

Agenda Item 4C
Conceptual Framework:
Presentation in General
Purpose Financial Reports

IPSASB Meeting

March 11-14, 2014

Toronto, Canada

Objectives of this Session

- To provide direction on **key issues**; and
- **Review** a first draft of the chapter on Presentation.

Background

- December 2013: Review of responses on CF–ED4, *Presentation in General Purpose Financial Reports*
- IPSASB confirmed the ED’s broad approach and directed staff and the TBG to:
 - Address language in which General Purpose Financial Reports (GPFRs) are issued;
 - Consider scope to align presentation terminology with IASB approach; and
 - Develop recommendations with respect to respondents’ detailed comments

Overview of Issues

1. Language of issuance for GPFRs
2. Terminology—presentation, display and disclosure
3. Specific changes and changes to chapter structure
 - Page-by-page review of the draft Chapter (Agenda Item 4C.2A), focusing on the marked up changes.

1. Language of Issuance for GPFRs

(a) IPSASB directed:

- Include brief coverage on language of issuance in the draft Chapter on Presentation
- Keep coverage at a principles level
- Consider language in terms of; local or common use, official language and/or language of legislation

(b) Appendix A has draft text to address this issue

(c) The draft text has been reviewed by:

- Guy Piolé (IPSASB Member)
- John Verrinder (IPSASB Observer, Eurostat)
- Phase 4 TBG Members

1. Language of Issuance for GPFRs

- Should this text be included in the Presentation chapter or somewhere else (e.g. separate chapter or outside of the Conceptual Framework)?
- Basis for raising this question:
 - Text is longer than originally envisaged (1½ pages instead of a few paragraphs)
 - Text could stand alone, separate from the Presentation chapter
 - Different nature of this coverage (compared to other parts of the Conceptual Framework)

Action Requested

- 1 Review the draft text in Appendix A, and
 - (a) Indicate whether agree with the text as drafted; and:
 - (b) Provide direction on whether 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, or
 - iv. *In an Appendix to the Conceptual Framework.*

Short Language Text (Based on Appendix A)

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.

Choice of language(s) is defined first by the legal requirements in the entity's national jurisdiction. A secondary consideration is the linguistic needs of users of the financial statements and other GPFRs, with reference to translation costs and benefits.

The quality of translation should be sufficient to ensure that the translated version(s) are faithful to the original language version. A faithful translation enables users to obtain the same understanding as that of an original language speaker reading the original language version.

2. Terminology; Presentation, Display and Disclosure

- (a) Respondents' concerns about terminology in CF–ED4
- (b) Staff and TBG to consider alignment with International Accounting Standards Board (IASB) approach to terminology
- (c) Progress on issue:
 - Liaison with IASB on terminology
 - Proposed evaluative criteria
 - Proposed alternatives for consideration

2. Terminology; Presentation, Display and Disclosure

IASB liaison:

- (a) No final decision until late 2015 or 2016
- (b) Discussion Paper (DP) approach provides best indication of position:
 - Responses indicate that DP terminology is not controversial
 - IASB seems likely to focus on more controversial issues
- (c) Discussion with IASB staff suggests that “presentation” and “disclosure” could each also mean the overarching three presentation decisions (selection, location and organization)

2. Terminology; Presentation, Display and Disclosure: *IASB DP approach*

- *Communication*:
 - Presentation and disclosure are the mechanisms by which an entity communicates information...
 - Communication principles relate to selection, organization of information
- *Presentation* is the disclosure of information on the face of a primary financial statement
- *Disclosure*:
 - *Disclosure* is the process of providing useful financial information about the entity to users
 - Applies to information in notes or on face of financial statements (i.e. *not* restricted to the notes)

2. Terminology; Presentation, Display and Disclosure

- Evaluative criteria proposed:
 - Name change only (no change of substance)
 - IASB alignment improved
- Possible other evaluative criteria:
 - Facilitate translation into other languages
 - Alignment with terminology in other related areas (e.g. audit standards, GFS reporting guidelines, integrated reporting...)

2. Terminology; Presentation, Display and Disclosure

- Alternative terminology proposed for consideration:
 - Alternative 1: Communication; presentation; disclosure (broad meaning)
 - Alternative 2: *Presentation*; presentation; disclosure (broad meaning)
- See Appendix D for other possible alternatives, such as:
 - Alternative 3: Presentation; disclose (on face/prominently); disclose
 - Alternative 4: Required decisions when presenting information; presentation; disclosure (broad meaning)
 - Alternative 5: Display; presentation; disclosure
 - *AASB staff comment*: Disclosure, presentation, disclosure

2. Terminology; Presentation, Display and Disclosure

Status Quo and Two Alternatives

IPSASB	Presentation	Display	Disclosure
<i>Meaning</i> - F/S - Other reports	<i>Decisions:</i> <i>selection,</i> <i>location and</i> <i>organization</i>	Face of F/S <i>Present</i> <i>prominently</i>	Disclosure in notes to F/S <i>Disclose</i>
IASB Alternative/1	Communication	Presentation <i>Disclose</i> <i>prominently</i>	Disclosure (in notes, on face, elsewhere)
IASB Alternative/2	Presentation	As for (1)	As for (1)

2. Terminology; Presentation, Display and Disclosure

- Status quo: Presentation; display; disclosure:
 - Lengthy development and consultation process
 - Addresses more comprehensive scope of public sector financial reporting
 - IASB alignment difficult given final position remains uncertain
- Alternatives:
 - Provide better IASB alignment, while preserving concepts;
 - Alternative 1: Will IASB treat “communication” as a defined term?
 - Alternative 2: Possible confusion over double use of “presentation”, but provides better link to IPSASB’s three decisions approach

Action Requested

2. Members are asked to:

(a) Discuss and reach agreement on:

- i. Evaluative criteria, and
- ii. Alternatives for consideration; and then

(b) Direct staff on terminology. Proposed options are:

- i. Status Quo: Presentation, display, disclosure
- ii. Alternative 1: Communication, presentation(face),disclosure (wide)
- iii. Alternative 2: Presentation, presentation (face), disclosure (wide)

3. Specific Changes and Changes to Structure

- (a) Agenda Item 4C.2A shows recommended revisions to:
 - Give effect to IPSASB December 2014 directions;
 - Address respondent concerns; and
 - Strengthen draft Chapter's understandability
- (b) Proposal to change Chapter's structure:
 - Place coverage of display and disclosure in Section 2;
 - Locate application of the Phase 1 concepts in one place;
 - Reorganize paragraphs in section 2 and 4 to discuss:
 - Information characteristics, and then
 - Information principles relevant to the presentation decision

Action Requested

3. 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:

Next Steps

- Staff and TBG to revise draft Chapter, *Presentation*
- Revised chapter will be submitted to June 2014 IPSASB meeting