

# PRESENTATION OF FINANCIAL STATEMENTS

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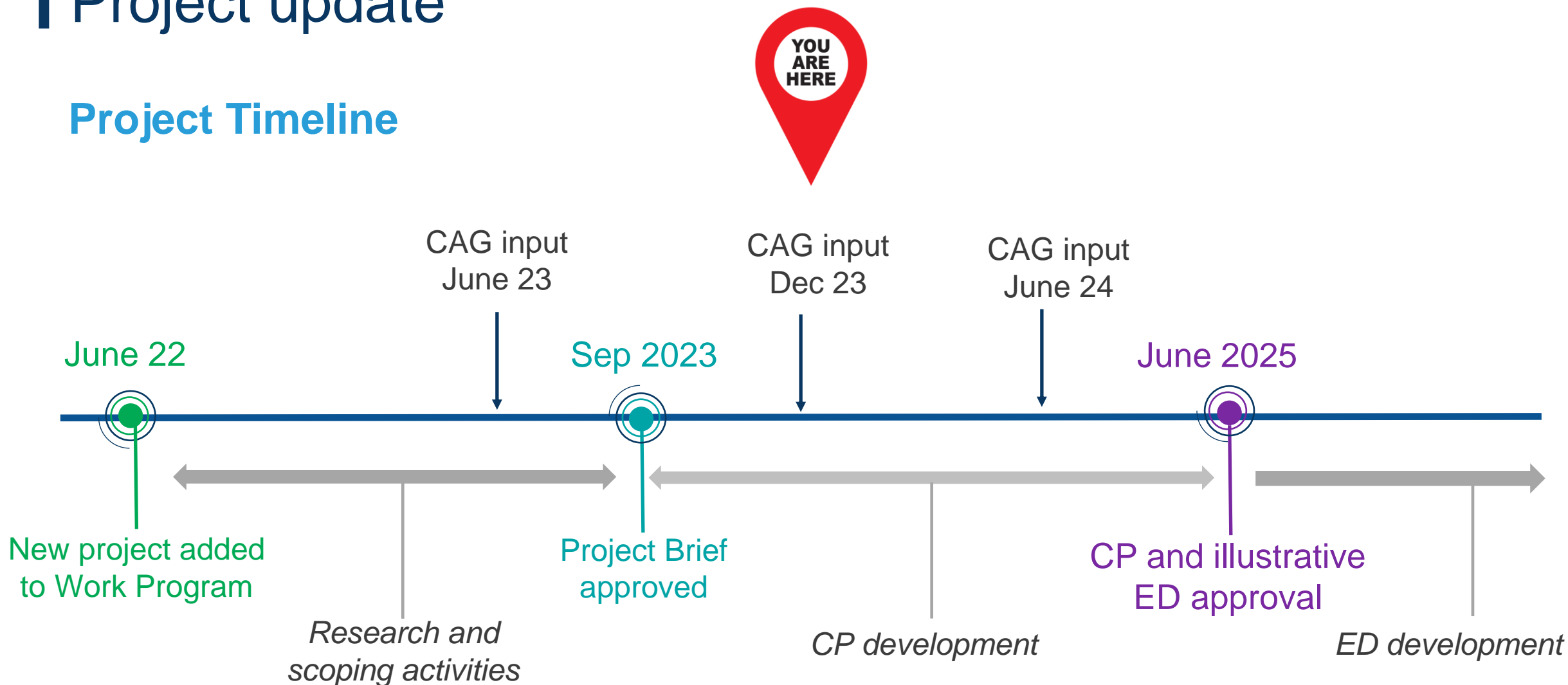


# AGENDA

1. Project update
2. CAG discussion topic:  
Permitting different  
presentation approaches

# Project update

## Project Timeline



# Project update

## The public sector

### NEED

- **Better communicate** financial information
- Encourage **increased use** of accrual-based information for decision-making
- Increased **accountability and transparency** over the use of public resources

## The current

### ENVIRONMENT

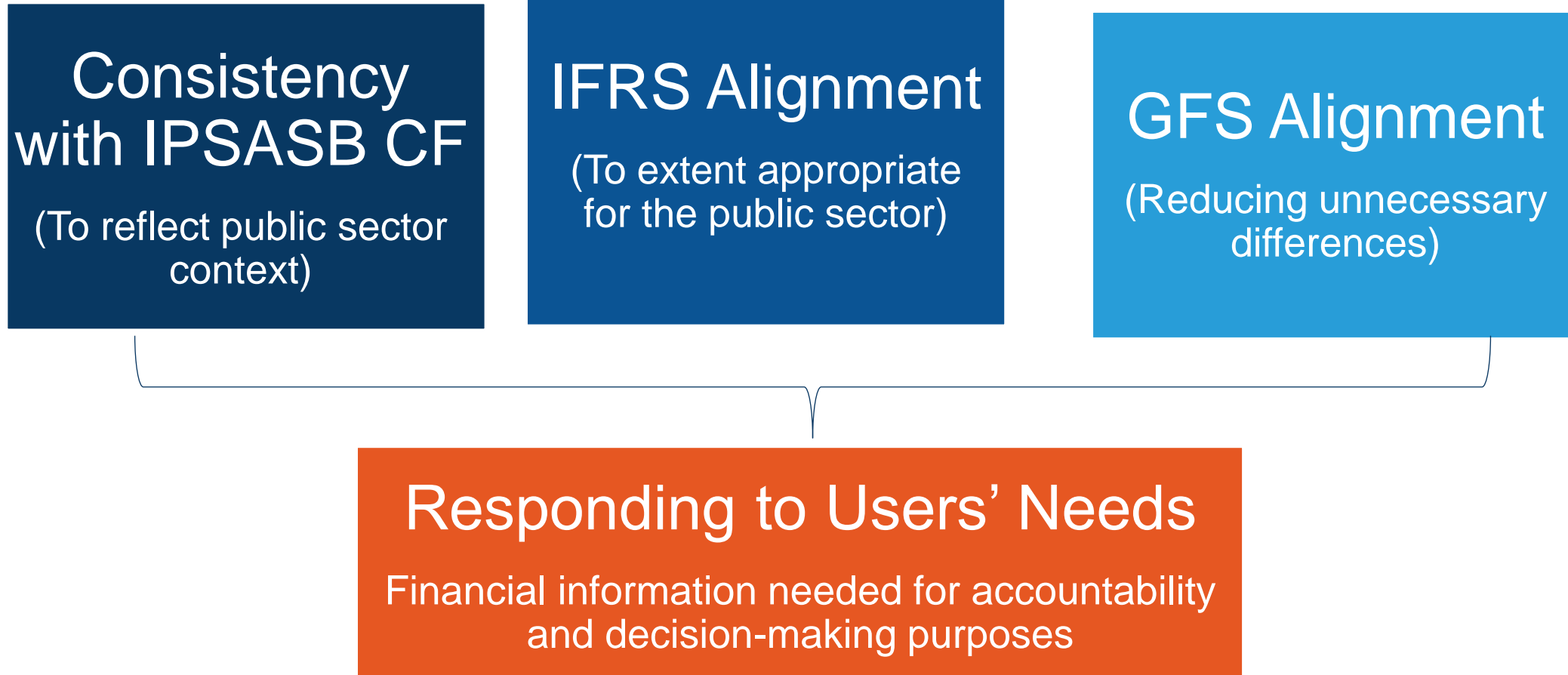
- **Evolution of global reporting landscape** not reflected in IPSAS 1 — related work of international and national standard-setters (IFRS & GFS).
- **Updated** IPSASB Conceptual Framework
- Increased focus on the **efficient and sustainable use** of public resources

## The project

### OBJECTIVE

- Enhance the **communication effectiveness** of financial information in financial for accountability and decision-making purposes
- **New IPSAS to replace IPSAS 1** — structure, format, minimum content requirements, and selection of information to disclose in financial statements

## Project drivers



# Permitting different presentation approaches

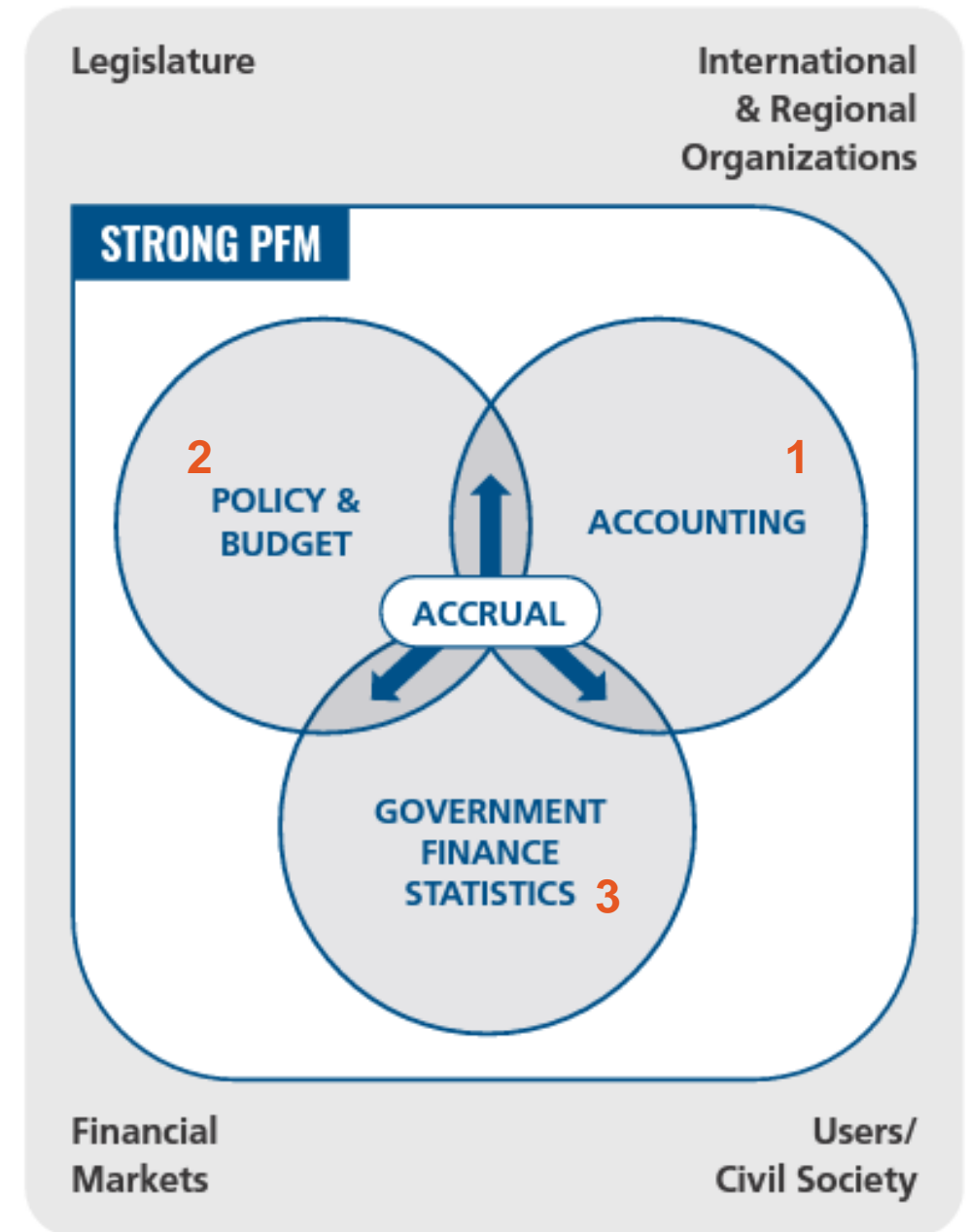
- Exploring the concept of allowing for **financial statement presentation options** in a new IPSAS to replace IPSAS 1
- Increased flexibility to present information in a format based on **local jurisdiction considerations**

## Presentation of financial statements:

- The structure of the financial statements
- Where information is located
- Categorization of information
- Use of headings and sub-totals
- Extent of aggregation and disaggregation
- key financial performance measures
- Terminology

## Supporting increased integration of information used for PFM

- Accrual-based information prepared in accordance with IPSAS is used as a key input for (1) accounting
- Encouraging greater use of accrual-based for (2) budgeting, and (3) GFS reporting purposes will help strengthen PFM
- Consistency in presentation formats will support increased:
  - Data quality
  - Understanding
  - Use of information across the three for decision-making and accountability.



## Supporting increased integration of information used for PFM

The IPSASB is considering how *presentation* requirements can support increased integration of information presented in financial statements with other PFM reporting systems used by a jurisdiction.

### Question for CAG members

Q1 To what extent is the approach (i.e., format, structure, terminology, performance measures) for presenting information in public sector financial statements in your jurisdiction influenced by the presentation approach of other reports used for PFM purposes?

Such as budget information, long-term fiscal sustainability reports, and information used for GFS purposes.



# Permitting different presentation approaches

What such an approach could look like

- IPSAS would provide different formats for presenting the financial statements
- In addition to the ‘general’ presentation approach, IPSAS would also provide three optional approaches:
  1. IFRS-aligned
  2. GFS-aligned
  3. Budget-aligned

Decision based on:

- National jurisdiction’s PFM framework
- Consideration of domestic user needs
- Accounting policy choices
- Nature of transactions and arrangements

# Permitting different presentation approaches

## Benefits

- Facilitate greater integration with PFM reporting frameworks
- Improved linkages and simplification of reconciliation between other reporting systems
- Use of common language and descriptions for key financial performance measures – will lead to increased understanding and communication effectiveness

## Potential downside

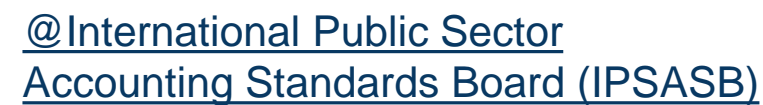
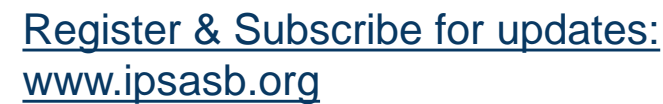
- Potential to weaken international comparability of public sector financial statements

# Permitting different presentation approaches

Question for CAG members

Q2 What potential benefits and/or downsides do you see from providing increased flexibility for a jurisdiction to choose from different financial statement presentation approaches when applying IPSAS?

## Follow Us





## Statement of Comprehensive Revenue and Expense

### Operating Revenue

Income from tax revenue  
Sale of goods and services  
Levies and commissions received  
Other

Total operating revenue

### Operating Expenses

Transfer payments and other subsidies  
Wages and salaries  
Depreciation and amortization  
Impairment  
Repairs and maintenance  
Supply of goods or services  
Insurance  
Interest expense  
Other operating expenses

Total operating expenses

**Operating surplus/(deficit)**

Income and expenses from investments  
Income and expenses from associates and joint ventures  
Fair value gain/(loss) on financial instruments

**Surplus/(deficit) before financing**

Interest expense on borrowings  
Unwinding of discount on provisions

**Surplus/(deficit) for the year**

Operating

Investing

Financing

## Statement of Comprehensive Revenue and Expense (Illustrative Example) Presentation Approach – Aligned with IFRS format

► **Surplus/(deficit) for the year**

**Other comprehensive income**

**Revenue and expenses that will be reclassified to surplus/(deficit)**

Losses on cash flow hedges  
Exchange differences on translating foreign operations

**Revenue and expenses that will not be reclassified to surplus/(deficit)**

Revaluation of land and buildings  
Actuarial gains/(losses)

**Total comprehensive revenue/(expense)**

Other  
revaluation gains  
and losses

# Statement of Operations (Illustrative example)

## Presentation Approach – Aligned with GFS format

### Statement of Operations

#### Operating revenue (A) — by source

Taxes

Social contributions

Grants

Other revenue

Total operating revenue

#### Operating expenses (B) — by nature

Compensation of employees

Use of goods and services

Consumption of fixed assets

Social benefits

....

Total operating expenses

**Net/gross operating balance (A) - (B)**

#### Net/gross investment in non-financial assets (C)

Fixed assets

Inventories

....

**Total expenditure (D = B+ C)**

**Net lending/(Net borrowing) (A-D)/(F-G)**

Transactions  
effecting net worth

Transactions in non-  
financial assets

**Net lending/(Net borrowing) (A-D)/(F-G)**

#### Transactions in non-financial assets and liabilities

Net acquisition of financial assets (F)

Net incurrence of liabilities (G)

**Total transactions in non-financial assets and liabilities**

#### Other economic flows

Fair value gain/(loss) on financial instruments

Revaluation of land and buildings

Actuarial gains/(losses)

**Total other economic flows**

Transactions in  
financial assets and  
liabilities (financing)

Transactions  
effecting net worth

# Statement of Operations (Illustrative example)

## Presentation Approach – aligned with national budget format

### Statement of Operations

#### Operating Revenue (by source)

Income taxes  
Other taxes  
Net investment income  
Net income from government business enterprises  
Other income

Total operating revenue

#### Operating expenses (by function)

Social benefits  
Health  
Education  
Defense  
General government  
Public order and safety  
Contingency and reserve fund

Total operating expense

**Operating surplus/(deficit) before financing**

Public debt charges

**Net operating balance**

Operating revenue  
and expenses  
(delivery of public  
sector programs)

### Net operating balance

#### Other economic flows including in operating result

Fair value gain/(loss) on financial instruments  
Net write down of assets (including bad and doubtful debts)  
Net surplus/(deficit) from associates and joint ventures

### Operating result

#### Other economic flows

Revaluation of land and buildings  
Actuarial gains/(losses)

### Comprehensive result - total change in net worth

#### Net acquisition of non-financial assets

Purchase of non-financial assets  
Less sales of non-financial assets

### Fiscal balance (Net lending/(borrowing))

Other economic  
flows

Net capital  
expenditure