

**Meeting:** International Public Sector Accounting  
Standards Board

**Meeting Location:** New York, USA

**Meeting Date:** December 3–6, 2012

## Agenda Item 2B

For:

☐ Approval

☒ Discussion

☐ Information

### Conceptual Framework: Presentation

#### Objective(s) of Agenda Item

1. To **discuss** a preliminary draft of Conceptual Framework Exposure Draft 4, *Presentation in General Purpose Financial Reports* (CF–ED4), and **provide direction** on the issues highlighted and any other matters raised by the draft ED.

#### Materials Presented

|                  |  |
|------------------|--|
| Agenda Item 2B-1 | Issues Paper   |
| Agenda Item 2B-2 | Draft CF—ED4, <i>Presentation in General Purpose Financial Reports</i> |

#### Action(s) Requested

2. The IPSASB is asked to consider the significant issues presented in Agenda Item 2B-1, and to provide input and direction on the way forward.

## **Conceptual Framework: Presentation**

### **Background**

1. At its September meeting the IPSASB reviewed responses to CP, *Presentation in General Purpose Financial Reports* (CP, *Presentation*) and directed Staff and the TBG to develop a draft ED for consideration at its December 2012 meeting. The Conceptual Framework project plan aims for IPSASB approval of this ED in March 2013. In addition to directing that presentation techniques be excluded from the ED, the IPSASB directed that the ED should:
  - (a) *Terminology*: Include the descriptions proposed in the CP for “presentation”, “display”, and “disclosure”, but replace “core and supporting information” with a description of types of information likely to be displayed and types likely to be disclosed;
  - (b) *Overall approach*: Continue to develop concepts for more comprehensive scope GPFs, applying an approach that involves (i) a focus on user needs to identify presentation objectives, (ii) application of the qualitative characteristics (QCs) to presentation decisions, and (iii) separate presentation concepts;
  - (c) *Presentation objectives*: Include presentation objectives in the ED, but allow for objectives to also be included in standards;
  - (d) *Presentation concepts*: Include separate presentation concepts, after the TBG has reviewed further respondents’ comments on the three concepts in CP, *Presentation* for possible changes, but that any need for further concepts should be viewed skeptically; and
  - (e) *Financial statements*: Apply the overall presentation approach to financial statements.
2. Further detail related to each of these five points is included under the first five issues discussed below. The relevant coverage in the September meeting’s minutes is included in Appendix A.
3. The preliminary draft of CF—ED4, *Presentation in General Purpose Financial Reports* (CF—ED4), is included as 2B.2. It was developed in consultation with Phase 4’s Task Based Group which consists of Mariano D’Amore, Thomas Müller-Marquès Berger, Anne Owuor, Jeanine Poggiolini, and Tim Youngberry.

### **Significant Issues**

4. The first five significant issues raised by this memo are whether the draft CF—ED4 adequately addresses each of the five points listed in paragraph 1 above. Then the sixth issue asks the IPSASB to consider and provide direction on the draft Basis for Conclusions.

### **Terminology**

5. Section 1 of the draft ED is based on CP, *Presentation*’s descriptions of “presentation”, “display”, and “disclosure”. References to core information and supporting information have been removed. Descriptions of the types of information likely to be displayed and types likely to be disclosed have been included, mainly based on descriptions previously related to the core/supporting information

distinction in CP, *Presentation*. (Section 3 provides descriptions applicable to information displayed and information disclosed in financial statements.)

6. Revisions in moving from CP, *Presentation* to the wording in Section 1 of CF—ED4 have removed (a) illustrative detail or examples related to the descriptions, and (b) explanations for the basis of the descriptions. For example Diagram 1 from CP, *Presentation* has not been included in the ED because it does not establish the meaning of these terms, only provides another way to illustrate these terms.
7. The question arises of whether the coverage in Section 1 of CF—ED4 is sufficient to convey the meaning of the three terms, presentation, display and disclosure. A further question is whether the descriptions of the types of information likely to be displayed and types likely to be disclosed are adequate, while avoiding the concern expressed by respondents with respect to core/supporting information—that there was an implication that one type of information is more important than the other.

#### **Matter for Consideration**

1. The IPSASB is asked to consider whether Section 1's coverage of presentation, display and disclosure is adequate, in particular whether:
  - (a) Diagram 1 should be excluded from the ED; and
  - (b) The coverage of different factors that affect whether information is displayed or disclosed is sufficient.

#### **Overall Approach**

8. Section 2 of the draft CF—ED4 is based on CP, *Presentation's* description of the overall approach to presentation. The description has one proposed difference of substance, which is that it includes application of both the QCs *and* the *constraints* to presentation decisions (see discussion below). In addition the description of applying the QCs to the three presentation decisions has been developed for this ED, based on the content of Table 1 in CP, *Presentation*. Table 1 illustrated the linkage between the QCs and each presentation decision.

#### *Application of the constraints to presentation decisions*

9. As stated above, Section 2 includes application of *constraints* to the presentation decisions as part of the overall approach. This change has been included because respondents to CP, *Presentation*, were concerned that the constraints should be emphasized. (For example several respondents recommended that reference to materiality be included Concept 1 or in a separate presentation concept.) Arguably the overall approach should involve both application of the QCs and the constraints. Cost-benefit and materiality are both important to presentation decisions. Achieving an appropriate balance between the QCs is important whenever different QCs are applied to the same decision or set of related decisions.

#### *Application of the overall approach to three information areas*

10. In September the IPSASB directed Staff to:
  - Review documents from the three in-progress projects that relate to the more comprehensive scope GPFRs (projects on (a) service performance reporting, (b) reporting

on the long-term sustainability of public finances, and (c) financial statement discussion and analysis) for scope to illustrate application of the high-level concepts to those three areas.

11. Section 2 provides new coverage with respect to presentation objectives for the three information areas. (These presentation objectives are treated as a separate issue and discussed below.) But Section 2 does not include other coverage related to applying the overall approach to the three information areas. Other coverage could include descriptions of what types of information should be displayed and what types should be disclosed for these three information areas, or the appropriate organization of such information. The question arises of whether the existing coverage, focused on presentation objectives, is sufficient. The narrow focus on presentation objectives is because the objectives appear to be relatively firm compared to the considerations related to information selection, location and organization within these three in-progress projects.

**Matter for Consideration**

2. The IPSASB is asked to consider whether Section 2's coverage of the overall approach to presentation is adequate, in particular whether:
  - (a) The overall approach should include direct application of the constraints to presentation decisions; and
  - (b) The present coverage applying the overall approach to three information areas is sufficient, or should be expanded beyond a listing of presentation objectives for those three areas.

**Presentation Objectives**

12. As stated above, Section 2 provides coverage of presentation objectives, including objectives applicable to three information areas for more comprehensive scope projects in-progress, (a) service performance reporting, (b) reporting on the long-term sustainability of public finances, and (c) financial statement discussion and analysis. (Presentation objectives for financial statements are included in Section 3.) The presentation objectives proposed for these three information areas are derived from the most recently available issued documents for the three projects. Further developments will need to be monitored to ensure that the objectives included in the final version of CF—ED4 are consistent with the IPSASB's final decisions on objectives applicable to these three information areas.
13. The presentation objectives included in Section 2 provide scope for IPSASB Members to re-consider whether presentation objectives for information areas should be included in the Conceptual Framework, or whether they are too specific and/or too likely to change over time to be included there.
14. If presentation objectives should be included in the Conceptual Framework, the question remains of whether these particular objectives have been worded in a way that makes them sufficiently high level for inclusion in the Conceptual Framework, while providing useful guidance for development of the pronouncements in these three information areas.

**Matter for Consideration**

3. The IPSASB is asked to consider whether Section 2's coverage of presentation objectives is adequate, in particular whether:
  - (a) Presentation objectives should be included in the Conceptual Framework; and,
  - (b) The proposed objectives are high level enough for inclusion in the Conceptual Framework, and specific enough to provide useful guidance for the development of pronouncements.

**Presentation Concepts**

15. In September the IPSASB considered a summary description of respondents' comments on the three presentation concepts and decided that the comments should be reviewed by the TBG as part of development of the ED, but any need for further concepts should be viewed skeptically. (Appendix B provides the comments received, as previously provided to the IPSASB in September.) The three presentation concepts included in the draft CF—ED4 are the same as those included in CP, *Presentation*. However revisions to (a) the descriptions of the concepts and (b) content in other parts of CF—ED4's have been made to address many of the issues raised in responses to CP, *Presentation*.
16. Respondents expressed concern that the presentation concepts should take more account of the constraints, particularly materiality. This concern has been addressed by revising the overall approach to include application of the constraints to presentation decisions, as discussed above. There were also concerns that particular QCs, for example understandability, should be included in particular presentation concepts. On the basis that direct application of the QCs to presentation decisions is sufficient to ensure that all QCs are considered when making presentation decisions, the presentation concepts were not amended to include additional references to the QCs.
17. Several respondents stated that the CP's coverage of presentation concepts was too detailed. Those concerns related in part to the presentation techniques. In the draft CF—ED4 the presentation concept descriptions have been made shorter. The coverage of presentation techniques has, as decided at the IPSASB's September meeting, been removed. This should address both concerns that the coverage was too detailed and some specific concerns which related to content that has now been removed. The question that arises is whether too much has been taken out and material previously in CP, *Presentation* may need to be reinstated.
18. A variety of specific issues raised within the context of the presentation concepts have been addressed in Sections 2 and 3. For example, the need to address the completeness of information has been raised within the context of the description of "display" in Section 2, specific concerns with respect to the concepts' application to financial statements have been addressed in Section 3.

**Matter(s) for Consideration**

4. The IPSASB is asked to consider whether the three presentation concepts in Section 2 and their related descriptions are adequate or whether, instead, either revisions or additional concepts are necessary.

## Financial Statements

### *Financial Statements Information Area*

19. Section 3 addresses presentation in financial statements. It applies the overall approach described in Section 2 to the financial statements information area. The financial statements information area is treated as including reporting on budget performance, presently addressed at the standards-level by IPSAS 24, *Presentation of Budget Information in Financial Statements*. This follows the approach taken in IPSAS 1, *Presentation of Financial Statements*, where paragraph 22 (e) states that a complete set of financial statements includes a comparison of budget and actual amounts, where an entity makes publicly available its approved budget.
20. Section 3 has been developed through reference to (a) IPSASs applicable to financial statements, particularly IPSAS 1, IPSAS 2, *Cash Flow Statements*, and IPSAS 24 and (b) work by other standards, including the International Accounting Standards Board's Staff ED on presentation in financial statements and work-in-progress on disclosure frameworks by the Financial Accounting Standards Board (FASB) and European Financial Reporting Advisory Group (EFRAG).
21. The presentation objective for financial statements is based on content taken from IPSAS 1, IPSAS 2 and IPSAS 24. The coverage does not specify a list of financial statements and the decision not to do this is consistent with the IPSASB's decision during 2010 that this type of specificity would be in appropriate for the Conceptual Framework and is a standards-level consideration.

#### **Matter(s) for Consideration**

5. The IPSASB is asked to consider whether the coverage of concepts applicable to financial statements is adequate and, in particular, whether:
  - (a) The financial statements information area should include reporting on budget performance;
  - (b) The proposed presentation objectives for financial statements are acceptable; and,
  - (c) The proposed descriptions of information to be displayed and information to be disclosed in financial statements are sufficient.

## **Basis for Conclusions**

22. The Basis for Conclusions has been drafted to reflect the IPSASB's previous discussion and decisions, while also incorporating relevant content from CP, *Presentation*. In making decisions about what information should be included in the Basis for Conclusions rather than the ED a guiding principle has been that reasons why something is viewed as appropriate should be included in the Basis for Conclusions rather than the ED.
23. The discussion about presentation in financial statements is short. It is expected that this discussion will be expanded subsequent to this IPSASB meeting in order to reflect decisions and discussion on Section 3 of CF—ED4.

**Matter for Consideration**

6. The IPSASB is asked to consider revisions needed to the Basis for Conclusions and, in particular, whether:
- (a) There are any gaps in the explanations provided; and
  - (b) Any of the content is unnecessary or overly detailed and should be removed.

## APPENDIX A: SEPTEMBER 2012 DRAFT MINUTES ON PRESENTATION

### Presentation – Review Responses to Consultation Paper (AP 2C)

- A1. Staff provided an overview and analysis of responses received on the Conceptual Framework consultation paper for Phase 4 of the Conceptual Framework Project, CP, *Presentation in General Purpose Financial Reports*. The IPSASB discussed the issues raised by staff, then provided direction on development of an ED. The memorandum, agenda item 2C.0, highlighted five issues derived from agenda item 2C.2, the collation of responses.

#### *Issue 1 – Strategy and Approach to Presentation Concepts*

- A2. The first issue raised was whether the IPSASB should continue with its strategy for the development of presentation concepts and overall approach to such concepts. With respect to strategy the IPSASB confirmed the present timetable for development of an ED, which is ahead of the IASB's timetable for its conceptual framework project. While acknowledging the potential benefits of coordinating with the IASB's conceptual framework project, the IPSASB noted that the IASB's project is paused. But the timing of IASB work on presentation concepts, which is a later part of the IASB project, could be several years away. Waiting until IASB proposals on presentation concepts are available could mean a substantial delay to the IPSASB's work. During the development of the CP, the IPSASB did consider presentation principles developed by IASB staff for inclusion in a draft ED on financial statement presentation.
- A3. The IPSASB also confirmed that presentation concepts should continue to be developed for more comprehensive scope GPFs. The IPSASB decided that, while the ED's focus should primarily be on those high-level concepts, there should also be more coverage with respect to concepts applicable to financial statements. The ED should begin with the more general concepts then apply them to financial statements. This addressed some respondents' concerns that the concepts proposed in the CP did not adequately support standard setting for general purpose financial statements (GPFs). Staff had provided summaries of documents recently issued by the Financial Accounting Standards Board (FASB) and European Financial Reporting Advisory Group (EFRAG) on disclosures. The IPSASB asked staff to review those documents for content relevant to financial statement presentation.
- A4. The IPSASB has three projects in progress that relate to the more comprehensive scope GPFs. These projects focus on (a) service performance reporting, (b) reporting on the long-term sustainability of public finances, and (c) financial statement discussion and analysis. The ideas underpinning these three projects could, sometime in the future, be used to further develop presentation concepts related to the more comprehensive scope GPFs, if that was deemed to be useful. Documents from these three projects should be reviewed for scope to illustrate application of the high-level concepts to those three areas.
- A5. The IPSASB also decided to continue with the conceptual approach proposed in the CP. The approach involves (i) focusing on user needs to identify presentation objectives, (ii) application of the qualitative characteristics (QCs) to presentation decisions, and (iii) separate presentation concepts. Respondents generally supported that approach, but concerns were expressed about its usefulness for financial statements. Alternative proposals from two respondents were considered. While the two proposals contained some material relevant to the ED's development, neither alternative was viewed as a preferred alternative to the approach proposed in the CP. The IPSASB noted that it had already considered one of the two approaches during the CP's development. Parts



of the second alternative approach had also been considered during the CP's development. The IPSASB did not support the higher level of detail proposed by the second approach, noting that several respondents had commented that the CP went into more detail than is appropriate in a conceptual framework document.

*Issue 2 – Terminology (Presentation, Display, Disclosure, and Core and Supporting Information)*

- A6. The IPSASB decided that the descriptions proposed in the CP for “presentation”, “display”, and “disclosure” should be included in the ED. Application of the three presentation decisions (what information, where located, and how organized) provided a useful framework for presentation and generally was supported by respondents. It was appropriate, in the context of concepts for more comprehensive scope GPFRs, to move away from the traditional distinction whereby presentation applied to information shown on the face of the financial statements and disclosure applied to the notes. But that distinction was still very important and could be discussed using the terms display and disclosure.
- A7. The CP's descriptions of “core information” and “supporting information” were controversial for some respondents. The proposed linkage between those two terms and location (either on the face or in the notes to the financial statements) was viewed as problematic. The IPSASB decided to replace core and supporting information with a description of types of information likely to be displayed and types likely to be disclosed. The description should cover different factors that affect where information is located, but not attempt to provide a definitive set of criteria that would dictate information's location. Understandability and the importance of not misleading users of GPFRs would be important considerations in deciding where information should be located.
- A8. The idea that note disclosure is not a replacement for recognition remains true within the context of financial statements. The underlying rationale that location should not mislead is applicable to more comprehensive scope GPFRs. It was noted that, in addition to the primary financial statements, some jurisdictions had legislated for further statements, for example a statement of contingent liabilities, to emphasize the importance of certain types of information.

*Issue 3 – Presentation Objectives*

- A9. The CP proposed that identification of presentation objectives should be done at the standards level. After considering responses on this issue the IPSASB decided that presentation objectives should be included in CF–ED, Presentation. Coverage of objectives in the Conceptual Framework would not exclude objectives also being included, where appropriate, in specific standards. The ED should make clear that standard setters, and not preparers, set objectives. Objectives included in the ED should cover GPFs and objectives relevant to the three more comprehensive scope projects in-progress. Phase 1 acknowledges that the scope may evolve over time. On that basis the coverage of presentation objectives should not be described as exhaustive.
- A10. Some respondents argued that the presentation objectives illustrated in the CP operate more like reporting objectives and should be described accordingly. The IPSASB decided to keep the term “presentation objective”.

*Issue 4 – Presentation Concepts*

- A11. The CP proposed three presentation concepts. Responses to the three concepts were generally positive, but also included proposals with respect to improvements and further concepts. The IPSASB decided that the TBG should consider the proposals in more detail and provide

recommendations at the IPSASB's December 2012 meeting, as part of the discussion on the draft ED on presentation. In developing this area the IPSASB indicated that a need for further concepts should be viewed skeptically, since the three existing concepts appeared to adequately address key presentation issues. There was some discussion of whether Concept 1, "select information that meets user needs, satisfies the cost-benefit test, and is sufficiently timely", should be broken out into different concepts. It was acknowledged that the three presentation concepts are high level, but this is appropriate at this point in time. The Basis for Conclusions will need to address this point.

#### *Issue 5 –Presentation Techniques*

A12. The IPSASB noted the views of some respondents who criticized the CP's coverage of presentation techniques as being overly detailed for a conceptual framework. At the same time, the material on techniques was viewed as a useful reference for both the IPSASB and preparers. One proposal was to include coverage of presentation techniques as an annex to the Conceptual Framework. An opposing perspective was that presentation techniques at this level of detail change frequently, with communication experts and website developments impacting on views about how information should be presented both to effectively communicate key messages and provide sufficient access to detail. A proposed compromise was to keep the material on techniques as an internal working document, which could be developed for publication after the IPSASB had accumulated more experience with it. The IPSASB decided that the description of techniques is a useful tool rather than something to include in a conceptual framework. On balance the IPSASB decided to exclude presentation techniques from the Conceptual Framework, but maintain the discussion of techniques as a reference relevant to the development of new presentation requirements.

#### *Next Steps*

A13. Staff and the TBG will develop a draft ED for review at the IPSASB's December 2012 meeting.

## APPENDIX B: SUMMARY OF RESPONSES ON PRESENTATION CONCEPTS

| All three concepts   |
|--|
| <p>Link each concept's description to the understandability of financial reporting. (R7)</p> <p>Reduce detail on application of the other qualitative characteristics and constraints (R7), and reduce detail of related descriptions.</p> <p>Include discussion on how the presentation concepts are impacted by the constraints (particularly materiality and cost-benefit) to avoid excess detail in GPFRs. (R16)</p> <p>Make reference to substance over form, where relevant. (R16)</p> <p>Include information on governing rules and regulations which impact the business entity. (R37)</p> <p>Link the three concepts to 'core' versus 'supporting' information. Address what, how and where core and supporting information should be presented. ( R38)</p>   |
| Concept 1: Select information that meets user needs, satisfies the cost-benefit test, and is sufficiently timely   |
| <p>Select information to meet users' needs, satisfies the cost benefit test <u>constraints on information</u>, and is sufficiently timely. (R4)</p> <p>The concept, as currently worded notes that information selected should be sufficiently timely. A possible unintended consequence of this wording is that this may be interpreted as implying that information is not sufficiently timely, it might not be presented. We suggest that this be clarified in any explanatory guidance developed. (R4)</p> <p>Select <i>accurate (or verifiable)</i> information should be added, with the consideration of QCs (especially verifiability). (R5)</p> <p>Edits - "Select information that meets user needs, satisfies the cost-benefit and materiality considerations, and is timely. (R8)</p> <p>Concept 1 appears to focus only on financial statements and notes thereto and needs to be expanded to provide guidance on other information reported in the GPFRs. (R10)</p> <p>Emphasise the need to ensure that excessive disclosures do not obscure the information that is included in the GPFR (R14)</p> <p>Materiality is a critical element in the selection of information to be disclosed, and its presentation (R14)</p> <p>Each item of data that is specifically required to be disclosed at the standards level should be carefully tested for its relevance to the reporting objectives of the information area (R14)</p> <p>Why single out the qualitative characteristic of timeliness, but not others like relevance and faithful representation? Another concern is that, although timeliness is a characteristic of information that meets user needs, proposed presentation concept 1 mentions information that is 'sufficiently timely' <i>in addition</i> to mentioning information that meets user needs. (R18)</p> <p>More emphasis could possibly be placed on the tradeoff between timeliness and accuracy. (R28)</p> |

The information presented should satisfy all QCs but must be obtained in a timely manner on a cost effective basis. One of the most significant QCs is representational faithfulness. All material transactions and events should be presented in a complete manner that conveys their substance rather than its legal or other form. (R29)

Concept 1 contained a few ideas that can be further explained and developed as individual concepts (R30), including:

- The idea of providing sufficient information;
- The idea of prioritization of information and the related implications on the “where” and “how” decisions for items of different levels of priority;
- The idea of avoiding information clutter and overload;
- The idea about timing and frequency of issuing GPFRs; and
- The idea of considering whether value would be added to GPFR as a whole and the risk of information omission in presentation decisions.

We suggest not getting into a quantitative test in the discussion of cost benefit effectiveness.

*Aggregation and disaggregation* are discussed in paragraph 6.5 and we consider that the Framework should explain why aggregation is useful (which goes beyond simply understandability) and disaggregation is necessary or desirable (rather than simply relying on the QCs of relevance and reliability). (R19)

*Completeness* – the emphasis on ‘display’ or ‘core information’ should not be allowed to obscure the need for statements to be complete. A Statement of Financial Position, for example, needs to include all assets and liabilities, and not only those that are ‘core’. (R19)

*Cost benefit* Under paragraphs 6.6 – 6.10 on the cost and benefit of providing information, the costs of effort required by users to interpret and analyse information seems to be over-emphasized, and there seems to be a lack of discussion and consideration of the benefits of disclosure from the users’ perspective. (R38)

### **Disagreement with Concept 1**

As we have noted above, we consider that the first concept is an integral part of the identification of the reporting objectives for an information area and hence deals with broader matters than presentation. For example, in the case of the financial statements information area, many of the decisions relative to that concept are determined by the definition of the elements. (R14)

### **Concept 2: Locate information to meet user needs**

While we agree with the concept, we do not support the opening sentence on paragraph 6.15 which states that: “Information location can provide users with important signals about information’s verifiability”. It appears that this sentence equates verifiability with assurance. We are of the view that because verifiability is an overriding qualitative characteristic of information, it should be verifiable regardless of its location. (R4)

*Include concept 2 as a subset of concept 3:* It appears logical to use the same approach with concept 2 (WHERE information should be located) by including it as a sub-concept of concept 3 (HOW

information should be organized), since location is not a common critical concept applicable to all categories of information in the GPFRs. (R10)

Concept 2 is too broadly phrased to be useful to preparers of GPFRs. Additionally, comparability should be a consideration when determining where information is located. (R16)

Add discussion that the location of an item in a set of financial statements will depend on such matters as (R18):

- (a) whether the item itself meets the definition and recognition criteria for an element of financial statements. This is mentioned briefly in paragraph 1.7 of the CP, but warrants discussion in Section 6 (integrally with other discussion of where to locate information in a GPFR); and
- (b) the nature of the information about that item (for example, disclosures about measurement uncertainties and of a sensitivity analysis might need to be made in notes, due to their volume and complexity).

With regards to Concept 2, we do not consider that the QC 'timeliness' to be relevant to where information is presented. (R19)

In relation to "where information should be located", more guidance may be given regarding the display and disclosure of non-financial information. (R28)

### **Disagreement with Concept 2**

We consider that the second and third concepts are more disclosure principles than presentation concepts. (R14)

The determination of where information and how information for GPFRs should be left to the preparer. (R29)

Concept 2 should be excluded because information cannot be located to meet user needs. Information can be selected to meet user needs. Location of information may enhance understanding, but meeting user needs appears overstretched. Also, we do not agree that the location of information would affect its relevance, timeliness, verifiability or representation faithfulness. (R30)

### **Concept 3: Organize information to make important relationships clear and support comparability**

Organising information can also ensure or enhance faithful representation. For example, decisions about organising assets and liabilities appropriately may ensure that they are not offset against one another, which would ensure faithful representation of the transactions as well as the entity's financial position. (R4)

Include 'consistency' as we believe that consistency is also an important characteristic of high-quality presentation. (R8)

*Include concept 2 as a subset of concept 3.* See Concept 2 for further information. (R10)

*Relationships between different information* – good presentation should bring out important relationships between different aspects that are reported. For example, it is useful to report the cost of services in a manner that permits comparison with the amount of revenue that has been derived from or to support them. The discussion in paragraphs 6.18-6.23 needs to bring this out: as presently

drafted it focuses almost entirely on relationships reported in different parts of the GPFRs. (R19)

With respect to “how information should be organised”, further guidance may be provided regarding the structure of GPFRs and the relationship between financial and non-financial information. (R28)

Concept 3 contained two concepts that should be separated as individual concepts (R30):

- The concept of organizing information to make important relationships clear; and
- The concept of comparability.

We support the concept of “organizing information to make important relationships clear” and the related presentation techniques identified in the Consultation Paper, but not the description of this concept. In particular, we do not see introducing the terms “enhancement”, “similarity” and “shared purpose” useful in explaining this concept. In many cases, the examples provided did not align with the relationships the terms contained. Describing the important relationships in these three terms may restrict the consideration of other important relationships. (R30)

### **Disagreement with Concept 3**

We consider that the second and third concepts are more disclosure principles than presentation concepts. (R14)

The determination of where information and how information for GPFRs should be left to the preparer. (R29)

### **Further Concepts**

Further concepts proposed by respondents were:

#### Sufficient information

- Provide all information necessary to ensure fiscal transparency and sustainability, which will involve (a) reporting against budget; (b) reporting on an accrual basis, and (c) providing full disclosure. (R2)
- Concepts should address (a) completeness of information, (b) aggregation and disaggregation of information, and (c) the relationship between different information. (R19)
- Information should also be selected to meet legislative and regulatory requirements. (R20)
- Sufficient information (in terms of scope and depth) required to meet the objectives of the GPFR should be presented to ensure a complete and unbiased understanding. (R30)

#### Avoid information overload

- Disclosures should be sufficient but also clear with preparers encouraged to eliminate disclosures that are not material in the context of the entity in question. (R24)
- Information should be prioritized in terms of relevancy in meeting user needs. Presentation should reflect their relative priority. (R30)
- Excessive information presented in GPFR would result in information overload and distract users from getting an uncluttered view of the core information. (R30)
- Avoid unnecessary detail and ensure that the the extent of detail disclosed in financial reports is appropriate. (R35)

Understandability

- Achieve a balance between information overload and summarization, so that understandability is maximized, but is also balanced against other qualitative characteristics and constraints. (R7)
- Information should be presented in an understandable manner. (R30)

Consistency

- The scope, key indicators and the basis of key measures should be consistent from one reporting period to another. (R30)

Timing and frequency

- A separate concept dealing with the frequency of reporting, focused on the “when information is presented” question. (R11)
- The timing and frequency of preparation and issuance of GPFR should ensure that information presented in GPFR is meaningful and relevant to users. (R30)

Decision making, responsibilities, and assurance (R30)

- Presentation decisions should be evaluated on the resulting value to the GPFR as a whole and the risk of doing otherwise.
- Selection of the appropriate presentation tools or techniques should consider the nature and characteristics of the information.
- The responsibility for the preparation and approval of the GPFR should be clearly communicated in the report.
- The fact that the GPFR is or is not subject to independent audit or review should be clearly communicated in the report. Where appropriate, the report of the independent auditor or reviewer should be appended to the GPFR.
- Users should be advised that GPFR as a whole provides information that meet user needs in that subject matter. Each type of information has its function and is of equal importance. The report should be read and considered in its totality to ensure a comprehensive and unbiased understanding.

## Exposure Draft

April 2013

*Comments due: August 31, 2013*

*International Public Sector Accounting Standards Board*

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# Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports



International Public  
Sector Accounting  
Standards Board





This document was developed and approved by the International Public Sector Accounting Standards Board (IPSASB).

The IPSASB sets International Public Sector Accounting Standards (IPSASs) for use by public sector entities, including national, regional, and local governments, and related governmental agencies. A key part of the IPSASB's strategy is to converge the IPSASs, to the extent appropriate, with the IFRSs issued by the IASB.

The objective of the IPSASB is to serve the public interest by setting high-quality public sector accounting standards and by facilitating the adoption and implementation of these, thereby enhancing the quality and consistency of practice throughout the world and strengthening transparency and accountability of public sector finances.

The structures and processes that support the operations of the IPSASB are facilitated by the International Federation of Accountants (IFAC).

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## **REQUEST FOR COMMENTS**

This Conceptual Framework Exposure Draft 4 (CF–ED4), Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports, was developed and approved by the International Public Sector Accounting Standards Board (IPSASB).

The proposals in this Conceptual Framework ED may be modified in light of comments received before being issued in final form. Comments are requested by August 31, 2013.

Respondents are asked to submit their comments electronically through the IPSASB website, using the “Submit a Comment” link. Please submit comments in both a PDF and Word file. Also, please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website. Although IPSASB prefers that comments are submitted via its website, comments can also be sent to Stephenie Fox, IPSASB Technical Director at [stepheniefox@ipsasb.org](mailto:stepheniefox@ipsasb.org).

This publication may be downloaded free of charge from the IPSASB website: [www.ipsasb.org](http://www.ipsasb.org). The approved text is published in the English language.

### **Guide for Respondents**

The IPSASB would welcome comments on all the proposals in CF–ED4. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for proposed changes to CF–ED4.

### **Specific Matters for Comment**

The IPSASB would particularly value comments on the Specific Matters for Comment below.

#### **Specific Matter for Comment 1 (See Section 1)**

With respect to the descriptions of “presentation”, “display”, and “disclosure”, and the proposed relationships between these terms, do you agree that the proposed descriptions and relationships are appropriate and adequate?

#### **Specific Matter for Comment 2 (See Section 2)**

With respect to the IPSASB’s approach to presentation of information do you agree with including presentation objectives in the Conceptual Framework, while also allowing scope for further presentation objectives to be included in pronouncements?

#### **Specific Matter for Comment 3 (See Section 2)**

Section 2 identifies presentation objectives for the three more comprehensive scope information areas—service performance information, information on the long-term sustainability of finances, and financial statement discussion and analysis. Do you agree with the presentation objectives proposed?

#### **Specific Matter for Comment 4 (See Section 3)**

Please provide your views on Section 3’s description of presentation in financial statements, including the financial statements presentation objective proposed, and the description of the type of information that should be either displayed or disclosed.

## 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 (GPFRs).

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 Exposure Draft (ED) 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, the resources of the entity at the reporting date, and changes in resources and obligations at that 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 or financial reporting.

### Project Development

The IPSASB communicates *Conceptual Framework* developments to 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 has a project to update and refine its Conceptual Framework for for-profit business entities. This project is currently deferred until the IASB concludes its ongoing deliberations about its future work plan. Developments in the IASB's Conceptual Framework are being 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 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 involved the development and issue for comment of Consultation Papers (CPs) that drew out key issues and explored the ways in which those issues could be dealt with.

The CP for Phase 1 (*The Objectives of Financial Reporting; The Scope of Financial Reporting; The Qualitative Characteristics of Information Included in General Purpose Financial Reports; The Reporting Entity*), was issued in September 2008. CPs dealing with Phase 2 (*Elements and Recognition in Financial Statements*) and Phase 3 (*Measurement of Assets and Liabilities in Financial Statements*) were issued in December 2010 and a CP dealing with Phase 4 (*Presentation in General Purpose Financial Reports*) was issued in January 2012. Following consideration of responses to these CPs, EDs are developed for each of the phases. The ED for Phase 1 was issued in December 2010. Phase 1 was then issued as a final document in December 2012. EDs for Phases 2 and 3 were issued in November 2012. This is the fourth ED, and it applies to Phase 4.

# CONCEPTUAL FRAMEWORK FOR GENERAL PURPOSE FINANCIAL REPORTING BY PUBLIC SECTOR ENTITIES: PRESENTATION IN GENERAL PURPOSE FINANCIAL REPORTS

## CONTENTS

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|  |    |
|--|----|
| Guide for Respondents .....  | 3  |
| Background to the Conceptual Framework.....  | 4  |
| Section 1 Presentation, Display and Disclosure .....                                 | 7  |
| Purpose and Structure of this Exposure Draft .....                                   | 7  |
| Presentation.....  | 7  |
| Display .....  | 7  |
| Disclosure .....   | 8  |
| Display and Disclosure for Other Information Areas .....                             | 9  |
| Section 2 Presentation in General Purpose Financial Reports.....                     | 10 |
| Overall Approach .....   | 10 |
| Presentation Objectives .....  | 10 |
| Application of the Qualitative Characteristics and Constraints to Presentation ..... | 11 |
| Separate Presentation Concepts .....   | 12 |
| Section 3 Presentation in Financial Statements .....                                 | 17 |
| Financial Statements Presentation Objective .....                                    | 17 |
| Selection and Location of Information.....   | 17 |
| Organization of Information.....   | 18 |
| Basis for Conclusions.....   | 20 |

## **Section 1 Presentation, Display and Disclosure**

### **Purpose and Structure of this Exposure Draft**

- 1.1 This Exposure Draft (ED) proposes presentation concepts for general purpose financial reports (GPFRs), including general purpose financial statements (financial statements) of governments and other public sector entities (public sector entities). This section establishes presentation related terms. Section 2 describes the IPSASB's approach to presentation. Section 3 focuses on presentation concepts as they apply to financial statements.

### **Presentation**

- 1.2 Presentation is the selection, location and organization of information that is displayed and disclosed in the GPFRs to meet the objectives of financial reporting, needs of users, and QCs.

### **Display**

- 1.3 For the financial statements, display applies to information shown on the face of a statement. For information included in GPFRs but outside the financial statements, display refers to the ways in which information is shown, such that the presentation provides an overview that (a) meets the needs of users, and (b) is appropriate given the characteristics of the information. Examples of possible presentation techniques for displayed information include the use of lists (for example, lists of critical indicators), tables, statements, and graphs. Display provides an overview for a particular "information area".

### *Information Areas and Display*

- 1.4 An "information area" is either a GPFR or a major subsection within a GPFR. Examples of information areas include service performance information, information on the long-term sustainability of an entity's finances, financial statements, and financial statement discussion and analysis. When developing presentation requirements for a particular GPFR information area, it is important to identify (a) what information needs to be displayed, (b) where the information should be displayed, and (c) how it should be organized. Appropriate presentation techniques may vary between different information areas. For each information area the overview provided by displayed information will be clearly distinguishable from disclosed information. To achieve this displayed information will need to be presented differently from disclosed information.

### *Displayed Information Provides Complete High Level Information*

- 1.5 Information that is selected for display provides a complete set of high level information necessary to report on an information area, so that key messages related to an information area can be understood, while also gaining a comprehensive overview of the area. Displayed information is central to meeting the objectives of financial reporting and users' needs. Such information should be presented prominently, using appropriate presentation techniques. The information should be kept to an understandable level, so that users can focus on that information and not be distracted by an excess of detail that could obscure the key messages that the displayed information is intended to show. But the information should also be sufficient to effectively communicate the key messages related to an information area.

Excessive detail undermines relevance and understandability. Insufficient information affects faithful representation.

## Disclosure

- 1.6 For the financial statements, disclosure refers to information shown in the notes to the statements. For information in GPFRs outside of the financial statements, disclosure refers to how information is shown, such that the presentation allows the disclosed information to make the displayed information more useful. Decisions about disclosure also involve what information should be selected for disclosure (discussed in the next paragraph). The quantity and type of information that needs to be disclosed is likely to affect decisions about how the information is presented. Disclosure of information should enhance the understandability of displayed information, both in terms of items displayed individually and of the displayed information taken as a whole. Disclosed information may also extend the information displayed.
- 1.7 Information should be considered for disclosure if it will make displayed information more useful. Disclosed information makes displayed information more useful by providing detail that will help users to understand the displayed information, including (i) the displayed information's basis, such as applicable policies or methodology, (ii) disaggregations of displayed information, (iii) items that share many but not all of the characteristics of displayed information, and (iv) information that could affect users' evaluation of displayed information. Three examples of information that could appropriately be disclosed for three different information areas, are:
  - (a) Information on the *methodologies* used to produce information on the *long-term sustainability of public finances*;
  - (b) Information about the *scope* of service performance information reported, when reporting *service performance information*; and
  - (c) Information on accounting policies applied, when reporting information in the *financial statements*.
- 1.8 Displayed and disclosed information are equally important. Both are essential to meet the GPFR objectives and presentation objectives for the relevant information area. The different role that disclosed information plays means that it is likely to be presented less prominently compared to displayed information. Disclosed information should, nonetheless, be presented in a way that supports achievement of GPFR objectives and the relevant presentation objectives.

*Disclosure is not a substitute for display*

- 1.9 All information that meets the characteristics of displayed information—described above and established either through pronouncements or the application of professional judgment where pronouncements provide scope for such judgment—should be displayed. Disclosure is not a substitute for display. Information that does not meet the applicable characteristics should not be displayed.

*Display and Disclosure for Other Information Areas*

- 1.10 As stated above, for the financial statements, display applies to the information shown on the face of a statement, while disclosure applies to information shown in the notes to the financial statements. For other information areas the presentation technique(s) used to more prominently display information would be aligned with the information needs and presentation objectives of the area and reviewed against the QCs and presentation concepts. The difference between display and disclosure may be conveyed through information location, but it may also be conveyed through other techniques such as clear labeling, borders, or presentation in tables or graphs to prominently show displayed information. It is possible that not all GPFR information areas will have both displayed information and disclosed information.



## Section 2 Presentation in General Purpose Financial Reports

### Overall Approach

- 2.1. Presentation involves making decisions on what information needs to be shown, where that information should be located, and how that information should be organized. These three decisions are made through application of the (a) relevant presentation objective(s), (b) QCs and constraints, and (c) three presentation concepts identified below. Each part of this approach should be applied to presentation decisions in combination with the other two parts.

### Presentation Objectives

- 2.2. Presentation objectives, identified by focusing on user needs, will guide presentation decisions. Presentation objectives are consistent with, but more specific than, the two overarching objectives of financial reporting—to provide information useful for accountability and decision-making purposes. Presentation objectives apply either to an information area or particular reporting topics within an information area.

#### *Presentation objectives for particular information areas*

- 2.3. The following presentation objectives will guide the development of presentation requirements in pronouncements for the following three information areas<sup>1</sup>:

##### *Service performance information*

Objective: To provide information that is useful to:

- (a) Assess how efficiently and effectively public sector entities are using resources to provide services and achieve their objectives
- (b) Identify the reporting entity's (i) anticipated future service delivery activities and objectives, and (ii) the amounts and sources of cost recoveries necessary to support those activities; and,
- (c) Evaluate (i) the achievement of financial and service delivery objectives in the current reporting period, and (ii) anticipated future service delivery activities and resource needs.

##### *Information on the long-term sustainability of finances*

Objective: To provide information that is useful to:

- (a) Assess the projected long-term fiscal sustainability of the reporting entity over a specified time horizon in accordance with transparent assumptions; and,
- (b) Evaluate the impact on the reporting entity of decisions made by the reporting date under current policy, but not fully reflected in the entity's general purpose financial statements.

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<sup>1</sup> A presentation objective for financial statements is provided in Section 3. *(Note that these objectives are based on the mostly recently available issued documents for these three projects. They may need to be revised as progress continues on these projects.)*

*Financial statement discussion and analysis*

Objective: To provide information to users that will help them to identify, understand and evaluate:

- (a) The entity, its priorities, resources that must be managed to achieve its objectives, how the environment in which the entity operates affects its financial statements, and significant changes in an entity's objectives and strategies from the previous period or periods;
- (b) The significant items, transactions, and events presented in an entity's financial statements, trends and factors that have influenced them, and any significant changes and trends in an entity's financial position and financial performance;
- (c) The purpose of, and information provided by, each component of the financial statements, and their interrelationships with other parts of the financial statements; and,
- (d) The entity's significant commitments, contingencies<sup>2</sup>, and events occurring after the reporting date, the entity's exposure to risks that directly affect financial statement items and disclosures and the impact of risks in the current period as well as expected outcomes.

*Further presentation objectives*

- 2.4. Further presentation objectives—for other information areas or particular reporting topics—may be developed in the future.

**Application of the Qualitative Characteristics and Constraints to Presentation**

*Application of the Qualitative Characteristics*

- 2.5. The QCs and constraints should be directly applied to decisions on what information needs to be presented, where that information should be located, and how that information should be organized. The QCs and constraints for a particular information area are applied with reference to both the overall financial reporting objectives (information useful for accountability and decision-making purposes) and the presentation objectives for that particular information area.
- 2.6. The QCs apply to decisions about what information is selected. Relevance requires that information is selected such that it will be (a) capable of making a difference in achieving financial reporting objectives and meeting user needs and thus (b) have confirmatory value, predictive value, or both. Information selected should be timely enough to be useful. Verifiability can lead to certain types of information being presented to support other reported information, for example, information about (a) assumptions that underlie the other information, and, (b) methodologies adopted in compiling it.
- 2.7. Understandability impacts in combination with relevance. For users to understand information there must be sufficient relevant information selected to meet the objectives of financial

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<sup>2</sup> This wording reflects that used in the most recent issued document, but is likely to change so that it aligns with the CF—ED2's use of "items that meet some but not all the essential characteristics of an element" for the term "contingencies".

reporting and user needs. Faithful representation includes the idea that the information selected should be complete; all information necessary for faithful representation of a phenomenon must be selected and presented. Information should also be neutral, which means that it should be selected without bias. Changes to the information shown over time impact on comparability, so this needs to be taken into account when considering possible changes to selected information. Information should be presented to support comparability.

- 2.8. The QCs apply to decisions about where information is located. Relevance is important when distinguishing between information that should be displayed and information that should be disclosed. Information's location can facilitate timeliness. The ways in which different types of information are verified may impact on where information is shown. Information should be located in a manner that responds to the needs and knowledge base of users, and to the nature of the information presented and therefore enhances the information's understandability. Faithful representation includes the need to locate information without bias so that the content is presented neutrally. Information location should help its comparability, ensuring that like items look alike, and different items look different.
- 2.9. The QCs apply to decisions about how information is organized. The way that information is organized can either make clear or obscure its relevance. Verifiability of displayed information can be enhanced by the way that related disclosed information is organized, allowing users to link methodologies and assumptions to the main information. To enhance understandability information should be organized in a manner that responds to the needs and knowledge base of users, and to the nature of the information presented. Information should be presented in a manner that is readily understandable by users. It should be organized so that its classification and characterization are clear. Information should also be presented clearly and concisely. Organization of information can also support faithful representation and comparability by ensuring that information's presentation is without bias and the relationship between items is clear (like items look alike, and different items look different).

#### *Application of the Constraints*

- 2.10. Materiality and cost-benefit are particularly important when making decisions on information selection, because they provide constraints on the amount of information selected. Achieving an appropriate balance between the qualitative characteristics relates to the judgments involved when considering all the QCs' as they apply to the three presentation decisions. That is important for information selection, location and organization.

#### **Separate Presentation Concepts**

- 2.11. The following three presentation concepts below will guide the development of presentation requirements and should also guide preparers' presentation decisions where presentation requirements are not specified in IPSASs or flexibility is provided to preparers:

Concept 1<sup>3</sup>: Select information that meets user needs, satisfies the cost-benefit test, and is sufficiently timely.

Concept 2: Locate information to meet user needs.

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<sup>3</sup> The three presentation concepts are numbered for ease of reference. The numbering does not imply a hierarchy of importance.

Concept 3: Organize information to make important relationships clear and support comparability.

*Concept 1: Select information that meets user needs, satisfies the cost-benefit test, and is sufficiently timely*

- 2.12. Information selected to meet user needs must meet the QCs and constraints on information. Concept 1 then guides information selection by emphasizing a focus on user needs, the cost-benefit test, and ensuring that the information is sufficiently timely.

Select information that meets user needs

- 2.13. This concept involves selection of information that meets user needs, in order to achieve GPFR objectives and the presentation objectives identified for an information area. There should be sufficient information, with all information selected for presentation reviewed to ensure that it contributes to meeting user needs and objectives. Preparers should take the same care when exercising their professional judgment as they comply with pronouncements, ensuring that sufficient information is provided to meet user needs, achieve GPFR objectives and achieve presentation objectives identified for an information area. When providing information over and above that required by IPSASs, preparers should critically review information they propose to provide to check that it contributes to meeting user needs, the QCs and constraints, with particular reference to relevance and materiality. Information selection should avoid information overload which reduces understandability.
- 2.14. Information selection involves decisions about the appropriate level of detail. To reach the right level of detail involves information prioritization and summarization. In some situations totals must be disaggregated to ensure that the QCs of relevance and faithful representation are met. In other situations it will be important for simpler summaries of very detailed information to be displayed—aggregations—so that information will be understandable, while still providing sufficient detailed supporting information to achieve the QCs of relevance and faithful representation.
- 2.15. The amount of information presented should not be so extensive as to obscure, so that users find it difficult to understand the overall situation, there is a risk that important information will be missed, the GPFR objectives are less likely to be achieved, and achievement of presentation objectives for an information area is undermined. All material transactions, events, and other items reported should be presented in a complete manner that conveys their substance rather than their legal or other form and achieves the QCs of relevance and representational faithfulness.

Information that satisfies the cost-benefit test

- 2.16. When considering information selection, the benefits to users of receiving information should justify the costs to entities of collecting and presenting that information. In developing disclosure and display requirements in pronouncements, a focus on presentation of information whose benefits justify the costs is likely to enhance the relevance and, by avoiding unnecessary clutter, the understandability of the information. In assessing the benefits of individual items of information it will be important to consider how each item could impact on the overall view presented and the characteristics of the information presented. Items that may appear to have little benefit when viewed in isolation could have much greater

benefits when viewed as contributing to the whole set of information presented.

Information that is sufficiently timely

- 2.17. Information needs to be presented on a sufficiently timely basis to help users to (a) hold management accountable, and (b) inform decisions. Timeliness includes both the need to provide information on a sufficiently frequent basis to allow the compilation and review of trend information important for accountability and decision making, and soon enough after the events upon which information is reported to be useful for accountability and decision making. Relevance, faithful representation, comparability, and understandability are all reduced if information is not provided with sufficient timeliness.
- 2.18. Lack of timely information is not a basis to exclude information that is necessary to ensure that user needs are met, along with the QCs and GPFR objectives. There may be circumstances in which an estimate, based on information available at the time, can be used in place of information not yet available, so long as the estimate is sufficiently reliable to achieve faithful representation.

*Concept 2: Locate information to meet user needs*

- 2.19. Information location impacts on information's relevance, timeliness, verifiability, understandability, faithful representation, and comparability. Location may be used to (a) convey the relative importance of information and its connections with other items of information, and (b) convey the nature of information, and (c) link different items of information that contribute together towards achievement of a particular user need or presentation objective. Where information is located can either support or undermine users' ability to compare information.
- 2.20. Decisions about where information is located have the potential to either exaggerate or under-emphasize the importance of information, which biases the information and impacts negatively presentation. Such decisions need to indicate the relative importance of the information presented so that financial reporting objectives and applicable presentation objectives are achieved.
- 2.21. For financial statements information location distinguishes between displayed information and disclosed information. This may be the case in other information areas, where the use of a statements/notes to statements presentation may be appropriate to distinguish between displayed information, which provides an overview and key messages in that area, and disclosed information, which is of equal importance but provides detail and other supporting information to enhance and explain the displayed information.
- 2.22. The following information differences could be important, when considering whether information should be separated into different locations, in order to communicate its different nature. Information may be presented differently based on whether it is:
- (a) Narrative or quantitative;
  - (b) Historical or future-oriented;

- (c) A standardized, externally imposed selection or an entity specific, management controlled selection<sup>4</sup>; or
- (d) Financial or non-financial.

*Concept 3: Organize information to make important relationships clear and support comparability*

Organize to make important relationships clear

- 2.23. This concept involves consideration of ways that presentation can clarify important relationships between information in different places, whether different parts within a GPFR, or different GPFRs. Presentation should help to ensure that key messages are understandable. Presentation that clearly identifies important relationships is likely to enhance the extent to which a GPFR (a) achieves financial reporting objectives, (b) embodies the QCs, and (c) achieves presentation objectives that are specific to a particular information area. Information about relationships that is presented in GPFRs, the way that information is organized, and where it is located should ensure that users are informed about important relationships between reported information.
- 2.24. Linking related information helps users to find information important for faithful representation, understandability, and verifiability. Some information is more understandable when organized into graphs, charts, tables, ratios or key performance indicators (KPIs). Other information may be presented more effectively in narrative form.
- 2.25. Important relationships that warrant highlighting must be identified. Then ways to organize the information are considered, in order to identify how best to organize the information to ensure that important relationships will be highlighted for the user of the GPFRs.
- 2.26. Important relationships include, but are not restricted to, those of:
- (a) Enhancement;
  - (b) Similarity; and
  - (c) Shared purpose.
- 2.27. *Enhancement.* Information in one place in a GPFR may be enhanced through information provided elsewhere. For example, note disclosures in the financial statements, in part, provide enhancing information, which is related to the information displayed 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. Links to information reported outside the GPFRs, for example budget or statistical information, may enhance the understandability of information reported inside GPFRs.
- 2.28. *Similarity.* A relationship of similarity exists where information reported in one place is based on information reported elsewhere in the GPFRs, and either has not been adjusted or has had relatively minor adjustments. For example, if service performance information includes the cost of services, or the value of assets deployed in different services, then it may be

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<sup>4</sup> For example, the content of the financial statements is more standardized than the content of financial statement discussion and analysis, which is much more under management control in terms of the selection of entity specific information. But this is a matter of degree, with both involving some level of management judgment and selection if information is to reflect entity specifics.

helpful to show how those totals relate to expenses and assets reported in the financial statements. Another example is the relationship between the total expenses reported against budget and total expenses reported in the statement of financial performance. A reconciliation between the two different amounts can enhance users' understanding of both amounts.

- 2.29. *Shared purpose*: A relationship of shared purpose exists where information reported in different places contributes to a shared purpose. An example of such a situation is that of different statements and disclosures providing information needed for assessments of accountability for services provided. Information about (a) the actual and budgeted cost of different services, (b) financial and non-financial resources used in the provision of different services, and (c) actual, budgeted, and expected future provision of different services in narrative form may be included in different places. To make the relationship between the information in different places clear, it may be appropriate to use presentation to organize the information by using techniques such as common headings and referencing.

#### Support comparability

- 2.30. This concept also emphasizes the importance of presentation for comparability. Presentation is of particular importance to comparability, because users' ability to compare information depends on the way that information is presented. If the way that information is organized changes from year to year for the same reporting entity, comparisons become very difficult. Similarly, if different reporting entities present information in different ways, inter-entity comparisons become difficult. Presentation should facilitate comparisons and make clear when like items are like and when unlike items are unlike.

## **Section 3 Presentation in Financial Statements**

### **Financial Statements Presentation Objective**

- 3.1. The presentation objective for financial statements and their related notes is to provide information that users need to identify, understand and evaluate the entity's:
- (a) Sources, allocation and uses of resources;
  - (b) Methods of financing its activities and meeting its cash requirements;
  - (c) Ability to finance its activities and meet its obligations to pay cash or sacrifice other resources in the future;
  - (d) Financial condition and changes in its financial condition, including changes in resources and obligations at the reporting date;
  - (e) Expected future level of resources required for continued operations, the resources that may be generated by continued operations, and the associated risks and uncertainties;
  - (f) Expected future cash requirements, and the entity's ability to generate cash flows in the future and to fund changes in the scope and nature of its activities;
  - (g) Cash inflows and cash outflows during the reporting period; and,
  - (h) Compliance with its approved budget(s) and, where the budget(s) and the financial statements are prepared on the same basis, the entity's performance in achieving the budgeted results.
- 3.2. The selection, location and organization of information in financial statements and their related notes should (a) achieve the presentation objective above, (b) result in information that meets the QCs and constraints, and (c) meet the presentation concepts application to selection, location and organization of information. How an entity presents information in its financial statements is critical to effectively communicating that information to users. Effective financial statement presentation provides aggregated and disaggregated information organized in a manner that clearly communicates a cohesive financial picture of an entity.

### **Selection and Location of Information**

- 3.3. Information selected for inclusion in financial statements should meet user needs, satisfy the cost-benefit test, and be sufficiently timely. The selected information should then be located so as to meet user needs.

### *Display and Disclosure*

- 3.4. Display applies to information shown on the face of a financial statement. Disclosure applies to information shown in the notes to the financial statements. Decisions about display and disclosure are made within the context of an integrated package of material, where disclosed information supports, enhances and extends the information that is displayed. Achievement of the presentation objectives, the QCs and constraints require that decisions about display and disclosure are made with reference to each other rather than in isolation of each other.



*Display and Recognition of Elements*

- 3.5. Where an item meets the relevant definition and recognition criteria for the elements of financial statements it should be included in the amounts reported on the face of a financial statement. In addition, the items included in a particular line should be correctly classified as to their element definition. No item that meets the recognition criteria for an element should only be disclosed in the notes instead of being included in a displayed amount. Disclosure is not a substitute for recognition.

*Disclosures on Line Items and Other Matters*

- 3.6. Information displayed on the face of the financial statements focuses on numeric totals and sub-totals. Such information is important to users, because it provides a useful overview of the entity's finances. Such information is not enough to achieve the financial statements' presentation objective. Users need further information to be disclosed in the notes to the financial statements to understand:
- (a) Entity-related factors that could influence judgments about reported information (for example, information about related parties, consolidated controlled entities and interests in other entities, operations, and restrictions);
  - (b) The basis of what is displayed (for example, information on accounting policies and measurement, including measurement methods and measurement uncertainties where applicable);
  - (c) Detail related to disaggregations of the high level summary on the face of the statements (for example, a break-down of property, plant and equipment into different classes);
  - (d) Items that do not meet the definition or recognition criteria for elements but are still important to an understanding of the organization's finances and ability to deliver services (for example, information about events and conditions, including items that meet some but not all the essential characteristics of an element, that can affect prospects for future cash flows or service potential, including their natures, possible effects on cash flow or service potential, probabilities of occurrence, and sensitivities to changes in conditions); and
  - (e) Information that explains under-lying trends affecting displayed totals (for example, segment information).

**Organization of Information**

- 3.7. Organization of information should support achievement of the presentation objective above. Information should be located so as to make important relationships clear and support comparability.

*Financial Statements and Accompanying Notes*

- 3.8. Information will be organized in the form of financial statements and accompanying notes. The notes are an integral part of the financial statements. The financial statements will provide a comprehensive overview of the reporting entity's finances, designed to meet the presentation objective above and the over-arching objectives of financial reporting. The

accompanying notes will disclose (a) additional detail on the items displayed on the face of the statements, and (b) other information that expands users' understanding of the reporting entity's finances thereby supporting achievement of the same objective.

- 3.9. The financial statements will provide a structured representation of an entity's financial position, financial performance, cash flows, and budget performance. They will provide information about an entity's:
  - (a) assets, liabilities and ownership interests;
  - (b) revenue and expenses, deferred inflows and deferred outflows;
  - (c) contributions by and distributions to owners in their capacity as owners;
  - (d) cash flows; and
  - (e) approved budget and performance against its approved budget.
- 3.10. An entity will present all of its financial statements with equal prominence. Display on the face of a financial statement should support comparisons with previous periods and with the financial statements of other entities.

#### *Important Relationships*

- 3.11. An entity shall present information in its financial statements so that important relationships among items across the financial statements are clear. Important relationship include, but are not necessarily restricted to relationships between:
  - (a) Subsets of elements or changes in elements *and* their related impact on an entity's financial position, financial performance and/or cash flows;
  - (b) Displayed items *and* related note disclosures that provide information that explains or could otherwise enhance users' understanding of displayed items;
  - (c) Different items across the different financial statements, which (i) all reflect the impact of either a common external event or a decision internal to the entity, or (ii) contribute together towards an understanding of an aspect of the entity's financial position, performance or risk management.
  - (d) An entity's financial performance *and* its reported budget performance;
- 3.12. Information should be presented in the different financial statements so that the relationship among items across those statements is clear. In some cases information important to an understanding of the financial statements may be reported outside of the financial statements (for example, financial statement discussion and analysis or the entity's approved budget). In these cases the financial statements should include information that allows users to access that external to the financial statements information and relate it clearly to the information reported in the financial statements.
- 3.13. Related information should be linked through the use of (a) consistent headings, (b) presentation order, and/or (c) other methods appropriate to the relationship, type(s) of information, and locations of the related information.

## **Basis for Conclusions**

*This Basis for Conclusions accompanies, but does not form part of, the Conceptual Framework.*

### **Introduction**

*Presentation concepts for more comprehensive scope GPFRs*

- BC1. These presentation concepts, developed in Phase 4 of the Conceptual Framework project, apply to GPFRs, including both financial statements and the more comprehensive scope areas of financial reporting described in Phase 1 of the Framework. The more comprehensive scope areas include reporting on topics such as service performance information, information on the long-term sustainability of public finances, and financial statement discussion and analysis. The scope of GPFRs, as stated in Phase 1, may evolve over time. Given the importance in the public sector of more comprehensive scope information to meet user needs and provide users with information for accountability and decision-making, the IPSASB views effective presentation of such information as critically important. For this reason the IPSASB decided to develop presentation concepts for GPFRs, including both financial statements and the more comprehensive scope areas of financial reporting.

*Application of concepts from Phase 1 of the Framework*

- BC2. These presentation concepts depend, in part, on GPFR concepts already established in Phase 1 of the Framework. The concepts established in Phase 1 include, inter alia, the scope, objectives and users of GPFRs, and the QCs and pervasive constraints applicable to information presented in GPFRs. The objectives of financial reporting are to provide information about the entity that is useful to users for accountability and decision-making purposes. The users of GPFRs and the information they will need for accountability and decision-making purposes are described in Phase 1 of the Conceptual Framework. The QCs are relevance, faithful representation, understandability, timeliness, comparability, and verifiability. Materiality, cost-benefit, and achievement of an appropriate balance between the QCs are pervasive constraints on information included in GPFRs.

### **Presentation, display and disclosure**

- BC3. Section 1 describes presentation as the selection, location and organization of information that is displayed and disclosed in the GPFRs to meet the objectives of financial reporting, needs of users, and QCs. For the financial statements, display applies to information shown on the face of a statement and disclosure to information reported in the notes. For information in GPFRs outside of the financial statements, display refers to the ways in which information is shown, such that the presentation provides an overview that (a) meets the needs of users, and (b) is appropriate given the characteristics of the information. Disclosure refers to how information is shown, such that the presentation allows the disclosed information to make the displayed information more useful.
- BC4. In the context of financial statements, presentation has been viewed, in some jurisdictions, as addressing information reported on the face of a statement, while disclosure addresses information that is reported in the notes. Different descriptions for

presentation and disclosure and the new term “display” are used here because presentation is being considered within the more comprehensive scope context explained in paragraph BC1. Distinctions focused on the financial statements have limited usefulness and provide scope for confusion within this broader context. At the time the descriptions of display and disclosure support a clear distinction, within the context of financial statements, between information shown on the face of a financial statement (display) and information shown in the notes to the statements (disclosure).

- BC5. This description of presentation also contrasts with the meaning of “fair presentation” with respect to financial statements. IPSAS 1, *Presentation of Financial Statements*, states that:

Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSASs. The application of IPSASs, with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation.

- BC6. This ED excludes from its coverage the recognition and measurement of elements, which are covered in Phases 2 and 3 of the Conceptual Framework, and described in the two EDs issued in November 2012.

*Identification of Information that should be displayed or disclosed*

- BC7. This ED does not identify specific information that should be displayed or disclosed in different information areas. This is because that level of specificity should be done when developing a pronouncement for a particular topic or information area rather than in the Conceptual Framework. The identification of information for either display or disclosure will be considered during development of pronouncements through application of (a) the descriptions of display and disclosure in Section 1, and (b) the overall approach to presentation set out in Section 2, including the presentation objectives for the particular information area.
- BC8. The identification of what information should be displayed and what disclosed could involve, for a particular information area, the development of: (a) classification principles appropriate to that area; (b) a list of broad types of information that should be displayed and a similar list of broad types of information that should be disclosed; or, (c) lists of specific information that preparers must display (or disclose) for that area. Presentation objectives applicable to an information area would guide the identification of what information should be displayed or disclosed by both standard setters and preparers. (Presentation objectives are described in Section 2 and discussed below.)

*Disclosed information is of equal importance to displayed information*

- BC9. Information that is disclosed is of equal importance to information that is displayed. The difference between the two types of information relates to their respective roles in informing users to meet the GPFR objectives and applicable presentation objectives rather than their relative importance. Conceptual Framework Consultation Paper, *Presentation in General Purpose Financial Reports* (CF—CP4) proposed that information that is displayed be termed “core information” while information that is

disclosed be termed “supporting information”. A significant number of respondents to the CP considered that the two terms indicated that disclosed information was less important than displayed information. Partly in order to avoid that misunderstanding the IPSASB decided to remove all references to core information and supporting information.

## **Presentation Approach**

- BC10. Presentation involves making decisions on what information should be presented, where that information should be located, and how it should be organized. The approach to presentation set out here establishes that these decisions should be made through application of (i) the applicable presentation objectives, (ii) the QCs and constraints, and (iii) the three presentation concepts identified below. Each part of this approach augments the other two parts. Each part should be applied to presentation in combination with the other two parts. Presentation objectives, discussed further below, are an important part of this approach. Presentation objectives are identified by focusing on user needs.
  
- BC11. As stated in the introduction, some respondents to CF—CP4 expressed concern that the concepts proposed would not be sufficiently useful for financial statements. A number of these respondents also expressed concern that the concepts were too high level to be useful to GPFRs generally. Those concerns were considered alongside the views of other respondents who supported the development of presentation concepts applicable to the more comprehensive scope areas of financial reporting and the view, shared by the IPSASB and many respondents CF—CP4 that the Conceptual Framework needs to provide presentation concepts that apply to all GPFRs, not just the financial statements.
  
- BC12. This presentation approach is a high level approach. That is because it is designed to apply across the different types of information presented in public sector GPFRs, where achieving the over-arching GPFR objectives of accountability and decision-making requires a much wider set of information and different ways to present that information that is outside the financial statements.
  
- BC13. The IPSASB’s presentation approach needs to be high level enough to appropriately guide the IPSASB’s development of pronouncements and preparers’ presentation decisions across all GPFR information areas, while avoiding over-specification at the Conceptual Framework level. Presentation concepts needs to be general enough to (a) be relevant to presentation in both the financial statements and the range of more comprehensive scope information areas, while also (b) maintaining their relevance as evolution occurs over time with respect to: (i) GPFR scope; (ii) the information required to adequately meet the GPFR objectives and user needs identified in Phase 1 of the Conceptual Framework; and (iii) the information technology available to present information in GPFRs.

## *Presentation objectives*

- BC14. Presentation objectives are identified by focusing on user needs. They are consistent with, but more specific than, the two over-arching objectives of financial reporting—accountability and decision-making. They operationalize, and contribute to

achievement of, those two over-arching objectives as they apply to a particular information area or reporting topic.

- BC15. The objectives of the information presented should be clearly identified to guide presentation decisions with respect to (a) standards-level development of pronouncements, including IPSASs; and, (b) preparers' presentation decisions where pronouncements allow flexibility for preparers to apply their professional judgement or there are no presentation requirements.
- BC16. Standards or other pronouncements could benefit from the inclusion of the presentation objectives identified for that information area in the pronouncement. Presentation objectives will guide the development of pronouncements and preparers' presentation decisions as they apply the pronouncements. Standards addressing specific topics may also benefit from inclusion of presentation objectives applicable to each topic addressed, for the same reason.

*Presentation objectives and the boundary between concepts and standards-level specifics*

- BC17. Development of concepts for presentation involves decisions on the appropriate boundary between general, high level concepts for inclusion in a conceptual framework and specific requirements, often characterized as standards-level concerns, which are more appropriately included in pronouncements. The IPSASB view is that the content and structure of GPFRs are standards-level concerns.
- BC18. CF—CP4 proposed that presentation objectives should be established to guide presentation decisions, but that they should be treated as a standards-level concern. Respondents generally supported presentation objectives, but some argued that they should be included in the Conceptual Framework. After considering responses on this issue the IPSASB decided that presentation objectives should be included in the Conceptual Framework. Coverage of objectives in the Conceptual Framework does not exclude objectives also being included, where appropriate, in specific standards. Phase 1 acknowledges that the scope may evolve over time. On that basis the coverage of presentation objectives in the Conceptual Framework cannot be exhaustive. Objectives included here only cover financial statements and the three more comprehensive scope information areas for which projects were in-progress at the time of Phase 4's development.
- BC19. The scope of financial reporting is likely to evolve in response to users' information needs, consistent with the objectives of financial reporting. This means that it is not possible to provide a exhaustive list of all presentation objectives, covering both information areas already identified and those that may be identified in the future. As further information areas are identified, presentation objectives for those areas will be identified, for inclusion, as appropriate, in the Framework, in pronouncements, or both.
- BC20. Section 2 lists presentation objectives for the more comprehensive scope information areas (a) service performance reporting, (b) reporting on the long-term sustainability of public finances, and (c) financial statement discussion and analysis. These presentation objectives were developed by the IPSASB as part of projects developing pronouncements applicable to these three areas. Section 3 identifies a presentation objective for financial statements.

*Application of the Qualitative Characteristics and constraints to presentation decisions*

- BC21. The direct application of the QCs and constraints will guide the IPSASB's development of presentation requirements. The direct application of the QCs and constraints should also guide preparers' presentation decisions where presentation requirements are not specified in IPSASs or flexibility is provided to preparers. Phase 1 addresses the QCs and constraints.
  
- BC22. The presentation concepts, discussed further below, emphasize certain QCs and the cost-benefit constraint. That does not mean that other QCs and constraints do not apply. All are important and should be considered when making presentation decisions. Understandability, for example, is an important consideration when selecting, locating and organizing information. Materiality is important when making decisions about information selection and location.
  
- BC23. CF—CP 4 included descriptions that related the pervasive constraints on GPFR information to the different presentation decisions, but only proposed that the QCs be directly applied to such decisions. Respondents to CF—CP 4 were concerned that the constraints should be taken into account when making presentation decisions. This concern was expressed mainly through proposals on the separate presentation concepts. Respondents' proposals on amendments to these concepts and on additional concepts frequently involved incorporating the constraints into the proposed wording. In response to those concerns this ED includes direct application of both the QCs and constraints to presentation decisions. Materiality, cost-benefit and achieving an appropriate balance between the qualitative are directly applicable to decisions about what information to present, where to locate that information, and how that information should be organized.

*Separate Presentation Concepts*

- BC24. The three separate presentation concepts are high-level while also applying specifically to presentation. They fill a gap between presentation and other parts of the Conceptual Framework, such as user needs, the QCs and constraints. They help to operationalize the QCs' and constraints' application to presentation decisions. Where particular QCs or constraints are viewed as having special relevance to a presentation decision this is captured in the separate presentation concepts. For example, Concept 1 includes the cost-benefit constraint because this is viewed as having special significance for information selection. The QC of comparability is included in Concept 3, because of its special significance to decisions about how to organize information.
  
- BC25. These presentation concepts should guide the IPSASB's development of presentation requirements and guide preparers' presentation decisions where presentation requirements are not specified in IPSASs or flexibility is provided to preparers.

*Display and disclosure within the overall approach*

- BC26. Decisions on information that should be selected for either display or disclosure are made within the context of the applicable presentation objectives. For example, presentation decisions are necessary to identify what information should be displayed to support the relevant objectives for a particular information area, while also meeting

QCs and constraints such as relevance, understandability, representational faithfulness, and cost-benefit and materiality. Then decisions are necessary on where that information should be located and how it should be organized in order to give it the prominence that displayed information should have and clearly distinguish it from disclosed information.

### **Presentation Concepts for Financial Statements**

- BC27. Some of the respondents to CF—CP4 expressed concern that the presentation concepts proposed would not be sufficiently useful for financial statements. They argued in favor either of a focus restricted to presentation concepts for financial statements or increased coverage of the financial statements. Other respondents supported the development of presentation concepts applicable to the more comprehensive scope areas of financial reporting and argued that, given the importance of effective presentation for these areas for public sector accountability and decision-making, it was essential to include coverage of presentation concepts for these areas in the Conceptual Framework's coverage.
  
- BC28. The IPSASB acknowledged the merits of both views and, on that basis, decided to provide more in-depth coverage of presentation for financial statements, while maintaining Phase 4's overall focus on presentation concepts applicable to GPFRs, including both financial statements and the more scope information areas. Section 3 applies the high level presentation concepts to financial statements.
  
- BC29. Section 3 describes presentation applied to the financial statements. The coverage in Section 3 has been developed by applying the general concepts in Sections 1 and 2 to the specifics of financial statements. Section 3 establishes objectives applicable to financial statements, including notes to the statements. It then describes information displayed and disclosed in financial statements.
  
- BC30. The objective for financial statements, included in Section 3, has been developed through review of (a) existing IPSASB pronouncements on financial statements, (b) other standard setters' pronouncements and work in progress, and (c) research and articles related to the purpose and objectives of financial statements.
  
- BC31. During the development of CF—CP4 the IPSASB considered presentation principles developed by IASB staff for inclusion in a draft ED on financial presentation. Those principles were reviewed for their relevance and applicability to Section 3's coverage of presentation in the financial statements. Section 3's discussion of note disclosures has also benefited from work-in-progress by the Financial Accounting Standards Board (FASB) and European Financial Reporting Advisory Group (EFRAG) on disclosures in financial statements.
  
- BC32. The financial statements objective includes reference to information about an entity's financial position, financial performance and cash flows. However Section 3 does not specify the number or type of financial statements that should be specified in pronouncements related to GPFRs. That is consistent with the IPSASB's view that specification of financial statements is something that should be done at standards-level rather than through the Conceptual Framework. It reflects an appreciation that internationally some preparers treat the primary financial statements as a minimum



requirement, with flexibility for the preparer to add further statements (for example, additional statements that list commitments or public sector debt) to the four financial statements presently required by IPSASs. It is also consistent with the need to avoid over-specification at the Conceptual Framework level, as mentioned above under “presentation approach”.

- BC33. The need to avoid over-specification also explains why Section 3 does not attempt to provide a definitive list of information that should be included in the financial statements, including their notes. Over-specification should be avoided so that the Conceptual Framework description of presentation applied to financial statements will remain relevant as evolution occurs in (a) the type of information required to adequately meet financial statement presentation objectives, (b) the information technology available to present information in GPFRs changes over time, and (c) the type of economic phenomenon on which financial statements report changes over time.
- BC34. The Conceptual Framework should remain focused on high level principles and avoid over-specification that could place barriers in the way of innovative presentation developments to address existing and emerging presentation problems. For example, information viewed as necessary in order to adequately report on the financial risks arising from financial instruments has changed over the last thirty years and new types of financial instruments have been developed and GPFR users’ understanding of those risks has evolved. Further changes in this area could occur in the future. There is widespread concern about the complexity and length of financial instrument disclosures, matched only by concerns that insufficient information on financial instruments affects the usefulness of financial statements. This is an area where new presentation developments, aimed at solving these problems, could emerge in the future.

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