

IPSASB

International Public
Sector Accounting
Standards Board®

AGENDA ITEM 4

PRESENTATION OF FINANCIAL STATEMENTS

CAG Meeting – December 2023

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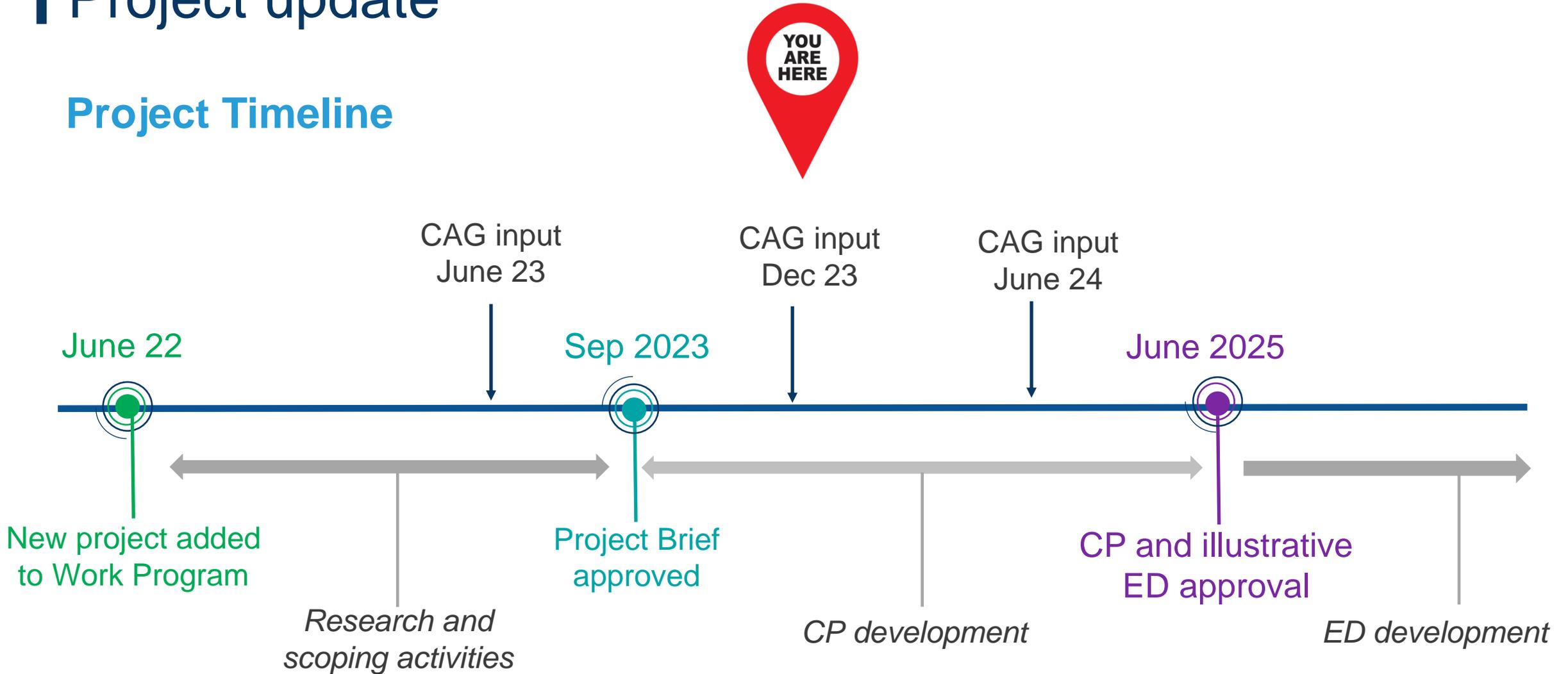


AGENDA

1. Project update
2. CAG discussion topic:
Permitting different
presentation approaches

Project update

Project Timeline



Project update

The public sector

NEED

- **Better communicate** financial information
- Encourage **increased use** of accrual-based information for decision-making
- Increased **accountability and transparency** over the use of public resources

The current

ENVIRONMENT

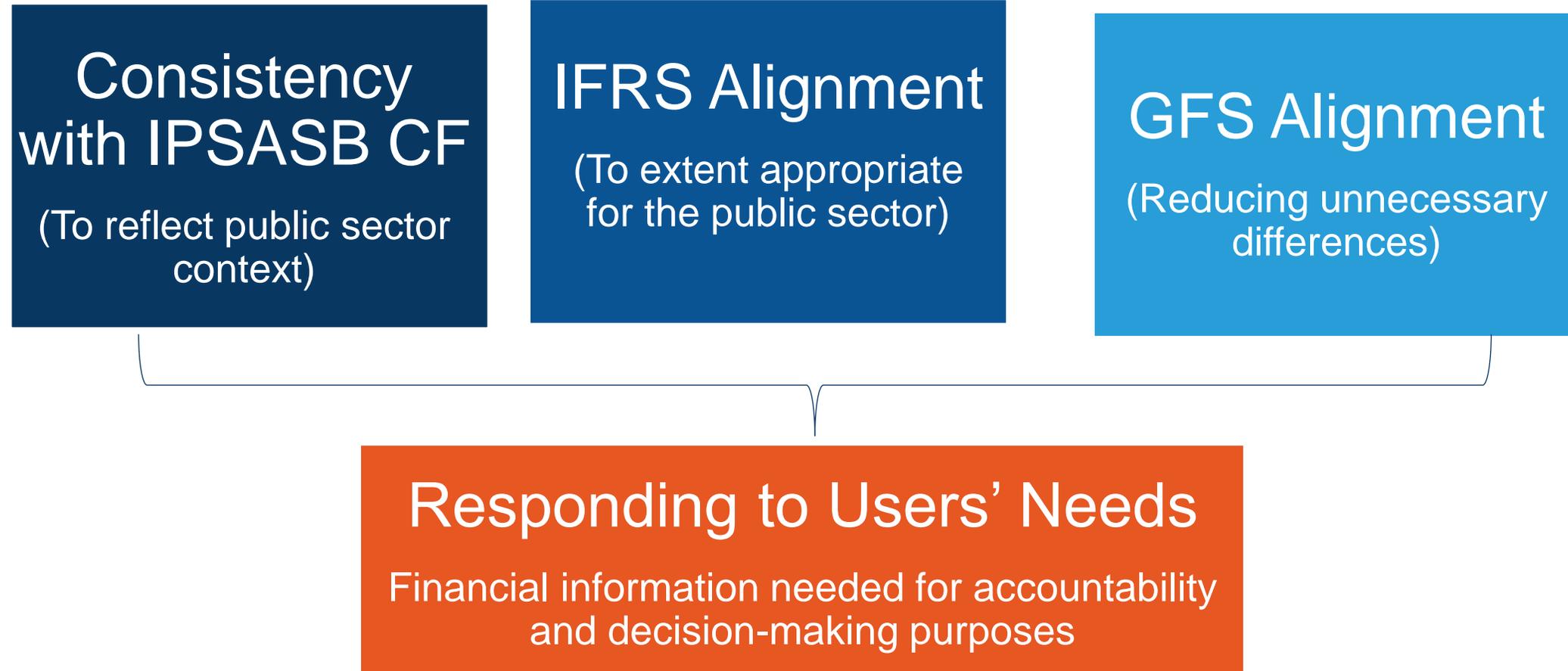
- **Evolution of global reporting landscape** not reflected in IPSAS 1 – related work of international and national standard-setters (IFRS & GFS).
- **Updated** IPSASB Conceptual Framework
- Increased focus on the **efficient and sustainable use** of public resources

The project

OBJECTIVE

- Enhance the **communication effectiveness** of financial information in financial for accountability and decision-making purposes
- **New IPSAS to replace IPSAS 1** — structure, format, minimum content requirements, and selection of information to disclose in financial statements

Project drivers



Permitting different presentation approaches

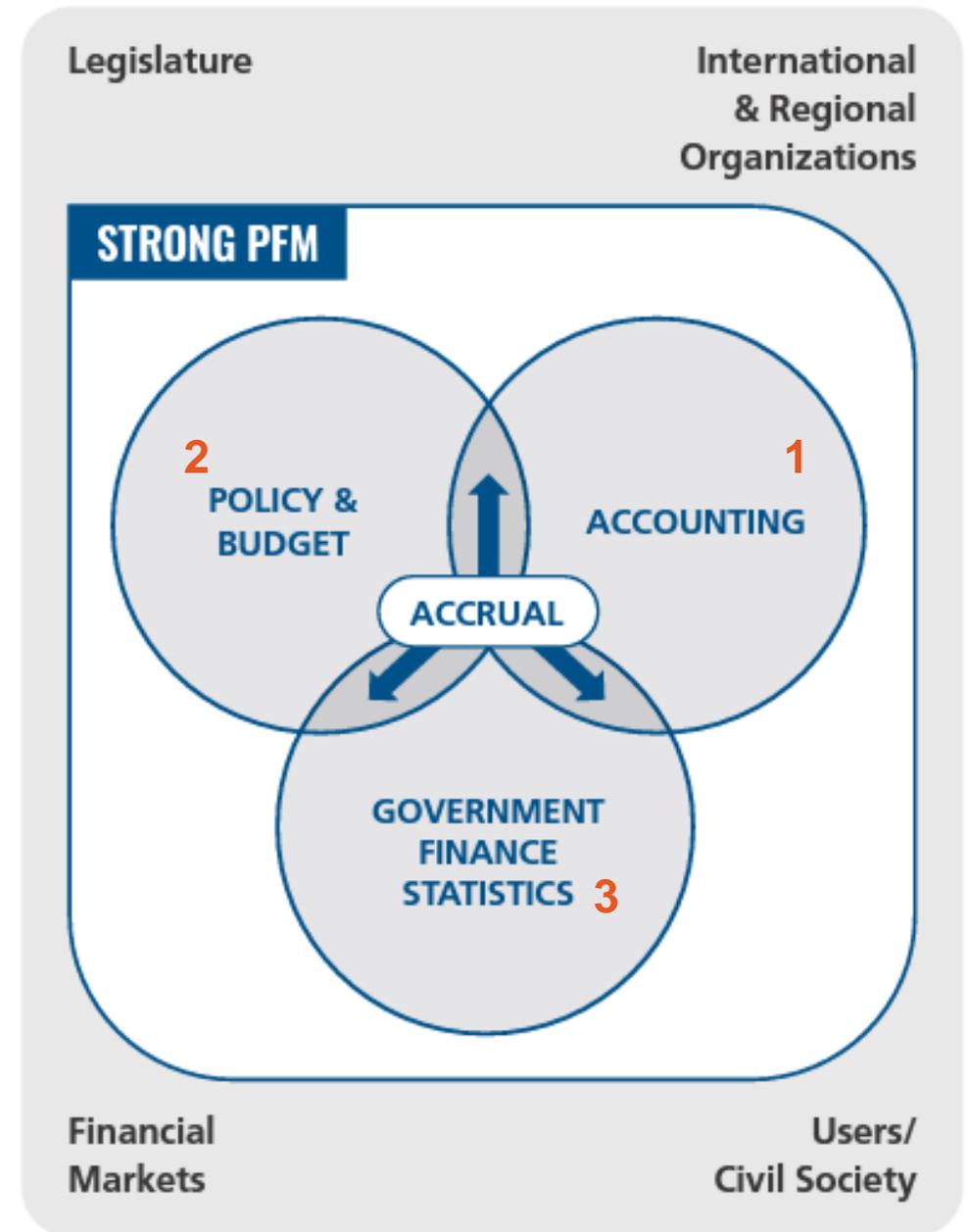
- Exploring the concept of allowing for **financial statement presentation options** in a new IPSAS to replace IPSAS 1
- Increased flexibility to present information in a format based on **local jurisdiction considerations**

Presentation of financial statements:

- The structure of the financial statements
- Where information is located
- Categorization of information
- Use of headings and sub-totals
- Extent of aggregation and disaggregation
- key financial performance measures
- Terminology

Supporting increased integration of information used for PFM

- Accrual-based information prepared in accordance with IPSAS is used as a key input for (1) accounting
- Encouraging greater use of accrual-based for (2) budgeting, and (3) GFS reporting purposes will help strengthen PFM
- Consistency in presentation formats will support increased:
 - Data quality
 - Understanding
 - Use of information across the three for decision-making and accountability.



Supporting increased integration of information used for PFM

The IPSASB is considering how *presentation* requirements can support increased integration of information presented in financial statements with other PFM reporting systems used by a jurisdiction.

Question for CAG members

Q1 To what extent is the approach (i.e., format, structure, terminology, performance measures) for presenting information in public sector financial statements in your jurisdiction influenced by the presentation approach of other reports used for PFM purposes?

Such as budget information, long-term fiscal sustainability reports, and information used for GFS purposes.

Permitting different presentation approaches

What such an approach could look like

- IPSAS would provide different formats for presenting the financial statements
- In addition to the ‘general’ presentation approach, IPSAS would also provide three optional approaches:
 1. IFRS-aligned
 2. GFS-aligned
 3. Budget-aligned

Decision based on:

- National jurisdiction’s PFM framework
- Consideration of domestic user needs
- Accounting policy choices
- Nature of transactions and arrangements

Permitting different presentation approaches

Benefits

- Facilitate greater integration with PFM reporting frameworks
- Improved linkages and simplification of reconciliation between other reporting systems
- Use of common language and descriptions for key financial performance measures – will lead to increased understanding and communication effectiveness

Potential downside

- Potential to weaken international comparability of public sector financial statements

Permitting different presentation approaches

Question for CAG members

Q2 What potential benefits and/or downsides do you see from providing increased flexibility for a jurisdiction to choose from different financial statement presentation approaches when applying IPSAS?

Statement of Comprehensive Revenue and Expense

Operating Revenue

Income from tax revenue
 Sale of goods and services
 Levies and commissions received
 Other

Total operating revenue

Operating Expenses

Transfer payments and other subsidies
 Wages and salaries
 Depreciation and amortization
 Impairment
 Repairs and maintenance
 Supply of goods or services
 Insurance
 Interest expense
 Other operating expenses

Total operating expenses

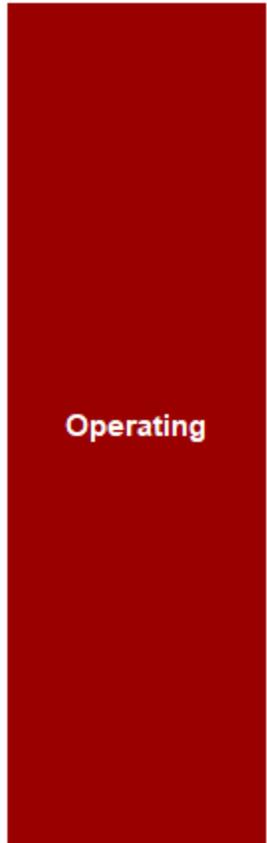
Operating surplus/(deficit)

Income and expenses from investments
 Income and expenses from associates and joint ventures
 Fair value gain/(loss) on financial instruments

Surplus/(deficit) before financing

Interest expense on borrowings
 Unwinding of discount on provisions

Surplus/(deficit) for the year



Statement of Comprehensive Revenue and Expense (Illustrative Example) Presentation Approach – Aligned with IFRS format

Surplus/(deficit) for the year
Other comprehensive income
Revenue and expenses that will be reclassified to surplus/(deficit)
Losses on cash flow hedges
Exchange differences on translating foreign operations
Revenue and expenses that will not be reclassified to surplus/(deficit)
Revaluation of land and buildings
Actuarial gains/(losses)
Total comprehensive revenue/(expense)



Statement of Operations (Illustrative example) Presentation Approach – Aligned with GFS format

Statement of Operations

Operating revenue (A) — by source

Taxes

Social contributions

Grants

Other revenue

Total operating revenue

Operating expenses (B) — by nature

Compensation of employees

Use of goods and services

Consumption of fixed assets

Social benefits

....

Total operating expenses

Net/gross operating balance (A) - (B)

Net/gross investment in non-financial assets (C)

Fixed assets

Inventories

....

Total expenditure (D = B+ C)

Net lending/(Net borrowing) (A-D)/(F-G)

**Transactions
effecting net worth**

**Transactions in non-
financial assets**

Net lending/(Net borrowing) (A-D)/(F-G)

Transactions in non-financial assets and liabilities

Net acquisition of financial assets (F)

Net incurrence of liabilities (G)

Total transactions in non-financial assets and liabilities

Other economic flows

Fair value gain/(loss) on financial instruments

Revaluation of land and buildings

Actuarial gains/(losses)

Total other economic flows

**Transactions in
financial assets and
liabilities (financing)**

**Transactions
effecting net worth**

Statement of Operations (Illustrative example)

Presentation Approach – aligned with national budget format

