also providing principles to guide preparers' presentation decisions so that they are exercised responsibly. This concept addresses the limits on the standardization of GPFR presentation requirements, given the need for GPFRs to present information about a wide range of different types of reporting entity.
- 3.34. Financial statement amounts such as revenue, expenses, assets and liabilities are common to all reporting entities. As a result it is reasonable to require that all reporting entities disclose particular generic amounts in financial statements. For other items of financial statement information preparers are commonly required to make judgments about whether items should be included or, if required to include an item, are able to decide whether the item is shown on the face or in the notes to a financial statement. A key consideration is likely to be the relevance of information to an understanding of a particular statement. An important consideration for more comprehensive scope areas of information, for example narrative reporting, service performance reporting, and sustainability of the public finances reporting, where arguably there is less scope to identify generic disclosure requirements and where the financial statements concept of materiality does not apply, is the identification of criteria or other techniques to guide or restrict preparers in their decisions on what entity specific information should be reported.
- 3.35. Techniques relevant to this presentation concept include:
- Options in terms of location of information. For example, preparers may be able to decide whether required information is disclosed (for example, in the notes) or displayed (on the face) of a statement;
 - Requirements that provide upward flexibility with respect to line items and note disclosures (For example, a requirement that states that preparers are to provide additional line items or note disclosures when relevant to an understanding of a particular statement, topic or information area); and
 - Objective based disclosures, which allow preparers to make a judgment about what disclosures are necessary in order to achieve the objectives for a particular set of disclosures and which could also include reference to preparers' responsibility not to include unnecessary or excessive information.

Concept 6: Information should be presented on a timely basis and with sufficient frequency to provide information useful for accountability and decision-making.

- 3.36. Concept 6 considers the timing of information in the context of the 'what information' aspect of presentation. Information available today is different from information available in six months time, even if the subject area is the same. The

length of time between when events occur and when information about those events is reported impacts on the usefulness of the information. The QC of timeliness means having information available for users before it loses its capacity to be useful for accountability and decision-making purposes. How *frequently* information is presented also impacts on information usefulness. Information provided regularly at annual intervals is different from information provided regularly at six monthly or biennial intervals. Presentation of information needs to be timely enough to hold management accountable for decisions made and allow reported information to inform future decisions. Presentation of information needs to be frequent enough to support review of trends important for accountability and decision-making.

3.37. Techniques relevant to this presentation concept include:

- Requirements in standards with respect to GPFs' timing and frequency; and
- Limits on the type of information required to be reported in GPFs, where this could impact on the timing and frequency of the information.

Presentation concepts, the QCs and constraints on information

3.38. The PCs have been developed through application of the QCs and constraints on information to presentation. The PCs help to operationalize the QCs and constraints on information, while still taking a general, high level approach. **Table 1** below summarizes the relationships between the PCs and the QCs and constraints on information from which they are derived.

Table 1: PCs, QCs and Constraints on Information

Presentation Concept	QCs and Constraints on Information
Concept 1: Show important relationships	Understandability, relevance, representational faithfulness, comparability and verifiability
Concept 2: Right level of detail	Understandability, relevance, representational faithfulness, and materiality
Concept 3: Consistency over time	Comparability and representational faithfulness,
Concept 4: Benefits justify the costs	Cost-benefit
Concept 5: Preparers' responsibility	Relevance, representational faithfulness, comparability and understandability, materiality, cost-benefit and balance between the QCs
Concept 6: Information presented should be timely and frequent	Relevance, representational faithfulness, comparability, understandability, timeliness and balance between the QCs

- 3.39. As can be seen from Table 1, each PC has one or more QC and/or constraint on information from which it has been derived. Each QC and each constraint on information also relate to one or more PC.
- 3.40. PCs are grounded in the QCs and constraints on information, but they do not comprehensively address all the implications of the QCs and constraints on information. One reason why the PCs should not be expected to comprehensively address all the implications arising from the QCs and the constraints on information is that the PCs do not address financial statement element definition, recognition and measurement nor do they address the more comprehensive scope equivalents to element definition, recognition and measurement. Since QCs have important implications for elements (definition, recognition and measurement) the fact that PCs do not address elements logically means that PCs do not fully address all the implications of QCs.

Description of how each individual PC relates to the QCs and constraints on information

- 3.41. Concept 1 states that presentation should make clear important relationships between information contained within different parts of a GPFR and relationships between information in one or more different GPFRs. It may also necessitate the provision of links inside the GPFRs to information outside the GPFRs. Concept 1 relates to the QCs of understandability, relevance, representational faithfulness, comparability and verifiability. The clear identification of important relationships provides relevant information that increases the understandability of reported information. Information necessary for representational faithfulness, comparability and verifiability may be located in different parts of a GPFR (and even, in some situations such as budget information reporting, outside of a GPFR). Concept 1 supports achievement of these three QCs (representational faithfulness, comparability and verifiability) by linking related information so that finding information important for representational faithfulness, comparability and verifiability is facilitated.
- 3.42. Concept 2 states that presentation should ensure that information in a GPFR is at the right level of detail to meet the needs of users. Concept 2 relates to the qualitative characteristic of understandability first, then relevance, representational faithfulness, and the constraint on information of materiality. Understandability requires that users have the right level of detail – not too much and not too little – so that the information presented is understandable. At the same time, achieving relevance and representational faithfulness requires that information, including detailed coverage in some situations, be provided in order to meet the needs of users. Materiality allows preparers to consider the level of detail applicable to the particular reporting entity, in the context of the needs of users, understandability, relevance, and representational faithfulness.
- 3.43. Concept 3 states that presentation should remain consistent over time for the same reporting entity. Concept 3 relates primarily to the qualitative characteristic of comparability. Consistency helps to achieve comparability. There is also a

- relationship with representational faithfulness, where a reliable, comparable chronological series of data points provides complete and unbiased information.
- 3.44. Concept 4 states that the benefits of presenting information should justify the costs. Concept 4 relates directly to the cost-benefit constraint on information. Concept 4 emphasizes the importance of the cost-benefit constraint for presentation decisions, where decisions about selection, organization and location of information all have the potential to either increase or reduce preparers' preparation costs and users' information analysis costs, while also having the potential to either increase or reduce benefits.
- 3.45. Concept 5 states that presentation requirements should provide scope for preparers to take responsibility for presenting the information about a particular reporting entity that meets GPFR objectives, the needs of users, the QCs and the information constraints. Concept 5 relates to the QCs of relevance, representational faithfulness, comparability and understandability. In addition, Concept 5 relates to the information constraints, particularly that of materiality, but also cost-benefit and balance between the QCs. Preparers' judgment applied to the specific reporting entity is essential to ensure that information reported is relevant, representationally faithful, understandable and comparable. At the same time preparers need to take into account the information constraints of materiality, cost-benefit and balance between the QCs when making judgments.
- 3.46. Concept 6 states that information should be presented on a timely enough basis and frequently enough to allow review of trends useful for accountability and decision-making. Concept 6 relates to the QCs of relevance, representational faithfulness, comparability, understandability and timeliness. Relevance, representational faithfulness, comparability and understandability are all reduced if information is not provided either soon enough after the events reported or frequently enough to provide information relevant to trends in, for example, different types of performance. Concept 6 also relates to trade-offs between the QCs, where relevant information, for example, may not be available soon enough after the end of a reporting period to be incorporated into a report.
- 3.47. *QCs, constraints and three presentation decision areas*
- 3.48. **Appendix C** provides a summary of the QCs' relevance to the three presentation decision areas of 'what information,' 'how information is organized,' and 'where information is located.'

Example illustrating the practical application of the PCs

- 3.49. **Appendix D** provides an overview of the process involved in developing presentation requirements, showing where in the process the PCs would be applied. The main types of information that should be considered, when developing presentation requirements, are also described. An example focused on budget information is included in order to illustrate the practical applications of the PCs. This example aims to illustrate how the PCs would guide presentation decisions at the standards setting level.

APPENDIX A: CF-ED1 COVERAGE OF SCOPE, OBJECTIVES, PRIMARY USERS AND USERS NEEDS

Scope of Financial Reporting

- A1. CF-ED1 establishes a scope of financial reporting that is more comprehensive than that encompassed by financial statements, although the information presented in financial statements remains at the core of financial reporting. The scope of financial reporting will evolve in response to users' information needs, consistent with the objectives of financial reporting.
- A2. GPFRs of public sector entities include:
- Financial statements including their notes; and
 - Information about the past, present, and the future that is useful to users—including financial and non-financial quantitative and qualitative information about the achievement of financial and service delivery objectives in the current reporting period, and anticipated future service delivery activities and resource needs.
- A3. GPFRs are likely to comprise multiple reports, each responding more directly to certain aspects of the objectives of financial reporting and matters included within the scope of financial reporting. The format of presentation adopted by GPFRs will also respond to, and be influenced by matters included within, the scope of financial reporting.

Financial reporting objectives and the users of GPFRs

- A4. The objectives of financial reporting are to provide information about the entity that is useful to users of GPFRs for accountability purposes and for decision-making purposes. The primary users of GPFRs are service recipients and their representatives and resource providers and their representatives.

Primary users' information needs

- A5. For accountability and decision-making purposes, service recipients and their representatives require information as input to assessments of such matters as whether:
- The entity is using resources economically, efficiently, effectively and as intended, and whether such use is in their interests;
 - The range, volume and cost of services provided during the reporting period, and the amounts and sources of their cost recoveries, are appropriate; and
 - Current levels of taxes or other charges are sufficient to maintain the volume and quality of services currently provided.
- A6. They will also require information about the entity's anticipated future service delivery activities and objectives, and the amounts and sources of cost recoveries necessary to support those activities.

- A7. For accountability and decision-making purposes, resource providers and their representatives will require information as input to assessments of such matters as whether the entity:
- Is achieving the objectives established as the justification for the resources raised during the reporting period;
 - Funded current operations from resources raised in the current period from taxpayers or from borrowings or other sources; and
 - Is likely to need additional (or less) resources in the future, and the likely sources of those resources.
- A8. Donors will also need information about the entity's anticipated future service delivery activities and resource needs.

Information Provided by GPFRs

- A9. To respond to the information needs of users, GPFRs will need to provide information about the financial position of the government or other public sector entity as at the reporting date and its financial performance, cash flows, and changes in net assets during the reporting period. GPFRs will also need to provide financial and non-financial information about such matters as the government's or other public sector entity's:
- Service delivery activities, achievements or outcomes during the reporting period, including whether resources have been used economically, efficiently, and effectively, and in accordance with approved budgets and other authority that justified the raising and use of those resources; and
 - Plans and objectives for service delivery in the future, including the anticipated amount and sources of the resources needed to support those plans and objectives.
- A10. GPFRs also provide:
- Information about the major factors underlying the financial and service delivery performance of an entity during the reporting period;
 - The assumptions that underpin expectations about, and factors that are likely to influence, the entity's future performance;
 - Quantitative measures of the outputs and outcomes of the entity's service delivery activities during the period; anticipated activities—for example, information about the cost, volume, and frequency of service delivery, and the relationship of services provided to the resource base of the entity; and
 - An explanation of the quality of particular services provided or the outcome of certain programs.

APPENDIX B: CF-ED1 COVERAGE OF QUALITATIVE CHARACTERISTICS OF, AND CONSTRAINTS ON, INFORMATION INCLUDED IN GPFRs

3.1 GPFRs present financial and non-financial information about economic or other phenomena. The qualitative characteristics of information included in GPFRs are the attributes that make that information useful to users and support the achievement of the objectives of financial reporting. The objectives of financial reporting are to provide information useful for accountability and decision-making purposes.

3.2 The qualitative characteristics of information included in GPFRs of public sector entities are relevance, faithful representation, understandability, timeliness, comparability, and verifiability.

3.3 Materiality, cost-benefit, and achieving an appropriate balance between the qualitative characteristics are pervasive constraints on information included in GPFRs.

3.4 Each of the qualitative characteristics is integral to, and works with, the other characteristics to provide in GPFRs information useful for achieving the objectives of financial reporting. However, in practice, all qualitative characteristics may not be fully achieved, and a balance or trade-off between certain of them may be necessary.

3.5 The qualitative characteristics apply to all financial and non-financial information reported in GPFRs, including historic and prospective information, and explanatory material or other narrative reporting. However, the extent to which the qualitative characteristics can be achieved may differ depending on the degree of uncertainty and subjective assessment or opinion involved in compiling the financial and non-financial information. The need for additional guidance on interpreting and applying the qualitative characteristics to information that extends the scope of financial reporting beyond financial statements including their notes will be considered in the development of any IPSASs and other pronouncements of the IPSASB that deal with such matters.

Relevance

3.6 Financial and non-financial information is relevant if it is capable of making a difference in achieving the objectives of financial reporting. Financial and non-financial information is capable of making a difference when it has confirmatory value, predictive value, or both. It may be capable of making a difference, and thus be relevant, even if some users choose not to take advantage of it or are already aware of it.

3.7 Financial and non-financial information has confirmatory value if it confirms or changes past (or present) expectations. For example, information will be relevant for accountability and decision-making purposes if it confirms expectations about such matters as the extent to which managers have discharged their responsibilities for the efficient and effective use of resources, the achievement of specified service delivery objectives, and compliance with relevant budgetary, legislative and other requirements.

3.8 GPFRs may present information about an entity's anticipated future service delivery activities, objectives and costs, and the amount and sources of the resources that are intended to be allocated to providing services in the future. Such future oriented information will have predictive value and be relevant for accountability and decision making purposes. Information about economic and other phenomena that exist or have

already occurred can also have predictive value in helping form expectations about the future. For example, information that confirms or disproves past expectations can reinforce or change expectations about financial results and service delivery outcomes that may occur in the future.

3.9 The confirmatory and predictive roles of information are interrelated—for example, information about the current level and structure of an entity’s resources and claims to them helps users to confirm the outcome of resource management strategies during the period, and to predict an entity’s ability to respond to changing circumstances and anticipated future service delivery needs. The same information helps to confirm or correct users’ past expectations and predictions about the entity’s ability to respond to such changes. It also helps to confirm or correct prospective financial information included in previous GPFRs.

Faithful Representation

3.10 To be useful in financial reporting, information must be a faithful representation of the economic and other phenomena that it purports to represent. Faithful representation is attained when the depiction of the phenomenon is complete, neutral, and free from material error. Information that faithfully represents an economic or other phenomenon depicts the substance of the underlying transaction, other event, activity or circumstance—which is not necessarily always the same as its legal form.

3.11 In practice, it may not be possible to know or confirm whether information presented in GPFRs is fully complete, neutral, and free from material error. However, information should be as complete, neutral, and free from material error as is possible.

3.12 A depiction of an economic or other phenomenon is complete if it includes all information that is necessary for faithful representation of the phenomenon that it purports to depict. An omission of some information can cause the representation to be false or misleading, and thus not useful to users of GPFRs. For example, a complete depiction of the item “plant and equipment” in GPFRs will include a numeric representation of the aggregate amount of plant and equipment together with other quantitative, descriptive and explanatory material necessary to faithfully represent that class of assets. In some cases, this may include the disclosure of information about such matters as the major classes of plant and equipment, factors that have affected their use in the past or might impact on their use in the future, and the basis and process for determining their numeric representation. Similarly, prospective financial and nonfinancial information, and information about the achievement of service delivery objectives and outcomes, included in GPFRs will need to be presented with the key assumptions that underlie that information, and any explanations that are necessary to ensure that its depiction is complete and useful to users.

3.13 Neutrality in financial reporting is the absence of bias. It means that the selection and presentation of financial and non-financial information is not made with the intention of attaining a particular predetermined result—for example, to influence in a particular way users’ assessment of the discharge of accountability by the entity or a decision or judgment that is to be made, or to induce particular behavior.

3.14 Neutral information faithfully represents the economic and other phenomena that it purports to represent. However, to require information included in GPFRs to be neutral does not mean that it is not without purpose or that it will not influence behavior. Relevance is a qualitative characteristic and, by definition, relevant information is capable of influencing users' assessments and decisions.

3.15 The economic and other phenomena represented in GPFRs generally occur under conditions of uncertainty. Information included in GPFRs will therefore often include estimates that incorporate management's judgment. To faithfully represent an economic or other phenomenon, an estimate must be based on appropriate inputs, and each input must reflect the best available information. Caution will need to be exercised when dealing with uncertainty. It may sometimes be necessary to explicitly disclose the degree of uncertainty in financial and non-financial information to faithfully represent economic and other phenomena.

3.16 Free from material error does not mean complete accuracy in all respects. Free from material error means there are no errors or omissions that are individually or collectively material in the description of the phenomenon, and the process used to produce the reported information has been applied as described. In some cases, it may be possible to determine the accuracy of some information included in GPFRs—for example, the amount of a cash transfer to another level of government, volume of services delivered or the price paid for the acquisition of plant and equipment. However, in other cases it may not—for example, the accuracy of an estimate of the value or cost of an item or the effectiveness of a service delivery program may not be able to be determined. In these cases, the estimate will be free from material error if the amount is clearly described as an estimate, the nature and limitations of the estimation process are explained, and no material errors have been identified in selecting and applying an appropriate process for developing the estimate.

Understandability

3.17 Understandability is the quality of information that enables users to comprehend its meaning. GPFRs of public sector entities should present information in a manner that responds to the needs and knowledge base of users, and to the nature of the information presented. For example, explanations of financial and non-financial information and narrative reporting of achievements and expectations should be written in plain language, and presented in a manner that is readily understandable by users. Understandability is enhanced when information is classified, characterized, and presented clearly and concisely. Comparability also can enhance understandability.

3.18 Users of GPFRs are assumed to have a reasonable knowledge of the entity's activities and the environment in which it operates, to be able and prepared to read GPFRs, and to review and analyze the information presented with reasonable diligence. Some economic and other phenomena are particularly complex and difficult to represent in GPFRs, and some users may need to seek the aid of an advisor to assist in their understanding of them. All efforts should be undertaken to represent economic and other phenomena included in GPFRs in a manner that is understandable to a wide range of users. However, information should not be excluded from GPFRs solely because it may be too complex or difficult for some users to understand without assistance.

Timeliness

3.19 Timeliness means having information available for users before it loses its capacity to be useful for accountability and decision-making purposes. Having relevant information available sooner can enhance its usefulness as input to assessments of accountability and its capacity to inform and influence decisions that need to be made. A lack of timeliness can render information less useful.

3.20 Some items of information may continue to be useful long after the reporting period or reporting date. For example, for accountability and decision-making purposes, users of GPFRs may need to assess trends in the financial and service delivery performance of the entity and its compliance with budgets over a number of reporting periods. In addition, the outcome and effects of some service delivery programs may not be determinable until future periods—this may occur in respect of programs intended to, for example, enhance the economic well-being of constituents, reduce the incidence of a particular disease, or increase literacy levels of certain age groups.

Comparability

3.21 Comparability is the quality of information that enables users to identify similarities in, and differences between, two sets of phenomena. Comparability is not a quality of an individual item of information, but rather a quality of the relationship between two or more items of information.

3.22 Comparability differs from consistency. Consistency refers to the use of the same accounting policies and procedures, either from period to period within an entity or in a single period across more than one entity. Comparability is the goal, and consistency helps in achieving that goal.

3.23 Comparability also differs from uniformity. For information to be comparable, like things must look alike, and different things must look different. An over-emphasis on uniformity may reduce comparability by making unlike things look alike. Comparability of information in GPFRs is not enhanced by making unlike things look alike, any more than it is by making like things look different.

3.24 Information about the entity's financial position, financial performance, compliance, service delivery achievements, and its future plans is necessary for accountability purposes and useful as input for decision-making purposes. The usefulness of such information is enhanced if it can be compared with, for example:

- The budget of the entity for the reporting period, or prospective financial and nonfinancial information previously presented for that reporting period or reporting date;
- Similar information about the same entity for some other period or some other point in time; and
- Similar information about other entities (for example, public sector entities providing similar services in different jurisdictions).

3.25 Consistent application of accounting policies to prospective financial and non-financial information and actual outcomes will enhance the usefulness of any comparison

of projected and actual results. Comparability with other entities may be less significant for narrative reporting of management's perception or opinion of the factors underlying the entity's current performance.

Verifiability

3.26 Verifiability is the quality of information that helps assure users that information in GPFRs faithfully represents the phenomena that it purports to represent. Supportability is sometimes used to describe this quality when applied in respect of explanatory information and prospective financial and non-financial quantitative information disclosed in GPFRs—that is, the quality of information that helps assure users that explanatory or prospective financial and non-financial quantitative information faithfully represents the phenomena that it purports to represent. Whether referred to as verifiability or supportability, the characteristic implies that different knowledgeable and independent observers could reach general consensus, although not necessarily complete agreement, that either:

- The information represents the phenomena that it purports to represent without material error or bias; or
- An appropriate recognition, measurement, or representation method has been applied without material error or bias.

3.27 To be verifiable, information need not be a single point estimate. A range of possible amounts and the related probabilities also can be verified.

3.28 Verification may be direct or indirect. With direct verification, an amount or other representation is itself verified, such as by (a) counting cash, (b) checking records of service response times or records of patients treated, (c) observing marketable securities and their quoted prices, or (d) confirming that the factors identified as influencing past service delivery performance were present and operated with the effect identified. With indirect verification, the amount or other representation is verified by checking the inputs and recalculating the outputs using the same accounting convention or methodology. An example is verifying the carrying amount of inventory by checking the inputs (quantities and costs) and recalculating the ending inventory using the same cost flow assumption (for example, average cost or first-in-first-out).

3.29 The quality of verifiability (or supportability if such term is used to describe this characteristic) is not an absolute—some information may be more or less capable of verification than other information. However, the more verifiable is the information included in GPFRs, the more it will assure users that the information faithfully represents the phenomena that it purports to represent.

3.30 GPFRs of public sector entities may include financial and other quantitative information and explanations about (a) key influences on the entity's performance during the period,

(b) the anticipated future effects or outcomes of service delivery programs undertaken during the reporting period, and (c) prospective financial and non-financial information. It may not be possible to verify the accuracy of all quantitative representations and explanations of such information until a future period, if at all.

3.31 To help assure users that prospective financial and non-financial quantitative information and explanations included in GPFRs faithfully represents the phenomena that they purport to represent, the assumptions that underlie the information disclosed, the methodologies adopted in compiling it, and the factors and circumstances that support any opinions expressed or disclosures made should be transparent. This will enable users to form judgments about the appropriateness of those assumptions and the method of compilation, measurement, representation and interpretation of the information.

Constraints on Information Included in General Purpose Financial Reports

Materiality

3.32 Information is material if its omission or misstatement could influence the discharge of accountability by the entity, or the decisions that users make on the basis of the entity's GPFRs prepared for that reporting period. Materiality depends on both the nature and amount of the item judged in the particular circumstances of each entity. GPFRs may encompass qualitative and quantitative information about service delivery achievements during the reporting period, and expectations about service delivery and financial outcomes in the future. Consequently, it is not possible to specify a uniform quantitative threshold at which a particular type of information becomes material.

3.33 Assessments of materiality will be made in the context of the legislative, institutional and operating environment within which the entity operates and, in respect of prospective financial and non-financial information, the preparer's knowledge and expectations about the future. Disclosure of information about compliance or non-compliance with legislation, regulation or other authority may be material because of its nature—irrespective of the magnitude of any amounts involved. In determining whether an item is material in these circumstances, consideration will be given to such matters as the nature, legality, sensitivity and consequences of past or anticipated transactions and events, the parties involved in any such transactions and the circumstances giving rise to them.

Cost-Benefit

3.34 Financial reporting imposes costs. The benefits of financial reporting should justify those costs. Assessing whether the benefits of providing information justify the related costs is often a matter of judgment, because it is often not possible to identify and/or quantify all the costs or benefits of information included in GPFRs.

3.35 The costs of providing information include the costs of collecting and processing the information, the costs of verifying it and/or presenting the assumptions and methodologies that support it, and the costs of disseminating it. Users incur the costs of analysis and interpretation. Omission of useful information also imposes costs, including the costs that users incur to obtain needed information from other sources and the costs that result from making decisions using incomplete data provided by GPFRs.

3.36 Preparers expend the majority of the effort to provide information in GPFRs. However, service recipients and resource providers ultimately bear the cost of those efforts—because resources are redirected from service delivery activities to preparation of information for inclusion in GPFRs.

3.37 Users reap the majority of benefits from the information provided by GPFRs. However, information prepared for GPFRs may also be used internally by management and result in better management decision making. The disclosure of information in GPFRs consistent with the concepts identified in this Conceptual Framework and IPSASs derived from them will enhance and reinforce perceptions of the transparency of reporting by governments and other public sector entities and contribute to the more accurate pricing of public sector debt. Therefore, public sector entities may also benefit in a number of ways from the information provided by GPFRs.

3.38 Application of the cost-benefit constraint involves assessing whether the benefits of reporting information are likely to justify the costs incurred to provide and use the information. When making this assessment, it is necessary to consider whether one or more qualitative characteristics might be sacrificed to some degree to reduce cost.

3.39 In developing IPSASs, the IPSASB considers information from preparers, users, academics, and others about the expected nature and quantity of the benefits and costs of the proposed requirements. Disclosure and other requirements which result in the presentation of information useful to users of GPFRs for accountability and decision making purposes and satisfy the qualitative characteristics are prescribed by IPSASs unless the costs of compliance with those requirements are assessed by the IPSASB to be greater than their benefits.

Balance Between the Qualitative Characteristics

3.40 The qualitative characteristics work together in different ways to contribute to the usefulness of information. For example, neither a depiction that faithfully represents an irrelevant phenomenon, nor a depiction that unfaithfully represents a relevant phenomenon, results in useful information. Similarly, to be relevant, information must be timely and understandable.

3.41 In some cases, a balancing or trade-off between qualitative characteristics may be necessary to achieve the objectives of financial reporting. The relative importance of the qualitative characteristics in each situation is a matter of professional judgment. The aim is to achieve an appropriate balance among the characteristics in order to meet the objectives of financial reporting.

APPENDIX C: QUALITATIVE CHARACTERISTICS, CONSTRAINTS AND THREE PRESENTATION DECISION AREAS

	Presentation Decision Areas		
Qualitative characteristic / Constraint	What information should be shown (selection of information)	How information should be organized	Where information should be shown
Relevance	Information that - is capable of making a difference in achieving financial reporting objectives - has confirmatory value, predictive value, or both.	There is no mention, within the description of this QC, of organization of information. The more information that is identified as being relevant, the greater the need to consider the best way to organize information.	There is no mention, within the description of this QC, of information location. The more information that is identified as being relevant, the greater the need to consider whether information needs to be located in different places.
Representational faithfulness	<i>Complete:</i> Include all information necessary for faithful representation of the phenomenon <i>Neutral:</i> Select information without bias	<i>Neutral:</i> Present without bias	<i>Neutral:</i> Present without bias
Understandability	The description of understandability in ED1 does not mention implications for what information is shown. However understandability impacts in combination with relevance. For users to understand information there must be sufficient relevant information.	Present information in a manner that responds to the needs and knowledge base of users, and to the nature of the information presented. Write explanations in plain language, and present in a manner that is readily understandable by users. Classify, characterize and present information clearly and concisely.	Present information in a manner that responds to the needs and knowledge base of users, and to the nature of the information presented
Timeliness	The description of timeliness in ED1 does not mention implications for what information is shown. However arguably the frequency and timeliness of GPFRs impacts on ‘what information.’	No impact	No impact
Comparability	The description of comparability in ED1 does not mention implications for what information is shown. However, changes to information shown over time impact on comparability. Comparability also indicates a need for supporting information, to allow users to make an informed assessment of comparability.	Organize so that like things look alike, and different look different.	Organize so that like things look alike, and different look different.

	Presentation Decision Areas		
Qualitative characteristic / Constraint	What information should be shown (selection of information)	How information should be organized	Where information should be shown
Verifiability	When reporting certain types of information: - Assumptions that underlie the information, - Methodologies adopted in compiling it, and - Factors and circumstances that support any opinions expressed or disclosures made.	No impact	No impact
Materiality	Materiality guides what information should be provided, while also providing a threshold to cross before information is provided. Information that could influence the discharge of accountability by an entity or the decisions that users make is material. A wide range of information is mentioned with the context of material, including qualitative and quantitative information about service delivery and financial outcomes, prospective financial and non-financial information, and information about compliance or non-compliance with legislation, regulation or other authority.	No impact	No impact
Cost-benefit	The cost-benefit constraint involves assessing whether the benefits of reporting information are likely to justify the costs incurred to provide and use the information.	No impact	No impact
Balance Between the Qualitative Characteristics	Balance between qualitative characteristics impacts on ‘what information.’ For example, consideration of a balance between representational faithfulness and relevance could impact either to report or <i>not</i> to report information.	The balance between qualitative characteristics may impact on how information is organized.	The balance between qualitative characteristics may impact on how information is organized.

APPENDIX D: PRESENTATION REQUIREMENTS DEVELOPMENT THROUGH CONSIDERATION OF INFORMATION TYPES AND APPLICATION OF THE PCS

- D1. This appendix provides an overview of the process involved in developing standards level presentation requirements, showing where in the process the PCs would be applied. The example included focuses on budget information. This example is purely illustrative and designed to show the practical application of the PCs to one information area. Since the example is illustrative only, its coverage of issues related to this area of reporting is partial. It does not attempt either to fully cover the different considerations involved in developing a standard for this area or to indicate what decisions might be taken in the case of developing a standard on budget information.

Presentation requirements development process

- D2. The process to develop presentation requirements for a new information area can be considered to involve the following steps:
1. An information area is identified in response to particular needs of users and the decision is made to develop presentation requirements for GPFRs
 2. The specific purposes of the information area is identified, relating them to GPFRs' objectives of accountability and decisions, the specific types of accountability and decision making to which the information area relates, and specific needs of users being addressed.
 3. The type of information necessary to meet those specific purposes is considered. This is likely to involve consideration of:
 - The types of information *commonly considered of possible relevance for accountability and decision-making* (see List A below), then
 - Information needs *specific to the information area* and the purpose(s) identified in step (2).The PCs would be applied during identification of information to be reported.
 4. Different ways to organize the information and the appropriate location(s) of the information identified are considered, applying the PCs as part of the consideration.
 5. Presentation requirements are drafted, then reviewed and revised where necessary, then finalized.
- D3. The specific purposes identified in step (2), GPFRs' objectives and users' needs, QCs, information constraints, and PCs will all be relevant during steps (3) through (5). List A below sets out the types of information normally needed for accountability and decision making.

List A. Information possibly relevant for accountability and decision making

1. Comparisons (for example, to budgets or to targets).
2. Actuals for current year.

3. Previous year comparatives.
4. Information useful to identify trends with predictive value.
5. Risks and factors impacting on measurement uncertainty.
6. Information on how key measures have been prepared.
7. Significant accounting policies and/or methodologies for preparing information.
8. Appropriate line items.
9. Components of line items.
10. Factual information about the reporting entity.
11. Judgments and reasons.
12. Assumptions/models/inputs.
13. Sources of estimation uncertainty/sensitivity analysis disclosures.
14. Disclosures related to alternative measurement options for phenomena reported in the statements.

Example: Development of presentation requirements for budget information

(Note: This example illustrates the presentation requirements development process applied to budget information. Given its purpose, this example provides minimal, illustrative coverage of possible reporting requirements, rather than comprehensive coverage.)

Step 1

For accountability and decision making users need *budget information*

Step 2

The purposes of budget information reporting are to show:

- *The entity's performance in:*
 - *complying with budget (accountability for budget compliance), and*
 - *keeping to expected budget limits (accountability for budget management); and,*
- *Provide information for decisions related to future budgets and other types of resource decisions.*

Step 3

Information necessary to meet the purposes identified in Step 3 is considered, for example:

Information commonly relevant for accountability and decision making

- Actuals for current year: *Yes, information is needed to be able to make comparisons of actual amounts against both original budget and final budget. Comparison with final budget is important for accountability (legal compliance) with comparison with original budget are important for accountability (performance in budgeting – estimating budget needs accurately).*
- Budget or target comparatives: *Yes, as above*

Information specific to this area

- Explanation and context for budget variations.
- Description or explanation of the relationship between the budget information and other financial information, where the basis of accounting used for budget information is different from that used for the financial statements.

Step 4

Different ways to organize the information and the appropriate location(s) for the information identified are considered. For budget information such considerations could include:

- Organizing information either through the use of a standard ‘statement’ in a tabular forms (columns and lines) versus narrative such as sentences describing the extent to which budget amounts have been met.
- Ways to show the relationship between the budget information, financial statement information, and service performance information including:
 - Use of a separate statement for budget reporting or use of additional columns within existing financial statements and/or service performance cost reports; and
 - Inclusion of information reconciling budget-actual numbers to other reported information (financial statement totals and service performance costs).

Step 5

Once drafted, presentation requirements are reviewed and revised where necessary, then finalized. The draft requirements are reviewed against, inter alia, the PCs. The review against the PCs could involve considerations including, for example, whether the draft presentation requirements:

- *Apply Concept 1:* Address the need for clear linkages between information reported within the GPFR, and budget information outside of the GPFRs? (For example, the budget itself, a description of the accounting policies applicable to budget reporting, and information about factors impacting on budget performance may be provided outside the GPFRs.)
- *Apply Concept 2:* Address the possibility that very detailed budget lines in budget documentation may need to be aggregated and simplified for GPFR purposes. Also, consider including parameters or principles for the aggregation of budget lines so that there is assurance that information important for accountability and decision making is not obscured when detailed budget lines are aggregated for GPFR purposes.
- *Apply Concept 3:* Address the issue of consistency within the context of budget change.

- *Apply Concept 4:* Consider ways to reduce information costs, such as very high level summary reporting on budget variances in situations where budgets are very stable and actuals consistently are within budget.
- *Apply Concept 5:* For example, consider including scope for preparers to identify appropriate budget lines and what type of requirements should guide preparers' choice. Another example would be providing scope for preparers to identify budget deviations for which explanations should be provided, while also including appropriate parameters for application of preparers' judgment.
- *Apply Concept 6:* Address issues that may arise from related budget information presented outside of the GPFRs being made available at dates different from when the GPFRs are issued.