

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: New York, USA

Meeting Date: December 2–5, 2025

Agenda Item 6

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	6.1.1
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Prepared by: Eileen Zhou, and Emma Tran (November 2025)

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	Management-Defined Performance Measures	6.2.6
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	Review of the Completed [draft] Consultation Paper	6.2.8
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	Incorporating Remaining Definitions into the IED	6.2.10
	IED Guidance to Illustrate Chapter 4 of CP	6.2.11
	IED Guidance to Illustrate Chapter 5 of CP	6.2.12
Other supporting items	Supporting Document 1 – Updated Project Plan and Progress	6.3.1
	Supporting Document 2 – [draft] Consultation Paper	6.3.2
	Supporting Document 3 – [draft] Illustrative Exposure Draft	6.3.3

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	Dec 2025	Mar 2026
Project Management			
Completion of Research and Scoping	✓		
Approval of Project Brief	✓		
Review and Approval of CP and IED			📄
Developing Preliminary Views			
Objective, Scope, Purpose, Users, Info Needs	✓📄		
Definitions	✓📄		
General Principles of Presentation ¹	✓📄		
Statement of Financial Position	✓📄		
Statement of Financial Performance	✓📄		
Statement of Changes in Net Assets/Equity	✓📄		
Disclosure in the Notes		📄	
Developing CP			
Chapter 6		📄	
All Other Chapters and Appendices	✓📄		
Developing IED (Appendix D of CP)			
Guidance to Illustrate the CP	📄	📄	📄

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
September 2025	1. Consider updating the drafting related to going concern in the CP to highlight political considerations.	1. Updated, see paragraph 2.42 of CP Chapter 2 (Agenda Item 6.3.2)
September 2025	2. Update the IPSAS Standards-IFRS Alignment Dashboard to reflect the IPSASB's views regarding the applicability of IFRIC 17.	2. Updated, see December 2025 version of IPSAS Standards-IFRS Alignment Dashboard (Agenda Item 1.7)
September 2025	3. Update [draft] CP Chapter 4 to reflect a member's request to expand discussion regarding tax revenues in the public sector, and consider whether a separate category is warranted.	3. Updated, see paragraph 4.31(c) of CP Chapter 4 (Agenda Item 6.3.2). Staff engaged with the IPSASB member and the Task Force to reflect the members' view into the CP and consider how best to enhance PV 8 to effectively solicit constituent feedback (Agenda Item 6.2.8)
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. Completed – The IPSASB reviewed the [draft] CP in September 2025, which presented the IPSASB's views regarding the Statement of Financial Position.
March 2024	1. Consider whether further guidance on disclosing compliance with IPSAS is needed, especially for jurisdictions that have adopted adapted versions of IPSAS.	1. IPSAS Standards 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 would be outside the scope of this standard-setting project.
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.

DECISIONS UP TO PREVIOUS MEETING

Meeting	Decision	BC Reference
September 2025	1. The CP should propose to retain the existing IPSAS 1 requirements regarding going concern.	1. Draft CP reflects IPSASB comments.
September 2025	2. The revised IPSAS 1 materiality guidance, as a result of the <i>Definition of Material (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework)</i> pronouncement, should be incorporated into the new IPSAS Standard replacing IPSAS 1.	2. Draft CP reflects IPSASB comments, and draft IED includes the revised IPSAS 1 materiality guidance.
September 2025	3. The CP should include the proposed PV to retain the existing IPSAS 1 requirements for the Statement of Changes in Net Assets/Equity, and to revise the reconciliation requirement to require the reconciliation be presented on the face of the Statement.	3. Draft CP reflects IPSASB comments.
September 2025	4. The CP should include the proposed PV that guidance based on IFRIC 17, <i>Distribution of Non-cash Assets to Owners</i> , should not be incorporated into the IPSAS Standards.	4. Draft CP reflects IPSASB comments.
September 2025	5. The proposed text and PVs in [draft] Chapter 2 appropriately captures its deliberations and views regarding the general presentation requirements, and should be incorporated into the CP.	5. Draft CP reflects IPSASB comments.
September 2025	6. Subject to instructions, [draft] Chapter 4 of the CP has been appropriately revised to reflect the IPSASB's June 2025 decisions and instructions.	6. Draft CP reflects IPSASB comments.
September 2025	7. The proposed text and PVs in [draft] Chapter 5 of the CP appropriately captures the IPSASB's deliberations and views regarding presentation requirements for the Statement of Changes in Net Assets/Equity, and should be incorporated into the CP.	7. Draft CP reflects IPSASB comments.
September 2025	8. The proposed additional text for [draft] Chapter 3, Appendix A, and Appendix B are appropriate and should be incorporated into the CP.	8. Draft CP reflects IPSASB comments.
June 2025	1. It would not pursue a GFSM 2014 aligned approach to categorizing financial information on the Statement of Financial Performance, and to articulate its rationale and overarching considerations in the CP as instructed.	1. Draft CP reflects IPSASB comments.

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Meeting	Decision	BC Reference
June 2025	2. The CP should include the Preliminary View (PV) to require entities to present revenue and expenses items on the Statement of Financial Performance in categories aligned with IFRS 18, with additional public sector guidance.	2. Draft CP reflects IPSASB comments.
June 2025	3. The CP should reflect the IPSASB's proposal to include guidance on main operating activities (adapting IFRS 18's 'main business activities').	3. Draft CP reflects IPSASB comments.
June 2025	4. The CP should include a PV to retain the requirement to present the 'surplus or deficit' total, and to add a new requirement to present an "operating surplus or deficit" subtotal.	4. Draft CP reflects IPSASB comments.
June 2025	5. The CP should permit, but not require, entities to present other subtotals that are relevant and appropriate to present financial information in the reporting period that is material.	5. Draft CP reflects IPSASB comments.
June 2025	6. The CP should include a PV to maintain IPSAS 1 minimum requirements regarding the presentation of line items on the face of the Statement of Financial Performance, aligned with IFRS 18, with additional guidance.	6. Draft CP reflects IPSASB comments.
June 2025	7. The CP should propose to retain the choice to present expenses by nature or function on the face of the Statement of Financial Performance, aligned with IFRS 18, with additional public sector guidance.	7. Draft CP reflects IPSASB comments.
June 2025	8. The revised [draft] Chapter 4 and Appendix A should be incorporated into the CP, subject to the Jun 2025 instructions.	8. Draft CP reflects IPSASB comments, including instructions
March 2025	1. Chapter 4 should acknowledge that there are overarching challenges in identifying a different set of public-sector-specific categories that is sufficiently broad, useful, and applicable for public sector entities and that would receive international consensus.	1. Draft CP reflects IPSASB comments.
March 2025	2. If the IPSASB finalizes a preliminary view to retain and enhance IPSAS 1 presentation requirements, it should not introduce a new term to refer to revenue and expense items recognized outside of surplus or deficit and will ask respondents to share what additional information should be included in the note disclosures.	2. Draft CP reflects IPSASB comments.

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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 CP 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 CP 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: a) The general requirements for financial statements; b) The principles of aggregation and disaggregation; and c) 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. Reflected in Illustrative ED. A BC will be included in draft ED.
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.

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Meeting	Decision	BC Reference
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, and the IED should reflect, the proposal to disclose a statement of financial position as at the beginning of the earliest comparative period, in certain circumstances.	2. Reflected in CP and Illustrative ED. A BC will be included in draft ED.
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 regarding the Statement of Financial Performance 2. CP Development – Review of Drafting
September 2025	1. CP Development – Discussion of Statement of Changes in Net Assets/Equity, and remaining General Presentation Requirements 2. CP Development – Review of Drafting
December 2025	1. CP Development – Discussion of Disclosures in the Notes, and any remaining elements, etc. 2. CP Development – Review of Drafting 3. IED Development – Review of Drafting
March 2026	1. IED Development – Review of Drafting 2. Approval of CP and IED

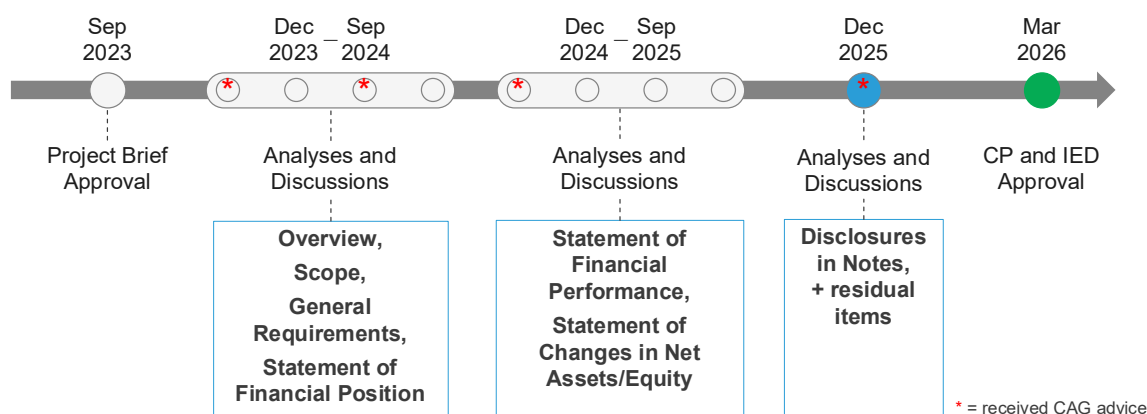
Project Overview and Next Steps

Purpose

1. To provide an overview of the Presentation of Financial Statements project progress and next steps.

Background

2. This project aims to enhance the communication effectiveness of financial information in public sector financial statements, focusing on the presentation requirements in IPSAS Standards. The IPSASB intends to develop a new IPSAS Standard to replace IPSAS 1, *Presentation of Financial Statements*, to increase transparency, relevance, and understandability of information in the financial statements, and support decision-making and accountability.²
3. The IPSASB is on track to approve the Consultation Paper (CP) and accompanying Illustrative Exposure Draft (IED) in March 2026.



Progress to Date

4. The IPSASB has actively engaged in conceptual and technical discussions, with support from the CAG, since the Project Brief approval in September 2023. The IPSASB has taken a systematic approach to effectively navigate this complex project: discuss and form a view, review draft CP text for that view, and then review proposed IED guidance to illustrate the view. By taking this approach, the IPSASB will have a complete [draft] CP as of December 2025 (details in [Agenda Item 6.3.1](#)):

Presentation Topics	Discussed?	Reflected in CP?	Reflected in IED?
Project overview and development	Completed	Project Overview and Chapter 1	Yes
Purpose of Financial Statements and General Presentation Requirements	Completed	Chapter 2	Yes
Statement of Financial Position	Completed	Chapter 3	Yes
Statement of Financial Performance	Completed	Chapter 4	Yes, Dec 2025
Statement of Changes in Net Assets/Equity	Completed	Chapter 5	Yes, Dec 2025
Disclosure in the Notes	In Dec 2025	Chapter 6, Dec 2025	Q1 2026

² The Statements of Financial Position, Financial Performance, and Changes in Net Assets/Equity are in the scope of this project. The Cash Flow Statement (IPSAS 2, *Cash Flow Statements*) is out of scope and will be considered in a future project.

What to Expect in December 2025

5. At its December 2025 meeting, the IPSASB will:
 - (a) Discuss and form its views on the requirements for disclosure in the notes (discussed in Agenda Items [6.2.2](#), [6.2.3](#), [6.2.4](#), [6.2.5](#), and [6.2.6](#));
 - (b) Review the new [draft] Chapter 6 of the CP, which reflect proposed views (discussed in [Agenda Item 6.2.7](#));
 - (c) Conduct a final review of the completed [draft] CP (discussed in [Agenda Item 6.2.8](#));
 - (d) Review the updated and new guidance in the [draft] IED, which illustrate the IPSASB's views provided in the [draft] CP (discussed in Agenda Items [6.2.9](#), [6.2.10](#), [6.2.11](#), and [6.2.12](#)).
6. By the end of its December 2025 meeting, the IPSASB will have:
 - (a) Completed its technical discussions and formed its views regarding all of the presentation requirements for inclusion in the [draft] CP;
 - (b) Reviewed all Chapters of the [draft] CP, which reflect the IPSASB's views on presentation requirements, and finalized the CP (subject to any Decisions, Instructions, or editorial comments from the December 2025 discussions); and
 - (c) Reviewed most of the guidance in the [draft] IED, which accompanies and illustrates the IPSASB's views in the CP.

What to Expect in March 2026

7. In Q1 2026, Staff will complete the following (with the support of the Task Force where needed):
 - (a) Revise the [draft] CP to address December 2025 member comments, Decisions, and Instructions;
 - (b) Revise the [draft] IED to reflect any member comments, Decisions, and Instructions from the December 2025 meeting, including adding new guidance based on the IPSASB's views on the requirements for disclosures in the notes (reflected in Chapter 6 of the [draft] CP); and
 - (c) Address any other specific IPSASB member comments or editorials from the December 2025 discussions.
8. Based on this work, Staff will present to the IPSASB a final [draft] CP and [draft] IED in March 2026 for approval.
9. Members are encouraged to connect directly with Staff if they wish to discuss any specific matters prior to the planned CP with the accompanying IED approval in March 2026.

Disclosure Requirements: Structure of the Notes

Question

1. Does the IPSASB agree with the recommendations in paragraph 2?

Recommendations

2. Staff and the Task Force recommend that the IPSASB:
 - (a) Retain the existing IPSAS 1, *Presentation of Financial Statements* requirements related to the structure of the notes, and incorporate the amendments to IAS 1 *Presentation of Financial Statements*, from the IASB's 2014 *Disclosure Initiative* (Amendments to IAS 1) which were carried forward into IFRS 18 *Presentation and Disclosure in Financial Statements*; and
 - (b) Presents its Preliminary View, with its rationale, in [draft] Chapter 6 of the Consultation Paper (CP).

Background

3. In developing the CP for its Presentation of Financial Statements project, the IPSASB has taken the strategic approach of aligning with IFRS 18 where appropriate for the public sector. In December 2025, the IPSASB will be considering note disclosure requirements. Note disclosures support the overall objective of financial reporting to provide additional information that helps financial statement users better understand information in the financial statements to support their accountability and decision-making needs.³
4. IPSAS 1 includes requirements for the structure of the notes, disclosure of accounting policies, key sources of estimation uncertainty, capital, puttable instruments classified as net assets/equity, and other disclosures. This Agenda Item analyzes the requirements for the structure of the notes.

Analysis

Current IPSAS 1 Requirements (Details in [Appendix 1](#))

5. IPSAS 1 provides guidance regarding the structure of the notes that accompany information presented in the primary financial statements. Specifically, the notes should:
 - (a) Provide information about the basis of preparation and specific accounting policies, disclosures required by IPSAS Standards, and additional information deemed relevant to understanding information on the face of the financial statements; and
 - (b) Be presented in a systematic manner, as far as practical, with cross-references to the face of the financial statements where appropriate.
6. IPSAS 1 also provides examples of the order of notes presented to assist users in understanding the financial statements.

Whether to Revise IPSAS 1 Requirements

7. To determine whether to revise existing IPSAS 1 requirements on the structure of the notes, Staff and the Task Force noted that:

³ Consistent with guidance in Chapters 2, 3, and 6 of the IPSASB'S Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.

- (a) **No significant issues have been raised by public sector constituents.** This indicates that these requirements have been effective in helping public sector entities determine the appropriate structure of the notes they present in the primary financial statements, to support the information needs of financial statement users.
 - (b) **Developments in equivalent private sector guidance should be considered.** IPSAS 1 is primarily drawn from IAS 1 (2003). The IASB amended IAS 1 in 2014 as part of its *Disclosure Initiative* project to clarify existing disclosure requirements and help entities apply judgment in applying those requirements. In 2024, these amendments were carried forward into IFRS 18 in 2024 (which supersedes IAS 1) without substantial changes.
8. The IPSASB has not yet assessed whether the IASB's 2014 amendments to IAS 1 should be incorporated into IPSAS Standards. To support the IPSASB's consideration, Staff completed a detailed comparison of IPSAS 1 and IFRS guidance in Table 1 of [Appendix 1](#) to identify and understand differences. The analysis indicated that:
- (a) Key differences between IPSAS 1 and IFRS guidance on the structure of the notes are a result of the IASB's 2014 *Disclosure Initiative (Amendments to IAS 1)*. To clarify the understanding of the existing disclosure requirements, the IASB:
 - (i) Framed the determination of 'systematic manner' in the context of qualitative characteristics (understandability and comparability); and
 - (ii) Refined its guidance to avoid misinterpretations and added more examples of how notes could be presented in a systematic manner.
 - (b) These amendments to IAS 1 (and carried forward into IFRS 18 without substantial changes) would also be helpful in the public sector, to support public sector entities in determining how to structure its notes in a systematic manner. Framing 'the structure the notes in a systematic manner' in the context of understandability and comparability is consistent with the qualitative characteristics in the IPSASB's Conceptual Framework. In addition, the revisions to existing guidance would help focus on the core principles related to disclosures, and prompt entities to use judgment to give prominence to, and aggregate/disaggregate, disclosed information in a manner that provides useful information to the users of financial statements.
9. Based on the above analysis, Staff and the Task Force recommend the IPSASB retain existing IPSAS 1 requirements on the structure of the notes and incorporate amendments to IAS 1 from the IASB 2014 *Disclosure Initiative*. The updated guidance would be aligned with equivalent IFRS 18 guidance.

Next Steps

10. Staff and the Task Force propose that, if the IPSASB agrees with the recommendation, it should present its Preliminary View and rationale in [draft] Chapter 6 of the CP. Subject to the IPSASB's decision, Staff will also draft guidance for the Illustrative Exposure Draft.

Decision Required

11. Does the IPSASB agree with the Staff and Task Force's [recommendations](#)?

Appendix 1 – Additional Details: Requirements in IPSAS Standards and IFRS

This Appendix provides additional information regarding the IPSAS 1 requirements regarding the structure of the notes, and a comparison with related IFRS guidance. This information is for reference purposes only.

1. IPSAS 1 is primarily drawn from IAS 1 (2003), with terminology differences for the public sector context.
2. Two major IASB developments have resulted in some differences between IPSAS 1 and IFRS requirements related to the structure of the notes:
 - (a) In December 2014, the IASB issued *Disclosure Initiative* (Amendments to IAS 1). This pronouncement amended some of the guidance in IAS 1 as part of the IASB's *Disclosure Initiative*. This pronouncement had a narrow focus: to clarify (rather than significantly change) existing IAS 1 requirements and better guide entities to apply judgment when applying presentation and disclosure requirements.
 - (i) In its Basis for Conclusions, the IASB acknowledged that users may misinterpret the use of the word "normally" in IAS 1 guidance and the requirement to present notes in a systematic manner (i.e., with a system or reason behind ordering or grouping of notes).
 - (ii) To address the risk of potential misinterpretations, the IASB amended IAS 1 guidance to clarify what IAS 1 guidance is provided for example purposes only, and to require entities to consider how the structuring of its notes would meet the qualitative characteristics of understandability and comparability.
 - (b) In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements*, which supersedes IAS 1 (2007).
 - (i) The IASB did not substantially revise the IAS 1 requirements related to the structure of the notes. Since the IASB did not make substantial changes to the existing IAS requirements, the IASB carried forward the Basis for Conclusions from IAS 1 into IFRS 18 (paragraphs BCZ319-BCZ323).
 - (ii) In developing IFRS 18, the IASB received constituent feedback that users of financial statements want to understand how amounts disclosed in the notes relate to the line items in the primary financial statements. To address this feedback, the IASB carried forward and expanded IAS 1 paragraph 113, to also require entities to provide a qualitative explanation of how amounts disclosed in the notes are included in the line items in the primary financial statements.
3. The IPSASB:
 - (a) Initially deferred its decision on whether to incorporate the 2014 *Disclosure Initiative* (Amendments to IAS 1) into IPSAS Standards, as the IASB intended to take a phased approach for that project; and
 - (b) Decided to consider these amendments for public sector financial reporting, as part of its 2023 [Project Brief](#) for this project.
4. Table 1 provides a summary of IPSAS 1 requirements regarding the structure of the notes and a comparison with IFRS equivalents, and highlights key differences.

Table 1 – Comparison of Relevant Guidance in IPSAS 1 and IFRS

IPSAS 1 Paragraphs	Purpose of Guidance	IFRS Equivalents		Comparing IPSAS 1 and IFRS Guidance
		IAS 1 (2024)	IFRS 18	
127	Requires notes to: <ul style="list-style-type: none"> • Present information about the basis of preparation and specific accounting policies used; • Disclose information required by IPSAS that is not presented on the face of the primary financial statements; and • Provide any additional information that is not presented on the face of the primary financial statements but that is relevant to the understanding of them. 	112	113	Alignment: Yes, with editorial differences. The IAS 1 paragraph was carried forward into IFRS 18 with minor editorial differences.
128	Requires entities to present the notes in a systematic manner, as far as practicable. Requires entities to cross reference items on the face of the Statements to any related information in the notes.	113	114	Alignment: Yes, in substance. Key difference: The IASB's 2014 <i>Disclosure Initiative (Amendments to IAS 1)</i> added an additional sentence to IAS 1, to prompts entities to <u>consider the effects on understandability and comparability</u> in determining a “systematic manner”. The IAS 1 paragraph was carried forward into IFRS 18 with minor editorial differences.

IPSAS 1 Paragraphs	Purpose of Guidance	IFRS Equivalents		Comparing IPSAS 1 and IFRS Guidance
		IAS 1 (2024)	IFRS 18	
129	Indicates that, normally, notes are presented in the following order, to assist users in understanding the FS and comparing them to the FS of other entities: <ul style="list-style-type: none"> Statement of compliance with IPSAS Standards; Summary of significant accounting policies applied; Supporting information for items presented on the statements, in the order in which each statement and each line item are presented; and Other disclosures (including contingent liabilities and non-financial disclosures). 	114	B112	<p>Alignment: Yes, partially.</p> <p>Key differences: The IASB's 2014 <i>Disclosure Initiative (Amendments to IAS 1)</i> revised the IAS 1 wording to avoid misinterpretation of the word "normally" and <u>clarify that they are examples</u> of systematic ordering and grouping of notes. It also added two more examples:</p> <ul style="list-style-type: none"> a) Giving prominence to areas of its activities it considers most relevant to understanding financial performance and financial position (e.g., grouping information about particular operating activities together), and b) Grouping information about items measured similarly (e.g., assets measured at fair value). <p>The IAS 1 paragraph was carried forward into IFRS 18 AGs with minor editorial differences.</p>
130	Acknowledges that in some circumstances, it may be necessary or desirable to vary the order of specific items in the notes, but that a systematic structure should be retained as far as practicable.	115 <i>DELETED</i>	-	<p>Alignment: No.</p> <p>Key difference: The IASB's 2014 <i>Disclosure Initiative (Amendments to IAS 1)</i> deleted the equivalent IAS 1 paragraph, as the additional guidance in IAS 1 paragraphs 113-114 (now IFRS 18 paragraphs 114 and B112) sufficiently articulates core principles.</p>
131	Allows entities to present information about the basis of preparation of the FS and specific accounting policies as a separate component of the FS.	116	115	<p>Alignment: Yes, with editorial differences.</p> <p>The IAS 1 paragraph was carried forward into IFRS 18 with minor editorial differences.</p>

Disclosure Requirements: Accounting Policy Information

Question

1. Does the IPSASB agree with the recommendations in paragraph 2?

Recommendations

2. Staff and the Task Force recommend that the IPSASB:
 - (a) Retain the existing IPSAS 1, *Presentation of Financial Statements* requirements related to the disclosure of accounting policy information, and incorporate the IASB's 2021 amendments to IAS 1 *Presentation of Financial Statements* which have since been relocated to IAS 8 *Basis of Preparation of Financial Statements*; and
 - (b) Presents its Preliminary View, with its rationale, in [draft] Chapter 6 of the Consultation Paper (CP).

Background

3. In developing the CP for its Presentation of Financial Statements project, the IPSASB has taken the strategic approach of aligning with IFRS 18 *Presentation and Disclosure in Financial Statements* where appropriate for the public sector. In December 2025, the IPSASB will be considering note disclosure requirements. Note disclosures support the overall objective of financial reporting to provide additional information that helps financial statement users better understand information in the financial statements to support their accountability and decision-making needs.⁴
4. IPSAS 1 includes requirements for the structure of the notes, disclosure of accounting policies, key sources of estimation uncertainty, capital, puttable instruments classified as net assets/equity, and other disclosures. This Agenda Item analyzes the requirements for disclosure of accounting policies.

Analysis

Current IPSAS 1 Requirements (details in [Appendix 1](#))

5. IPSAS 1 requirements for the disclosure of significant accounting policies include:
 - (a) Specific requirements regarding the information an entity should disclose in the summary of significant accounting policies;
 - (b) Additional guidance to help entities decide whether to disclose a particular accounting policy (e.g., whether the disclosure would assist financial statement users in understanding transactions, other events, and conditions, when the accounting policy was selected from alternatives allowed in IPSAS Standards, entity-specific considerations, etc.);
 - (c) A requirement and supporting guidance to help entities disclose judgments (apart from those involving estimates) made in applying its accounting policies; and
 - (d) A reminder that other IPSAS Standards also include specific disclosure requirements.

⁴ Consistent with guidance in Chapters 2, 3, and 6 of the IPSASB'S Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.

Whether to Revise IPSAS 1 Requirements

6. To determine whether to revise existing IPSAS 1 requirements, Staff and the Task Force noted that:
- (a) **Constituents have not raised significant issues regarding these specific requirements.** This indicates that the requirements have been effective in helping entities disclose its significant accounting policies to support the information needs of financial statement users.
 - (b) **There is broad, ongoing interest in managing potential disclosure overload.** Stakeholders in both the public and private sectors are keen to address or avoid disclosure overload. Information in financial statements is less useful to users of financial statements when the notes do not have enough relevant information, have too much irrelevant information, or are ineffective in communicating information. This puts continued emphasis on considering information in the context of materiality and presenting information that can be reasonably expected to influence the decisions of the primary users of financial statements.
 - (c) **Developments in equivalent private sector guidance should be considered.** IPSAS 1 is primarily drawn from IAS 1 (2003). The IASB amended IAS 1 in 2021 as part of its *Disclosure Initiative* project to clarify existing requirements to help stakeholders improve accounting policy disclosures for primary users of financial statements. In 2024, these amendments to IAS 1 were carried forward and relocated to IAS 8 with minor editorial changes.
7. The IPSASB has not yet assessed whether the IASB's 2021 amendments to IAS 1 should be incorporated into IPSAS Standards. To support the IPSASB's consideration, Staff completed a detailed comparison of IPSAS 1 and IFRS guidance in Table 1 of [Appendix 1](#) to identify and understand differences. The analysis indicated that:
- (a) Key differences between IPSAS 1 and IFRS guidance on the disclosure of accounting policies are a result of the IASB's 2021 *Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2). To help entities understand and apply the requirements, the IASB:
 - (i) Revised existing guidance to focus on *material* accounting policy information, rather than significant accounting policies. This is because *material* is defined and well understood in IFRS Standards⁵, whereas *significant* is not defined and has a wide range of interpretations in practice; and
 - (ii) Revised existing guidance to better emphasize the importance of applying judgment and the materiality concept in deciding whether disclosing a particular accounting policy would support user needs.
 - (b) These amendments to IAS 1 are centered around key concepts that are equally important and fundamental to financial reporting in the public sector: the concept of materiality and the application of judgment. Revising existing IPSAS guidance (i.e., incorporating the IASB's 2021 amendments) to focus on *material* accounting policy information would:
 - (i) More effectively prompt entities to consider the decision-making needs of financial statements users when preparing disclosures regarding their accounting policies,

⁵ The IASB also issued IFRS Practice Statement 2 *Making Materiality Judgements* in 2017, which provides additional non-authoritative guidance on making materiality judgments when preparing general purpose financial statements, including the disclosure of accounting policies. The IPSASB is considering how to adapt IFRS Practice Statement 2 as part of its separate narrow scope project.

without substantially changing the existing disclosure requirements (i.e., what information is material to financial statement users);

- (ii) Be consistent with the IPSASB's recent and upcoming work to support public sector entities in preparing its general purpose financial reports (standardizing materiality guidance in IPSAS Standards⁶ and developing new guidance to help entities make materiality judgments); and
 - (iii) Continue to remind entities to meet any specific accounting policy disclosure requirements set out in other IPSAS Standards, if the information is material.⁷
8. Based on the above analysis, Staff and the Task Force recommend the IPSASB retain existing IPSAS 1 requirements on the disclosure of accounting policies and incorporate the amendments to IAS 1 from the 2021 *Disclosure of Accounting Policies* pronouncement. The updated guidance would be aligned with equivalent IFRS guidance (in IAS 8) since the issuance of IFRS 18.

Next Steps

9. Staff and the Task Force propose that, if the IPSASB agrees with the recommendation, it should present its Preliminary View and rationale in [draft] Chapter 6 of the CP. Subject to the IPSASB's decision, Staff will also draft guidance for the Illustrative Exposure Draft.⁸

Decision Required

10. Does the IPSASB agree with the Staff and Task Force's [recommendations](#)?

⁶ In September 2025, the IPSASB completed phase 1 of its Making Materiality Judgments limited scope project. The pronouncement revised the definition of material to be consistent with the Conceptual Framework and modified related IPSAS 1 guidance. The amended guidance on materiality is also consistent with IFRS guidance.

⁷ This is also consistent with the IASB's considerations. In its Basis for Conclusions (IFRS 18.BCZ31Q), the IASB also acknowledged that disclosure requirements in IFRS Standards are subject to materiality judgments: "a disclosure required by an IFRS Standard is required to be provided only if the information resulting from that disclosure is material."

⁸ As noted in [Appendix 1](#), the IASB relocated some IAS 1 guidance into IAS 8 *Basis of Preparation of Financial Statements* instead of carrying forward into IFRS 18. For this Phase of this project, equivalent IPSAS guidance is presented in the illustrative ED to better support constituents in considering and providing feedback on the Consultation Paper. In the next Phase of this project, the IPSASB will need to determine the final location of this guidance (e.g., whether to move the guidance to IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*, consistent with the IASB's approach).

Appendix 1 – Additional Details: Requirements in IPSAS Standards and IFRS

This Appendix provides additional information regarding the IPSAS 1 requirements on the disclosure of accounting policy information, and a comparison with related guidance in IFRS. This information is for reference purposes only.

1. IPSAS 1 is primarily drawn from IAS 1 (2003) with terminology differences for the public sector.
2. Two major IASB developments have resulted in some differences between IPSAS 1 and IFRS requirements related to the disclosure of accounting policies:
 - (a) In February 2021, the IASB issued *Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2) as part of its broader *Disclosure Initiative*. This pronouncement clarified existing IAS 1 guidance to help stakeholders improve accounting policy disclosures for primary users of financial statements.
 - (i) The IASB acknowledged that stakeholders, including primary users of financial statements, differed in views on what constitutes a *significant* accounting policy in IAS 1. ‘Significant’ is not defined in IFRS Standards, and entities found it difficult to understand how it differs from ‘material’ (which is defined in IFRS Standards and well understood), if any difference exists. Stakeholders suggested the IASB develop guidance or requirements to help entities make more effective accounting policy disclosures, and consider using materiality as the basis of such guidance or requirements.
 - (ii) To address stakeholder feedback, the IASB amended IAS 1 guidance to require disclosure of *material* accounting policy information instead of (*significant*). The IASB also added guidance to help entities determine whether accounting policy information is material to its financial statements, consistent with its existing guidance on materiality. The IASB noted the amendments to focus in materiality of accounting policy information provides benefits, improving the relevance of financial statements, and outweighs costs.
 - (b) In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements*, which supersedes IAS 1 (2007).
 - (i) The IASB did not substantially revise the IAS 1 disclosure requirements relating to an entity’s selection and application of accounting policies, acknowledging that it had amended these requirements in 2021.
 - (ii) Instead, the IASB relocated this IAS 1 guidance to IAS 8 *Basis of Preparation of Financial Statements* (with minor editorial changes), with relevant Basis for Conclusions. The IASB also presents these Basis for Conclusions paragraphs in IFRS 18 (BCZ31A-BCZ31V) with cross-references to IAS 8.
3. The IPSASB:
 - (a) Initially deferred its decision on whether to incorporate the 2021 Amendments into IPSAS Standards, as the IASB intended to take a phased approach for that project; and
 - (b) Decided to consider these amendments for public sector financial reporting, as part of its 2023 [Project Brief](#) for this project.
4. Table 1 provides a summary of IPSAS 1 requirements, with key differences from IFRS equivalents.

Table 1 – Comparison of Relevant Guidance in IPSAS 1 and IFRS

IPSAS 1 Paragraphs	Purpose of Guidance	IFRS Equivalents		Comparing IPSAS 1 and IFRS Guidance
		IAS 1 (2024)	IAS 8	
132	Requires an entity to disclose in the summary of significant accounting policies: <ul style="list-style-type: none"> • Measurement basis (or bases) used in preparing the financial statements (FS); • Extent to which the entity applied any transitional provisions in any IPSAS Standard; and • Other accounting policies used that are relevant to understanding the FS. 	117	27A	<p>Alignment: Partially.</p> <p>Key difference: The IASB's 2021 <i>Disclosure of Accounting Policies</i> amended this paragraph to <u>focus on material</u> accounting policy information (instead of significant accounting policies) that can be reasonably expected to influence decisions that primary users make on the basis of those FS.</p> <p>This is consistent with the overall intention of the 2021 amendments to frame these disclosure requirements in the context of materiality, and to prompt entities to apply judgment to determine accounting policies to disclose to support financial statement user needs.</p> <p>Upon issuance of IFRS 18, the IAS 1 paragraph was carried forward into IAS 8, with minor editorial differences.</p>
133	Expands on paragraph 133, explaining that information about the measurement basis (or bases) used in the FS can impact the analysis of the FS.	118 <i>DELETED</i>	-	<p>Alignment: No.</p> <p>Key difference: The IPSAS 1 paragraph was previously aligned with IAS 1 paragraph 118. The IASB's 2021 <i>Disclosure of Accounting Policies</i> deleted this paragraph. The IASB provided its rationale in the Basis for Conclusions, explaining that deleting this paragraph would better enable preparers to <u>focus on the concept of materiality</u> and to <u>apply judgment</u> to disclose only material accounting policy information. The IASB acknowledged in IFRS 18 paragraph BCZ31O that information about measurement basis or bases used in preparing FS is material in many cases but may be immaterial in other cases. For example, information about the use of a measurement basis may be immaterial when an IFRS Standard requires the use of a specific measurement basis (i.e., does not provide a choice nor require judgment) or when the information is not needed for the user to understand the related material transaction, event, or condition.</p>

IPSAS 1 Paragraphs	Purpose of Guidance	IFRS Equivalents		Comparing IPSAS 1 and IFRS Guidance
		IAS 1 (2024)	IAS 8	
134-136	Provides guidance on how to decide whether to disclose a particular accounting policy: <ul style="list-style-type: none"> Considering whether the disclosure would assist users in understanding how transactions, other events, and conditions are reflected (e.g., when the accounting policy was selected from alternatives allowed in IPSAS Standards); Reminding entities that other IPSAS Standards may specifically require disclosures of particular accounting policies (e.g., IPSAS 45 requires disclosure of the measurement bases used for classes of property, plant, and equipment); Considering the nature of its operations and policies users would expect to be disclosed for that entity type; Noting that an accounting policy may be significant because of the nature of the entity's operations, even if amounts are not material in current or prior periods; Noting that significant accounting policies may be appropriate to disclose in accordance with IPSAS 3, even if not specifically required by other IPSAS. 	117A-117E	27B-27F	<p>Alignment: Yes, in substance.</p> <p>Key difference: The IPSAS 1 paragraphs were previously aligned with IAS 1 paragraphs 119-121. The IASB's 2021 <i>Disclosure of Accounting Policies</i> essentially replaced IAS 1 paragraphs 119-121 with paragraphs 117A-117E, but still highlights the same key considerations: helping users understand transactions/events/conditions, entity-specific factors, when the Standards provide accounting policy choices, disclosure requirements in other Standards.</p> <p>This is consistent with the overall intention of the 2021 amendments to frame these disclosure requirements in the context of materiality, and to prompt entities to apply judgment to determine accounting policies to disclose to support financial statement user needs.</p> <p>Upon issuance of IFRS 18, the IAS 1 paragraphs were carried forward into IAS 8, with minor editorial differences.</p>
137	Requires an entity to disclose (in the summary of significant accounting policies and other notes) the judgments (apart from those involving estimations) that management made in applying the entity's accounting policies that have the most significant effect on the amounts recognized in the FS.	122	27G	<p>Alignment: Yes, in substance.</p> <p>Key difference: The IASB's 2021 <i>Disclosure of Accounting Policies</i> amended this paragraph to refer to "<u>material</u> accounting policy information" instead of "significant accounting policies".</p> <p>Upon issuance of IFRS 18, the IAS 1 paragraph was carried forward into IAS 8, with minor editorial differences.</p>
138	Expands on IPSAS 1 paragraph 137 by providing examples of such judgments made by management.	123	27H	<p>Alignment: Yes, in substance (a few examples differ).</p> <p>Upon issuance of IFRS 18, the IAS 1 paragraph was carried forward into IAS 8, with minor editorial differences.</p>
139	Expands on IPSAS 1 paragraph 137 by noting that some of the disclosures made are required by other IPSAS Standards and providing some examples.	124	27I	<p>Alignment: Yes.</p> <p>Upon issuance of IFRS 18, the IAS 1 paragraph was carried forward into IAS 8, with minor editorial differences.</p>

Disclosure Requirements: Sources of Estimation Uncertainty

Question

1. Does the IPSASB agree with the recommendations in paragraph 2?

Recommendations

2. Staff and the Task Force recommend that the IPSASB:
 - (a) Retain the existing IPSAS 1, *Presentation of Financial Statements* requirements related to the disclosure of sources of estimation uncertainty, which remain aligned with equivalent IFRS guidance (now relocated to IAS 8 *Basis of Preparation of Financial Statements*); and
 - (b) Presents its Preliminary View, with its rationale, in [draft] Chapter 6 of the Consultation Paper (CP).

Background

3. In developing the CP for its Presentation of Financial Statements project, the IPSASB has taken the strategic approach of aligning with IFRS 18 *Presentation and Disclosure in Financial Statements* where appropriate for the public sector. In December 2025, the IPSASB will be considering note disclosure requirements. Note disclosures support the overall objective of financial reporting to provide additional information that helps financial statement users better understand information in the financial statements to support their accountability and decision-making needs.⁹
4. IPSAS 1 includes several sets of disclosure requirements. This Agenda Item analyzes the requirements for disclosure of sources of estimation uncertainty.

Analysis

Current IPSAS 1 Requirements (details in [Appendix 1](#))

5. Currently, IPSAS 1 guidance:
 - (a) Requires entities to disclose information about key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that have ‘significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial year’;
 - (b) Explains that this disclosure is not required in certain circumstances when a quoted price in an active market is used, and is not required for budget information or forecasts; and
 - (c) Provides additional guidance and examples to help entities apply the disclosure requirement.
6. IPSAS 1 also includes a reminder that other IPSAS Standards also include specific disclosure requirements regarding key assumptions and sources of estimation uncertainty.

Whether to Revise IPSAS 1 Requirements

7. To determine whether to revise existing IPSAS 1 requirements, Staff and the Task Force noted that:

⁹ Consistent with guidance in Chapters 2, 3, and 6 of the IPSASB'S Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.

- (a) **Constituents have not raised significant issues regarding these specific requirements.** This indicates that the requirements have been effective in helping entities identify and disclose key sources of estimation uncertainty to support information needs of financial statement users.
 - (b) **There is broad, ongoing interest in managing potential disclosure overload.** Stakeholders in both the public and private sectors are keen to address or avoid disclosure overload. Information in financial statements is less useful to users of financial statements when the notes do not have enough relevant information, have too much irrelevant information, or are ineffective in communicating information. This puts continued emphasis on considering information in the context of materiality and presenting information that can be reasonably expected to influence the decisions of the primary users of financial statements.
 - (c) **There are no major developments in equivalent private sector guidance.** IPSAS 1 is primarily drawn from IAS 1 (2003). The IASB made minimal changes to its guidance, and recently relocated this guidance to IAS 8.
8. To support the IPSASB's consideration, Staff completed a detailed comparison of IPSAS 1 and IFRS guidance in Table 1 of [Appendix 1](#) to identify and understand differences. The analysis indicated that:
- (a) IPSAS 1 and IFRS guidance remain aligned in principle, with only some public sector and editorial differences. For example, IPSAS Standards include current operational value (COV) as a potential current value measurement basis, which does not exist in IFRS Accounting Standards. Thus, the IPSAS 1 guidance includes guidance and examples which reference COV, which are not in equivalent IAS 8 guidance.
 - (b) Both IPSAS 1 and IFRS guidance continue to frame the disclosure requirement in the context of materiality (specifically, when key sources of estimation uncertainty have significant risk of causing material adjustments to carrying amounts of assets and liabilities). Retaining the disclosure requirement ensures that entities continue to provide information that support the accountability and decision-making needs of the users of the financial statements.¹⁰
9. Based on the above, Staff and the Task Force recommend the IPSASB retain existing IPSAS 1 requirements on the disclosure of sources of estimation uncertainty, which remain aligned with equivalent IFRS guidance.

Next Steps

10. Staff and the Task Force propose that, if the IPSASB agrees with the recommendation, it should present its Preliminary View and rationale in [draft] Chapter 6 of the CP. Subject to the IPSASB's decision, Staff will also draft guidance for the Illustrative Exposure Draft.¹¹

Decision Required

11. Does the IPSASB agree with the Staff and Task Force's [recommendations](#)?

¹⁰ This is broadly consistent with the IASB's Basis for Conclusions (IFRS 18.BCZ31Q), where it acknowledged that disclosure requirements are subject to materiality judgments: "a disclosure required by an IFRS Standard is required to be provided only if the information resulting from that disclosure is material."

¹¹ As noted in [Appendix 1](#), the IASB relocated some IAS 1 guidance into IAS 8 instead of carrying forward into IFRS 18. For this Phase of this project, equivalent IPSAS guidance is presented in the illustrative ED to better support constituents in considering and providing feedback on the Consultation Paper. In the next Phase, the IPSASB will need to determine the final location of this guidance (e.g., whether to move the guidance to IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*, consistent with the IASB's approach).

Appendix 1 – Additional Details: Requirements in IPSAS Standards and IFRS

This Appendix provides additional information regarding the IPSAS 1 requirements on the disclosure of sources of estimation uncertainty, and a comparison with related guidance in IFRS. This information is for reference purposes only.

1. IPSAS 1 is primarily drawn from IAS 1 (2003) with terminology differences for the public sector.
2. In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements*, which supersedes IAS 1.
 - (a) The IASB did not revise the IAS 1 disclosure requirements relating to the sources of estimation uncertainty.
 - (b) Instead, the IASB relocated this IAS 1 guidance to IAS 8 *Basis of Preparation of Financial Statements* (with only 1 editorial change), with relevant Basis for Conclusions. The IASB also presents these Basis for Conclusions paragraphs in IFRS 18 (BCZ31Y-BCZ31AD) with cross-references to IAS 8.
3. Table 1 provides a summary of IPSAS 1 requirements, with key differences from IFRS equivalents. Overall, IPSAS 1 and IFRS guidance remain aligned in principle, with only:
 - (a) Some public sector differences:
 - (i) IPSAS Standards include current operational value as a potential current value measurement basis, which does not exist in IFRS Accounting Standards; and
 - (ii) IPSAS Standards use “at the reporting date”, whereas IFRS uses “at the end of the reporting period”; and
 - (b) Other editorial differences.

Table 1 – Comparison of Relevant Guidance in IPSAS 1 and IFRS

IPSAS 1 Paragraphs	Purpose of Guidance	IFRS Equivalents		Comparing IPSAS 1 and IFRS Guidance
		IAS 1 (2024)	IAS 8	
140, 143, 145	<p>Requires entities to disclose information about:</p> <ul style="list-style-type: none"> Key assumptions concerning the future; and Other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year (with nature and carrying amount of those assets and liabilities at the reporting date). <p>Notes that this disclosure is <u>not</u> required:</p> <ul style="list-style-type: none"> For assets and liabilities with a significant risk that their carrying amounts might change materially within the next financial year if, at the reporting date, they are measured at current operational value or fair value based on a quoted price in an active market for an identical asset or liability; or For budget information or forecasts. 	125, 128, 130	31A, 31D, 31F	<p>Alignment: Yes, with:</p> <ul style="list-style-type: none"> Public sector differences – IPSAS Standards includes <i>current operational value</i> as a potential current value measurement basis, which does not exist in IFRS Accounting Standards. IPSASB also uses 'at the reporting date' in its Standards whereas IASB uses 'at the end of the reporting period'. Editorial difference – IPSASB uses 'key sources' whereas IASB uses 'major sources' since 2007. <p>Upon issuance of IFRS 18, the IAS 1 paragraphs were carried forward into IAS 8, with no changes.</p>
141	<p>Reminds entities that estimation of the effects of uncertain future events is required to determine the carrying amounts of certain assets and liabilities at the reporting date.</p> <p>Provides some examples where future-oriented estimates and assumptions are necessary, due to the lack of a quote price in an active market, to measure certain assets and liabilities: the recoverable amount of certain classes of PP&E, effects of technological obsolescence on inventories, and provisions subject to ongoing litigation.</p>	126	31B	<p>Alignment: Yes, with slight differences in terminology and examples for public sector vs. private sector.</p> <p>Upon issuance of IFRS 18, the IAS 1 paragraph was carried forward into IAS 8, with no changes.</p>
142	<p>Builds on paragraph 140 by explaining that key assumptions and other key sources of estimation uncertainty relate to estimates that require management's most difficult, subjective, and complex judgments.</p> <p>Notes that more variables and assumptions increase the subjectivity and complexity of those judgments, which normally increases the potential for consequential material adjustments to carrying amounts.</p>	127	31C	<p>Alignment: Yes, with editorial difference (key vs. major source).</p> <p>Upon issuance of IFRS 18, the IAS 1 paragraph was carried forward into IAS 8, with no changes.</p>

IPSAS 1 Paragraphs	Purpose of Guidance	IFRS Equivalents		Comparing IPSAS 1 and IFRS Guidance
		IAS 1 (2024)	IAS 8	
144	Requires entities to present the disclosures in a manner that helps financial statement users understand judgments made about the future and about key sources of estimation uncertainty. Acknowledges that nature and extent of information provided will vary depending on the nature of the assumption and other circumstances. Provides some examples of types of disclosures made.	129	31E	Alignment: Yes, with editorial difference (key vs. major source). Upon issuance of IFRS 18, the IAS 1 paragraph was carried forward into IAS 8, with 1 editorial change.
146	Notes that when it is impractical to disclose the extent of possible effects of a key assumption or another key source of estimation uncertainty at the reporting date, the entity should disclose: <ul style="list-style-type: none"> The nature and carrying amount of the specific asset or liability (or class) affected by the assumption; and Based on existing knowledge, it is still reasonably possible that material adjustment to the carrying amount of the affected asset or liability may be required, based on the difference between the assumptions and outcomes within the next financial year. 	131	31G	Alignment: Yes, with editorial difference. Upon issuance of IFRS 18, the IAS 1 paragraph was carried forward into IAS 8, with no changes.
147	Reminds entities that the disclosure requirements in paragraph 137 (judgments when applying accounting policies) are not related to the disclosure requirements in paragraph 140 (key sources of estimation uncertainty).	132	31H	Alignment: Yes, with editorial difference (key vs. major source). Upon issuance of IFRS 18, the IAS 1 paragraph was carried forward into IAS 8, with no changes.
148	Reminds entities that some other IPSAS require disclosure of certain key assumptions. Provides examples of such disclosure requirements, such as: <ul style="list-style-type: none"> IPSAS 19 requires disclosures for major assumptions concerning future events affecting classes of provisions IPSAS 30 requires disclosures for significant assumptions applied in estimating fair values of financial assets and liabilities carried at fair value IPSAS 45 requires disclosures of measurement techniques and inputs in measuring current operational value and fair value of revalued PP&E items 	133	31I	Alignment: Yes, with an additional PP&E example for current operational value and editorial an difference (key vs. major source). Upon issuance of IFRS 18, the IAS 1 paragraph was carried forward into IAS 8, with no changes.

Disclosure Requirements: Related to Net Assets/Equity and General Information

Question

1. Does the IPSASB agree with the recommendations in paragraph 2?

Recommendations

2. Staff and the Task Force recommend that the IPSASB:
 - (a) Retain the existing IPSAS 1, *Presentation of Financial Statements* disclosure requirements related to the entity's net assets/equity and general information, which remain aligned with equivalent IFRS guidance; and
 - (b) Presents its Preliminary View, with its rationale, in [draft] Chapter 6 of the Consultation Paper (CP).

Background

3. In developing the CP for its Presentation of Financial Statements project, the IPSASB has taken the strategic approach of aligning with IFRS 18 *Presentation and Disclosure in Financial Statements* where appropriate for the public sector. In December 2025, the IPSASB will be considering note disclosure requirements. Note disclosures support the overall objective of financial reporting to provide additional information that helps financial statement users better understand information in the financial statements to support their accountability and decision-making needs.¹²
4. Preceding Agenda Items assessed most of the IPSAS 1 disclosure requirements (regarding the structure of the notes, accounting policies, and estimation uncertainty), which are relevant for all entities. This Agenda Item analyzes the remaining disclosure requirements related to net assets/equity (capital, puttable financial instruments classified as equity instruments, and dividends), and general entity information.

Analysis

Current IPSAS 1 Requirements (details in [Appendix 1](#))

5. IPSAS 1 includes disclosure requirements related to components of net assets/equity, including:
 - (a) Disclosing information to help users of financial statements evaluate the entity's objectives, policies, and processes for managing capital, with separate disclosures when there are different capital requirements;
 - (b) Disclosing specific information regarding puttable financial instruments classified as net assets/equity, and certain reclassifications; and
 - (c) Disclosing information about any share capital (either on the face of the Statement of Financial Position or in the notes), and dividends or similar distributions.
6. IPSAS 1 also requires entities to disclose general information about the entity itself (e.g., legal form, nature of operations, relevant legislation, controlling entity if applicable, etc.).

¹² Consistent with guidance in Chapters 2, 3, and 6 of the IPSASB'S Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.

Whether to Revise IPSAS 1 Requirements

7. To determine whether to revise these existing IPSAS 1 requirements, Staff noted that:
- (a) **The disclosure requirements related to components of net assets/equity are transaction-specific and may not be applicable for some public sector entities.** The requirements summarized in paragraph 5 are only relevant for entities that have capital (e.g., organizations receiving state contributions or serve as Crown agents, etc.), pay dividends or similar distributions, or have puttable financial instruments classified as net assets/equity. The requirements would not apply to entities that do not have such transactions.
 - (b) **The requirement to disclose information about the entity would be applicable for all public sector entities.** The requirement in paragraph 6 is relevant for all entities.
 - (c) **Constituents have not raised significant issues regarding these specific requirements.** This indicates that the requirements have been effective in helping entities disclose necessary information to support information needs of financial statement users.
 - (d) **There are no major developments in equivalent private sector guidance.** IPSAS 1 is primarily drawn from IAS 1 (2003). In developing IFRS 18, the IASB carried forward the guidance with minimal changes (except guidance on puttable financial instruments classified as net equity, which was relocated to IFRS 7 *Financial Instruments: Disclosures*).
8. Staff also compared IPSAS 1 and IFRS guidance in Table 1 of [Appendix 1](#) to identify and understand differences. The analysis indicated that IPSAS 1 and IFRS guidance remain aligned in principle, with some public sector and editorial differences. Retaining the IPSAS 1 disclosure requirement ensures that entities continue to provide relevant information about the entity and its net assets/equity, to support the accountability and decision-making needs of the users of the financial statements.¹³
9. Based on the above, Staff and the Task Force recommend the IPSASB retain existing IPSAS 1 requirements, which remain aligned with equivalent IFRS guidance.

Next Steps

10. Staff and the Task Force propose that, if the IPSASB agrees with the recommendation, it should present its Preliminary View and rationale in [draft] Chapter 6 of the CP. Subject to the IPSASB's decision, Staff will also draft guidance for the Illustrative Exposure Draft.¹⁴

Decision Required

11. Does the IPSASB agree with the Staff and Task Force's [recommendations](#)?

¹³ This is broadly consistent with the IASB's Basis for Conclusions (IFRS 18.BCZ31Q), where it acknowledged that disclosure requirements are subject to materiality judgments: "a disclosure required by an IFRS Standard is required to be provided only if the information resulting from that disclosure is material."

¹⁴ As noted in [Appendix 1](#), the IASB relocated IAS 1 disclosure requirements related to financial instruments classified as equity into IFRS 7 *Financial Instruments: Disclosures* instead of carrying forward into IFRS 18. For this Phase of this project, equivalent IPSAS guidance is presented in the illustrative ED to better support constituents in considering and providing feedback on the Consultation Paper. In the next Phase, the IPSASB will need to determine the final location of this guidance (e.g., whether to move the guidance to IPSAS 30, *Financial Instruments: Disclosures*, consistent with the IASB's approach).

Appendix 1 – Additional Details: Requirements in IPSAS Standards and IFRS

This Appendix provides additional information regarding the IPSAS 1 requirements assessed in this paper, and a comparison with related IFRS guidance. This information is for reference purposes only.

1. IPSAS 1 is primarily drawn from IAS 1 (2003) with terminology differences for the public sector.
2. In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements*, which supersedes IAS 1.
 - (a) The IASB did not revise the IAS 1 disclosure requirements related to net assets/equity (capital, puttable financial instruments classified as equity instruments, and dividends), and general entity information.
 - (b) The IASB relocated two IAS 1 disclosure paragraphs (80A and 136A, regarding puttable financial instruments classified as equity instruments) to IFRS 7 *Financial Instruments: Disclosures* (new paragraph 19A). In its new IFRS 7 Basis for Conclusion, the IASB explains that it originally added this disclosure requirement to IAS 1 in 2008 as a result of its *Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments to IAS 32 and IAS 1)* pronouncement. In developing IFRS 18, the IASB decided to move this guidance to IFRS 7.
 - (c) The IASB carried forward the other paragraphs into IFRS 18 without substantial changes.
3. Table 1 provides a summary of IPSAS 1 requirements, with key differences from IFRS equivalents. Overall, IPSAS 1 and IFRS guidance remain aligned in principle, with only some public sector differences (related to the types of transactions, and specific wording), and editorial differences.

Table 1 – Comparison of Relevant Guidance in IPSAS 1 and IFRS

IPSAS 1 Paragraphs	Purpose of Guidance	IFRS Equivalents		Comparing IPSAS 1 and IFRS Guidance
		IAS 1 (2024)	IFRS	
Capital				
148A, 148B	Requires an entity to disclose information that enables financial statement users to evaluate the entity's objectives, policies, and processes for managing capital. Lists specific information to disclose, based on information provided internally by key management personnel, including but not limited to: <ul style="list-style-type: none">Qualitative information about its objectives, policies, and processes for managing capital;Summary quantitative data about what it regards and manages as capital;Any changes to the above qualitative and quantitative information from the previous period;Whether during the period it complied with any externally imposed capital requirements to which it is subject (and if not, the consequences of noncompliance)	134, 135	18.126, 18.127, 18.128	Alignment: Yes, with minor editorial differences. The IAS 1 paragraph was carried forward into IFRS 18 with minor editorial differences.
148C	Acknowledges that an entity may manage capital in a number of ways and be subject to a number of different capital requirements. Requires that: <ul style="list-style-type: none">If an aggregate disclosure of capital requirements and capital management would not provide useful information or would distort a financial statement users' understanding of an entity's capital resources, thenThe entity is required to disclose separate information for each capital requirement to which the entity is subject.	136	18.129	Alignment: Yes. The IAS 1 paragraph was carried forward into IFRS 18 with minor editorial differences.
Puttable Financial Instruments Classified as Net Assets/Equity				
148D	Requires an entity to disclose the following (to the extent not disclosed elsewhere): <ul style="list-style-type: none">Summary of quantitative data about the amount classified as net assets/equity;Its objectives, policies, and processes for managing its obligation to repurchase or redeem the instruments when required, and any changes from the previous period;Expected cash outflow on redemption or repurchase of that class of financial instruments; andInformation about how the expected cash outflow on redemption or repurchase was determined.	136A	7.19A	Alignment: Yes. Upon issuance of IFRS 18, the IAS 1 paragraph was carried forward into IFRS 7, with no changes.

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IPSAS 1 Paragraphs	Purpose of Guidance	IFRS Equivalents		Comparing IPSAS 1 and IFRS Guidance
		IAS 1 (2024)	IFRS	
95A	When the entity reclassifies certain financial instruments, the entity is required to disclose the amount reclassified into and out of each category (financial liabilities or net assets/equity), and the timing and reason for that reclassification.	80A	7.19B	Alignment: Yes, with editorial differences. Upon issuance of IFRS 18, the IAS 1 paragraph was carried forward into IFRS 7, with no changes.
Other Disclosures				
98	Requires an entity to disclose the following either on the face <u>or</u> in the notes, if it has share capital: <ul style="list-style-type: none"> Information for each class of share capital: number of shares authorized; number of shares issued and fully paid; number of shares issued but not fully paid; par value per share; reconciliation of number of shares outstanding from beginning to end of the year; the rights, preferences, and restrictions attaching to that class; shares held by the entity or its controlled entities or associates; and shares reserved for issue under options and contracts for sale of shares, including terms and amounts. Description of the nature and purpose of each reserve within net assets/equity. 	79, 80	18.130, 18.131	Alignment: Yes, with editorial differences. IPSAS 1 also does not include an equivalent to IAS 1.80 (IFRS 18.131) as partnerships and trusts are not prevalent in the public sector. The IAS 1 paragraph was carried forward into IFRS 18, with minor editorial differences and a relocation: <ul style="list-style-type: none"> The paragraph was in the “Statement of Financial Position” section of IAS 1 The paragraph is now in the “Notes” section of IFRS 18
149	Requires an entity to disclose: <ul style="list-style-type: none"> The amount of dividends, or similar distributions, proposed or declared before the financial statements were authorized for issue, but not recognized as a distribution to owners during the period, and the related amount per share; and The amount of any cumulative preference dividends, or similar distributions, not recognized. 	137	18.132	Alignment: Yes, with some public sector differences. IPSAS uses “dividends, <u>or similar distributions</u> ”, whereas IFRS uses “dividends” only. The IAS 1 paragraph was carried forward into IFRS 18 with minor editorial differences.
150	Requires an entity to disclose the following, if not disclosed elsewhere in information published with the financial statements: <ul style="list-style-type: none"> The domicile and legal form of the entity, and the jurisdiction within which it operates; A description of the nature of the entity’s operations and principal activities; A reference to the relevant legislation governing the entity’s operations; The name of the controlling entity and the ultimate controlling entity of the economic entity (where applicable); and If it is a limited life entity, information regarding the length of its life. 	138	18.116	Alignment: Yes, with wording difference for public sector vs. private sector (e.g., IPSAS uses “jurisdiction within which it operates” and “controlling entity”, whereas IFRS uses “country of incorporation... registered office...” and “parent”). The IAS 1 paragraph was carried forward into IFRS 18 with minor editorial differences.

Management-Defined Performance Measures

Question

1. Does the IPSASB agree with the recommendation in paragraph 2?

Recommendations

2. Staff and the Task Force recommend that the IPSASB:
 - (a) Does not introduce the requirements on Management-Defined Performance Measures (MPMs) in IFRS 18 *Presentation and Disclosure in Financial Statements* to the new IPSAS Standard to replace IPSAS 1; *Presentation of Financial Statements*; and
 - (b) Presents its Preliminary View, with its rationale, in [draft] Chapter 6 of the Consultation Paper (CP).

Background

3. In developing the CP for its Presentation of Financial Statements project, the IPSASB has taken the strategic approach of aligning with IFRS 18 where appropriate for the public sector. Given this strategic approach, Staff and the Task Force propose the IPSASB also consider whether, and how, IFRS 18's concept and guidance regarding MPMs may be relevant or applicable in the public sector.

Analysis

Overview of IFRS 18's Management-Defined Performance Measures (details in [Appendix 1](#))

4. Private sector entities often provide alternative performance measures, as defined by management, to give insight into their views on aspect(s) of an entity's financial performance as a whole. This information is generally communicated outside the financial statements. Users of private sector financial statements noted that such information "is useful because it provides insights into how the business is managed, how management views the entity's financial performance, and the persistence of the entity's financial performance". However, these users raised concerns about the quality of information provided about these measures.¹⁵
5. The IASB acknowledged that management-defined performance measures can provide useful information. While IFRS-required subtotals provide useful information that is comparable between entities, additional subtotals defined by management can provide entity-specific information. In response to its constituents' feedback, the IASB introduced the concept and disclosure requirements for management-defined performance measures into IFRS 18, thereby improving:
 - (a) The **transparency regarding such measures** (e.g., their purpose and limitations, and management's judgment regarding what information is useful to financial statement users), and the discipline over the use of such measures communicated to users outside the financial statements; and
 - (b) The **quality of such information**, as this new IFRS 18 requirement includes these measures in the financial statements and makes them subject to the same disclosure requirements and likely be within the scope of audit.

¹⁵ See IFRS 18 Basis for Conclusions, paragraphs BC325-BC326.

6. IFRS 18 formally defines an MPM as a subtotal of income and expenses that:
- (a) An entity uses in public communications outside financial statements, to communicate to users of financial statements management's view of an aspect of the entity's financial performance as a whole; and
 - (b) Are not subtotals specifically required to be presented or disclosed by IFRS 18 or other IFRS Accounting Standards.
7. The IASB intentionally defined MPMs in a narrow manner, and provides additional guidance to:
- (a) Explicitly state what is not an MPM in authoritative guidance¹⁶;
 - (b) Provide more information and explanations in non-authoritative guidance. In particular, the Basis for Conclusions indicate that measures adjusting a total or subtotal specified in IFRS (such as adjusted profit or loss) are MPMs. The IASB and its Staff also share examples of *potential* MPMs¹⁷ that are common in the private sector: adjusted profit or loss, adjusted operating profit, and adjusted EBITDA (see additional details in [Appendix 1](#)); and
 - (c) Explain that public communications include management commentary, press releases, and investor presentations, but exclude oral communications and social media posts.
8. If an entity has one or more MPMs, IFRS 18 requires the entity to disclose specific information in a single note, including how each MPM communicates useful information about an aspect of the entity's financial performance, how each MPM is calculated, and a reconciliation of each MPM to the most directly comparable subtotal required by IFRS 18 or another IFRS Accounting Standard.

Analysis Approach

9. To support the IPSASB in determining whether, and how, the concept and disclosure requirements for MPMs is relevant or applicable in the public sector, Staff and the Task Force considered:
- (a) Do public sector entities present 'management-defined performance measures' as defined in IFRS 18? – No, see paragraphs 10-12.
 - (b) Would similar guidance result in similar benefits for financial statement users in the public sector? – No, see paragraphs 13-15.

[A] Do public sector entities present 'management-defined performance measures' as defined in IFRS 18?

10. The new IFRS 18 guidance helps entities identify and disclose MPMs, to address the specific issue raised by private sector constituents. Private sector feedback directly informed how the IASB defined MPMs (as presented in paragraph 6, with details in [Appendix 1](#)).
11. Public sector entities may also report performance measures in public communications outside the financial statements. Examples of common performance measures across jurisdictions include:

¹⁶ IFRS 18.118 lists subtotals of income and expenses are not MPMs, including but not limited to gross profit or loss (revenue minus cost of sales) and similar subtotals; operating profit or loss before depreciation, amortization and impairments within the scope of IAS 36; and profit or loss before income taxes; and profit or loss from continuing operations. The Application Guidance also lists examples of measures that are not MPMs (e.g., subtotals that are only income or only expenses, elements (assets, liabilities, equity), financial ratios, non-financial performance measures (e.g., customer satisfaction score), and subtotals similar to gross profit (e.g., depicting the difference between a type of revenue and directly-related expense, like net interest income)).

¹⁷ For example, IFRS 18.BC363-364 acknowledge that EBITDA is one of the most commonly used measures in communications to users, and used as a starting point for various analyses. However, EBITDA is not used in some major industries and there is also no consensus on what EBITDA represents. The IASB concluded that EBITDA measures *might* meet the MPM definition.

- (a) **Debt-related** measures, such as net debt, debt issuances, debt brakes, total borrowings, public debt charges, net lending/borrowing figures;
 - (b) **Budgetary** and **statistical** information, such as GDP (by industry and in total), budget deficits, budget variances, expenditure values and ratios (in total or by type), and revenue values and ratios (in total or by source), and other fiscal monitoring data; and
 - (c) **Non-financial** measures, such as service delivery targets, unit cost of specific services, employment and workforce rates and ratios, tax collection percentages, migration figures, and quality of life metrics.
12. Since the primary objective of public sector entities is to deliver services that benefit the public rather than to generate profits, performance measures provided by public sector entities outside financial statements are generally not the same as those in the private sector, and would not be MPMs as defined in IFRS 18:

Assessment of Public Sector Examples (see Appendix 2)		
Component of IFRS 18 Definition	Component of Definition Met?	Performance Measures in the Public Sector...
Used in <u>public communications</u> outside financial statements	Yes, some	<i>May be presented in public communications</i> , though some are presented in financial statements. The location depends on specific requirements or common practice in the jurisdictions.
Used to communicate to users of financial statements <u>management's view of an aspect of the entity's financial performance as a whole</u>	Yes, some	<i>Are generally aligned with service delivery objectives</i> , rather than profitability. Performance measures are linked to and communicate the achievement of, or progress towards, specific service delivery objectives, which may or may not be an aspect of the entity's financial performance as a whole. These measures are generally specific to the jurisdiction's or entity's goals and objectives, are based on jurisdictional performance reporting requirements, and are often non-financial.
Is a <u>subtotal</u> of income <u>and</u> expenses, that is <u>not</u> a subtotal listed in IFRS 18.118 or required by IFRS	No, not often	<i>Are often <u>not</u> subtotals of revenue <u>and</u> expenses</i> , but rather are non-financial measures (e.g., achieving service delivery objectives), subtotals of financial statement elements (e.g., only revenue or only expenses, or based on assets and liabilities), or measures provided to achieve other reporting objectives (e.g., budgetary or statistical).

[Appendix 2](#) provides more details from Staff's research and analysis, with examples.

[B] Would similar guidance result in similar benefits for financial statement users in the public sector?

- 13. The IASB introduced the concept and disclosure requirements for MPMs to address specific concerns raised by users of private sector financial statements, to help them better understand aspect(s) of financial performance that management intends to communicate outside of the financial statements, and how each MPM presented compares with measures required by IFRS Accounting Standards.
- 14. The above analysis indicates that public sector entities present performance measures outside of financial statements to support accountability and decision-making needs, but they are not MPMs as defined in IFRS 18. This means that incorporating this IFRS 18 guidance as-is would not be relevant nor useful in the public sector. However, Staff and the Task Force acknowledge there may be benefits

to adapting IFRS 18's MPM guidance, if there are similar transparency and quality concerns in the public sector.

15. To determine whether similar guidance (based on IFRS 18, with adaptations) would provide similar benefits to financial statement users in the public sector, Staff noted the following from its research:
- (a) **The purpose of performance measures in the public sector is different** – Given the objective of public sector entities, the measures presented outside financial statements are focused on communicating their achievement of service delivery objectives. Such measures are not communicated through measures of profitability in the form of subtotals of *revenue and expenses* (like *income and expenses* as in the private sector), but through other measures that communicate different information or narratives. A public sector entity's financial performance cannot be fully or adequately reflected in any measure of financial results; instead, performance is assessed in the context of achieving service delivery objectives, which often require reporting both financial and non-financial information¹⁸.
 - (b) **There does not seem to be a similar concern from public sector users, similar to what was identified in the private sector (paragraph 5)** – So far, there are no indications that public sector financial statements users are concerned about the transparency or quality of performance measures presented in public communications outside the financial statements.
 - (c) **Performance measures presented in public communications are:**
 - (i) *Commonly used and well understood* – As exemplified in [Appendix 2](#), the performance metrics found in public communications in the public sector are typically based on specific financial statement elements or are ratios using financial information that are relatively intuitive and well understood. The IASB intentionally excluded measures commonly used or well understood from its concept and definition of MPMs (IASB Basis for Conclusions in [Appendix 1](#)), and instead focused on MPMs that are subject to greater variability, and for which there was a need for greater transparency and discipline in their purpose, calculation, and presentation;
 - (ii) *Directly related to the entity's service delivery objective* – There are a broad range of entities across the international public sector, which differ by nature, service delivery objective, and jurisdiction-specific factors. These factors influence the types of performance measures that may be presented outside the financial statements to communicate important information to the users of that information. Reasonably, these measures are dictated by industry standards and jurisdictional requirements; or
 - (iii) *Specific to other reporting frameworks or guidance, or jurisdictional requirements* – There are multiple reporting frameworks and sets of guidance in the public sector reporting landscape, including budgetary or statistical reporting, service performance reporting guidelines¹⁹, and jurisdiction-specific requirements. These existing requirements for calculating and presenting these measures to users of this information in the public sector may already provide sufficient transparency and discipline to the use

¹⁸ The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities, Chapter 2, paragraphs 2.22-2.24.
¹⁹ Examples include IPSASB's Recommended Practice Guidelines (RPG) 1, *Reporting on the Long-term Sustainability of an Entity's Finances* (which includes a glossary of indicators in Appendix C) and RPG 3, *Reporting Service Performance Information* (which describes performance indicators) and other national standard setters' guidance (such as PBE FRS 48, *Service Performance Reporting Standard* issued by the New Zealand Accounting Standards Board of the External Reporting Board).

of such measures, similar to the benefits intended by IASB's new guidance on MPMs. This may explain why no concerns from users were identified (paragraph 15(b)).

16. Staff and the Task Force also noted that public sector entities prepare other reports related to its general purpose financial statements, such as financial statement discussion and analysis ("FSDA") (which explain, but are not part of, the financial statements, and which are subject to legislative or regulatory requirements in certain jurisdictions). The IPSASB's Recommended Practice Guidelines (RPG) 2, *Financial Statement Discussion and Analysis* provides useful guidance for preparing and presenting FSDA, with flexible application to acknowledge differences in local requirements and regulations across jurisdictions.²⁰ While compliance with RPG 2 is not required in order for an entity to assert compliance with IPSAS Standards, an entity that applies RPG 2 requirements would achieve similar benefits as the application of IFRS 18 disclosure requirements for MPMs. This is because:
- (a) Information provided in public sector FSDA enable users to gain an insight into the operations of the entity from the perspective of the entity itself to complement the financial statements and support accountability and decision-making needs (similar to how MPMs in the private sector communicate to users of financial statements management's view of an aspect of the entity's financial performance); and
 - (b) If a public sector entity presents adjusted financial statement information in its FSDA, RPG 2 paragraph 24 requires the entity to disclose that fact, explain the nature of and reasons for the adjustments, and to reconcile any non-IPSAS measures presented in the FSDA to IPSAS-based information presented in the financial statements (similar to IFRS 18's requirements for private sector entities to disclose information about the MPM, how it's calculated, and how it reconciles to the most directly comparable IFRS-based subtotal).

Next Steps

17. Based on the above, Staff and the Task Force are of the view that the IPSASB should not propose to adapt and incorporate guidance based on IFRS 18 regarding MPMs into the IPSAS Standard replacing IPSAS 1. The different objectives of public sector entities (vs. private sector entities) warrants departure from IFRS 18 in accordance with the IPSASB's [Process for Reviewing and Adapting IASB Documents](#).
18. If the IPSASB agrees with this recommendation, the IPSASB is advised to reflect this as a Preliminary View as proposed in [draft] Chapter 6 of the CP. Subject to the IPSASB's decision, Staff will also draft guidance for the Illustrative Exposure Draft.

Decision Required

19. Does the IPSASB agree with the Staff and Task Force's [recommendations](#)?

²⁰ As articulated in the IPSASB's RPG 2, *Financial Statement Discussion and Analysis* paragraphs 8, 13, BC2, and BC9.

Appendix 1 – Additional Details: IFRS 18 Guidance and Supporting Information

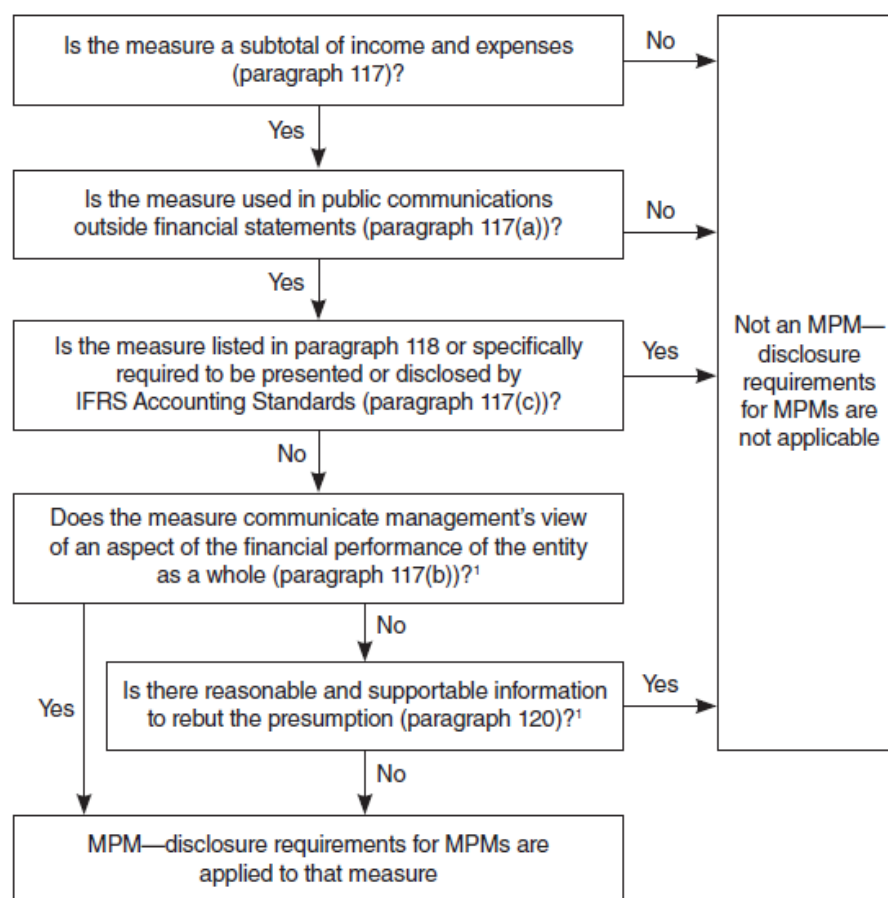
This Appendix provides additional information regarding management-defined performance measures in IFRS 18 *Presentation and Disclosure of Financial Statements*, for reference purposes only.

Background

1. IFRS 18 introduced the concept and disclosure requirements for management-defined performance measures, in response to concerns raised by users of financial statements regarding the quality of information provided about management-defined performance measures by private sector entities. By introducing new requirements, the IASB intended to improve the transparency of such measures, and to improve the quality of such information as including such measures on the financial statements will make them subject to consistent requirements and likely bring them into the scope of an audit.

What is an MPM

2. The IASB intentionally limits the definition of MPMs. IFRS 18 describes, but does not explicitly provide examples of MPMs, in its authoritative text. To support the understanding and identification of MPMs:
 - (a) The IASB provided the following flowchart in the Illustrative Examples:



¹ It is presumed that a subtotal of income and expenses used in public communications communicates management's view (paragraph 119); an entity is not required to consider whether to rebut the presumption.

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- (b) The IASB Staff also provided the following table in its [Project Summary](#) to illustrate what are or are not MPMs (Note: *other performance measures* listed in the table (1) are not subtotals of income and expenses, or (2) are non-financial performance measures):

Performance measures		
Subtotals of income and expenses		Other performance measures
MPMs	IFRS-specified	
<ul style="list-style-type: none"> Adjusted profit Adjusted operating profit Adjusted earnings before interest, tax, depreciation and amortisation 	<ul style="list-style-type: none"> Operating profit Operating profit before depreciation, amortisation and impairments within the scope of IAS 36 <i>Impairment of Assets</i> 	<ul style="list-style-type: none"> Free cash flow Return on equity Net debt Number of customers Customer satisfaction

Summary of IFRS 18 Guidance

3. The table below provides an overview of guidance relevant to the analysis in this paper.

IFRS 18 Paragraphs		
Core Text	Application Guidance	Purpose of Guidance
Identification of MPMs		
117-118	B113-B123	<p>Defines a management-defined performance measure (MPM) as a subtotal of income and expenses that:</p> <ul style="list-style-type: none"> An entity uses in public communications <u>outside</u> the financial statements, related to the reporting period (or prior if it routinely issues such communications after FS issue) An entity uses to <u>communicate</u> to users of financial statements management's view of an aspect of the financial performance of the entity as a whole <p>Clarifies that an MPM:</p> <ul style="list-style-type: none"> Is <u>not</u> specifically required to be presented or disclosed by IFRS Accounting Standards Is <u>not</u> one of the following subtotals: <ul style="list-style-type: none"> Gross profit or loss and similar subtotals Operating profit or loss before depreciation, amortization and impairments Operating profit or loss and income and expenses from all investments accounted for using the equity method A subtotal comprising operating profit or loss and all income and expenses classified in the investing category Profit or loss before income taxes, and Profit or loss from continuing operations. Does <u>not</u> need to be presented in the statement of profit or loss to be an MPM <p>Provides additional guidance to help management identify MPMs:</p> <ul style="list-style-type: none"> Notes that an entity may have 0 MPMs, 1 MPM, or multiple MPMs Is only an MPM if it is used in public communications outside of the FS. Public communications <u>include</u> management commentary, press releases, and investor presentations, but <u>exclude</u> oral communications (and their written transcripts) and social media posts Provides examples in the context of segment reporting and main business activities Provides examples of measures that are <u>not</u> MPMs because they are <u>not</u> subtotals of income and expenses (e.g., subtotals that are only income or only expenses, elements (assets, liabilities, equity), financial ratios, non-financial performance measures, etc.), and examples of subtotals similar to gross profit that are not MPMs (e.g., those that depict the difference between a type of revenue and directly-related expense incurred in generating that revenue, such as net interest income, or net financial result) Clarifies how an entity should consider potential MPMs that are / are not across reporting periods (changes, cessations, etc.)
119-120	B124-B131	<p>Establishes a rebuttable presumption that any subtotals of income and expenses is presented in public communications outside the financial statements reflect management's view of an aspect of the entity's financial performance as a whole, unless the entity can provide reasonable and supportable evidence to rebut this presumption.</p> <p>Provides examples of reasonable and supportable evidence showing either that a subtotal does not reflect management's view of financial performance or that it is used for other purposes, considering whether its communicated without prominence, and whether it's used internally to assess or monitor the entity's financial performance.</p>

Disclosure of MPMs		
121	-	<p>Indicates the objective of the disclosure for MPMs is for an entity to provide information to help users of financial statements understand:</p> <ul style="list-style-type: none"> • The aspect of financial performance that management intends to communicate through each MPM, and • How each MPM compares with measures defined by IFRS Accounting Standards.
122	B132-B133	<p>Requires an entity to disclose all information about its MPMs in a single note that states these MPMs provide management's view of an aspect of the entity's overall financial performance and may not be comparable with similarly titled measures by other entities. Any additional information disclosed in the note should be labelled and clearly distinguished from the information required in IFRS 18 paragraphs 121-125.</p>
123	B134-B142	<p>Requires an entity to label and describe each MPM in a clear, understandable, and non-misleading (faithfully representative) manner.</p> <p>Requires an entity to disclose the following for each MPM:</p> <ul style="list-style-type: none"> • A description of the aspect of financial performance it communicates and why it provides useful information • How the MPM is calculated, including if different from accounting policies • A reconciliation to the most directly comparable subtotal in paragraph 118 or total or subtotal required by IFRS Accounting Standards, with details of each reconciling item and explanations of how they contribute to the measure • The income tax and non-controlling interest effects of each item in the reconciliation • How income tax effects were determined, and • Labels and descriptions that faithfully represent the MPM's characteristics, including explanations of key terms.
124-125	-	<p>Requires an entity to disclose when they <u>change</u> how an MPM is calculated, <u>add</u> a new MPM, <u>cease using</u> an MPM, or <u>change</u> how income tax effects of reconciling items are determined. In these circumstances, entities must disclose:</p> <ul style="list-style-type: none"> • An explanation of the change, addition, or cessation and its effects • The reasons for the change, addition, or cessation, and • Restated comparative information, unless impracticable, in which case the entity must disclose that fact.

Key Insights from the Basis for Conclusions

4. In making its decision to define and require disclosures for MPMs, the following BCs provide useful insights:
 - (a) **The concept and disclosure requirements address a specific private sector need** (IFRS 18 BC3(c), BC325-BC326, BC342, BC361): In the private sector, entities often their own management-defined measures of performance, known as alternative performance measures or non-GAAP measures, outside the financial statements. Feedback from users of financial statements indicated that these measures are useful in analyzing performance and making assessments, as they provide insights into how the business is managed, how management evaluates performance, and the persistence of that performance. However, users raised concerns about the quality and transparency of such information, particularly how these measures are calculated and used since they are often communicated outside the financial statements and not subject to audit or assurance. In response to these concerns, the IASB introduced disclosure requirements for these measures in IFRS 18 to:
 - (i) **Increase transparency** about how these measures are calculated, what they communicate, how they relate to the financial statements, and how they might have changed, thereby contributing to faithful representation of information; and

- (ii) **Improve the discipline** over measures communicated outside of financial statements, by requiring entities to disclose these measures in the financial statements where they are subject to audit, thereby improving the quality of such information for use by financial statements users. If an entity does not communicate measures of financial performance outside the financial statements, then no measures require additional disclosures.
- (b) **The definition of MPMs was intentionally crafted** (IFRS 18 BC328-BC333, BC341-BC344, BC362-BC366):
 - (i) **To limit to subtotals of income and expenses:** Some stakeholders suggested the IASB include measures other than subtotals of income and expenses in the definition of MPM, as such measures could also be equally useful and beneficial in providing transparency and discipline in communicating such measures to users of financial statements (for example, subtotals of assets and liabilities, or measures of cash flow). The IASB decided not to widen the definition beyond subtotals of income and expenses; while it could result in useful information, it would also require development of additional definitions, disclosure requirements and application guidance in setting the relationship with other IFRS Accounting Standards, which would be a substantial undertaking and beyond the scope of the project's focus on reporting of financial performance.
 - (ii) **To focus on measures in public communications outside the financial statements:** This is intended to improve consistency between performance measures presented in the financial statements and those reported in public communications.
 - (iii) **To focus on measures that provide insights into management's view of an aspect of the entity's financial performance:** MPMs are intended to communicate an aspect of an entity's performance, not management's performance. Measures used solely for internal purposes may not provide useful information to financial statements users and are not MPMs.
 - (iv) **To exclude measures that are already commonly used and well understood, or for which there is no consensus on its calculation:** The IASB included a few examples of these considerations. One example is gross profit, which the IASB notes is well understood, commonly used and usually apparent from their presentation in financial statements. The IASB also did not list 'EBITDA' as an MPM (which is common but not used by all industries, and for which there is no consensus of its representation other than as a starting point for various analyses), though the IASB acknowledged there may be subtotals in the scope of IAS 36 *Impairment of Assets* that would provide similar information as EBITDA.
- (c) **Disclosure requirements support transparency** (IFRS 18 BC369, BC372): A single note improves transparency by providing MPM measures together with calculations, explanations, and reconciliations to understand them, and helping financial statements users easily locate all information about MPMs. The IASB did not provide specific guidance on additional disclosures beyond what is required in IFRS 18, to avoid discouraging best practices for voluntary disclosures that are useful to financial statement users.
- (d) **Disclosure requirements help provide useful structured summaries** (IFRS 18 BC374-BC375): The IASB did not preclude entities from presenting MPMs on the face of the Statement(s) of Financial Performance if it helps provide a useful structured summary, which is consistent with its approach in setting presentation requirements in IFRS 18 paragraph 24.

Appendix 2 – Analysis and Examples of Performance Measures in the Public Sector

This Appendix provides additional information from staff's research and analysis regarding the use of performance measures in the public sector, and whether it meets the IFRS 18 definition of MPM. It is provided for reference purposes only, to support the above analysis.

Assessment of Public Sector Examples			
Component of IFRS 18 Definition	Component of Definition Met?	Performance Measures in the Public Sector...	Select Examples for Illustrative Purposes
Used in <u>public communications</u> outside financial statements	Yes, some	<i>May be presented in public communications</i> , though some are presented in financial statements. The location depends on specific requirements or common practice in the jurisdictions.	<ul style="list-style-type: none"> • Canada: some provincial governments provide investor relations documents and press releases • Germany: some local & state governments are required to or choose to present performance measures in their FS • Kenya: the National Treasury presents measures in press releases and public notices • Korea: Ministry of Economy and Finance provides web-based reporting of Key Fiscal Indicators
Used to communicate to users of financial statements <u>management's view of an aspect of the entity's financial performance as a whole</u>	Yes, some	<i>Are generally aligned with service delivery objectives</i> , where performance measures are linked to and communicate the achievement of, or progress towards, specific service delivery objectives, which may or may not be an aspect of the entity's financial performance as a whole. These measures may be reported in "performance reports" or "output statements" outside of the entity's financial statements, based on the jurisdiction's or entity's specific goals and objectives (e.g., progress toward specific targets, satisfaction ratings, timeliness/enrollment percentages). In addition, the calculation of the measure is typically based on jurisdictional performance reporting requirements and are often non-financial in nature.	<ul style="list-style-type: none"> • New Zealand: entities provide service performance information on activities undertaken to achieve specific service objectives and outcomes. The NZASB of the XRB sets out the requirements in PBE FRS 48. • South Africa: entities provide information on progress and achievement towards strategic objectives and service delivery outcomes, including key results, indicators, and deviations from targets. The South African Department of National Treasury sets out requirements in the <i>Performance Indication Handbook</i>. • UK: entities share progress towards commitments and ministerial targets based on strategic goals. These may be financial (% of operating costs) or non-financial (service, efficiency, or satisfaction based). His Majesty's Treasury sets out certain performance report requirements in its Reporting Manual.

Assessment of Public Sector Examples			
Component of IFRS 18 Definition	Component of Definition Met?	Performance Measures in the Public Sector...	Select Examples for Illustrative Purposes
Is a <u>subtotal</u> of income <u>and</u> expenses, that is <u>not</u> a subtotal listed in IFRS 18.118 or specifically required to be presented or disclosed by IFRS	No, not often	<p><i>Are often <u>not</u> subtotals of revenue <u>and</u> expenses, but rather:</i></p> <ul style="list-style-type: none"> a) Are non-financial measures related to the achievement of service delivery objectives, b) Are subtotals of financial statement elements. For example, these measures reflect only revenues (total tax revenue), reflect only expenses (total interest expenses), or are based on other elements like assets or liabilities (e.g., net debt); c) Use subtotals of financial statement elements as part of a financial ratio²¹, but the subtotals themselves are generally not of revenue <u>and</u> expenses (e.g., tax collection ratios, or ratios by expense type); or d) Achieve other reporting objectives, such as budgetary or statistical measures. This includes debt ratios (e.g., based on the Maastricht (euro convergence) criteria), budget variances, and fiscal and economic indicators. 	<ul style="list-style-type: none"> • Germany: some governments provide financial ratios based on tax revenues, interest expenses, ratios for specific expense types, or borrowing rates, which are not subtotals of income <u>and</u> expenses • Korea: central and local governments provide total revenue, total expenses, debt balances, and economic and statistical indicators, which are not subtotals of income <u>and</u> expenses • South Africa: National Treasury press releases provide information on aggregate spending, capital expenditures, debt ratios, and debt collection data, which are not subtotals of income <u>and</u> expenses • Switzerland: Federal Finance Administration provides statistical data on public finances, which provides measures on expenditure quota, tax quota, debt-break compliance, and net debt ratios, which are not subtotals of income <u>and</u> expenses • Tanzania: Ministry of Finance provides budget execution reports, with information on GDP, revenue collection, expenditures, and ratios for debt sustainability and debt burden analyses, which are not subtotals of income <u>and</u> expenses • UK: HRMC provides non-financial measures and indicators, to show towards public service commitments and strategic goals, including service, efficiency, or satisfaction rates, which are not subtotals of income <u>and</u> expenses

²¹ As noted in Appendix 1, IFRS 18 paragraphs B117-B118 indicate that financial ratios are not MPMs because they are not subtotals of income and expenses. However, financial ratio is not a management-defined performance measure because it is not a subtotal of income and expenses. However, a subtotal that is the numerator or denominator in a financial ratio is a management-defined performance measure if the subtotal would meet the definition of a management-defined performance measure if it were not part of a ratio.

Review of the New [draft] Chapter 6

Question

1. Does the IPSASB agree with the proposed text for [draft] Chapter 6 of the Consultation Paper (CP)?

Recommendation

2. Staff recommend the IPSASB agree to incorporate the text proposed in [draft] Chapter 6 of the CP (provided in [Agenda Item 6.3.2](#)), with the drafted Preliminary Views.

Background

3. The IPSASB decided to take a systematic approach to effectively progress this project by first discussing and finalizing its views on a specific topic, and then reviewing the proposed text for inclusion in the CP to capture those views. The preceding Agenda Items presented and facilitated IPSASB discussions regarding existing IPSAS 1 disclosure requirements and IFRS 18's concept and disclosure requirements regarding management-defined performance measures (MPMs).
4. [draft] Chapter 6 aims to present the IPSASB's views related to disclosure requirements. This Agenda Item presents [draft] Chapter 6 for the IPSASB's review.

Review of [draft] Chapter 6

5. Staff drafted Chapter 6 to reflect the considerations and discussions in the preceding December 2025 Agenda Items regarding:
 - (a) Structure of the Notes ([Agenda Item 6.2.2](#));
 - (b) Disclosure of Accounting Policy Information ([Agenda Item 6.2.3](#));
 - (c) Disclosure of Sources of Estimation Uncertainty ([Agenda Item 6.2.4](#));
 - (d) Disclosure of General Information and Net Assets/Equity Information ([Agenda Item 6.2.5](#)); and
 - (e) Applicability of IFRS 18's Management-Defined Performance Measures ([Agenda Item 6.2.6](#)).
6. IPSASB members are asked to review the text proposed in [draft] Chapter 6 and confirm (1) whether the draft text reflects the IPSASB deliberations and relevant analysis on each topic, and (2) whether they agree with the two drafted Preliminary Views. Please note:
 - (a) The IPSASB completed a detailed review of the [draft] CP in September 2025. The [draft] CP in [Agenda Item 6.3.2](#) is a marked-up version (i.e., with track changes) to clearly identify revisions or additions since the September 2025 version. However, [draft] Chapter 6 is presented without track changes for easier readability because the entire Chapter is new.
 - (b) To effectively use the December 2025 plenary time, members are asked to provide feedback on substantial matters in-session, and to send editorial comments to Staff online.

Decision Required

7. Does the IPSASB agree with the Staff's [recommendations](#)?

Appendix 1 – Additional Details: Development of [draft] Chapter 6

This Appendix summarizes how Staff developed [draft] Chapter 6, based on preceding discussions.

Topic	Subtopic	CP paragraphs	Related Agenda Paper
Introduction	–	6.1-6.3	–
Review of IPSAS 1 Disclosure Requirements	Structure of the Notes	6.4-6.7	<ul style="list-style-type: none"> New drafting: reflects analysis and proposals from Agenda Item 6.2.2
	Disclosure of Accounting Policy Information	6.8-6.12	<ul style="list-style-type: none"> New drafting: reflects analysis and proposals from Agenda Item 6.2.3
	Disclosure of Sources of Estimation Uncertainty	6.13-6.15	<ul style="list-style-type: none"> New drafting: reflects analysis and proposals from Agenda Item 6.2.4
	Disclosure of General Information and Net Assets/Equity Information	6.16-6.19	<ul style="list-style-type: none"> New drafting: reflects analysis and proposals from Agenda Item 6.2.5
	Preliminary View 14	After 6.19	<ul style="list-style-type: none"> Presents the IPSASB's final Preliminary View on retaining IPSAS 1 disclosure requirements, and incorporating IASB's amendments to IAS 1 (which would align with equivalent IFRS guidance)
Applicability of IFRS 18's Management-Defined Performance Measures (MPMs)	Discussion on applicability IFRS 18's MPMs, and Preliminary View 15	6.20-6.24	<ul style="list-style-type: none"> New drafting: reflects analysis and proposals from Agenda Item 6.2.6 Presents proposed Preliminary View to not incorporate or adapt guidance based on IFRS 18's MPMs

Review of the Completed [draft] Consultation Paper

Question

- Does the IPSASB agree with the recommendations in paragraph 2?

Recommendations

- Staff recommend the IPSASB:
 - Confirm that the [draft] Consultation Paper (CP) ([Agenda Item 6.3.2](#)) appropriately reflects their discussions and views from this Phase of the *Presentation of Financial Statements* project; and
 - Confirm its final set of Preliminary Views (PVs) and Specific Matters for Comment (SMCs).

Background

- The IPSASB decided to take a systematic approach to effectively progress this project by first discussing and finalizing its views on a specific presentation topic, and then reviewing the text proposed in the [draft] CP to capture those views.
- The IPSASB has discussed all the topics presented in the [draft] CP as of this December 2025 meeting (details in [Agenda Item 6.3.1](#)). This Agenda Item summarizes Staff's work on the CP since September 2025, and presents the completed [draft] CP.

Q4 2025 Updates to the [draft] CP

- The following updates were made to the September 2025 version of the [draft] CP:

Update	Purpose of Update	Relevant CP text
Added new text in Chapter 2 regarding going concern in the public sector	To address September 2025 IPSASB Instruction	Paragraph 2.42
Added new text in Chapter 4 to reflect a member's proposal to require a standalone category for Taxes	To address September 2025 IPSASB Instruction, in collaboration with Task Force and the IPSASB member	Paragraph 4.30(c)
Enhanced the PV regarding the categorization of revenue and expenses on the Statement of Financial Performance to more effectively solicit constituent feedback	To address the member request, in collaboration with Task Force	PV 8
Enhanced the text regarding alignment with GFSM 2014, to more clearly communicate important differences between GFSM 2014 and IPSAS Standards pertaining to this project	To reflect and align with communications on the purpose of the <i>Strengthening Linkages Between IPSAS Standards and the GFSM</i> project, based on further collaborations with the Staff Project Lead	Paragraphs 1.3, 4.24-4.27, 4.32, 4.42, 4.47, 5.15-5.19, A.7-A.13
Proposed new text in [draft] Chapter 6 (Agenda Item 6.2.7)	To reflect IPSASB deliberations and views on disclosure requirements	Paragraphs 6.1-6.24, PV 14 and PV 15
Processed editorials and member comments	To process editorials identified and addresses member comments	Multiple paragraphs throughout CP

Review of the Completed [draft] CP

6. As of December 2025, the IPSASB has reviewed all sections of the completed [draft] CP and agreed with the PVs and SMCs in each section. Based on its discussions, the IPSASB formed a total of **15 PVs** and **1 SMC**. Additional details are provided in [Appendix 1](#).

Section of CP	PVs and SMCs Agreed by the IPSASB
Project Overview	n/a
Chapter 1: Development of New Presentation Standard	1 PV (agreed September 2024)
Chapter 2: General Presentation Requirements	3 PVs (agreed September 2025)
Chapter 3: Statement of Financial Position	3 PVs (agreed September 2024)
Chapter 4: Statement of Financial Performance	3 PVs (agreed June 2025) 1 SMCs (agreed June 2025)
Chapter 5: Statement of Changes in Net Assets/Equity	3 PVs (agreed September 2025)
Chapter 6: Disclosure of Information in the Notes	2 PVs (proposed in Agenda Item 6.2.7)
Appendix A: Considering IFRS and GFSM 2014	n/a
Appendix B: Key Public Sector Considerations	n/a
Appendix C: Illustrative Examples of Statement of Financial Performance using IFRS Categories	n/a
Appendix D: Illustrative Exposure Draft	n/a

7. The IPSASB are asked to confirm that the [draft] CP appropriately reflects their discussions and views from the CP phase of this project and to confirm it intends to proceed with the 15 PVs and 1 SMC previously agreed by the IPSASB.

Decision Required

8. Does the IPSASB agree with the Staff's [recommendations](#)?

Appendix 1 – Preliminary Views and Specific Matters for Comment in the [draft] CP

This Appendix summarizes the completed [draft] CP when each section was last reviewed by the IPSASB, and the Preliminary Views (PVs) and Specific Matters for Comment (SMC) in each section.

Section of CP	Last reviewed by the IPSASB?	PVs and SMCs agreed by IPSASB Summarizes pages 3-6 of Agenda Item 6.3.2
Project Overview	Sep 2024	n/a
Chapter 1: Development of New Presentation Standard	Sep	PV 1: develop the new IPSAS Standard using IFRS 18 as starting base, with adaptations for public sector
Chapter 2: General Presentation Requirements	Sep 2025	PV 2: provide definitions of FS elements in the new IPSAS Standard PV 3: continue requiring comparative information, with additional comparative information in certain circumstances PV 4: retain, update, or add new guidance regarding other general presentation requirements
Chapter 3: Statement of Financial Position	Sep 2025	PV 5: retain existing classification requirements for assets and liabilities PV 6: retain requirements regarding line items PV 7: not prescribe specific structure or subtotals
Chapter 4: Statement of Financial Performance	Sep 2025	PV 8: require classification of revenue and expenses in IFRS 18 categories PV 9: require presentation of totals and subtotals PV 10: retain requirements regarding line items SMC 1: request views on whether to allow mixed presentation of expenses
Chapter 5: Statement of Changes in Net Assets/Equity	Sep 2025	PV 11: retain existing requirements regarding revenue and expenses outside surplus or deficit PV 12: retain existing other presentation requirements, but require the reconciliation on the face of the Statement PV 13: not incorporate guidance from IFRIC 17 into IPSAS Standards
Chapter 6: Disclosure of Information in the Notes	Dec 2025 – see Agenda Item 6.2.7	[proposed] PV 14: retain existing disclosure requirements PV 15: not incorporate guidance on MPMs into IPSAS Standards
Appendix A: Considering IFRS and GFSM 2014	Sep 2025	n/a
Appendix B: Key Public Sector Considerations	Sep 2025	n/a
Appendix C: Illustrative Examples of Statement of Financial Performance using IFRS Categories	Sep 2025	n/a

Agenda Item 6.2.8

Section of CP	Last reviewed by the IPSASB?	PVs and SMCs agreed by IPSASB
		Summarizes pages 3-6 of Agenda Item 6.3.2
Appendix D: Illustrative Exposure Draft	Sept 2024 – see Agenda Items 6.2.9 , 6.2.10 , 6.2.11 , 6.2.12	n/a – this Appendix illustrates the IPSASB’s views reflected in the CP

Broader Updates to the [draft] IED

Purpose

1. To provide an overview of the general updates Staff have made to the [draft] Illustrative Exposure Draft (IED) since September 2024.

Background

2. As part of this Phase of the *Presentation of Financial Statements* project, the IPSASB decided to develop an IED to accompany the Consultation Paper (CP). The [draft] IED is an Appendix to the CP, and is an illustration of a future pronouncement replacing IPSAS 1 based on the IPSASB's Preliminary Views in the CP.²²
3. During its past discussions, the IPSASB decided that the IED accompanying the CP would present only core text and application guidance to achieve its intended purpose of illustrating the potential structure and guidance of the future pronouncement, to help constituents better understand and provide feedback on the IPSASB's views in the CP. This feedback would then help the IPSASB in developing a formal Exposure Draft in the next Phase of this project, which will include the development of non-authoritative guidance (including implementation guidance and illustrative examples) to help entities apply the principles in the core text and application guidance, and amendments to other IPSAS Standards.
4. The first version of the [draft] IED, presented in September 2024, included presentation guidance on the objective, scope, definitions, most general presentation requirements, and the Statement of Financial Position. The September 2024 version of [draft] IED also used guidance from a version of IPSAS 1 that has since been amended.

Updates since last September 2024

5. Since September 2024:
 - (a) The IPSASB confirmed Preliminary Views on the remaining general presentation requirements, going concern and materiality (summarized in Chapter 2 of the [draft] CP);
 - (b) The IPSASB has discussed and confirmed Preliminary Views on presentation requirements for the Statement of Financial Performance (summarized in Chapter 4 of the [draft] CP) and Statement of Changes in Net Assets/Equity (Chapter 5 of the [draft] CP); and
 - (c) Some paragraphs in IPSAS 1 have been amended (by an updated Handbook, and other pronouncements since January 2025), which may need to be incorporated into the [draft] IED.
6. In Q4 2025, Staff updated the [draft] IED to reflect the developments summarized in paragraph 5 and also made some broader updates throughout the IED to more effectively use the tabular format of the IED to communicate useful information to constituents, and to resolve editorial or terminology issues.

²² Similar to the IPSASB's previous standard-setting work, an Illustrative Exposure Draft is not intended to skip any phase of the IPSASB's due process. The guidance in an IED is only intended to illustrate the IPSASB's Preliminary Views in the CP, to help constituents respond to the CP. In the next phase of this project, the IPSASB may use the IED as a reference of starting point, subject to constituent feedback to the CP, to develop its Exposure Draft.

7. The remainder of this paper provides additional information regarding the broader updates made by Staff to the [draft] IED (regarding the tabular format, incorporating amendments to IPSAS 1 since the September 2024 IED, and adding guidance regarding going concern and materiality). [Agenda Item 6.2.11](#) presents how Staff added new guidance into the [draft] IED to illustrate Chapter 4 of the CP, and [Agenda Item 6.2.12](#) presents how Staff added new guidance into the [draft] IED to illustrate Chapter 5 of the CP.

Effectively Using the Tabular Format

8. In developing the initial version of the [draft] IED, a three-column tabular format was used. Using a tabular layout helps illustrate to the IPSASB how the IED is developed. Equally, the tabular format also provides useful information for constituents when considering and responding to the proposals in the CP. Staff and the Task Force agreed that the tabular format remains appropriate and are of the view that the final IED accompanying the CP be issued in the tabular format to better communicate how the IED illustrates the IPSASB's views in the CP and the relevant source material. However, Staff and the Task Force are in the view that the first and third columns should be refined to include only information that is relevant and useful for constituents reviewing the IED. These updates will help reduce duplication of information and enhance the consistency and clarity of the information presented. [Appendix 1](#) presents the current and updated format.

Amendments to IPSAS 1

9. The initial version of the [draft] IED used guidance from an earlier version of IPSAS 1 that has since been amended. Since September 2024, certain IPSAS 1 paragraphs have been amended through an updated version of the *Handbook of International Public Sector Accounting Pronouncements* and other subsequent pronouncements.
10. Staff compared the version of IPSAS 1 used in the September 2024 [draft] IED with the 2025 Handbook and incorporated the relevant amendments into the new version of the IED. The amendments are only editorial in nature.
11. Since the publication of the 2025 Handbook as of January 31, 2025, there have been three newly issued pronouncements:
- (a) The *Definition of Material (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework)* pronouncement amended IPSAS 1 and revised the definition of 'material' and the related materiality guidance. These amendments have been incorporated into the [draft] IED;
 - (b) The *IPSAS 33, First-Time Adoption of Accrual Basis International Public Sector Accounting Standards* pronouncement (expected to be issued in November 2025) only updated the name of IPSAS 33 in the 'Effective Date' section of IPSAS 1; and
 - (c) The *Amendments to IPSAS Standards as a Result of the Application of IPSAS 46, Measurement* pronouncement did not amend IPSAS 1.
12. The track changes in [draft] IED paragraphs 8 and AG15-AG17 represent the amendments to the version of IPSAS 1 used in the September 2024 IED identified through comparison with the version in the 2025 Handbook.

Presentation Requirements for Going Concern and Materiality

13. In September 2025, the IPSASB discussed and formed views on the presentation requirements regarding going concern ([Agenda Item 8.2.1](#)) and materiality ([Agenda Item 8.2.2](#)). Specifically, the IPSASB decided to retain the existing IPSAS 1 going concern requirements and to incorporate the revised IPSAS 1 materiality guidance, as amended by the *Definition of Material* pronouncement, into the new IPSAS Standard replacing IPSAS 1.
14. Based on these decisions, Staff have updated the relevant [draft] IED sections to include the IPSAS 1 going concern requirements (IED paragraphs 47-50)²³ and the amendments to IPSAS 1 by pronouncement *Definition of Material* (IED paragraphs 8 and AG15-AG17). Paragraph AG14 is a new paragraph drafted by Staff to link the application guidance on material information to the requirements in the core text.
15. The track changes in [draft] IED paragraphs 47-50 reflect changes since September 2024 based on instructions from the IPSASB. The track changes in IED paragraphs 8 and AG15-AG17 reflect amendments to IPSAS 1 materiality guidance made by *Definition of Material* pronouncement.

Other Editorial and Terminology Updates

16. In addition to the updates noted above, Staff have made editorial revisions to the [draft] IED, in track changes, to:
 - (a) Address members' editorial comments received since September 2024;
 - (b) Enhance the consistency and clarity of the text throughout the [draft] IED; and
 - (c) Ensure alignment with public sector terminology used in IPSAS Standards.

²³ IED paragraph 49, based on IPSAS 1 paragraph 40, has also been further enhanced based on the instruction from September 2025 IPSASB meeting.

Appendix 1 – Updates to [draft] IED Table Columns

This Appendix provides the current and Updated version of the [draft] IED's tabular format.

Column	Current Version	Updated Version
First column	<ul style="list-style-type: none"> Currently named 'Original Source' Identifies only the main source of the paragraph 	<ul style="list-style-type: none"> The name will be changed to 'Primary Source(s)' Will present the sources of the paragraph in the following ways: <ul style="list-style-type: none"> Primary source only – for example, IED paragraph 76 is based on IFRS 18.47 (new guidance) with no equivalent paragraph in IPSAS 1. Therefore, the first column shows '<i>IFRS 18.47</i>' only; Primary source with comparable guidance – for example, IED paragraph 102 is based on IFRS 18.75, and while not drafted using IPSAS 1.102, is consistent in substance with its guidance; therefore, the first column shows '<i>IFRS 18.75</i>' as a primary source and a note '<i>IPSAS 1.102 (consistent)</i>'; and Multiple primary sources – for example, IED paragraph 112 was drafted by combining wording from both IPSAS 1.115 and IFRS 18.82; therefore, the first column shows both sources.
Second column	<ul style="list-style-type: none"> Presents the IED paragraph 	[No change – continue presenting the IED paragraph]
Third column	<ul style="list-style-type: none"> Currently named 'Staff Notes' Presents information such as the basis for modifications to the referenced source's original paragraph, explanatory notes on the paragraph's underlying guidance, and references to equivalent paragraphs in IPSAS 1, IAS 1, or the IPSASB's Conceptual Framework Does not consistently include all of the above information nor present the same types of information across paragraphs 	<ul style="list-style-type: none"> The name will be changed to 'Additional Information' Will continue to note the basis for modifications, if any, to the referenced source's original paragraph other than modifications for public sector terminology²⁴ Will refer to relevant CP paragraphs to help constituents consider the discussion in the CP, rather than reiterate the IPSASB's views and considerations already covered in the CP Will <u>not</u> include the IASB's rationale for introducing the IFRS 18 paragraph because this information can be found in the IFRS 18 Basis for Conclusions or may be already covered in the CP Will <u>not</u> include references to sources with which the paragraph is aligned because this information is already provided in the first column Will <u>not</u> include references to IAS 1 paragraphs that are consistent with the IFRS 18 paragraphs because alignment with IAS 1 is not one of the main drivers of this project

²⁴ All IFRS 18-based paragraphs are assumed to be modified for public sector terminology in accordance with standard practice.

Incorporating Remaining Definitions into the [draft] IED

Question

1. Does the IPSASB agree with the Staff's recommendations in paragraph 2?

Recommendations

2. Staff recommend that the IPSASB agree to incorporate the definitions in paragraph 6 into the [draft] Illustrative Exposure Draft (IED), based on the IPSASB's recent discussions.

Background

3. IPSAS 1 and IFRS 18 both include definitions that are relevant to the presentation of financial statements. In March 2024 ([Agenda Item 12](#)) and June 2024 ([Agenda Item 8](#)), the IPSASB discussed and formed views on most of the definitions in IPSAS 1 and IFRS 18. The IPSASB's Preliminary Views were reflected in Chapter 2 of the Consultation Paper (CP) and illustrated in the IED, first presented in September 2024.
4. Some definitions were not discussed in March and June 2024 as they were contingent on further discussions regarding the Statement of Financial Performance and Statement of Changes in Net Assets/Equity, and on disclosure requirements. The IPSASB completed its discussions and formed Preliminary Views or Specific Matters for Comment related to these two financial statements in September 2025, and have discussed disclosure requirements in December 2025 (in the preceding agenda items).
5. This paper presents Staff's proposals regarding the remaining definitions, based on the IPSASB's decisions on the Statement of Financial Performance and Statement of Changes in Net Assets/Equity, and the Staff and Task Force recommendation relating to management-defined performance measures in [Agenda Item 6.2.6](#).

Analysis

6. Definitions from IPSAS 1 and IFRS 18 that have not yet been incorporated into [draft] IED relate to:

Related to	IPSAS 1 Defined Term	IFRS 18 Defined Term
General presentation requirements (CP Chapter 2)	Material omissions ²⁵	Material information
Statement of Financial Performance (CP Chapter 4)	Surplus or deficit	Profit or loss
	-	Operating profit or loss
	-	Profit or loss before financing
	-	Reclassification adjustments
Statement of Changes in Net Assets/Equity (CP Chapter 5)	Net assets/equity	Equity ²⁶
	-	Other comprehensive income
	-	Total comprehensive income

²⁵ In October 2025, the IPSASB issued the *Definition of Material* pronouncement, which amended IPSAS 1 by replacing its existing definition of 'material omissions' with a new definition of 'material information'. These amendments to IPSAS 1 will be incorporated into the 2026 Handbook version of IPSAS 1.

²⁶ IFRS 18 does not include defined terms for financial statement elements but instead refers to the IFRS *Conceptual Framework for Financial Reporting* for their definitions and recognition criteria.

Related to	IPSAS 1 Defined Term	IFRS 18 Defined Term
Disclosures (CP Chapter 6)	-	Management-defined performance measure

7. The IPSASB discussed these topics in March 2025 ([Agenda Item 11](#)), June 2025 ([Agenda Item 11](#)), September 2025 ([Agenda Item 8](#)). [Agenda Item 6.2.6](#) presents Staff and Task Force recommendations regarding IFRS 18's concept of management-defined performance measures.
8. Based on the IPSASB discussions for the CP, Staff have considered the defined terms and drafted definitions to include in the [draft] IED, in one of the following manners:
 - (a) IPSAS 1 terms that remain relevant and useful, and are consistent with the equivalent IFRS 18 terms – these are included in the [draft] IED, as the IPSASB intends to carry them forward into the new IPSAS Standard replacing IPSAS 1;
 - (b) IFRS 18 terms that are appropriate for the public sector – these are included in the [draft] IED, with modifications for the public sector context (e.g., 'profit or loss' in IFRS vs. 'surplus or deficit' in IPSAS Standards) based on the IPSASB's Preliminary Views in the CP; and
 - (c) IFRS 18 terms that are not appropriate for the public sector – these are excluded from the [draft] IED, based on the IPSASB's Preliminary Views in the CP.

See [Appendix 1](#) for more details about Staff's considerations, and related IPSASB views with references to the relevant CP paragraphs.
9. Thus, the following definitions have been formally incorporated into paragraph 8 of the [draft] IED:
 - (a) Material;
 - (b) Surplus or deficit for the period;
 - (c) Operating surplus or deficit;
 - (d) Reclassification adjustments; and
 - (e) Net assets/equity.
10. The track changes in [draft] IED paragraph 8 represent editorial changes to the definitions since September 2024, and the deletion of IFRS 18 terms that Staff consider are not appropriate for the public sector.

Decision Required

11. Does the IPSASB agree with the Staff's [recommendations](#)?

Appendix 1 – Remaining Definitions in the [draft] IED

This Appendix provides Staff's considerations regarding the remaining definitions and IPSASB's views, with references to the relevant CP paragraphs.

IPSAS 1 Defined Term	IFRS 18 Defined Term	IPSASB's Preliminary View / Staff's Considerations	CP Paragraphs	IED Definitions
Material Omissions	Material information	The IPSASB decided to incorporate the revised materiality guidance, including the definition of 'material' that was updated to align with the Conceptual Framework and IFRS 18, in pronouncement <i>Definition of Material (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework)</i> into the new IPSAS Standard to replace IPSAS 1 (September 2025 Agenda Item 8.2.2 and reflected in PV 4)	2.33–2.34	Material
Surplus or deficit for the period	Profit or loss	The IPSASB decided retain the existing IPSAS 1 requirement for entities to present the 'surplus or deficit' total in the Statement of Financial Performance (June 2025 Agenda Item 11.2.3 and reflected in PV 9) The definition for 'surplus or deficit for the period' is based on the definition in the Conceptual Framework.	4.35	Surplus or deficit for the period
-	Operating profit or loss	The IPSASB decided to introduce a new requirement for entities to present this subtotal in the Statement of Financial Performance (June 2025 Agenda Item 11.2.3 and reflected in PV 9) The term 'profit or loss' was changed to the appropriate public sector terminology 'surplus or deficit'	4.35	Operating surplus or deficit
-	Profit or loss before financing	The IPSASB decided <u>not</u> to introduce a new requirement for entities to present this subtotal in the Statement of Financial Performance. Therefore, this term will not be used (June 2025 Agenda Item 11.2.3 and reflected in PV 9)	4.36	[Not used]
-	Reclassification adjustments	The IPSASB decided to retain guidance from IPSAS 1 related to reclassification adjustments (September 2025 Agenda Item 8.2.3 and reflected in PV 11)	5.21–5.22	Reclassification adjustments

Agenda Item 6.2.10

IPSAS 1 Defined Term	IFRS 18 Defined Term	IPSASB's Preliminary View / Staff's Considerations	CP Paragraphs	IED Definitions
Net assets/equity	Equity	The IPSASB decided to align this term with the definition of 'net assets/equity' in IPSAS 1. (March 2024 Agenda Item 12.2.2 and reflected in PV 2).	2.28–2.29	Net assets/equity
-	Other comprehensive income	The IPSASB decided to retain the existing IPSAS 1 requirements regarding the presentation of revenue and expense items recognized outside of surplus or deficit, in the Statement of Changes in Net Assets/Equity. Therefore, this term will not be used (March 2025 Agenda Item 11.2.2 and reflected in PV 11)	5.11–5.14, 5.19	[Not used]
-	Total comprehensive income	The IPSASB decided to retain the existing IPSAS 1 requirements regarding the presentation of revenue and expense items recognized outside of surplus or deficit, in the Statement of Changes in Net Assets/Equity. Therefore, this term will not be used (March 2025 Agenda Item 11.2.2 and reflected in PV 11)	5.11–5.14, 5.20	[Not used]
-	Management- defined performance measure	Staff and Task Force recommend the IPSASB <u>not</u> introduce the requirements for management-defined performance measures into the new IPSAS Standard to replace IPSAS 1. Therefore, this term will not be used (Agenda Item 6.2.6 and reflected in PV 15)	6.20-6.24	[Not used]

IED Guidance to Illustrate Chapter 4 of CP

Question

1. Does the IPSASB agree with the Staff's recommendations in paragraph 2?

Recommendations

2. Staff and the Task Force recommend that the IPSASB agree to incorporate the proposed paragraphs on the presentation requirements for the Statement of Financial Performance into the [draft] Illustrative Exposure Draft (IED).

Background

3. The IPSASB decided to take a systematic approach to effectively progress this project by first discussing and finalizing its views on a specific topic, then reviewing the text proposed in the Consultation Paper (CP) to capture those views and finally reviewing related paragraphs in the IED.
4. In March 2025 ([Agenda Item 11](#)) and June 2025 ([Agenda Item 11](#)), the IPSASB discussed and formed views on all presentation requirements for the Statement of Financial Performance. In September 2025 ([Agenda Item 8](#)), the IPSASB completed its review of Chapter 4 of the CP, related to the Statement of Financial Performance.
5. This Agenda Item presents the [draft] IED guidance on Statement of Financial Performance for the IPSASB's review.

Review of [draft] IED Guidance on Statement of Financial Performance

6. In Q4 2025, Staff drafted new IED paragraphs for the Statement of Financial Performance section of the [draft] IED, based on the IPSASB's Preliminary Views (PVs) and the Specific Matter for Comment (SMC) in Chapter 4 of the CP. Staff used IFRS 18 guidance as the basis for drafting these paragraphs because the IPSASB's PVs in Chapter 4 propose to align with IFRS 18. [Appendix 1](#) presents how the IPSASB's PVs and SMC have been reflected in these IED paragraphs.
7. The proposed [draft] IED guidance related to the Statement of Financial Performance was reviewed by the Task Force in November 2025.
8. IPSASB members are asked to review the [draft] IED guidance related to the Statement of Financial Performance (paragraphs 73-115 and AG37-AG94, noted in blue in [Agenda Item 6.3.3](#)), and confirm whether the draft text appropriately reflects the IPSASB's Preliminary Views and Specific Matter for Comment in Chapter 4 of the CP.
9. Please note:
 - (a) The track changes in [draft] IED paragraphs 73-115 and AG37-AG94 (in [Agenda Item 6.3.3](#)) represent revisions to the IFRS 18 guidance for the public sector, based on the IPSASB's views in the CP; and
 - (b) To effectively use the December 2025 plenary time, members are asked to provide feedback on substantial matters in-session, and to send editorial comments to Staff offline.

Decision Required

10. Does the IPSASB agree with the Staff and the Task Force's [recommendations](#)?

Appendix 1 – Overview of IED Section for the Statement of Financial Performance

This Appendix summarizes how Staff drafted the IED paragraphs based on the IPSASB's Preliminary Views and Specific Matter for Comment in Chapter 4 of the CP.

IED Paragraphs	Section	Related Preliminary View (PV) / Specific Matter for Comment (SMC)	Reflects CP Paragraphs
73-75	Introductory paragraphs	-	-
76-97, AG37-AG85	Categories in The Statement of Financial Performance	PV 8 proposes to require entities to present revenue and expense in categories on the Statement of Financial Performance, aligned with the IFRS 18 categorization requirements. Thus, Staff drafted the IED guidance using IFRS 18 as a basis, and modified and added to the guidance for the public sector (in track changes).	4.6-4.33
98-101	Totals and Subtotals to be Presented in the Statement of Financial Performance	PV 9 proposes to require entities to present certain totals and subtotals, and to permit entities to present additional subtotals, on the Statement of Financial Performance, aligned with the IFRS 18 requirements. Thus, Staff drafted the IED guidance using IFRS 18 as a basis, and modified and added to the guidance for the public sector (in track changes).	4.34-4.37
102-107, AG86-AG88	Items to be Presented in the Statement of Financial Performance or Disclosed in the Notes	PV 10 proposes to require entities to present minimum line items on the face of the Statement of Financial Performance and to permit additional line items, aligned with the IFRS 18 requirements. Thus, Staff drafted the IED guidance using IFRS 18 as a basis, and modified and added guidance for the public sector (in track changes).	4.38-4.42
108-115, AG89-AG94	Presentation and Disclosure of Expenses Classified in the Operating Category	SMC 1 proposes to require entities to present its expenses by the nature or function of the expenses on the face of the Statement of Financial Performance, aligned with IFRS 18 requirements, but seeks feedback from constituents regarding whether the new IPSAS replacing IPSAS. Thus, Staff drafted the IED guidance using IFRS 18 as a basis, and modified and added to the guidance for the public sector (in track changes). Guidance related to mixed presentation remains subject to constituents' responses to SMC 1 and are marked in square brackets [].	4.43-4.47

IED Guidance to Illustrate Chapter 5 of CP

Question

1. Does the IPSASB agree with the Staff's recommendations in paragraph 2?

Recommendations

2. Staff recommend that the IPSASB agree to incorporate the proposed paragraphs on the presentation requirements for the Statement of Changes in Net Assets/Equity into the Illustrative Exposure Draft (IED).

Background

3. The IPSASB decided to take a systematic approach to effectively progress this project by first discussing and finalizing its views on a specific topic, then reviewing the text proposed in the Consultation Paper (CP) to capture those views, and finally reviewing the related paragraphs in [draft] IED.
4. In September 2025 ([Agenda Item 8](#)), the IPSASB completed its discussions regarding presentation requirements for the Statement of Changes in Net Assets/Equity and its full review of Chapter 5 of the CP.
5. This Agenda Item presents the [draft] IED section on Statement of Changes in Net Assets/Equity for the IPSASB's review

Review of [draft] IED section on Statement of Changes in Net Assets/Equity

6. In Q4 2025, Staff drafted new IED paragraphs for the Statement of Changes in Net Assets/Equity section, based on the IPSASB's Preliminary Views in Chapter 5 of the CP. Staff used IPSAS 1 guidance as basis for drafting these paragraphs because the IPSASB's PVs in Chapter 5 propose to align with IPSAS 1. [Appendix 1](#) presents how the IPSASB's PVs have been reflected in these IED paragraphs.
7. IPSASB members are asked to review the [draft] IED section on Statement of Changes in Net Assets/Equity (paragraphs 129-139, noted in green in [Agenda Item 6.3.3](#)), and confirm whether the draft text appropriately reflects the IPSASB's Preliminary Views in Chapter 5 of the CP.
8. Please note:
 - (a) The track changes in [draft] IED ([Agenda Item 6.3.3](#)) paragraphs 129-139 represent revisions to the IPSAS 1 guidance based on the IPSASB's views in the CP; and
 - (b) To effectively use the December 2025 plenary time, members are asked to provide feedback on substantial matters in-session, and to send editorial comments to Staff offline.

Decision Required

9. Does the IPSASB agree with the Staff's recommendations?

Appendix 1 – Overview of IED Section for the Statement of Changes in Net Assets/Equity

This Appendix summarizes how Staff drafted the IED paragraphs based on the IPSASB's Preliminary Views in Chapter 5 of the CP.

IED Paragraphs	Related Preliminary View (PV)	Reflects CP Paragraphs
129-133	PV 12 proposes to maintain the IPSAS 1 presentation requirements regarding the Statement of Changes in Net Assets/Equity and revise the reconciliation requirement to require the reconciliation be presented on the face of the Statement. Thus, Staff drafted the IED guidance using IPSAS 1 as a basis.	5.23-5.26
134-139	PV 11 proposes to require entities to present revenue and expense items recognized outside surplus or deficit directly in net assets/equity on the Statement of Changes in Net Assets/Equity, and to reclassify certain amounts previously recognized in net assets/equity into surplus or deficit, as reclassification adjustments, aligned with the IPSAS 1 requirement. Thus, Staff drafted the IED guidance using IPSAS 1 as a basis.	5.4-5.22

Supporting Document 1 – Updated Project Plan and Progress

- The IPSASB intends to develop and approve a Consultation Paper (CP) and accompanying Illustrative Exposure Draft (IED) in March 2026. The IPSASB has taken a systematic approach to effectively navigate this 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 Presentation Requirements			
<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, Fair Presentation and Compliance, Comparative Info, Offsetting, Aggregation and Disaggregation, etc. 	Completed (Sep 2024)	Reviewed (Sep 2025)	Reviewed (Sep 2024)
<ul style="list-style-type: none"> Materiality Going Concern 	Completed (Sep 2025)	Reviewed (Sep 2025)	Agenda Items 6.2.9 and 6.3.3
<ul style="list-style-type: none"> Remaining definitions 	Agenda Item 6.2.10	Agenda Item 6.3.2	Agenda Item 6.3.3
Statement of Financial Position			
<ul style="list-style-type: none"> Classification (Assets, Liabilities) 	Completed (Jun 2024)	Reviewed (Sep 2024, Sep 2025)	Reviewed (Sep 2024)
<ul style="list-style-type: none"> Totals / Subtotals 	Completed (Jun 2024)	Reviewed (Sep 2024, Sep 2025)	N/A
<ul style="list-style-type: none"> Line Items 	Completed (Jun 2024)	Reviewed (Sep 2024, Sep 2025)	Reviewed (Sep 2024)
Statement of Financial Performance			
<ul style="list-style-type: none"> Classification (Revenues, Expenses) 	Completed (Jun 2025)	Reviewed (Sep 2025, updated by Agl 6.2.8)	Agenda Items 6.2.11 and 6.3.3
<ul style="list-style-type: none"> Totals / Subtotals 	Completed (Jun 2025)	Reviewed (Sep 2025)	Agenda Items 6.2.11 and 6.3.3
<ul style="list-style-type: none"> Line Items 	Completed (Jun 2025)	Reviewed (Sep 2025)	Agenda Items 6.2.11 and 6.3.3
Statement of Changes in Net Assets/Equity			
<ul style="list-style-type: none"> Items Outside Surplus/Deficit 	Completed (Sep 2025)	Reviewed (Sep 2025)	Agenda Items 6.2.12 and 6.3.3
<ul style="list-style-type: none"> Other Requirements 	Completed (Sep 2025)	Reviewed (Sep 2025)	Agenda Items 6.2.12 and 6.3.3
<ul style="list-style-type: none"> IFRIC 17 	Completed (Sep 2025)	Reviewed (Sep 2025)	Agenda Items 6.2.12 and 6.3.3
Disclosures in the Notes			
<ul style="list-style-type: none"> Structure of the Notes 	Ongoing (Agenda Item 6.2.2)	Agenda Items 6.2.7 and 6.3.2	Q1 2026
<ul style="list-style-type: none"> Accounting Policy Information 	Ongoing (Agenda Item 6.2.3)	Agenda Items 6.2.7 and 6.3.2	Q1 2026
<ul style="list-style-type: none"> Sources of Estimation Uncertainty 	Ongoing (Agenda Item 6.2.4)	Agenda Items 6.2.7 and 6.3.2	Q1 2026
<ul style="list-style-type: none"> Other disclosure requirements 	Ongoing (Agenda Item 6.2.5)	Agenda Items 6.2.7 and 6.3.2	Q1 2026
<ul style="list-style-type: none"> IFRS 18's Management-Defined Performance Measures 	Ongoing (Agenda Item 6.2.6)	n/a	Q1 2026

Supporting Document 2 – [draft] Consultation Paper

This Agenda Item presents the [draft] Consultation Paper (CP), *Presentation of Financial Statements*. The [draft] CP is posted separately with track changes, for easier review (6.3.2). A clean version is available upon request.

As of this December 2025 meeting, the IPSASB will have reviewed all sections of the [draft] CP in detail. The IPSASB has reviewed various parts of the [draft] CP in past meetings. The following table highlights key sections of the [draft] CP with more substantial changes since September 2025. Members are asked to review the [draft] CP together with [Agenda Item 6.2.8](#).

Section of CP	Changed since Sep 2025?	Information about Changes
Project Overview	Yes	<ul style="list-style-type: none"> Editorial
Chapter 1: Development of New Presentation Standard	Yes	<ul style="list-style-type: none"> Editorial, including to better align with communication on <i>Strengthening Linkages Between IPSAS Standards and the GFSM</i> project (see Agenda Item 6.2.8)
Chapter 2: General Presentation Requirements	Yes	<ul style="list-style-type: none"> Some new drafting to address member comment (see Agenda Item 6.2.8) and reflect conclusions on remaining definitions (see Agenda Item 6.2.10) Editorial
Chapter 3: Statement of Financial Position	Yes	<ul style="list-style-type: none"> Editorial
Chapter 4: Statement of Financial Performance	Yes	<ul style="list-style-type: none"> Some updated or new drafting related to the GFSM project and member comments (see Agenda Item 6.2.8) Editorial
Chapter 5: Statement of Changes in Net Assets/Equity	Yes	<ul style="list-style-type: none"> Some updated or new drafting related to the GFSM project (see Agenda Item 6.2.8) Editorial
Chapter 6: Disclosure of Information in the Notes	N/A – new since Sep 2025	<ul style="list-style-type: none"> New drafting (see Agenda Item 6.2.7)
Appendix A: Considering IFRS and GFSM 2014	Yes	<ul style="list-style-type: none"> Some updated or new drafting related to the GFSM project (see Agenda Item 6.2.8) Editorial
Appendix B: Key Public Sector Considerations	No	–
Appendix C: Illustrative Examples of Statement of Financial Performance using IFRS Categories	Yes	<ul style="list-style-type: none"> Editorial
Appendix D: Illustrative Exposure Draft	Yes	<ul style="list-style-type: none"> See Agenda Items 6.2.9 and 6.3.3

Supporting Document 3 – [draft] Illustrative Exposure Draft

This Agenda Item presents the [draft] Illustrative Exposure Draft (IED), which is the Appendix D accompanying the Consultation Paper (CP), *Presentation of Financial Statements*. The [draft] IED (6.3.3) is posted separately with track changes, for easier review. A clean version is available upon request.

The IPSASB reviewed the last version of the [draft] IED in September 2024. Members are not required to review the [draft] IED in full for this December 2025 meeting. The following table highlights key sections of the [draft] IED that have more substantial changes since September 2024. Members are asked to review the [draft] IED together with Agenda Items [6.2.9](#), [6.2.10](#), [6.2.11](#), and [6.2.12](#).

Section of IED	Changed since Sep 2024?	Information about Changes
Core Standard		
Objective	Yes	• Editorial
Scope	Yes	• Editorial
Definitions	Yes	• Revisions, see Agenda Item 6.2.10 • Editorial
Objective of Financial Statements	No	–
Responsibility for Financial Statements	No	–
Components of Financial Statements	Yes	• Revisions to remove text on other comprehensive income and related guidance (to reflect IPSASB's views in Chapter 5 of the CP) • Editorial
General Requirements for Financial Statements	Yes	• New drafting in Going Concern section, see Agenda Item 6.2.9 • Editorial
Aggregation and Disaggregation	Yes	• Editorial
Statement of Financial Performance	Yes	• New drafting, see Agenda Item 6.2.11
Statement of Financial Position	Yes	• Revisions to reflect the IPSASB's comments from the September 2024 meeting • Editorial
Statement of Changes in Net Assets/Equity	Yes	• New drafting, see Agenda Item 6.2.12
Cash Flow Statement	Yes	• New drafting, to refer to IPSAS 2, <i>Cash Flow Statements</i> , for presentation requirements for cash flow statement
Application Guidance		
Objective	Yes	• Editorial
Objective of Financial Statements	No	–
Components of Financial Statements	Yes	• Editorial

Agenda Item 6.3.3

Section of IED	Changed since Sep 2024?	Information about Changes
General Requirements for Financial Statements	Yes	<ul style="list-style-type: none"> • New drafting in Material Information section, see Agenda Item 6.2.9 • Editorial
Aggregation and Disaggregation	Yes	<ul style="list-style-type: none"> • New drafting to add public-sector specific example in paragraph AG31, based on a member's comment. • Editorial
Statement of Financial Performance	Yes	<ul style="list-style-type: none"> • New drafting, see Agenda Item 6.2.11
Statement of Financial Position	Yes	<ul style="list-style-type: none"> • New drafting in paragraph AG97 to reflect the IPSASB's PV to permit mixed approach to allow some assets and liabilities to be presented using the current/non-current classification, and others are presented in order of liquidity • Editorial