



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

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Agenda Item
3A

Date: November 23, 2011
Memo to: Members of the IPSASB
From: Gwenda Jensen
Subject: Conceptual Framework Phase 4 Draft Consultation Paper: *Presentation*

Objectives

- To review the draft Consultation Paper (CF–CP4) and provide directions to Staff on the key issues in this memorandum and other changes necessary to gain approval; and
- To approve CF–CP4.

Agenda Material

3A.1 Draft Consultation Paper

Background

1. Presentation is Phase 4 of the IPSASB’s Conceptual Framework (Framework) project. CF–CP4 is being developed to solicit input from constituents on issues related to presentation prior to development of an Exposure Draft. During 2010 and at its March 2011 meeting the IPSASB established that CF–CP4 should propose high-level concepts that apply the QCs to presentation and are general enough to apply both to financial statements and more comprehensive scope GPR information.
2. Members reviewed earlier drafts of CF–CP4 in March, June and September. Those reviews focused mainly on the following issues:
 - Meaning of “presentation.”
 - Display and disclosure: (a) importance of this distinction; (b) descriptions of core and supporting information; (c) identification of principles or criteria to distinguish between these two types of information; and, (d) Diagram A, which shows the relationship between display, disclosure and presentation.
 - Different perspectives on presentation: (objectives, application of the QCs to presentation decisions, and separate presentation concepts).
 - Choice of presentation concepts: Names, descriptions, related techniques, relationships with the QCs, and alignment with presentation decisions.
 - CF–CP4’s structure and understandability.

3. At its September meeting, the main revisions directed by the IPSASB were:
 - a) *Section 2:* Remove the words “core information” and “supporting information” from Diagram A; include shaded section on right hand side of Diagram A; clarify that characteristics to identify “core information” are developed at standards level; and, remove reasons for distinguishing between core and supporting information.
 - b) *Section 3:* Rewrite coverage of different perspectives to focus on the end result (the proposed approach); move the coverage of QCs applied to presentation decision types to the section describing the proposed conceptual approach, along with paragraphs on presentation concepts, evolving scope, and users’ needs; include Kevin Stevenson’s objectives in Section 3 as an illustrative example of user needs focused presentation objectives.
 - c) *Section 4:* Shorten Concept 1 to “Select the right information and present in a timely fashion;” include discussion of information location under Concept 2; and reduce detail overall, particularly the description of Concept 1.
4. The Phase 4 Presentation coverage in the draft minutes of the September meeting are appended to this memorandum.
5. Draft CF–CP4 was revised accordingly and circulated to the IPSASB for review in October. It was then further revised in response to Members’ comments and, after a ‘fatal flaw’ review by the Task Based Group (TBG) and by several Members who had provided detailed comment for the earlier review, revised again.

Next Steps

6. The key actions requested of the IPSASB in Brasilia are to:
 - (a) **identify** any further key changes; and,
 - (b) **approve** the paper, conditional on those final changes being made.

Key Issues

Key Issue 1 – Display and disclosure

7. CF–CP4’s descriptions of display and disclosure, the related descriptions of core and supporting information, and Diagram A have been amended to reflect Board decisions at its September 2011 meeting. Further changes, arising from Members’ inter-meeting review of a post-Toronto draft of CF–CP4, are the addition of:
 - i. Clarification that the type of presentation techniques likely to be used to display information is not a factor that distinguishes core information from supporting information (refer paragraph 2.8), with consequential changes to Diagram A;

- ii. Emphasis on the importance of displaying all core information (refer paragraph 2.9);
 - iii. An example explaining that disclosure of accruals information as supporting information does not equate to display of such information (refer paragraph 2.10); and,
 - iv. An example of supporting information for financial statements (refer paragraph 2.12).
8. Some respondents expressed concerns about the usefulness and conceptual validity of proposed distinction between display and disclosure, and between core information and supporting information. Concerns expressed included that the distinctions were (a) a matter of form only and without substance, relying on presentation techniques rather than the substance of the information reported; (b) implied that information in the notes to the financial statements was of less importance than information on the face of the statements, even though critical information could be disclosed in the notes; and, (c) did not link into the presentation concepts, illustrating that the distinctions did not have any practical relevance. Revisions were made to the paper in an attempt to address these concerns.

Action Requested

Members are asked to **provide** directions to Staff on whether:

- (a) The descriptions of display, disclosure, core information, supporting information, and Diagram A adequately capture Board Members' views.

Key Issue 2 – IPSASB Approach to Presentation of Information

9. Section 3 describes the IPSASB's "overall approach to presentation of information," as consisting of: (1) a focus on user needs to identify presentation objectives; (2) application of the QCs to presentation decisions; and (3) application of separate presentation concepts. Then Sections 4, 5 and 6 each describe an aspect of this three-pronged approach. The description aims to capture the views expressed at the September meeting, and developed through TBG and IPSASB discussions in March and June and input into earlier versions of CF-CP4.
10. Comments received indicated that the description of the overall approach had captured the IPSASB's September discussion. One Member emphasized that the CF-CP4 should not reject the need to develop objectives that are more detailed than those in Phase 1, although this could be considered to be outside of Phase 4's scope. In response, the wording was amended to soften the position on objectives per se, but the view that "presentation objectives" should be developed at the standards level has been retained.

11. Another Member emphasized that application of the QCs to presentation decisions should be viewed as augmenting the use of presentation concepts. The draft CP now includes the idea that application of the QCs “augments” the presentation concepts, but the paper’s structure tends to convey that the two (application of QCs and presentation concepts) are of equal importance.
12. At the September meeting the IPSASB directed that the presentation objectives developed by Kevin Stevenson should be reinserted in the draft CP, as an example of presentation objectives. In response to comments received during review those objectives have been replaced with example presentation objectives based on user needs in CF-ED1. Comments received included the AASB staff view that Kevin Stevenson’s objectives go beyond the scope of Phase 4: Presentation.
13. Final revisions as part of the TBG’s “fatal flaw” review have further clarified the overall approach. Those changes include (a) additional coverage on user needs focused presentation objectives, which now have a separate section, and (b) further explanation of why separate presentation concepts are viewed as necessary.

Action Requested

Members are asked to **provide** directions to Staff on whether:

- (a) The description of the overall approach to presentation of information adequately reflects Members’ views; and
- (b) The right amount of coverage for each aspect of this approach has been included in the CP.

Key Issue 3 – Structure of Draft Consultation Paper

14. The structure and understandability of the draft CP received a significant amount of comment at the IPSASB’s September meeting and during the inter-meeting review. Section 3 was the primary focus for concern. Comments on earlier drafts have emphasized the importance of (a) providing sufficient information on each part of the overall approach to presentation; (b) keeping the lead-in to the presentation concepts as short as possible; and, (c) integrating the three aspects of the overall approach.
15. As stated above, Section 3 now describes the IPSASB’s overall approach to presentation of information, then Sections 4, 5 and 6 provide more detail on each aspect of the approach. The extent of coverage on each aspect has been revised, with coverage overall *increasing* for the first two parts (user needs focused presentation objectives and application of the QCs) and *decreasing* for the third part (presentation concepts). A new appendix has been added, Appendix A, which provides full coverage of CF-ED1’s description of user needs and supports the discussion of user needs and presentation objective in Sections 3 and 4.
16. The separation of the three parts of the presentation approach into separate sections (Sections 4, 5 and 6) is raised as an issue for Members’ consideration. An

- alternative approach would be to have just one section, Section 4, which would cover all three aspects of the approach in a more integrated way. The use of three separate sections aims to support understandability and avoid having one very long and potentially confusing Section 4. But separation into three sections could be viewed as over-emphasizing the importance of presentation objectives and direct application of the QCs, and hiding the most important content – the three presentation concepts – at the end of the paper, after a long “wind-up.”
17. In response to Members’ comments and consistent with previous Framework CPs the Specific Matters for Comment have been included both at the front *and* in the body of the paper – inserted into the relevant sections. Some minor revisions have been made to their wording.

Action Requested

Members are asked to **provide** directions to Staff on:

- (a) The structure and contents of draft CF–CP4, including:
- Whether Sections 4, 5 and 6 should be kept separate or integrated into a single section; and.
 - Whether the new Appendix A, covering CF–ED1’s description of user needs, should remain in CF–CP4.
- (b) Whether the Specific Matters for Comment highlight those matters that Members consider should be highlighted and are worded clearly.

Key Issue 4 – Presentation Concepts

18. The draft CP proposes the following three presentation concepts:
- Concept 1: Select the right information and present it in a timely fashion;
- Concept 2: Locate information to meet user needs; and,
- Concept 3: Organize information to make important relationships clear and support comparability.
19. These three concepts reflect the IPSASB’s September discussion, which (a) reduced the number of concepts to three, and (b) revised their wording so that they would be aligned with the three presentation decisions (what, where and how organized). In September, the IPSASB also directed that Concept 1 be shortened to: “Select the right information and present it in a timely fashion.”
20. With respect to Concept 1, one respondent commented that the phrase “the right information” is not meaningful. The respondent proposed that Concept 1 should be: “Select information that meets user needs, is appropriately stratified, and which passes the cost benefit test.” That wording would be meaningful and better reflect the content of the detailed description accompanying Concept 1. This comment raises the issue of whether Concept 1 needs to be revised. An earlier draft attempted the revision to: “Select *information that meets user needs* and present it in a timely fashion.” But this wording implies that only user needs are

- important, when GPFs objectives and presentation objectives are also important to information selection. An underlying issue is whether or not the accompanying descriptions are viewed as forming part of the presentation concepts, in the same way that the QCs' descriptions form part of the QCs.
21. The description of Concept 2 has been amended to include: (a) a discussion of the implications of verifiability for information location; and, (b) a list of information characteristics that may indicate a need to separate out information into different areas or into separate GPFs – see paragraphs 6.15 and 6.16. Concerns were expressed about whether this coverage was sufficient.
 22. One respondent also emphasized external assurance as a factor important for decisions about information location. The Framework will not express a view on the level of assurance that is anticipated for GPF components. The audit mandate applying to an entity may differ from jurisdiction to jurisdiction. It is difficult to see a situation in which the IPSASB would develop pronouncements that determine information location based on assurance. One possibility is where, without knowing levels of assurance, the IPSASB nonetheless decides to stipulate that *if* information is subject to different levels of external assurance then it should be separated into different locations. This situation would be analogous to that in IPSAS 24, Presentation of Budget Information in Financial Statements. IPSAS 24 does not include requirements for organizations' budgeting practice. But IPSAS 24 does acknowledge that entities may budget on a basis other than accruals, and sets out different reporting requirements for that situation, compared to where entities budget on an accrual basis.
 23. With respect to Concept 3, one respondent argued that important relationships need to be defined as relationships between core information and other information (either core or supporting). The draft CP presently leaves important relationships open, but highlights three types of relationship (enhancement, similarity, and shared purpose).

Action Requested

Members are asked to **provide** directions to Staff on:

- (a) Any improvements that could be made to each concept's description, each concept's related presentation techniques, and any other issues related to the three presentation concepts; and, in particular,
- (b) Any changes necessary to improve the discussion of information location under Concept 2.

APPENDIX: DRAFT MINUTES SEPTEMBER 2011 - PHASE 4 PRESENTATION

6.2 Approve Phase 4 Consultation Paper (CF-CP4) (Agenda item 4A)

Staff presented a further draft Consultation Paper (CP) and an accompanying memorandum, which identified three key issues related to the CP. The issues related to the following matters:

- (a) the meaning of presentation;
- (b) the proposed distinction between “display” and “disclosure” and related descriptions of “summary” and “supporting” information; and
- (c) descriptions of three alternative approaches to presentation concepts.

The IPSASB was then asked to:

- Review the draft CP;
- Identify any remaining revisions necessary to gain approval; and
- Approve the CP.

Discussion of key issues and draft Consultation Paper review

Members discussed the three key issues identified in the CP’s accompanying memorandum and carried out a page by page review of the CP. The proposed meaning of “presentation” was supported, as was the distinction between information that is “displayed” and information that is “disclosed.” Members identified changes to the way that such information should be described and rejected the use of “summary information” to describe information that is to be displayed. Members decided that the three alternative “conceptual approaches” should be described instead as “perspectives” considered by the IPSASB during development of the presentation concepts.

The main revisions identified during the first discussion and review were to:

- (a) Rename “summary information” as “core information”;
- (b) Revise the descriptions of core and supporting information;
- (c) Revise Diagram A;
- (d) Include an information hierarchy;
- (e) Revise the descriptions of three alternative conceptual approaches to describe these as perspectives considered by the IPSASB during development rather than alternative approaches;
- (f) Include Concept 2 within Concept 1; and
- (g) Revise Concepts 3 and 4 to align them with the decision types “where information is located” and “how to organize information.”

Staff was directed to revise the draft CP to make the identified changes and to re-submit it to the IPSASB for discussion later in the meeting.

Second review of the draft Consultation Paper

Members carried out a page by page review of the revised CP.

The main revisions identified for Section 2 of the CP were to:

- Remove the words “core information” and “supporting information” from Diagram A;
- Include a shaded section on the right hand side of Diagram A;
- Clarify that characteristics to identify “core information” generally are developed at standards level; and
- Revise the reasons for distinguishing between core and supporting information.

Members decided that the descriptions of different perspectives in Section 3 of the CP should be rewritten to focus on the end result (the proposed approach) rather than the Board’s different considerations (i.e. remove the emphasis on three distinct perspectives, remove the headings, and re-order the discussion to place the proposed conceptual approach first, followed by the explanation of how the Board reached that approach).

The list of presentation decision types should be moved to the section describing the proposed conceptual approach (Section 4), along with Table 1, which applies the QCs to presentation decisions. The two paragraphs on “presentation concepts, evolving scope, and users’ needs” should be moved to the beginning of Section 4.

Members stated that the remaining coverage in Section 3, after these revisions, should be sufficient to ensure that the different perspectives are understandable. Kevin Stevenson’s objectives should be included in Section 3, as an illustrative example of users’ needs focused presentation objectives, replacing the objectives based on the users’ needs identified in Phase 1 of the Framework.

In Section 4 of the CP the IPSASB decided that Concept 1 should be shortened to “Select the right information and present in a timely fashion.” The accompanying explanatory detail for Concept 1 should be shortened. Concept 2, which had been revised to state that information should be located to meet users’ needs, should include discussion of issues related to information location—for example identification of information characteristics that may indicate a need to separate out information into different areas or into a separate GPFR and decisions on financial statements versus notes versus narrative.

The paragraph listing presentation techniques relevant to the selection and cost-benefit aspects of Concept 2 should be moved to Concept 3.

Next steps

Members directed Staff to revise the draft CP for the IPSASB’s consideration at its December 2011 meeting. The Board approved the following next steps on the CP:

- Revise the draft CP and circulate to Board as soon as possible for comments and tentative views
- Revise subsequent to Board’s between meeting comments.
- Circulate a timetable for IPSASB review of the revised CP paper the week beginning September 19, 2011.

DRAFT Consultation Paper

[January] 2012

Comments are requested by Month XX, 2012

International Public Sector Accounting Standards Board

**Conceptual Framework for General
Purpose Financial Reporting by Public
Sector Entities:**

Presentation



**International Federation
of Accountants**

**DRAFT CONSULTATION PAPER
CONCEPTUAL FRAMEWORK FOR GENERAL PURPOSE FINANCIAL
REPORTING BY PUBLIC SECTOR ENTITIES:
PRESENTATION**

Background to the Conceptual Framework

The *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the Conceptual Framework) will establish and make explicit the concepts that are to be applied in developing International Public Sector Accounting Standards (IPSASs) and other documents that provide guidance on information included in general purpose financial reports (GPFs).

IPSASs are developed to apply across countries and jurisdictions with different political systems, different forms of government and different institutional and administrative arrangements for the delivery of services to constituents. The International Public Sector Accounting Standards Board (IPSASB) recognizes the diversity of forms of government, social and cultural traditions, and service delivery mechanisms that exist in the many jurisdictions that may adopt IPSASs. In developing this Conceptual Framework, the IPSASB has attempted to respond to and embrace that diversity.

The Accrual Basis of Accounting

This Consultation Paper (CP) deals with concepts that apply to general purpose financial reporting (hereafter referred to as financial reporting) under the accrual basis of accounting.

Under the accrual basis of accounting, transactions and other events are recognized in financial statements when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate.

Financial statements prepared under the accrual basis of accounting inform users of those statements of past transactions involving the payment and receipt of cash during the reporting period, obligations to pay cash or sacrifice other resources of the entity in the future and the resources of the entity at the reporting date. Therefore, they provide information about past transactions and other events that is more useful to users for accountability purposes and as input for decision-making than is information provided by the cash basis or other bases of accounting and financial reporting.

Project Development

The IPSASB is developing the Conceptual Framework with input from an advisory panel comprising a number of national standard setters and similar organizations with a role in establishing financial reporting requirements for governments and other public sector entities in their jurisdictions. Earlier drafts of this CP have benefited greatly from comments received from the advisory panel.

The purpose of the IPSASB's Conceptual Framework project is to develop concepts, definitions and principles that:

- Respond to the objectives, environment and circumstances of governments and other public sector entities; and therefore
- Are appropriate to guide the development of IPSASs and other documents dealing with financial reporting by public sector entities.

Many of the IPSASs currently on issue are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), to the extent that the requirements of those IFRSs are relevant to the public sector. The IPSASB's strategy also includes maintaining the alignment of IPSASs with IFRSs where appropriate for the public sector.

The IASB is currently developing an improved Conceptual Framework for private sector business entities in a joint project with the Financial Accounting Standards Board (FASB) of the USA. Development of the IASB's Conceptual Framework is being closely monitored. However, development of the IPSASB's Conceptual Framework is not an IFRS convergence project, and the purpose of the IPSASB's project is not to interpret the application of the IASB Framework to the public sector.

The concepts underlying statistical financial reporting models, and the potential for convergence with them, are also being considered by the IPSASB in developing its Conceptual Framework. The IPSASB is committed to minimizing divergence from the statistical financial reporting models where appropriate.

Consultation Papers and Exposure Drafts

Although all the components of the Conceptual Framework are interconnected, the Conceptual Framework project is being developed in phases. The components of the Conceptual Framework have been grouped as follows, and are being considered in the following sequence:

Phase 1—the scope of financial reporting, the objectives of financial reporting and users of GPFs, the qualitative characteristics (QCs) of information included in GPFs, and the reporting entity;

Phase 2—the definition and recognition of the “elements” of financial statements;

Phase 3—consideration of the measurement basis (or bases) that may validly be adopted for the elements that are recognized in the financial statements; and

Phase 4—consideration of the concepts that should be adopted in deciding how to present financial and non-financial information in GPFs.

The project initially involves the development and issue for comment of CPs that draw out key issues and explore the ways in which those issues could be dealt with. The CP dealing with Phase 1 was issued in September 2008¹. CPs dealing with Phase 2 and Phase 3, and the Exposure Draft (ED) dealing with Phase 1 were issued in December 2010².

¹ Consultation Paper, *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: The Objectives of Financial Reporting; The Scope of Financial Reporting; The Qualitative Characteristics of Information Included in General Purpose Financial Reports; The Reporting Entity*.

² Consultation Paper, *Elements and Recognition in Financial Statements* (CF—CP2—Elements), Consultation Paper, *Measurement of Assets and Liabilities in Financial Statements* (CF—CP3—Measurement), and Conceptual Framework Exposure Draft 1 (CF—ED1), *Conceptual Framework for*

The IPSASB commenced its consideration of the responses to these documents in September 2011.

The IPSASB's current intention is to issue Exposure Drafts dealing with each of Phases 2, 3 and 4 of the Conceptual Framework after it has completed its consideration of responses to the CPs dealing with those Phases. The process for developing the finalized Conceptual Framework will be determined in light of the responses received to the CPs and EDs, and may include issue of an umbrella ED of the full Conceptual Framework.

Objective of the Consultation Paper

This CP, *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation*, sets out the specific matters on which comments are requested. The IPSASB has not provided preliminary views on the issues so as to get the widest possible consultation. Respondents may choose to address all or just some selected matters, and are welcome to comment on any other matter they think the IPSASB should consider in forming its views.

Guide for Respondents

The IPSASB welcomes comments on all of the matters discussed in this CP. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, and contain a clear rationale, including reasons for agreeing or disagreeing. If you disagree, please provide alternative proposals.

The Specific Matters for Comment requested in the CP are provided below.

Specific Matter for Comment 1 (*See paragraph 1.1*)

Do you agree with the development of presentation concepts that can be adopted for General Purpose Financial Reports (GPFRs) including, but not restricted to, financial statements?

Specific Matter for Comment 2 (*See paragraphs 2.1 to 2.18*)

With respect to the descriptions of “presentation,” “display,” “disclosure,” “core information,” and “supporting information,” and the proposed relationships between these terms:

- (a) Do you agree that the descriptions and proposed relationships are appropriate and adequate?
- (b) Do you agree that identification of core and supporting information for GPFRs should be made at a standards level rather than as part of the Conceptual Framework?

Specific Matter for Comment 3 (*See paragraphs 3.1 to 3.12*)

With respect to the IPSASB’s approach to presentation of information:

- (a) Do you agree with the focus on high level presentation concepts rather than the specification of, for example, (a) a set of GPFRs that an entity should prepare, (b) types of information for inclusion in different GPFRs, (c) a list of financial statements, or (d) the broad content of financial statements.
- (b) Do you agree with the approach of (i) focusing on user needs to identify presentation objectives, (ii) application of the qualitative characteristics (QCs) to presentation decisions, and (iii) separate presentation concepts?
- (c) Do you agree that presentation objectives should be developed at a standards level, rather than as part of the Conceptual Framework?

Specific Matter for Comment 4 (*See paragraphs 6.1 to 6.27*)

This CP proposes three presentation concepts. Please provide your views on these concepts, in particular whether:

- (a) any of these concepts should be excluded from the Conceptual Framework;
- (b) there are further concepts that should be included in the Conceptual Framework;
and
- (c) the description of each concept could be improved.

Executive Summary

This CP explores presentation concepts applicable to the GPFs of public sector entities, including general purpose financial statements (GPFs). It begins by describing “presentation,” “display,” “disclosure,” “core information,” and “supporting information.” “Presentation” is the selection, location and organization of information that is displayed and disclosed in the GPFs to meet the objectives of financial reporting, needs of users, and QCs. “Presentation” covers both “display” and “disclosure” of information. “Display” relates to “core information,” which is central to achievement of user needs and should be shown prominently. Disclosure of core information is not a substitute for its display. “Disclosure” applies to the provision of “supporting information.” “Supporting information” provides detail related to the core information, makes core information more useful, and is equal in importance to core information.

The IPSASB approach to presentation of information involves: 1) recognition that identification of user needs focused objectives, i.e. “presentation objectives,” for information areas is central to presentation; (2) application of the QCs to presentation decisions; and, (3) application of separate presentation concepts.

The three presentation concepts are:

1. Select the right information and present it in a timely fashion;
2. Locate information to meet user needs; and,
3. Organize information to make important relationships clear and support comparability.

These presentation concepts are intended to guide the development of presentation requirements within pronouncements issued by the IPSASB, and to guide preparers as they consider aspects of financial reporting not addressed within pronouncements. These three presentation concepts would be applied in combination with (a) the identification of user needs focused presentation objectives, and (b) application of the QCs to presentation decisions.

1 Introduction

- 1.1 This Consultation Paper (CP) is the first step in the development of Phase 4 of the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*. It explores presentation concepts that could be adopted for public sector General Purpose Financial Reports (individually, a GPFR, and collectively, GPFRs) including General Purpose Financial Statements (GPFs), hereafter “financial statements.” It considers presentation within the context of the more comprehensive scope for general purpose financial reporting that has been proposed in Phase 1.

Specific Matter for Comment 1:

Do you agree with the development of presentation concepts that can be adopted for GPFRs including, but not restricted to, financial statements?

Relevance of Work Done in Phase 1 of Conceptual Framework

- 1.2 This CP is intended to be read within the context established in CF—ED1. CF—ED1 proposes that GPFRs of public sector entities include, but are more comprehensive than, financial statements, including their notes. CF—ED1 also proposes that the objectives of financial reporting are to provide information about the entity that is useful to users for accountability and decision-making purposes. Presentation of information in GPFRs should support those objectives. Presentation also relates to the user needs proposed in Phase 1.
- 1.3 With respect to user needs, CF—ED1 provides examples of the information that, for accountability and decision-making purposes, different users will need. For example, the list of information needs for service recipients and their representatives includes information as input to assessments of such matters as whether:
- The entity is using resources economically, efficiently, effectively and as intended, and whether such use is in their interests;
 - The range, volume and cost of services provided during the reporting period, and the amounts and sources of their cost recoveries, are appropriate; and
 - Current levels of taxes or other charges are sufficient to maintain the volume and quality of services currently provided.
- 1.4 Appendix A provides full coverage of CF-ED1’s list of user needs.
- 1.5 Information should be presented so as to meet the QCs and constraints articulated in Phase 1. The QCs are relevance, faithful representation, understandability, timeliness, comparability, and verifiability. The descriptions of these six QCs in CF—ED1 are provided in Appendix B. Each of the QCs is integral to, and works with, the other QCs to ensure that reported information is useful for achieving the objectives of financial reporting. However, in practice, all QCs may not be fully achieved, and a balance or trade-off between certain of them may be necessary. CF—ED1 further notes that the extent to which the QCs can be achieved may

differ depending on the degree of uncertainty and subjective assessment or opinion involved in compiling financial and non-financial information. Materiality, cost-benefit, and achievement of an appropriate balance between the QCs are pervasive constraints on information included in GPFRs.

Relevance of Work Done in Phase 2 Elements and Phase 3 Measurement

1.6 Phase 2—Elements and Phase 3—Measurement of the IPSASB’s conceptual framework project cover the definition, recognition, and measurement of the elements reported in the financial statements. In December 2010 CPs were issued for each Phase. Consultation Paper, *Elements and Recognition in Financial Statements*:

- comments on the boundary between elements and presentation, noting that subclassifications within an element, and aggregations or combinations of elements, are issues for presentation rather than matters discussed within that CP;
- proposes that disclosure of information in the notes to the financial statements does not compensate for a failure to recognize items that meet the definitions and specified recognition criteria of elements;
- proposes that certain types of note disclosures with respect to recognized items can enhance information for decision making and accountability;
- proposes that notes can provide further detail about recognized items; and
- notes that how elements are defined can impact on what needs to be presented on the faces of the different financial statements.

1.7 The Consultation Paper, *Measurement of Assets and Liabilities in Financial Statements* states that proper presentation and disclosure can ensure that the measurement bases used and the amounts reported on each basis are clear.

2 Meaning of presentation, display, and disclosure

Presentation

- 2.1 This section explores what is meant by “presentation” in GPFRs, and illustrates the relationship between “presentation,” “display,” and “disclosure.” Presentation and disclosure have been addressed from a conceptual perspective by only a few standard setters, and the concepts developed have generally only focused on the financial statements and note disclosures. There are several projects being conducted - by the IASB, national standard setters, and others - that relate to presentation, including projects on integrated reporting, note disclosures, and effective communication of financial information³. The IPSASB is monitoring the progress of these projects. However, given the scope and objectives of these projects the IPSASB believes that it can progress this project without waiting for these other projects to be finalized.
- 2.2 In the context of financial statements, “presentation” has been viewed, within some jurisdictions, as addressing information reported on the face of a statement, while “disclosure” addresses information that is reported in the notes. Because this CP is considering presentation in the broader context of both GPFRs that include financial statements and other GPFRs, that terminology needs to be modified. “Presentation” is therefore described in this CP as the selection, location and organization of information that is displayed and disclosed in the GPFRs to meet the objectives of financial reporting, needs of users, and QCs.
- 2.3 This definition of “presentation” also contrasts with the meaning of “fair presentation” with respect to financial statements. “Fair presentation” encompasses a wider set of issues, including not only presentation (as described above) but also the recognition and measurement of elements. This CP does not address issues related to the recognition and measurement of elements, which are covered in Phases 2 and 3 of the Conceptual Framework, and discussed in the CPs issued in December 2010.
- 2.4 This description of presentation deals with “information.” The expression “to include information in a GPFR” is used in this CP and in other Conceptual Framework CPs. An item of information is included in a GPFR when it is presented separately somewhere within the GPFR. For example, if the total value of property, plant and equipment (PP&E) is broken down in the notes to the financial statements into classes, which include a separate class for “roads” and a value for roads, then the information “value of roads” has been included in the GPFR.

³ For example, the Financial Accounting Standards Board’s (FASB’s) *Disclosures* project, the Federal Accounting Standards Advisory Board’s (FASAB’s) *Concepts – The Financial Report* project, the International Integrated Reporting Committee’s project on integrated reporting, and the European Financial Reporting Advisory Group’s Disclosures Framework project. Phase E of the IASB/FASB conceptual framework project will address presentation and disclosure.

Display and disclosure

- 2.5 Presentation covers both “display” and “disclosure” of information. In considering display and disclosure this CP distinguishes between “core information” and “supporting information.”

Display and core information

- 2.6 Core information highlights key messages related to an information area⁴ and so is central to meeting the objectives of financial reporting and user needs. When developing presentation requirements for a particular GPFR information area, it is important to identify (a) what core information would need to be displayed, (b) where the information should be displayed, and (c) how it should be organized. Where core information has been identified it should be displayed prominently, using appropriate presentation techniques. Core information should be kept to an understandable level, so that users can focus on that information and not be distracted by an excess of detail that could obscure the key messages that core information is intended to show. But core information should also be sufficient to effectively communicate the key messages related to an information area.
- 2.7 For the financial statements, “display” applies to the information shown on the face of a statement. For information inside GPFRs but outside of the financial statements, “display” refers to the ways in which core information is shown, such that the presentation provides an overview appropriate to (a) meeting the needs of users, and (b) the characteristics of the information shown. Examples of possible presentation techniques for this information include the use of lists (for example, lists of critical indicators), tables, statements, and graphs.
- 2.8 Display and “disclosure” – discussed below – do not differ based on the specific presentation techniques used. For financial statements the difference is about information location; on the face of a financial statement or in the notes. For other information areas the presentation technique(s) used to more prominently display core information would be aligned with the information needs and presentation objectives of that area and reviewed against the QCs and presentation concepts.
- 2.9 For information to achieve the QCs, all core information should be displayed. Disclosure of core information – discussed below – is not a substitute for its display.

Example: Accruals and cash

- 2.10 The set of information produced for accrual-based financial statements is comprehensively different from that produced for cash-based statements. One aspect of that difference relates to information location and the identification of core and supporting information. Note disclosure of accruals information (for example, accrual-based values for assets and liabilities) as supporting information does not equate to display of accruals information on the face of the financial

⁴ An “information area” is either a GPFR or a major subsection within a GPFR. Examples of “information areas” include service performance information, information on the long term sustainability of the public finances, financial statements, and financial statement discussion and analysis.

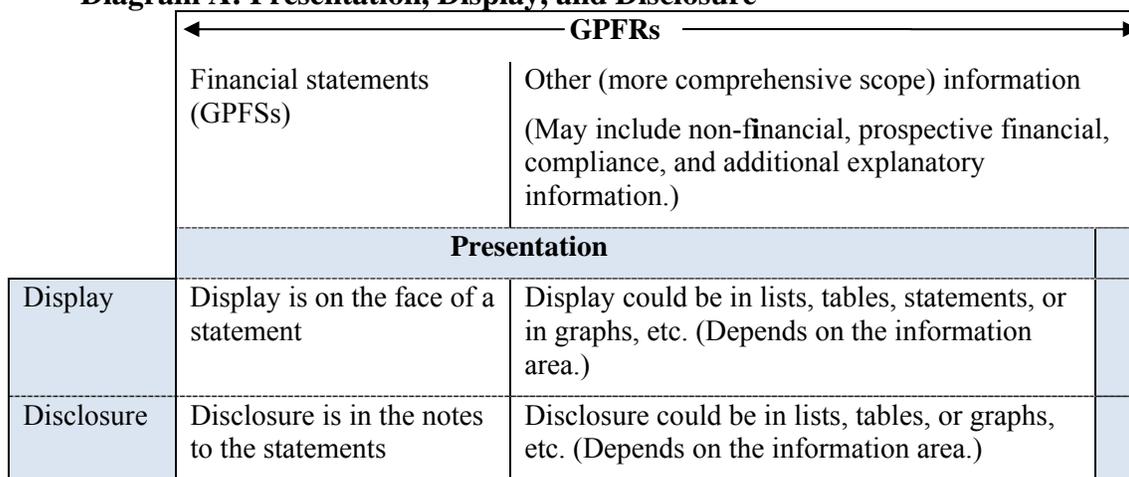
statements. Appropriate decisions about where information is shown (and how it is organized) are equally important to presentation as decisions about what information is shown.

Disclosure and supporting information

- 2.11 “Supporting information” makes core information more useful. It does this by providing detail that will help users to understand the core information, including (a) the core information’s basis, such as applicable policies, methodology, etc (b) disaggregations of core information, (c) items that share many but not all of the characteristics of core information, and (d) information that could affect users’ evaluation of core information. Two examples of supporting information within the context of two different information areas are:
- Information on the *methodologies* used to produce information on the *long-term sustainability of public finances*; and
 - Information about the *scope* of service performance information reported, when reporting *service performance information*.
- 2.12 For financial statements, disclosure of supporting information provides elaborations of items displayed on the face of a financial statement, but may also provide other types of supporting, non-core information. For example, information about items such as contingent liabilities, that are not recognized but are still relevant, or other types of information, for example segment information, are necessary to fully understand the core financial information displayed on the faces of the financial statements, meet user needs, and achieve the objectives of GPFs.
- 2.13 “Supporting information” is as important as core information, but its role means that it should not be displayed as prominently as core information. Similarly to core information, presentation techniques for supporting information include the use of lists, tables, statements, and graphs.
- 2.14 It is possible that not all GPF information areas will have both core information and supporting information.

- 2.15 **Diagram A** below shows the interrelationships between “presentation,” “display,” and “disclosure.”

Diagram A: Presentation, Display, and Disclosure



Identification of core and supporting information

- 2.16 Identification of specific core and supporting information is done at a standards level, for a particular topic or information area, applying the descriptions above for core information and supporting information, rather than through development of a single set of criteria or characteristics for application across all GPFs. The identification of core and supporting information is inextricably linked. Such identification will be considered, by the IPSASB and/or preparers, when they apply the approach to presentation of information that is set out in Section 3.
- 2.17 Standards level identification of core and supporting information could involve, for a particular information area, the development of: (a) classification principles appropriate to that area; (b) a list of broad types of information that should be provided as core or supporting information; or, (c) a list of specific core information that all preparers must provide for that area. Those “presentation objectives” applicable to an information area would guide the identification of core and supporting information by both standard setters and preparers. Presentation objectives, discussed further in Sections 3 and 4, are based on the needs of users.
- 2.18 The relationship between the QCs and the presentation decisions that flow from the description of presentation above is discussed in more detail in Section 5 below.

Specific Matter for Comment 2:

With respect to the descriptions of “presentation,” “display,” “disclosure,” “core information,” and “supporting information,” and the proposed relationships between these terms:

- (a) Do you agree that the descriptions and proposed relationships are appropriate and adequate?
- (b) Do you agree that identification of core and supporting information for GPFRs should be made at a standards level rather than as part of the Conceptual Framework?

3 IPSASB Approach to Presentation of Information

- 3.1 This section provides an overview of the IPSASB's overall approach to presentation of information, and describes how that approach was developed.
- 3.2 Consistent with the IPSASB's view that the content and structure of GPFRs are standards level concerns, this CP focuses on high level presentation concepts rather than the specification of, for example, (a) a set of GPFRs that an entity should prepare to meet the objectives of financial reporting, (b) the types of information that should be included in different GPFRs, (c) a list of financial statements, or (d) the broad content of financial statements.
- 3.3 The IPSASB's approach to presentation of information involves:
- (1) focusing on user needs to identify presentation objectives;
 - (2) application of the QCs to presentation decisions; and
 - (3) application of separate presentation concepts.
- 3.4 This approach was developed through:
- review of: (a) other standard setters' work on presentation concepts, (b) the implicit concepts underlying IPSASB and other standard setters' presentation-related pronouncements, and (c) communication principles;
 - consideration of the types of concepts needed to address presentation decisions, including application of the QCs and constraints; and
 - consideration of three different perspectives on presentation concepts.
- 3.5 With respect to the last point, each one of the three perspectives was found to have something to contribute to presentation concepts, as discussed below.
- (i) Focus on user needs to identify presentation objectives*
- 3.6 A presentation perspective that focuses on user needs takes the view that the objectives of the information presented should be clearly identified in order for presentation requirements to be developed. Applying this perspective, presentation concepts could consist of "presentation objectives," which would operationalize the two objectives from Phase 1 of the Conceptual Framework.
- 3.7 The perspective that user needs are critical to presentation decisions is valuable. The evolving scope of GPFRs and the dynamic nature of the relationship between user needs and the information necessary to fulfill such needs argue against identification of specific presentation objectives for application across all GPFRs and inclusion in the Conceptual Framework. The approach to presentation of information described in this CP has "presentation objectives" identified as part of standard setting, in order to guide the development of presentation requirements and preparers' presentation decisions. Presentation objectives are discussed further in Section 4 below.

(ii) Application of QCs

- 3.8 A second perspective on presentation concepts is that the QCs address the fundamental considerations relevant to the development of requirements for presentation. From this perspective QCs could guide presentation requirements and practice without interpretation, and the direct application of the QCs could be viewed as more reliable than use of an intermediate set of presentation concepts.
- 3.9 Relevance and faithful representation, for example, apply to decisions about what information should be presented. Relevance requires that information selected for presentation should be capable of making a difference in achieving financial reporting objectives and should have confirmatory value and/or predictive value. Faithful representation requires that information be complete. All information necessary for faithful representation of a phenomenon should be provided. At the same time, information should be neutral, i.e. selected without bias.
- 3.10 Application of the QCs augments application of presentation concepts and forms part of the approach to presentation of information described in this CP. How the QCs relate to presentation decisions is further discussed in Section 5 below.

(iii) Presentation concepts

- 3.11 A third perspective is that there is scope for separate presentation concepts that identify general, high level principles applicable specifically to presentation. These concepts would highlight issues of particular importance to presentation. This perspective acknowledges that the descriptions of the QCs, although very important for presentation, are not focused on presentation issues. Separate presentation concepts that are consistent with the QCs, but whose descriptions focus on presentation, arguably are needed to fill a gap between the QCs and presentation, and to operationalize the QCs' application to presentation.
- 3.12 The IPSASB has taken this perspective in developing the three presentation concepts described in Section 6 below. These concepts were developed through application of the QCs to presentation decisions. They would be applied to presentation in combination with presentation objectives and the QCs.

Impact of new technology

- 3.13 One question that arises is how new technology, designed to allow users to access data at different levels to suit their individual needs, could impact on presentation in GPFRs. Internet based tools potentially provide more scope than traditional, hardcopy formats to drill down from standardized summary presentation of information into more detailed underlying data. The approach to presentation of information described in this CP aims to be high level enough to remain relevant and support the development of appropriate presentation requirements within the context of changing information technology.

Specific Matter for Comment 3:

With respect to the IPSASB's approach to presentation of information:

- (a) Do you agree with the focus on high level presentation concepts rather than the specification of, for example, (a) a set of GPFRs that should be prepared, (b) types of information for inclusion in different GPFRs, (c) a list of financial statements, or (d) broad content of financial statements.
- (b) Do you agree with the approach of (i) focusing on user needs to identify presentation objectives, (ii) application of the qualitative characteristics (QCs) to presentation decisions, and (iii) separate presentation concepts?
- (c) Do you agree that presentation objectives should be developed at a standards level, rather than as part of the Conceptual Framework?

4 Identification of presentation objectives

- 4.1 This section discusses the identification of presentation objectives, based on user needs, to guide development of standards level presentation requirements and preparers' presentation decisions.

Presentation objectives consistent with financial reporting objectives

- 4.2 "Presentation objectives" would be consistent with, but more specific than, the two over-arching financial reporting objectives of accountability and decision-making proposed in CF—ED1. Presentation objectives would operationalize the accountability and decision-making objectives, and be specific enough to guide presentation decisions for a particular information area.

Presentation objectives based on user needs

- 4.3 Presentation objectives would be based on user needs. CF—ED1 has described some of the assessments for which users need information. CF—ED1 states, for example, that users want information to support assessments of whether:

- Resources are being used economically, efficiently, effectively and as intended, and whether such use is in their interests;
- The range, volume and cost of services provided during the reporting period, and the amounts and sources of their cost recoveries, are appropriate;
- Current levels of taxes or other charges are sufficient to maintain the volume and quality of services currently provided;
- The entity is achieving the objectives established as the justification for the resources raised during the reporting period;
- Current operations were funded from resources raised in the current period from taxpayers or from borrowings or other sources; and
- The entity is likely to need additional (or less) resources in the future, and the likely sources of those resources.

Example: Illustrative presentation objectives

- 4.4 Three examples of possible presentation objectives, for three different information areas, are provided below:

1. *Financial information:*

Objective: To provide information that is useful to evaluate the entity's ability to finance its activities and to meet its liabilities and commitments.

2. *Service performance information:*

Objective: To provide information that is useful to assess whether the range, volume and cost of services provided during the reporting period, and the amounts and sources of their cost recoveries, are appropriate.

3. *Information on the long-term sustainability of finances:*
 - Objective: To provide information that is useful to assess the ability of governments to meet debt servicing obligations and the extent to which they can maintain current policies and meet current and future obligations related to entitlement programs, without raising taxes and contributions or increasing debt to unsustainable levels.
- 4.5 These three objectives are illustrative only. They do not attempt to cover all (or any) of the presentation objectives that might actually be identified for these three information areas. The approach to presentation of information described in explains that “presentation objectives” would be identified as part of standard setting, in order to guide the development of presentation requirements and preparers’ presentation decisions.

5 Relationship of the QCs to Presentation Decisions

- 5.1 This section (a) describes the three types of presentation decisions to which presentation concepts apply; and, (b) shows how the QCs are related to those decisions.
- 5.2 Presentation concepts need to apply to presentation decisions. There are three broad types of presentation decisions (decision types). These are decisions about:
- *what* information needs to be shown. For example, decisions about:
 - what information items (particular statements, notes, sets of supporting information, other items) should be included in GPFRs; and,
 - at the level of an individual item in GPFRs such as a statement, what particular line items, comparatives, totals, subtotals, explanations, and supporting schedules are needed to achieve that item's purpose.
 - *where* information should be located. For example, decisions about:
 - whether information should be located in a particular statement or located in a particular GPFR; and,
 - whether information should be displayed on the face, or disclosed in the notes (in the case of presentation involving statements).
 - *how* information should be organized. For example, decisions about:
 - the use of a statement to show information (as opposed to narrative, a table, or a graph); and
 - a statement's overall structure (including decisions on the number and type of columns to include, number and ordering of line items, and the use of titles and headings.)
- 5.3 For example, twenty different items of information may be identified for inclusion in a particular GPFR. That decision relates to *what* information is presented. Of those items, six may be identified as core information that should be displayed prominently (for example, on the face of a statement) and the other fourteen items may be identified as supporting information that should be disclosed less prominently (for example, in related notes). That decision relates to *where* information is presented. Of the six items reported prominently, it may be decided that the items should be arranged in tabular form, with three items per column and the items in each column following a particular sequence within the column. That decision relates to *how* information is *organized*.
- 5.4 Application of the QCs to presentation decisions forms one part of the IPSASB's approach to presentation of information. **Table 1** on the following page illustrates how the QCs relate to the three types of presentation decision.

TABLE 1: QUALITATIVE CHARACTERISTICS AND THE THREE TYPES OF PRESENTATION DECISIONS

Qualitative characteristic	Presentation Decision Types		
	What information is shown	Where information is shown	How information is organized
Relevance	Information that is (a) capable of making a difference in achieving financial reporting objectives and meeting user needs and thus (b) has confirmatory value, predictive value, or both.	When more information is identified as relevant the need to consider whether information needs to be located in different places increases. Relevance is important when distinguishing between core information and supporting information.	The more information identified as relevant, the greater the potential need to consider the best way to organize information.
Timeliness	Information that is timely enough to be useful.	Information's location can facilitate timeliness.	No impact.
Verifiability	When reporting certain types of information include: - Assumptions that underlie the information, - Methodologies adopted in compiling it, and - Factors etc that support other information reported.	The extent to which information can be verified and the ways in which different types of information are verified may impact on where information is shown.	The inclusion of information such as disclosure of methodologies and assumptions is likely to have implications with respect to how information should be organized.
Understandability	Understandability impacts in combination with relevance. For users to understand information there must be sufficient relevant information to meet the objectives of financial reporting and user needs.	Locate information in a manner that responds to the needs and knowledge base of users, and to the nature of the information presented. Understandability is important when distinguishing between core information and supporting information.	Organize information in a manner that responds to the needs and knowledge base of users, and to the nature of the information presented. Present information in a manner that is readily understandable by users. Classify, characterize and present information clearly and concisely.
Faithful representation	<i>Complete:</i> Include all information necessary for faithful representation of the phenomenon. <i>Neutral:</i> Select information without bias.	<i>Neutral:</i> Locate without bias.	<i>Neutral:</i> Organize without bias.
Comparability	Changes to information shown over time impact on comparability. Comparability indicates a need for supporting information, to allow users to make an informed assessment of comparability and core information (e.g. comparatives for GPFSSs).	Organize so that like items look alike, and different items look different.	Organize so that like items look alike, and different items look different.

Overarching considerations – Professional judgment, the QCs and constraints

- 5.5 Two overarching considerations for presentation are professional judgment and constraints on information. CF—ED1 mentions management judgment within the context of the QCs. Judgment is required in determining the best way to present information. That judgment must be exercised within the parameters established by IPSASs and other pronouncements. Presentation also should take into account the three information constraints: materiality, cost-benefit, and balance between the QCs.

6 Presentation concepts

- 6.1 This section proposes three presentation concepts to guide presentation decisions for GPFs. The concepts have been developed through applying the QCs and constraints on information to the presentation decisions described in Section 5. **Table 2** below summarizes the relationships between the three presentation decisions, the presentation concepts, and the QCs and constraints from which the concepts are derived.

Table 2: Presentation decisions, concepts and the QCs

Presentation Decision	Presentation Concept	QCs and Constraints
<i>What information needs to be shown</i>	1. Select the right information and present it in a timely fashion ⁵	Relevance, timeliness, verifiability, understandability, faithful representation, comparability, balance between the QCs and materiality
<i>Where information should be located</i>	2. Locate information to meet user needs	Relevance, understandability, faithful representation, and comparability
<i>How information should be organized</i>	3. Organize information to make important relationships clear and support comparability	Relevance, verifiability, understandability, faithful representation, and comparability

- 6.2 The presentation concept descriptions below are accompanied by illustrative “presentation techniques,” which suggest ways to implement the concepts. These techniques are *not* part of the concepts. They are not a comprehensive list of all possible techniques. Presentation techniques would be chosen to ensure that information is presented in a way that is likely to meet the needs of users and achieve the objectives of financial information (i.e. being useful for accountability and decision making), while also achieving the QCs and taking account of information constraints. The techniques used in one information area could be different from those in another area.

Concept 1: Select the right information and present it in a timely fashion

Select the right information

- 6.3 This concept involves selection of information that meets user needs, achieves GPFs objectives and the presentation objectives identified for an information area. There should be sufficient information, with all required information reviewed to ensure that it contributes to meeting user needs and objectives. Preparers should take the same care when exercising their professional judgment

⁵ The three presentation concepts are numbered for ease of reference. The numbering does not imply a hierarchy of importance.

as they comply with IPSASs, ensuring that sufficient information is provided to meet user needs, achieve GPFRR objectives and achieve presentation objectives identified for an information area. When providing information over and above that required by IPSASs, preparers should critically review information they propose to provide to check that it contributes to meeting user needs.

- 6.4 The following list illustrates the main types of information that could be selected. The list is not exhaustive.

Information types for user needs

- Actual amounts for the current year
 - Comparatives (for example, prior year amounts, budgets or target)
 - Appropriate line items and components of line items
 - Information useful to identify trends with predictive value
 - Information on how key measures have been prepared, including significant accounting policies and/or methodologies for preparing information
 - Judgments, reasons, assumptions, models or inputs
 - Risks and factors impacting on measurement uncertainty, including sources of estimation uncertainty and sensitivity analysis disclosures
 - Information on the reliability of qualitative information, including any limits to that reliability
 - Disclosures related to alternative measurement options for phenomena reported in the statements
- 6.5 Information selection involves decisions about the appropriate level of detail. To reach the right level of detail involves information prioritization and summarization. In some situations totals must be disaggregated to ensure that the QCs of relevance and faithful representation are met. In other situations it will be important for simpler summaries of very detailed information to be displayed—aggregations—so that information will be understandable, while still providing sufficient detailed supporting information to achieve the QCs of relevance and faithful representation.

Information selection and cost-benefit

- 6.6 When considering information selection, the benefits of information should justify its costs. Determination of benefits involves identification of information that is useful to users of GPFRRs for accountability and decision-making purposes. Information is material if its omission or misstatement could influence the discharge of accountability by the entity, or the decisions that users make on the basis of the entity's GPFRRs prepared for that reporting period. Information in GPFRRs achieves its value by reducing the likelihood that users are either uninformed or misinformed.

- 6.7 The value of information can also be viewed as arising from its predictive and feedback value. The expected value of information can be determined as being equal to its value in reducing expected opportunity losses. In such a formula, the expected opportunity losses are represented by the chance of being misinformed times the cost of being misinformed. The expected costs that information generates include (a) the costs of its preparation, (b) the costs of assurance, and (c) the costs of the effort required of users to comprehend its meaning.
- 6.8 It may be possible to derive a measure of the value of information by considering the extent to which information reduces the chance of being uninformed or misinformed and their cost. But assessing whether the benefits of providing information justify the related costs is often a matter of judgment, because it is often not possible to identify and/or quantify all the costs or benefits of information included in GPFs.
- 6.9 Information costs are incurred by both information preparers and users. For preparers the costs of providing information include (a) the costs of collecting and processing the information, (b) the costs of verifying it and/or presenting the assumptions and methodologies that support it, and (c) the costs of disseminating it. Users incur the costs of analysis and interpretation. Omission of useful information also imposes costs. Ultimately information costs are borne by (a) resource providers, who provide the resources that preparers use to produce information, and (b) service recipients, because resources that would otherwise be available for service delivery must instead be used to meet the costs of providing information for financial reports.
- 6.10 In developing disclosure and display requirements in pronouncements, a focus on presentation of information whose benefits justify the costs is likely to enhance the relevance and, by avoiding unnecessary clutter, the understandability of the information. In assessing the benefits of individual items of information it will be important to consider how each item could impact on the overall view presented and the characteristics of the information presented. Items that may appear to have small benefit when viewed in isolation could have much greater benefits when viewed as contributing to the whole set of information presented.

Present information with sufficient timeliness

- 6.11 Information needs to be presented on a sufficiently timely basis to help users to (a) hold management accountable, and (b) inform decisions. Timeliness includes both the need to provide information on a sufficiently frequent basis to allow the compilation and review of trend information important for accountability and decision making, and soon enough after the events upon which information is reported to be useful for accountability and decision making. Relevance, faithful representation, comparability, and understandability are all reduced if information is not provided with sufficient timeliness.

Presentation techniques

6.12 Presentation techniques relevant to Concept 1 could include:

- decisions about which line items, comparatives, totals, subtotals, explanations, and supporting schedules should be displayed or disclosed;
- criteria for selection of different types of information (core, summary, quantitative, narrative, indicators, graphs, and tables, etc) within different information areas.
- requirements in pronouncements with respect to GPFs' timing and frequency; and
- limits on the type of information required to be reported in GPFs, where this could impact on the timeliness of the information.

Concept 2: Locate information to meet user needs

6.13 Information location impacts on information's understandability, faithful representation, and comparability. Location may be used to (a) convey the relative importance of information and its connections with other items of information, and (b) convey the nature of information, and (c) link different items of information that contribute together towards achievement of a particular user need or presentation objective.

6.14 Decisions about where information is located have the potential to either exaggerate or under-emphasize the importance of information, which biases the information and impacts negatively on faithful representation. Such decisions need to indicate the relative importance of the information presented so that faithful representation is achieved. Section 2 distinguishes between core and supporting information. Information location is one important way to signal to users that information is either core information or supporting information.

6.15 Information location can provide users with important signals about information's verifiability. If one set of information has been verified using a set of techniques or standards that is different from that applied to verify another set of information, then this can be signaled by locating the two sets of information in different places. For example, the type of verification applicable to information in financial statements may differ from that for narrative information, service information or information on the sustainability of public finances.

6.16 The following information differences could be important, when considering whether information should be separated into different locations, in order to communicate its different nature. Information may be presented differently because it is:

- Core information that should be displayed or supporting information that should be disclosed;
- Narrative or quantitative;

- A standardized, externally imposed selection or an entity specific, management controlled selection⁶; or
- Financial or non-financial.

6.17 Presentation techniques relevant to this concept could include:

- development of criteria to distinguish between core and supporting information within a particular GPFR information area; and
- development of criteria to guide the location of different types of information into (a) separate GPFRs, (b) distinct information areas, (c) different statements, or (d) sections and subsections within an information area or GPFR.

Concept 3: Organize information to make important relationships clear and support comparability

Organize to make important relationships clear

- 6.18 This concept involves consideration of ways that presentation can clarify important relationships between information in different places, whether different parts within a GPFR, or different GPFRs. Presentation should help to ensure that key messages are understandable without further explanation or information. Presentation that clearly identifies important relationships is likely to enhance the extent to which a GPFR (a) achieves financial reporting objectives, (b) embodies the QCs, and (c) achieves presentation objectives that are specific to a particular information area. Information about relationships that is presented in GPFRs, the way that information is organized, and where it is located should ensure that users are informed about important relationships between reported information.
- 6.19 Linking related information helps users to find information important for faithful representation, understandability, and verifiability. Some information is more understandable when organized into graphs, charts, or tables. Other information may be presented more effectively in narrative form.
- 6.20 Before starting to consider presentation techniques related to this concept, an important relationship that warrants highlighting must exist. Then a technique is chosen that will be appropriate to the particular circumstances. Important relationships include those of:
- enhancement,
 - similarity, and
 - shared purpose.
- 6.21 *Enhancement:* Information in one place in a GPFR may be enhanced through information provided elsewhere. For example, note disclosures in the financial statements provide enhancing supporting information, which is related to core

⁶ For example, the content of the financial statements is more standardized than the content of financial statement discussion and analysis, which is much more under management control in terms of the selection of entity specific information. But this is a matter of degree, with both involving some level of management judgment and selection if information is to reflect entity specifics.

- information displayed on the face of the statements through the use of cross-referencing. Tables and graphs may be used to enhance the understanding of narrative information. Links to information reported outside the GPFRs, for example budget or statistical information, may enhance the understandability of information reported inside GPFRs.
- 6.22 *Similarity*: A relationship of similarity exists where information reported in one place is based on information reported elsewhere in the GPFRs, and either has not been adjusted or has had relatively minor adjustments. For example, if service performance information includes services costs, or the value of assets deployed in different services, then it may be helpful to show how those totals relate to expenses and assets reported in the financial statements. Another example is the relationship between the total expenses reported against budget and total expenses reported in the statement of financial performance. A reconciliation between the two different amounts can enhance users' understanding of both amounts.
- 6.23 *Shared purpose*: A “relationship of shared purpose” exists where information reported in different places contributes to a shared purpose. An example of such a situation is that of different statements and disclosures providing information needed for accountability for services provided. Information about (a) the actual and budgeted cost of different services, (b) financial and non-financial resources used in the provision of different services, and (c) actual, budgeted, and expected future provision of different services in narrative form may be included in different places. To make the relationship between the information in different places clear, it may be appropriate to use presentation techniques such as common headings and referencing.
- 6.24 Presentation techniques relevant to making important relationships clear could include the use of:
- narrative, tables, graphs, charts, or other organizational approaches for different types of information.
 - consistent labelling, including referencing, and ordering of items across different parts of a GPFR;
 - “layering” of information, through the display of core information, followed by disclosure of more detailed breakdowns and supporting information in other parts of a GPFR;
 - standardized sequences and structures across different statements (to support the identification of related information); and
 - reconciliations between different numerical totals in different parts of a GPFR.
- 6.25 The list of possible techniques above is only illustrative. Other techniques may be more appropriate given particular circumstances.

Support comparability

- 6.26 This concept also emphasizes the importance of presentation for comparability. Presentation is of particular importance to comparability, because users' ability to compare information heavily depends on the way that information is presented. If the selected information and its location and organization change from year to year for the same reporting entity, comparisons become very difficult. Similarly, if different reporting entities present information in different ways, inter-entity comparisons become difficult. Presentation should facilitate comparisons and make clear when like items are like and when unlike items are unlike.
- 6.27 Presentation techniques relevant to the comparability aspect of this concept include the establishment of requirements that ensure that there will be:
- a linkage between supporting information and core information so that users can determine whether information is reported on a consistent basis from period to period and can be compared meaningfully with information from previous periods for the same reporting entity or with information presented by other reporting entities;
 - disaggregation of information into the same subsets from year to year; and
 - display or disclosure of information in the same locations from year to year, using the same structure, headings, and location cues.

Specific Matter for Comment 4

This CP proposes three presentation concepts. Please provide your views on these concepts, in particular whether:

- (a) any of these concepts should be excluded from the Conceptual Framework;
- (b) there are further concepts that should be included in the Conceptual Framework; and
- (c) the description of each concept could be improved.

APPENDIX A: CF—ED1 INFORMATION NEEDS OF USERS OF GPFRs

Information Needs of Service Recipients and Resource Providers

- A1. Service recipients include taxpayers and other members of the community that benefit from the services provided by the government or other public sector entity, whether as a result of exchange or non-exchange transactions.
- A2. For accountability and decision-making purposes, service recipients and their representatives will require information as input to assessments of such matters as whether:
- The entity is using resources economically, efficiently, effectively and as intended, and whether such use is in their interests;
 - The range, volume and cost of services provided during the reporting period, and the amounts and sources of their cost recoveries, are appropriate; and
 - Current levels of taxes or other charges are sufficient to maintain the volume and quality of services currently provided.

They will also require information about the entity's anticipated future service delivery activities and objectives, and the amounts and sources of cost recoveries necessary to support those activities.

- A3. Resource providers include “involuntary resource providers” such as taxpayers, and “voluntary resource providers” such as lenders, donors, suppliers, fee-for-service consumers and employees.
- A4. For accountability and decision-making purposes, resource providers and their representatives will require information as input to assessments of such matters as whether the entity:
- Is achieving the objectives established as the justification for the resources raised during the reporting period;
 - Funded current operations from funds raised in the current period from taxpayers or from borrowings or other sources; and
 - Is likely to need additional (or less) resources in the future, and the likely sources of those resources.
- A5. Lenders and creditors will require information as input to assessments of the liquidity of the entity and to confirm that the amount and timing of repayment will be as agreed. Donors will require information to support assessments of whether the entity is using resources economically, efficiently, effectively and as intended. They will also need information about the entity's anticipated future service delivery activities and resource needs. In most cases, governments that provide resources to international governmental organizations are dependent on GPFRs of those organizations for information for accountability and decision-making purposes.

Accountability and Decision Making

- A6. Service recipients and resource providers will require information for accountability purposes and as input for making decisions. For example:
- Lenders, creditors, donors and others that provide resources on a voluntary basis, including in an exchange transaction, make decisions about whether to provide resources to support the current and future activities of the government or other public sector entity. In some circumstances, members of the legislature or similar representative body who depend on GPFRs for the information they need, can make or influence decisions about the service delivery objectives of government departments, agencies or programs and the resources allocated to support their achievement; and
 - Taxpayers do not usually provide funds to the government or other public sector entity on a voluntary basis or as a result of an exchange transaction. In addition, in many cases, they do not have the discretion to choose whether or not to accept the goods and services provided by a public sector entity or to choose an alternative service provider. Consequently, they have little direct or immediate capacity to make decisions about whether to provide resources to the government, the resources to be allocated for the provision of services by a public sector entity or whether to purchase or consume the services provided. However, they can make decisions about their voting preferences, and representations they make to elected officials or other representative bodies—these decisions may have resource allocation consequences for certain public sector entities.
- A7. Information provided in GPFRs for accountability purposes will contribute to, and inform, decision making. For example, information about the costs, efficiency and effectiveness of past service delivery activities, the amount and sources of cost recovery, and the resources available to support future activities will be necessary for the discharge of accountability. This information will also be useful for decision making by some users of GPFRs, including decisions that donors and other financial supporters make about providing resources to the entity.

APPENDIX B: CF—ED1 THE QUALITATIVE CHARACTERISTICS OF, AND CONSTRAINTS ON, INFORMATION INCLUDED IN GPFRs

- B1. GPFRs present financial and non-financial information about economic or other phenomena. The qualitative characteristics of information included in GPFRs are the attributes that make that information useful to users and support the achievement of the objectives of financial reporting. The objectives of financial reporting are to provide information useful for accountability and decision-making purposes.
- B2. The qualitative characteristics of information included in GPFRs of public sector entities are relevance, faithful representation, understandability, timeliness, comparability, and verifiability.
- B3. Materiality, cost-benefit, and achieving an appropriate balance between the qualitative characteristics are pervasive constraints on information included in GPFRs.
- B4. Each of the qualitative characteristics is integral to, and works with, the other characteristics to provide in GPFRs information useful for achieving the objectives of financial reporting. However, in practice, all qualitative characteristics may not be fully achieved, and a balance or trade-off between certain of them may be necessary.
- B5. The qualitative characteristics apply to all financial and non-financial information reported in GPFRs, including historic and prospective information, and explanatory material or other discussion and analysis reporting. However, the extent to which the qualitative characteristics can be achieved may differ depending on the degree of uncertainty and subjective assessment or opinion involved in compiling the financial and non-financial information. The need for additional guidance on interpreting and applying the qualitative characteristics to information that extends the scope of financial reporting beyond financial statements including their notes will be considered in the development of any IPSASs and other pronouncements of the IPSASB that deal with such matters.

Relevance

- B6. Financial and non-financial information is relevant if it is capable of making a difference in achieving the objectives of financial reporting. Financial and non-financial information is capable of making a difference when it has confirmatory value, predictive value, or both. It may be capable of making a difference, and thus be relevant, even if some users choose not to take advantage of it or are already aware of it.
- B7. Financial and non-financial information has confirmatory value if it confirms or changes past (or present) expectations. For example, information will be relevant for accountability and decision-making purposes if it confirms expectations about such matters as the extent to which managers have discharged their responsibilities for the efficient and effective use of resources, the achievement of specified service delivery objectives, and compliance with relevant budgetary, legislative and other requirements.

- B8. GPFRs may present information about an entity's anticipated future service delivery activities, objectives and costs, and the amount and sources of the resources that are intended to be allocated to providing services in the future. Such future oriented information will have predictive value and be relevant for accountability and decision making purposes. Information about economic and other phenomena that exist or have already occurred can also have predictive value in helping form expectations about the future. For example, information that confirms or disproves past expectations can reinforce or change expectations about financial results and service delivery outcomes that may occur in the future.
- B9. The confirmatory and predictive roles of information are interrelated—for example, information about the current level and structure of an entity's resources and claims to them helps users to confirm the outcome of resource management strategies during the period, and to predict an entity's ability to respond to changing circumstances and anticipated future service delivery needs. The same information helps to confirm or correct users' past expectations and predictions about the entity's ability to respond to such changes. It also helps to confirm or correct prospective financial information included in previous GPFRs.

Faithful Representation

- B10. To be useful in financial reporting, information must be a faithful representation of the economic and other phenomena that it purports to represent. Faithful representation is attained when the depiction of the phenomenon is complete, neutral, and free from material error. Information that faithfully represents an economic or other phenomenon depicts the substance of the underlying transaction, other event, activity or circumstance—which is not necessarily always the same as its legal form.
- B11. In practice, it may not be possible to know or confirm whether information presented in GPFRs is fully complete, neutral, and free from material error. However, information should be as complete, neutral, and free from material error as is possible.
- B12. A depiction of an economic or other phenomenon is complete if it includes all information that is necessary for faithful representation of the phenomenon that it purports to depict. An omission of some information can cause the representation to be false or misleading, and thus not useful to users of GPFRs. For example, a complete depiction of the item "plant and equipment" in GPFRs will include a numeric representation of the aggregate amount of plant and equipment together with other quantitative, descriptive and explanatory material necessary to faithfully represent that class of assets. In some cases, this may include the disclosure of information about such matters as the major classes of plant and equipment, factors that have affected their use in the past or might impact on their use in the future, and the basis and process for determining their numeric representation. Similarly, prospective financial and nonfinancial information, and information about the achievement of service delivery objectives and outcomes, included in GPFRs need to be presented with the key assumptions that underlie

- that information, and any explanations that are necessary to ensure that its depiction is complete and useful to users.
- B13. Neutrality in financial reporting is the absence of bias. It means that the selection and presentation of financial and non-financial information is not made with the intention of attaining a particular predetermined result—for example, to influence in a particular way users' assessment of the discharge of accountability by the entity or a decision or judgment that is to be made, or to induce particular behavior.
- B14. Neutral information faithfully represents the economic and other phenomena that it purports to represent. However, to require information included in GPFRs to be neutral does not mean that it is not without purpose or that it will not influence behavior. Relevance is a qualitative characteristic and, by definition, relevant information is capable of influencing users' assessments and decisions.
- B15. The economic and other phenomena represented in GPFRs generally occur under conditions of uncertainty. Information included in GPFRs will therefore often include estimates that incorporate management's judgment. To faithfully represent an economic or other phenomenon, an estimate must be based on appropriate inputs, and each input must reflect the best available information. Caution needs to be exercised when dealing with uncertainty. It may sometimes be necessary to explicitly disclose the degree of uncertainty in financial and non-financial information to faithfully represent economic and other phenomena.
- B16. Free from material error does not mean complete accuracy in all respects. Free from material error means there are no errors or omissions that are individually or collectively material in the description of the phenomenon, and the process used to produce the reported information has been applied as described. In some cases, it may be possible to determine the accuracy of some information included in GPFRs—for example, the amount of a cash transfer to another level of government, volume of services delivered or the price paid for the acquisition of plant and equipment. However, in other cases it may not—for example, the accuracy of an estimate of the value or cost of an item or the effectiveness of a service delivery program may not be able to be determined. In these cases, the estimate will be free from material error if the amount is clearly described as an estimate, the nature and limitations of the estimation process are explained, and no material errors have been identified in selecting and applying an appropriate process for developing the estimate.

Understandability

- B17. Understandability is the quality of information that enables users to comprehend its meaning. GPFRs of public sector entities should present information in a manner that responds to the needs and knowledge base of users, and to the nature of the information presented. For example, explanations of financial and non-financial information and narrative reporting of achievements and expectations should be written in plain language, and presented in a manner that is readily understandable by users. Understandability is enhanced when information is

classified, characterized, and presented clearly and concisely. Comparability also can enhance understandability.

- B18. Users of GPFs are assumed to have a reasonable knowledge of the entity's activities and the environment in which it operates, to be able and prepared to read GPFs, and to review and analyze the information presented with reasonable diligence. Some economic and other phenomena are particularly complex and difficult to represent in GPFs, and some users may need to seek the aid of an advisor to assist in their understanding of them. All efforts should be undertaken to represent economic and other phenomena included in GPFs in a manner that is understandable to a wide range of users. However, information should not be excluded from GPFs solely because it may be too complex or difficult for some users to understand without assistance.

Timeliness

- B19. Timeliness means having information available for users before it loses its capacity to be useful for accountability and decision-making purposes. Having relevant information available sooner can enhance its usefulness as input to assessments of accountability and its capacity to inform and influence decisions that need to be made. A lack of timeliness can render information less useful.
- B20. Some items of information may continue to be useful long after the reporting period or reporting date. For example, for accountability and decision-making purposes, users of GPFs may need to assess trends in the financial and service delivery performance of the entity and its compliance with budgets over a number of reporting periods. In addition, the outcome and effects of some service delivery programs may not be determinable until future periods—this may occur in respect of programs intended to, for example, enhance the economic well-being of constituents, reduce the incidence of a particular disease, or increase literacy levels of certain age groups.

Comparability

- B21. Comparability is the quality of information that enables users to identify similarities in, and differences between, two sets of phenomena. Comparability is not a quality of an individual item of information, but rather a quality of the relationship between two or more items of information.
- B22. Comparability differs from consistency. Consistency refers to the use of the same accounting policies and procedures, either from period to period within an entity or in a single period across more than one entity. Comparability is the goal, and consistency helps in achieving that goal.
- B23. Comparability also differs from uniformity. For information to be comparable, like things must look alike, and different things must look different. An over-emphasis on uniformity may reduce comparability by making unlike things look alike. Comparability of information in GPFs is not enhanced by making unlike things look alike, any more than it is by making like things look different.

- B24. Information about the entity's financial position, financial performance, compliance, service delivery achievements, and its future plans is necessary for accountability purposes and useful as input for decision-making purposes. The usefulness of such information is enhanced if it can be compared with, for example:
- The budget of the entity for the reporting period, or prospective financial and nonfinancial information previously presented for that reporting period or reporting date;
 - Similar information about the same entity for some other period or some other point in time; and
 - Similar information about other entities (for example, public sector entities providing similar services in different jurisdictions).
- B25. Consistent application of accounting policies to prospective financial and non-financial information and actual outcomes will enhance the usefulness of any comparison of projected and actual results. Comparability with other entities may be less significant for narrative reporting of management's perception or opinion of the factors underlying the entity's current performance.

Verifiability

- B26. Verifiability is the quality of information that helps assure users that information in GPFs faithfully represents the phenomena that it purports to represent. Supportability is sometimes used to describe this quality when applied in respect of explanatory information and prospective financial and non-financial quantitative information disclosed in GPFs—that is, the quality of information that helps assure users that explanatory or prospective financial and non-financial quantitative information faithfully represents the phenomena that it purports to represent. Whether referred to as verifiability or supportability, the characteristic implies that different knowledgeable and independent observers could reach general consensus, although not necessarily complete agreement, that either:
- The information represents the phenomena that it purports to represent without material error or bias; or
 - An appropriate recognition, measurement, or representation method has been applied without material error or bias.
- B27. To be verifiable, information need not be a single point estimate. A range of possible amounts and the related probabilities also can be verified.
- B28. Verification may be direct or indirect. With direct verification, an amount or other representation is itself verified, such as by (a) counting cash, (b) checking records of service response times or records of patients treated, (c) observing marketable securities and their quoted prices, or (d) confirming that the factors identified as influencing past service delivery performance were present and operated with the effect identified. With indirect verification, the amount or other representation is verified by checking the inputs and recalculating the outputs using the same accounting convention or methodology. An example is verifying the carrying

- amount of inventory by checking the inputs (quantities and costs) and recalculating the ending inventory using the same cost flow assumption (for example, average cost or first-in-first-out).
- B29. The quality of verifiability (or supportability if such term is used to describe this characteristic) is not an absolute—some information may be more or less capable of verification than other information. However, the more verifiable is the information included in GPFRs, the more it will assure users that the information faithfully represents the phenomena that it purports to represent.
- B30. GPFRs of public sector entities may include financial and other quantitative information and explanations about (a) key influences on the entity's performance during the period, (b) the anticipated future effects or outcomes of service delivery programs undertaken during the reporting period, and (c) prospective financial and non-financial information. It may not be possible to verify the accuracy of all quantitative representations and explanations of such information until a future period, if at all.
- B31. To help assure users that prospective financial and non-financial quantitative information and explanations included in GPFRs faithfully represents the phenomena that they purport to represent, the assumptions that underlie the information disclosed, the methodologies adopted in compiling it, and the factors and circumstances that support any opinions expressed or disclosures made should be transparent. This will enable users to form judgments about the appropriateness of those assumptions and the method of compilation, measurement, representation and interpretation of the information.

Constraints on Information Included in General Purpose Financial Reports

Materiality

- B32. Information is material if its omission or misstatement could influence the discharge of accountability by the entity, or the decisions that users make on the basis of the entity's GPFRs prepared for that reporting period. Materiality depends on both the nature and amount of the item judged in the particular circumstances of each entity. GPFRs may encompass qualitative and quantitative information about service delivery achievements during the reporting period, and expectations about service delivery and financial outcomes in the future. Consequently, it is not possible to specify a uniform quantitative threshold at which a particular type of information becomes material.
- B33. Assessments of materiality will be made in the context of the legislative, institutional and operating environment within which the entity operates and, in respect of prospective financial and non-financial information, the preparer's knowledge and expectations about the future. Disclosure of information about compliance or non-compliance with legislation, regulation or other authority may be material because of its nature—irrespective of the magnitude of any amounts involved. In determining whether an item is material in these circumstances, consideration will be given to such matters as the nature, legality, sensitivity and

consequences of past or anticipated transactions and events, the parties involved in any such transactions and the circumstances giving rise to them.

Cost-Benefit

- B34. Financial reporting imposes costs. The benefits of financial reporting should justify those costs. Assessing whether the benefits of providing information justify the related costs is often a matter of judgment, because it is often not possible to identify and/or quantify all the costs or benefits of information included in GPFRs.
- B35. The costs of providing information include the costs of collecting and processing the information, the costs of verifying it and/or presenting the assumptions and methodologies that support it, and the costs of disseminating it. Users incur the costs of analysis and interpretation. Omission of useful information also imposes costs, including the costs that users incur to obtain needed information from other sources and the costs that result from making decisions using incomplete data provided by GPFRs.
- B36. Preparers expend the majority of the effort to provide information in GPFRs. However, service recipients and resource providers ultimately bear the cost of those efforts—because resources are redirected from service delivery activities to preparation of information for inclusion in GPFRs.
- B37. Users reap the majority of benefits from the information provided by GPFRs. However, information prepared for GPFRs may also be used internally by management and result in better management decision making. The disclosure of information in GPFRs consistent with the concepts identified in this Conceptual Framework and IPSASs derived from them will enhance and reinforce perceptions of the transparency of reporting by governments and other public sector entities and contribute to the more accurate pricing of public sector debt. Therefore, public sector entities may also benefit in a number of ways from the information provided by GPFRs.
- B38. Application of the cost-benefit constraint involves assessing whether the benefits of reporting information are likely to justify the costs incurred to provide and use the information. When making this assessment, it is necessary to consider whether one or more qualitative characteristics might be sacrificed to some degree to reduce cost.
- B39. In developing IPSASs, the IPSASB considers information from preparers, users, academics, and others about the expected nature and quantity of the benefits and costs of the proposed requirements. Disclosure and other requirements which result in the presentation of information useful to users of GPFRs for accountability and decision making purposes and satisfy the qualitative characteristics are prescribed by IPSASs unless the costs of compliance with those requirements are assessed by the IPSASB to be greater than their benefits.

Balance Between the Qualitative Characteristics

- B40. The qualitative characteristics work together in different ways to contribute to the usefulness of information. For example, neither a depiction that faithfully represents an irrelevant phenomenon, nor a depiction that unfaithfully represents a relevant phenomenon, results in useful information. Similarly, to be relevant, information must be timely and understandable.
- B41. In some cases, a balancing or trade-off between qualitative characteristics may be necessary to achieve the objectives of financial reporting. The relative importance of the qualitative characteristics in each situation is a matter of professional judgment. The aim is to achieve an appropriate balance among the characteristics in order to meet the objectives of financial reporting.