

# PRESENTATION OF FINANCIAL STATEMENTS

IPSASB Meeting – June 2024

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# Project Update

The project **objective** is to improve the communication effectiveness of information reported in public sector financial statements.

## Project drivers

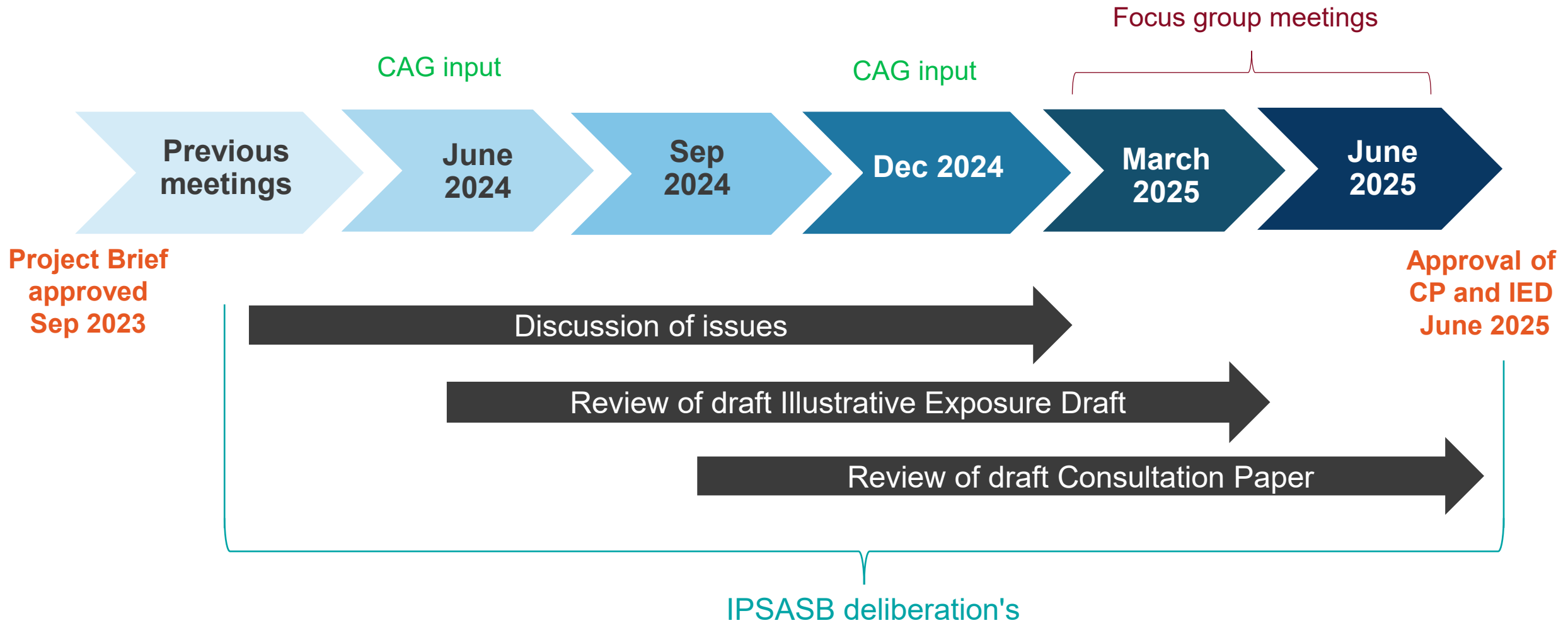
- Consistency with the Conceptual Framework
- Alignment with IFRS (where appropriate)
- Limit unnecessary differences with GFS
- Address any public sector-specific issues

## Key topics

- General presentation principles
- Structure of financial statements
- Presentation of revenue and expense items outside the surplus or deficit
- Categorization of information
- Aggregation and disaggregation
- Mandatory sub-totals
- Management-defined performance measures



# Project Timeline (Phase 1 of Project)





# Development of CP and Illustrative ED

## Development of CP and IED sections

### Step 1 Deliberation of Issues

- Using IFRS 18 as the starting base for a new IPSAS
- Modifications to reflect the public sector context
- Will help to confirm the IPSASB preliminary views for CP

### Step 2A Development of Illustrative ED

- Based on feedback from Step 1
- Will help draw out issues that warrant further attention in the CP

### Step 2B Development of CP document

- Based on feedback from Steps 1 and 2A
- The CP will highlight key changes from IPSAS 1 and any significant departures from IFRS 18

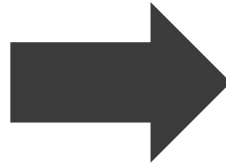


# Development of CP and Illustrative ED

## Content of IED

### Full illustrative exposure draft

- Core text
- Application Guidance
- Implementation Guidance (examples of financial statement formats)
- Basis for Conclusions



## Purpose

- Illustrates what a future IPSAS could look like based on the Board's preliminary views
- Allows constituents to see how the general principles and specific requirements fit together
- Enables an understanding of the proposals in contrast to existing requirements in IPSAS 1 and IFRS 18



# Considerations of Issues – Presenting the Statement of Financial Position

## Starting position

- No significant concerns were identified during the research and scoping stage
- Recent developments in standard-setting have highlighted opportunities for improvements

## Issues papers

- Classification of assets and liabilities
- Structure and presentation of sub-totals
- Asset and liability line items
- Illustrative examples of different formats

Statement Financial Position	20X1	20X2
<b>Assets</b>		
...		
...		
...		
<b>Liabilities</b>		
...		
...		
...		
<b>Net assets/equity</b>		
<b>Components of net assets/equity</b>		
...		
...		
<b>Total net assets/equity</b>		



# Classification of Assets and Liabilities

## Analysis

- The **current/non-current** classification approach is consistent with IPSAS 1 and IFRS 18.
- The **financial/non-financial** classification to provide users with a clearer understanding of:
  - The financial resources available to cover past and future financial obligations; and
  - The non-financial resources intended to sustain public service delivery over the long term.
- The **order or liquidity** approach is currently used by certain entities within the public sector.
- **Other approaches** should not be permitted to maintain an appropriate level of comparability.

## Recommendation

- Providing two general approaches in IPSAS:
  - Current/Non-Current
  - Financial/Non-Financial
- Permitting on an exception basis, the order of liquidity approach



# Classification of Assets and Liabilities

## Question

Does the IPSASB agree with the Task Force recommendations?

## The Task Force recommends:

- Permitting an entity to apply either:
  - Current/non-current approach; or
  - Financial/non-financial approach.
- Allowing an entity to apply the order of liquidity approach on an exception basis;
- Developing the financial/non-financial approach based on existing IPSAS definitions; and
- Including principles-based guidance on making the presentation choice rather than specific criteria.



# Structure and Sub-Totals

## Analysis

- Recommendation consistent with existing requirements in IPSAS 1 and IFRS 18,
- Allows an entity the flexibility to structure the financial statements based on user needs and jurisdictional considerations.
- Entities are encouraged to provide additional sub-totals on the face when relevant to understanding the entity's financial position.
- Common sub-totals, such as 'net debt', are often calculated based on fiscal objectives established at a jurisdictional level.
- The requirements concerning management-defined performance measures will be considered separately.

## Recommendation

- Aligning with the requirements in IFRS 18
- Results in the proposed new IPSAS:
  - Including no specific requirements concerning the structure (the order or format) of the statement of financial position
  - Not defining or requiring the presentation of any specific sub-totals on the face of the statement of financial position



# Structure and Sub-Totals

## Question

Does the IPSASB agree with the Task Force recommendations?

## The Task Force recommends:

- **Not prescribing the structure for presenting the statement of financial position**
  - The standard will include specific requirements for presenting line items and classifying assets and liabilities.
  - Illustrative examples of different formats will be provided.
- **Not requiring the display of any specific sub-totals**
  - Entities will be permitted and encouraged to provide additional sub-totals when this helps make the statement of financial position understandable.
  - Guidance will be included on the presentation of additional sub-totals.



# Presentation of Asset and Liability Line Items

## Analysis

- The list of specific line items in IPSAS 1 is aligned with IFRS 18 (except for adding *goodwill*) and remains fit for purpose.
- The standard allows the flexibility for entities to broadly align the presentation of line items with those used for GFS analysis purposes.
- The overarching principles of materiality, aggregation, and disaggregation, which help to determine what information to display in the primary financial statements versus disclose in the notes, will be considered at a future meeting.

## Recommendation

Presentation of specific asset and liability line items on the face of the statement of financial position.

- No changes to the line items currently listed in IPSAS 1 are required.
- Except for adding a requirement to present *goodwill* as a separate line item.



# Presentation of Asset and Liability Line Items

## Question

Does the IPSASB agree with the Task Force recommendation to align the specific line items requiring presentation on the face of the statement of financial position with IFRS 18?

## Assets

- Property, plant, and equipment
- Investment property
- Intangible assets
- [Goodwill](#)
- Financial assets
- Investments accounted for using the equity method
- Investments
- Inventories
- Cash and cash equivalents
- Assets classified as held for sale

## Liabilities

- Taxes and transfers payable
- Social benefit liabilities
- Payables
- Provisions
- Financial liabilities
- Liabilities included in disposal group classified as held for sale



# Implementation Guidance – Illustrative Financial Statements

## Analysis

- Illustrative examples of different presentation formats should be provided to support the consistent application of the IPSAS requirements.
- The illustrative examples will be non-authoritative and will show how the statement of financial position may be presented
- The illustrative examples should include three classification approaches:
  - Current/non-current
  - Financial/non-financial
  - Order of liquidity

## Recommendation

To include three example formats for presenting the statement of financial position in the Implementation Guidance section of the IED.



# Implementation Guidance – Illustrative Financial Statements

## Question

Does the IPSASB agree with the Task Force recommendation to include three formats for presenting the statement of financial position in the implementation guidance?

### Current/Non-Current Approach

Statement Financial Position	20X4	20X3
<b>ASSETS</b>		
Current assets	xxx	xxx
Non-current assets	xxx	xxx
Total assets	xxx	xxx
<b>LIABILITIES</b>		
Current liabilities	xxx	xxx
Non-current liabilities	xxx	xxx
Total liabilities	xxx	xxx
<b>Net assets/equity</b>	xxx	xxx

### Financial/Non-Financial Approach

Statement Financial Position	20X4	20X3
<b>ASSETS</b>		
Financial assets	xxx	xxx
Non-financial assets	xxx	xxx
Total assets	xxx	xxx
<b>LIABILITIES</b>		
Financial liabilities	xxx	xxx
Non-financial liabilities	xxx	xxx
Total liabilities	xxx	xxx
<b>Net assets/equity</b>	xxx	xxx

### Order of liquidity

Statement Financial Position	20X4	20X3
<b>ASSETS</b>		
...	xxx	xxx
...	xxx	xxx
Total assets	xxx	xxx
<b>LIABILITIES</b>		
...		
...	xxx	xxx
Total liabilities	xxx	xxx
<b>Net assets/equity</b>	xxx	xxx



# Development of Draft Illustrative Exposure Draft

## Draft IED

- Developed using IFRS 18 as its starting base
- Formatted to highlight public sector modifications
- Table of Concordance

## Public Sector Modifications

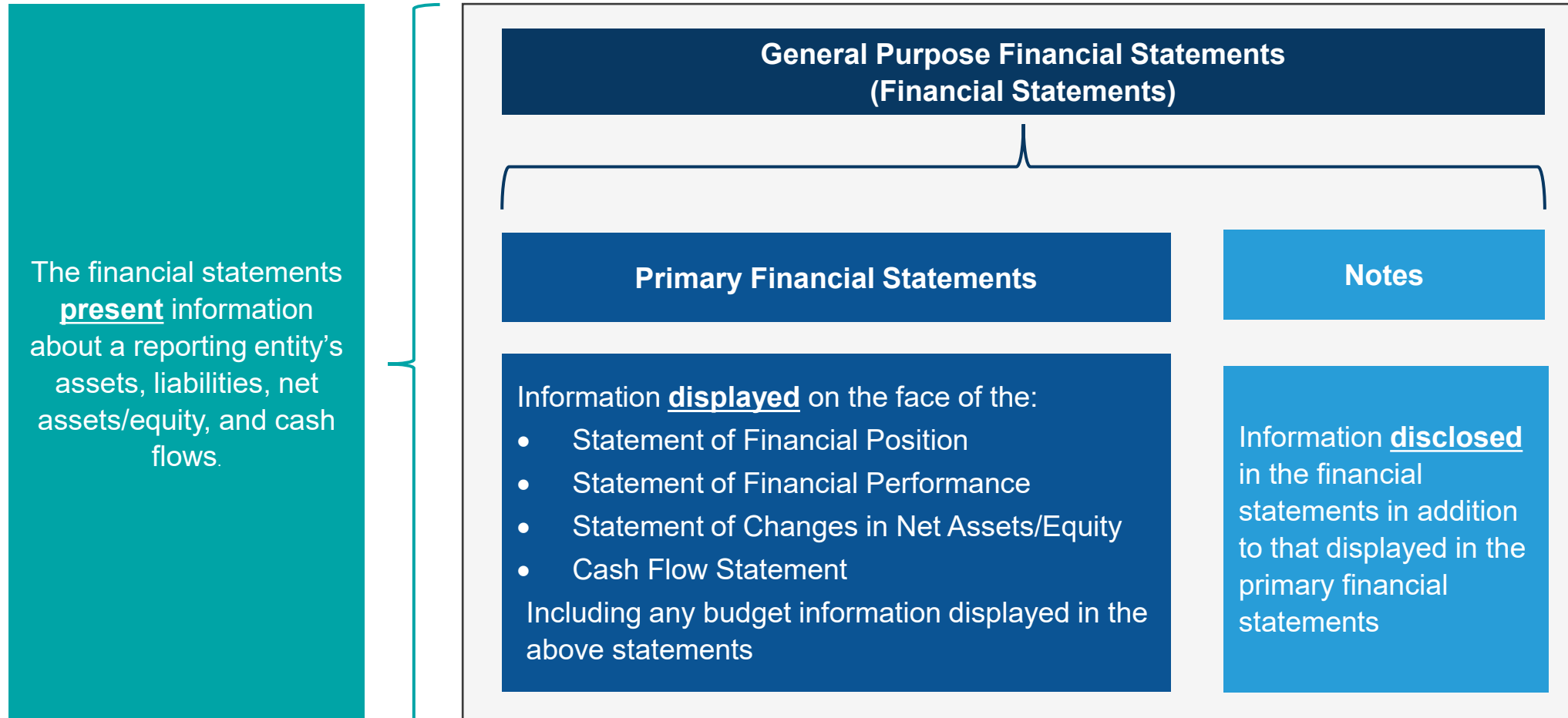
- Carrying forward public sector specific paragraphs from IPSAS 1
- Consistency with CF and other IPSAS
- Reduce unnecessary differences with GFS
- Public sector-specific issues
- Related work of national standard-setters
- Exploring different presentation approaches

- |   |
|---|
| (a) Paragraphs primarily based on IFRS 18 are shaded grey. <ul style="list-style-type: none"><li>• IPSAS modifications are shown with tracked changes — new text <u>underlined</u>, deleted text <del>struck through</del>, and relocated text <u>double underlined</u>.</li></ul>                          |
| (b) Paragraphs brought forward from IPSAS 1 are shaded green. <ul style="list-style-type: none"><li>• Amendments to existing IPSAS 1 paragraphs are shown with tracked changes — new text <u>underlined</u>, deleted text <del>struck through</del>, and relocated text <u>double underlined</u>.</li></ul> |



# Development of Draft Illustrative Exposure Draft

## Key terminology used





# Illustrative Exposure Draft – Objective

## Question

Does the IPSASB agree with the Task Force recommendation to use the Objective paragraph based on IFRS 18?

## Objective

1. The [draft] Standard sets out requirements for the presentation of information in general purpose financial statements ~~(financial statements)~~ to help ensure they provide relevant information ~~to users~~ for accountability and decision-making purposes that faithfully represents an entity's assets, liabilities, net assets/equity, ~~income~~ revenue, and expenses.



# Illustrative Exposure Draft – Scope

## Question

Does the IPSASB agree with the Task Force recommendations to:

- (a) Align the scope paragraphs with IFRS 18; and
- (b) Carry forward public sector-specific paragraphs from IPSAS 1 that remain relevant and useful.

Comments based on page turn of [Appendix A](#) of Agenda Item 8.2.9



## Illustrative Exposure Draft – Other definitions

### Question

Does the IPSASB agree with the Task Force recommendation to include the other definitions in the Illustrative ED?

Comments based on page turn of [Appendix A](#) of Agenda Item 8.2.10



# Illustrative Exposure Draft – Purpose of Financial Statements

## Question

Does the IPSASB agree with the Task Force recommendation to use the proposed paragraphs to explain the purpose of financial statements in the illustrative ED?

### Purpose of financial statements

18. The ~~objective purpose~~ of financial statements is to provide information about a reporting entity's assets, liabilities, net assets/equity, ~~income~~ revenue, ~~and~~ expenses, and cash flows that is useful to users of financial statements for decision-making and to demonstrate the entity's accountability for the resources entrusted to it.

Paragraphs 19 and 20 carried forward from IPSAS 1.



## Illustrative Exposure Draft – Responsibility for Financial Statements

### Question

Does the IPSASB agree with the Task Force recommendation to move the guidance on the responsibility for financial statements to implementation guidance in IPSAS 14, *Events After the Reporting Date*?



# Illustrative Exposure Draft – Responsibility for Financial Statements

## Question

Does the IPSASB agree with the Task Force recommendation to include the paragraphs explaining the roles of the primary financial statements and notes in the illustrative ED?

The financial statements include information displayed in the primary financial statements and information disclosed in the notes.

The role of the **primary financial statements** is to provide structured summaries of a reporting entity's recognized assets, liabilities, net assets/equity, revenue, expenses, and cash flows.

The role of the **notes** is to provide additional information necessary to enable users to understand:

- The primary financial statements; and
- The effect of transactions and other events and conditions on the entity's financial position, financial performance, and cash flows for the reporting period.



