

Agenda Item 2B
CF—ED, *Presentation*
Review draft Exposure Draft

IPSASB Meeting, New York, U.S.A.

December 2012

Objectives of this Session

- Discuss a preliminary draft of the Exposure Draft (ED), CF—ED, *Presentation*; and
- Provide directions on the draft ED

Background

- Responses on CP, *Presentation* reviewed in September
- IPSASB decided that the ED should:
 - a) Terminology:* Include “presentation”, “display” and “disclosure”, replace core/supporting with description of information types
 - b) Overall approach:* Continue with (i) presentation objectives, (ii) apply QCs, (iii) separate presentation concepts
 - c) Presentation objectives:* Include objectives in the ED, allow scope for further objectives in standards

Background (continued)

IPSASB decided that the ED should:

- (d) *Presentation concepts*: Include separate presentation concepts. TBG to review respondents' comments — consider need for further concepts, but view this skeptically
- (e) *Financial statements*: Apply overall approach to develop more detailed coverage for financial statements

Background (continued)

Staff and TBG developed a draft CF—ED, *Presentation*:

Section 1: Presentation, display and disclosure

Section 2: Overall approach: (a) objectives, including objectives for 3 information areas, (b) apply QCs *and* constraints, (c) three presentation concepts

Section 3: Financial statements: More detail, applying overall approach

Basis for Conclusions

Overview of Issues

- The six significant issues for discussion are:
 1. Terminology
 2. Overall approach
 3. Presentation objectives
 4. Presentation concepts
 5. Financial statements
 6. Basis for Conclusions

Issue 1 Terminology: Presentation, Display and Disclosure

Section 1 describes “presentation”, “display” and disclosure. The descriptions are:

- a) Based on those in CP, *Presentation*
- b) Include descriptions of the type of information displayed or disclosed
- c) Exclude the core/supporting distinction
- d) Exclude illustrative detail and examples, including Diagram 1 from the CP; and exclude explanations

Issue 1 Terminology—Matter for Consideration

The IPSASB is asked to consider whether Section 1's coverage of presentation, display and disclosure is adequate, in particular whether:

- Diagram 1 should be excluded from the ED; and
- The coverage of different factors that affect whether information is displayed or disclosed is sufficient.

Issue 2 Overall Approach

- Section 2 describes the overall approach to presentation.
- The description is based on CP, *Presentation's* description
- Important differences:
 - Application of the *constraints* to presentation decisions
 - Description of applying the qualitative characteristics to decisions has been developed from Table 1 of CP, *Presentation*
 - Presentation objectives for three information areas have been included (*The objectives are for discussion as Issue 3.*)

Issue 2 Overall Approach—Matter for Consideration

The IPSASB is asked to consider whether Section 2's coverage of the overall approach to presentation is adequate, in particular whether:

- Approach should include application of the *constraints* to presentation decisions; and
- Coverage on the *three information areas* is sufficient, or should be expanded

Issue 3 Presentation Objectives

- Section 2 includes presentation objectives for three information areas:
 - Service performance reporting;
 - Reporting on the long-term sustainability of public finances; and
 - Financial statement discussion and analysis
- Objectives derived from issued documents for these three projects; changes arising from work-in-progress will need to be incorporated

Issue 3 Presentation Objectives—Matter for Consideration

The IPSASB is asked to consider whether Section 2's coverage of presentation objectives is adequate, in particular whether:

- Presentation objectives should be included in the Conceptual Framework; and,
- 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.

Issue 4 Presentation Concepts

- Three presentation concepts are the *same* as those included in CP, *Presentation*
- Respondents' comments on these concepts have been addressed through:
 - Including application of the constraints in the overall approach
 - Coverage related to financial statements in Section 3
 - Removal of detail, including detail related to presentation techniques

Issue 4 Presentation Concepts—Matter for Consideration

- Are the three presentation concepts in Section 2 and their related descriptions adequate or are revisions or additional concepts necessary?

Issue 5 Financial Statements

- Section 3 addresses presentation in financial statements
- Reporting against *budget* is treated as being part of the financial statements information area
- Section 3 developed through reference to:
 - Existing IPSASs (IPSAS 1, IPSAS 2, and IPSAS 24)
 - Work by other standards setters, including work-in-progress on disclosure frameworks and the IASB's Staff draft standard on presentation in financial statements

Issue 5 Financial Statements—Matter for Consideration

- Is the coverage of financial statements concepts adequate, in particular:
 - Should the financial statements information area include reporting on *budget performance*?
 - Is the *presentation objective* for financial statements acceptable?
 - Are the proposed descriptions of *information to be displayed and disclosed* in financial statements sufficient?

Issue 6 Basis for Conclusions

- The coverage in the Basis for Conclusions is based on past IPSASB meeting minutes and discussion and explanations that were previously in CP, *Presentation*
- Coverage on Section 3 of the draft ED is quite short—will be expanded subsequently

Issue 6 Basis for Conclusions—Matter for Consideration

The IPSASB is asked to consider revisions needed to the Basis for Conclusions and, in particular, whether:

- There are any gaps in the explanations provided; and
- Any of the content is unnecessary or overly detailed and should be removed.

Next Step

- Revise the draft CF—ED, *Presentation* for further IPSASB review at the March 2013 IPSASB Meeting
- The CF project plan has ED approval projected for March 2013.

Financial Reporting Council Discussion Paper (FRC DP)

- Disclosures in management commentary, corporate governance and the notes to the financial statements.
- *Disclosure objective proposed:* Provide additional information...to enable users to understand an entity's business model, governance and financial performance.
- *Presentation:* The display of information for comparability purposes. (Display is on face of statements or information required to be shown in notes.)

FRC DP: Content of disclosures

- Disclosures are relevant and meet users' needs
- Disclose information that provides:
 - Context for understanding performance, position and entity development
 - Specific risks to which exposed, including management of risks
 - Disaggregation of amounts to understand key components of statements
 - Explanation of basis for recognition and measurement
 - Information on unrecognized items (could impact on future cash flows)

FRC DP: Placement criteria for information in notes

Objective: Notes amplify and explain the financial statements.

- Information essential to understanding the financial statements and elements
- *Disaggregations* and *explanatory* material: Disclosures linked to numbers reported in the financial statements are placed in the notes.
- *Unrecognized amounts*: Disclosures linked to or likely to affect understanding and perception of numbers reported in financial statements are placed in notes.
- A disclosure is placed in the notes when non-disclosure might make the primary financial statements misleading.