

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Toronto, Canada

Meeting Date: March 11-14, 2014

Agenda Item 4C

For:

☐ Approval

☒ Discussion

☐ Information

Conceptual Framework: *Presentation in General Purpose Financial Reports*

Objectives of Agenda Item

1. The objectives of the session are to:
 - (a) To consider and provide direction on key issues identified by staff; and
 - (b) Review a first draft of the final chapter on Presentation.

Materials Presented

Agenda Item 4C.1	Issues Paper
Agenda Item 4C.2A	First Draft of Final Chapter, <i>Presentation in General Purpose Financial Reports (Mark-up)</i>
Agenda Item 4C.2B	First Draft of Final Chapter, <i>Presentation in General Purpose Financial Reports (Clean)</i>

Actions Requested

2. The IPSASB is asked to provide direction on the issues related to the draft Conceptual Framework chapter, *Presentation in General Purpose Financial Report* (see Agenda Item 4C.1); and,
3. Review a first draft of the chapter (see Agenda Item 4C.2A).

Objectives of this Paper

1. This paper seeks direction on three issues related to the draft Conceptual Framework Chapter, *Presentation in General Purpose Financial Reports* (Chapter, *Presentation*). A first draft of Chapter, *Presentation* is provided for the IPSASB's review. The revised chapter is planned for approval at the IPSASB's June 2014 meeting¹.

Background*Consultation Paper, Exposure Draft and Review of Responses*

2. The 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 issued in April 2013. CF–ED4 reflected proposals in a previous consultation paper (CP) on the same topic, and IPSASB decisions arising from responses to the CP. The IPSASB reviewed responses to CF–ED4 at its December 2013 meeting.

Confirmation of Broad Approach and Issues Arising

3. In December the IPSASB confirmed that presentation concepts should continue to:
 - (a) Focus widely on concepts applicable to both the financial statements and other, more comprehensive areas of financial reporting;
 - (b) Remain at a high, general level rather than include more detailed coverage; and
 - (c) Take a public sector focus rather than converge with the IASB's developing concepts.
4. The IPSASB directed staff and the TBG to:
 - (a) Address the language in which General Purpose Financial Reports (GPFRs) are issued.
 - (b) Consider scope to align with the IASB's approach to terminology; and
 - (c) Develop recommendations with respect to respondents' detailed comments.
5. Task Based Group (TBG) members for this phase of the Conceptual Framework Project, Phase 4, are Ian Carruthers, Mariano d'Amore and Tim Youngberry. TBG members:
 - (a) Provided input on the issues discussed below; and,
 - (b) Reviewed the draft Chapter, *Presentation* in Agenda Item 4C.2A.

Overview of Issues

6. This paper, Agenda Item 4C.1, discusses the following issues:
 1. Language of issuance for GPFRs;
 2. Terminology—presentation, display and disclosure;
 3. Changes to Chapter, *Presentation*'s structure, with some consequential changes to content.
7. Agenda Item 4C.2A shows all revisions made to CF–ED4's content during its development into the draft Chapter, *Presentation*.

¹ See also the Coordinator's report (Agenda Item 4.1), which discusses the timetable for Conceptual Framework completion, including possible and possible amendments to that timetable.

Issue 1—Language in which GPFRs are Issued

IPSASB's December Decision

8. The IPSASB decided at its December 2013 meeting that the language in which GPFRs are issued should be addressed in Chapter, *Presentation*. Draft minutes from that meeting state:

A respondent had recommended that Phase 4 address the language in which reports are issued. The IPSASB considered this issue and decided that brief coverage of this point should be developed for inclusion in the draft chapter. The reporting language could be the language that is: (a) used locally; (b) in common use; or (c) used in the relevant financial reporting legislation. It was noted that in some jurisdictions the legislative language may not be the same as that used locally. On balance the IPSASB supported reference to the official language commonly used for financial reporting in the jurisdiction producing the report. However, coverage in the draft chapter should be kept at a principles level, which could relate to, for example, accountability.

9. Appendix A provides draft text to address the language in which GPFRs are issued. Members are asked to review this text, identify any revisions, and indicate whether they agree with its coverage.
10. The text in Appendix A has been reviewed by IPSASB member Guy Piolé, IPSASB Observer John Verrinder (Eurostat) and Phase 4 TBG members². As part of its development, staff reviewed in detail comments Respondent 019 who first raised this issue.

Include in Chapter, Presentation or in a Separate Chapter or Separate Document

11. Members are asked to provide direction on the location of this text either (a) within the Conceptual Framework, or in a separate document outside of the Conceptual Framework. Staff note that this draft text is longer than the IPSASB envisaged during the December 2013 discussion. The length appears necessary to adequately address this issue. Although this issue does relate to Chapter, *Presentation's* coverage, it could also be considered a separate and distinct topic, worthy of having its own separate chapter within the Conceptual Framework. This language issue is different from the concepts normally addressed in a standard setters' Conceptual Framework. That could be a basis for including this coverage in a document outside of the Conceptual Framework.

Action Requested:

1. The IPSASB is asked to review the draft text in Appendix A and
- (a) **Indicate** whether they agree with the text as drafted; and
 - (b) **Provide direction** on whether the text should be
 - (i) Part of Chapter, *Presentation*, or
 - (ii) A separate chapter within the Conceptual Framework, or
 - (iii) In a document other than the Conceptual Framework.

² Input was also received on the draft text from the International Federation of Accountants' (IFAC) translations director, Kelly Anerud. Staff plan a further review of the mode of expression in the text, applying material provided by Ms. Anerud, after the IPSASB has reviewed and provided direction on the ideas expressed therein.

Issue 2— Terminology; Presentation, Display and Disclosure

Responses on Terminology

12. In December the IPSASB noted that a significant group of respondents disagreed with the terminology proposed in CF–ED4. Respondents' main concerns were that the terminology is different from accepted usage and from the approach in the IASB's Conceptual Framework Discussion Paper DP2013/1 (DP).
13. The IPSASB directed staff and the TBG to consider alignment of terminology with the IASB's approach and provide a recommendation to the March meeting.

Liaison with the IASB on Terminology

14. The IASB's final position on terminology will not be known until late 2015 or 2016. The DP position is the best available indicator of that position.
15. On February 20 IPSASB staff discussed terminology with the IASB staff. IASB staff had already carried out an initial analysis of responses received on the DP. They reported that, from over 200 responses, only a few had provided specific comments on the DP's presentation and disclosure terminology. Respondents do not appear to view that terminology as controversial or even noteworthy.
16. The discussion also covered the DP's approach to terminology. The aim was to clarify different views about that terminology, which had been described in responses to CF–ED4. A summary was provided, as a focus for that discussion, which (amended for comments received from IASB staff) is provided in Appendix B. IASB staff indicated that either "presentation" and "disclosure" could encompass information selection, location and organization. They commented that:
 - (a) *Presentation*: IASB staff do not consider that the DP's use of the word "presentation" necessarily prevents that word also having a second, broader meaning, which covers selection, location and organization of information, i.e. all decisions affecting what is reported in the financial statements.
 - (b) *Disclosure*: IASB staff consider that presently "disclosure" covers both the process of disclosing information and the outcome of that process, i.e. the disclosed information. The disclosure process could include decisions related to information selection, location and organization of information.
17. These IASB staff comments, arising from a short discussion, are not an IASB position. Nor are these comments conclusive IASB staff views.

Evaluative Criteria and Alternatives for Consideration

18. The following evaluative criteria are proposed:
 - (a) *Name change only*: Any change to terminology should be a change of name only. It should not change the underlying concepts exposed in CF–ED4.
 - (b) *IASB alignment*: Any change should improve alignment with the terms used in the IASB's CF–DP and with their related meanings.
19. Appendix C provides a fuller description of these criteria.

Terminology for Consideration

20. Staff identified several different combinations of terms which would improve alignment with the IASB DP's approach. Appendix D lists all combinations considered by staff to arrive at Alternatives 1 and 2 below. The two alternatives proposed below provide good alignment with the IASB's likely approach, while also capturing the concepts exposed in CF–ED4.

Status Quo (CF–ED4 Terminology)

21. The status quo is “presentation”, “display” and “disclosure”, as described in CF–ED4³. In brief, their meanings are:
- (a) *Presentation*: Presentation is the selection, location and organization of information that is displayed and disclosed in the GPFRs.
 - (b) *Display*: Information selected for display communicates the key messages in a GPFR. Displayed information is presented prominently.
 - (c) *Disclosure*: Disclosed information makes displayed information more useful, by providing detail that will help users to understand the displayed information.
 - (d) *Financial statements*: For the financial statements, displayed information is shown on the face of the appropriate statement, while disclosures are in the notes.
22. The two alternatives that staff propose for consideration are:

Alternative 1

- (a) Replace “presentation” with “communication”;
- (b) Replace “display” with (i) “presentation” in the financial statements, and (ii) “disclose prominently” in other GPFRs; and
- (c) Change the meaning of “disclosure” to mean “make information available”, without restriction as to location, where location would include either the notes to the financial statements or the face of a financial statement.

Alternative 2

- (a) The same approach as that in Alternative 1 above, except:
 - (i) Continue to use “presentation” for “presentation” (i.e. do not introduce the term “communication”).
 - (ii) Replace “display” for the financial statements with “presentation on the face of the financial statements”.

Discussion of the Status Quo and Alternatives 1 and 2

23. There are strong arguments in favor of retaining the terminology exposed in CF–ED4. This “status quo” terminology was agreed for exposure by the IPSASB after a lengthy development process. As explained in CF–ED4's Basis for Conclusions (see paragraphs BC6-BC9 in Agenda Item 4C.2) the

³ Revisions to these descriptions have been proposed in Agenda Item 4C.2. The revisions are not significant for this issue.

new terms have been developed for the more comprehensive scope of public sector financial reporting. The IASB's final position with respect to presentation terminology will not be known until at least the end of 2015. An attempt to align with the IASB could ultimately be unsuccessful, if the IASB later changes its position.

24. Staff recommend, nonetheless, that the IPSASB consider either Alternative 1 or Alternative 2 as viable alternatives to the status quo. These two alternatives provide better alignment with the IASB's DP approach to terminology, while retaining the underlying concepts of CF–ED4. Staff view is that both alternatives adequately address the more comprehensive scope reporting that occurs in the public sector. It is possible to replace the present terminology with this terminology, without changing the underlying concepts exposed in CF–ED4.
25. With respect to Alternative 1, the IASB may not treat “communication” as a defined term. Staff view is that “communication” is unlikely to replace “presentation” at the standard setting level. (For example, IAS 1, *Presentation in the Financial Statements* is unlikely to be replaced with an IFRS named “Communication in the Financial Statements”.)
26. With respect to Alternative 2, using presentation with two different meanings—(a) the three presentation decisions, and (b) presenting information on the face of a financial statement—could be viewed as reducing the conceptual purity of the terminology. It may be confusing. However, Alternative 2 avoids the very broad connotations of “communication” and provides a better link to generally accepted financial reporting terminology. It may also reflect the IASB's usage of this term within the context of standard setting.

Action Requested:

2. The IPSASB is asked to:
 - (a) Discuss and reach agreement on:
 - (i) The evaluative criteria, and
 - (ii) Alternatives for consideration, and then;
 - (b) Direct staff on the terminology to use in the revised Chapter, *Presentation* where the options proposed for consideration are:
 - (i) Status Quo—Presentation, Display (Face), Disclosure (Notes)
 - (ii) Alternative 1—Communication, Presentation/Disclosure (Face), Disclosure (Notes, etc.)
 - (iii) Alternative 2—Presentation, Presentation /Disclosure (Face), Disclosure (Notes, etc.)

Issue 3—Specific Changes and Changes to Chapter *Presentation's* Structure

Specific Changes and the Draft Chapter, Presentation (Agenda Item 4C.2a)

27. Agenda Item 4C.2A shows revisions arising from respondents' specific, detailed concerns about CF–ED4. These proposed revisions aim to:
- (a) Give effect to IPSASB directions from December 2013;
 - (b) Address concerns raised by respondents, which staff and the TBG consider warrant amendment; and/or,
 - (c) Strengthen the chapter's understandability.
28. IPSASB Members are asked to carry out a page-by-page review of Agenda Item 4C.2A.

Proposal to Change the Chapter's Structure

29. Staff view is that there is scope to improve the chapter's structure, with benefits in terms of flow, understandability, and reduction of repetition between sections. For this review staff have retained the old structure because:
- (a) The IPSASB's review of revisions is facilitated by retaining the old structure; and,
 - (b) The IPSASB's view is sought on whether there are sufficient benefits from a new structure to warrant the amount of change involved.
30. Three respondents (R007, R022 and R027) provided specific proposals on ways to improve CF–ED4's structure so that important concepts would be clearer, repetition between sections would be reduced and discussion of the three presentation decisions followed what they viewed as a more logical, understandable flow. Their comments on restructuring are provided in Appendix E.
31. Staff and the TBG's review of those comments indicated that restructuring along the lines recommended by R027, followed by a review against R022's concerns, could strengthen the chapter, while also addressing some of the concerns raised by R007. The new structure would:
- (a) Place coverage of display and disclosure in Section 2, Information Selection. (Coverage is presently spread between several sections).
 - (b) Locate application of the Phase 1 concepts (objectives, QCs) in one place, with application to all three decisions, and remove repetition, so far as possible, between sections 2, 3 and 4.
 - (c) Reorganize paragraphs within sections 2 and 4 to discuss:
 - i. Information characteristics (what R027 calls "nature"); and then
 - ii. Information principles (what R027 calls "techniques") relevant to the presentation decision.
32. Appendix F illustrates the restructured chapter's appearance.

Action Requested:

3. The IPSASB is asked to:
- (a) Carry out a **page-by-page review** of the draft chapter; and
 - (b) **Provide direction** on changes to the chapter's structure.

APPENDIX A: LANGUAGE OF ISSUANCE FOR GPFRs—DRAFT PARAGRAPHS

- A1. The language (or languages) in which the financial statements and other GPFRs are issued has implications for whether they will support achievement of the objectives of financial reporting and achieve the qualitative characteristics so that the needs of users are met.

Required Language Versions

- A2. Choice of language(s) is first defined by the legal requirements in the entity's national jurisdiction, which include requirements arising from international agreements or, in the case of international organizations, statutory rules. Legal requirements may require issuance in (a) one national or official language, or (b) more than one language.

The Needs of Users and Language Versions

- A3. A second consideration is that the choice of language be guided by the linguistic needs of the users of the financial statements and other GPFRs, based on an assessment of the costs and benefits of multiple translations. For some entities presentation of their financial statements and other GPFRs in a single national or official language will be sufficient to meet the needs of the majority of users, with relatively small benefits to be gained from translations. For other entities more than one language will be necessary to meet the linguistic needs of significant user groups.

International Language Versions

- A4. Entities should consider the benefits of making available at least one international language version of their financial statements and other GPFRs. By "international language" is meant the six languages of the United Nations system, i.e. Arabic, Chinese, English, French, Russian and Spanish. The choice of one or more of the international languages may be guided by an assessment of the international language(s) that the majority of users understand.

Language versions for the financial statements and other GPFRs

- A5. The translation needs for the financial statements may differ from those of other GPFRs issued by an entity. For example, there may be international users of the financial statements, indicating a need to translate them into an international language, while other GPFRs may be focused exclusively on national users.
- A6. Where international resource providers, external to the entity's country of origin, need the entity's financial statements to be translated into their language(s), and there is no legal requirement for translation, the costs and benefits involved should be considered. That consideration should take into account the capacity of international resources providers to carry out translations themselves or contract for translations from others.

Original Language Version, Translation Quality and Validity of Versions

- A7. The financial statements and other GPFRs are initially prepared in one language and then, where necessary, translated into one or more other languages. The first language version, in the language of initial preparation prior to translation, is the "original language version" of the financial statements and other GPFRs.

- A8. The quality of translation should be sufficient to ensure that the translated versions of the financial statements and other GPFRs are equally valid when compared to the original language version. “Equally valid” means that translation does not impact on users’ understanding of the financial statements and other GPFRs for accountability and decision making purposes.
- A9. Where different language versions appear to conflict, the original language version will be the primary reference for resolution of disagreements, except in cases where applicable legal requirements deem that one or more other language version has equal status with the original language version.

Benefits of Inter-Entity Comparability for International Users

- A10. The understandability of financial statements and GPFRs in different languages can be supported through the use of presentation techniques designed to provide a high level of inter-entity comparability. For example, a common approach to information selection and organization using, for example, standard headings, should be considered by entities whose financial statements and GPFRs will (a) be translated into more than one language and/or (b) have users for whom language versions will not be made available in a language that they understand. Standard formats support high quality translations and could provide some level of understandability despite a language barrier.

APPENDIX B: IASB'S DISCUSSION PAPER—"PRESENTATION", "DISCLOSURE" AND "COMMUNICATION" (ISSUE 2)

Presentation

1. The IASB Discussion Paper (DP):
 1. Describes the term "presentation" as meaning "disclosure of information on the face of a primary financial statement".
 2. Uses the phrase "disclosure on the face of a primary financial statement" to mean the same thing as "presentation".
 3. Generally uses "presentation" instead of the phrase "disclosure on the face of a primary financial statement", when it discusses information on the face of the statements.
 4. States that the primary financial statements "convey summarized information about an entity".
 5. Restricts "presentation" to information on the face of the financial statements. The concept of "presentation" does not apply to any information beyond the face of the financial statements.
2. *Conclusion:* The DP's meaning for "presentation" is different from the IPSASB's meaning, where "presentation" covers information selection, location and organization. The DP's meaning is similar to the IPSASB's "display", but only applies to the financial statements.

Disclosure

3. The DP:
 1. Describes the term "disclosure" as meaning "Disclosure is the process of providing useful financial information about the reporting entity to users.... (7.11)".
 2. Uses the term "disclosure" to mean "available information", and the verb "to disclose" to mean "to make information available".
 3. Disclosures are *not* restricted to the notes.
 4. A disclosure may be made (a) on the face of a financial statement, or (b) in the notes to the financial statements.
4. *Conclusion:* The DP's meaning for "disclosure" is different from the IPSASB's meaning. The IPSASB has linked "disclosure" to information reported in the notes to the financial statements. Information on the face of the statements cannot be described as a "disclosure", instead it must be described as "displayed information".

Communication

5. The DP states that:
 1. "Presentation and disclosure are the mechanisms by which a reporting entity communicates information about its financial position and financial performance to users of financial statements.(7.1)"
 2. "Effective communication reflects the fundamental qualitative characteristic of faithful representation and the enhancing qualitative characteristics of understandability and comparability." (7.49)

6. The DP discusses “communication principles” (7.49–7.50) which cover disclosure guidance. Communication principles:
 1. Have implications for the (a) selection of information and (b) organization of information; and,
 2. Do not discuss information location. (This could be because the DP’s focus on the financial statements means that the DP’s “communication principles” do not need to consider where information should be located).
7. *Conclusion*: “Communication” could potentially be used instead of the IPSASB’s present term “presentation”. The IPSASB has proposed that “presentation” have a broad meaning and cover decisions on selection, location and organization of information. The DP’s use of the word “communication” covers information selection and organization. It is not clear from the DP whether “communication” may also cover location of information.

APPENDIX C: EVALUATIVE CRITERIA FOR TERMINOLOGY (ISSUE 2)

Part 1—Evaluative criteria

Criteria Proposed

1. *Name change only*: Should not fundamentally change the underlying concepts in CF–ED4 i.e. the change is a change of name only. This means that the terminology should address the following:
 - (a) The set of three “presentation” decisions (information selection, location and organization).
 - (b) Financial statements:
 - i. Information on the face of the financial statements,
 - ii. Information in the notes to the financial statements,
 - (c) Additional (more comprehensive scope) information:
 - iii. Key message information that is reported prominently, and
 - iv. More detailed explanatory information or standalone information.
2. *IASB alignment*: Any change should improve alignment with the terms used in the IASB’s CF–DP and with their related meanings.

Further Possible Criteria

3. *Alignment with “common usage”*: Consider the meanings given these terms in:
 - Disciplines that are related to financial reporting (e.g. auditing, economics, financial markets).
 - Work-in-progress on disclosures (EFRAG, FASB and others) and other reporting (e.g. government finance statistics, integrated reporting).
 - Common, everyday usage of the terms “display”, “disclosure” and “presentation”.
4. *Translation friendly*: The different English terms translate easily into other languages. (There has been comment that “display” and “presentation” cannot be translated into some other languages, because the same term would be used for both words in those other languages).

APPENDIX D: TERMINOLOGY ALTERNATIVES (ISSUE 2)

Option	Presentation (CF-ED4)	Display (CF-ED4)	Disclosure (CF-ED4)
Status quo (CF-ED4)	Presentation	Display—means on face, “displayed information” Display—prominently presented in other GPFRs, “displayed information”	Financial statements: disclose in notes (“disclosed information”) Other GPFRs: disclose
Alternative 1	Communication	“Presentation” for financial statements, which can also be expressed as disclose on face of the financial statement “Disclose prominently” for other GPFRs (“information that conveys key messages”)	Financial statements: disclose in notes Other GPFRs: disclose (“Disclose” also used when discussing information <i>on face</i> of financial statement.)
Alternative 2	Presentation	“Presentation” or “present on” face of financial statements Disclose prominently for other GPFRs (“information that conveys key messages”)	Financial statements: disclose in notes Other GPFRs: disclose (“Disclose” also used when discussing information <i>on face</i> of financial statement.)
Alternative 3	Presentation	Disclose prominently: (i) Disclose on face of financial statements (ii) Disclose using appropriate presentation technique for other GPFRs (“information that conveys key messages”)	Financial statements: disclose in notes Other GPFRs: disclose
Alternative 4	Required decisions when presenting information in GPFRs (selection, location and organization of information)	Present on face—financial statements Present prominently—Other GPFRs	Disclosure—notes to financial statements Disclosure—in other GPFRs
Alternative 5	Display	Presentation (face)	Disclosure (notes) Disclosure elsewhere
Alternative 6	Display = Location and organization of information	Disclosure = information selection (face or notes or elsewhere, with presentation meaning disclosure on the face of the financial statements, but acceptable also to describe information on the face of the statements as being “disclosed”	Disclosure in the notes to the financial statements; Disclosure in other places, including the face of the statements

APPENDIX E: STRUCTURE (ORDER OF CONTENT)—PROPOSED CHANGES (ISSUE 3)

Summary of the Three Respondents' Views on Structure

1. R007 proposes a structure with separate sections for agenda setting, standard development and GPFR preparation. R007 also emphasizes that the structure should better support consideration of presentation decisions and more clearly address the two types of information ("core/supporting" i.e. display/disclosed).
2. R022 recommends that the Chapter clearly address the following:
 - A definition of the decision. For example "*Selection is the determination of what information needs to be reported in the financial statements*" or "*Organisation is the arrangement, grouping and ordering of information within the financial statements using a variety of techniques and visual aids.*"
 - The main aims/objectives of each type of decision (information selection/location/organization).
 - The factors relevant to each type of decision (a) in the financial statements and (b) in other GPFRs. (This would include discussions on the levels at which such decisions occur, where applicable.)
 - A description of the tools/methodologies/mechanisms utilised to ensure effectiveness of each type of decision.
3. R027 recommends changes that would:
 - Locate coverage of display/disclosure under information selection. (Some coverage is presently included in the other three sections.
 - Locate application of the Phase 1 concepts (objectives, QCs) in one place, with application to all three decisions, and remove repetition between sections 2, 3 and 4.
4. Staff view is that R027's proposals could make Chapter, *Presentation's* structure stronger, while also removing unnecessary repetition and emphasizing critical concepts. The result should be reviewed against R022's concerns, with a view to ensuring that each of the four points raised are addressed clearly for each type of decision.

R027 Comments on Structure

We observe that the above (*application of objectives, users' needs, QCs and constraints*) were repeated in Section 2, Section 3 and Section 4 of the ED, even though they have been discussed in relation to different areas i.e. information selection, information location and information organization. We suggest the IPSASB to consider the discussion of the above, in general, rather than repetitive discussion in various sections.

We believe Section 1 of the ED can be maintained except for paragraph 1.8 to 1.10 on the 'presentation decisions'. We suggest the presentation decisions can be moved to a new section titled Presentation Decisions which discusses the factors for consideration above. Such new section can be located after the discussion on information selection, information location and information organisation which should also be in general.

We suggest such approach as we believe that the presentation framework is a form of 'checklist' to guide the IPSASB in developing International Public Sector Accounting Standards ("IPSASs") and

Recommended Practice Guidelines (“RPGs”) as well as such framework should be principle-based rather than specific.

Section 1 (and linkage to a wider restructuring for S.3 and S.4), R017

Furthermore, in view of the flow of the sentences, we propose to change the order of the current paragraphs to read; paragraphs 1.1, 1.2, 1.5, 1.6, 1.7, 1.3, and 1.4, in order to clarify that “[P]resentation is the selection, location and organization of information.”

Restructuring within sections 2 and 4, R017

On a related note (*related to changes proposed for Section 1*), it will also be useful to reorganize and classify paragraphs explaining the “nature” of information to be presented (displayed or disclosed), and the “techniques” on the presentation decisions as follows:

Section	Nature of information	Presentation techniques
Section 2	Par.2.3 to 2.5	Par.2.1, 2.2, 2.6 to 2.10
Section 3	N/A	All paragraphs
Section 4	Par.4.4 to 4.9, 4.12 to 4.14	Par.4.1 to 4.3, 4.10, 4.15, 4.16

(1) Distinctions among presentation, display, and disclosure

Paragraph BC7 states that certain distinction between “presentation” and “disclosure” used in some jurisdictions is inadequate to address presentation concepts for GPFRs. However, since the reason for not using the concept of “presentation” and “disclosure” is unclear from this sentence, we propose to modify the second paragraph of BC7 to read:

“The concepts of “presentation” and “disclosure” are closely related to both reporting of information on the face of a financial statement and in the notes to a statement. How they correspond with each reporting style is not always clear in other GPFRs. Therefore, it will be difficult to conceptually clarify the presentation style of information for other GPFRs.”

Furthermore, paragraph BC7 appears to place emphasis on “information,” along with “presentation” and “disclosure,” by stating that “...presentation applies to information reported on the face of a statement and disclosure applies to information reported in the notes...” Given that “presentation” or “disclosure” is not the “information” itself, but the process information is reported, we believe that the Board needs to modify these sentences, as well as its statement on “display” in paragraph BC7.

(2) Relationship between display or disclosure, and information selection

We believe that identification of information for display and disclosure (paragraph 1.6) is a part of information selection. Therefore, it will be appropriate to move paragraph 1.6 to Section 2: information selection, and show specific criteria for making decision on display and disclosure.

R022 Comments on Structure

CF-ED4 comprehensively addresses the concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities. To the extent that examples are provided to illustrate the concepts, these have been found to be very effective and it is suggested that examples be employed, wherever possible, to assist in the reader’s interpretation/understanding of the

guidance. However, it is also felt that the information contained in the ED could be organised in a more streamlined manner such that the guidance in each section addresses certain key points, presented in a consistent order. The key points should include responses to the following questions, inter alia:

- I. **What is information selection/location/organization?** It is considered useful to contextualize each section by starting with a basic definition of each of these concepts, as a standalone introductory subsection. For example ***“Selection is the determination of what information needs to be reported in the financial statements”*** or ***“Organisation is the arrangement, grouping and ordering of information within the financial statements using a variety of techniques and visual aids.”*** While such a definition is currently included for information selection at the start of that Section, the additional information on what may be considered in making decisions on information selection appears to somewhat obscure the basic description. Basic definitions along these lines do not currently exist in relation to information location and information organization.
- II. **What are the main aims/objectives of information selection/location/organization?**
- III. **What are the factors relevant to decisions on information selection/location/organization (a) in the financial statements and (b) in other GPFRs?** This would include discussions on the levels at which such decisions occur, where applicable.

What, if any, are the tools/methodologies/mechanisms utilised to ensure effectiveness of information selection/location/organization?

R007 Comments on Structure

Note that we suggest a structure of the Presentation framework with separate sections for agenda setting decisions, standard development decisions and GPFR preparation decisions in the above response to SMC3. However, if the current presentation decisions structure is to be maintained, we suggest modifying the approach of Section 2 to address information selection decisions in standard development and GPFR preparation with the core and supporting information concept (underlying the display and disclosure description in Section 1).

Sub-section “Information in Financial Statements and Other GPFRs” in the ED can be removed as it does not provide specific guidance for information selection decisions. Since what information should be presented in the financial statements is determined by the definitions of elements of financial statements and their recognition criteria, there is little need for information selection decisions for the statements. The descriptions under sub-section “financial statements” which primarily identify specific user needs that can be met in financial statements (not address information selection decisions) would fit better in a GPFRs standard than a Presentation framework that applies to all GPFRs.

As the role of the Conceptual Framework includes providing guidance for development of IPSASB pronouncements and for preparation of GPFRs by public sector entities in areas not addressed by IPSASB, the Presentation framework should provide guidance for standard development and GPFR preparation decisions. These two levels of decisions, together with the agenda setting decisions suggested in the above response to SMC3, should replace the high level and lower level decisions described in paragraph 2.2. Relevant concepts under sub-section “Selection Decisions for Detailed Information within a GPFR” and other applicable Phase 1 concepts should be included in the discussion of specific information selection decisions in standard development and GPFR preparation.

Suggested materials to cover under “Core and Supporting Information”

A GPFR should contain core information that is essential to meeting user needs for the particular accountability assessment and decision-making objective in the specific information area identified in the project brief.

Core information includes key information and/or indicators that are relevant to the subject matter and would make a difference in users' assessment and decision. It also includes key measures that faithfully represent the key indicators. Each piece of key information or indicator may not be sufficient of itself for the purpose of the particular assessment or decision. All key information and/or indicators that together provides a complete and balance set of information for the purpose of the particular GPFR form the core information.

A GPFR should also provide supporting information that explains, describes and elaborates the core information to make them more understandable and useful, and information that puts the core information in perspectives.

Depending on the nature of and the subject matter covered in a GPFR, and the specific key information, indicators and measures selected, supporting information may include definitions, accounting and operating policies, methodologies, major assumptions, risks and uncertainties, recognition criteria, historical trend, other relevant known facts, economic environment, contractual obligations, contingencies, sensitivity analysis, etc..

Suggested materials to cover under “Information Selection Decisions in Standard Development”

Most information selection decisions in standard development relate to identification of specific core information that should be prescribed, suggested or permitted in a particular GPFR. The types or nature of supporting information required to be provided in a GPFR should follow logically from the key information, indicators and measures chosen. There is not much room for decision or need for judgment. Identification of core information involves:

- Identifying the different aspects of a complete and balance assessment of accountability on the subject matter or the different factors a user needs to consider in making a particular decision in the subject matter addressed in a GPFR pronouncement.
- Evaluating the importance of each identified aspect or factor to the users' assessment and decision to select a complete and balance set of core information that is essential for users' assessment and decision in that particular subject matter to be the prescribed key information or indicators.
- Reviewing the remaining list to identify any information about the subject matter that may be suggested (but not required) in the standard considering the incremental benefits to users and additional costs to preparers.
- Determining if any substitute of the key information/indicators should be allowed considering the need for comparability and the benefit of permitting flexibility to reflect the entity/jurisdiction specific circumstances in that subject matter. Identifying possible substitutes and developing guidance on when a substitute is allowed.
- Identifying possible measures of each key indicator that faithfully represent them.

- Evaluating and selecting a key measure for each key indicator based on their supportability, comparability, costs, availability and timeliness of the required input/data.

APPENDIX F: ILLUSTRATION OF RESTRUCTURED DRAFT CHAPTER (ISSUE 3)

New Structure: Chapter 7: Presentation in General Purpose Financial Reports

Section 1 Presentation

Introduction

- 1.1 This chapter sets out the concepts applicable to the presentation of information in general purpose financial reports (GPFRs), including general purpose financial statements (financial statements) of governments and other public sector entities (entities). It explains the relationship between other parts of the Conceptual Framework and presentation.
- 1.2 Presentation is strongly linked to Chapters 1 to 4 of the Conceptual Framework. The objectives of financial reporting, user needs, qualitative characteristics (QCs) of information and constraints all have a direct influence on presentation decisions. For information reported in the financial statements presentation is also strongly linked to the chapters on elements and measurement. For example:
 - (a) The elements identified affect the nature of the items presented;
 - (b) Application of recognition criteria for the elements affects the location of information; and,
 - (c) Different measurement approaches will impact on the information presented on measurement methodologies, including information on measurement models applied, assumptions, and explanations for measurement choices.
- 1.3 This chapter provides high level principles to guide the development of IPSASs and RPGs, rather than detailed, standards level requirements. Where preparers have scope to choose between different presentation approaches permitted by IPSASs and applicable RPGs, this chapter will also guide preparers as they apply their professional judgment to presentation decisions.
- 1.4 The remainder of Section 1 identifies three presentation decisions. Sections 2, 3 and 4 discuss the factors involved in each presentation decision.

Presentation

- 1.5 Presentation is the selection, location and organization of information that is reported in the GPFRs.
- 1.6 Presentation aims to provide information that contributes towards the objectives of financial reporting and achieves the QCs while taking into account the constraints. Presentation of information responds to the needs of users for information about economic or other phenomena.
- 1.7 There are three presentation decisions. They are decisions on the selection, location and organization of information.

Presentation Applied to Multiple Reports

- 1.8 Chapter 1 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. In addition to information in the financial statements, GPFRs provide information relevant to, for example, assessments of an entity's service performance and the sustainability of its finances. The objectives of financial reporting, applied to the area covered by a particular report, will guide presentation decisions for that report.

- 1.9 Given that GPFRs comprise multiple reports, presentation decisions may be:
- (a) High level decisions that could potentially result in development of a new report, movement of information between reports, or the amalgamation of existing reports; or,
 - (b) Lower level, more detailed decisions on information selection, location and organization within a report.

Consistency and Comparability

- 1.10 Presentation decisions take into account the benefits of consistent presentation over time. Consistent presentation supports users' ability to understand information and facilitates their access to information. It also supports inter-period comparability. This is important for accountability and decision making.

Presentation Decisions are Interlinked

- 1.11 The following three sections separately focus on each presentation decision. In practice decisions on information selection, location and organization are interlinked. Different decisions are likely to be considered together, with one type of decision impacting on the other two. For example, decisions on information location and information organization are likely to be considered at the same time as information selection decisions. A decision on information location may have implications for information selection.

Section 2: Information Selection

Information Selection Decisions

- 2.1 Information selection decisions address what information is reported in the GPFRs. Selection decisions relate to what information is reported:
- (a) In the financial statements; and,
 - (b) In the other reports, of which GPFRs are comprised.
- 2.2 Information selection decisions involve both the addition of new information and, where appropriate, the removal of previously presented information. Information selection involves continuing, critical review of reported information in terms of the QCs and constraints.

Information Selection—Nature of Information

Broad Groupings of Information

- 2.3 Chapter 2 describes information included in GPFRs to meet the objectives of financial reporting and the needs of users. That description will guide high-level decisions on selection of broad categories of information to address the different information needs of users. For example, information about entity's service performance is a broad category of information.

Nature of Information in Financial Statements

- 2.4 The user needs identified in Chapter 2 underpin information selection for the financial statements. Those user needs include the need to provide information about the financial position, financial performance and cash flows of an 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.
- 2.5 The financial statements may also provide information that assists users in:
- (a) Assessing 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;
 - (b) Determining the extent to which an entity has met its financial objectives; and
 - (c) Assessing governance, transparency and information reliability issues applicable to the reported financial information.
- 2.6 The financial statements do not directly report on an entity's service performance. However information in the financial statements may provide information relevant to financial aspects of service performance such as information about:
- (d) Revenue, expenses and cash flows related to services; and
 - (e) The assets and liabilities that could affect users' evaluations of, for example, an entity's operational capacity or financial risks that could impact on service provision.

Nature of Information in Other Reports

- 2.7 Other reports present information additional to the financial statements. Such information could, for example, include:
- (a) Financial statements discussion and analysis;
 - (b) Service performance information; or
 - (c) Information on the sustainability of an entity's public finances.
- 2.8 The boundary between information reported in the same report as the financial statements and information reported in another report may:
- (a) Be specified by the IPSASB in a pronouncement; or
 - (b) Depend on decisions by either a particular jurisdiction or preparer, depending on the type of information reported.

Selection of Information—Information for Display and Disclosure

- 2.9 Lower-level decisions on selection of information to be presented within a report involve decisions on whether information is for display or for disclosure.

Information Selected for Display

- 2.10 Information selected for display communicates the key messages in a report. Displayed information is kept to a concise, understandable level, so that users can focus on the key messages presented and not be distracted by detail that could otherwise obscure those messages. Displayed information is presented prominently, using appropriate presentation techniques such as clear labeling, borders, tables and/or graphs.

Information Selected for Disclosure

- 2.11 The function of information selected for disclosure depends on whether or not the information is part of a report that includes displayed information.
- 2.12 Where disclosed information is part of a report that includes displayed information the disclosed information makes displayed information more useful, by providing detail that will help users to understand the displayed information. The disclosed information is likely to include:
- (a) The basis for the displayed information, such as applicable policies or methodology;
 - (b) Disaggregations of displayed information; and,
 - (c) Items that share many but not all of the aspects of displayed information (for example disclosures on items that meet some, but not all, of the characteristics of an element definition or disclosures on items that meet an element definition but not the element recognition criteria).
- 2.13 Where disclosed information is part of a report that only includes disclosed information the disclosed information contributes to achievement of the objectives of financial reporting, without necessarily relating to displayed information in other reports.
- 2.14 Disclosed information is of equal importance to displayed information. The level of detail for disclosed information will be sufficient to meet the QCs and will not be excessive.

Display and Disclosure in the Financial Statements

- 2.15 Information displayed on the face of the financial statements provides an overview of the entity's financial position, financial performance and cash flows.
- 2.16 Recognition of an element is often one of the key drivers in determining whether information is displayed on the face of the financial statements and/or disclosed either in the notes or elsewhere in the GPFRs. In other cases, for example cash flows, displayed information supports achievement of the objectives of financial reporting.
- 2.17 The display of line items and aggregate totals on the face of the financial statements involves balancing standardization of displayed information, which facilitates understandability, with information that is tailored for entity specific factors. The aim of both standardized display requirements and scope for entity specific information is to ensure that information necessary to meet the objectives of financial reporting is available for all entities, while allowing information to be displayed in a manner that reflects the nature and operations of specific entities, which also contributes to achievement of the financial reporting objectives.
- 2.18 The notes to the financial statements disclose information that makes the information displayed on the face of the statements more useful. Information in other GPFRs may enhance, complement and supplement the financial statements.
- 2.19 Information disclosed in the notes to the financial statements:
- (a) Is necessary to a user's understanding of those financial statements;
 - (b) Provides information that puts the financial statements into the context of the entity and its operating environment; and
 - (c) Generally will have a clear and demonstrable relationship to information displayed on the face of the financial statement(s) to which it pertains.
- 2.20 In addition to information displayed on the face of the financial statements users benefit from information disclosed in the notes, which could be on:
- (a) Entity-related factors that could influence judgments about reported information (for example, information about related parties and 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).

Principles Applicable to Information Selection

2.21 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 of financial reporting;
- (c) Information already presented; and
- (d) The QCs and constraints of GPFRs.

2.22 Appropriate information selection results in sufficient information to meet the objectives of financial reporting, as applied to the area covered by a particular report. Information selection avoids information overload which reduces understandability. Too much information may make it difficult for users to understand the overall situation, and undermine achievement of the objectives of financial reporting.

Objectives of Financial Reports and Information Needs

2.23 The objectives of financial reporting are to provide information about the entity that is useful to users of GPFRs for accountability and decision-making purposes. Chapter 2 describes the types of information that users need.

Consideration of Information Already Presented

2.24 If information that is already presented adequately address an identified information need then new information is not required. New information may also make items of existing information redundant with the result that those items no longer meet the qualitative characteristics and/or the constraints and no longer need to be presented.

Application of QCs and Constraints

2.25 Information selection involves decisions about the appropriate level of detail. Such decisions involve information prioritization and summarization.

2.26 Information identified for possible selection is critically reviewed as it is developed and considered for presentation, with particular reference to its relevance, materiality and cost-benefit, although all the QCs and constraints should be applied to the information selection decision.

2.27 All material transactions, events, and other items reported are presented in a manner that conveys their substance rather than their legal or other form so that the QCs of relevance and representational faithfulness are achieved.

2.28 When considering information selection, the benefits to users of receiving information should justify the costs to entities of collecting and presenting that information. In performing this assessment it is important to consider how individual items 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.

- 2.29 Information needs to be presented on a sufficiently timely basis to enable users to hold management accountable, and inform users' decisions. Timeliness includes the need to provide information both:
- (a) On a sufficiently frequent basis to allow the compilation and review of trend information important for accountability and decision making; and
 - (b) Soon enough after the events upon which information is reported to be useful for accountability and decision making.
- 2.30 Relevance, faithful representation, comparability, and understandability are all reduced if information is not provided with sufficient timeliness.
- 2.31 GPFRs may include additional information derived from sources other than the financial information system. The QCs apply to such information. The date of delivery of any such additional information should be as close as possible to the financial statements' reporting date, so that reported information will be timely.

Principles Applicable to Selection of Information for Display and Disclosure

- 2.32 Decisions about display or disclosure apply to both the financial statements and other reports that comprise GPFRs. The objectives of financial reporting are applied to the area covered by a particular report, in order to guide the identification of information for display or disclosure.
- 2.33 The identification of information for display and disclosure in a particular report may involve 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.
- 2.34 IPSASs and RPGs identify information for display and disclosure. A pronouncement may identify information that shall be:
- (a) Displayed;
 - (b) Disclosed; or
 - (c) Either displayed or disclosed.
- 2.35 In some cases the same information is both displayed and disclosed. For example, information displayed on the face of a financial statement may be linked to its related disclosures through repetition of that displayed information. Similarly, disclosures on the sustainability of public finances could include information that has been displayed in the financial statements.
- 2.36 Preparers, applying the pronouncements and their professional judgment, are ultimately responsible for ensuring that information that meets the objectives of financial reporting and QCs is provided in the GPFRs that they prepare.
- 2.37 Disclosure is not a substitute for display.

2.38 Decisions about selection of information to be displayed and disclosed are made:

- (a) With reference to each other rather than in isolation of each other; and
- (b) To effectively communicate an integrated set of information.

Principles Applicable to Selecting Information for Other Reports

2.39 For other reports the objectives of financial reporting are applied to the area covered by each report. The objectives guide detailed information selection decisions in order to satisfy the user needs addressed by the particular report.

2.40 Selection decisions with respect to information in other reports should be made after carefully considering the relationship of the other reports to the financial statements.

Section 3: Information Location

Information Location Decisions

- 3.1 Information location decisions address where information is located, including:
- (a) In which report information is located; and
 - (b) In which component of a report information is located.
- 3.2 For example, a decision on whether service performance information should be reported separately from the financial statements or in the same report as the financial statements is a location decision. A decision on whether information should be reported on the face of a financial statement or in the notes is a location decision. By contrast, decisions at the level of ordering of items in a table or ordering of paragraphs within a report, while affecting the location of items at a micro level, are classified as organization decisions, because they do not involve location either between reports or between components within a report. Decisions on the overall structure of a report are also organization decisions.

Impact of Information Location Decisions

- 3.3 Location decisions impact on information's contribution to achievement of the objectives of financial reporting and the QCs. Location may affect the way that users interpret information and their ability to compare information.
- 3.4 Location is 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.

Principles Applicable to Allocation of Information between Different Reports

- 3.5 Factors relevant to decisions about locating information in the financial statements or another report include:
- (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, for example, comparability and/or understandability.
 - (c) *Jurisdiction Specific*: Whether jurisdiction-specific factors, such as legal provisions, specify requirements on information location.
- 3.6 Further factors could apply, depending on the type of information considered. The overarching considerations for location of information between different reports are whether locating information in a particular report:
- (a) Supports achievement of the objectives of financial reporting; and,

- (b) Ensures that the information reported meets the qualitative characteristics, while also taking into account the constraints on information.
- 3.7 The factors above, which are expressed from the perspective of adding information to an existing set of information, also apply to considerations of whether the grouping of existing information could be improved. The linkages between all information should be assessed, not only linkages between new and existing information. Decisions on effective grouping of information should consider the factors above, i.e. linkage between information sets, the nature of the different information sets, and, to the extent appropriate, jurisdiction specific factors.
- 3.8 Jurisdiction-specific factors should be considered only to the extent that they do not conflict with IPSASs, applicable RPGs, and the Conceptual Framework.
- 3.9 A separate report may be necessary when:
- (a) Additional user needs, not satisfied by an existing report, are identified; and,
 - (b) A separate report to meet those needs is more likely to achieve the objectives of financial reporting and QCs than including information in an existing report.

Principles Applicable to Location of Information within a Report

- 3.10 Section 1 states that displayed information is presented prominently, using appropriate presentation techniques; location is one way to achieve this. Information location within a report can give appropriate prominence to displayed information and ensure that it is not obscured by more detailed and extensive disclosed information.

Location of Information in the Financial Statements

- 3.11 The financial statements are central to users' understanding of an entity's financial performance and financial position. The effective location of information in the financial statements contributes to communicating a comprehensive financial picture of an entity.
- 3.12 For the financial statements, displayed information is shown on the face of the appropriate statement, while disclosures are in the notes. This is historically how information about an entity's financial position, financial performance, cash flows, and other aspects has been presented. Distinguishing displayed information and disclosed information through location ensures that those items that directly relate to communicating an entity's financial position, financial performance and cash flows can be highlighted, with further necessary, equally important yet more detailed information provided through disclosure in the notes. Section 2 sets out the type of information that is selected for display and disclosure in the financial statements.

Location of Information in Other Reports

- 3.13 For other reports, 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 another presentation technique, such as those listed in paragraph 1.6.

Section 4: Information Organization

Information Organization Decisions

- 4.1 Information organization addresses the arrangement, grouping and ordering of information, which includes decisions on:
- (a) How information is arranged within a report; and
 - (b) The overall structure of a report.
- 4.1 Information organization decisions include decisions on the use of cross-referencing, tables, different types of graphs, headings, numbering, and the arrangement of items within a particular component of a report, including decisions on item order.

Impact of Information Organization Decisions

- 4.2 How information is organized can affect its interpretation by users. Information organization helps to:
- (a) Ensure that displayed information, which conveys key messages, is presented prominently and is understandable;
 - (b) Ensure that disclosures in the same report as displayed information makes the displayed information more understandable, without obscuring the key messages that it conveys;
 - (c) Facilitate comparisons; and
 - (d) Clarify important relationships between different items of information.

Nature of Information Relevant to Information Organization Decisions

Information for Display and Information for Disclosure

- 4.3 Section 2 above describes information for display, which conveys key messages, and information for disclosure within the context of financial statements and other reports.

Types of Relationships

- 4.4 Important relationships include, but are not restricted to, those of:
- (a) Enhancement;
 - (b) Similarity; and
 - (c) Shared purpose.
- 4.5 *Enhancement*: Information in one place in a GPFR may be enhanced through information provided elsewhere. For example, budget, prospective and service performance information enhances information in the financial statements. Tables and graphs may be used to enhance the understanding of narrative information. Links to information reported outside the GPFRs may enhance the understandability of information reported in GPFRs. It is important that:
- (a) Links to information from other sources do not undermine GPFR's achievement of the QCs; and

- (b) The issuance date of any such linked information is as close as possible to the financial statements' reporting date so that reported information will be sufficiently timely.
- 4.6 *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 an entity's finances.
- 4.7 *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 on 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.
- 4.8 Relationships may exist between information in different:
 - (a) GPFRs;
 - (b) Components within a report; and
 - (c) Parts of a single component.

Principles Applicable to Information Organization Decisions

- 4.9 Information organization should:
 - (a) Support achievement of the financial reporting objectives; and
 - (b) Help reported information meet the QCs.
- 4.10 Related information is linked through the use of consistent headings, presentation order, and/or other methods appropriate to the relationship and type of information.

Principles for Organization of Information within the Financial Statements

- 4.11 The information displayed on the face of the financial statements is structured to provide an overview of the entity's financial position, financial performance and cash flows. The information is usually organized into numeric totals and sub-totals.
- 4.12 For the financial statements, relationships may exist between:
 - (a) Subsets of displayed amounts or changes in displayed amounts *and* their impact on an entity's financial position, financial performance and/or cash flows;
 - (b) Different displayed amounts in different financial statements, which (i) all reflect the impact of a common external event, or (ii) contribute together towards an understanding of an aspect of the entity's financial position or financial performance; and,

- (c) Displayed amounts *and* related note disclosures that provide information that explains or could otherwise support users' understanding of displayed items.
- 4.13 The organization of information within the financial statements involves decisions on:
- (a) The type and number of statements;
 - (b) Separation of elements and other items into appropriate statements;
 - (c) Subclassification of element totals and totals related to other items into meaningful sub-totals;
 - (d) Ordering and grouping of items displayed within each statement;
 - (e) Identification of aggregates (additive, subtractive, and relational); and,
 - (f) Identification of other information for inclusion on the face of the statement.
- 4.14 Information disclosed in the notes to the financial statements is 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.

Principles for Organization of Information within Other Reports

- 4.15 As is the case for the financial statements, information organization in other reports helps to ensure that key messages conveyed by displayed information are understandable. Presentation that clearly identifies important relationships is likely to enhance the extent to which a report:
- (a) Achieves financial reporting objectives; and
 - (b) Meets the QCs.
- 4.16 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. Other information may be presented more effectively in narrative form. Information organization supports users' understanding of linkages between information within the same report.
- 4.17 Information organization facilitates comparisons such as making clear when items are similar or dissimilar. Inter-period comparability is facilitated by avoiding changes to the way that information is organized for the same entity from year to year unless such changes enhance relevance and understandability. Inter-entity comparisons are facilitated when different reporting entities organize the information they present in similar ways.

Final Pronouncement
[June] 2014

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



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

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 the transparency and accountability of public sector finances.

In meeting this objective 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.

IPSASs relate to the general purpose financial statements (financial statements) and are authoritative. RPGs are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSASs RPGs do not establish requirements. Currently all pronouncements relating to GPFRs that are not financial statements are RPGs. RPGs do not provide guidance on the level of assurance (if any) to which information should be subjected.

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

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THE CONCEPTUAL FRAMEWORK FOR GENERAL PURPOSE FINANCIAL REPORTING BY PUBLIC SECTOR ENTITIES

Section 1: Presentation

Purpose and Structure of this Introduction Exposure Draft

1.1 This ~~ED chapter~~ sets out the concepts applicable to the presentation of information in general purpose financial reports (GPFRs), including general purpose financial statements (subsequently referred to as financial statements) of governments and other public sector entities (public sector entities). ~~This section establishes presentation related terms and identifies three presentation decisions. Sections 2 through 4 discuss the factors involved in each presentation decision for the financial statements, which include notes to those statements, and other GPFRs. It explains the relationship between other parts of the Conceptual Framework and presentation.~~

Comment [GJ1]: Staff note: This and following paragraph included in response to comments that there needs to be clear statement, early in the chapter, that presentation is linked to element recognition. (e.g. R013)

1.2 Presentation is strongly linked to Chapters 1 to 4 of the Conceptual Framework. The objectives of financial reporting, user needs, qualitative characteristics (QCs) of information and constraints all have a direct influence on presentation decisions. For information reported in the financial statements presentation is also strongly linked to the chapters on elements and measurement. For example:

- (a) The elements identified affect the nature of the items presented;
- (b) Application of recognition criteria for the elements affects the location of information; and,
- (c) -Different measurement approaches will impact on the information presented on measurement methodologies, including information on measurement models applied, assumptions, and explanations for measurement choices.

1.3 This chapter provides high level principles, to guide the development of IPSASs and RPGs, rather than detailed, standards level requirements. Where preparers have scope to choose between different presentation approaches permitted by IPSASs and applicable RPGs, this chapter will also guide preparers as they apply their professional judgment to presentation decisions.

Comment [GJ2]: Staff note: To explain the relationship between this chapter and standard setting i.e. detailed rules and specifications, including criteria, are identified within IPSASs and RPGs. Several respondents raised concerns about (a) the preparers' role, (b) whether the Chapter provides scope to counter IPSAS requirements, and (c) the need for more detail on relationship between this Framework's coverage and IPSASs/preparers responsibilities.

4.1 The remainder of Section 1

1.4 ~~This section establishes presentation related terms and identifies three presentation decisions. Sections 2, 3 and through 4 discuss the factors involved in each presentation decision for the financial statements, which include notes to those statements, and other GPFRs.~~

Presentation

1.5 Presentation is the selection, location and organization of information that is ~~reported displayed and disclosed~~ in the GPFRs.

4.21.6 Presentation aims to provide information that contributes towards the objectives of financial reporting and achieves the ~~QCs qualitative characteristics (QCs)~~ while taking into account the constraints⁴. ~~Presentation involves display and disclosure of information.~~

Comment [GJ3]: Staff note: R017 argues: We believe that the proposed definition of presentation in paragraph 1.2 of the CF-ED4 may be misunderstood so that "display" and "disclosure" are the subordinate concepts of "presentation." Therefore, we believe that it would be appropriate to remove the sentence on "display" and "disclosure" from paragraph 1.2. Staff view: agree.

⁴ 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.

Comment [GJ4]: Staff note: R007 recommends deletion. Staff agrees since the chapter will be included in the same document as those chapters related to QCs and constraints.

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Information Selected for Display

1.31.7 Information selected for display communicates the key messages in a GPFR. Displayed information is 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 is presented prominently, using appropriate presentation techniques such as clear labeling, borders, tables ~~and~~ or graphs.

Comment [GJ5]: Staff note: R006 states that there needs to be a better focus on type of information, citing paragraph BC9, which claims that the ED focuses on type of information.

Information Selected for Disclosure

1.8 The function of information selected for disclosure depends on whether the information is part of a GPFR that either includes or does not include displayed information.

1.9 Where disclosed information is part of a GPFR that includes displayed information the disclosed information makes displayed information more useful, by providing detail that will help users to understand the displayed information. ~~The disclosed information is likely to include:~~

- a) ~~(a)~~ The basis for the displayed information, such as applicable policies or methodology;
- b) ~~(b)~~ Disaggregations of displayed information; and,
- c) ~~(c)~~ Items that share many but not all of the aspects of displayed information (for example disclosures on items that meet some, but not all, of the characteristics of an element definition ~~or disclosures on items that meet an element definition but not the element recognition criteria~~).

1.10 Where disclosed information is part of a GPFR that only includes disclosed information the disclosed information does not have the function of making displayed information more useful. In this case disclosed information contributes to achievement of the objectives of financial reporting, without necessarily relating to displayed information in other GPFRs. That is the case, for example, with information on the sustainability of public finance, which consists entirely of disclosed information.

Comment [GJ6]: Staff note: R016: "... expand the definition [in paragraph 1.4] to clearly allow the preparer to provide relevant information that might [not] meet the threshold for recognition but is clearly a matter that should be brought to the attention of users. Note other respondents with the same concern as R016; e.g. R006.

1.11 Disclosed information is of equal importance to displayed information.

1.12 The level of detail provided by disclosed information will contribute to achievement of the objectives of financial reporting, without being excessive.

Comment [GJ7]: Staff note: Respondents R008, R012, R030 and IPSASB December 2013 decision that this point should be clear. (R032 also argued that some of the notes stand on their own.)

1.4 —

Criteria Principles for Display and Disclosure

1.13 Information is ~~selected either for~~ displayed or disclosed in GPFRs. Disclosure is not a substitute for display.

1.14 In some cases the same information is both displayed and disclosed. For example, information displayed on the face of a financial statement may be linked to its related disclosures through repetition of that displayed information. Similarly, disclosures on the sustainability of public finances could include information that has been displayed in the financial statements.

Comment [GJ8]: Staff note: Note respondents' view that this should be stated explicitly, (R013, R019, R025...) and IPSASB December 2013 decision that this point should be clear.

Comment [GJ9]: Staff note: See R012 comment that the difference between display and disclosure should not relate to "excessive detail". Both types of information should avoid excessive detail and both should be understandable. R008 suggestion that both types of information contribute to the objectives.

1.15 Repetition of information in more than one place should generally be avoided. However, the same information may be presented in different GPFRs in order to address their different aims. For example, disclosures on the sustainability of public finances could include information that has been displayed in the financial statements selected for display may also be linked to related disclosures through repetition of the displayed information in those disclosures. For example, a total displayed on the face of the financial statements may be repeated in the notes, where they provide a disaggregation of the displayed total.

Comment [GJ10]: Staff note: Consistency with earlier paragraph (TBG comment).

Comment [GJ11]: Staff note: Respondents (R008, R012, R031) argument that the same information can be disclosed in more than one place.

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~~1.61.16~~ Decisions about display or disclosure apply to both the financial statements and other GPFRs.

The objectives of financial reporting are applied to the area covered by a particular report; ~~in order~~ to guide the identification of information for display or disclosure. The identification of information for display and disclosure in a particular GPFR may involve 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.

~~1.17~~ IPSASs and RPGs identify information for display and disclosure. A pronouncement may identify:

- a) Information that shall be displayed;
- b) Information that shall be disclosed; and
- c) Information that shall either be displayed or disclosed, which could depend on entity specific considerations.

~~1.18~~ Preparers, applying the pronouncements and their professional judgment, are ultimately responsible for ensuring that information that meets the objectives of financial reporting and QCs is provided in the GPFRs that they prepare.

~~1.7~~ Sections 2, 3 and 4 relate display and disclosure to information selection, location and organization.

Comment [GJ12]: Staff note: This paragraph addresses two points raised by respondents:

(a) Further detail on specifics is provided in IPSASs and RPGs; and
(b) Preparers are also involved in decisions about what information is displayed and disclosed.
(For e.g. (a) R023...; (b) R007)

Comment [GJ13]: Staff note: Revision included to address R023 comment on SMC 1, which links to established practice of providing scope for preparers to decide whether particular information is displayed or disclosed.

Comment [GJ14]: Staff note: Addressed earlier in the section.

Presentation Decisions

~~1.81.19~~ Decisions on the selection, location and organization of information are made in response to the needs of users for information about economic or other phenomena. Chapter 2 describes the information needs of users. These three presentation decisions seek to achieve the objectives of financial reporting objectives while also applying the QCs and constraints.

~~1.91.20~~ Chapter 1 of the Conceptual Framework, Role and Authority 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. In addition to information in the financial statements, GPFRs provide information relevant to, for example, assessments of a public sector entity's service performance and the sustainability of its finances. The objectives of financial reporting, applied to the area covered by a particular report, will guide presentation decisions for that report.

Comment [GJ15]: Staff note: R013 comment that the link to Chapter 2 needs to be made explicit i.e. we are dealing with the same user needs as those previously identified.

Comment [GJ16]: Staff note: R030 on SMC 2 states that it is not clear that "financial reporting" is wider than just the financial statements. This revision aims to make clear that there is a wider set of information.

~~1.21~~ Presentation decisions may be:

- a) ~~(a) - h~~ High level decisions that could potentially result in development of a new report, movement of information between reports, or the amalgamation of existing reports; or,
- b) ~~(b) - l~~ Lower level, more detailed decisions on information selection, location and organization within a report.

Consistency and Comparability

~~1.22~~ Presentation decisions take into account the benefits of consistent presentation over time. Consistent presentation supports users' ability to understand information and facilitates their access to information. It also supports inter-period comparability. This is important for accountability and decision making.

Comment [GJ17]: Staff note: Revision addresses the concerns raised by several respondents. (R033, R030, R029, R022) also R032

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Presentation Decisions are Interlinked

1.23 The following three sections separately focus on each presentation decision. In practice, decisions on information selection, location and organization are interlinked. Different decisions are likely to be considered together, with one type of decision impacting on the other two. For example, decisions on information location and information organization are likely to be considered at the same time as information selection decisions. The amount or type of information selected could have implications, for example, on whether it is included in a separate report or organized into tables or separate schedules.

Comment [GJ18]: Staff note: Point to address comment at the December 2013 meeting to the effect that the decisions are not completely separate. They are interlinked. (See draft minutes.)

~~4.10—~~

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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 of financial reporting;
- (c) ~~The~~ QCs and constraints of GPFRs; and
- ~~(ed) Information already required to be reported in GPFRs.~~

2.2 ~~As Chapter 2 explains, the objectives of financial reporting are to provide information about the entity that is useful to users of GPFRs for accountability and decision-making purposes. Chapter 2 describes the types of information that users need.~~

2.3 ~~The concept of materiality, discussed in Chapter 3, is particularly important when making information selection decisions.~~

2.4 ~~Information that is already required to be reported in GPFRs is important to the selection decision because:~~

- ~~a) Existing information may already adequately address the information need identified so that no new information needs to be presented; or~~
- ~~a)b) A new information requirement may achieve both new information needs and previous one so that the new information makes previously required information redundant.~~

2.12.5 ~~Decisions on information selection are made at two levels: (1) high-level decisions on information selection for financial statements and other reports, and (2) lower-level decisions on information selection within a report. Chapter 2 of the Conceptual Framework, Objectives and Users of General Purpose Financial Reporting, describes information included in GPFRs to meet the objectives of financial reporting. That description of information needs guides high-level decisions on whether particular types of reports are needed. This section focuses on the lower-level decisions on selection of detailed information to be developed and presented within GPFRs, including financial statements and other reports.~~

Comment [GJ19]: Staff note: R023 argues that this last point is confusing and potentially circular. To address this concern a paragraph has been included below, which explains the need to consider information that is already required to be reported.

Comment [GJ20]: Staff note: In response to R033 comment on SMC 4, which indicated a need to more clearly link this section to the description of users' needs in Chapter 2.

Comment [GJ21]: Staff note: Several respondents raise the importance of materiality in this context. (R002, 003, 007, 013 (also 008 in context of display and SMC 5 i.e. location))

Comment [GJ22]: Staff note: R017 recommends that this paragraph be deleted, because the high/low level idea is not useful. R002 suggests using the terms "broader" or "more detailed" on the basis that "although we agree that presentation decisions have to be made at differing levels we do not consider that the term 'lower level' accurately portrays the granular level at which the presentation would be made."

Information in Financial Statements and Other GPFRs*Financial Statements*

2.22.6 The objectives of financial reporting guide detailed information selection decisions for the financial statements. The user needs identified in Chapter 2 also underpin information selection for the financial statements. 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.

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2.7 The financial statements do not directly report on an entity's service performance. However information in the financial statements may provide information relevant to financial aspects of service performance such as information about:

- a) Revenue, expenses and cash flows related to services; and
- b) The assets and liabilities that could affect users' evaluations of, for example, an entity's operational capacity or financial risks that could impact on service provision.

Comment [GJ23]: Staff note: See R031 comment, SMC 4. Also R032. Both expressed concern at the idea that the financial statements provide information relevant to an entity's service performance—see point (b) above. But (b) above is based on wording take from Chapter 2, see paragraph 2.15, so this explanation has been included rather than delete point (b).

2.32.8 The financial statements may also provide information that assists users in:

- a) Assessing 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) Determining how well the extent to which an public sector entity has met its financial objectives; and
- b)c) Assessing governance, transparency and information reliability issues applicable to the reported financial information.

Comment [GJ24]: Staff note: See R009 comment on SMC 4 and R011 comment

Other GPFRs

2.9 Other GPFRs present information additional to the financial statements. Such information could, for example, include:

- a) Financial discussion and analysis;
- b) Service performance information; or
- c) Information on the sustainability of an entity's public finances.

2.10 The boundary between information reported in the same report as the financial statements and information reported in another report may:

- a) Be specified by the IPSASB in a pronouncement; or
- b) Depend on decisions by either a particular jurisdiction or preparer, depending on the type of information reported.

2.11 For other GPFRs the objectives of financial reporting are, applied to the area covered by a particular report. The objectives guide detailed information selection decisions in order to satisfy the user needs addressed by a the particular report.

2.42.12 Selection decisions with respect to information in other GPFRs should be made after carefully considering the relationship of the other GPFRs to the financial statements.

Comment [GJ25]: Staff note: R017 recommends this point on the basis that information presented in financial statements is the core of financial reporting.

Selection Decisions for Detailed Information within a GPFR

2.52.13 Appropriate information selection results in sufficient information to meet the objectives of financial reporting, as applied to the area covered by a particular report. Information selection avoids information overload which reduces understandability. Too much information may make it difficult for users to understand the overall situation, and undermine achievement of the objectives of financial reporting.

2.62.14 Information selection involves decisions about the appropriate level of detail. Such decisions involve information prioritization and summarization.

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~~2.72.15~~ Information identified for possible selection is critically reviewed as it is developed and considered for presentation, with particular reference to its relevance, materiality and cost-benefit, although all the QCs and constraints should be applied to the information selection decision. All material transactions, events, and other items reported are presented in a manner that conveys their substance rather than their legal or other form so that the QCs of relevance and representational faithfulness are achieved.

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 performing this assessment it is important to consider how individual items 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.

~~2.82.17~~ Information selection decisions require continuing and critical review. Decisions on whether new items of information should be presented include consideration of whether new information may make items of existing information redundant with the result that those items no longer meet the qualitative characteristics and/or the constraints.

2.18 Information needs to be presented on a sufficiently timely basis to enable help users to hold management accountable, and inform users' decisions. Timeliness includes the need to provide information both:

a) ~~(a) e~~ On a sufficiently frequent basis to allow the compilation and review of trend information important for accountability and decision making; and

b) ~~(b) s~~ Soon enough after the events upon which information is reported to be useful for accountability and decision making.

2.19 Relevance, faithful representation, comparability, and understandability are all reduced if information is not provided with sufficient timeliness.

~~2.92.20~~ GPFs may include additional information derived from sources other than the financial information system. The QCs apply to such information. The date of delivery of any such additional information should be as close as possible to the financial statements' reporting date, so that reported information will be timely.

Comment [GJ26]: Staff note: Revision to address R013 point in SMC4 comments. But also relates to other respondents' concerns that disclosure overload be adequately addressed.

Comment [GJ27]: Staff note: Reference made to other QCs in order to address R012 concern that the paragraph overemphasized timeliness. (See comments on SMC 4.)

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Section 3: Information Location

3.1 The Location of information has an impact on information's contribution to achievement of the objectives of financial reporting and its QCs. relevance, verifiability, understandability, faithful representation, and comparability. Location may affect the way that users interpret information.

Location may be used to:

- a) ~~(a) e~~Convey the relative importance of information and its connections with other items of information;
- b) ~~(b) e~~Convey the nature of information; and
- c) ~~(c) e~~Link different items of information that combine to meet a particular user need.

~~3.13.2~~ The location of information can either support or undermine users' ability to compare information.

3.3 Decisions on information location occur at two levels. Decisions are made on:

- a) ~~(a) e~~The report in which information is located; and
- b) ~~(b) e~~Within which part, or component, of a report information is located.

~~3.23.4~~ Information location within a report ensures that displayed information is given appropriate prominence and is not obscured by more detailed and extensive disclosed information.

Allocation of Information between Different Reports

~~3.33.5~~ Factors relevant to decisions about locating information in the financial statements or another GPFR include:

- a) ~~(a) e~~Linkage: Whether or not the additional information envisaged needs to link very closely to information already included in an existing report.
- b) ~~(b) e~~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, for example, comparability and/or understandability.
- c) ~~(c) e~~Jurisdiction Specific: Whether jurisdiction-specific factors, such as legal provisions, specify requirements on information location.

3.6 Further factors could apply, depending on the type of information considered. The overarching considerations for location of information between different reports are whether locating information in a particular report:

- (a) Supports achievement of the objectives of financial reporting; and
- (b) Ensures that the information reported meets the qualitative characteristics, while also taking into account the constraints on information.

3.7 The factors above, which are expressed from the perspective of adding information to an existing set of information, also apply to considerations of whether the grouping of existing information could be improved. The linkages between all information should be assessed, not only linkages between new and existing information. Decisions on effective grouping of information should consider the factors above, i.e. linkage between information sets, the nature of the different information sets, and, to the extent appropriate, jurisdiction specific factors.

Comment [GJ28]: Staff note: Revision to address R025 comment in General Comments.

Comment [GJ29]: Staff note: R011 (SMC 5) comments that there are more factors than the three above. Staff proposes this revision to (a) clarify that there could be further factors, while also (b) making explicit that the overarching concerns are those related to objectives, QCs and constraints. (Constraints came up as part of the ED 54 RPG Service Performance development, related to this type of location decision.)

Comment [GJ30]: Staff note: See R008 comment on SMC 5.

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~~3.43.8~~ Jurisdiction-specific factors should be considered only to the extent that they do not conflict with IPSASs, applicable RPGs, and the Conceptual Framework.

Comment [GJ31]: Staff note: See R008 comment on SMC 5. (Also R025.) (Note that the IPSASB considers the relationship between IPSASs and RPGs and requirements in different jurisdictions during development of its pronouncements.)

Allocation of Information to the Financial Statements

~~3.53.9~~ The financial statements are central to users' understanding of an entity's financial performance and financial position. The effective location of information in the financial statements contributes to communicating a comprehensive complete financial picture of an entity.

Comment [GJ32]: Staff note: Revision to address R011's comment (on SMC 5) to the effect that the relationship between financial statements and these other types of information is not clear and the ED (incorrectly) conveyed that a complete financial picture can be gained from just the financial statements.

3.10 Recognition of an element is often one of the key drivers in determining whether information is displayed on the face of the financial statements and/or disclosed either in the notes or elsewhere in the GPFRs. In other cases, for example cash flows, displayed information supports achievement of the objectives of financial reporting.

~~3.63.11~~ The display of line items and aggregate totals involves balancing standardization of displayed information, which facilitates understandability, with information that is tailored for entity specific factors. The aim of both standardized display requirements and scope for entity specific information is to ensure that information necessary to meet the objectives of financial reporting is available for all entities, while allowing information to be displayed in a manner that reflects the nature and operations of specific entities, which also contributes to achievement of the financial reporting objectives factors such as balancing standardization to ensure that particular information necessary to meet the objectives of financial reporting is available for all entities, and consideration of entity specific factors. Materiality is an important factor for preparers when making certain types of display decisions.

Comment [GJ33]: Staff note: R008 (SMC 5) commented on how to improve this sentence's understandability. This revision is longer, because it aims to convey that both standard information and entity specific information matter for achievement of the objectives.

~~3.73.12~~ The notes to the financial statements disclose information that supports makes the information displayed on the face of the statements more useful. Information in other GPFRs may enhance, complement and supplement the financial statements.

Comment [GJ34]: Staff note: R008 (SMC 5) states that this last sentence should be moved to below (old) para. 3.8 to 3.10], because it relates to information within a report. Materiality has been added earlier under information selection

Allocation of Information to Other GPFRs

~~3.83.13~~ A separate report may be necessary when:

- a) ~~(a)~~ Additional user needs, not satisfied by an existing report, are identified; and,
- b) ~~(b)~~ A separate report to meet those needs is more likely to achieve the objectives of financial reporting and QCs than including information in an existing report.

Comment [GJ35]: Staff note: R008 (SMC 5) disagreed on implied hierarchy of importance arising from the word "supports" and "supporting" in the ED, so these references have been removed. (R013 also commented.)

Location of Information within a Report

~~3.93.14~~ Section 1 states that selected information is classified either as information for display or information for disclosure. It further states that displayed information is presented prominently, using appropriate presentation techniques; location is one way to achieve this.

~~3.103.15~~ For the financial statements, displayed information is shown on the face of the appropriate statement, while disclosures are in the notes. This is use of this 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 and disclosed information through location ensures that those items that directly relate to communicating an entity's financial position, financial performance and cash flows can be highlighted, with further necessary, equally important yet more detailed supporting information provided through disclosure in the notes.

Comment [GJ36]: Staff note: R008 (SMC 5) comment on implied hierarchy of importance arising from the word "supporting". (R013 also commented.)

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~~3.14~~3.16 For other GPFRs, 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, such as those listed in paragraph 1.6.

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Section 4: Information Organization**4.1 Information organization should:**

- a) Support achievement of the financial reporting objectives; and
- b) Help reported information meet the QCs.

4.2 Information organization helps to ensure that key messages are understandable, which includes clearly identifying important relationships. Information organization can give appropriate prominence to information that convey key messages and facilitate comparisons.**4.14.3 Information organization involves a range of decisions including decisions on the use of cross-referencing tables, different types of graphs, headings, numbering, and the arrangement of items within a particular component of a report, including decisions on item order. How information is organized can affect its interpretation by users.****4.24.4 Information organization in GPFRs aims to make clear important relationships between items. Related information is linked through the use of consistent headings, presentation order, and/or other methods appropriate to the relationship and type(s) of information.****4.5 Relationships may exist between information in different:**

- a) (a) information in different GPFRs;
- b) (b) information in different components within a report; and
- a)c) (c) information in different parts of a single component.

Comment [GJ37]: Staff note: R008 (SMC 6) recommended that the last three paragraphs on organization within "Other GPFRs" be moved to here, because the ideas in those paragraphs are generally applicable. Instead of moving the three paragraphs, this new paragraph, which is a summary of key ideas from those three paragraphs, has been inserted here..

Comment [GJ38]: Staff note: Recommendation from R033.

Comment [GJ39]: Staff note: Revision to address R025 comment in General Comments.

Types of Relationships**4.34.6 Important relationships include, but are not restricted to, those of:**

- a) Enhancement;
- b) Similarity; and
- c) Shared purpose.

4.7 Enhancement: Information in one place in a GPFR may be enhanced through information provided elsewhere. For example, budget, prospective and service performance information enhances information in the financial statements. Tables and graphs may be used to enhance the understanding of narrative information. Links to information reported outside the GPFRs may enhance the understandability of information reported in GPFRs. It is important that:

- a) (a) Links to information from other sources do not undermine GPFR's achievement of the QCs; and
- a)b) (b) the issuance date of delivery of any such linked information be as close as possible to the financial statements' reporting date so that reported information will be sufficiently timely.

4.44.8 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

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the statement of financial performance. A reconciliation between the two different amounts can enhance users' understanding of a reporting entity's finances.

4.54.9 *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 on 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

4.64.10 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 usually organized into numeric totals and sub-totals.

4.74.11 For the financial statements, relationships may exist between:

- Subsets of displayed amounts or changes in displayed amounts *and* their ~~related~~ impact on an entity's financial position, financial performance and/or cash flows;
- Different displayed amounts in different financial statements, which (i) all reflect the impact of a common external event, or (ii) contribute together towards an understanding of an aspect of the entity's financial position or financial performance; and,
- Displayed amounts *and* related note disclosures that provide information that explains or could otherwise support users' understanding of displayed items.

4.84.12 ~~Following identification of elements and application of recognition criteria, display involves further~~ The organization of information within the financial statements involves decisions on:

- The type and number of statements;
- ~~a)~~ Separation of elements ~~and other items~~ totals into appropriate statements;
- ~~b)~~ Subclassification of element totals and totals related to other items into meaningful sub-totals;
- ~~c)~~ Ordering and grouping of items displayed within each statement;
- ~~d)~~ Identification of aggregates (additive, ~~and~~ subtractive, and relational); and,
- ~~e)~~ Identification of other information for inclusion on the face of the statement.

Comment [GJ40]: Staff note: R008 (SMC 6) recommends that this sentence be deleted: *So as to not preclude the nature of any statements that might be included within the financial statements in future, we propose deleting this sentence.* "Usually" added to address the problem.

Comment [GJ41]: Staff note: R008 comments that not all items are elements (e.g. cash flows) so this sentence needs to be revised. That comment raised other issues with respect to the bullet points arising from the introductory sentence.

Information Disclosed in the Financial Statements

4.13 Information disclosed in the notes to the financial statements is 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 are made:

- (a) - (a) W with reference to each other rather than in isolation of each other; and

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a) ~~b)~~ ~~(b) with the aim of To~~ effectively communicating an integrated set of information.

4.14 Information disclosed in the notes to the financial statements:

a) ~~(a)~~ ~~i~~ is necessary to a user's understanding of those financial statements;

b) ~~(b)~~ ~~p~~ Provides information that puts the financial statements into the context of the entity and its operating environment; and

c) ~~(c)~~ ~~may~~ Generally will have a clear and demonstrable relationship to information displayed on the face of the financial statement(s) to which it pertains.

4.94.15 In addition to information displayed on the face of the financial statements users ~~may~~ benefit from information disclosed in the notes, which could be on:

- a) Entity-related factors that could influence judgments about reported information (for example, information about related parties and 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).

Organization of Information within Other GPFRs

4.16 As is the case for the financial statements, information organization in other GPFRs helps to ensure that key messages conveyed by displayed information are understandable. Presentation that clearly identifies important relationships is likely to enhance the extent to which a report:

a) ~~(a)~~ ~~a~~ Achieves financial reporting objectives; and

a) ~~b)~~ ~~(b)~~ ~~m~~ Meets the QCs.

4.104.17 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. Other information may be presented more effectively in narrative form. Information organization supports users' understanding of linkages between information within the same GPFR.

4.114.18 Information organization facilitates comparisons such as making clear when items are similar or dissimilar. Inter-period comparability is facilitated by avoiding changes to the way that information is organized for the same reporting entity from year to year unless such changes enhance relevance and understandability. Inter-entity comparisons are facilitated when different reporting entities organize the information they present in similar ways.

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Basis for Conclusions

(Do not review. The Basis for Conclusions has not been revised. It depends on IPSASB decisions in March. It will be revised for June and then may require further revision to reflect June decisions.)

Comment [GJ42]: Staff note: Changes to the Basis for Conclusions are conditional on IPSASB decisions in March. The Basis for Conclusions will be revised subsequent to the March 2014 meeting.

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

Concepts Applicable to Presentation for GPFRs

- BC1. This ~~ED~~-chapter describes concepts applicable to presentation in GPFRs, including both financial statements and additional information and reports that enhance, complement, and supplement the financial statements. Such concepts have not previously received detailed attention. This is the first time that an international standard setter has developed presentation concepts applicable to both financial statements and other GPFRs.
- BC2. The Consultation Paper, *Presentation in General Purpose Financial Reports* (CF—CP4), proposed that the presentation concepts should be applicable to presentation in GPFRs. 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.
- BC3. The IPSASB's view is that effective presentation of information in other GPFRs is very important in meeting the objectives of financial reporting—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 acknowledged the need to provide concepts that are sufficiently detailed for application to the financial statements. Therefore the IPSASB decided to continue to develop presentation concepts for GPFRs, while setting out the concepts applicable to financial statements in more depth.

Presentation and Other Parts of the Conceptual Framework

- BC4. This ~~ED~~-chapter explains the relationship between other parts of the *Conceptual Framework* and presentation concepts. Presentation is strongly linked to Chapters 1 to 4 of the *Conceptual Framework*. The objectives of financial reporting, user needs, qualitative characteristics of information and constraints all have a direct influence on presentation decisions. Presentation is also linked to ~~the ED~~chapter 5, which ~~that~~ discusses the definition and recognition of elements because, for example:
- (a) The elements identified affect the nature of the items presented in GPFRs;
 - (b) The application of the recognition criteria for the elements affects the location of information in GPFRs; and
 - (c) Presentation decisions affect both the level of detail provided in respect of items that have been recognized as elements in the financial statements and where that information is presented.
- BC5. In addition presentation is linked to the ~~ED~~-chapter on measurement because, for example, when describing measurement bases or measurement models:

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- (a) Information is usually presented on measurement methodologies, including information on measurement models applied, assumptions, and explanations for measurement choices; and
- (b) More information may be presented where elements cannot be measured in a faithfully representative way.

Presentation, Display and Disclosure

- BC6. CF—CP4 proposed descriptions of “presentation”, “display”, “disclosure”, “core information”, and “supporting information”. Respondents were evenly divided on whether the descriptions were appropriate. There was significant support for the description of presentation, which covered the selection, location and organization of information. Some respondents opposed the introduction of new descriptions, because they considered that the terms “presentation” and “disclosure” have been widely used by standard setters with accepted meanings. There was scepticism about adopting new descriptions. The distinction between core and supporting information was controversial. Many respondents considered that this distinction implied that information in the notes to the financial statements is less important than information on the face of a statement.
- BC7. 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). For this reason the IPSASB has broadly continued with the descriptions of presentation, display and disclosure proposed in CF—CP4.
- 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). After further consideration the IPSASB decided that separation of these two ideas would better facilitate consideration of presentation issues. Therefore presentation is now described neutrally as information selection, location and organization. There is also a description of what presentation aims to achieve, which is to provide information that (a) effectively contributes to the objectives of financial reporting, and (b) achieves the QCs while taking into account the constraints.
- BC9. The IPSASB acknowledged respondents’ concerns about core and supporting information. There was no intention to imply that supporting information is less important than core information. Nevertheless, because many respondents considered that the two terms created a hierarchy, the IPSASB reconsidered the need for a distinction between core and supporting information and concluded that incorporating the ideas related to these two types of information into the descriptions of display and disclosure within each GPFR would be more appropriate. Consequently 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

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provides additional guidance on the distinction between display and disclosure as it applies to the three presentation decisions.

Overall Approach to Presentation

- BC10. CF—CP4 proposed an approach to presentation of (i) focusing on user needs to identify presentation objectives, (ii) application of the QCs to presentation decisions, and (iii) separate presentation concepts. (The proposed concepts were Concept 1: Select information that meets user needs, satisfies the cost-benefit test, and is sufficiently timely; Concept 2: Locate information to meet user needs; and, Concept 3: Organize information to make important relationships clear and support comparability). CF—CP4 also proposed that presentation objectives be established at the standards level, for application to particular reports or reporting topics.
- BC11. Respondents generally agreed that the needs of users and application of the QCs were important for presentation decisions. They supported development of presentation objectives, but advocated their inclusion in the *Conceptual Framework*. While generally agreeing that separate presentation concepts should be developed, a significant number of respondents disagreed with the three presentation concepts proposed. Some respondents disagreed with the way that the three presentation concepts emphasized particular QCs or constraints. They argued that other QCs or constraints should be added. Others argued that the concepts added little, if anything, to the QCs and constraints.
- BC12. After considering responses to CF—CP4 and further discussion, the IPSASB decided that a simpler, more focused approach—one that directly applies concepts developed in Phase 1 to presentation decisions—was more appropriate. The IPSASB's view is that decisions on information selection, location and organization are made in response to the needs of users for information about economic or other phenomena. Presentation decisions are made to seek to achieve the financial reporting objectives, and they involve application of the QCs and constraints.
- BC13. Presentation decisions are made at two levels. They may be either (a) high level decisions that may result in development of a new report, movement of information between reports, or the amalgamation of existing reports; or, (b) detailed decisions on information selection, location and organization related to information *within* a report.
- BC14. The need to distinguish the display and disclosure of information is a further important aspect of the IPSASB's overall approach to presentation. An example of a detailed decision within a report is a decision about whether information should be displayed on the face of a financial statement or disclosed in the notes.

Needs of Users

- BC15. Chapter 2 of the *Conceptual Framework* addresses the needs of users and objectives of GPFRs. The objectives of GPFRs incorporate the needs of users. The IPSASB considers that the needs of users are very important when making presentation decisions. However, to avoid duplication this ED focuses primarily on the role that presentation has in supporting the objectives.

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Presentation Objectives

- BC16. As stated above, in CF—CP4 the IPSASB proposed an approach where “presentation objectives” would be developed to guide presentation decisions. Respondents supported identifying presentation objectives. After further consideration the IPSASB decided against the inclusion of presentation objectives in this ~~ED~~chapter, because they would create an unnecessary additional layer of objectives beneath the financial reporting objectives established in Phase 1. Development of a second layer of presentation objectives could be confusing and detract from the financial reporting objectives.

Application of the Qualitative Characteristics and Constraints

- BC17. Many respondents’ comments supported application of the QCs to presentation decisions. However, some respondents expressed reservations, which highlighted that the constraints on information had not been properly integrated into the overall approach to presentation in CF—CP4. The IPSASB agreed that the constraints apply to presentation decisions. They have therefore been included in the overall approach to presentation.

Presentation Concepts

- BC18. After considering respondents’ concerns about the three presentation concepts proposed in CF—CP4 and possible further changes to address those concerns, the 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 and constraints to presentation decisions.

Sections 2 to 4—Presentation Decisions

- BC19. Sections 2 to 4 provide further detail on the IPSASB’s overall approach to presentation, particularly with respect to the financial statements. These three sections describe the application of concepts in other parts of the *Conceptual Framework* to information selection (Section 2), information location (Section 3) and information organization (Section 4). They also relate display and disclosure to presentation decisions. These three sections discuss (a) high level decisions, and (b) lower level, more detailed decisions on information selection, location and organization within a report.
- BC20. The discussion in Section 2 on information selection includes the need for selected information to be timely. Public sector entities may prepare GPFRs that include additional information derived from sources other than the financial information system. In such circumstances the IPSASB considered that the date of delivery of additional information should be as close as possible to the financial statements reporting date, so that reported information will be timely. These considerations are reflected in paragraphs 2.10 and 4.5.
- BC21. The discussion in Section 4 on information organization states that links between information can support understandability. This may include links to information reported outside the GPFRs. For example, detailed budgetary or statistical information—providing important context for information reported in the GPFRs—may be published by bodies external to the entity. External information sources should be reliable. Chapter 2 of the *Conceptual Framework* explains that users of GPFRs may also need to consider information from other sources, including reports on current and anticipated economic conditions, government

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budgets and forecasts, and information about government policy initiatives not reported in GPFRs. It is important to ensure that links to information from other sources do not undermine GPFRs' achievement of the QCs.

Presentation in the Financial Statements

- BC22. The further detail provided on financial statements responds, as noted above, to the need to ensure that the concepts proposed are applicable to the financial statements. However, this ~~ED-chapter~~ does not propose the number or type of financial statements that should be specified in IPSASs and/or RPGs. This approach is consistent with the IPSASB's view that the 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 financial statement components presently required by IPSASs. It is also consistent with the need to avoid over-specification at the *Conceptual Framework* level.
- BC23. In order to avoid over-specification this ~~ED-chapter~~ also does not attempt to identify a list of information that should be included in the financial statements, including their notes. Over-specification is avoided so that the *Conceptual Framework* description of presentation concepts applicable to financial statements will remain relevant as changes occur in: (a) the type of information required to adequately meet the objectives of financial reporting; (b) the information technology available to present information in GPFRs; and, (c) the type of economic or other phenomena on which financial statements present information. The *Conceptual Framework* focuses on high level principles. It aims to avoid over-specification, which could otherwise inhibit future presentation developments that could more effectively address existing and emerging presentation problems. Future presentation developments include those that may arise from technological developments in information management.

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

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

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 the transparency and accountability of public sector finances.

In meeting this objective 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.

IPSASs relate to the general purpose financial statements (financial statements) and are authoritative. RPGs are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSASs RPGs do not establish requirements. Currently all pronouncements relating to GPFRs that are not financial statements are RPGs. RPGs do not provide guidance on the level of assurance (if any) to which information should be subjected.

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

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Section 1: Presentation

Introduction

- 1.1 This chapter sets out the concepts applicable to the presentation of information in general purpose financial reports (GPFRs), including general purpose financial statements (subsequently referred to as financial statements) of governments and other public sector entities (public sector entities). It explains the relationship between other parts of the Conceptual Framework and presentation.
- 1.2 Presentation is strongly linked to Chapters 1 to 4 of the Conceptual Framework. The objectives of financial reporting, user needs, qualitative characteristics (QCs) of information and constraints all have a direct influence on presentation decisions. For information reported in the financial statements presentation is also strongly linked to the chapters on elements and measurement. For example:
 - (a) The elements identified affect the nature of the items presented;
 - (b) Application of recognition criteria for the elements affects the location of information; and,
 - (c) Different measurement approaches will impact on the information presented on measurement methodologies, including information on measurement models applied, assumptions, and explanations for measurement choices.
- 1.3 This chapter provides high level principles, to guide the development of IPSASs and RPGs, rather than detailed, standards level requirements. Where preparers have scope to choose between different presentation approaches permitted by IPSASs and applicable RPGs, this chapter will also guide preparers as they apply their professional judgment to presentation decisions.
- 1.4 The remainder of Section 1 establishes presentation related terms and identifies three presentation decisions. Sections 2, 3 and 4 discuss the factors involved in each presentation decision.

Presentation

- 1.5 Presentation is the selection, location and organization of information that is reported in the GPFRs.
- 1.6 Presentation aims to provide information that contributes towards the objectives of financial reporting and achieves the QCs while taking into account the constraints. Presentation involves display and disclosure of information.

Information Selected for Display

- 1.7 Information selected for display communicates the key messages in a GPFR. Displayed information is kept to a concise, understandable level, so that users can focus on the key messages presented and not be distracted by detail that could otherwise obscure those messages. Displayed information is presented prominently, using appropriate presentation techniques such as clear labeling, borders, tables and/or graphs.

Information Selected for Disclosure

- 1.8 The function of information selected for disclosure depends on whether the information is part of a GPFR that either includes or does not include displayed information.

- 1.9 Where disclosed information is part of a GPFR that includes displayed information the disclosed information makes displayed information more useful, by providing detail that will help users to understand the displayed information. The disclosed information is likely to include:
- a) The basis for the displayed information, such as applicable policies or methodology;
 - b) Disaggregations of displayed information; and,
 - c) Items that share many but not all of the aspects of displayed information (for example disclosures on items that meet some, but not all, of the characteristics of an element definition or disclosures on items that meet an element definition but not the element recognition criteria).
- 1.10 Where disclosed information is part of a GPFR that only includes disclosed information the disclosed information does not have the function of making displayed information more useful. In this case disclosed information contributes to achievement of the objectives of financial reporting, without necessarily relating to displayed information in other GPFRs. That is the case, for example, with information on the sustainability of public finance , which consists entirely of disclosed information.
- 1.11 Disclosed information is of equal importance to displayed information.
- 1.12 The level of detail provided by disclosed information will contribute to achievement of the objectives of financial reporting, without being excessive.

Principles for Display and Disclosure

- 1.13 Information is selected for display or disclosure in GPFRs. Disclosure is not a substitute for display.
- 1.14 In some cases the same information is both displayed and disclosed. For example, information displayed on the face of a financial statement may be linked to its related disclosures through repetition of that displayed information. Similarly, disclosures on the sustainability of public finances could include information that has been displayed in the financial statements.
- 1.15 Repetition of information in more than one place should generally be avoided. However, the same information may be presented in different GPFRs in order to address their different aims. For example, disclosures on the sustainability of public finances could include information that has been displayed in the financial statements selected for display may also be linked to related disclosures through repetition of the displayed information in those disclosures. For example, a total displayed on the face of the financial statements may be repeated in the notes, where they provide a disaggregation of the displayed total.
- 1.16 Decisions about display or disclosure apply to both the financial statements and other GPFRs. The objectives of financial reporting are applied to the area covered by a particular report to guide the identification of information for display or disclosure. The identification of information for display and disclosure in a particular GPFR may involve 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.
- 1.17 IPSASs and RPGs identify information for display and disclosure, A pronouncement may identify:
- a) Information that shall be displayed;

- b) Information that shall be disclosed; and
 - c) Information that shall either be displayed or disclosed, which could depend on entity specific considerations.
- 1.18 Preparers, applying the pronouncements and their professional judgment, are ultimately responsible for ensuring that information that meets the objectives of financial reporting and QCs is provided in the GPFRs that they prepare.

Presentation Decisions

- 1.19 Decisions on the selection, location and organization of information are made in response to the needs of users for information about economic or other phenomena. Chapter 2 describes the information needs of users. These three presentation decisions seek to achieve the objectives of financial reporting while also applying the QCs and constraints.
- 1.20 Chapter 1 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. In addition to information in the financial statements, GPFRs provide information relevant to, for example, assessments of a public sector entity's service performance and the sustainability of its finances. The objectives of financial reporting, applied to the area covered by a particular report, will guide presentation decisions for that report.
- 1.21 Presentation decisions may be:
- a) High level decisions that could potentially result in development of a new report, movement of information between reports, or the amalgamation of existing reports; or,
 - b) Lower level, more detailed decisions on information selection, location and organization within a report.

Consistency and Comparability

- 1.22 Presentation decisions take into account the benefits of consistent presentation over time. Consistent presentation supports users' ability to understand information and facilitates their access to information. It also supports inter-period comparability. This is important for accountability and decision making.

Presentation Decisions are Interlinked

- 1.23 The following three sections separately focus on each presentation decision. In practice, decisions on information selection, location and organization are interlinked. Different decisions are likely to be considered together, with one type of decision impacting on the other two. For example, decisions on information location and information organization are likely to be considered at the same time as information selection decisions. The amount or type of information selected could have implications, for example, on whether it is included in a separate report or organized into tables or separate schedules.

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 of financial reporting;
 - c) The QCs and constraints of GPFRs; and
 - d) (d)Information already required to be reported in GPFRs.
- 2.2 As Chapter 2 explains, the objectives of financial reporting are to provide information about the entity that is useful to users of GPFRs for accountability and decision-making purposes. Chapter 2 describes the types of information that users need.
- 2.3 The concept of materiality, discussed in Chapter 3, is particularly important when making information selection decisions.
- 2.4 Information that is already required to be reported in GPFRs is important to the selection decision because:
- a) Existing information may already adequately address the information need identified so that no new information needs to be presented; or
 - b) A new information requirement may achieve both new information needs and previous one so that the new information makes previously required information redundant.
- 2.5 Chapter 2 describes information included in GPFRs to meet the objectives of financial reporting. That description of information needs guides high-level decisions on whether particular types of reports are needed. This section focuses on the lower-level decisions on selection of information to be presented within GPFRs, including financial statements and other reports.

Information in Financial Statements and Other GPFRs

Financial Statements

- 2.6 The objectives of financial reporting guide detailed information selection decisions for the financial statements. The user needs identified in Chapter 2 also underpin information selection for the financial statements. 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.
- 2.7 The financial statements do not directly report on an entity's service performance. However information in the financial statements may provide information relevant to financial aspects of service performance such as information about:
- a) Revenue, expenses and cash flows related to services; and

- b) The assets and liabilities that could affect users' evaluations of, for example, an entity's operational capacity or financial risks that could impact on service provision.

2.8 The financial statements may also provide information that assists users in:

- a) Assessing 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;
- b) Determining the extent to which an entity has met its financial objectives; and
- c) Assessing governance, transparency and information reliability issues applicable to the reported financial information.

Other GPFRs

2.9 Other GPFRs present information additional to the financial statements. Such information could, for example, include:

- a) Financial discussion and analysis;
- b) Service performance information; or
- c) Information on the sustainability of an entity's public finances.

2.10 The boundary between information reported in the same report as the financial statements and information reported in another report may:

- a) Be specified by the IPSASB in a pronouncement; or
- b) Depend on decisions by either a particular jurisdiction or preparer, depending on the type of information reported.

2.11 For other GPFRs the objectives of financial reporting are applied to the area covered by a report. The objectives guide detailed information selection decisions in order to satisfy the user needs addressed by the particular report.

2.12 Selection decisions with respect to information in other GPFRs should be made after carefully considering the relationship of the other GPFRs to the financial statements.

Selection Decisions for Detailed Information within a GPFR

2.13 Appropriate information selection results in sufficient information to meet the objectives of financial reporting, as applied to the area covered by a particular report. Information selection avoids information overload which reduces understandability. Too much information may make it difficult for users to understand the overall situation, and undermine achievement of the objectives of financial reporting.

2.14 Information selection involves decisions about the appropriate level of detail. Such decisions involve information prioritization and summarization.

2.15 Information identified for possible selection is critically reviewed as it is developed and considered for presentation, with particular reference to its relevance, materiality and cost-benefit, although all the QCs and constraints should be applied to the information selection decision. All material transactions, events, and other items reported are presented in a manner that conveys their

substance rather than their legal or other form so that the QCs of relevance and representational faithfulness are achieved.

- 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 performing this assessment it is important to consider how individual items 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.
- 2.17 Information selection decisions require continuing and critical review. Decisions on whether new items of information should be presented include consideration of whether new information may make items of existing information redundant with the result that those items no longer meet the qualitative characteristics and/or the constraints.
- 2.18 Information needs to be presented on a sufficiently timely basis to enable users to hold management accountable, and inform users' decisions. Timeliness includes the need to provide information both:
 - a) On a sufficiently frequent basis to allow the compilation and review of trend information important for accountability and decision making; and
 - b) Soon enough after the events upon which information is reported to be useful for accountability and decision making.
- 2.19 Relevance, faithful representation, comparability, and understandability are all reduced if information is not provided with sufficient timeliness.
- 2.20 GPFRs may include additional information derived from sources other than the financial information system. The QCs apply to such information. The date of delivery of any such additional information should be as close as possible to the financial statements' reporting date, so that reported information will be timely.

Section 3: Information Location

- 3.1 The location of information has an impact on information's contribution to achievement of the objectives of financial reporting and its QCs. Location may affect the way that users interpret information. 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.
- 3.2 The location of information can either support or undermine users' ability to compare information.
- 3.3 Decisions on information location occur at two levels. Decisions are made on:
- a) The report in which information is located; and
 - b) Within which part, or component, of a report information is located.
- 3.4 Information location within a report ensures that displayed information is given appropriate prominence and is not obscured by more detailed and extensive disclosed information.

Allocation of Information between Different Reports

- 3.5 Factors relevant to decisions about locating information in the financial statements or another GPFR include:
- 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, for example, comparability and/or understandability.
 - c) *Jurisdiction Specific*: Whether jurisdiction-specific factors, such as legal provisions, specify requirements on information location.
- 3.6 Further factors could apply, depending on the type of information considered. The overarching considerations for location of information between different reports are whether locating information in a particular report:
- a) Supports achievement of the objectives of financial reporting; and,
 - b) Ensures that the information reported meets the qualitative characteristics, while also taking into account the constraints on information.
- 3.7 The factors above, which are expressed from the perspective of adding information to an existing set of information, also apply to considerations of whether the grouping of existing information could be improved. The linkages between all information should be assessed, not only linkages between new and existing information. Decisions on effective grouping of information should consider the factors above, i.e. linkage between information sets, the nature of the different information sets, and, to the extent appropriate, jurisdiction specific factors.
- 3.8 Jurisdiction-specific factors should be considered only to the extent that they do not conflict with IPSASs, applicable RPGs, and the Conceptual Framework.

Allocation of Information to the Financial Statements

- 3.9 The financial statements are central to users' understanding of an entity's financial performance and financial position. The effective location of information in the financial statements contributes to communicating a comprehensive financial picture of an entity.
- 3.10 Recognition of an element is often one of the key drivers in determining whether information is displayed on the face of the financial statements and/or disclosed either in the notes or elsewhere in the GPFRs. In other cases, for example cash flows, displayed information supports achievement of the objectives of financial reporting.
- 3.11 The display of line items and aggregate totals involves balancing standardization of displayed information, which facilitates understandability, with information that is tailored for entity specific factors. The aim of both standardized display requirements and scope for entity specific information is to ensure that information necessary to meet the objectives of financial reporting is available for all entities, while allowing information to be displayed in a manner that reflects the nature and operations of specific entities, which also contributes to achievement of the financial reporting objectives.
- 3.12 The notes to the financial statements disclose information that makes the information displayed on the face of the statements more useful. Information in other GPFRs may enhance, complement and supplement the financial statements.

Allocation of Information to Other GPFRs

- 3.13 A separate report may be necessary when:
- a) Additional user needs, not satisfied by an existing report, are identified; and,
 - b) A separate report to meet those needs is more likely to achieve the objectives of financial reporting and QCs than including information in an existing report.

Location of Information within a Report

- 3.14 Section 1 states that displayed information is presented prominently, using appropriate presentation techniques; location is one way to achieve this.
- 3.15 For the financial statements, displayed information is shown on the face of the appropriate statement, while disclosures are in the notes. This is historically how information about an entity's financial position, financial performance, cash flows, and other aspects has been presented. Distinguishing displayed information and disclosed information through location ensures that those items that directly relate to communicating an entity's financial position, financial performance and cash flows can be highlighted, with further necessary, equally important yet more detailed information provided through disclosure in the notes.
- 3.16 For other GPFRs, 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, such as those listed in paragraph 1.6 .

Section 4: Information Organization

- 4.1 Information organization should:
- a) Support achievement of the financial reporting objectives; and
 - b) Help reported information meet the QCs.
- 4.2 Information organization helps to ensure that key messages are understandable, which includes clearly identifying important relationships. Information organization can give appropriate prominence to information that convey key messages and facilitate comparisons.
- 4.3 Information organization involves a range of decisions including decisions on the use of cross-referencing, tables, different types of graphs, headings, numbering, and the arrangement of items within a particular component of a report, including decisions on item order. How information is organized can affect its interpretation by users.
- 4.4 Information organization in GPFRs aims to make clear important relationships between items. Related information is linked through the use of consistent headings, presentation order, and/or other methods appropriate to the relationship and type(s) of information.
- 4.5 Relationships may exist between information in different:
- a) GPFRs;
 - b) Components within a report; and
 - c) Parts of a single component.

Types of Relationships

- 4.6 Important relationships include, but are not restricted to, those of:
- a) Enhancement;
 - b) Similarity; and
 - c) Shared purpose.
- 4.7 *Enhancement*: Information in one place in a GPFR may be enhanced through information provided elsewhere. For example, budget, prospective and service performance information enhances information in the financial statements. Tables and graphs may be used to enhance the understanding of narrative information. Links to information reported outside the GPFRs may enhance the understandability of information reported in GPFRs. It is important that:
- a) Links to information from other sources do not undermine GPFR's achievement of the QCs; and
 - b) The issuance date of any such linked information is as close as possible to the financial statements' reporting date so that reported information will be sufficiently timely.
- 4.8 *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.

- 4.9 *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 on 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

- 4.10 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 usually organized into numeric totals and sub-totals.
- 4.11 For the financial statements, relationships may exist between:
- a) Subsets of displayed amounts or changes in displayed amounts *and* their impact on an entity's financial position, financial performance and/or cash flows;
 - b) Different displayed amounts in different financial statements, which (i) all reflect the impact of a common external event, or (ii) contribute together towards an understanding of an aspect of the entity's financial position or financial performance; and,
 - c) Displayed amounts *and* related note disclosures that provide information that explains or could otherwise support users' understanding of displayed items.
- 4.12 The organization of information within the financial statements involves decisions on:
- a) The type and number of statements;
 - b) Separation of elements and other items into appropriate statements;
 - c) Subclassification of element totals and totals related to other items into meaningful sub-totals;
 - d) Ordering and grouping of items displayed within each statement;
 - e) Identification of aggregates (additive, subtractive, and relational); and,
 - f) Identification of other information for inclusion on the face of the statement.

Information Disclosed in the Financial Statements

- 4.13 Information disclosed in the notes to the financial statements is 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 are made:
- a) With reference to each other rather than in isolation of each other; and
 - b) To effectively communicate an integrated set of information.

- 4.14 Information disclosed in the notes to the financial statements:
- a) Is necessary to a user's understanding of those financial statements;
 - b) Provides information that puts the financial statements into the context of the entity and its operating environment; and
 - c) Generally will have a clear and demonstrable relationship to information displayed on the face of the financial statement(s) to which it pertains.
- 4.15 In addition to information displayed on the face of the financial statements users benefit from information disclosed in the notes, which could be on:
- a) Entity-related factors that could influence judgments about reported information (for example, information about related parties and 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).

Organization of Information within Other GPFRs

- 4.16 As is the case for the financial statements, information organization in other GPFRs helps to ensure that key messages conveyed by displayed information are understandable. Presentation that clearly identifies important relationships is likely to enhance the extent to which a report:
- a) Achieves financial reporting objectives; and
 - b) Meets the QCs.
- 4.17 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. Other information may be presented more effectively in narrative form. Information organization supports users' understanding of linkages between information within the same GPFR.
- 4.18 Information organization facilitates comparisons such as making clear when items are similar or dissimilar. Inter-period comparability is facilitated by avoiding changes to the way that information is organized for the same reporting entity from year to year unless such changes enhance relevance and understandability. Inter-entity comparisons are facilitated when different reporting entities organize the information they present in similar ways.

Basis for Conclusions

(Do not review. The Basis for Conclusions has not been revised. It depends on IPSASB decisions in March. It will be revised for June and then may require further revision to reflect June decisions.)

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

Concepts Applicable to Presentation for GPFRs

- BC1. This chapter describes concepts applicable to presentation in GPFRs, including both financial statements and additional information and reports that enhance, complement, and supplement the financial statements. Such concepts have not previously received detailed attention. This is the first time that an international standard setter has developed presentation concepts applicable to both financial statements and other GPFRs.
- BC2. The Consultation Paper, *Presentation in General Purpose Financial Reports* (CF—CP4), proposed that the presentation concepts should be applicable to presentation in GPFRs. 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.
- BC3. The IPSASB's view is that effective presentation of information in other GPFRs is very important in meeting the objectives of financial reporting—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 acknowledged the need to provide concepts that are sufficiently detailed for application to the financial statements. Therefore the IPSASB decided to continue to develop presentation concepts for GPFRs, while setting out the concepts applicable to financial statements in more depth.

Presentation and Other Parts of the Conceptual Framework

- BC4. This chapter explains the relationship between other parts of the *Conceptual Framework* and presentation concepts. Presentation is strongly linked to Chapters 1 to 4 of the *Conceptual Framework*. The objectives of financial reporting, user needs, qualitative characteristics of information and constraints all have a direct influence on presentation decisions. Presentation is also linked to chapter 5, which discusses the definition and recognition of elements because, for example:
- (a) The elements identified affect the nature of the items presented in GPFRs;
 - (b) The application of the recognition criteria for the elements affects the location of information in GPFRs; and
 - (c) Presentation decisions affect both the level of detail provided in respect of items that have been recognized as elements in the financial statements and where that information is presented.
- BC5. In addition presentation is linked to the chapter on measurement because, for example, when describing measurement bases or measurement models:

- (a) Information is usually presented on measurement methodologies, including information on measurement models applied, assumptions, and explanations for measurement choices; and
- (b) More information may be presented where elements cannot be measured in a faithfully representative way.

Presentation, Display and Disclosure

- BC6. CF—CP4 proposed descriptions of “presentation”, “display”, “disclosure”, “core information”, and “supporting information”. Respondents were evenly divided on whether the descriptions were appropriate. There was significant support for the description of presentation, which covered the selection, location and organization of information. Some respondents opposed the introduction of new descriptions, because they considered that the terms “presentation” and “disclosure” have been widely used by standard setters with accepted meanings. There was scepticism about adopting new descriptions. The distinction between core and supporting information was controversial. Many respondents considered that this distinction implied that information in the notes to the financial statements is less important than information on the face of a statement.
- BC7. 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). For this reason the IPSASB has broadly continued with the descriptions of presentation, display and disclosure proposed in CF—CP4.
- 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). After further consideration the IPSASB decided that separation of these two ideas would better facilitate consideration of presentation issues. Therefore presentation is now described neutrally as information selection, location and organization. There is also a description of what presentation aims to achieve, which is to provide information that (a) effectively contributes to the objectives of financial reporting, and (b) achieves the QCs while taking into account the constraints.
- BC9. The IPSASB acknowledged respondents’ concerns about core and supporting information. There was no intention to imply that supporting information is less important than core information. Nevertheless, because many respondents considered that the two terms created a hierarchy, the IPSASB reconsidered the need for a distinction between core and supporting information and concluded that incorporating the ideas related to these two types of information into the descriptions of display and disclosure within each GPFR would be more appropriate. Consequently 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 distinction between display and disclosure as it applies to the three presentation decisions.

Overall Approach to Presentation

- BC10. CF—CP4 proposed an approach to presentation of (i) focusing on user needs to identify presentation objectives, (ii) application of the QCs to presentation decisions, and (iii) separate presentation concepts. (The proposed concepts were Concept 1: Select information that meets user needs, satisfies the cost-benefit test, and is sufficiently timely; Concept 2: Locate information to meet user needs; and, Concept 3: Organize information to make important relationships clear and support comparability). CF—CP4 also proposed that presentation objectives be established at the standards level, for application to particular reports or reporting topics.
- BC11. Respondents generally agreed that the needs of users and application of the QCs were important for presentation decisions. They supported development of presentation objectives, but advocated their inclusion in the *Conceptual Framework*. While generally agreeing that separate presentation concepts should be developed, a significant number of respondents disagreed with the three presentation concepts proposed. Some respondents disagreed with the way that the three presentation concepts emphasized particular QCs or constraints. They argued that other QCs or constraints should be added. Others argued that the concepts added little, if anything, to the QCs and constraints.
- BC12. After considering responses to CF—CP4 and further discussion, the IPSASB decided that a simpler, more focused approach—one that directly applies concepts developed in Phase 1 to presentation decisions—was more appropriate. The IPSASB's view is that decisions on information selection, location and organization are made in response to the needs of users for information about economic or other phenomena. Presentation decisions are made to seek to achieve the financial reporting objectives, and they involve application of the QCs and constraints.
- BC13. Presentation decisions are made at two levels. They may be either (a) high level decisions that may result in development of a new report, movement of information between reports, or the amalgamation of existing reports; or, (b) detailed decisions on information selection, location and organization related to information *within* a report.
- BC14. The need to distinguish the display and disclosure of information is a further important aspect of the IPSASB's overall approach to presentation. An example of a detailed decision within a report is a decision about whether information should be displayed on the face of a financial statement or disclosed in the notes.

Needs of Users

- BC15. Chapter 2 of the *Conceptual Framework* addresses the needs of users and objectives of GPFRs. The objectives of GPFRs incorporate the needs of users. The IPSASB considers that the needs of users are very important when making presentation decisions. However, to avoid duplication this ED focuses primarily on the role that presentation has in supporting the objectives.

Presentation Objectives

- BC16. As stated above, in CF—CP4 the IPSASB proposed an approach where “presentation objectives” would be developed to guide presentation decisions. Respondents supported identifying presentation objectives. After further consideration the IPSASB decided against the inclusion of presentation objectives in this chapter, because they would create an unnecessary additional layer of objectives beneath the financial reporting objectives established in Phase 1. Development of a second layer of presentation objectives could be confusing and detract from the financial reporting objectives.

Application of the Qualitative Characteristics and Constraints

- BC17. Many respondents’ comments supported application of the QCs to presentation decisions. However, some respondents expressed reservations, which highlighted that the constraints on information had not been properly integrated into the overall approach to presentation in CF—CP4. The IPSASB agreed that the constraints apply to presentation decisions. They have therefore been included in the overall approach to presentation.

Presentation Concepts

- BC18. After considering respondents’ concerns about the three presentation concepts proposed in CF—CP4 and possible further changes to address those concerns, the 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 and constraints to presentation decisions.

Sections 2 to 4—Presentation Decisions

- BC19. Sections 2 to 4 provide further detail on the IPSASB’s overall approach to presentation, particularly with respect to the financial statements. These three sections describe the application of concepts in other parts of the *Conceptual Framework* to information selection (Section 2), information location (Section 3) and information organization (Section 4). They also relate display and disclosure to presentation decisions. These three sections discuss (a) high level decisions, and (b) lower level, more detailed decisions on information selection, location and organization within a report.
- BC20. The discussion in Section 2 on information selection includes the need for selected information to be timely. Public sector entities may prepare GPFRs that include additional information derived from sources other than the financial information system. In such circumstances the IPSASB considered that the date of delivery of additional information should be as close as possible to the financial statements reporting date, so that reported information will be timely. These considerations are reflected in paragraphs 2.10 and 4.5.
- BC21. The discussion in Section 4 on information organization states that links between information can support understandability. This may include links to information reported outside the GPFRs. For example, detailed budgetary or statistical information—providing important context for information reported in the GPFRs—may be published by bodies external to the entity. External information sources should be reliable. Chapter 2 of the *Conceptual Framework* explains that users of GPFRs may also need to consider information from other sources, including reports on current and anticipated economic conditions, government

budgets and forecasts, and information about government policy initiatives not reported in GPFRs. It is important to ensure that links to information from other sources do not undermine GPFRs' achievement of the QCs.

Presentation in the Financial Statements

- BC22. The further detail provided on financial statements responds, as noted above, to the need to ensure that the concepts proposed are applicable to the financial statements. However, this chapter does not propose the number or type of financial statements that should be specified in IPSASs and/or RPGs. This approach is consistent with the IPSASB's view that the 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 financial statement components presently required by IPSASs. It is also consistent with the need to avoid over-specification at the *Conceptual Framework* level.
- BC23. In order to avoid over-specification this chapter also does not attempt to identify a list of information that should be included in the financial statements, including their notes. Over-specification is avoided so that the *Conceptual Framework* description of presentation concepts applicable to financial statements will remain relevant as changes occur in: (a) the type of information required to adequately meet the objectives of financial reporting; (b) the information technology available to present information in GPFRs; and, (c) the type of economic or other phenomena on which financial statements present information. The *Conceptual Framework* focuses on high level principles. It aims to avoid over-specification, which could otherwise inhibit future presentation developments that could more effectively address existing and emerging presentation problems. Future presentation developments include those that may arise from technological developments in information management.

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