

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Abu Dhabi, UAE

Meeting Date: March 11–14, 2013

Agenda Item 2B

For:

☒ Approval

☐ Discussion

☐ Information

Conceptual Framework: Presentation

Objective of Agenda Item

1. To **discuss** a draft of Conceptual Framework Exposure Draft 4, *Presentation in General Purpose Financial Reports* (CF–ED4), and **approve** the ED.

Materials Presented

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

Actions Requested

2. The IPSASB is asked to consider the significant issues in Agenda Item 2B-1, to identify revisions where necessary to the draft ED, and approve the ED.

Conceptual Framework: Presentation

Background

1. At its December meeting the IPSASB reviewed a preliminary draft CF—ED4, *Presentation in General Purpose Financial Reports* (ED, *Presentation*). The IPSASB directed Staff and the TBG to (a) make revisions to the draft ED; (b) provide the revised ED to Members for an interim review, and then, after further revisions to address comments received, (c) submit the draft ED, *Presentation* to the IPSASB for review and approval at its March 2013 meeting.

Interim Review of ED, Presentation

2. A revised ED, *Presentation* was circulated for IPSASB review in January. An e-mail sent out with this interim draft ED highlighted six issues—the ED's: (a) structure and content, (b) focus on presentation decisions, (c) descriptions of display and disclosure, (d) presentation aim and description of presentation objectives, (e) proposal that presentation objectives should be included in International Public Sector Accounting Standards (IPSASs) and Recommended Practice Guidelines (RPGs), and (f) inclusion of presentation objectives in ED, *Presentation*.
3. Phase 4's Task Based Group, which consists of Anne Owuor, Ian Carruthers, Jeanine Poggiolini, Mariano D'Amore, Thomas Müller-Marquès Berger, and Tim Youngberry, had a significant role in developing the draft ED circulated for the IPSASB's inter-meeting review (the interim draft ED). Therefore, the five TBG members did not comment as part of the inter-meeting review. Responses were received from eight of the other thirteen Members. Comments were also received from an Observer, two Technical Advisors, Paul Sutcliffe and John Stanford. The two staff reviews included a focus on ensuring consistency between ED, *Presentation* and other parts of the Framework, particularly the first four chapters of the *Conceptual Framework*, issued in January 2013.
4. Responses on the interim draft ED were generally supportive of its structure, overall content, and focus on the three presentation decisions. The main issue raised with respect to structure was that there could be scope to further reduce the ED's length, particularly through deletion of sections describing the content of Chapters 1—4 of the *Conceptual Framework*. In response the draft ED has been revised to reduce its coverage of Chapters 1—4. An issue raised with respect to content was whether the ED should identify certain qualitative characteristics (QCs) as having particular importance to presentation decisions, particularly those related to information selection. The ED was revised to address this point.
5. Responses generally supported the ED's proposed presentation aim, description of presentation objectives, and proposal that presentation objectives be included IPSASs and RPGs. Comments were mixed on the descriptions of display and disclosure, and the inclusion of presentation objectives in the interim draft ED, which included an objective for financial statements and illustrative objectives in an Appendix. In response revisions were made to the descriptions of display and disclosure, and the ED's coverage of presentation objectives was removed. There were concerns also about how presentation objectives would be applied when developing IPSASs and RPGs. These issues are raised below.

Significant Issues

6. This memo highlights two significant issues:
- (a) Whether the proposed descriptions of display and disclosure are adequate; and,
 - (b) With respect to presentation objectives, (i) whether the ED should include proposed or illustrative presentation objectives, and (i) whether the ED's description of how presentation objectives would be applied is adequate.

Display and Disclosure

7. As stated above, comments were mixed on the descriptions of display and disclosure in the interim draft ED, *Presentation*. The majority of respondents were either positive or made no comment. No comment could imply support for the descriptions, since their adequacy was raised as a specific issue for comment. The concerns raised during the IPSASB's interim review were that:
- (a) The distinction between display and disclosure was not clear;
 - (b) The terminology cannot be translated meaningfully into other languages;
 - (c) The descriptions should be transformed into definitions; and/or
 - (d) Display should not be described as providing a *comprehensive* overview either because this contradicts the idea of an overview or because it implies that displayed information should address all user needs, when Phase 1 establishes that some user needs may not be met by GPFRs.
8. In response revisions were made to the ED's descriptions of display and disclosure. The main change was that further relevant description, previously included in Section 3, was moved into Section 1. The aim was to improve the understandability of these two terms when they are first introduced in the ED. In December the IPSASB directed that the display/disclosure distinction should be integrated into the decision focused approach instead of treated as a separate section in the ED. There is a balance between introducing the two terms adequately and integrating them into other sections. The question arises of whether the coverage now in Section 1 adequately address the concerns arising from the interim review, while maintaining an appropriate integration of display/disclosure into the sections addressing the three presentation decisions.
9. The issue of developing definitions rather than descriptions was discussed during development of CP, *Presentation*. The IPSASB's view then was that descriptions should be used rather than definitions. On that basis the draft ED includes descriptions rather than definitions. However, it may be that the importance of these two terms for presentation, and the need to establish them clearly warrants the use of definitions. An IPSASB Member proposed the following definitions:

Display

Display is the selection and presentation of information to communicate the key messages necessary to achieve a report's presentation objective(s). Displayed information in its entirety provides a comprehensive overview of the economic or other phenomena about which the report provides information.

Disclosure

Disclosure is the act of making 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, (iv) information that could affect users' evaluation of displayed information, and (v) further information necessary to achieve the report's presentation objective(s).

Disclosure enhances the understandability of displayed information in terms both of items displayed individually and of the displayed information taken as a whole. Disclosed information also extends the information displayed. Disclosure is not a substitute for display of key information.

Matter for Consideration

1. The IPSASB is asked to consider whether
 - (a) Section 1's descriptions of display and disclosure are adequate; and
 - (b) Display and disclosure should be described in ED, *Presentation* or whether, instead, these two terms should be defined.

Presentation Objectives—Location and Meaning

10. In September the IPSASB directed that presentation objectives should be included in ED, *Presentation*. This decision responded to respondents' comments on CP, *Presentation* and the importance of presentation objectives. After reviewing the preliminary draft ED at its December meeting, the IPSASB directed that (a) the proposed objective for the financial statements should be revised, and (b) other objectives in the ED should be included in a separate section with one possible location being an appendix to the ED. Comments from Members during the interim review highlighted concerns about inclusion of specific presentation objectives in the ED.
11. The ED has now been revised to *exclude* specific presentation objectives. Section 2 states that the presentation objective(s) for financial statements "...will be based on the user needs identified in Chapter 2", but does not propose a presentation objective for the financial statements. An appendix in the interim draft ED, which included illustrative objectives for three areas, has been deleted. The interim review also raised questions and concerns about how presentation objectives would be applied during standards development and preparers' preparation of GPFRs. Do both types of objectives (GPFR objectives from Phase 1 and presentation objectives) apply during development of an IPSAS and/or preparation of financial statements? Do both types of objective guide decisions on reports additional to the financial statements? Would such objectives be included in the main part of an IPSAS or RPG, or in the Basis for Conclusions? Two respondents considered that presentation objectives would be a major change to what is presently done in IPSASs/RPGs. In response to these comments the ED has been revised to clarify wording that appeared to cause confusion. However, there is an issue as to whether the ED's description of presentation objectives adequately expresses the IPSASB's views on how such objectives will be applied.

Matter for Consideration

2. The IPSASB is asked to consider:
 - (a) Whether it agrees with the removal of specific presentation objectives from the ED; and,
 - (b) Whether the ED's description of presentation objectives adequately expresses the IPSASB's views on how such objectives will be applied.

APPENDIX A: DRAFT MINUTES ON ED, PRESENTATION, DECEMBER 2012

- A1. The IPSASB reviewed a draft Exposure Draft (ED), *Presentation in General Purpose Financial Reports* and provided direction to Staff for further development of the ED.
- A2. The IPSASB directed that the ED should take a more decision focused approach to describing the overall approach. The display/disclosure distinction should be integrated into the decision focused approach instead of treated as a separate section in the ED. The terminology descriptions should be improved through reordering and more emphasis on the most important ideas related to each term. The phrase “complete set of high level information”, applied to display should be replaced with “provides the necessary high level information”. Consequential on the IPSASB’s September decision to discontinue use of the core/supporting information distinction, Diagram 1, previously included in the consultation paper, should not be included in the ED.
- A3. The IPSASB agreed with the proposal that application of the constraints should form part of the overall approach to presentation. Application of the constraints should be integrated more fully into the ED.
- A4. The coverage presently in Section 2 of the ED should remain at a high level rather than include further detail. The proposed objectives should be simpler and more generic. The term “presentation objectives” should be replaced with “report objectives”. Report objectives for particular information areas should be included in a separate section from the description of the overall approach, with one possible location being an appendix to the ED. The objective for financial statements should be simplified to exclude specific reference to reporting on cash and on budget performance, while leaving open the possibility that such reporting is treated as a subset within the financial statements information area. In addition to the report objectives a generic objective for presentation should be developed.
- A5. The ED should address decisions about whether information should be shown: (a) in the financial statements as opposed to the more comprehensive scope GPFRs, (b) in the notes to the financial statements as opposed to element recognition, and (c) in the notes to financial statements as opposed to disclosure in the more comprehensive scope GPFRs. Element recognition should be integrated into the discussion of display in financial statements. The relationship between element recognition and information displayed in financial statements should be addressed, acknowledging that display is related to but not dependent on recognized elements. The relationship between recognition in financial statements and disclosure in the broader GPFR area should be addressed.
- A6. The IPSASB directed that the three presentation concepts should be rationalized. They should be focused on the three presentation decisions with the QCs and constraints applied to each decision.
- A7. Staff should ensure that references to Chapters 1 to 4 of the Conceptual Framework are consistent with the approved chapters and up-dated for decisions on those chapters made during the December meeting, including the decision to refer to “IPSASs and RPGs” instead of “pronouncements”. The statement that “disclosed information is of equal importance to information that is displayed” should be amended to “information that is disclosed is important to a proper understanding of information that is displayed”. The Basis of Conclusions should be reviewed for coverage that could be included in the ED itself. For example, paragraphs BC8, BC14, and BC15 may be better placed within the ED.

- A8. The ED's coverage could begin with a generic description of a GPFR, and then address the boundary issue between financial statements and more comprehensive scope GPFRs. The presentation approach would be covered next, beginning with its relationship to the needs of users and GPFR objectives, then (1) reporting objectives, (2) information to be presented, including display, disclosure and recognition, (3) presentation decisions (what, where, how organized), then (4) application of the QCs and constraints.
- A9. The IPSASB directed that a revised draft ED be provided to Members for an interim review before the March 2013 IPSASB meeting. A further draft ED will be considered at the March 2013 meeting. The planned date for approval of the ED remains March 2013.

Exposure Draft

April 2013

Comments due: August 31, 2013

International Public Sector Accounting Standards Board

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) and Recommended Practice Guidelines (RPGs) for use by public sector entities, including national, regional, and local governments, and related governmental agencies.

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

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 Exposure Draft 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 file 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.

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

Guide for Respondents

The IPSASB welcomes 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 particularly values comments on the Specific Matters for Comment below.

Specific Matter for Comment 1 (See Section 1, paragraphs 1.2 to 1.8)

Do you agree with:

- (a) The proposed descriptions of “presentation”, “display”, and “disclosure” and the relationships between these; and
- (b) The proposed aim of presentation?

Specific Matter for Comment 2 (See Section 1, paragraphs 1.10 to 1.11)

Do you agree with:

- (a) The identification of three presentation decisions (selection, location and organization); and
- (b) The proposed approach to making such decisions?

Specific Matter for Comment 3 (See Section 1, paragraph 1.12 to 1.14)

Do you agree with the description of presentation objectives?

Specific Matter for Comment 4 (See Section 2)

Do you agree with the description of information selection:

- (a) In the financial statements (including the presentation objective for financial statements); and
- (b) Within GPFs, in reports outside of the financial statements?

Specific Matter for Comment 5 (See Section 3)

Do you agree with the description of information location:

- (a) Between different reports within GPFRs;
- (b) In the financial statements; and
- (c) Within GPFRs, in reports outside of the financial statements?

Specific Matter for Comment 6 (See Section 4)

Do you agree with the description of information organization:

- (a) In the financial statements; and
- (b) Within GPFRs, in reports outside of the financial statements?

BACKGROUND TO THE CONCEPTUAL FRAMEWORK

The *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the *Conceptual Framework*) establishes and makes explicit the concepts that are to be applied in developing IPSASs and RPGs.

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 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 (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 obligations and resources 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 profit-oriented entities. The IASB has recently reactivated this project following 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 guidelines, 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 guidelines where appropriate.

Consultation Papers, Exposure Drafts and Final Chapters

Although all the components of the *Conceptual Framework* are interconnected, the *Conceptual Framework* project is being developed in phases. Phase 1 has now been completed. It comprises Chapters 1–4 of the *Conceptual Framework*. These chapters deal with:

- Chapter 1: Role and Authority of the Conceptual Framework
- Chapter 2: Objectives and Users of General Purpose Financial Reporting
- Chapter 3: Qualitative Characteristics
- Chapter 4: Reporting Entity

The other phases of the *Conceptual Framework* are:

- Phase 2—The definition and recognition of the elements of financial statements;
- Phase 3—The measurement of the elements that are recognized in the financial statements; and
- Phase 4—The presentation of information in GPFRs.

Each phase begins with development and issuance of a Consultation Paper (CP), which draws out key issues and explores ways to deal with those issues. An ED is issued after consideration of responses on the CP. EDs for Phase 2 (*Elements and Recognition in Financial Statements*) and Phase 3 (*Measurement of Assets and Liabilities in Financial Statements*) were issued in November 2011. The CP for Phase 4 (*Presentation in General Purpose Financial Reports*) was issued in January 2012. CF–ED4 has been developed following analysis of responses on that CP.

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

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Section 1 Presentation

Purpose and Structure of this Exposure Draft

- 1.1 This Exposure Draft (ED) sets out the concepts applicable to presentation of information in 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 and identifies three types of presentation decisions. Sections 2 through 4 discuss the factors involved in each decision in the context of the financial statements and other reports making up GPFRs.

Presentation

- 1.2 Presentation is the selection, location and organization of information that is displayed and disclosed in the GPFRs. The aim of presentation is to provide information that (a) effectively contributes towards (i) the objectives of financial reporting and (ii) the applicable presentation objectives, and (b) achieves the QCs while taking into account the constraints¹.

Display

- 1.3 Information selected for display communicates the key messages necessary to achieve a report's presentation objective(s). Displayed information provides an overview of the economic or other phenomena about which a report provides information.
- 1.4 Displayed information should be kept to a concise, understandable level, so that users can focus on the key messages presented and not be distracted by an excess of detail that could otherwise obscure those messages. Displayed information should be presented prominently, using appropriate presentation techniques, such as location, clear labeling, borders, tables or graphs.

Disclosure

- 1.5 Disclosed information makes displayed information more useful, by providing detail that will help users to understand the displayed information, including (i) the basis for the displayed information, such as applicable policies or methodology, (ii) disaggregations of displayed information, (iii) items that share many but not all of the aspects of displayed information (for example disclosures on contingencies), and, (v) further information necessary to achieve a report's presentation objective(s).
- 1.6 Disclosed information enhances the understandability of both individual items of displayed information and the displayed information taken as a whole. Disclosure is not a substitute for display.
- 1.7 Information should be classified as information either for display or disclosure. Decisions about display or disclosure apply to both the financial statements and other GPFRs outside of the financial statements. The applicable presentation objective guides the identification of what

¹ The QCs of information are relevance, faithful representation, understandability, timeliness, comparability, and verifiability. Materiality, cost-benefit, and achieving an appropriate balance between the QCs are pervasive constraints on information included in GPFRs.

information should be displayed or disclosed. The identification of what information should be displayed and what disclosed could involve, for a particular report, the development of:

- (a) Classification principles;
- (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; and/or,
- (c) Lists of specific information that preparers must display, or disclose.

1.8 Sections 2, 3 and 4 further address display and disclosure within the context of decisions on information selection, location and organization.

Presentation Decisions

1.9 Decisions on the selection, location and organization of information should be made in response to the needs of users for information about economic or other phenomena for accountability and decision making purposes, and applicable presentation objectives, while also applying the QCs and constraints. In particular:

- (a) Information is located to give appropriate prominence to displayed information so that it is not obscured by more detailed and extensive disclosed information; and,
- (b) Information is organized to make important relationships clear and clarify linkages between displayed and disclosed information.

1.10 Presentation decisions may be (a) high level decisions that could potentially result either in development of a new report, movement of information between reports, or the amalgamation of existing reports; or, (b) more specific decisions on information selection, location and organization related to information within a report.

Presentation Objectives

1.11 Chapter 1 of the Conceptual Framework explains that GPFRs are likely to comprise multiple reports, each responding more directly to certain aspects of the objectives of financial reporting and matters included within the scope of financial reporting. Presentation objective(s), identified by focusing on user needs, will guide presentation decisions for a particular report. Presentation objectives are consistent with, but more specific than, the over-arching financial reporting objectives and presentation aim.

1.12 When a separate report is viewed as necessary, presentation objective(s) will be identified to guide presentation decisions for that report. Presentation objectives may also be necessary when addressing information needs related to particular reporting topics. Identification of presentation objectives occurs as part of standards-setting. Objectives are then included in the relevant IPSAS or RPG to guide preparers.

1.13 If a reporting topic is better addressed by adding information to an existing report, then the presentation objective(s) for the existing report may need to be reviewed to determine whether revisions are needed to take into account the additional information needs to be met. The addition of information may mean that previous presentation decisions for the report need to be reconsidered.

Section 2: Information Selection

- 2.1 Decisions about what information needs to be reported involve consideration of: (a) the relevant economic or other phenomena about which information may be necessary; (b) the objectives, information needs of users, QCs and constraints of GPFRs; and (c) information already reported in GPFRs and other locations.
- 2.2 Chapter 2 of the Conceptual Framework describes information included in GPFRs to meet the objectives of financial reporting. This section focuses on the selection of detailed information to be presented in GPFRs, including financial statements and other reports.

Information to Meet Presentation Objectives

Financial Statements

- 2.3 The presentation objective(s) applicable to the financial statements will guide detailed information selection decisions for the financial statements. The presentation objective(s) will be based on the user needs identified in Chapter 2. Those user needs include the need to provide information about the financial position, financial performance and cash flows of a public sector entity in order to:
- (a) Enable users to identify the resources of the entity and claims to those resources at the reporting date;
 - (b) Inform assessments of matters such as whether the entity has acquired resources economically, and used them efficiently and effectively to achieve its service delivery objectives; and
 - (c) Enable users to assess financial performance and the entity's liquidity and solvency.
- 2.4 Chapter 2 further states that the financial statements may also provide information that assists users to:
- (a) Assess the extent to which revenues, expenses, cash flows and financial results of the entity comply with the estimates reflected in approved budgets, and the entity's adherence to relevant legislation or other authority governing the raising and use of public monies, and
 - (b) Determine how well a public sector entity has met its financial objectives.

Other Reports in GPFRs

- 2.5 For other reports in GPFRs applicable presentation objective(s) will guide detailed information selection decisions.

Decisions on Detailed Information within a Report

- 2.6 Information selection involves decisions about the appropriate level of detail. Such decisions involve 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 disclosing sufficient detailed supporting information to achieve the QCs.
- 2.7 There should be sufficient information to meet user needs and the applicable presentation objectives. Information should not be provided if it exceeds that needed by users. Information

selection should avoid information overload which reduces understandability. Too much information may make it difficult for users to understand the overall situation, and undermine the achievement of presentation objectives.

- 2.8 Information selected should be critically reviewed, with particular reference to its relevance, materiality and cost-benefit. 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.
- 2.9 When considering information selection, the benefits to users of receiving information should justify the costs to entities of collecting and presenting that 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 nature 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.
- 2.10 Information needs to be presented on a sufficiently timely basis to help users to hold management accountable, and 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.
- 2.11 An estimate, based on information available at the time, can be used in place of information not yet available so long as it is sufficiently accurate to achieve faithful representation. CF—ED2 states that the use of estimates is an essential part of the accrual basis of accounting.

Section 3: Information Location

- 3.1 Information location has an impact 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, (b) convey the nature of information, and (c) link different items of information that combine to meet a particular user need or presentation objective. The location of information can either support or undermine users' ability to compare information.
- 3.2 Decisions on information location occur at two levels. Decisions are made on (a) within which report information should be placed, and (b) within which part or component of a report information should be placed. Information location within a report should ensure that displayed information is given appropriate prominence and not obscured by more detailed and extensive disclosed information.

Allocation of Information between Different Reports

- 3.3 Reports within GPFRs contribute as a whole to the over-arching financial reporting objectives of providing information useful for accountability and decision-making purposes. When deciding in which report information should be included it is essential to focus on the presentation objectives. Such decisions require judgment. Any given report is likely to include a mixture of financial and non-financial information, narrative and numeric information, and information of varying levels of verifiability.
- 3.4 Information should be included in a particular report where the information is necessary to achievement of the report's presentation objective. Information included in a report generally will contribute to that report's presentation objective(s) more than it contributes to the presentation objective(s) of any other report.
- 3.5 The same information may contribute to the objectives of two or more reports in different ways. Duplication of information in different reports within GPFRs should generally be avoided. But situations can arise in which the same information needs to be included in more than one report. For example, a report on the long-term sustainability of an entity's finances is likely to include information on an entity's present financial position which duplicates information in the financial statements.
- 3.6 Chapter 2 states that, while the Conceptual Framework reflects a scope of financial reporting that is more comprehensive than that encompassed by financial statements, information presented in financial statements remains at the core of financial reporting. Information location decisions begin with consideration of what information belongs in the financial statements.

Allocation of Information to the Financial Statements

- 3.7 Effective financial statement presentation provides aggregated and disaggregated information organized in a manner that clearly communicates a cohesive financial picture of an entity.
- 3.8 Recognition of an element is one of the key drivers for whether information is included on the face of the financial statements and/or included either in the notes or elsewhere in the GPFRs. The definition and recognition of elements is addressed in Phase 2 of the Conceptual Framework Project.

- 3.9 The notes to the financial statements provide information that supports the information reported on the face of the statements. Other information included as part of the financial report will be information that contributes to achievement of the financial statements' presentation objective(s).

Allocation of Information Outside of the Financial Statements

- 3.10 A separate report is likely to be necessary when the following factors are present:

- (a) A relatively large amount of information has been identified to meet a new presentation objective; and,
- (b) Identification of a separate report for that information better meets the presentation objective than would including the information in the financial statements or other, already existing, report.

- 3.11 Examples of sets of information that may warrant a separate report include service performance information, information on the long-term sustainability of an entity's finances, and financial statement discussion and analysis.

- 3.12 Further factors relevant to decisions about whether information should be included in the financial statements or another report are:

- (a) *Linkage*: Whether or not the additional information envisaged needs to link very closely to information already included in an existing report.
- (b) *Nature*: Whether the nature of the information, for example historical versus prospective, supports including the information either in the same or a different report, because of considerations related to comparability and/or understandability.
- (c) *Preparation*: Whether or not there are issues related to information preparation (timing, people involved, process, etc.) that mean there could be preparation-based reasons for the information to be treated as a separate report.

Location of Information within a Report

Display and Disclosure Within Reports Outside of the Financial Statements

- 3.13 Section 1 states that selected information should be classified either as information that should be displayed or information that should be disclosed. It further states that displayed information should be presented prominently, using appropriate presentation techniques. Location is included as one way to ensure that displayed information is prominently displayed. For reports outside of the financial statements displayed information may either be located separately from disclosed information or located in the same area, but distinguished from disclosed information and given prominence through the use of some other presentation technique.

Display and Disclosure in the Financial Statements

- 3.14 For the financial statements, information for display is shown on the face of a statement, while disclosures are in the notes. The use of a "statements and accompanying notes" style of organization has historically been how information about an entity's financial position, financial performance, cash flows, and other aspects has been presented. Distinguishing displayed information, presented on the face of financial statements, from disclosed information, presented in the notes, ensures that those items that directly relate to communicating an entity's financial

position, performance and cash flows can be highlighted, with necessary supporting information provided through disclosure in the notes.

Section 4: Information Organization

- 4.1 Organization of information involves a range of decisions including the use of tables, different types of graphs, headings, numbering, and the arrangement of items within a particular component or subcomponent of a report, including decisions on item order.
- 4.2 Information organization in GPFRs should aim to make clear important relationships between items. Related information should be linked through the use of (a) consistent headings, (b) presentation order, and/or (c) other methods appropriate to the relationship and type(s) of information. Relationships may exist between (a) information in different reports within GPFRs, (b) information in different components within a report, and (c) information in different parts of a single component.

Types of Relationships

- 4.3 Important relationships include, but are not restricted to, those of:
 - (a) Enhancement;
 - (b) Similarity; and
 - (c) Shared purpose.
- 4.4 *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. Budget, prospective and service performance information enhances information in the financial statements. Links to information reported outside the GPFRs, for example budget or statistical information, may enhance the understandability of information reported inside GPFRs.
- 4.5 *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 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 a reporting entity's finances.
- 4.6 *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) narrative about future provision of different services may be included in different places. To make the relationship between the information in different places clear, it may be appropriate to organize the information by using techniques such as common headings and referencing.

Organization of Information within the Financial Statements

Information Displayed in the Financial Statements

- 4.7 The information displayed on the faces of the financial statements will provide a structured overview of the reporting entity's financial position, financial performance and cash flows. Information displayed on the face of the financial statements is organized into numeric totals and sub-totals.
- 4.8 CF—ED2 proposes definitions of elements and deals with recognition. It explains that recognition is the process of incorporating in the appropriate financial statement an item that meets the definition of an element and can be measured in a way that meets the QCs. Where an item meets the relevant definition and recognition criteria for an element the applicable measurement requirements are then applied and an amount for that item included in the appropriate total(s) reported on the face of a financial statement.
- 4.9 For the financial statements, relationships may exist 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; and,
 - (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 or financial performance.
- 4.10 Following identification of elements and application of recognition criteria, display involves further decisions on:
 - (a) Separation of element totals into appropriate statements.
 - (b) Subclassification of elements totals into meaningful sub-totals.
 - (c) Ordering and grouping of items displayed within each statement.
 - (d) Identification of aggregates (additive and subtractive).
 - (e) Identification of other information that should be included on the face of the statement.

Information Disclosed in the Financial Statements

- 4.11 Information disclosed in the notes should be organized so that relationships to items reported on the face of the financial statements are clear. The notes are an integral part of the financial statements. Decisions about selection of information to be displayed and disclosed should be made (a) with reference to each other rather than in isolation of each other, and (b) with the aim of effectively communicating an integrated set of information.
- 4.12 In addition to information displayed on the face of the financial statements' users may benefit from information disclosed in the notes on:
 - (a) Entity-related factors that could influence judgments about reported information (for example, information about related parties and consolidated controlled entities or interests in other entities);

- (b) The basis for 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 entity's finances and ability to deliver services (for example, information about events and conditions, including items that meet some but not all the essential aspects of an element, that might affect 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 may explain under-lying trends affecting displayed totals (for example, segment information).
- 4.13 Information disclosed in the notes to the financial statements (a) has a clear and demonstrable relationship to information displayed on the face of the financial statement(s) to which it pertains, (b) is necessary to a user's understanding of those financial statements, and (c) provides information that puts the financial statements into the context of the entity and its operating environment.

Organization of Information Outside of the Financial Statements

- 4.14 As is the case for the financial statements, information organization in reports within GPFRs but outside of the financial statements, should help to ensure that key messages are understandable. Presentation that clearly identifies important relationships is likely to enhance the extent to which a report (a) achieves financial reporting objectives, (b) meets the QCs, and (c) achieves presentation objectives that are specific to a particular information area. Information about relationships, the way that information is organized, and where it is located should ensure that users are informed about important relationships between reported information.
- 4.15 Linking related information helps users to find important information. 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. Organizations of information should support users' understanding of linkages between displayed and disclosed information.
- 4.16 Organization of information should support comparability. 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.

Basis for Conclusions

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

Presentation Concepts for GPFRs

- BC1. CP, *Presentation in General Purpose Financial Reports* (CF—CP4) described concepts applicable to presentation in GPFRs, including both financial statements and additional information that enhances, complements, and supplements the financial statements. Most of the respondents to CF—CP4 supported development of concepts for this more comprehensive information. However some argued that the IPSASB should focus exclusively on the financial statements. Of those who supported a more comprehensive approach, some were concerned that the resulting concepts should also be sufficiently detailed to address issues particular to financial statements.
- BC2. The IPSASB's view is that effective presentation of information additional to that in the financial statements is very important to meet user needs by providing users with information for accountability and decision making. Presentation of this additional information raises particular challenges for the IPSASB and preparers, which makes the development of applicable concepts essential. The IPSASB acknowledges the need to provide concepts that are sufficiently detailed for application to the financial statements. On this basis the IPSASB decided to continue to develop presentation concepts for GPFRs, while setting out the concepts applicable to financial statements in more depth.

Presentation, Display and Disclosure

- BC3. CF—CP4 proposed descriptions with respect to “presentation”, “display”, “disclosure”, “core information”, and “supporting Information”. Respondents were evenly divided on whether the descriptions were worthwhile. The description of “presentation”, which covered the selection, location and organization of information, gained significant support. The distinction between core and supporting information was controversial. Respondents considered that this distinction implied an erroneous view that information in the notes to the financial statements is less important than information on the face. Some respondents opposed introduction of new descriptions, because the existing meanings of presentation and disclosure are sufficient.
- BC4. The IPSASB's view is that the distinction between presentation and disclosure used in some jurisdictions, where presentation applies to information reported on the face of a statement and disclosure applies to information reported in the notes, is inadequate to address presentation concepts for GPFRs. Distinctions focused on the financial statements have limited usefulness and may be confusing within this broader context. 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). On that basis the IPSASB has broadly continued with the descriptions of presentation, display and disclosure proposed in CF—CP4.
- BC5. The IPSASB acknowledged the concerns about a distinction between core and supporting information. There was no intention to imply that supporting information is less important than core information. Given the extent the two terms nonetheless were viewed as establishing a hierarchy, the IPSASB reconsidered the need for these two terms and concluded that incorporating the ideas related to these two types of information into the descriptions of

display and disclosure would be more appropriate. On that basis the terms core information and supporting information have not been retained and the descriptions of display and disclosure have been revised to explain what types of information would be displayed and what disclosed, without the implication that one type of information is more important than another. Coverage in subsequent sections provides additional guidance on the display/disclosure distinction as it applies to the three presentation decisions.

Overall Approach to Presentation

- BC6. CF—CP4 proposed an overall approach to presentation of (i) focusing on user needs to identify presentation objectives, (ii) application of the qualitative characteristics (QCs) to presentation decisions, and (iii) separate presentation concepts. CF—CP4 proposed that objectives be established at the standards level.
- BC7. Respondents generally agreed that the needs of users and QCs were important to presentation decisions, and supported development of presentation objectives, but supported their inclusion in the Conceptual Framework. While generally agreeing that separate presentation concepts should be developed, a significant number of respondents disagreed with the presentation concepts proposed. Some respondents disagreed with the way that the three presentation concepts emphasized particular QCs or constraints. They argued that further QCs or constraints should be added. Others argued that the concepts added little, if anything, to the QCs and constraints.

Aim of Presentation

- BC8. The description of “presentation” proposed in CF—CP4 included both what presentation is (information selection, location and organization) and what presentation should do (it should meet GPFR objectives, needs of users, and QCs). These two ideas have been separated out into a neutral description of presentation (information selection, location and organization) and a presentation aim. The aim—to provide information that (a) effectively contributes towards the objectives of financial reporting and the applicable presentation objectives, and (b) achieves the QCs while taking into account the constraints—captures the overall approach proposed in CF—CP4, but excludes reference to the three presentation concepts.
- BC9. Chapter 2 of the Conceptual Framework address the needs of users and objectives of GPFRs. The objectives of GPFRs effectively incorporate the needs of users. Therefore, mentioning both the needs of users and the objectives of GPFRs in the aim of presentation represents duplication. The IPSASB considers that the needs of users are very important when making presentation decisions. But to avoid duplication the aim of presentation does not mention the needs of users.
- BC10. Respondents’ comments also highlighted that the constraints on information had not been properly integrated into the overall approach to presentation in CF—CP4. The IPSASB views the constraints as important generally to presentation. They have therefore been included in the aim of presentation. They have also been integrated into the descriptions of presentation decisions, discussed below.

Presentation Decisions and Separate Presentation Concepts

- BC11. After considering respondents' concerns about the three presentation concepts proposed in CF—CP4 and possible further changes to address those concerns, IPSASB concluded that the ideas in the three concepts are adequately addressed through application of the QCs and constraints to presentation decisions. Therefore the three presentation concepts included in CF—CP4 were replaced with a revised description of the application of the QCs, constraints and presentation objectives to presentation decisions. The three presentation decisions (decisions on the selection, location and organization of information) provide a useful framework for presentation.

Presentation Objectives

- BC12. Given the importance of objectives to guide presentation decisions, the IPSASB has stated that presentation objectives should be established when developing an IPSAS or RPG. The IPSASB's view is that presentation objectives are needed to guide both (a) the development of IPSASs and RPGs for individual reports, and (b) preparers' application of IPSASs and RPGs. Relevance and materiality, for example, need to be assessed within the context of the objective for presenting the information.

Presentation in the Financial Statements

- BC13. Sections 2 to 4 provide further detail on the overall approach to presentation, particularly with respect to the financial statements. As noted above, this responds to the need to ensure that the concepts proposed are applicable to the financial statements.
- BC14. 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 the ED's coverage of presentation in the financial statements. For example, Section 4's discussion of important relationship has benefited from ideas proposed in the IASB's Staff ED *Financial Statements Presentation*. Section 4's discussion of note disclosures has benefited both from work-in-progress by the Financial Accounting Standards Board (FASB) and European Financial Reporting Advisory Group (EFRAG) on disclosures in financial statements, and the IASB's Staff ED *Financial Statements Presentation*.
- BC15. Section 2 links development of a presentation objective for financial statements to the need for information about an entity's financial position, financial performance and cash flows. However the number or type of financial statements that should be specified in pronouncements is not stated. That is consistent with the IPSASB's view that specification of financial statements is a standards-level issue. 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.
- BC16. In order to avoid over-specification the ED does not list 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 GPFs changes over time, and (c) the type of economic or other phenomenon on which financial statements present information changes over time. The Conceptual Framework focuses on high level principles and aims to avoid over-specification, which could otherwise inhibit presentation developments that could effectively address existing and emerging presentation problems, while also making use of developments in media and information management.

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