

Consultation Paper
Month 202X
Comments due: Month Day, 202X

Presentation of Financial Statements



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

IPSAS relate to the preparation of 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 IPSAS 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.

The structures and processes that support the operations of the IPSASB are facilitated by the International Federation of Accountants® (IFAC®).

Copyright © August 2025 by the International Federation of Accountants (IFAC). For copyright, trademark, and permissions information, please see [page XX](#).

REQUEST FOR COMMENTS

This Consultation Paper, *Presentation of Financial Statements*, was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The proposals in this Consultation Paper may be modified in light of comments received before being issued in final form. **Comments are requested by Month XX, 202X.**

Respondents are asked to submit their comments electronically through the IPSASB website, using the “[Submit a Comment](#)” link. Please submit comments in both a PDF and Word file. Also, please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website. This publication may be downloaded from the IPSASB website: www.ipsasb.org. The approved text is published in the English language.

Guide for Respondents

The IPSASB welcomes comments on all matters discussed in this Consultation Paper, including all Preliminary Views (PV) and Specific Matters for Comment (SMC). Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate and contain a clear rationale.

The PVs and SMCs in this Consultation Paper are provided below. Paragraph numbers identify the location of the Preliminary View or Specific Matter for Comment in the text

Chapter 1 — Development of New Presentation Standard

Preliminary View 1

The IPSASB’s Preliminary View is that the development of a new IPSAS to replace IPSAS 1 should use IFRS 18, *Presentation and Disclosure in Financial Statements* as its starting base, with appropriate adaptations to reflect the objectives of financial reporting by public sector entities.

Do you agree with the IPSASB’s Preliminary View?

If not, please provide your reasons, stating clearly what you consider should be changed in the development approach.

Chapter 2 — General Presentation Principle

Preliminary View 2

Chapter 3 — Statement of Financial Position

Preliminary View 3

The IPSASB’s Preliminary View is that the existing requirements in IPSAS for presenting the Statement of Financial Position do not require significant enhancements.

Do you agree with the IPSASB’s Preliminary View?

If not, please provide your reasons, stating clearly what you consider should be changed.

Chapter 4 — Statement of Financial Performance

Preliminary View 4

Preliminary View 5

Chapter 5 — Statement of Other Comprehensive Revenue and Expense

Preliminary View 6

Chapter 6 — Statement of Changes in Net Assets/Equity

Preliminary View 7

PRESENTATION OF FINANCIAL STATEMENTS

CONTENTS

Page

Project Overview

- Introduction
- Why is this Project Being Undertaken?
- What is the Scope of this Project?
- How will this Project be Developed?
- Accompanying Illustrative Exposure Draft

Chapter 1: Development of New Presentation Standard

- Financial Reporting Developments
- Issues Identified During Scoping and Research Phase
- Development of Illustrative Exposure Draft

Chapter 2: General Presentation Principles

- Objective of Financial Statements
- The Roles of the Primary Financial Statements and Notes
- Definitions of Financial Statement Elements
- Materiality
- Aggregation and Disaggregation
- Going Concern

Chapter 3: Statement of Financial Position

- Classification of Assets and Liabilities
- Presentation of Sub-Totals
- Presentation of Line Items

Chapter 4: Statement of Financial Performance

- Classification of Revenue and Expenses
- Presentation of Sub-Totals
- Presentation of Line Items

Chapter 5: Statement of Comprehensive Revenue and Expense *

- Presentation of revenue and expense items outside the surplus/(deficit)
- Two-statement or single-statement approach

Chapter 5: Statement of Changes in Net Assets/Equity

- Classification of Net Assets/Equity
- Reconciliation of Movements in Net Assets/Equity

Chapter 6: Disclosure of Information in the Notes

- Management-defined performance measures
- Other note disclosures

Accompanying documents: *Illustrative Exposure Draft*

* Subject to IPSASB deliberations on aligning with the IASB's other comprehensive income (OCI) approach.

Project Overview

Introduction

1. General Purpose Financial Statements ('financial statements') prepared by governments and other public sector entities are structured reports that provide an important source of financial information about:
 - (a) The resources it owns and controls (its assets);
 - (b) The amount it owes and other obligations (its liabilities);
 - (c) The money and other resources received in the reporting period (its revenue); and
 - (d) The money spent and resources consumed in the reporting period (its expenses).
2. The financial statements confirm the financial impact of transactions incurred and other events or conditions. Under the accrual basis of accounting, this is achieved by presenting information about an entity's financial position, financial performance, and cash flows for a specified reporting period.
3. The information provided in financial statements is used as the basis for decision-making regarding the formation of future budgets, long-term fiscal sustainability forecasts, and public policy decisions. The information is also used to hold governments and other public sector entities accountable for the efficient use and management of public resources.
4. How financial information is presented in financial statements plays a critical role in strengthening public financial management (PFM) globally, due to the importance of ensuring the information presented is faithfully representative, comparable, verifiable, and useful for accountability and decision-making purposes.¹
5. Users of public sector financial statements include the recipients of public sector services and the resource providers who fund those services (and their representatives). This comprises a wide range of users, such as citizens, taxpayers, legislators, policy advisors, lenders, creditors, and donors.² Public sector entities must continually consider how best to present the information provided in financial statements in response to their users' evolving needs.
6. The IPSASB plays a vital role in this process by developing high-quality accounting standards that provide appropriate principles and requirements for the presentation of information in financial statements.

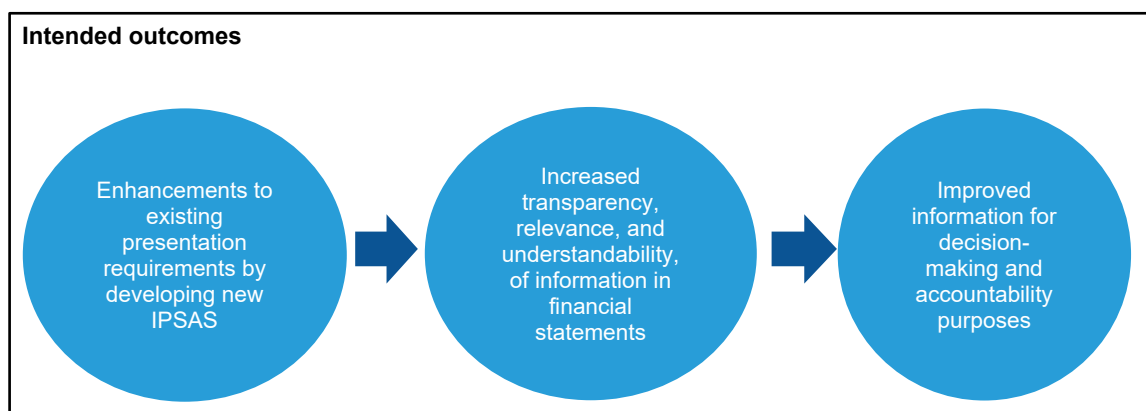
Why is this project being undertaken?

7. The objective of this project is to improve the communication effectiveness of information reported in public sector financial statements by developing a new IPSAS to replace IPSAS 1, *Presentation of Financial Statements*.
8. Financial statements are vital in the public sector as they ensure accountability, inform decision-making, promote transparency, and support efficient resource management. The IPSASB is, therefore, keen to explore enhancements to existing presentation requirements to improve the understandability and accessibility of the information presented in the financial statements.

¹ PFM, in its broadest sense, is the system by which financial resources are planned, directed, and controlled, both externally to and internally within the public sector, to enable the efficient, effective, and sustainable delivery of public service outcomes.

² The financial information in financial statements is also used by other parties with an interest in the public sector, for example, statisticians, analysts, media, and lobby groups.

9. Recent international developments have highlighted the opportunity to improve the existing requirements, given that IPSAS 1 has not been substantially updated since its original publication in 2000. The financial reporting landscape has evolved significantly over this period, including the development of IFRS 18 *Presentation and Disclosure in Financial Statements* by the International Accounting Standards Board (IASB), published in April 2024.³
10. The project aims to develop a modern, fit-for-purpose IPSAS that responds to recent financial reporting developments and the evolving needs of users of public sector financial statements.
11. An overview of the project objective and intended outcomes is illustrated in Diagram 1 below.



What is the scope of this project?

12. To achieve the project objective, the scope is focused on the principles and requirements for presenting information about an entity's assets, liabilities, net asset/equity, revenue, and expenses in its financial statements. This includes information displayed on the face of the primary financial statements and other information disclosed in the notes of the financial statements.
13. The project scope is determined by reference to the existing scope of IPSAS 1. IPSAS 1 currently sets out the general requirements for the selection, location, and organization of information reported in financial statements. The Standard also provides guidance on the structure, minimum disclosures, and overarching principles for preparing financial statements in accordance with IPSAS.
14. IPSAS 1 is primarily focused on setting out the requirements for presenting the Statement of Financial Position, Statement of Financial Performance, and Statement of Changes in Net Assets/Equity. These are described in this consultation as the 'primary financial statements'.
15. Other IPSAS that include presentation and disclosure requirements, such as IPSAS 2, *Cash Flow Statements*, are outside this project's scope. Nonetheless, consequential amendments will be considered as part of this project to ensure other IPSAS continue to work together with the new presentation standard.⁴

³ This includes the issuance of IFRS 18 *Presentation and Disclosure in Financial Statements* by the IASB in April 2024.

⁴ Other related standards, in addition to IPSAS 2, include IPSAS 22, *Disclosure of Information About the General Government Sector*, and IPSAS 24, *Presentation of Budget Information in Financial Statements*. The need for a comprehensive review of these other standards will be considered as part of the IPSASB's future Work Plan development.

How will this project be developed?

16. The IPSASB decided to initiate this project with a Consultation Paper (CP) due to the critical role that the presentation of financial statements plays in strengthening global PFM. The CP offers an opportunity to explore new ideas and gather constituent feedback on the IPSASB's preliminary views before developing a final pronouncement.
17. The Project is being developed over three distinct phases to allow for stakeholder feedback throughout, as explained in Table 1.

Table 1

Phase 1 — Consultation Paper (CP) and illustrative exposure draft (ED)	<p>This is the project's current phase, which is seeking feedback on the IPSAB's preliminary views on developing a new IPSAS to replace IPSAS 1.</p> <p>An illustrative ED is included to provide constituents with an understanding of what the proposed standard could look like based on the IPSASB's preliminary views as proposed in this consultation document.</p>
Phase 2 — ED of the proposed standard to replace IPSAS 1, plus consequential amendments to other IPSAS	<p>Considering constituent feedback from Phase 1, the IPSASB will develop the ED as a final pronouncement, including consequential amendments to other IPSAS for public consultation.</p>
Phase 3 — Final standard	<p>Based on constituent feedback received from Phase 2, the final IPSAS and consequential amendments to other IPSAS will be developed for publication.</p>

18. The goal is to obtain feedback from the wide range of stakeholders who rely on the information presented in public sector financial statements. This feedback is essential for ensuring the development of enhancements to existing requirements are robust, practical, and widely accepted, ultimately contributing to improved transparency and accountability in public sector financial reporting.
19. Accompanying the CP is an illustrative ED of what a future pronouncement to replace IPSAS 1 could look like based on the IPSASB's preliminary views. In many jurisdictions, the existing presentation requirements in IPSAS 1 are well-established and applied broadly across the public sector. The illustrative ED, therefore, provides a helpful picture of what the changes could look like compared with the status quo, allowing constituents to consider the possible impacts and provide informed feedback in response to this consultation.

Chapter 1: Development of New Presentation Standard

1.1 To achieve the project objective of improving the communication effectiveness of information reported in public sector financial statements, the IPSASB has considered the following to develop a new IPSAS to replace IPSAS 1:

- (a) Financial reporting developments since IPSAS 1 was last revised in 2006; and
- (b) Issues identified during this project's scoping and research phase.

Financial Reporting Developments

1.2 IPSAS 1 was originally issued in May 2000 and was primarily drawn from IAS 1, *Presentation of Financial Statements* issued by the IASB. The Standard was last revised in December 2006.⁵

1.3 Since IPSAS 1 was last revised, the following related reporting developments have occurred, as summarised in Table 2.

Table 2

Financial Reporting Developments	Project Drivers
<p><i>IFRS developments</i></p> <ul style="list-style-type: none"> The IASB has revised IAS 1 several times, introducing the concept of other comprehensive income (OCI) and making other amendments arising from its <i>Disclosure Initiative projects</i>. In April 2024, the IASB issued IFRS 18, which supersedes IAS 1.⁶ 	<p><i>Maintaining alignment with IFRS to the extent appropriate for the public sector</i></p> <p>The IPSASB's strategic objective is to align IPSAS with the requirements, structure, and text of IFRS, where transactions and user needs are the same.</p> <p>Alignment with IFRS will ensure that the new proposed IPSAS reflects the latest IASB developments.⁷</p>
<p><i>IPSASB developments</i></p> <p>The IPSASB completed its <i>Conceptual Framework</i> for general purpose reporting by public sector entities. This included developing:</p> <ul style="list-style-type: none"> Definitions and recognition criteria for financial statement elements such as assets, liabilities, revenue, and expenses; and General principles for displaying information on the face of the primary financial statements and disclosing information in the notes. 	<p><i>Consistency with the IPSASB's Conceptual Framework</i></p> <p>Since the issuance of its Conceptual Framework in 2014 and updates in 2023, the IPSASB has not completed a full review of IPSAS 1 to ensure consistency of standards-level requirements and principles. Consistency with the Conceptual Framework will help ensure the public sector context is appropriately reflected in the new proposed IPSAS.</p>

⁵ IPSAS 1 has been subsequently amended for consequential amendments relating to the issuance of new IPSAS Standards.

⁶ IFRS 18 was developed to improve the structure and content of the primary financial statements, with a focus on the statement(s) of financial performance.

⁷ Guided by the IPSASB's policy paper [Process for Reviewing and Modifying IASB Documents](#) (known as 'Rules of the Road').

<p><i>Government Finance Statistics (GFS) developments</i></p> <p>The International Monetary Fund (IMF) issued an updated Government Finance Statistics (GFS) Manual in 2014.</p> <p>This manual provides comprehensive guidelines for compiling and presenting GFS information, reflecting modern developments in fiscal reporting and statistical methodology.</p>	<p><i>Reducing unnecessary differences with GFS</i></p> <p>There is considerable overlap between IPSAS and information prepared for GFS reporting purposes.</p> <p>Removing unnecessary differences between IPSAS and GFS, where possible, will help promote the broader acceptance and use of IPSAS-based information for PFM purposes.⁸</p>
<p><i>Related work of National Standard-Setters</i></p> <p>Many national standard-setters in both the for-profit and public sectors have recently conducted projects focused on improving the communication effectiveness of information presented in financial statements.</p>	<p><i>Considering alternative presentation approaches</i></p> <p>The related projects of national standard-setters offer valuable insights into the needs of financial statement users at the jurisdictional level.</p> <p>These projects also present alternative presentation approaches that could be useful for reflecting the public sector context.</p>

Issues Identified During Scoping and Research Phase⁹

- 1.4 During the scoping and research phase, the IPSASB identified the following common presentation issues raised by preparers and users of public sector financial statements.
- (a) Entities are unsure how to apply the materiality concept when a specific disclosure is required by a standard, leading to the disclosure of immaterial or non-relevant information.
 - (b) Inconsistencies in the structure of the statement of financial performance — specifically, the practice of presenting certain items of revenue and expenditure separately from an entity's surplus or deficit for the period.¹⁰
 - (c) Increased reporting of non-GAAP measures in financial statements, such as additional sub-totals in the statement of financial performance – the most common being 'operating surplus or deficit'. The calculation of these non-GAAP measures varies extensively between different jurisdictions.¹¹
 - (d) Diversity in practice regarding the classification of assets and liabilities on the face of the statement of financial position – for example, as an alternative to the current/non-current classification approach, some jurisdictions are using a financial/non-financial classification approach.
 - (e) Inconsistent accounting and presentation of equity reserves and reconciliation of movements for the reporting period. Also, some jurisdictions use different descriptions for categorizing

⁸ Guided by the IPSASB's [Process for Considering GFS Reporting Guidelines During the Development of IPSASs](#).

⁹ This includes stakeholder feedback from recent IPSASB outreach events

¹⁰ Examples of line items excluded and presented separately include finance revenue, finance costs, proceeds from the sale of assets, fair movements, and actuarial gains and losses.

¹¹ Non-GAAP measures refer to measures of financial performance, financial position, or cash flows that are not based on measures provided for within accounting standards. Non-GAAP measures may be reported within or outside the financial statements.

equity balances, such as 'restricted and unrestricted reserves' or 'usable and unusable reserves'.

- 1.5 The consideration of these issues has informed the development of the IPSASB's preliminary views as explored in the following chapters of this CP.
- (a) General Presentation Requirements — Chapter Two
 - (b) Statement of Financial Performance — Chapter Three
 - (c) Statement of Financial Position — Chapter Four
 - (d) Statement of Changes in Net Assets/Equity — Chapter Five
 - (e) Other Information in the Notes — Chapter Six

Development of the Illustrative Exposure Draft

- 1.6 The IPSASB has reached several Preliminary Views as it has advanced the first phase of this project. An illustrative ED (Appendix A) has been developed to reflect what these views could look like in a new IPSAS.
- 1.7 The illustrative ED has been developed using IFRS 18, *Presentation and Disclosure in Financial Statements*, as its starting point. The IPSASB considers that the presentation requirements between IPSAS and IFRS should be consistent unless there is a public sector reason to warrant a departure.¹² The IASB developed IFRS 18 through a rigorous due process and was tested through focus groups before being published.
- 1.8 Achieving consistency in the presentation requirements between IPSAS and IFRS, being how the financial statements are structured, minimum content requirements, and the descriptions used, provides immediate benefits from an understandability perspective. This is due to the familiarity many users of public sector financial statements have with IFRS-based financial statements.¹³
- 1.9 Although the development of the illustrative ED has been informed by the IASB's latest thinking on the presentation of financial statements as reflected in IFRS 18, it is essential to highlight that this is not purely an IFRS-alignment project. Modifications have been made in the illustrative ED to ensure the public sector context is appropriately reflected.¹⁴
- 1.10 Some of the key issues considered from an IFRS 18 alignment perspective, include:
- (a) The public sector approach to other comprehensive income (OCI)

IPSAS 1 does not currently include the concept of OCI, whereas IFRS permits certain income and expense items to be recognized outside of the Profit and Loss Statement and instead presented in the statement of comprehensive income. IPSAS generally requires these equivalent items of revenue and expenses to be recognized directly in equity reserves and accounted for through the Statement Changes in Net Assets/Equity.

¹² Departures from IFRS may be warranted when the requirements or terminology in IFRS do not appropriately reflect the public sector context, or when additional guidance is necessary for specific or more prevalent transactions in the public sector.

¹³ Stakeholder feedback on the IPSASB's [Mid-Period Work Program Consultation](#) supported the commencement of a project to revise IPSAS 1 based on the recent work of the IASB on improving communication effectiveness of information in financial statements.

¹⁴ This has included considering the outcomes of related projects of public sector national standard-setters.

(b) Sectioned Statement of Financial Performance

IFRS 18 has introduced a requirement to classify income and expenses into one of five categories presented in the statement of financial performance — operating, investing, financing, income tax, and discontinued activities. An equivalent requirement does not currently exist in IPSAS 1. This consultation explores how revenue and expense should be classified to support the objectives of public sector financial reporting — including whether to retain the requirement to present expenses by function and nature or allow a mixture of both.

(c) Aggregation and disaggregation of information

IFRS 18 has introduced enhanced principles for the aggregation and disaggregation of information. The consultation explores improvements to support the appropriate display of information in the primary financial statements and the disclosure of other information in the notes.

(d) Disclosure of management-defined performance measures

IFRS 18 has also introduced disclosure and reconciliation requirements for when management-defined performance measures (also commonly known as non-GAAP measures) are used to communicate management's view of an aspect of an entity's financial performance. The IPSAB has explored the extent to which non-IPSAS measures are used in the public sector and the need for improved IPSAS requirements.

1.11 These issues have been explored further within the relevant chapters of this CP.

Preliminary View 1

The IPSASB's Preliminary View is that the development of a new IPSAS to replace IPSAS 1 should use IFRS 18, *Presentation and Disclosure in Financial Statements* as its starting base, with appropriate adaptations to reflect the objectives of financial reporting by public sector entities.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons, stating clearly what you consider should be changed in the development approach.

Chapter 3: Statement of Financial Position

Introduction

- 3.1 The Statement of Financial Position (also often known as a 'balance sheet') aims to provide a structured summary of an entity's assets, liabilities, and net assets/equity at the end of a reporting period, together with comparative information – as illustrated in Figure 1.

Figure 1

Statement of Financial Position	20X4	20X3
As at 31 December 20X4	CU	CU
Assets		
Liabilities		
Net assets		
Components of net assets/equity		
Net assets/equity		

- 3.2 The Statement of Financial Position provides financial statement users with information to help assess:
- (a) The extent to which management has discharged its responsibility for safekeeping and managing the resources of the entity;
 - (b) The extent to which resources are available to support future service delivery activities (i.e. its assets); and
 - (c) The amount and timing of future cash flows necessary to service and repay existing debts and other claims to the entity's resources (i.e., its liabilities);
 - (d) The liquidity of assets and liabilities held — how quickly assets can be converted into cash and when liabilities are required to be settled; and
 - (e) An entity's solvency — its ability to meet its short-term and long-term financial and service delivery obligations as they fall due (i.e. its 'financial sustainability')
- 3.3 This Chapter explores how this information should be presented in the Statement of Financial Position to enhance its transparency and understandability for accountability and decision-making purposes.¹⁵
- 3.4 To advance the objectives of this project, the IPSASB considered the following core aspects of presenting the Statement of Financial Position:
- (a) [Classification of Assets and Liabilities](#);
 - (b) [Display of Specific Line Items](#); and
 - (c) [Structure and Presentation of Sub-totals](#).

¹⁵ Individual IPSAS set out the requirements for recognizing and measuring the balances that make up an entity's financial position, this project is focused on how these items should be presented.

- 3.5 When considering these core aspects, the IPSASB noted that the existing requirements in IPSAS 1 for presenting the Statement of Financial Position are currently aligned with IFRS 18. Through the development of its *Primary Financial Statements* project, the IASB did not identify the need to amend the existing requirements for presenting this statement in IFRS 18.

Classification of Assets and Liabilities

- 3.6 When presenting the Statement of Financial Position, an entity is required to classify its assets and liabilities into broad groups based on shared characteristics. This classification helps to enhance understandability and comparability by providing a clear and structured format for presenting the statement.
- 3.7 IPSAS 1 currently requires an entity to present its assets and liabilities on the Statement of Financial Position using a current/non-current classification or, on an exception basis, an order of liquidity approach.

Current/Non-current Classification

- 3.8 The current/non-current approach requires that assets and liabilities be classified based on whether they are current or non-current, as illustrated in Figure 2.
- 3.9 The approach distinguishes assets and liabilities continuously circulating as 'working capital' (classified as current) from those used to service the entity's long-term operations (classified as non-current). The information provided by the current/non-current classification is often used for various assessments, such as an entity's ability to continue as a going concern and compliance with debt covenants.¹⁶
- 3.10 The public sector manages its assets and liabilities to ensure resources are available over the short, medium, and long term to sustain service delivery. The current/non-current classification helps to explain the resources immediately available for service delivery and those earmarked for longer-term initiatives. This supports informed decision-making regarding resource allocation and fiscal planning.

Figure 2 — Current/Non-current Classification

Statement of Financial Position		
As at 31 December 20X4		
	20X4	20X3
	CU	CU
ASSETS		
Current assets		
...		
Total current assets		
Non-current assets		
...		
Total non-current assets		
Total assets		
LIABILITIES		
Current liabilities		
...		
Total current liabilities		
Non-current liabilities		
...		
Total non-current liabilities		
Total liabilities		
Net assets		
NET ASSETS/EQUITY		
...		
Total net assets/equity		

¹⁶ The term 'working capital' describe the difference between current assets and current liabilities. It is often used as a key indicator of an entity's short-term solvency.

- 3.11 IPSAS 1 provides specific criteria and guidance for classifying assets and liabilities as current or non-current, as summarized in Table 1.

Table 1 – Current/Non-current Distinction

Current assets Resources expected to be converted into cash or used up within a year or the entity's operating cycle, whichever is longer. For example, cash and bank accounts, accounts receivable, and inventory.	Current liabilities Obligations due within a year or the entity's operating cycle, whichever is longer. For example, accounts payable and short-term loans.
Non-current assets All other assets not classified as current. For example, property, plant and equipment, intangibles, and long-term investments.	Non-current liabilities All other liabilities not classified as current For example, long-term loans and provisions.

Order of Liquidity

- 3.12 IPSAS also allows an entity to present its assets and liabilities using an order of liquidity approach, as illustrated in Figure 3.
- 3.13 This approach involves listing asset and liability line items on the Statement of Financial Position based on their relative liquidity (i.e., how quickly they can be converted into cash or settled).
- 3.14 The approach is permitted on an exception basis when it provides a more faithfully representative and relevant summary of an entity's financial position.
- 3.15 Financial institutions, service industries, and insurance entities often use this approach because the assets and liabilities held are mainly financial. For these entities, users are more interested in when their assets and liabilities mature as it better reflects the performance of their operations.

Figure 3 — Order of Liquidity Approach

Statement of Financial Position		
As at 31 December 20X2		
(in thousands of currency units)		
	20X2	20X1
	CU	CU
ASSETS		
Cash and cash equivalents		
Receivables		
Inventories		
Investments		
Property assets held for sale		
Investment property		
Property, plant, and equipment		
Other assets		
Total assets		
LIABILITIES		
Payables		
Taxes and transfers payable		
Employee entitlements		
Social benefits liabilities		
Loans and other borrowings		
Other liabilities		
Total liabilities		
Net assets		

Alternative classification approach

- 3.16 As an alternative to the traditional current/non-current approach, the IPSASB noted that several jurisdictions currently use the financial/non-financial approach when presenting the Statement of Financial Position for central government and other levels of the public sector.¹⁷
- 3.17 The financial/non-financial approach involves classifying assets and liabilities based on whether they are considered financial or non-financial, as illustrated in Figure 4.

¹⁷ For example, the central government financial statements of Australia, Canada, and France currently use this approach.

3.18 For those jurisdictions currently using a financial/non-financial classification, they highlight that this presentation approach provides users with an understanding of:

- (a) The financial assets available to cover the immediate expenses associated with the ongoing delivery of services to the public;
- (b) The non-financial assets intended to sustain public service delivery over the long term; and
- (c) The financial liabilities requiring settlement and other non-financial liabilities recognized.

3.19 Presenting financial assets and financial liabilities separately increases the focus on how effectively an entity manages its financial resources. If financial liabilities exceed financial assets, it signals to users that actions such as raising revenues, reducing services, increasing debt, or selling non-financial assets may be needed to maintain operations.

3.20 The financial/non-financial distinction is generally understood to result in the classification of assets and liabilities, as summarized in Table 2.

Figure 4 — Financial/Non-financial Classification

Statement of Financial Position		
As at 31 December 20X2		
	20X2	20X1
	CU	CU
ASSETS		
Financial assets		
...		
Total Financial assets		
Non-financial assets		
...		
Total non-financial assets		
Total assets		
LIABILITIES		
Financial liabilities		
...		
Total financial liabilities		
Non-financial liabilities		
...		
Total non-financial liabilities		
Total liabilities		
Net assets		
NET ASSETS/EQUITY		
...		
Total net assets/equity		

Table 2 – Financial/Non-financial Distinction

Financial assets Assets held primarily for their financial capacity to generate cash flows to fund an entity's ongoing service delivery activities or to settle debt obligations. Examples include assets that can be easily converted to cash, such as money in the bank, investments, and accounts receivable.	Financial liabilities Liabilities that represent amounts owed to external parties and are expected to be settled using existing or future financial assets. Examples include loans, accounts payable, and other debt instruments
Non-financial assets Assets held primarily for their operational capacity to support the provision of services over future periods. Examples include property, plant and equipment, and intangible assets.	Non-current liabilities Liabilities that are not considered financial liabilities. Examples include provisions and certain obligations for the transfer of future services or goods.

3.21 There is currently no universally accepted criteria or definition for classifying assets and liabilities as financial or non-financial. In practice, decisions are often made at the jurisdictional level about what assets and liabilities are classified as 'financial' based on a government's short—and long-term fiscal objectives.

IPSASB Considerations

- 3.22 The IPSASB acknowledges the benefits of the financial/non-financial approach. However, it does not believe there is a current need to develop a new classification approach in IPSAS.
- 3.23 This view is based on the understanding that:
- (a) The existing current/non-current approach is generally accepted and broadly used across both the for-profit and public sector, with no significant issues arising in practice;
 - (b) Introducing a new classification approach could disrupt the consistency and comparability of public sector financial statements, making it challenging for users to interpret and compare financial information;
 - (c) Difficulties will likely arise in reaching an international consensus on generally accepted definitions and criteria for financial and non-financial items, which could ultimately lead to a divergence in practice for those jurisdictions applying IPSAS;
 - (d) The classification outcomes of the current/non-current and financial/non-financial approaches are, in many circumstances, not substantially different; and
 - (e) IPSAS currently allows an entity the flexibility to disclose alternative classifications of assets and liabilities in the notes.
- 3.24 Consideration was also given to whether the order of liquidity approach should be retained in IPSAS on an exception basis. It was noted that this approach is currently used by public sector entities such as central banks, as it provides a clearer view of how financial resources are being managed.
- 3.25 The IPSASB considers that this presentation approach should be retained. However, the new IPSAS should emphasize that the order of liquidity approach is only permitted when it provides a more faithful and relevant representation of an entity's financial position compared to the current/non-current approach.

Display of specific line items

- 3.26 The presentation of the Statement of Financial Position requires the preparer to consider what line items should be displayed on the face of the statement (under each broad classification, as discussed in the previous section). By including minimum display requirements, the Statement of Financial Position is comparable and understandable.
- 3.27 IPSAS 1 currently requires the following line items to be displayed on the Statement of Financial Position when relevant and material to the reporting entity.

Table 3 – Proposed Line Items

Assets	Liabilities
Cash and cash equivalents	Payables and other accrued expenses;
Receivables and other accrued revenue	Taxes and transfers
Financial assets	Financial liabilities
Investments accounted for using the equity method	Social benefit liabilities
Total assets classified as held for sale	Liabilities included in disposal group
Property, plant, and equipment	Provisions

Investment property	Components of net assets/equity¹⁸
Intangible assets	Share capital (when applicable)
Biological assets	Contribute capital from owners
Inventories	Accumulated surpluses or deficits
	Other equity reserves
	Non-controlling interests

3.28 The following general principles are relevant when applying the requirement to display specific line items as prescribed by IPSAS.

- (a) The line items only require disclosure if material;
- (b) Additional line items shall be presented when such a presentation is relevant to understanding the entity's financial position;
- (c) Decisions about the presentation of line items should be based on their size, nature, or function and relevance; and
- (d) The description of line items shall be amended based on the nature of the entity and its transactions.

IPSASB Considerations

3.29 The IPSASB considers that the specific line items currently required by IPSAS to be displayed on the Statement of Financial Position (when relevant and material) continue to be fit for purpose.

3.30 The only amendment proposed is adding a new separate line item for goodwill to distinguish this asset from other intangible assets. This new line item ensures that IPSAS maintains appropriate alignment with equivalent requirements in IFRS 18.

Structure and Presentation of Sub-Totals

3.31 An appropriate structure for presenting the Statement of Financial Position (i.e., its order and format) helps ensure that information is presented in a logical and systematic manner. This assists the user in accessing the information needed in response to their specific needs.

3.32 Financial statements are often structured in a particular order to allow for reporting specific sub-totals. Displaying sub-totals within the Statement of Financial Position can help users assess different aspects of an entity's financial position. Sub-totals are often used to present specific measures or indicators based on jurisdictional or entity-level considerations.

3.33 IPSAS does not currently prescribe a structure for presenting the Statement of Financial Position or require the display of any specific sub-totals. Instead, IPSAS provides the flexibility for an entity to develop its own structure and sub-totals based on its nature and user needs.¹⁹

¹⁸ It is proposed that the amounts of the components of make-up an entity's net assets/equity shall be displayed in the face of the Statement of Financial Position or disclosed in the notes.

¹⁹ The presentation of additional headings and sub-totals is permitted (and encouraged) if such a presentation is necessary for the Statement of Financial Position to provide a useful summary of an entity's assets, liabilities, and net assets/equity.

Presentation of net debt

- 3.34 Through outreach activities, we have noted the call from some stakeholders for the IPSASB to consider developing requirements that support the presentation of 'net debt' as a specific sub-total on the face of the Statement of Financial Position. Net debt is a common indicator used by policymakers, economists, and analysts to assess an entity's overall indebtedness and ability to meet its future financial obligations.
- 3.35 Net debt is broadly understood to be the difference between an entity's financial assets and financial liabilities. Net debt is an important measure of the government's health and sustainability. If the government's financial assets exceed its liabilities, it indicates that net financial assets are available to support the delivery of future activities and to satisfy debt repayment obligations.
- 3.36 To mandate net debt as a sub-total, which must be displayed on the face of the Statement of Financial Position, would necessitate the need for a specific presentation structure to be prescribed, as illustrated in Figure 5.
- 3.37 To introduce such a structure, the IPSASB would need to develop definitions and criteria for applying a financial/non-financial approach to classifying assets and liabilities (as discussed in [paragraphs 3.15-3.20](#)). A significant drawback of this structure is that it does not allow for the presentation of a reporting entity's 'total assets' and total liabilities," as illustrated in [Figure 3](#).

Figure 5

Statement of Financial Position		
As at 31 December 202X4		
	20X4 CU	20X3 CU
Financial Assets		
Less Financial Liabilities		
Net Debt		
Plus Non-Financial Assets		
Less Non-Financial Liabilities		
Net Assets		
Components of Net Assets/Equity		
Total Net Assets/Equity		

IPSASB Considerations

- 3.38 The IPSASB considers that prescribing a structure for presenting the Statement of Financial Position or mandating the display of specific subtotals would not significantly enhance the transparency, understandability, and usefulness of public sector financial statements.

Structure

- 3.39 The underlying principles for preparing general purpose financial statements, together with the specific requirements for classifying assets and liabilities and displaying specific line items, provide an appropriate baseline for presenting the Statement of Financial Position. Reporting entities should continue to have the flexibility to tailor the structure of the Statement of Financial Position based on its specific circumstances, user needs, and local jurisdictional considerations.
- 3.40 IPSAS provides illustrative examples of different financial statement presentation formats. This guidance serves as a useful 'benchmark' for how the primary financial statements should be structured, supporting appropriate consistency in presentation across the public sector.

Sub-totals

- 3.41 The IPSASB does not consider it useful or feasible to define specific sub-totals to assess different aspects of an entity's financial position (such as 'net debt') because these indicators are often measured based on local jurisdictional. It would, therefore, be difficult for the IPSASB to develop a definition of net debt that would be generally accepted and consistently applied across the public sector internationally.
- 3.42 The IPSASB notes that an entity may choose to present different measures of its financial position in the notes if the components of their calculation are drawn directly from line items presented in the financial statements prepared in accordance with IPSAS.
- 3.43 Although the presentation of specific sub-totals has not been proposed, new general guidance has been developed to support the appropriate use of sub-totals. This guidance sets out that any sub-total presented in the Statement of Financial Position shall:
- (a) Comprise amounts recognized and measured in accordance with IPSAS;
 - (b) Be compatible with the classification of assets and liabilities;
 - (c) Be consistent from period to period; and
 - (d) Be displayed no more prominently than specific totals and sub-totals required by IPSAS.

Preliminary View

- 3.44 Considering the above matters, the IPSASB has reached the following PV.

Preliminary View 3

The IPSASB's Preliminary View is that the existing requirements in IPSAS for presenting the Statement of Financial Position do not require significant enhancements.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons, stating clearly what you consider should be changed.

- 3.43 As an outcome of this Preliminary View, the proposed requirements for presenting the Statement of Financial Position (as provided in the illustrative ED) are aligned with IFRS 18 and consistent with existing requirements in IPSAS 1.

International Public Sector Accounting Standards, Exposure Drafts, Consultation Papers, Recommended Practice Guidelines, and other IPSASB publications are published by, and copyright of, IFAC.

The IPSASB and IFAC do not accept responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.

The 'International Public Sector Accounting Standards Board', 'International Public Sector Accounting Standards', 'Recommended Practice Guidelines', 'International Federation of Accountants', 'IPSASB', 'IPSAS', 'RPG', 'IFAC', the IPSASB logo, and IFAC logo are trademarks of IFAC, or registered trademarks and service marks of IFAC in the US and other countries.

Copyright © [Month] 202X by the International Federation of Accountants (IFAC). All rights reserved. Permission is granted to make copies of this work to achieve maximum exposure and feedback provided that each copy bears the following credit line: *"Copyright © [Month] 202X by the International Federation of Accountants (IFAC). All rights reserved. Used with permission of IFAC. Permission is granted to make copies of this work to achieve maximum exposure and feedback."*

Published by:



