

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Washington, D.C., USA

Meeting Date: March 18–21, 2025

Agenda Item 11

For:

☐ Approval

☒ Discussion

☐ Information

PRESENTATION OF FINANCIAL STATEMENTS

Project summary	This project aims to enhance the communication effectiveness of financial information reported in general purpose financial statements by developing a new IPSAS to replace IPSAS 1, <i>Presentation of Financial Statements</i> . The project is in the Consultation Paper (CP) development phase.	
Project staff lead	<ul style="list-style-type: none"> Eileen Zhou, Principal 	
Task Force members	<ul style="list-style-type: none"> David Watkins, IPSASB Technical Advisor (Task Force Chair) Claudia Beier, IPSASB Member Angela Ryan, IPSASB Member Andrew van der Burgh, IPSASB Member Jonah Wala, IPSASB Member Jean-Pierre Menanteau, Conseil de normalisation des comptes publics (CNoCP) France Antonella Risi, Public Sector Accounting Board (PSAB) Canada 	
Meeting objectives Project management	Topic	Agenda Item
	Project Management Dashboard	11.1.1
	Instructions up to Previous Meeting	11.1.2
	Decisions up to Previous Meeting	11.1.3
	Project Roadmap	11.1.4
Decisions required at this meeting	Categorization of Revenues and Expenses on the Statement of Financial Performance	11.2.1
	Presentation of Revenues and Expenses Recognized Outside of Surplus or Deficit	11.2.2
Other supporting items	Supporting Document 1 – [draft] Consultation Paper, Chapter 4	11.3.1
	Supporting Document 2 – [draft] Consultation Paper, Chapter 5	11.3.2
	Supporting Document 3 – Updated Project Plan	11.3.3

Prepared by: Eileen Zhou (March 2025)

	Supporting Document 4 – December 2024 CAG Report Back	11.3.4 (posted separately)
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PRESENTATION OF FINANCIAL STATEMENTS: PROJECT MANAGEMENT DASHBOARD

The table below summarizes the topics to be addressed in the Consultation Paper (CP) and Illustrative Exposure Draft (IED) phase of the project, ordered based on the expected sequence of the IED.

	Past meetings	Mar 2025	Jun 2025	Sep 2025
Project Management				
Completion of Research and Scoping	✓			
Approval of Project Brief	✓			
Review and Approval of CP and IED				
CP and IED Development				
Objective, Scope, Purpose, Users, Info Needs	✓			
Definitions	✓			
General Principles of Presentation ¹	✓			
Statement of Financial Position	✓			
Statement of Financial Performance				
Revenues and Expenses Outside Surplus/Deficit				
Statement of Changes in Net Assets/Equity				
Disclosure in the Notes				
CP (other elements)				
Introductory Chapter	✓			
IED (other elements)				
Other Sections				

Legend			
✓	Task Completed		Planned IPSASB Discussion
	Breakout Group Discussion		Page-by-page Review

¹ This includes responsibility for financial statements, fair presentation and compliance with IPSAS, reporting period and frequency of reporting, consistency of reporting and comparatives, going concern, materiality, aggregation and disaggregation, and offsetting.

INSTRUCTIONS UP TO PREVIOUS MEETING

Meeting	Instruction	Actioned
December 2024	1. Further assess how categorization could be introduced into the Statement of Financial Performance in the public sector, by considering examples of reporting entities and their users, and possible approaches to presentation requirements.	1. See Agenda Item 11.2.1 for a summary of analysis results. Some examples were also leveraged for the drafting in Chapter 4 of the CP (Agenda Item 11.3.1).
December 2024	2. Confirm how the IASB determined which income and expense items are recognized outside of profit or loss, as their decisions were the basis for the IPSASB's regarding revenue and expense items recognized outside of surplus or deficit.	2. See Agenda Item 11.2.2 for a summary of findings.
December 2024	3. Assess the benefits and drawbacks of (A) retaining IPSAS 1, <i>Presentation of Financial Statements</i> requirements with enhancements, to improve communications; and (B) aligning with IFRS 18 <i>Presentation and Disclosure in Financial Statements</i> requirements with proposed terminology to describe revenue and expenses outside of surplus or deficit, to enhance transparency and improve communications.	3. See Chapter 5 of the CP (Agenda Item 11.3.2), for a summary of benefits and drawbacks, which leverage December 2024 Agenda Item 7 analysis and discussions.
September 2024	1. Include in the IED a Specific Matter for Comment (SMC) regarding the proposal to require the presentation of a third Statement of Financial Position in specific circumstances.	1. In progress.
March 2024	1. Include in the CP a discussion and preliminary view on using the definitions of financial statement elements based on the Conceptual Framework definitions.	1. In progress – this will be included in Chapter 2 of the CP on <i>General Presentation Principles</i> .
March 2024	2. Consider whether further guidance on disclosing compliance with IPSAS is needed, especially for jurisdictions that have adopted adapted versions of IPSAS.	2. In progress – IPSAS applies to entities that prepare financial statements in full compliance with IPSAS. If a jurisdiction adopts an adapted version of IPSAS, it should develop appropriate disclosures concerning compliance. This could be an area where staff guidance can be developed to support national standard-setters.

Agenda Item 11.1.2

December 2023	1. Engage with users through focus groups/roundtables to inform views and support the development of the CP.	1. Ongoing – The CP is currently being developed through active engagement with a Task Force and other focus groups/roundtables.
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DECISIONS UP TO PREVIOUS MEETING

Meeting	Decision	BC Reference
December 2024	1. Conceptually, categorizing revenue and expense items in surplus or deficit can be useful, to help users of financial statements better understand, analyze, and compare financial performance information.	1. [Draft] Chapter 4 of the CP (Agenda Item 11.3.1) reflects IPSASB comments.
December 2024	2. The Consultation Paper should capture the IPSASB's view that public sector entities have varying needs on the comparability of financial information, depending on their primary users.	2. [Draft] Chapter 4 of the CP (Agenda Item 11.3.1) reflects IPSASB comments.
September 2024	1. Chapter 3 of the draft CP on the Statement of Financial Position appropriately reflected the IPSASB's previous deliberation of issues.	1. Draft CP reflects IPSASB comments.
September 2024	2. The draft CP should present a preliminary view (PV) for each key issue considered by the IPSASB during Phase 1 of the project, along with an explanation of the basis of each PV.	2. In progress.
September 2024	3. The IED should focus on showing what the proposed principles and requirements could look like based on the PVs in the draft CP. The Basis for Conclusions section is to be developed in Phase 2 of the project, drawing from the material in the draft CP, and the IPSASB's views following stakeholder input.	3. In progress.
September 2024	4. The following sections of the IED should be carried forward as drafted: <ul style="list-style-type: none"> • The general requirements for financial statements; • The principles of aggregation and disaggregation; and • The principles on presenting the Statement of Financial Position 	4. Reflected in Illustrative ED. A BC will be included in draft ED.
September 2024	5. The order of liquidity and mixed presentation approach for presenting the Statement of Financial Position should be retained in the IED, consistent with existing requirements in IPSAS 1.	5. In progress.
June 2024	1. The requirements for presenting the Statement of Financial Position should be aligned with IFRS 18, which is consistent with existing requirements in IPSAS 1.	1. Reflected in Illustrative ED. A BC will be included in draft ED.

Agenda Item 11.1.3

March 2024	1. The definitions of financial statement elements: a) Should be included in the Definitions sections of the IED; b) To be aligned with the definitions of financial statement elements in the IPSASB Conceptual Framework (revised in October 2023).	1. Reflected in Illustrative ED. A BC will be included in draft ED.
March 2024	2. The CP should highlight the proposal to disclose a statement of financial position as at the beginning of the earliest comparative period, in certain circumstances.	2. In progress – to be discussed in Chapter 2 of the CP <i>General Presentation Requirements</i> .
March 2024	3. The existing general offsetting requirements in IPSAS 1 should be carried forward.	3. Reflected in Illustrative ED. A BC will be included in draft ED.
March 2024	4. The existing fair presentation and compliance with IPSAS disclosure requirements in IPSAS 1 should be carried forward into the illustrative ED.	4. Reflected in Illustrative ED. A BC will be included in draft ED.
December 2023	1. Different presentation approaches in IPSAS should be explored through the CP phase of the project. This would allow for increased flexibility to improve the understandability of financial statements based on local jurisdictional considerations.	1. In progress – will be considered as part of project discussions.
December 2023	2. Draft Chapter 1 of the CP appropriately reflects the project objectives, key drivers, scope, and reasons for conducting the project.	2. Draft CP reflects IPSASB comments.
December 2023	3. Draft Chapter 2 of the CP appropriately explains the purpose of financial statements based on the Conceptual Framework.	3. Draft CP reflects IPSASB comments.
September 2023	1. Approved the Project Brief for Presentation of Financial Statements project.	1. Project Brief . A BC will be included in draft ED.

PRESENTATION OF FINANCIAL STATEMENTS: PROJECT ROADMAP

Meeting	Completed Discussions / Planned Discussions:
December 2022	1. Project Inception – Discussion of project background and outcomes of scoping and research activities
June 2023	1. Project Inception – Development of Project Brief
September 2023	1. Project Inception – Educational Session on IPSAS 22, <i>Disclosure of Financial Information about the General Government Sector</i> and IPSAS 24, <i>Presentation of Budget Information in Financial Statements</i> 2. Project Inception – Approval of Project Brief
December 2023	1. Consultation Paper (CP) Development – Project Overview and Purpose of Financial Statements 2. CP Development – Discussion of Providing Presentation Options, Statement of Financial Performance, and Management-Defined Performance Measures (MPMs)
March 2024	1. CP Development – Discussion of General Presentation Requirements 2. CP Development – Discussion of Revenue and Expense Items Outside the Statement of Financial Performance
June 2024	1. CP Development – Discussion of Statement of Financial Position 2. Illustrative Exposure Draft (IED) Development – Review of Drafting
September 2024	1. CP Development – Review of Drafting 2. IED Development – Review of Drafting
December 2024	1. CP Development – Discussion of Statement of Financial Performance
March 2025	1. CP Development – Discussion of Statement of Financial Performance 2. CP Development – Discussion of Statement of Changes in Net Assets/Equity 3. CP Development – Review of Drafting
June 2025	1. CP Development – Discussion of Remaining Issues (Disclosure in the Notes, remaining General Principles, Other IED elements, etc.) 2. CP Development – Review of Drafting 3. IED Development – Review of Drafting
September 2025	1. CP Development – Review of Drafting 2. IED Development – Review of Drafting 3. Approval of CP and IED

Categorization of Revenues and Expenses on the Statement of Financial Performance

Question

1. Does the IPSASB agree with the proposed [draft] Chapter 4 of the Presentation of Financial Statements Consultation Paper (CP) and Preliminary View (PV) regarding the presentation of revenue and expense items on the Statement of Financial Performance?

Recommendations

2. Staff recommend the IPSASB agree to:
 - (a) Include the [draft] Chapter 4, as presented in [Agenda Item 11.3.1](#), in the CP; and
 - (b) Add the PV, proposed in paragraph 15, to require entities to present revenue and expense items recognized in surplus or deficit in categories on the Statement of Financial Performance, aligned with IFRS 18 *Presentation and Disclosure in Financial Statements*.

Background

3. The IPSASB is currently developing a CP for its Presentation of Financial Statements project. Since project initiation, the IPSASB has taken the strategic approach of aligning with IFRS 18, where appropriate for the public sector, and recently began considering presentation requirements for the Statement of Financial Performance.
4. The Statement of Financial Performance² is a key source of financial information for users of public sector financial statements. IPSAS 1, *Presentation of Financial Statements*, first issued in 2000, requires entities to present on this Statement all revenue and expense items recognized in surplus or deficit, and requires less categorization than in IFRS 18 (see [December 2024 Agenda Item 7.2.2](#)).
5. In December 2024, the IPSASB considered whether it should require public sector entities to classify and present revenues and expenses on the Statement of Financial Performance in specific categories, and decided that:
 - (a) Conceptually, categorization can help users of financial statements better understand, analyze, and compare financial performance information; but
 - (b) Practically, further analysis was necessary to consider the usefulness of categorizing public sector revenue and expenses in alignment with IFRS 18 (which requires income and expenses to be categorized into five specific categories, of which “Operating”, “Investing”, and “Financing” are new categories).
6. The IPSASB instructed staff to assess additional examples of public sector statements of financial performance, to consider how categorization could be introduced on the Statement of Financial Performance in practice. This agenda paper builds on the analysis and discussions from December 2024, and presents the analysis completed since the December meeting and new [draft] Chapter for the CP, for the IPSASB’s review and consideration.

² The statement of financial performance may be referred to or named in various ways, such as ‘statement of revenues and expenses’, ‘income statement’ or ‘statement of profit or loss’. This analysis paper uses “statement of financial performance” for simplicity and consistency.

Analysis

Assessment of Public Sector Examples

7. The IPSASB identified three common types of entities in most jurisdictions, which can serve as useful examples for further analysis: educational institutions (e.g., university), healthcare providers (e.g., hospital), and government bodies (e.g., municipality). With the support of the Presentation of Financial Statements Task Force, staff obtained recent financial statements from over 30 public sector entities that provide education, health, or public services. Staff analyzed all examples to help the IPSASB consider how categorization could be practically introduced into the Statement of Financial Performance, considering the nature and substance of the revenues and expenses, and potential categorization. See [Appendix 1](#) for details about these examples and staff's analysis.
8. Based on its review and analysis, staff:
 - (a) Was able to obtain sufficient information from the financial statements and accompanying notes to classify revenue and expense items into categories aligned with IFRS 18, with a reasonable level of certainty and some assumptions based on available information; and
 - (b) Noted that presenting revenues and expenses from these public sector examples in categories aligned with IFRS 18 achieves the intended benefits of categorization, as initially presented in [December 2024 Agenda Item 7.2.2](#): providing financial performance information in this structured format would help users better understand and analyze the entity's financial performance, and compare it to similar entities within or across jurisdictions.
9. Staff shared its full analysis of the 30+ examples with the Task Force to support their review of the [draft] CP. Staff also leveraged this analysis to create three examples to illustrate how revenue and expenses could be classified into categories aligned with IFRS 18 (in [Appendix 1](#) and [draft] Chapter 4).

Considering Public-Sector Specific Categories

10. Some IPSASB members asked whether a different set of standardized categories (i.e., that is not the set in IFRS 18) could be more useful to present public sector financial performance within and across jurisdictions. There are notable benefits to identifying and requiring the use of public-sector specific categories, to better reflect the objectives, roles, and activities of public sector entities in its current and future periods. However, it has been challenging for the IPSASB to identify a different set of standardized categories. While some preliminary ideas have been shared, a feasible public sector alternative to IFRS 18 categories has not yet been identified. The following analysis shares staff and Task Force views:
 - (a) Standardized categories are useful if they offer comparability and clarity while balancing diverse user needs. Public sector entities vary widely in their service delivery objectives, which leads to varying groups of primary users and their respective information needs. Thus, standardized categories for the public sector must be sufficiently broad and understandable to balance the information needs of diverse groups of users across the international public sector.
 - (b) In December 2024, one IPSASB member asked whether it would be useful to require categorization but allow individual jurisdictions to determine appropriate categories for their jurisdiction's entities. The Task Force considered the benefits and drawbacks and concluded that while this approach may acknowledge the diversity of public sector entities internationally,

it would not reduce diversity of reporting in practice, nor improve comparability or usefulness of information presented. Task Force members also noted that asking jurisdictions to determine their own categories would not achieve the overall objectives of this Presentation of Financial Statements project.

- (c) A few other IPSASB members suggested leveraging existing concepts developed for other IPSAS Standards. However, these concepts were developed with specific applications in mind and are not appropriate for application to categorizing financial performance.³
 - (d) Some IPSASB members and one Task Force member suggested adapting IFRS 18 categories by either combining certain categories (“Operating and Non-Operating” or “Operating and Investing-Financing”) or revising the composition and naming of categories (“Operating, Investing, and Funding”). [Appendix 2](#) provides additional details and analysis.
11. Based on the analysis, there are two overarching challenges in identifying different categories for the international public sector:
- (a) **Difficulty identifying and defining a different broad set of categories:** Considering the wide range of public sector entities and differences noted in paragraph 10(a), it may be challenging, if not potentially infeasible, to identify and receive international consensus on a different set of standardized categories in the public sector that is sufficiently broad to be useful, relevant, and applicable for all public sector entities. The IASB faced similar challenges in creating a different set of categories or delineating the categories in a different manner, while balancing conceptual nuances and practical implications, and these same challenges appear to exist for the IPSASB and staff at this stage of the project. Ultimately, the IASB agreed that the Operating, Investing, and Financing categories are fundamental and well-understood concepts in accounting, which would help financial statement users obtain a clear picture of financial performance to support their analysis and decision-making needs⁴; and
 - (b) **Potential confusion and wider implications:** Combining certain categories, or revising the composition of the categories, may impede the understanding and clarity of communications regarding this financial information. The different presentation of revenue and expense items, despite the strong alignment in the types and accounting of those items between IFRS and IPSAS Standards, may obscure information, cause confusion for users of financial statements, and may negatively impact the ability of public sector entities to access the capital markets effectively and efficiently to fund and support its service delivery objectives.
12. Based on analysis, it may be challenging to reach international consensus on a conceptually sound and practical alternative to categorizing public sector revenue and expense items on the Statement of Financial Performance, that is different from the categorization in IFRS 18.

³ For example, a few members suggested leveraging “operating vs. financial capacity” or “exchange vs. non-exchange”. These concepts were specifically created to refer to the rationale for holding assets, or economic substance of transactions, respectively. Presenting revenue and expense items using these concepts would not provide clear and useful information for users to understand the entity’s financial performance.

⁴ The IASB uses the terms “Operating”, “Investing”, and “Financing” in both IFRS 18 (to categorize financial information on the Statement of Financial Performance) and IAS 7 (to group cash-flow related activities on the Statement of Cash Flows) but clarified that the classification is different. Further detail was provided in Appendix 2 of [December 2024 Agenda Item 7.2.2](#).

Capturing IPSASB Deliberations and Considerations

13. As of this March 2025 meeting, IPSASB members have had the opportunity to discuss the conceptual benefits of categorizing revenue and expense items on the Statement of Financial Performance, share views on practical approaches, and consider staff analyses on how best to introduce categorization in the public sector to address financial statement user needs across the international public sector.
14. As instructed, staff have captured the IPSASB's discussions and relevant analysis to date in [draft] Chapter 4 (in [Agenda Item 11.3.1](#)). Specifically, [draft] Chapter 4 presents the following, and incorporates relevant guidance from the IPSASB's *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (Conceptual Framework)*:
- (a) **Relevant background related to this topic** – based on December 2024 discussions;
 - (b) **The IPSASB's views on the conceptual benefits of categorization** – based on December 2024 discussions;
 - (c) **Consideration of financial statement user needs across the international public sector** – based on December 2024 discussions and additional March 2025 analysis; and
 - (d) **Two practical approaches identified by the IPSASB** (to introduce categorization into public sector statements of financial performance) – based on December 2024 discussions and additional March 2025 analysis:
 - (i) Using IFRS 18 categories, with benefits and drawbacks; or
 - (ii) Using public-sector-specific categories, with benefits and drawbacks.

Proposed Preliminary View (Categorization)

15. In Q1 2025, staff asked Task Force members to review and provide feedback on [draft] Chapter 4 and share their views on the two practical approaches presented. Overall, a majority (4/7) of Task Force members supported the use of IFRS 18 categories as it is the most practical approach to add more formal structure to the Statement and help public sector users better understand, analyze, and compare financial information. Based on the additional analysis (summarized in this paper) and Task Force feedback, staff propose that the IPSASB present the following PV in [draft] Chapter 4, which would enable the IPSASB to collect feedback from constituents on categorization:

Preliminary View [X]

The IPSASB's preliminary view is to require entities to present revenue and expense items recognized in surplus or deficit in categories on the Statement of Financial Performance, aligned with IFRS 18.

Do you agree with the IPSASB's Preliminary View?

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

Next Steps

16. IPSASB members are kindly asked to:
- (a) Review [draft] Chapter 4 ([Agenda Item 11.3.1](#)), which captures Task Force comments and suggestions, and confirm whether the [draft] text appropriately reflects the IPSASB's deliberations and relevant analysis regarding the categorization of revenue and expense items on the Statement of Financial Performance. To effectively use IPSASB plenary time, members

are asked to provide feedback on substantial matters during the March 2025 meeting and send editorial comments to staff offline; and

- (b) Consider the analysis presented in this paper, which are also reflected in [draft] Chapter 4, and confirm whether they agree with the PV to require categories aligned with IFRS 18.
17. The IPSASB's final decision regarding the categorization approach to propose in its CP will enable staff to proceed with other analysis and Phase 1 activities. Based on the IPSASB's decisions in March 2025, staff aims to provide the following to the IPSASB at its June 2025 meeting:
- (a) An updated [draft] Chapter 4 to include the agreed-upon PV, and any suggested revisions/changes;
 - (i) An effective CP should present clear and detailed proposals. If the IPSASB is not able to identify a feasible set of public-sector specific categories, staff will revise paragraphs 4.23-4.24 of [draft] Chapter 4, accordingly.
 - (b) A new [draft] section in the Illustrative Exposure Draft to reflect the agreed-upon PV;
 - (c) An updated analysis and/or new [draft] Chapter 4 subsection, depending on the IPSASB's decision regarding categorization approach. Specifically:
 - (i) If the IPSASB decides to require categories aligned with IFRS 18, staff will leverage the analysis and proposals regarding totals and subtotals presented in [December 2024 Agenda Item 7.2.3](#) to draft text for the CP; or
 - (ii) If the IPSASB decides to require public-sector specific categories, staff will identify and propose totals and subtotals suitable for the agreed public-sector specific categories, and present draft text for the CP.
 - (d) An analysis on whether to incorporate IFRS 18 guidance on "main business activities", if the IPSASB decides to require categories aligned with IFRS 18; and
 - (e) An analysis on the presentation of financial statement line items in the Statement of Financial Performance (for example, whether the IPSASB should require entities to present expenses by nature or by function, and to continue offering a choice).

Decision Required

18. Does the IPSASB agree with the Staff [recommendations](#)?

Appendix 1 – Additional Details: Assessing and Presenting Illustrative Examples

This Appendix provides details regarding staff's assessment of public sector examples, and presents three illustrative examples to support the IPSASB consider [Agenda Item 11.2.1](#).

Assessing Examples of Public Sector Statements of Financial Performance

1. With the support of the Presentation of Financial Statements Task Force, staff obtained recent financial statements from over 30 public sector entities that provide education, health, or public services. Staff noted that these examples:
 - (a) Are generally prepared using IPSAS Standards as-is or as a basis;
 - (b) Are primarily in the form of audited financial statements or annual reports;
 - (c) Typically included revenues and expenses from investing-related (e.g., investments, joint ventures, etc.) and financing-related transactions (e.g., loans, borrowings, etc.);
 - (d) Span several jurisdictions, specifically Botswana, Canada, Germany, New Zealand, Switzerland, Tanzania, and the United Kingdom; and
 - (e) Exemplify that public sector entities providing the same services, earning similar revenues and incurring similar expenses, with similar user groups, may still present their financial performance information in different formats, depending on potential jurisdictional requirements or industry practices.
2. Staff analyzed all examples to help the IPSASB consider how categorization could be practically introduced into the Statement of Financial Performance. For each example, staff:
 - (a) Determined the general composition of each line item, based on the information available in the financial statements and accompanying notes;
 - (b) Considered the nature and substance of revenues or expenses that comprise each line item;
 - (c) Considered whether these revenues or expenses could be categorized in accordance with the IFRS 18 categories (particularly the new Operating, Investing, and Financing categories), based on the available information available about the transactions from which they arise⁵; and
 - (d) If it was not feasible to identify the potential IFRS 18 category, consider how else the specific revenue or expense could be categorized, based on the nature and substance of the item.
3. Based on its detailed review and analysis, staff:
 - (a) Was able to obtain sufficient information from the financial statements and accompanying notes to classify revenue and expense items into categories aligned with IFRS 18, with a reasonable level of certainty and some assumptions based on available information; and
 - (b) Noted that presenting revenues and expenses from these public sector examples in categories aligned with IFRS 18 would likely achieve the intended benefits of categorization, as initially presented in [December 2024 Agenda Item 7.2.2](#): providing financial performance information

⁵ For example, the "financial income" line item on a Statement of Financial Performance may include revenue from equity investments (which could be categorized as *investing*) and revenue from finance loans (which could be categorized as *financing*). As another example, the "transportation expense" line item on a Statement of Financial Performance that presented expenses by function, may include interest expense from long-term debt (*financing*) as well as other expenses (*operating*).

in this structured format would help users better understand and analyze the entity's financial performance, and compare it to similar entities within or across jurisdictions.

Illustrative Examples: Presenting Public Sector Revenue and Expense Items in Accordance with IFRS 18 Categories

4. The IPSASB identified three common types of public sector entities in most jurisdictions: an education institute, healthcare provider, and government body. Staff has created three illustrative examples, one for each common type of public sector entity, to show:
 - a) *The current presentation, using the entity's current basis of preparation* (left): how financial statement line items are presented on its recent Statement of Financial Performance; and
 - b) *The proposed presentation, using IFRS 18 categories* (right): how financial statement line items may be relocated to be presented in IFRS 18 categories.

Disclaimer: These examples are provided for illustrative purposes only. The categorization below includes some assumptions based on publicly available information to support the feasibility exercise.

Movement of line items are marked with color-coded arrows, with dashed arrows indicating line items that were grouped under the *current presentation* but separately presented under the *proposed presentation*.

Illustrative Example 1 (IFRS 18 Categories): Education Institute – New Zealand

Current presentation		Proposed presentation	Expected Category
Education Institute - New Zealand <i>for the year ended [MM] [DD] [YYYY]</i>		Education Institute - New Zealand <i>for the year ended [MM] [DD] [YYYY]</i>	
Government grants	xx	Government grants	xx Operating
Tuition fees	xx	Tuition fees	xx
Research and contracts	xx	Research and contracts	xx
Other revenue	xx	Other revenue (<i>operating portion</i>)	xx
Other gains/(losses)	xx	Transfer of funds from restricted to unrestricted	xx
Transfer of funds from restricted to unrestricted	xx	Total operating revenue	XX
Total operating revenue	XX		
		People costs	xx
People costs	xx	Operating costs	xx
Operating costs	xx	Depreciation and amortization	xx
Finance costs of borrowing	xx	Total operating expenses	XX
Depreciation and amortization	xx	Operating surplus or deficit	XX
Total operating expenses	XX		
		Other revenue (<i>investing portion</i>)	xx Investing
Net surplus/(deficit) before tax	XX	Other gains/(losses)	xx
		Surplus or deficit before financing and income taxes	XX
Income tax expense/(benefit)	xx		
Net surplus/(deficit) after tax	XX	Finance costs of borrowing	xx Financing
		Surplus or deficit before income taxes	XX
		Income tax expense/(benefit)	xx Income taxes
		Net surplus/(deficit)	XX

Illustrative Example 2 (IFRS 18 Categories): Regional Hospital – Switzerland

Current presentation		Proposed presentation	Expected Category
Regional Hospital - Switzerland <i>for the year ended [MM] [DD] [YYYY]</i>		Regional Hospital - Switzerland <i>for the year ended [MM] [DD] [YYYY]</i>	
Income inpatients	xx	Income inpatients	xx Operating
Income outpatients	xx	Income outpatients	xx
External contracts and other medical income	xx	External contracts and other medical income	xx
Income from research and teaching	xx	Income from research and teaching	xx
Net revenue from deliveries and services	XX	Non-medical income (grants, services-in-kind)	xx
		Transfers from Swiss States	xx
Non-medical income (grants, services-in-kind)	xx	Income from own work capitalized	xx
Transfers from Swiss States	xx	Change in treatments started	xx
Income from own work capitalized	xx	Total operating revenue	XX
Other operating income	XX		
		Personnel expenses	xx
Change in treatments started	xx	Medical fees	xx
Operating income	XX	Medical expenditure	xx
		Non-Medical expenditure	xx
Personnel expenses	xx	Rental expenses	xx
Medical fees	xx	Depreciation of fixed assets and PPE	xx
Medical expenditure	xx	Amortization of intangible assets	xx
Non-Medical expenditure	xx	Total operating expenses	XX
Operating expenses excluding rental expenses	XX	Operating surplus or deficit	XX
Withdrawal/(contribution): funds in debt transfer funds	xx	Financial result (<i>investing portion</i>)	xx Investing
Operating result EBITDAR	XX	Result from associated companies (dividend income)	xx
		Surplus or deficit before financing	XX
Rental expenses	xx		
Operating result EBITDA	XX	Financial result (<i>financing portion</i>)	xx Financing
		Withdrawal/(contribution): funds in debt transfer funds	xx
Depreciation of fixed assets and PPE	xx	Net surplus/(deficit)	XX
Amortization of intangible assets	xx		
Operating result before financial result EBIT	XX		
Financial result (interest on borrowings, instruments)	xx		
Result from associated companies (dividend income)	xx		
Profit or loss of the period	XX		

Illustrative Example 3 (IFRS 18 Categories): Municipal Government Body – Canada

Current presentation		Proposed presentation	Expected Category
Municipal Government Body – Canada <i>for the year ended [MM] [DD] [YYYY]</i>		Municipal Government Body – Canada <i>for the year ended [MM] [DD] [YYYY]</i>	
Property taxes and taxation from other governments	xx	Property taxes and taxation from other governments	xx Operating
Government transfers	xx	Government transfers	xx
User charges	xx	User charges	xx
Municipal land transfer tax	xx	Municipal land transfer tax	xx
Rent and concessions	xx	Rent and concessions	xx
Development charges	xx	Development charges	xx
Investment income	xx	Other revenue sources	xx
Government business enterprises earnings	xx	Total operating revenue	XX
Other revenue sources	xx		
Total revenues	XX		
Transportation	xx	Transportation (<i>operating portion</i>)	xx
Social and family services	xx	Social and family services (<i>operating portion</i>)	xx
Protection to persons and property	xx	Protection to persons and property (<i>operating portion</i>)	xx
Environmental services	xx	Environmental services (<i>operating portion</i>)	xx
Recreation and cultural services	xx	Recreation and cultural services (<i>operating portion</i>)	xx
Social housing	xx	Social housing (<i>operating portion</i>)	xx
General government	xx	General government (<i>operating portion</i>)	xx
Health services	xx	Health services (<i>operating portion</i>)	xx
Planning and development	xx	Planning and development (<i>operating portion</i>)	xx
Total expenses	XX	Total operating expenses	XX
		Operating surplus or deficit	XX
Annual surplus	XX		
		Investment income	xx Investing
		Government business enterprises earnings	xx
Annual surplus	XX	Surplus or deficit before financing	XX
		Interest expense on long-term debt	xx Financing
		Net surplus/(deficit)	XX

Appendix 2 – Additional Details: Considering Adaptations of IFRS 18 Categories

This Appendix provides staff's analysis of the proposals to adapt IFRS 18 categories for use in the public sector, to support the IPSASB in considering [Agenda Item 11.2.1](#). The analysis builds on the summary and analysis presented in Appendix 1 and Appendix 2 of [December 2024 Agenda Item 7.2.2](#).

Potential Adaptations of IFRS 18 Categories

1. Some IPSASB members suggested adapting IFRS 18 categories by combining or renaming certain categories. In doing so, the public-sector specific categories could become:
 - (a) “*Operating and Non-Operating*”, or
 - (b) “*Operating and Investing-Financing*”.
2. One Task Force member proposed adapting IFRS 18 categories for use in the public sector, as follows, to highlight a public sector entity's achievement of current and future service delivery objectives, and activities to acquire resources to support future service delivery:
 - (a) *Operating category* – comprised of revenue and expenses related to current operating capacity changes or current services;
 - (b) *Investing category* – comprised of revenue and expenses related to future operating capacity changes or investments in future services that are not capitalized (e.g., certain repairs/maintenance expenses, impairments, current value measurements); and
 - (c) *Funding category* – comprised of revenue and expenses from activities to provide funding for future services: from the entity's investment returns separate from its operations and from effects of the entity's financing transactions.

Under this set of proposed categories, items presented in IFRS 18's Operating category would be presented separately in two categories in the public sector (Operating and Investing), and items presented separately in IFRS 18's Investing and Financing categories would be presented altogether in one category in the public sector (Funding).

Revising and Renaming IFRS 18 Categories

3. Using public-sector specific categories may provide a more meaningful representation of public sector financial performance, with several noted benefits:
 - (a) They can more effectively reflect public sector objectives – Using specific categories for can better reflect that the primary objective of most public sector entities is to deliver services to the public, rather than to make profits and generate a return on equity to investors; and
 - (b) They can better focus financial statement users on the various roles and activities undertaken by public sector entities, over multiple periods – Using specific categories would help “tell a better story”, as public sector entities take on a very broad range of roles and activities, considering both the achievement of current and future service delivery and other objectives.
4. Staff and the Task Force acknowledged that there are various challenges with the potential adaptations, some of which were also identified in the private sector:
 - (a) Challenges defining and applying broader categorization – both the IPSASB and IASB have previously not been able to identify a clear definition for, or delineation of, “Operating” vs. “Non-

Operating". This makes it difficult to reach a consensus and create clear and useful categorization requirements.

- (b) Challenges with clarity of information by merging categories – combining them may obscure financial performance information from investments with financial effects of financing, thereby reducing communication effectiveness.
 - (c) Challenges from potentially wider implications – different categorizations between the public and private sector, of revenues and expenses with the same or similar nature or substance, could be confusing. The misalignment could pose challenges for potential investors/funders in understanding and analyzing public sector financial performance, which may negatively impact the ability of public sector entities to access the capital markets effectively and efficiently.
5. The IPSASB is facing challenges in identifying a set of standardized categories and balancing conceptual nuances and practical implications, that would obtain international consensus and be useful for a wide range of public sector financial statement users. The IASB faced similar challenges, and ultimately decided to use Operating, Investing, and Financing categories as they are fundamental and well-understood concepts in accounting, which would help financial statement users obtain a clear picture of financial performance to support their analysis and decision-making needs.⁶

⁶ The IASB uses the terms "Operating", "Investing", and "Financing" in both IFRS 18 (to categorize financial information on the Statement of Financial Performance) and IAS 7 (to group cash-flow related activities on the Statement of Cash Flows) but clarified that the classification is different. Further detail was provided in Appendix 2 of [December 2024 Agenda Item 7.2.2](#).

Presentation of Revenues and Expenses Recognized Outside of Surplus or Deficit

Question

1. Does the IPSASB agree with the proposed [draft] Chapter 5 of the Presentation of Financial Statements Consultation Paper (CP) and two Preliminary Views (PVs) regarding the presentation of revenue and expense items recognized outside of surplus or deficit?

Recommendations

2. Staff recommend the IPSASB agree to:
 - (a) Include the [draft] Chapter 5, as presented in [Agenda Item 11.3.2](#), in the CP; and
 - (b) Add the PVs, proposed in paragraph 13 (to retain and enhance IPSAS 1, *Presentation of Financial Statements* requirements for entities to present revenue and expense items recognized outside of surplus or deficit on the Statement of Changes in Net Assets/Equity), and in paragraph 15 (to use the term “Other Financial Performance” to refer to these items).

Background

3. The IPSASB is currently developing a CP for its Presentation of Financial Statements project. Since project initiation, the IPSASB has taken the strategic approach of aligning with IFRS 18 *Presentation and Disclosure in Financial Statements*, where appropriate for the public sector.
4. The IPSAS Standards require entities to present certain revenue and expense items outside of surplus or deficit, directly on in net assets/equity on the Statement of Changes in Net Assets/Equity, which is not aligned with IFRS 18 (see [December 2024 Agenda Item 7.2.4](#)). A financial statement user would need to review both the Statement of Financial Performance (where the majority of revenue and expense items are recognized, in surplus or deficit) and the Statement of Changes in Net Assets/Equity to obtain a full picture of the reporting entity’s financial performance in the period.
5. In December 2024, with the support of IPSASB CAG members’ advice, the IPSASB engaged in breakout group discussions to consider whether current IPSAS presentation requirements provide sufficient transparency and communication regarding revenue and expense items recognized outside of surplus or deficit, and whether to change these requirements. To support its next discussion, the IPSASB requested staff to:
 - (a) Confirm how the IASB determined which income and expense items are recognized outside of profit or loss, as their decisions were the basis for the IPSASB’s regarding revenue and expense items recognized outside of surplus or deficit; and
 - (b) Assess the benefits and drawbacks of aligning with IFRS 18 requirements, or retaining IPSAS 1 requirements with enhancements.
6. This agenda paper builds on the analysis and discussions from December 2024, and presents the analysis completed since the December meeting, and new [draft] Chapter for the CP, for the IPSASB’s review and consideration.

Analysis

Results and Implications of Additional Analysis

7. IPSASB members acknowledged that this project focuses on presentation requirements, and the scope of this project does not include review or reconsideration of underlying recognition and measurement requirements in individual IPSAS Standards. However, to support its decisions regarding the presentation of revenue and expense items recognized outside of surplus or deficit, it would be useful to confirm the understanding of the IASB's allocation of items in or outside of profit or loss, which was the basis for IPSASB's allocation of items in or outside of surplus or deficit.⁷
8. In Q1 2025, IPSASB staff conducted additional research and connected with IASB staff to better understand the IASB's decisions about which income and expense items are recognized outside of profit or loss, and why they refer to these items using the term "other comprehensive income" (OCI). IPSASB staff confirmed that the IASB's decisions were made on an individual project-by-project basis, and the IASB has not articulated a robust conceptual basis, definition, or prescriptive list of items in OCI vs. in profit or loss (see [Appendix 1](#) for additional details).
9. IPSASB staff reflected on the implications of these findings to help the IPSASB finalize its views on presenting revenue and expense items recognized outside of surplus or deficit. Staff note that:
 - (a) **Transparency** of financial information is a top priority. Transparency is crucial to help users of public sector financial statements better analyze and fully understand the reporting entity's financial performance in the period to achieve its service delivery objectives, and support users in their accountability and decision-making needs;
 - (b) The **location** of certain financial information (e.g., which statement information is presented on), **and terminology** used to describe that information (e.g., terms such as "OCI" to refer to certain items), are **tools to enhance or achieve transparency**. Users want to know where to find the information they need, rather than conceptual purity of information presented; thus
 - (c) The IPSASB should **select the presentation approach which would provide the greater level of transparency** for financial statement users: the IFRS 18 or the IPSAS 1 approach.
10. Since the review of IPSAS-specific decisions regarding which revenue and expense items are recognized in surplus or deficit and which are outside of surplus or deficit, is not in the scope of this project, staff advise the IPSASB to:
 - (a) Propose a presentation approach in its CP for revenue and expense items recognized outside of surplus or deficit, that achieves transparency of financial information and helps public sector financial statement users obtain a clear picture and understanding of the entity's financial performance in the reporting period;
 - (b) Acknowledge in the CP that the scope of the project does not include reevaluating past decisions in individual IPSAS Standards regarding the recognition, measurement,

⁷ Individual IPSAS Standards provide guidance on the recognition and measurement of revenue and expense items, including whether these items are to be recognized in surplus or deficit, or outside of surplus or deficit (directly into net assets/equity). The IPSASB's decisions regarding which revenue or expense items are recognized outside of surplus or deficit are made on an individual Standard-by-Standard basis, aligned with the IASB's allocation since 2000, and generally arise from specific remeasurements of certain assets and liabilities to current value.

reclassification, and allocation of revenue and expense items to be in surplus or deficit vs. outside of surplus or deficit; and

- (c) Propose in the CP to retain existing presentation guidance related to reclassification adjustments, as reclassification requirements are based on accounting principles in individual IPSAS Standards which is outside the scope of this project.⁸

Capturing IPSASB Deliberations and Considerations

11. As of this March 2025 meeting, IPSASB members have had the opportunity to consider staff analyses and discuss the following in breakout group sessions, with the support of CAG members' advice:
 - (a) Whether current IPSAS presentation requirements clearly communicate and provide sufficient transparency about a reporting entity's revenue and expense items outside of surplus or deficit, and
 - (b) If needed, how the IPSASB should revise its presentation requirements to achieve enhance or achieve transparency.
12. As instructed, staff have captured the IPSASB discussions and relevant analysis to date in [draft] Chapter 5 ([Agenda Item 11.3.2](#)). Specifically, [draft] Chapter 5 presents the following, and incorporates relevant guidance from the IPSASB's *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (Conceptual Framework)*:
 - (a) **Relevant background related to this topic** – based on December 2024 breakout group and plenary discussions, acknowledging the scope of the project as proposed in paragraph 10(b);
 - (b) **Consideration of transparency of financial information, and application of general principles** – based on December 2024 breakout group and plenary discussions;
 - (c) **Two approaches identified by the IPSASB** (to present revenue and expense items recognized outside of surplus or deficit) – based on December 2024 breakout group and plenary discussions and additional March 2025 analysis:
 - (i) Aligning with IFRS 18 requirements, with benefits and drawbacks; or
 - (ii) Retaining and enhancing IPSAS 1, with benefits and drawbacks.
 - (d) **Proposed terminology to refer to revenue and expense items recognized outside of surplus or deficit, and relevant totals** – based on December 2024 breakout group and plenary discussions and additional March 2025 analysis; and
 - (e) **Proposed retention of presentation guidance on reclassification adjustments** – to reflect the proposal in paragraph 10(c).

Proposed Preliminary View (Location)

13. In Q1 2025, staff asked Task Force members to review and provide feedback on [draft] Chapter 5 and share their views on where to present (i.e., the location of) revenue and expense items recognized outside of surplus or deficit in the financial statements. Overall, the majority (5/7) of Task

⁸ Individual IPSAS Standards may require reporting entities to reclassify certain amounts previously recognized outside of surplus or deficit (in net assets/equity) into surplus or deficit as reclassification adjustments, primarily related to financial instruments. IPSAS 1 includes some guidance to remind reporting entities to make necessary adjustments to avoid double-counting amounts.

Force members supported retaining and enhancing IPSAS 1 presentation requirements. These members preferred the IPSAS 1 approach primarily because presenting this financial information in the Statement of Changes in Net Assets/Equity already provides sufficient transparency to meet the needs of users of public sector financial statements for accountability and decision-making purposes. While the location (i.e., where the financial information is presented) differs between IFRS 18 and IPSAS 1, the information presented is the same. They agreed that the IPSASB can enhance existing IPSAS 1 requirement to ensure that the reporting entity more clearly communicates useful information regarding material revenue and expense items recognized outside of surplus or deficit. Based on the additional analysis (summarized in this paper) and Task Force feedback, staff propose that the IPSASB present the following PV in [draft] Chapter 5:

Preliminary View [X]

The IPSASB's preliminary view is to retain and enhance the IPSAS 1 requirements to present revenue and expense items recognized outside of surplus or deficit on the Statement of Changes in Net Assets/Equity.

Do you agree with the IPSASB's Preliminary View?

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

Proposed Preliminary View (Term)

14. Staff considered feedback from the December 2024 breakout sessions and acknowledged that no one term received sufficiently strong support. After further consideration, staff have proposed to use "Other Financial Performance" to refer to revenue and expense items recognized outside of surplus or deficit and presented its rationale in [draft] Chapter 5. By extension, "Total Financial Performance" can be used for the total of (1) surplus or deficit (comprised of revenue and expenses recognized in surplus or deficit) and (2) other financial performance (comprised of revenue and expenses recognized outside of surplus or deficit).
15. Staff asked Task Force members to share their views on the proposed terminology. Overall, Task Force members acknowledged that identifying an appropriate term is contingent on the presentation approach taken by the IPSASB, and that, similar to the IASB's experience, it is challenging to identify a single 'perfect' term to refer to revenue and expense items recognized outside of surplus or deficit. Half of the Task Force was comfortable with using "Other Financial Performance", or as a variation, "Other Performance Items".⁹ Some members noted that if the IPSASB decides to take an IFRS 18-aligned approach, it should use OCI to be consistent with past practice¹⁰. Based on Task Force feedback, staff propose that the IPSASB present the following PV in [draft] Chapter 5:

⁹ A few Task Force members individually offered the following alternatives: "Revenue and Expense Recognized Outside of Surplus or Deficit", "Other Comprehensive Revenue and Expenses" and "Other Comprehensive Performance."

¹⁰ In previous projects where the IPSASB aligned with IFRS, CAG members advised the IPSASB to use consistent terminology between IFRS and IPSAS if it has a consistent meaning. This would infer that, since "OCI" comprises the same income and expenses recognized outside of profit or loss in the private sector as those recognized outside of surplus or deficit in the public sector, then the IPSASB should also use the term "OCI". See [December 2024 Agenda Item 7.2.4](#) for more details.

Preliminary View [X]

The IPSASB's preliminary view is to use the term "Other Financial Performance" to refer to revenue and expense items recognized outside of surplus or deficit, on the Statement of Changes in Net Assets/Equity, and by extension, use "Total Financial Performance" to refer to the total of Surplus or Deficit and Other Financial Performance.

Do you agree with the IPSASB's Preliminary View?

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

Next Steps

16. IPSASB members are kindly asked to:

- (a) Review [draft] Chapter 5 ([Agenda Item 11.3.2](#)), which captures Task Force comments and suggestions, and confirm whether the [draft] text appropriately reflects the IPSASB's deliberations and relevant analysis regarding the presentation of revenue and expense items recognized outside of surplus or deficit. To effectively use IPSASB plenary time, members are asked to provide feedback on substantial matters during the March 2025 meeting and send editorial comments to staff offline; and
- (b) Consider the analysis presented in this paper, which are also reflected in [draft] Chapter 5, and confirm whether they agree with the PVs to retain and enhance IPSAS 1, *Presentation of Financial Statements* requirements for entities to present revenue and expense items recognized outside of surplus or deficit on the Statement of Changes in Net Assets/Equity and to use the term "Other Financial Performance" to refer to these items.

17. The IPSASB's final decision regarding the presentation of revenue and expense items recognized outside of surplus or deficit will enable staff to proceed with other analysis and Phase 1 activities. Based on the IPSASB's decisions in March 2025, staff aims to provide the following to the IPSASB at its June 2025 meeting:

- (a) An updated [draft] Chapter 5 to include the agreed-upon PVs (on location and terminology) and any suggested revisions/changes;
- (b) A new [draft] section in the Illustrative Exposure Draft to reflect the agreed-upon PVs; and
- (c) An analysis on presentation requirements related to the remaining movements in the Statement of Changes in Net Assets/Equity (e.g., transactions with owners).

Decision Required

18. Does the IPSASB agree with the Staff [recommendations](#)?

Appendix 1 – Additional Details: The IASB’s Use of Other Comprehensive Income

This Appendix provides additional information about IPSASB staff’s research and analysis regarding the IASB’s decisions about which income and expense items are recognized outside of profit or loss, and why they refer to these items using the term “other comprehensive income” (OCI).

1. Genesis:
 - (a) The IASB acknowledged that decisions regarding which income and expense items may or must be recognized outside profit or loss were “made for particular reasons in particular projects, and not for a single consistently applied conceptual reason” (IASB 2018 *Conceptual Framework for Financial Reporting* paragraph BC7.9).
 - (b) This is consistent with the IPSASB’s approach in its IPSAS Standards regarding which revenue and expense items are recognized outside of surplus or deficit, on an individual Standard-by-Standard basis, aligned with the IASB’s allocation since 2000.
2. Allocation:
 - (a) Based on the IASB’s work developing its 2018 Conceptual Framework and constituent feedback received, no single approach attracted significant support nor reached conceptual soundness. The IASB ultimately concluded that it is not possible to produce a robust conceptual basis, definitions, nor prescriptive lists for items in OCI vs. in profit or loss (IASB 2018 Conceptual Framework paragraphs BC7.17-20). Rather, the IASB noted in its 2018 Conceptual Framework that all income and expense are included in the Statement of Profit or Loss, in order to emphasize that this statement is the default location for all income and expenses, and is the primary source of financial performance information, and certain income and expenses are excluded in specific circumstances (IASB 2018 Conceptual Framework paragraph BC7.24).
 - (b) This is consistent with IPSAS 1 paragraphs 99-100, which indicate that: all items of revenue and expenses recognized in a period shall be included in surplus or deficit, unless an IPSAS requires otherwise; and normally, all items of revenue and expense in a period are included in surplus or deficit.
3. Term usage:
 - (a) The IASB introduced the term “OCI” in 2007, when it first required entities to present income and expenses recognized outside profit or loss in a statement of comprehensive income, to refer to these items. IASB staff acknowledged that the term is not particularly descriptive nor well-understood, but the term and concept have been accepted over time. The IASB also concluded that avoiding the use of this term, or using a different term, could be confusing (IASB 2018 Conceptual Framework paragraph BC7.8).
 - (b) Recognizing certain items outside profit or loss (i.e., in OCI) remains a practical tool in the private sector to accommodate for circumstances where exclusion of particular items of income and expenses from profit or loss would result in more relevant information or providing a more faithful representation of an entity’s financial performance for that period.

Supporting Document 1 – [draft] Consultation Paper, Chapter 4

This Agenda Item presents the proposed [draft] Chapter 4 of the Presentation of Financial Statements Consultation Paper (CP) and should be reviewed together with [Agenda Item 11.2.1](#).

The [draft] CP Chapter 4, captures IPSASB discussions and relevant analysis to date, regarding the presentation requirements for the Statement of Financial Performance. Specifically, the current [draft] Chapter 4 presents the following, and incorporates relevant guidance from the IPSASB's *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (Conceptual Framework)*:

- (a) Relevant background related to the categorization of revenue and expense items recognized in surplus or deficit;
- (b) The IPSASB's views on the conceptual benefits of categorization;
- (c) Consideration of financial statement user needs across the international public sector; and
- (d) Two practical approaches identified by the IPSASB (to introduce categorization into public sector statements of financial performance):
 - (i) Using IFRS 18 categories, with benefits and drawbacks; or
 - (ii) Using public-sector-specific categories, with benefits and drawbacks.

In March 2025, IPSASB members will be asked to:

- (a) Provide feedback on substantial matters regarding the [draft] Chapter 4, during the IPSASB meeting; and
- (b) Provide editorial comments to staff offline.

In Q2 2025, staff and the Task Force will update [draft] Chapter 4 to reflect IPSASB comments and decisions on [Agenda Item 11.2.1](#), and share a revised version in June 2025.

Chapter 4: Statement of Financial Performance

Introduction

- 4.1. Information about the financial performance of a reporting entity helps their financial statement users assess, to support accountability and decision-making purposes:
- (a) Whether the entity has acquired resources economically, and used them efficiently, effectively, and as intended, to achieve its service delivery, other operating, and financial objectives;
 - (b) Whether the entity has effectively managed the resources it is responsible for, and complied with the relevant budgetary, legislative, and other authority regulating the raising and use of resources;
 - (c) Whether the range, volume, and costs of services provided during the reporting period are appropriate, and the amounts and sources of cost recovery; and
 - (d) Whether the entity's resources are sufficient to maintain the volume and quality of services currently provided in future periods, and if they increase the entity's indebtedness level.
- 4.2. Financial performance is reflected by the entity's revenue and expense¹ items in the reporting period. IPSAS Standards currently require an entity to present revenue and expense items on one of two Statements:
- (a) Statement of Financial Performance² – This Statement presents revenue and expense items recognized in the reporting period, in surplus or deficit.
 - (b) Statement of Changes in Net Assets/Equity – This Statement presents revenue and expenses recognized in the reporting period, outside surplus or deficit, directly in net assets/equity.
- 4.3. This Chapter explores potential presentation requirements regarding financial performance information on the Statement of Financial Performance. [Chapter 5](#) explores the potential presentation requirements regarding financial performance information on the Statement of Changes in Net Assets/Equity.
- 4.4. The Statement of Financial Performance aims to provide a structured overview of a reporting entity's revenue and expenses during the reporting period, together with comparative information – a summarized version of this Statement is illustrated in Figure X.

¹ 'Revenue' is a gross inflow of economic benefits or service potential during the reporting period which results in an increase in the net financial position of the entity, other than increases arising from ownership contributions. 'Expense' is a decrease in economic benefits or service potential during the reporting period which decreases the net financial position of the entity, other than decreases arising from ownership distributions.

² The Statement of Financial Performance may also be referred to as a 'statement of revenues and expenses', 'income statement', 'operating statement', or 'profit and loss statement'.

Figure X

Statement of Financial Performance	20X4	20X3
For the year ended December 31, 20X4	CU	CU
Revenue		
Expenses		
Surplus/(Deficit) for the period from continuing operations		
(Gain)/Loss for the period from discontinued operations		
Surplus/(Deficit) for the period		

- 4.5. To advance the objectives of this project (Chapter 1), the IPSASB considered the following core aspects of presenting information on the Statement of Financial Performance:
- (a) [Classification of Revenue and Expense Items](#);
 - (b) [Presentation of Sub-Totals](#); and
 - (c) [Presentation of Line Items](#).
- 4.6. The existing requirements in IPSAS 1 for the Statement of Financial Performance are not aligned with IFRS 18. In line with its Project Drivers (summarized in Table 2 of Chapter 1), the IPSASB considered whether the presentation requirements for financial performance information on the Statement of Financial Performance should align with IFRS 18, to the extent that it is appropriate for the public sector.

Classification of Revenue and Expense Items

- 4.7. The Conceptual Framework provides general principles for displaying information in the financial statements, noting that displayed information should be concise, understandable, and prominently presented. The Conceptual Framework also acknowledges that the development of presentation requirements requires a balance between standardized requirements (to facilitate understandability and meet the objectives of financial reporting across all entities) and entity-specific needs (to reflect the nature and operations of specific entities).
- 4.8. IPSAS 1 currently requires entities to present all revenue and expense items in surplus or deficit, unless an IPSAS Standard requires otherwise. IPSAS 1 sets minimum presentation and disclosure requirements, allowing substantial flexibility for public sector entities to present and disclose additional information it deems material and relevant to its financial statement users and faithfully representative of that information.
- 4.9. The Statement of Financial Performance is a key source of financial information, to help financial statement users obtain an understandable overview and support their analysis and decision-making needs. However, the lack of specific guidance has resulted in diversity in practice and inconsistencies in the presentation of certain revenue and expense items on the Statement of Financial Performance. This poses challenges for users of public sector financial statements to understand, analyze, and compare financial performance information.

- 4.10. The recent issuance of IFRS 18 evolved the presentation landscape in the private sector in response to the information needs of financial statement users, by introducing a more formal structure to its Statement of Profit or Loss to address similar challenges by reducing diversity, improving comparability and communications, thereby supporting user analysis. The IPSASB considered whether the introduction of categorization can also provide benefits and tackle the challenges in the public sector.

Conceptual Benefits of Categorization

- 4.11. The objective and role of financial statements is to provide financial information about a reporting entity that is useful for financial statement users, for accountability and decision-making purposes. Structure, through the categorization of information, has previously proven useful for public sector financial statement users in understanding information in primary financial statements.
- 4.12. Conceptually, the introduction of categories in the Statement of Financial Performance would add more formal structure to the presentation of revenue and expense items in surplus or deficit than what is currently achieved by the presentation requirements in IPSAS 1. Requiring categorization would prompt reporting entities to objectively consider its revenue and expenses, and present financial information in a way that faithfully represents the characteristics of that information to meet the objective of the financial statement and support user needs. The IPSASB generally agreed that, conceptually, presenting this financial performance information in categories would:
- (a) **Reduce diversity in current financial reporting.** Categorization of financial performance information in broad standardized categories would improve the comparability of information across similar entities (e.g., by remit or industry) within or across jurisdictions, and help identify and measure against relevant benchmarks, where appropriate; and
 - (b) **Support information needs of financial statement users and effective public financial management.** Presenting information in standardized categories provides users with a clearer picture of the reporting entity's financial performance in managing its resources, executing its roles and conducting its activities in the current and future periods. Categorized financial performance information empowers financial statement users to better understand, analyze, and objectively compare this information, and make informed decisions. By doing so, users can more effectively hold the reporting entity accountable to achieving its service delivery objectives and effectively serving its constituents with the available resources, including the long-term sustainability of its finances and key programs, and make decisions accordingly.
- 4.13. Categorizing financial information on the Statement of Financial Performance would also be consistent with the IPSASB's Conceptual Framework, which notes that effective grouping of information considers linkages between information sets, the nature of the information set, and jurisdiction-specific factors (to the extent appropriate).
- 4.14. Thus, the IPSASB concluded that conceptually, categorization would assist financial statement users to better understand, analyze, and compare financial performance information to support accountability and decision-making. However, it is important to also consider how categorization would be applied in practice by public sector entities.

Challenges Identifying Standardized Categories for the Public Sector

- 4.15. Practically, the introduction of categories in the Statement of Financial Performance necessitates the identification of standardized categories that are appropriate for a wide range of public sector entities internationally. Standardized categories are appropriate if they effectively help financial statement users better understand, analyze, and compare the financial information within and across jurisdictions.
- 4.16. While most public sector entities have the primary function of providing services to enhance and maintain the well-being of citizens and other eligible residents, the international public sector is comprised of a wide range of entities (including but not limited to national, regional, and local governments, programs, commissions, agencies, and intergovernmental organizations). Internationally, these entities may differ in their nature, service delivery objective, jurisdiction-specific factors. Consequently, the primary users of financial statements will differ by entity, as entities serve potentially different groups of service recipients and resource providers.
- 4.17. These differences in nature, service delivery objective, jurisdiction, and primary users directly influences the entity's considerations and decisions regarding what information would meet the needs of its financial statement users. Balance is crucial, as some information may also be of more interest or greater use to some users than others. The following are examples for illustration purposes:
- (a) A **federal government** serving its nation will respond to the information needs of its service recipients (e.g., citizens), resource providers (e.g., taxpayers, other government entities, lenders), and representatives of the interests of these service recipients and resource providers (e.g., parliamentarians, ministers, and members of legislative bodies);
 - (b) A **municipal government** providing local services to its community will respond to the information needs of its service recipients (e.g., citizens), its resource providers (e.g., taxpayers, other government entities, lenders), and representatives of the interests of these service recipients and resource providers (e.g., city councilors and elected officials);
 - (c) A **hospital** providing health services will respond to the information needs of its service recipients (e.g., patients, and medical students) and its resource providers (e.g., government entities, lenders, donors, educational institutions, other organizations, and patients themselves); and
 - (d) A **university** offering education will respond to the information needs of its service recipients (e.g., students, researchers, faculty staff) and its resource providers (e.g., government entities, lenders, donors, other organizations, and students themselves).
- 4.18. The different service recipients and resource providers, and their varying information needs pose several challenges in identifying appropriate standardized categories. In particular:
- (a) **Comparability:** which standardized categories would provide the appropriate level of comparability of financial information? For example, a regional development bank or government may seek to compare financial information between similar entities (e.g., municipality 1 vs. municipality 2) to understand how they deliver similar public services to their respective services recipient to support its assessment of funding initiatives. However, a lender or grantor may seek to compare financial information between different

PRESENTATION OF FINANCIAL STATEMENTS

entities (e.g., ministry of transport vs. ministry of infrastructure) to determine which entity may more effectively use the funding to meet a specific objective.

- (b) **Clear communication:** which standardized categories would effectively structure financial information to provide a clear picture of an entity's financial performance for the period? For example, a taxpayer in one jurisdiction may wish to see its government's revenue and expense information presented by function (e.g., public service, such as transportation or social housing). However, a taxpayer in another jurisdiction may wish to see its government's revenue and expense information presented by nature (e.g., economic resource consumed, such as salary or materials). Other taxpayers may wish to see both function and nature of these items. The introduction of standardized categories would provide a comparable measure of financial performance, and a useful starting point for users' analysis, to support their accountability and decision-making needs.

Potential Categorization Approaches to Support User Needs

- 4.19. The IPSASB identified two approaches to introduce categories to create a more formal structure to the presentation of revenue and expense items recognized in surplus or deficit in the Statement of Financial Performance: require the use of IFRS 18 categories, or require the use of public-sector specific categories.

[1] Require the Use of the IFRS 18 Categories

- 4.20. IFRS 18 requires the classification of income and expenses into five specific categories: introducing three new categories (Operating, Investing, Financing) and retaining two existing IAS 1 categories (Discontinued Operations, and Income Taxes). This new categorization is expected to help users understand how an entity is performing, separate from investment returns, and before the effects of financing.
- 4.21. The analysis of benefits and drawbacks of this approach is summarized in Table 1.

Table 1 – Benefits and Drawbacks of Using IFRS 18 Categories

Benefits
<ul style="list-style-type: none"> • Is broadly applicable and usable for all types of public sector entities and jurisdictions: All public sector entities receive revenue or incur expenses in at least one of the Operating (to deliver its service delivery objectives), Investing (from investments of resources to maintain its service delivery levels), and Financing (from servicing debt obligations) categories. These categories, which are not required labels, also provide flexibility: if an entity does not have investment returns, then it would not need to present an Investing category. Thus, presenting financial performance information using these broad but standardized categories would also effectively meet the needs of users of public sector financial statements. • Uses well-understood terms: Generally, operating, investing, and financing are common terms and fundamental concepts used by management, governance and investors in both private and public sector entities, and reflect an intuitive starting point for categorization. • Achieves alignment with IFRS: The types of revenues and expenses classified into the Operating, Investing and Financing categories would likely be the same, as the applicable IPSAS is aligned with the applicable IFRS for those transactions. IFRS alignment is consistent with the IPSASB's strategic objective to align with IFRS principles, where appropriate.
Drawbacks
<ul style="list-style-type: none"> • May not sufficiently reflect the public sector: The primary objective of most public sector entities is to deliver services to the public, and financial statements users seek information about its performance in the current period, as well as its ability to maintain the volume and quality of service delivery in the medium and long-term. The majority of revenue and expense items in the Statement of Financial Performance would likely be in the Operating category, rather than Investing or Financing categories. • May be difficult to delineate between categories: Public sector entities often make investments and obtain financing to generate income or acquire resources to support the delivery of its service delivery objectives. It may be challenging to determine the appropriate category for a specific revenue or expense item and lead to inconsistent assessments and presentations across entities, reducing comparability. For example, a public sector entity's income and expenses from an investment in a joint venture, generated independently from its operating activities, may be classified in the investing category using IFRS 18 requirements, which may not appropriately reflect that the participation in the joint venture is for the sole purpose of delivering on one of the entity's service objectives. Furthermore, the classification of categories in the Statement of Financial Performance is not necessarily the same as the classification of activities in the Statement of Cash Flows.

- 4.22. The IPSASB considered examples of common types of public sector entities in most jurisdictions, and how their revenue and expense items recognized in surplus or deficit may be categorized in accordance with IFRS 18. These examples are provided for illustrative purposes only, and include some assumptions based on publicly available information:

Agenda Item 11.3.1

PRESENTATION OF FINANCIAL STATEMENTS

Illustrative Example 1: Education Institute – New Zealand

Current presentation		Proposed presentation	Expected Category
Education Institute - New Zealand <i>for the year ended [MM] [DD] [YYYY]</i>		Education Institute - New Zealand <i>for the year ended [MM] [DD] [YYYY]</i>	
Government grants	xx	Government grants	xx Operating
Tuition fees	xx	Tuition fees	xx
Research and contracts	xx	Research and contracts	xx
Other revenue	xx	Other revenue (<i>operating portion</i>)	xx
Other gains/(losses)	xx	Transfer of funds from restricted to unrestricted	xx
Transfer of funds from restricted to unrestricted	xx	Total operating revenue	XX
Total operating revenue	XX		
People costs	xx	People costs	xx
Operating costs	xx	Operating costs	xx
Finance costs of borrowing	xx	Depreciation and amortization	xx
Depreciation and amortization	xx	Total operating expenses	XX
Total operating expenses	XX	Operating surplus or deficit	XX
Net surplus/(deficit) before tax	XX		
		Other revenue (<i>investing portion</i>)	xx Investing
		Other gains/(losses)	xx
Income tax expense/(benefit)	xx	Surplus or deficit before financing and income taxes	XX
Net surplus/(deficit) after tax	XX		
		Finance costs of borrowing	xx Financing
		Surplus or deficit before income taxes	XX
		Income tax expense/(benefit)	xx Income taxes
		Net surplus/(deficit)	XX

Agenda Item 11.3.1

PRESENTATION OF FINANCIAL STATEMENTS

Illustrative Example 2: Regional Hospital – Switzerland

Current presentation		Proposed presentation	Expected Category
Regional Hospital - Switzerland <i>for the year ended [MM] [DD] [YYYY]</i>		Regional Hospital - Switzerland <i>for the year ended [MM] [DD] [YYYY]</i>	
Income inpatients	xx	Income inpatients	xx Operating
Income outpatients	xx	Income outpatients	xx
External contracts and other medical income	xx	External contracts and other medical income	xx
Income from research and teaching	xx	Income from research and teaching	xx
Net revenue from deliveries and services	XX	Non-medical income (grants, services-in-kind)	xx
		Transfers from Swiss States	xx
Non-medical income (grants, services-in-kind)	xx	Income from own work capitalized	xx
Transfers from Swiss States	xx	Change in treatments started	xx
Income from own work capitalized	xx	Total operating revenue	XX
Other operating income	XX		
		Personnel expenses	xx
Change in treatments started	xx	Medical fees	xx
Operating income	XX	Medical expenditure	xx
		Non-Medical expenditure	xx
Personnel expenses	xx	Rental expenses	xx
Medical fees	xx	Depreciation of fixed assets and PPE	xx
Medical expenditure	xx	Amortization of intangible assets	xx
Non-Medical expenditure	xx	Total operating expenses	XX
Operating expenses excluding rental expenses	XX	Operating surplus or deficit	XX
Withdrawal/(contribution): funds in debt transfer funds	xx	Financial result (<i>investing portion</i>)	xx Investing
Operating result EBITDAR	XX	Result from associated companies (dividend income)	xx
		Surplus or deficit before financing	XX
Rental expenses	xx		
Operating result EBITDA	XX	Financial result (<i>financing portion</i>)	xx Financing
		Withdrawal/(contribution): funds in debt transfer funds	xx
Depreciation of fixed assets and PPE	xx	Net surplus/(deficit)	XX
Amortization of intangible assets	xx		
Operating result before financial result EBIT	XX		
Financial result (interest on borrowings, instruments)	xx		
Result from associated companies (dividend income)	xx		
Profit or loss of the period	XX		

PRESENTATION OF FINANCIAL STATEMENTS

Illustrative Example 3: Municipal Government Body – Canada

Current presentation		Proposed presentation	Expected Category
Municipal Government Body – Canada <i>for the year ended [MM] [DD] [YYYY]</i>		Municipal Government Body – Canada <i>for the year ended [MM] [DD] [YYYY]</i>	
Property taxes and taxation from other governments	xx	Property taxes and taxation from other governments	xx Operating
Government transfers	xx	Government transfers	xx
User charges	xx	User charges	xx
Municipal land transfer tax	xx	Municipal land transfer tax	xx
Rent and concessions	xx	Rent and concessions	xx
Development charges	xx	Development charges	xx
Investment income	xx	Other revenue sources	xx
Government business enterprises earnings	xx	Total operating revenue	XX
Other revenue sources	xx		
Total revenues	XX		
Transportation	xx	Transportation (<i>operating portion</i>)	xx
Social and family services	xx	Social and family services (<i>operating portion</i>)	xx
Protection to persons and property	xx	Protection to persons and property (<i>operating portion</i>)	xx
Environmental services	xx	Environmental services (<i>operating portion</i>)	xx
Recreation and cultural services	xx	Recreation and cultural services (<i>operating portion</i>)	xx
Social housing	xx	Social housing (<i>operating portion</i>)	xx
General government	xx	General government (<i>operating portion</i>)	xx
Health services	xx	Health services (<i>operating portion</i>)	xx
Planning and development	xx	Planning and development (<i>operating portion</i>)	xx
Total expenses	XX	Total operating expenses	XX
		Operating surplus or deficit	XX
Annual surplus	XX		
		Investment income	xx Investing
		Government business enterprises earnings	xx
Annual surplus	XX	Surplus or deficit before financing	XX
		Interest expense on long-term debt	xx Financing
		Net surplus/(deficit)	XX

[2] Require the Use of Public-Sector Specific Categories

- 4.23. Public sector entities fundamentally serve a different objective than private sector entities. A different set of categories may provide a more meaningful representation of public sector financial performance and address some of the drawbacks of Approach 1, listed in Table 1. The analysis of benefits and drawbacks of this is summarized in Table 2.

Table 2 – Benefits and Drawbacks of Using Public Sector Categories

Benefits
<ul style="list-style-type: none"> • More effectively reflect public sector objectives: Identifying categories for revenue and expenses in the public sector, without using IFRS as a basis, can better reflect that the primary objective of most public sector entities is to deliver services to the public, rather than to make profits and generate a return on equity to investors. • Better focuses on the various roles and activities undertaken by public sector entities: Identifying a different set of categories would help “tell a better story”, as public sector entities take on a very broad range of roles and activities.

Drawbacks

- **May not be feasible to identify a new different broad set of categories, internationally:** As mentioned in paragraph 4.16, there is a wide range of public sector entities varying in nature, service delivery objective, and jurisdiction-specific factors, and consequently there are varying financial statement user needs. Since entities may provide different services to different recipients, and have different resource providers, it is very likely that what may be useful for one set of users, may not be for another. Thus, it may be challenging, if not infeasible, to identify a different set of broad categories (i.e., not Operating, Investing, and Financing) that is useful, relevant, and applicable for all public sector entities.
- **May not be able to effectively adapt IFRS 18 categories:** A potential option, in lieu of identifying a brand-new set of broad categories, is to adapt the IFRS 18 categories. For example, the required categories could be “Operating and Non-Operating”, or “Operating and Investing/Financing”. However, these alternate categories face different challenges. There are differing interpretations of “non-operating”, and it has previously been difficult if not infeasible to define what is operating (and by inverse, what is non-operating). Combining Investing and Financing into a single category may reduce clarity of communication by presenting financial performance from investments with the financial effects of financing. Overall, it is likely challenging to reach international consensus on alternate categories that resonate with all public sector entities.
- **May impact public sector funding opportunities:** Development of public sector categories would result in misalignment between the presentation of financial performance in the public sector and in the private sector. The lack of comparability may make it more challenging for potential investors/funders to understand and analyze public sector financial performance, which would negatively impact the ability of public sector entities to access the capital markets effectively and efficiently.

- 4.24. The IPSASB considered examples of common types of public sector entities in most jurisdictions, and how their revenue and expense items recognized in surplus or deficit may be categorized, in accordance with the IPSASB’s proposed public-sector-specific categorization. [Pending – examples are dependent on the IPSASB’s decision on Agenda Item 11.2.1. If the IPSASB chooses a public-sector-specific categorization, examples will be inserted here, similar to paragraph 4.22]
- 4.25. [Pending – Insert PV based on IPSASB March 2025 decision on Agenda Item 11.2.1]

Presentation of Sub-Totals

- 4.26. [Pending – this section is dependent on the IPSASB’s decisions on the preceding section, *Classification of Revenue and Expense Items*]

Presentation of Line Items

- 4.27. [Pending – this section is dependent on the IPSASB’s decisions on the preceding section, *Classification of Revenue and Expense Items*]

Supporting Document 2 – [draft] Consultation Paper, Chapter 5

This Agenda Item presents the proposed [draft] Chapter 5 of the Presentation of Financial Statements Consultation Paper (CP) and should be reviewed together with [Agenda Item 11.2.2](#).

The [draft] CP Chapter 5, captures IPSASB discussions and relevant analysis to date, regarding the presentation requirements for the Statement of Changes in Net Assets/Equity. Specifically, [draft] Chapter 5 presents the following, and incorporates relevant guidance from the IPSASB's *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (Conceptual Framework)*:

- (a) Relevant background related to this topic;
- (b) Consideration of transparency of financial information, and application of general principles;
- (c) Two approaches identified by the IPSASB (to present revenue and expense items recognized outside of surplus or deficit):
 - (i) Aligning with IFRS 18 requirements, with benefits and drawbacks; or
 - (ii) Retaining and enhancing IPSAS 1, with benefits and drawbacks.
- (d) Proposed terminology to refer to revenue and expense items recognized outside of surplus or deficit, and relevant totals; and
- (e) Proposed retention of presentation guidance on reclassification adjustments.

In March 2025, IPSASB members will be asked to:

- (a) Provide feedback on substantial matters regarding the [draft] Chapter 5, during the IPSASB meeting; and
- (b) Provide editorial comments to staff offline.

In Q2 2025, staff and the Task Force will update [draft] Chapter 5 to reflect IPSASB comments and decisions on [Agenda Item 11.2.2](#), and share a revised version in June 2025.

Chapter 5: Statement of Changes in Net Assets/Equity

Introduction

- 5.1. This Chapter explores the potential presentation requirements regarding financial information on the Statement of Changes in Net Assets/Equity.
- 5.2. The Statement of Changes in Net Assets/Equity aims to provide a structured summary of changes to a reporting entity's net assets/equity, together with comparative information – a summarized version of this Statement is illustrated in Figure X¹. Changes in net assets/equity reflect the increase or decrease in its net assets during the period, and includes several components:
- (a) All financial performance for the period, comprised of:
 - (i) Revenue and expense items recognized in surplus or deficit, presented as a total (from the Statement of Financial Performance – explored in [Chapter 4](#));
 - (ii) Revenue and expense items recognized outside of surplus or deficit, presented individually and in total; and
 - (b) Contributions by, and distributions to, owners in their capacity as owners (if any); and
 - (c) The effects of changes in accounting policies and corrections of errors (if any).

Figure X

Statement of Changes in Net Assets/Equity				
For the year ended December 31 in current units (CU)	Attributable to owners of the controlling interest			Non- controlling interest
	Contributed capital	Reserve X	Total	
Balance at December 31, 20X2				
Changes in net assets/equity:				
...				
Net revenue recognized directly in net assets/equity				
Surplus/(deficit) for the period				
Total revenue and expenses for the period				
Balance at December 31, 20X3				
Changes in net assets/equity:				
...				
Net revenue recognized directly in net assets/equity				
Surplus/(deficit) for the period				
Total revenue and expenses for the period				

¹ IPSAS 1.125 allows entities to present its Statement of Net Assets/Equity either in a columnar format (as presented in Figure X and in the Implementation Guidance), or in a simplified manner with other information in the notes.

Balance at December 31, 20X4		
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- 5.3. To advance the objectives of this project (Chapter 1), the IPSASB considered the following core aspects of presenting information on the Statement of Changes in Net Assets/Equity:
- (a) [Presentation of Revenue and Expenses Recognized Outside of Surplus or Deficit](#); and
 - (b) [Presentation of Other Movements in Net Assets/Equity](#).
- 5.4. The existing requirements in IPSAS 1 for the Statement of Changes in Net Assets/Equity are not aligned with IFRS 18. In line with its Project Drivers (summarized in Table 2 of Chapter 1), the IPSASB considered whether the presentation requirements for financial information on the Statement of Changes in Net Assets/Equity should align with IFRS 18, to the extent that it is appropriate for the public sector.

Presentation of Revenue and Expenses Recognized Outside of Surplus or Deficit

- 5.5. Overall, revenue and expenses represent the increases and decreases in a reporting entity's net financial position, other than ownership contributions and distributions, and represent the entity's financial performance in the reporting period. The IPSAS Standards provide guidance, requiring entities to present revenue and expense items in one of two financial statements. Normally, all revenue and expense items are expected to be included in surplus or deficit, on the Statement of Financial Performance. However, certain IPSAS Standards require some revenue and expense items to be recognized outside of surplus or deficit, directly in net assets/equity, on the Statement of Changes in Net Assets/Equity.² A public sector financial statement user should review, understand, and analyze both Statements to obtain a full picture of the reporting entity's financial performance in the reporting period.
- 5.6. While the Statement of Changes in Net Assets/Equity is an integral component of a complete set of financial statements, it often receives less user attention than the other Statements. This challenges the IPSASB to consider whether IPSAS 1 presentation requirements, first issued in 2000, are clear and effective, and result in sufficient transparency and understanding of revenue and expense items recognized outside of surplus or deficit in this Statement.

Considering Transparency

- 5.7. Displayed financial information is transparent if it is clear, easily understood, visible, and accessible, thereby helping users understand the nature and extent of changes to the reporting entity's net position in achieving its service delivery objectives and make informed decisions.
- 5.8. Entities applying IPSAS Standards have presented revenue and expenses recognized outside of surplus or deficit, directly in net assets/equity, in accordance with IPSAS 1 requirements. The application and results of these presentation requirements are familiar to reporting entities and users of their financial statements. However, there are mixed views on whether these

² Individual IPSAS Standards provide guidance on the recognition and measurement of revenue and expense items, including whether these items are to be recognized in surplus or deficit, or outside of surplus or deficit (directly into net assets/equity). The IPSASB's decisions regarding which revenue or expense items are recognized outside of surplus or deficit are made on an individual Standard-by-Standard basis, aligned with the IASB's allocation since 2000, and generally arise from specific remeasurements of certain assets and liabilities to current value. The scope of this project includes reviewing presentation requirements for these items outside surplus or deficit. The scope of this project does not include reassessing the allocation and composition (i.e., the IPSASB is not reevaluating its decisions in individual IPSAS Standards regarding the recognition, measurement, reclassification, and allocation of revenue and expense items to be in surplus or deficit vs. outside of surplus or deficit).

longstanding IPSAS 1 requirements are achieving the appropriate level of transparency regarding these movements in the entity's net financial position, for a user's accountability and decision-making purposes, and this informs views on future presentation requirements.

- 5.9. Through its deliberations, the IPSASB also emphasized that:
- (a) It is essential for reporting entities to apply the existing principles of materiality, aggregation, and disaggregation properly. This ensures that the entity's presentation of revenue and expense items recognized outside of surplus or deficit does not obscure material information, to enable users to understand the key messages, at an understandable level, for accountability and decision-making.
 - (b) Reporting entities can better communicate key messages to users regarding its revenue and expense items recognized outside of surplus or deficit for the period, by enhancing the accompanying note disclosures to provide more context and details and empower financial statement users to make informed decisions.

Approaches to Presenting Revenue and Expense Items Recognized Outside of Surplus or Deficit

- 5.10. To effectively support financial statement user needs, displayed information should be kept at a concise and understandable level, and be presented prominently with appropriate presentation techniques (such as labelling, tables, and other formatting considerations). Users of public sector financial statements comprise a broad group of users who receive public sector services or provide resources to fund those services, who consider and understand financial statements using different perspectives. For standard-setting purposes, this emphasizes the importance of identifying a presentation approach that is clear and understandable for financial statement users, considering location³ (where to present financial information for users to easily access to understand its nature, substance, and importance), and terminology (to succinctly convey the nature and substance of that information).
- 5.11. The IPSASB considered two approaches to presenting revenue and expense items recognized outside of surplus or deficit: align with IFRS 18 requirements, or retain and enhance IPSAS 1 requirements.

[1] Align with IFRS 18 Requirements

- 5.12. IFRS 18 requires entities to present all income and expense items (i.e., regardless of whether they are recognized in profit or loss, or outside of profit or loss) separately from any changes in net assets that arise from transactions with owners, to help financial statement users assess the entity's performance in the period. The requirement, first introduced in IAS 1 (2007), permits entities to choose to present income and expense items on either one or two financial performance statements.
- 5.13. If the IPSASB adopts this IFRS 18 aligned approach, reporting entities would be required to relocate revenue and expense items recognized outside of surplus or deficit, and present these items on either of the following (as illustrated in Figure X):
- (a) The Statement of Financial Performance, in a separate section below surplus or deficit; or

³ The Conceptual Framework paragraphs 8.41-8.42 highlight that the location of information in the financial statements can ensure that the information is given appropriate prominence and contribute to communicating a comprehensive financial picture of an entity.

- (b) A new, second financial performance statement.

Figure X

(a) One Financial Performance Statement	(b) Two Financial Performance Statements
<div>Statement of Financial Performance</div> <div>For the year ended December 31, 20X4</div> <div>Revenue</div> <div>Expenses</div> <div>Surplus / (Deficit)</div> <div>Other revenue</div> <div>Other expenses</div> <div>Total other financial performance *</div> <div>Total financial performance *</div>	<div>Statement of Financial Performance</div> <div>For the year ended December 31, 20X4</div> <div>Revenue</div> <div>Expenses</div> <div>Surplus / (Deficit)</div> <div>Statement of Other Financial performance *</div> <div>Surplus / (Deficit)</div> <div>Other revenue</div> <div>Other expenses</div> <div>Total other financial performance *</div> <div>Total financial performance *</div>

* See paragraphs 5.20-5.24 regarding potential terminology.

- 5.14. Proponents of this approach are of the view that IPSAS 1 requirements do not achieve the appropriate level of transparency regarding these revenue and expense items:
- (a) Revenue and expense items recognized outside surplus or deficit are part of an entity's overall financial performance for the period. Presenting these in the Statement of Changes in Net Assets/Equity reduces the visibility and prominence of these items, compared to revenue and expense items recognized in surplus or deficit on the Statement of Financial Performance.
 - (b) Presenting some financial performance information on the Statement of Financial Performance and other financial performance information on the Statement of Changes in Net Assets/Equity, is not intuitive and confusing for financial statement users. Users may not be effectively obtaining a full picture of the changes in the entity's net financial position in the period, which does not support their accountability and decision-making needs.
- 5.15. The analysis of benefits and drawbacks of this approach is summarized in Table 1.

Table 1 – Benefits and Drawbacks of Aligning with IFRS 18

Benefits
<ul style="list-style-type: none"> Presents financial performance information in a more visible and comprehensive manner: Revenue and expense items in surplus and deficit, and revenue and expense items recognized outside surplus or deficit, are all financial performance information. Under this approach, entities present financial performance information on statement(s) that have the sole objective of presenting financial performance for the period. Relocating revenue and expense items recognized outside surplus or deficit improves the visibility of this financial performance information and provides users a more comprehensive picture of the reporting entity's financial performance and its achievement of service delivery objectives. Supports transparency and accountability: This approach addresses the issues presented in paragraph 5.14, and better helps financial statements users hold the reporting entity accountable to their overall financial performance in the period in achieving its service delivery objectives. Achieves alignment with IFRS: Conceptually, IFRS alignment is sensible because the recognition and measurement requirements for these revenue and expense items are consistent between IFRS and IPSAS Standards, and would meet the IPSASB's strategic objective of aligning with IFRS principles where appropriate. Practically, IFRS alignment would benefit both preparers and users of public sector financial statements: it helps public sector entities better access capital markets to raise funds and acquire resources to achieve of its service delivery objectives. Balances structure and flexibility: Thus, providing the option to either present all financial performance information in one statement (with two sections) or two statements, like IFRS 18, allows entities to balance potential advantages and challenges of each option, to suit their entity- or jurisdiction-specific user needs.

Drawbacks

- **May cause confusion:** The current practice of presenting revenue and expense items recognized outside of surplus or deficit has been misaligned with IFRS requirements for almost 20 years. The current IPSAS presentation is well-understood and familiar to users of IPSAS-compliant financial statements. Relocating this information to another statement may unnecessarily cause user confusion or misunderstanding regarding their nature and substance. For example, if revenue items recognized outside of surplus or deficit are relocated into the Statement of Financial Performance as a second section, financial statement users may misinterpret those items are available resources.
- **May not improve users' understanding or transparency:** Relocating financial performance information, and potentially creating a new Statement (if the reporting entity decides to present two financial performance statements), does not necessarily enhance transparency nor clearly communicate the nature and substance of these items. For example, an entity's decision to present revenue and expense items recognized outside of surplus or deficit on a new second financial performance statement, may not make this financial performance information more visible to financial statement users.
- **May reduce usefulness of the Statement of Changes in Net Assets/Equity:** This Statement presents changes in an entity's net assets during the period. However, public sector entities may have little to no other changes beyond total revenue and expenses in the reporting period. For example, the Statement of Changes in Net Assets/Equity for municipalities, which typically do not have transactions with owners, would have little substantive value.

[2] Retain and Enhance IPSAS 1 Requirements

- 5.16. The second presentation approach is to retain and enhance IPSAS 1 requirements. Under this approach, reporting entities would be required to:
- (a) Continue presenting revenue and expense items recognized outside of surplus or deficit on the Statement of Changes in Net Assets/Equity (see illustration in Figure X, above); and
 - (b) Provide qualitative information in the accompanying note disclosures about each material item of revenue and expense recognized outside of surplus or deficit, to enhance the existing note disclosure requirements in IPSAS 1.
- 5.17. Proponents of this approach are of the view that IPSAS 1 requirements already achieve the appropriate level of transparency regarding these revenue and expense items:
- (a) All reporting entities applying IPSAS Standards are required to provide a Statement of Changes in Net Assets/Equity. Financial statement users are able to easily access this Statement and are aware that it presents revenue and expense items recognized outside of surplus and deficit, which comprise the majority (if not the entirety) of financial information on this Statement.
 - (b) Using this Statement, financial statement users are currently able to obtain a good understanding of the nature and extent of these changes in the entity's net financial position and seek additional information in accompanying notes or other reports as needed. Together with the Statement of Financial Performance, users can fully understand

changes in the entity's net financial position to support their accountability and decision-making needs.

- 5.18. The analysis of benefits and drawbacks of this approach is summarized in Table 2.

Table 2 – Benefits and Drawbacks of Retaining IPSAS 1

Benefits
<ul style="list-style-type: none"> • Is consistent with current practice and familiar for current users: Reporting entities have presented revenue and expense items recognized outside of surplus or deficit in their Statement of Changes in Net Assets/Equity when they adopt and implement IPSAS, and their users are aware and familiar with the location of different pieces of financial performance information. • Improves communication, without impeding existing transparency: By enhancing current note disclosure requirements, reporting entities can provide clearer and more comprehensive narratives regarding the revenue and expense items recognized outside of surplus or deficit in the period presented on the Statement of Changes in Net Assets/Equity. Qualitative information in the notes can help users better understand the nature and composition of material revenue and expense items recognized outside of surplus or deficit. • Allows for more balanced set of Financial Statements: In comparison to the IFRS 18 Alignment approach, the presentation of financial statements under current IPSAS 1 avoids having a large amount of information on the Statement of Financial Performance, with minimal to no information on the Statement of Changes in Net Assets/Equity, or a larger number of Financial Statements overall. A more balanced set of Financial Statements can be more usable and understandable for users.
Drawbacks
<ul style="list-style-type: none"> • Remains misaligned with IFRS: The IPSASB's strategic objective is to align IPSAS with IFRS where transactions and user needs are the same. Retaining IPSAS 1 requirements would mean that presentation guidance continues to be misaligned with IFRS even though the underlying accounting principles for these transactions are the same. In other words, while the recognition and measurement requirements for these revenue and expense items are consistent between IFRS and IPSAS, the presentation requirements for these items would remain inconsistent. This reduces comparability across sectors and may cause unnecessary confusion. • Does not clearly convey that these items represent financial performance: Presenting revenue and expense items recognized outside of surplus and deficit on the Statement of Changes in Net Assets/Equity may not clearly communicate that these items are a part of a reporting entity's financial performance for the period.

- 5.19. [Pending – Insert PV based on IPSASB March 2025 decision on Agenda Item 11.2.2.]

Introducing New Terminology

- 5.20. The IPSASB intends to identify an appropriate term to refer to revenue and expense items recognized outside of surplus or deficit, to succinctly capture the nature and substance of these items. This term will be used to refer to these items, regardless of the location of this financial performance information (discussed in paragraphs 5.10-5.19).

PRESENTATION OF FINANCIAL STATEMENTS

- 5.21. IFRS 18 uses the term “Other Comprehensive Income” (OCI) for income and expenses recognized outside of profit or loss (which are consistent with revenue and expense items recognized outside of surplus or deficit under IPSAS). However, the IPSASB concluded the term “OCI” is not appropriate to use in the public sector because it may miscommunicate the nature and substance of the revenue and expense items.
- 5.22. For the public sector, the IPSASB proposes to use the term “Other Financial Performance” to refer to revenue and expense items recognized outside of surplus or deficit, because these items are a component of an entity’s financial performance in the period that represent a portion of changes to an entity’s overall financial position. This term will be used in its presentation guidance to describe revenue and expense items recognized outside of surplus or deficit and to provide presentation requirements.
- 5.23. By extension, “total financial performance” can be used for the total of (1) surplus or deficit (comprised of revenue and expenses recognized in surplus or deficit) and (2) other financial performance (comprised of revenue and expenses recognized outside of surplus or deficit).
- 5.24. [Pending] – Insert PV based on IPSASB March 2025 decision on Agenda Item 11.2.2.]

Reclassification adjustments

- 5.25. IPSAS Standards may require reporting entities to reclassify certain amounts previously recognized in net assets/equity into surplus or deficit, as reclassification adjustments (for example, when the amounts become realized). These Standards amended IPSAS 1 to include guidance on reclassification adjustments (specifically paragraphs 125A-125C of IPSAS 1), to require entities to make necessary adjustments to avoid double-counting the amount.
- 5.26. The IPSASB intends to retain guidance from IPSAS 1 related to reclassification adjustments, as it remains appropriate to require entities to avoid double-counting amounts subject to reclassification.

Presentation of Other Movements in Net Assets/Equity

- 5.27. [Pending] – this section is dependent on the IPSASB’s discussion about this topic]

Supporting Document 3 – Updated Project Plan

- The IPSASB intends to develop and approve a Consultation Paper (CP) and accompanying Illustrative Exposure Draft (IED) in September 2025. The IPSASB has taken a systematic approach to effectively navigate this complex project. When the IPSASB finishes discussing a specific topic, staff draft the relevant Chapter for the CP and guidance for the IED, for the IPSASB's review.
- The current progress and proposed next steps are:

Topics	Discussion(s)	CP Development	IED Development
Project Overview and Development			
<ul style="list-style-type: none"> Objective and Scope Development Approach 	Completed (Dec 2023)	Reviewed (Dec 2023)	Reviewed (Jun 2024)
Purpose of FS / General Principles			
<ul style="list-style-type: none"> Objective and Purpose of FS FS Users and Information Needs 	Completed (Dec 2023)	Reviewed (Dec 2023)	Reviewed (Jun 2024)
<ul style="list-style-type: none"> Definitions of FS Elements Comparative Info Fair Presentation and Compliance Offsetting Aggregation and Disaggregation 	Completed (Sep 2024)	Q2 2025	Reviewed (Sep 2024)
<ul style="list-style-type: none"> Materiality Going Concern 	Q2 2025 (contingent on Materiality project)	Q2 2025	Q2 2025
<ul style="list-style-type: none"> Other sub sections [details to come] 	Ongoing	Q2 2025	Ongoing
Statement of Financial Position			
<ul style="list-style-type: none"> Classification (Assets, Liabilities) 	Completed (Jun 2024)	Reviewed (Sep 2024)	Reviewed (Sep 2024)
<ul style="list-style-type: none"> Totals / Subtotals 	Completed (Jun 2024)	Reviewed (Sep 2024)	N/A
<ul style="list-style-type: none"> Line Items 	Completed (Jun 2024)	Reviewed (Sep 2024)	Reviewed (Sep 2024)
Statement of Financial Performance			
<ul style="list-style-type: none"> Classification (Revenues, Expenses) 	Ongoing (Agenda Item 11.2.1)	Agenda Item 11.3.1 Q2 2025	Q2 2025
<ul style="list-style-type: none"> Totals / Subtotals 	Ongoing Q2 2025 (initial Dec 2024, contingent on 11.2.1)	Q2 2025	Q3 2025
<ul style="list-style-type: none"> Line Items 	Q2 2025 (contingent on 11.2.1)	Q2 2025	Q3 2025
Statement of Changes in Net Assets/Equity			
<ul style="list-style-type: none"> Items Outside Surplus/Deficit 	Ongoing (Agenda Item 11.2.2)	Agenda Item 11.3.2 Q2 2025	Q3 2025
<ul style="list-style-type: none"> Other Movements 	Q2 2025	Q2 2025	Q3 2025
Disclosures in the Notes			
<ul style="list-style-type: none"> Management-Defined Performance Measures 	Ongoing Q2 2025	Q3 2025	Q3 2025
<ul style="list-style-type: none"> Structure Accounting Policies Key Sources: Estimation Uncertainty ...etc. 	Q3 2025	Q3 2025	Q3 2025
Other Elements of IED			
<ul style="list-style-type: none"> Other Sections [details to come] 	Q3 2025	Q3 2025	Q3 2025

Supporting Document 4 – December 2024 CAG Report Back

The IPSASB Consultative Advisory Group (CAG) discussed the presentation of revenue and expense items recognized outside of surplus or deficit (currently on the Statement of Changes in Net Assets/Equity). CAG members' advice was shared with IPSASB members during its December meeting, to support the IPSASB in deliberating this topic. The following CAG Report Back, posted separately for easier readability, summarizes each CAG member's advice and the IPSASB's response.