



International Public
Sector Accounting
Standards Board®

AGENDA ITEM 6

PRESENTATION OF FINANCIAL STATEMENTS

IPSASB CAG Meeting – December 2024

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Enhancing Transparency: Revenues and Expenses Recognized Outside of Surplus or Deficit

Revenue and Expense Items

OR

In surplus or deficit

Outside of surplus or deficit, directly in net assets/equity

Statement of Financial Performance

- Represents items **within “ordinary operations”** of the reporting entity to achieve its service delivery objectives
- Includes **realized** gains and losses
- Relates to transactions for which the reporting entity generally **has a level of control**

Statement of Changes in Net Assets/Equity

- Represents items **outside of “ordinary operations”** of the reporting entity to achieve its service delivery objectives
- Includes **unrealized** gains and losses
- Relates to transactions for which the reporting entity generally **does not have a level of control**

Enhancing Transparency: Revenues and Expenses Recognized Outside of Surplus or Deficit

March 2024

Based on preliminary discussions, IPSASB agreed:

- Any new presentation requirements should **enhance transparency and understanding** (if greater transparency is needed)
- Take **IFRS-aligned** approach

December 2024

Progress discussions by considering the following:

- **Is there a need** for greater transparency and clearer communications of these items in the FS?
- **How** can the IPSASB enhance transparency and communication, and are there private sector learnings to leverage?

March 2025

Finalize:

- Any remaining discussions
- Review drafting in CP and IED

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[Discussion A]

Is there a need for greater transparency and clearer communication of this information in the financial statements?

Considerations for Discussion:

- From public interest perspective, transparency is necessary to enable accountability and decision-making.
- IPSAS currently requires revenues and expenses to be presented in two locations. Allocation was developed over time, aligned with IASB's allocation, and there is no explicit basis.
- All revenues and expenses are changes in net financial position. Presenting certain items separately from others can help FS users better understand nature and quantity of changes.
- Reduced visibility and prominence may impact usefulness and may impede transparency and clarity of communications.

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[Discussion A]

In your view, considering the need of financial statements users to fully understand the changes in an entity's net financial position and the limitations of current IPSAS presentation requirements, is there a need for greater transparency and clearer communication of revenue and expense items outside of surplus or deficit in the financial statements?

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[Discussion B]

If yes [there is a need], how would you recommend the IPSASB enhance transparency and communication through its standard-setting decisions on the location of, and terminology used to describe this financial information?

Considerations for Discussion:

- Broad group of public sector financial statement users.
- From standard-setting perspective:
 - Location: Where should financial information be presented that is accessible and understandable for FS users, to effectively convey the nature, substance, and importance of this financial information; and
 - Terminology: Use terminology that succinctly captures the nature and substance of financial information, that resonates with the majority of users in the public sector.
- Paper provides further analysis, options, and other considerations.

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[Discussion B]

If yes [there is a need], how would you recommend the IPSASB enhance transparency and communication through its standard-setting decisions on the location of, and terminology used to describe this financial information?

- (a) Location to present this financial information in an effective, accessible, and understandable manner: Should the IPSASB require entities to present revenue and expense items recognized outside of surplus or deficit using Option 1, Option 2, Option 3, or offer a choice?

And / Or

- (b) Terminology to use to best communicate the nature and substance of this financial information: What terminology could the IPSASB use in its presentation guidance to describe revenue and expense items recognized outside of surplus or deficit?

