

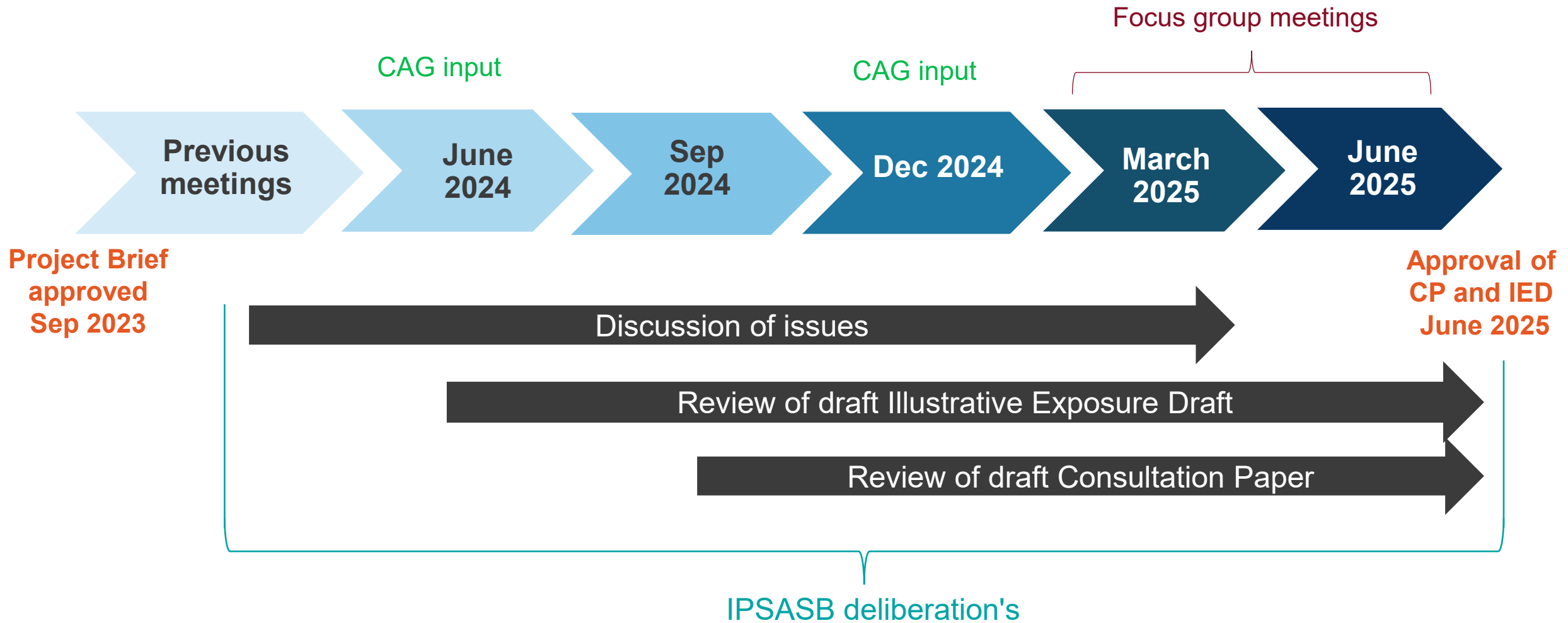
# PRESENTATION OF FINANCIAL STATEMENTS

IPSASB Meeting – September 2024

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# Project Timeline (Phase 1 of Project)

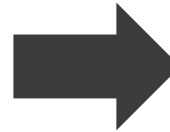


## Chapter 3 – Statement of Financial Position

The Chapter has been drafted based on feedback on key issues received from the Board in June 2024

While no substantive changes are proposed, the Chapter aims to provide the reader with an understanding of:

- Current IPSAS 1 requirements
- Issues and alternative approaches considered by the Board; and
- IPSASB's basis Preliminary Views



The Chapter discusses the following core aspects for presenting the Statement of Financial Position:

- Classification of Assets and Liabilities
- Display of Specific Line Items
- Structure and Presentation of Sub-Totals

We expect the same core aspects will also be discussed in other CP chapters on primary financial statements.

## Chapter 3 – Statement of Financial Position

### Question for the Board

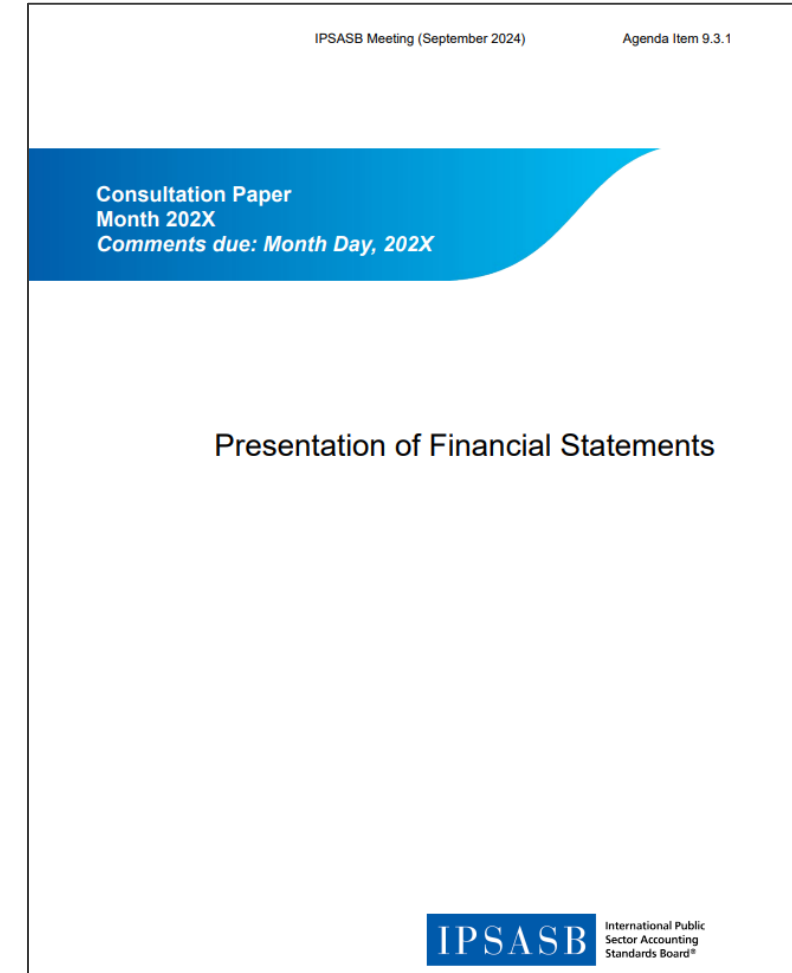
Does the draft Chapter 3 reflect the IPSASB's deliberation of issues related to the Statement of Financial Position?

### Agenda Item 9.3.1

Pages 13 - 20

### Preliminary view

The existing requirements in IPSAS for presenting the Statement of Financial Position do not require significant enhancements.



## Illustrative ED – General Requirements for Financial Statements

IPSAS 1 currently provides for the following general requirements that underpin the preparation of accrual-based financial statements:

- Fair presentation and compliance with IPSAS
- Accrual basis of accounting
- Frequency of reporting
- Consistency of presentation
- Offsetting
- Comparative information
- Changes in accounting policy, retrospective restatement, or reclassification

Confirming these general requirements provides a baseline for considering specific presentation requirements in other financial statement components.

To be considered at a future meeting:

- Going concern
- Material information

# Illustrative ED – General Requirements for Financial Statements

## Question for the Board

Does the IPSASB agree that the proposed section of the IED on the *General Requirements for Financial Statements* has been appropriately drafted?

## Agenda Item 9.3.2

- **Core Standard:** Paragraphs 38 – 68 (pages 21 – 29)
- **Application Guidance:** AG22 – AG27 (pages 39 – 43)

## Approach

Aligned with IFRS 18 with modifications to reflect the public sector context.

Presentation of Financial Statements IPSASB Meeting (September 2024)		Agenda Item 9.3.2
General Requirements for Financial Statements		Agenda Item 9.2.4
IAS 8	Fair Presentation and Compliance with IPSAS	Aligned with IAS 8 (amended 2024) <sup>21</sup>
IAS 8.6A	38. Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, <del>income</del> revenue and expenses set out in the <del>Conceptual Framework for Financial Reporting</del> IPSAS. The application of IFRSs IPSAS, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.	Aligned with IAS 8 (amended 2024) <ul style="list-style-type: none"><li>• Paragraph carried forward from IAS 1.15.</li><li>• Consistent with the existing paragraph in IPSAS 1.27, the paragraph refers to the definition and recognition criteria of financial statement elements in accordance with IPSAS rather than the Conceptual Framework as provided in IAS 8.</li></ul>
IAS 8.6B	39. An entity whose financial statements comply with IFRS Standards IPSAS shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with IFRS Standards IPSAS unless they comply with all the requirements of IFRS Standards IPSAS.	Aligned with IAS 8 (amended 2024) <ul style="list-style-type: none"><li>• Consistent with the existing paragraph in IPSAS 1.28.</li></ul>
IAS 8.6C	40. In virtually all circumstances, an entity achieves a fair presentation by compliance with applicable IFRS Standards IPSAS. A fair presentation also requires an entity: <ul style="list-style-type: none"><li>(a) To select and apply accounting policies in accordance with IAS-8 IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors. IAS-8 IPSAS 3 sets out a hierarchy of authoritative guidance that management considers in the absence of an IFRS Standard IPSAS that specifically applies to an item.</li><li>(b) To present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.</li><li>(c) To provide additional disclosures when compliance with the specific requirements in IFRS Standards IPSAS is insufficient to enable users to understand the impact of</li></ul>	Aligned with IAS 8 (amended 2024) <ul style="list-style-type: none"><li>• Consistent with the existing paragraph in IPSAS 1.29.</li></ul>

## Illustrative ED – Principles of Aggregation and Disaggregation

New guidance based on IFRS 18

### Responding to user concerns

- Some reporting entities don't provide enough detailed information; and
- Some reporting entities provide too much information.



### Enhanced requirements

General principles for the location of information – the primary financial statements or notes  
(Draft IED considered June 24)

General principles for aggregation and disaggregation of information

General guidance on the use of 'other' and labeling of line items

Specific requirements for aggregation/disaggregation of information in Statement of Financial Performance  
(Future meeting)

# Illustrative ED – Principles of Aggregation and Disaggregation

## Question for the Board

Does the IPSASB agree that the proposed section of the IED on the *Principles of Aggregation and Disaggregation* has been appropriately drafted?

## Agenda Item 9.3.2

Core Standard: Paragraphs 69 – 74 (pages 29 – 31)

Application Guidance: AG28 – AG40 (pages 44 – 48)

## Approach

Aligned with IFRS 18 with modifications to reflect the public sector context.

IFRS 18	Aggregation and Disaggregation	Agenda Item 9.2.5
IFRS 18	Principles of Aggregation and Disaggregation	
IFRS 18.41	<p>69. For the purposes of this Standard, an item is an asset, liability, <del>equity instrument or reserve component of net assets/equity, income revenue</del>, expense or cash flow or any aggregation or disaggregation of such assets, liabilities, <del>net assets/equity, income revenue</del>, expenses or cash flows. A line item is an item that is <del>presented</del> <b>displayed</b> separately in the primary financial statements. Other material information about items is disclosed in the notes. Unless doing so would override specific aggregation or disaggregation in <del>IFRS Accounting Standards</del> <b>IPSAS</b>, an entity shall (see paragraphs AG28–AG35):</p> <p>(a) Classify and aggregate assets, liabilities, <del>net assets/equity, income revenue</del>, expenses or cash flows into items based on shared characteristics;</p> <p>(b) Disaggregate items based on characteristics that are not shared;</p> <p>(c) Aggregate or disaggregate items to <del>present</del> <b>display</b> line items in the primary financial statements that fulfill the role of the primary financial statements in providing useful structured summaries (see paragraph 26);</p> <p>(d) Aggregate or disaggregate items to disclose information in the notes that fulfills the role of the notes in providing material information (see paragraph 27); and</p>	<p>Aligned with IFRS 18</p> <ul style="list-style-type: none"><li>• New guidance on applying aggregation and disaggregation principles introduced by IFRS 18.</li><li>• The principles are aligned at the conceptual level between IFRS and IPSAS.</li></ul>

## Illustrative ED – Statement of Financial Position

### Analysis

#### **IED section drafted based on IPSASB feedback received in June 2024**

- Aligned with IFRS 18
- Public sector-specific paragraphs from IPSAS 1 carried forward
- Content moved to the new application guidance section
- Substantially consistent with existing requirements

### Recommendation

To align the requirements for presenting the Statement of Financial Position with IFRS 18, which are consistent with existing requirements in IPSAS 1

# Illustrative ED – Statement of Financial Position

## Question for the Board

Does the IPSASB agree that the proposed section of the IED on the *Statement of Financial Position* appropriately reflects previous Board decisions and instructions?

## Agenda Item 9.3.2

**Core Standard:** Paragraphs 124 – 138 (pages 31 – 35)

**Application Guidance:** AG102 – AG124 (pages 48 – 55)

IFRS 18	Statement of Financial Position	Agenda Item 9.2.6
IFRS 18	<b>Classification of Assets and Liabilities <del>as Current or Non-Current</del></b>	
IFRS 18.96	124. An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position in accordance with paragraphs 126–129 except when a presentation based on liquidity provides a more useful structured summary. When that exception applies, an entity shall present all assets and liabilities in order of liquidity (see paragraphs AG102–AG105).	<p>Aligned with IFRS 18</p> <ul style="list-style-type: none"> <li>Consistent with existing requirements in IAS 1.60 and IPSAS 1.70.</li> </ul>
IFRS 18.97	<p>125. Whichever method of presentation is adopted, an entity shall disclose <u>in the notes</u> the amount expected to be recovered or settled after more than twelve months for each asset and liability line item that combines amounts expected to be recovered or settled:</p> <p>(a) No more than twelve months after the reporting period; and</p> <p>(b) More than twelve months after the reporting period.</p>	<p>Aligned with IFRS 18</p> <ul style="list-style-type: none"> <li>Consistent with existing requirements in IAS 1.61 and IPSAS 1.71.</li> <li>Modification for clarity purposes.</li> </ul>
IFRS 18.98	<del>When an entity presents current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position, it shall not classify deferred tax assets (liabilities) as current assets (liabilities).</del>	<p>IFRS 18 paragraph not used</p> <ul style="list-style-type: none"> <li>Paragraph carried forward from IAS1.56, not currently used in IPSAS 1.</li> <li>The accounting (and presentation) for deferred tax does not apply to IPSAS.</li> </ul>

# Statement of Financial Position – Order of Liquidity Approach

## Analysis

The recommendation to retain the Order of Liquidity Approach is based on:

- Alignment with IFRS 18
- Current use by specific public sector entities
- In some circumstances, it allows for more relevant and faithful information to be presented
- The requirement remains to disclose the current/non-current distinction in the notes

## Recommendation

- Retain the exception to present the Statement of Financial Position based on the order liquidity approach
- Add a BC to emphasize that the approach is expected to be applied on an exception basis
- Amend the IFRS 18 paragraph, which allows for a mixed presentation approach

## Statement of Financial Position – Order of Liquidity Approach

### Proposed Basis for Conclusion (BC)

To emphasize the Order of Liquidity approach is expected to be applied on an exception basis

BCX The IPSASB concluded that to promote a consistent presentation approach, the current/non-current classification should be retained as the general approach in IPSAS for presenting the statement of financial position. The IPSASB recognized that the order of liquidity approach should continue to be permitted on an exception basis when it is considered to provide faithfully representative and more relevant information. The circumstances in which this exception would apply will be based on the nature of the entity's activities, its assets and liabilities, and the application of professional judgment. For example, an order of liquidity approach may be faithfully representative and more relevant for presenting an entity's financial position when an entity holds mainly financial assets, such as a public sector financial institution.

# Statement of Financial Position – Order of Liquidity Approach

## Allowing a mixed presentation approach

Staff propose removing the mixed approach for presenting the Statement of Financial Position from IPSAS

IFRS 18	Proposal for IED
B92 In applying paragraph 124, an entity is permitted to present some of its assets and liabilities using a current/non-current classification and others in order of liquidity when this provides information that is reliable and more relevant. The need for a mixed basis of presentation might arise when an entity has diverse operations.	AG104 In applying paragraph 124, an entity using a current/non-current classification may choose to list the line items displayed under each classification based on an order liquidity.

Amendment recommended to support the consistent presentation of the Statement of Financial Position across the public sector.

## Statement of Financial Position – Order of Liquidity Approach

### Question for the Board

Does the IPSASB agree to retain the order of liquidity as an approach for presenting the Statement of Financial Position that can be applied on an exception basis?

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