

Meeting: International Public Sector Accounting Standards Board

Meeting Location: Toronto, Canada

Meeting Date: June 25–28, 2024

Agenda Item 8

For:

Approval

Discussion

Information

PRESENTATION OF FINANCIAL STATEMENTS

Project summary	This project aims to enhance the communication effectiveness of financial information reported in general purpose financial statements by developing a new IPSAS to replace IPSAS 1, <i>Presentation of Financial Statements</i> . The project is in the consultation paper (CP) development phase.	
Project staff lead	Anthony Heffernan, Principal	
Task Force members	Ian Carruthers, IPSASB Chair (Task Force Chair) Andrew van der Burgh, IPSASB Member Angela Ryan, IPSASB Member Jonah Wala, IPSASB Member Marc Wermuth, IPSASB Technical Advisor Jean-Pierre Menanteau, Conseil de normalisation des comptes publics (CNoCP), France Antonella Risi, Public Sector Accounting Board Canada (PSAB)	
Meeting objectives	<i>Topic</i>	<i>Agenda Item</i>
Project management	Presentation of Financial Statements Dashboard	8.1.1
	Decisions up to Previous Meeting	8.1.2
	Instructions up to Previous Meeting	8.1.3
	Project Roadmap	8.1.4
Items requiring feedback at this meeting	Project Update	
	Development of CP and Illustrative ED	8.2.1
	Issues papers	
	Presenting the Statement of Financial Position	8.2.2
	Classification of Assets and Liabilities	8.2.3

	Structure and Presentation of Sub-Totals	8.2.4
	Presentation of Asset and Liability Line Items	8.2.5
	Implementation Guidance – Illustrative Financial Statements	8.2.6
	Draft Illustrative Exposure Draft	
	Development of Draft Illustrative Exposure Draft	8.2.7
	Objective	8.2.8
	Scope	8.2.9
	Other Definitions	8.2.10
	Purpose of Financial Statements	8.2.11
	Responsibility for Financial Statements	8.2.12
	The Roles of the Primary Financial Statements and Notes	8.2.13
Supporting paper	Table of concordance with IPSAS 1	8.3.1

**PRESENTATION OF FINANCIAL STATEMENTS:
 CONSULTATION PAPER DASHBOARD**

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

	Past meetings	Jun 2024	Sept 2024	Dec 2024	Mar 2025	Jun 2025
Overall Project Management						
Completion of research and scoping phase	✓					
Approval of Project Brief	✓					
Review and approval of CP and IED						
Development of CP and IED						
CP Introductory chapters						
Objectives						
Scope						
Definitions						
Purpose of Financial Statements						
General principles of presentation ¹						
Statement of Financial Position						
Statement of Financial Performance						
Other Comprehensive Revenue and Expense						
Statement of Changes in Net Assets/Equity						
Notes to the financial statements						
Disclosure of non-IPSAS performance measures						

Legend			
	Breakout group discussion		Page-by-page Review of ED/CP
	Planned IPSASB Discussion		Task Completed

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

DECISIONS UP TO PREVIOUS MEETING

Meeting	Decisions	Next steps
September 2023	Project Brief approved by IPSASB	Project Brief
December 2023	1. Different presentation approaches in IPSAS should be explored through the CP phase of the project. This would allow for increased flexibility to improve the understandability of financial statements based on local jurisdictional considerations.	<ul style="list-style-type: none"> In progress.
	2. Draft Chapter 1 of the CP appropriately reflected the project objectives, key drivers, scope, and reasons for conducting the project.	<ul style="list-style-type: none"> The draft CP has been updated to reflect IPSASB comments.
	3. Draft Chapter 2 of the CP appropriately explains the purpose of financial statements based on the Conceptual Framework.	<ul style="list-style-type: none"> The draft CP has been updated to reflect IPSASB comments.
March 2024	1. The definitions of financial statement elements: <ol style="list-style-type: none"> Should be included in the definitions sections of the illustrative ED; To be aligned with the definitions of financial statement elements in <i>The Conceptual Framework for General Purpose Financial Reporting</i> (the 'Conceptual Framework') revised in October 2023. 	<ul style="list-style-type: none"> Task Force to consider if additional guidance is needed to support the consistent application of definitions.
	2. The requirement to disclose a statement of financial position as at the beginning of the earliest comparative period, when previously reported information has been materially impacted by a restatement, should be included in the illustrative ED. 3. The existing general <i>offsetting</i> requirements in IPSAS 1 should be carried forward. 4. The existing <i>fair presentation and compliance with IPSAS</i> disclosure requirements in IPSAS 1 should be carried forward into the illustrative ED.	<ul style="list-style-type: none"> The Task Force will consider the draft section of the illustrative ED based on the board's direction.

INSTRUCTIONS UP TO PREVIOUS MEETING

Meeting	Instruction	Actioned
December 2023	1. Engage with users through focus groups/roundtables to inform views and support the development of the different presentation approaches to be explored in the CP.	1. In progress, the development of the different presentation approaches will be informed by the Task Force and other focus groups/roundtables as the project progresses.
	2. Update Chapters 1 and 2 of the draft CP for comments received through IPSASB deliberations, including reducing the length to improve the readability of the chapters to the external reader.	2. The opening chapters have been updated and reduced.
	3. Consider feedback from IPSASB members, Technical Advisors, and observers received during the break-out sessions to inform the future development of related topics in the CP.	3. In progress, the feedback from the break-out sessions has been captured and will be used to inform future discussions.
March 2024	1. Include in the CP a discussion and preliminary view on including the definitions of the financial statement elements based on the Conceptual Framework definitions.	1. In progress, a discussion on the financial statement elements will be included in the CP chapter on <i>General Presentation Principles</i> .
	2. Consider the interaction of the proposed financial statement element definition for an asset and liability with other IPSAS and the need for consequential amendments or additional guidance.	2. An additional explanatory paragraph has been developed for consideration by the Task Force.
	3. Include in the CP a section to explain that the project is being developed by applying the Process for Reviewing and Modifying IASB Documents to encourage feedback on any public sector reasons for departing from IFRS 18, <i>Presentation and Disclosure in Financial Statements</i> .	3. Noted for consideration as draft CP is further developed.
	4. Consider whether there is a need for further guidance on disclosing compliance with IPSAS, especially for jurisdictions that have adopted, to varying degrees, adapted versions of IPSAS.	4. Noted for consideration as draft illustrative ED is further developed.

**PRESENTATION OF FINANCIAL STATEMENTS:
 PROJECT ROADMAP**

Meeting	Completed Discussions / Planned Discussions:
December 2022	<ul style="list-style-type: none"> • Discussion of project background • Discussion on outcomes of scoping and research activities
June 2023	<ul style="list-style-type: none"> • Development of Project Brief
September 2023	<ul style="list-style-type: none"> • Education Session on IPSAS 22 and IPSAS 24 • Approval of Project Brief, <i>Presentation of Financial Statements</i> • Project Management Update
December 2023	<ul style="list-style-type: none"> • Board feedback on draft opening chapters of CP: <ul style="list-style-type: none"> ○ Project Overview; and ○ Purpose of Financial Statements • Board discussion on the concept of providing optional approaches for presenting the financial statements • Break-out session discussions on: <ul style="list-style-type: none"> ○ Categories and sub-totals in the performance statement ○ Management-defined performance measures
March 2024	<ul style="list-style-type: none"> • Board feedback on the following issues: <ul style="list-style-type: none"> ○ Definitions of financial statement elements ○ Presentation of additional comparative information ○ General presentation principle of offsetting ○ Disclosures concerning the fair presentation and compliance with IPSAS • Break-out session discussions on the presentation of revenue and expense items outside the statement of financial performance
June 2024	<ul style="list-style-type: none"> • Board discussion of issues — presenting the statement of financial position <ul style="list-style-type: none"> ○ Classification of Assets and Liabilities ○ Structure and Sub-Totals ○ Presentation of Asset and Liability Line Items • Review of draft illustrative exposure draft: <ul style="list-style-type: none"> ○ Objective ○ Scope ○ Other Definitions ○ Purpose of Financial Statements ○ Responsibility for Financial Statements ○ Roles of the Statements and Notes
September 2024	<ul style="list-style-type: none"> • Discussion of issues — presenting the statement(s) of financial performance

Agenda Item 8.1.4

	<ul style="list-style-type: none">• Review of draft illustrative ED, presenting the statement of financial position• Review of draft CP Chapter, presenting the statement of financial position
December 2024	<ul style="list-style-type: none">• Continuance of issues and drafting — presenting the statement(s) of financial performance• Discussion of issues, notes to the financial statements• Review of draft illustrative ED and draft CP chapters.
March 2025	<ul style="list-style-type: none">• Review of draft CP and illustrative ED
June 2025	<ul style="list-style-type: none">• Review of draft CP and illustrative ED• Approval of CP and Illustrative ED

Development of Consultation Paper and Illustrative Exposure Draft

Purpose

1. To update the IPSASB on the approach for developing the Consultation Paper (CP) and accompanying Illustrative Exposure Draft (IED) as part of the first phase of the IPSAB's *Presentation of Financial Statements* project.

Project recap

2. The objective of this project is to improve the communication effectiveness of financial information presented in public sector financial statements by developing a new IPSAS to replace IPSAS 1, *Presentation of Financial Statements*. Central to this objective is providing information about a reporting entity that is useful to users of general purpose financial statements for accountability and decision-making purposes.
3. Achieving this objective will include consideration of the structure of the financial statements, the location of information, the required minimum disclosures, and the overarching presentation principles currently provided in IPSAS 1.
4. The project is being developed over three phases to encourage broad stakeholder feedback and allow for the consideration of alternative presentation approaches.

Phase 1 — Consultation Paper (CP) and illustrative exposure draft (IED)	The project's current phase seeks feedback on the IPSAB's preliminary views on proposed enhancements to existing presentation requirements by replacing IPSAS 1. The IED aims to help constituents understand what a new standard could look like based on the IPSASB's preliminary views, as discussed in the CP.
Phase 2 — Full exposure draft (ED) to replace IPSAS 1, plus consequential amendments to other IPSAS Standards	Considering the constituent feedback from Phase 1, the complete ED and consequential amendments to other IPSAS Standards will be developed and issued for public consultation.
Phase 3 — Final pronouncement (IPSAS)	Based on constituent feedback received from Phase 2, the final IPSAS and consequential amendments to other IPSAS Standards will be developed for publication.

Overview of development approach for CP and IED

5. The project's first phase involves developing a CP and an IED. The IPSASB decided that the project should include a CP stage to recognize the crucial role of general purpose financial statements within a jurisdiction's public finance management (PFM) framework and significant reporting developments since IPSAS 1 was last reviewed. This stage allows the IPSASB to gather feedback on alternative presentation approaches and concepts before drafting a final standard.
6. In consultation with the Task Force, staff have formulated the following three-step process for advancing the development of the CP and IED.

Step 1 – Deliberation of the key issues
<ul style="list-style-type: none">• The consideration of the key issues will be based on working through the content of the IED. A draft of the IED structure is provided in Appendix A.• The key issues will be identified by considering the new principles and requirements introduced by IFRS 18 based on the public sector context. This will include considering where different presentation approaches should be permitted in response to the diverse range of public sector user needs.• The consideration of these issues will help identify (and confirm) the IPSASB's preliminary views and the specific matters for comment for inclusion in the CP.
Step 2A – Development of draft illustrative exposure draft
<ul style="list-style-type: none">• Based on feedback from Step 1, the sections of the IED will be drafted for Task Force review and IPSASB approval.• This process will further draw out the issues and areas that warrant further attention and exploration within the CP document.
Step 2B – Development of draft Consultation Document
<ul style="list-style-type: none">• Based on Steps 1 and 2A feedback, the relevant sections of the CP will be drafted for Task Force review and IPSASB approval in the quarter following the relevant IED discussion.• For certain topics, we can see the advancement of Steps 2A and 2B occurring in the same quarter.• The CP will focus on highlighting the key changes to IPSAS 1 and the reasons for those changes (and any significant departures from IFRS), as well as directing the reader to the IED, which will include illustrative examples of the proposed financial statement formats (which will likely include different presentation options).

Development of IED

7. The IED will be non-authoritative and is being developed to support the reader's understanding of what a future pronouncement to replace IPSAS 1 could look like based on the IPSASB's preliminary views. This approach was first trialed with the *Measurement* project and was well-received by most respondents, as well as resolving most minor issues upfront and helping the IPSASB to focus on the key issues in the formal ED.
8. The IED will provide a complete initial draft of all proposed authoritative text (core text and application guidance) and the basis for conclusions. Decisions will need to be made as the IPSASB's discussions proceed on the extent to which Implementation Guidance and/or Illustrative Examples are included in the IED. From a content perspective, the other main difference between the IED and the eventual formal ED is that the IED excludes the consequential amendments to other standards and the transition provisions (these will be addressed in Phase 2 of the project).
9. Providing a 'full' IED to accompany the CP will allow constituents to see how the new proposed standard fits together between the general principles and the specific presentation requirements. In this case, in response to questions already being asked by constituents, the full ED will help them understand the extent of the proposed change in contrast to IPSAS 1 and the degree to which the IPSASB expects to align with or adapt IFRS 18.

10. The development of the IED will be based on three overarching standard-setting objectives.

(a) Maintaining alignment with IFRS to the extent appropriate for the public sector.
The IED will be developed using a 'rules-of-the-road' approach as its starting point, drawing primarily from IFRS 18 <i>Presentation and Disclosures in Financial Statements</i> , published by the IASB in April 2024. ² This approach involves aligning with the requirements, structure, and texts of IFRS 18 unless there is a public sector reason to warrant a departure. ³
(b) Achieving consistency with the IPSASB's Conceptual Framework.
Since the issuance of the Conceptual Framework in 2014 and subsequent updates in October 2023, the IPSASB has not completed a full review of IPSAS 1 to ensure consistency of standards-level requirements and principles. Consistency with the Conceptual Framework helps ensure the public sector context is appropriately reflected.
(c) Reducing unnecessary differences with GFS.
There is considerable overlap between IPSAS and information prepared for governance finance statistical (GFS) reporting purposes. Therefore, it is beneficial to seek to remove unnecessary differences where possible to promote the broader acceptance and use of IPSAS-based information. ⁴

11. Although IFRS 18 will be used as the starting base for developing the IED, we expect substantial modifications will likely be required in certain areas to ensure the proposed presentation requirements appropriately reflect the objectives of financial reporting by public sector entities. The consideration of modifications will include the following:
- (a) Exploring the development of different presentation approaches in response to the wide variety of entities within the public sector and their varying user needs;
 - (b) Addressing public sector-specific issues identified during the research phase;⁵ and
 - (c) Carrying forward public sector-specific paragraphs from IPSAS 1 that remain relevant and useful in applying IPSAS.

Decision required

12. No decision is required; this paper is provided for IPSASB information purposes.

² Guided by the IPSASB's policy paper [Process for Reviewing and Modifying IASB Documents](#) (known as 'Rules of the Road').

³ A departure from an equivalent IFRS occurs when requirements or terminology in IFRS are not appropriate for the public sector, or when including additional commentary or examples is necessary to illustrate certain requirements in the public sector context.

⁴ Guided by the IPSASB's [Process for Considering GFS Reporting Guidelines during the Development of IPSASs](#).

⁵ The consideration of public sector-specific issues will include other enhancements based on the relevant work of national standard-setters.

Appendix A – Illustrative Exposure Draft Structure

The draft structure of the IED provides a useful overview of the topics that require consideration during the first phase of the *Presentation of Financial Statements* project.

Illustrative Exposure Draft XX, <i>Presentation of Financial Statements</i>
<p>Objective</p> <p>Scope</p> <p>Definitions</p> <p>Purpose of Financial Statements</p> <p>Responsibility for Financial Statements</p>
<p>Components of Financial Statements</p> <ul style="list-style-type: none"> Complete set of financial statements The roles of primary financial statements and notes Identification of the financial statements
<p>General Features of Financial Statements</p> <ul style="list-style-type: none"> Fair presentation and compliance with IPSAS Accrual basis of accounting Going concern Reporting period Timeliness Comparative information Consistency of presentation, disclosure, and classification Impact of change in accounting policy, retrospective restatement, or reclassification
<p>Materiality</p> <ul style="list-style-type: none"> General principles
<p>Aggregation and Disaggregation</p> <ul style="list-style-type: none"> General principles Offsetting
<p>Statement of Financial Position</p> <ul style="list-style-type: none"> Classification of assets and liabilities Presentation of line items Structure and presentation of sub-totals

Statement of Financial Performance Classification of revenue and expenses Presentation of line items Structure and presentation of sub-totals
Statement of Comprehensive Revenue and Expense⁶ Items presented outside the surplus/(deficit) Presentation of line items Structure and presentation of sub-totals
Statement of changes in Net Assets/Equity Presentation of line items Structure and presentation of sub-totals
Statement of cash flows⁷
Notes to the financial statements Structure Accounting policies Key sources of estimation and uncertainty Capital management Management-defined performance measures Other disclosures
Effective date
Basis for Conclusions
Application Guidance
Illustrative Examples Alternative formats for presenting the primary financial statements
Comparison with IFRS 18

⁶ Subject to future IPSASB deliberation on introducing the total comprehensive revenue and expense concept into IPSAS.

⁷ The cash flow statement is outside the scope of this project. During the ED phase, consequential amendments will be considered to ensure the new IPSAS to replace IPSAS 1 continues to work with the IPSAS 2 *Statement of Cash Flows*.

Requirements for Presenting the Statement of Financial Position

Purpose

1. To convey the approach used to consider the issues related to presenting the statement of financial position.

Background

Primary Financial Statements

2. To commence the development of requirements in the illustrative exposure draft (IED) for presenting the 'primary financial statements', the Task Force began over the last quarter by considering the presentation issues regarding the statement of financial position.
3. The 'primary statements' (sometimes called the 'main statements') refer to the statements that make up a complete set of financial statements as required by IPSAS 1, excluding the notes.¹
4. Staff plan to consider the other primary financial statements (i.e., statement of financial performance and statement of changes in net assets/equity) during Q3 and Q4 of 2024. In particular, we note that based on previous break-out group discussions, several key issues were identified regarding the statement of financial performance.²
5. Once the IPSASB has considered the issues regarding each of the statements that make up the primary financial statements, a final analysis will be completed to ensure the proposed requirements maintain an appropriate level of connectivity and coherence between the different financial statement components.
6. The outcome of this project will likely include the development of different approaches or options for presenting the primary financial statements, for which we will seek focus group feedback before obtaining final IPSASB approval of the CP and IED.

Basis for Considering Improvements

7. When considering possible enhancements to the existing requirements for presenting the statement of financial position, it is useful to keep in mind the overarching purpose of the financial statements, the role the statement of financial position plays in supporting this purpose, and the need for change.

¹ IPSAS 1.21 sets out the components of a complete set of financial statements, which comprises:

- (a) A statement of financial position
- (b) A statement of financial performance
- (c) A statement of changes in net assets/equity
- (d) A cash flow statement
- (e) A comparison with budget and actual amounts, either in a separate statement or as a budget column in the financial statements, when an entity makes its approved budget publicly available; and
- (f) Notes of significant accounting policies and other explanatory notes.

² The issues noted included the classification of revenue and expense items, the presentation of specific sub-totals, and the presentation of non-owner movements as currently reported outside the surplus/deficit for the reporting period.

Purpose of the Financial Statements

8. In December 2023, the IPSASB considered its understanding of the purpose of financial statements based on the objectives and users of general purpose financial reports (GPFs) in the public sector as described in *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the 'IPSASB Conceptual Framework').
9. The IPSASB reaffirmed its position that the purpose of financial statements is to provide financial information about a reporting entity's assets, liabilities, net assets/equity, revenue, expenses, other movements in net assets/equity, and cash flows that is useful to users of financial statements for decision-making and accountability purposes.
10. Financial statements provide a structured representation of an entity's financial position, financial performance, and cash flows for a reporting period. They portray the financial effects of transactions and other events by grouping transactions and balances into broad classes based on shared economic characteristics.
11. The IPSASB agreed that no fundamental changes were required to the purpose and scope of financial statements as currently provided by IPSAS 1, which are broadly aligned with the IPSASB's Conceptual Framework. However, enhancements to existing presentation requirements should be considered, consistent with issues and opportunities highlighted in the [Project Brief](#).

Purpose of the Statement of Financial Position

12. The statement of financial position (also often known as a 'balance sheet') is one of the primary financial statements that form part of a complete set of financial statements for entities applying accrual-based accounting standards. It is a cornerstone of public sector accrual accounting that enables users to assess an entity's resources and obligations, represented by the assets, liabilities, and net assets/equity held by an entity at a point in time (typically at the end of a reporting period).
13. An entity's statement of financial position provides users of public sector financial statements with an understanding of:
 - (a) The extent to which management has discharged its responsibilities for safekeeping and managing an entity's resources;
 - (b) The level of indebtedness incurred as a result of funding activities delivered in previous reporting periods;
 - (c) The availability of resources to support the ongoing delivery of public services and the consumption of resources during the current period;
 - (d) The ability to meet its short-term and long-term financial and service delivery obligations; and
 - (e) The entity's 'net assets/equity' position based on the balance of its recognized assets and liabilities.³

³ Net assets/equity is the term used in IPSAS to refer to the residual measure in the statement of financial position. The net assets/equity balance represents the difference between an entity's recognized assets and liabilities.

Need for Change

14. During this project's research and scoping stage, no specific concerns were identified regarding the presentation of the statement of financial position in the public sector. However, recent developments by international and national standard setters provide the opportunity to consider possible enhancements.⁴

Overview of Analysis

15. Staff analysis has found that the information reported in the statement of financial position is broadly consistent across different jurisdictions and public sector entities by reporting on an entity's assets, liabilities, and net assets/equity. However, there are differences in how the statement is structured, the classification of assets and liabilities, and the reporting of sub-totals.
16. Staff analysis of possible enhancements to existing requirements has been primarily based on responding to public sector-specific user needs and balancing the following factors:
 - (a) Maintaining appropriate alignment with IFRS;
 - (b) Reducing unnecessary differences with GFS; and
 - (c) Considering the related work of public sector national standard-setters.⁵
17. A fundamental question in developing a new IPSAS to replace IPSAS 1 is to what extent the requirements should be standardized versus allowing the flexibility for different approaches to be developed based on entity-specific and jurisdictional considerations. This question is explored further in each of the following agenda papers.

Agenda Papers

18. The consideration of possible improvements to existing requirements in IPSAS for presenting the statement of financial position has been addressed in the following agenda papers:
 - (a) Classification of assets and liabilities — [Agenda Item 8.2.3](#)
 - (b) Structure and presentation of sub-totals — [Agenda Item 8.2.4](#)
 - (c) Asset and liability line items — [Agenda Item 8.2.5](#)
 - (d) Implementation Guidance – Illustrative Examples — [Agenda Item 8.2.6](#)

Each agenda paper includes questions for the IPSASB and staff recommendations.

19. Individual IPSAS Standards address the requirements for recognizing and measuring the transactions that make up an entity's financial position. The agenda papers consider how the financial effects of these transactions and other events should be presented in the statement of financial position to enhance the usefulness of the information for financial statement users.

⁴ The [Project Brief](#) did not identify any specific issues regarding the statement of financial position.

⁵ The Canadian Public Sector Accounting Board (PSAB) issued a revised reporting model for the public sector in October 2023.

20. The agenda papers focus on the presentation of information about an entity's assets and liabilities on the face of the statement of financial position. The presentation of the components that make up an entity's net assets/equity will be considered at a future meeting, alongside improvements to the statement of changes in net assets/equity.⁶

Decision required

21. No decisions are required; this paper is provided for IPSASB information purposes.

⁶ The presentation of an entity's net assets/equity is contingent upon decisions regarding the treatment of revenue and expense items currently reported outside the net surplus/(deficit) for the period, which the IPSASB will consider in September 2024.

Classification of assets and liabilities

Question

1. Does the IPSASB agree with the Task Force recommendations for classifying assets and liabilities on the face of the statement of financial position?

Recommendations

2. The Task Force recommends the following approach for developing the requirements in IPSAS:
 - (a) Providing two general approaches in IPSAS for classifying assets and liabilities on the face of the statement of financial position — the current/non-current; and the financial/non-financial approach; and
 - (b) Permitting on an exception basis, an entity to display its assets and liabilities on the face of the statement of financial position based on an order of liquidity (when this approach provides information that is faithfully representative and is more relevant).
3. These recommendations aim to give public sector entities increased flexibility in classifying assets and liabilities for presentation purposes, based on entity-specific, jurisdictional, and user-need considerations.

Background

Classification of Assets and Liabilities

4. Since the inception of IPSAS, the requirement to classify assets and liabilities into broad groups for presenting line items in the statement of financial position has been a fundamental aspect of financial reporting. The traditional classification approach has been based on a current/non-current distinction.
5. Classifying an entity's assets and liabilities into broad groups enhances understandability by providing a clear and structured statement of financial position. It helps the user focus on the information relevant to their specific needs. Given the diverse range of resources and obligations arising from the delivery of public services, this is particularly useful in the public sector.
6. The classification approach provides important information about an entity's liquidity (its ability to meet current obligations) and solvency (its ability to meet long-term obligations). It can also help explain the nature and purpose of an entity's assets and liabilities.
7. The selection of an appropriate approach for classifying assets and liabilities for public sector entities requires consideration of the following:
 - (a) The nature and characteristics of assets and liabilities held by the reporting entity — for example, whether they are financial or non-financial;
 - (b) The entity's purpose for holding the assets and liabilities — for service delivery (operational), investing, financing, or preservation purposes;
 - (c) Entity-specific user needs — resource providers and service recipients will often be interested in understanding the entity's liquidity and long-term solvency; and
 - (d) Jurisdictional considerations — such as key indicators of an entity's financial sustainability used for local PFM purposes.

Current IPSAS Requirements¹

8. IPSAS 1 requires that an entity present current and non-current assets and current and non-current liabilities as separate classifications on the face of its statement of financial position (the '[current/non-current approach](#)').
9. IPSAS 1 also allows an entity to present its assets and liabilities based on an [order of liquidity](#) on an exception basis when this approach is considered faithfully representative and more relevant.²
10. The current requirements for classifying assets and liabilities in IPSAS 1 are aligned with IAS 1, *Presentation of Financial Statements*.

Current IFRS Requirements

11. The issuance of IFRS 18, *Presentation and Disclosure in Financial Statements* by the IASB in April 2024 has resulted in no significant changes to the existing requirements in IAS 1 for presenting the statement of financial position. The IASB's recently completed *Primary Financial Statements* project was predominately focused on improving the usefulness of the profit and loss statement.³
12. IFRS 18, consistent with IPSAS 1, requires an entity to classify its assets and liabilities on the face of the statement of financial position using the current/non-current approach or, on an exemption basis, based on an order of liquidity.
13. We are aware that preparers in the for-profit sector have sought clarification from time to time on applying the current/non-current approach when classifying certain types of assets and liabilities. However, the IASB's *Primary Financial Statements* project did not identify any substantial need to modify or add to the existing requirements in IAS 1.

Classification in GFS

14. For Government Finance Statistics (GFS) reporting purposes, a reporting unit's assets and liabilities are classified based on their nature and economic characteristics. The GFS classification at the high-level categorizes assets and liabilities into financial assets, non-financial assets, and liabilities, as illustrated in Table 1.

Table 1⁴

Table 7.1 Balance Sheet					
Assets	Opening balance	Closing balance	Liabilities and net worth	Opening balance	Closing balance
Nonfinancial assets ¹			Liabilities ¹		
Financial assets ¹			Net worth		
Total assets ¹			Total liabilities and net worth		
<i>Memorandum items</i>					

¹Classified by categories of assets and liabilities as needed.

¹ Set out in paragraphs 70 – 87 of IPSAS 1.

² IPSAS 1.74 permits an entity to present some of its assets and liabilities using a current/non-current classification and others in order of liquidity. The need for a mixed basis of presentation might arise when an entity has diverse operations.

³ The IFRS 18 [Effects Analysis](#) published by the IASB did not highlight any significant changes related to the statement of financial position.

⁴ Government Finance Statistics Manual 2014, page 172.

15. [Appendix B](#) provides further background information on the classification of assets and liabilities for GFS reporting purposes.

Classification Approaches Applied in Practice

16. An informal review of central government financial statements has identified that in practice, three approaches are commonly used for classifying assets and liabilities on the face of the statement of financial position:
- (a) Current/non-current approach;
 - (b) Financial/non-financial approach; and
 - (c) Order of liquidity approach.

See examples in [Appendix A](#).

17. Each of these approaches is explored below, followed by the consideration of other possible classification approaches.

Current/Non-Current Approach

18. The current/non-current approach is broadly considered the general approach for classifying assets and liabilities in IPSAS and IFRS. This approach requires current and non-current assets and current and non-current liabilities to be presented as separate classifications on the face of the statement of financial position.
19. The approach aims to distinguish assets and liabilities that are continuously circulating as 'working capital' from those used to service the entity's long-term operations.⁵ From a public sector perspective, the current/non-current classification provides the user with an indicator of the entity's ability to continue providing services to the public over the short and long term.
20. The current/non-current distinction also provides important inputs often used in various assessments, such as an entity's ability to continue as a going concern and compliance with debt covenants.
21. The current/non-current approach is illustrated in Table 2 on the next page.⁶

⁵ The term 'working capital' is not used in IPSAS but is commonly used to describe the difference between current assets and current liabilities. It is often used as a key indicator of an entity's short-term solvency.

⁶ Based on the example in IPSAS 1 Implementation Guidance.

Table 2

Statement of Financial Position As at 31 December 20X2	20X2 CU	20X1 CU
ASSETS		
Current assets		
...		
Total current assets		
Non-current assets		
...		
Total non-current assets		
Total assets		
LIABILITIES		
Current liabilities		
...		
Total current liabilities		
Non-current liabilities		
....		
Total non-current liabilities		
Total liabilities		
Net assets		
NET ASSETS/EQUITY		
...		
Total net assets/equity		

22. IPSAS 1 provides specific criteria and guidance for classifying assets and liabilities as current or non-current.
- (a) **Current assets** are those expected to be converted into cash or used up within a year or the entity's operating cycle, whichever is longer. They include items like cash, accounts receivable, and inventory.
 - (b) **Non-current assets** are all other assets not classified as current, such as property, plant and equipment, intangibles, and long-term investments.
 - (c) **Current liabilities** are obligations due within a year or the entity's operating cycle, whichever is longer, such as accounts payable and short-term loans.
 - (d) **Non-current liabilities** are all liabilities not classified as current, such as long-term loans and provisions.

Commentary on Approach

23. The current/non-current approach is relevant to the public sector because of its responsibility for managing its assets and liabilities to ensure resources are available over the short, medium, and long term to sustain the delivery of services to the public and respond to other unexpected events. The current/non-current distinction helps identify resources that can be used immediately to support service provision and those that are earmarked for longer-term initiatives or investments, enabling informed decision-making regarding resource allocation and fiscal planning.

24. The current/non-current classification is generally well understood in practice by both preparers and users. It is widely used by jurisdictions applying IPSAS and IFRS based accounting standards.

Financial/Non-Financial Approach

25. The financial/non-financial approach involves financial and non-financial assets and financial and non-financial liabilities, being presented as separate classifications on the face of the statement of financial position.
26. The financial/non-financial approach is illustrated in Table 3.

Table 3

Statement of Financial Position As at 31 December 20X2	20X2 CU	20X1 CU
ASSETS		
Financial assets		
...		
Total Financial assets		
Non-financial assets		
...		
Total non-financial assets		
Total assets		
LIABILITIES		
Financial liabilities		
...		
Total financial liabilities		
Non-financial liabilities		
...		
Total non-financial liabilities		
Total liabilities		
Net assets		
NET ASSETS/EQUITY		
...		
Total net assets/equity		

27. The financial/non-financial classification focuses on providing transparency over how well an entity's financial resources are being managed. If financial liabilities are greater than financial assets, this provides a clear signal to users that either revenues (e.g., taxes) will need to be increased, services reduced, additional borrowings drawn down, or non-financial assets sold in the future.

28. The classification of assets and liabilities based on a financial/non-financial distinction is considered useful for accountability and decision-making purposes because it provides users with a clear understanding of:
- (a) The financial resources available to cover past and future obligations, for example immediate expenses associated with the ongoing delivery of services to the public (such as, for example, the payment of salaries for doctors, police officers, and teachers); and
 - (b) The allocation of resources towards non-financial assets intended to sustain public service delivery over the long term.
29. The financial/non-financial approach is increasingly being used by jurisdictions and national standard-setters across the public sector. For example, the central government financial statements of Australia, Canada, and France currently use this approach for presenting their statement of financial position.

Commentary on Approach

30. The financial/non-financial approach provides similar benefits to the current/non-current approach in that both primarily seek to support assessments concerning an entity's solvency and liquidity.
31. Advocates of the approach consider that given the characteristics of the public sector (which are focused on maintaining short and long-term financial sustainability), it is more important to classify assets and liabilities based on their nature (i.e., financial or non-financial) rather than their liquidity (i.e., current or non-current). They contend that if an entity wants to present information about when assets and liabilities are expected to be realized as cash or consumed through service delivery, this can be done through note disclosure.
32. Some jurisdictions choose to use the financial/non-financial approach because it helps facilitate the presentation of the balances that make up an entity's net debt. Net debt is an important indicator of a government's fiscal health and sustainability. Policymakers, economists, and analysts often use it to assess an entity's overall indebtedness and ability to meet its financial obligations.
33. 'Net debt is broadly understood to be the difference between an entity's financial assets and liabilities. However, net debt is calculated differently across jurisdictions based on a government's short and long-term fiscal objectives.'⁷
34. The financial/non-financial distinction is also used in GFS to broadly classify assets and liabilities. There are also variations in how financial and non-financial items are defined for GFS purposes, compared with definitions used by individual jurisdictions and national standard-setters.

Example of Approach

35. The Public Sector Accounting Board (PSAB) in Canada has recently developed a new reporting model for the public sector — resulting in the issuance of Section PS 1202, *Financial Statement Presentation* in October 2023. PS 1202 requires that assets and liabilities be classified in the statement of financial position based on a financial/non-financial distinction.

⁷ Differences arise due to decisions at the jurisdictional level about what assets and liabilities are classified as 'financial' for the purpose of measuring net debt.

36. The PSAB criterion for classifying assets and liabilities as financial or non-financial is primarily based on how the assets could be used and how the liabilities are expected to be settled, rather than only their nature.
- (a) A **financial asset** is an asset that could be used to discharge existing financial liabilities or spend on future operations and is not for consumption in the normal course of operations, such as cash and cash equivalents, accounts receivable, inventories held for sale, and other assets available for sale.
 - (b) A **non-financial asset** is an asset that does not meet the definition of a financial asset, such as property, plant, and equipment, inventories held for use, and assets not available for sale.
 - (c) A **financial liability** is a liability that is expected to be settled using existing or future financial assets, such as loans, accounts payable, and liabilities for employee benefits.
 - (d) A **non-financial liability** does not meet the definition of a financial liability, such as obligations that will be settled by the transfer of capital assets.

Order of Liquidity Approach

37. The order of liquidity approach involves listing asset and liability line items on the face of the statement of financial position based on their relative liquidity (i.e., how quickly they can be converted into cash or settled).
38. Under this approach, the statement of financial position typically only includes ‘assets’ and ‘liabilities’ subheadings, with no further classification – as illustrated in Table 4.

Table 4

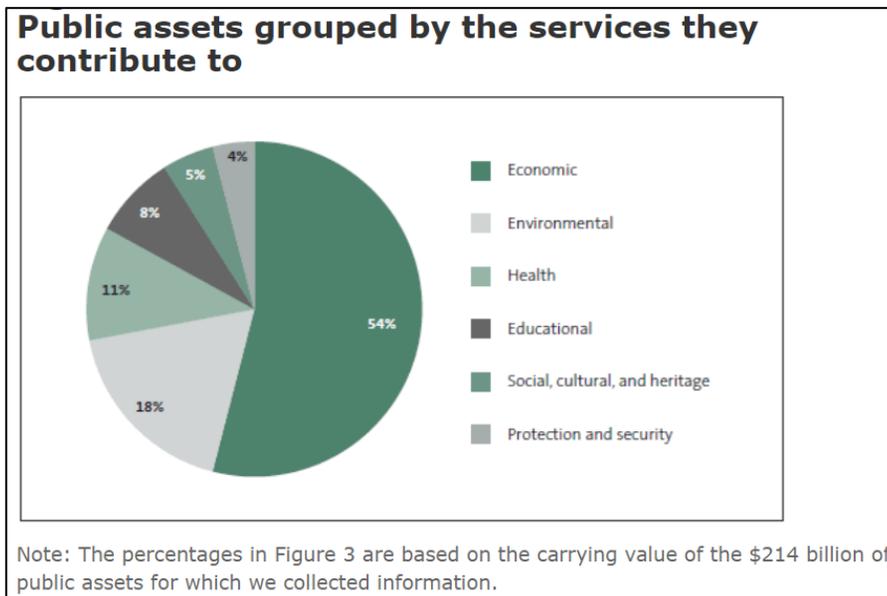
Statement of Financial Position		
As at 31 December 20X2		
(in thousands of currency units)		
	20X2	20X1
	CU	CU
ASSETS		
Cash and cash equivalents		
Receivables		
Inventories		
Investments		
Property assets held for sale		
Investment property		
Property, plant, and equipment		
Other assets		
Total assets		
LIABILITIES		
Payables		
Taxes and transfers payable		
Employee entitlements		
Social benefits liabilities		
Loans and other borrowings		
Other liabilities		
Total liabilities		
Net assets		

Commentary on Approach

39. Financial institutions, service industries, and insurance entities often use an order of liquidity approach because the assets and liabilities held are highly liquid rather than assets such as property, plant, and equipment with long useful lives. For these entities, listing items in order of liquidity provides a clearer view of how quickly assets can be converted to cash and liabilities can be settled.

Other Classification Approaches

40. The Task Force noted there are other possible approaches for classifying assets and liabilities into broad groups for presentation purposes. For example, two different approaches include:
- (a) Classification based on the entity's purpose for holding the asset or liability — i.e., operational purposes (to deliver services directly to the public, such as hospital buildings), investing (to generate inflows of economic benefits, such as long-term investments), or financing (to manage debt, such as loans); or
 - (b) Classification based on the public services the assets or liabilities contribute to—this approach recognizes that all assets and liabilities in the public sector, regardless of their nature or purpose, are ultimately held to provide services to the public.
41. In New Zealand, for example, the total assets of the Government and other large public entities are classified into six groups of service lines, as illustrated below. This information is used to support public policy decisions about the allocation of resources.



This information is reported outside the financial statements — [Source](#).

42. These other classification approaches provide useful information about how an entity's assets and liabilities support its objectives. However, this type of information is better suited to management commentary-type reporting, which accompanies the financial statements, rather than seeking to develop standardized reporting requirements.

43. It is important to maintain an appropriate level of consistency in the presentation of the statement of financial position, prepared in accordance with IPSAS, across different jurisdictions. An approach that requires the ‘splitting’ of assets and liabilities of a similar nature could potentially weaken this consistency. For example, an individual building may be held for multiple purposes and contribute to numerous service delivery lines within the public sector.

Analysis

44. The Task Force acknowledged that, in practice, different approaches are being applied across various jurisdictions and sectors of the public sector to classify assets and liabilities on the face of the statement of financial position.
45. The Task Force's deliberations focused on considering to what extent different approaches should be permitted when preparing financial statements in accordance with IPSAS, being the source of international generally accepted accounting practice for public sector entities.

Standardization Versus Flexibility

46. The existing requirements in IPSAS (which are aligned with IFRS) require that an entity apply the current/non-current approach when preparing the statement of financial position, except when a presentation based on an order of liquidity provides information that is faithfully representative and more relevant.
47. This raises the question of whether the requirements in IPSAS should be relaxed to allow for the use of other classification approaches due to the diverse nature of the public sector. This would give preparers increased flexibility to select an approach based on the entity's nature, its user needs, and jurisdictional considerations.⁸
48. Offering increased flexibility within accounting standards often raises concerns about a loss of comparability. However, these concerns are alleviated by the existing requirements in IPSAS to present specific asset and liability line items. These would remain regardless of the classification approach applied—i.e., the same information would be presented on the face of the statement of financial position; the difference would be limited to how the line items are classified under different headings.
49. In practice, we expect decisions about the classification of assets and liabilities will often be determined by jurisdictional and sector considerations. Providing a choice within IPSAS will enable entities across part or all the public sector in a given jurisdiction to follow a consistent classification approach, which may be based on the direction of a central government agency or relevant standard-setting authority.

⁸ IPSASB and CAG members have previously expressed support for permitting the use of different presentation approaches in IPSAS, which will allow reporting entities in the public sector to present information in financial statements based on local jurisdictional considerations – such as increased alignment with information used for GFS, budgetary, or other regulatory frameworks.

Task Force View

General Classification Approach

50. The Task Force concluded that the new IPSAS should allow entities to apply either one of the following approaches for classifying their assets and liabilities on the face of the statement of financial position:
 - (a) Current/non-current approach; or
 - (b) Financial/non-financial approach.
51. The Task Force does not consider the two approaches are substantially different. Both approaches seek to help the reader understand the entity's ability to meet its short-term, medium-term, and long-term service objectives and financial obligations. IPSAS should allow public sector entities currently applying either of these classification approaches to continue doing so.
52. The Task Force noted that the financial/non-financial approach might be more effective at a central government level (where the focus is on long-term financial sustainability) but for other entities within the public sector (for example, at an agency level), a current/non-current approach may be more appropriate for presenting information to users. This supports the concept of positioning the two approaches as being equally applicable to the public sector.

Development of Financial/Non-Financial Approach

53. Definitions and criteria would be required to introduce a financial/non-financial classification approach into IPSAS. Staff notes IPSAS already includes definitions of 'financial assets' and 'financial liabilities' in IPSAS 28, *Financial Instruments: Presentation*, which may serve as a useful foundation for developing the new classification approach in IPSAS (see [Appendix C](#)).

Order of Liquidity Approach

54. The Task Force also agreed that the order of liquidity approach should be retained in IPSAS, consistent with IFRS 18. The approach would be positioned as an exception to the current/non-current and financial/non-financial classification approaches.
55. An entity would only be permitted to apply the approach when it is considered to provide information that is faithfully representative and more relevant than the current/non-current or financial/non-financial approaches. The basis for this decision is to allow entities, such as central banks and other financial institutions in the public sector, to continue using this approach.

Selection of Presentation Approach

56. The selection of the presentation approach will be an accounting policy choice that an entity would be required to apply consistently in accordance with IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors*.
57. The new IPSAS should include principles-based guidance to assist entities in deciding which presentation approach to use, rather than seeking to develop specific criteria. The accounting policy choice will be based on the reporting entity's nature, entity-specific user needs, and other jurisdictional considerations.

Decision required

58. Does the IPSASB agree with the Task Force [recommendations](#) in paragraph 2?

Appendix A — Examples of Different Classification Approaches

(a) [United Kingdom Whole of Government Annual Consolidated Financial Statements – 30 June 2022](#)

Example of current/non-current approach

Statement of Financial Position

As at 31 March 2022

	Note	2021-22 £bn	2020-21 £bn
Non-current assets			
Property, plant and equipment	12	1,340.4	1,270.3
Investment properties	13	14.8	16.5
Intangible assets	14	43.7	41.0
Trade and other receivables	15	22.4	20.6
Other financial assets	16	456.9	340.8
		1,878.2	1,689.2
Current assets			
Inventories	17	13.5	15.3
Trade and other receivables	15	193.2	182.3
Other financial assets	16	267.9	264.9
Cash and cash equivalents	18	45.6	39.6
Gold holdings	33	14.7	12.3
Assets held for sale		1.2	3.1
		536.1	517.5
Total assets		2,414.3	2,206.7
Current liabilities			
Trade and other payables	19	(160.8)	(169.3)
Government borrowings	20	(340.0)	(274.0)
Other financial liabilities	21	(1,030.4)	(943.3)
Provisions	22	(29.7)	(28.4)
		(1,560.9)	(1,415.0)
Non-current liabilities			
Trade and other payables	19	(51.8)	(52.0)
Government borrowings	20	(1,235.7)	(1,246.3)
Other financial liabilities	21	(303.6)	(175.5)
Provisions	22	(498.1)	(338.0)
Net public sector pension liability	24	(2,639.1)	(2,306.2)
Total non-current liabilities		(4,728.3)	(4,118.0)
Total liabilities		(6,289.2)	(5,533.0)
Net liabilities		(3,874.9)	(3,326.3)
Financed by taxpayers' equity:			
General reserve		(4,547.6)	(3,932.3)
Revaluation reserve		667.8	601.8
Other reserves		4.9	4.2
Total liabilities to be funded by future revenues		(3,874.9)	(3,326.3)

(b) [Consolidated Annual Financial Statement of Australian Government – 30 June 2023](#)

Example of financial/non-financial approach

Australian Government balance sheet			
as at 30 June 2023			
	Note	2023 \$m	2022 \$m
Assets			
<i>Financial assets</i>			
Cash and deposits		7,464	8,698
Advances paid	5A	73,135	70,598
Other receivables and accrued revenue	5A	73,814	74,405
Investments, loans and placements	5B	569,265	558,191
Equity investments	5C	84,051	75,891
Total financial assets		807,729	787,783
<i>Non-financial assets(a)</i>			
Land	5D	16,818	15,113
Buildings	5D	53,831	50,742
Specialist military equipment	5D	84,627	81,255
Other plant, equipment and infrastructure	5D	78,806	70,918
Intangibles	5D	15,810	15,008
Investment property	5D	343	365
Inventories	5E	12,976	11,979
Heritage and cultural assets	5D	12,618	12,632
Other non-financial assets	5F	6,790	6,036
Total non-financial assets		282,619	264,048
Total assets	5G	1,090,348	1,051,831
Liabilities			
<i>Interest bearing liabilities</i>			
Deposits held	6A	412,584	426,128
Government securities	6B	573,980	575,625
Loans	6C	42,897	39,017
Leases	6D	32,913	31,783
Other interest bearing liabilities	6E	26,818	26,188
Total interest bearing liabilities		1,089,192	1,098,741
<i>Provisions and payables</i>			
Superannuation liability	6F	313,080	321,998
Other employee liabilities	6F	46,563	36,910
Supplier payables	6G	20,854	14,011
Personal benefits payable	6G	3,142	2,999
Subsidies payable	6G	561	908
Grants payable	6G	3,570	3,926
Australian currency on issue	6H	101,285	102,345
Other payables	6G	13,922	16,444
Other provisions	6H	68,403	62,263
Total provisions and payables		571,380	561,804
Total liabilities		1,660,572	1,660,545
Net worth			
Accumulated results		(668,095)	(698,304)
Reserves		97,099	88,960
Minority interests		772	630
Net worth		(570,224)	(608,714)

(c) [Consolidated Annual Financial Statements of the Government of New Zealand](#)

Example of an order of liquidity approach

Statement of Financial Position			
as at 30 June 2023			
2023 Forecast at		Actual	
Budget	Budget	30 June	30 June
2022	2023	2023	2022
\$m	\$m	Note	\$m
Assets			
17,713	19,084		18,791
Cash and cash equivalents			
28,906	33,383	13	33,548
Receivables			
51,202	63,866	14	66,490
Marketable securities, deposits and derivatives in gain			
53,423	44,710	15	48,046
Share investments			
5,991	7,024	15	7,317
Investments in controlled enterprises			
70,883	65,247	16	66,489
Advances			
2,908	3,268		3,041
Inventory			
4,027	4,324		4,612
Other assets			
230,776	259,280	17	267,390
Property, plant & equipment			
15,816	16,678	18	17,034
Equity accounted investments			
4,209	4,178		3,908
Intangible assets and goodwill			
2,274	-		-
Forecast new capital spending			
(2,810)	(1,850)		-
Top-down capital adjustment			
485,318	519,192		536,666
Total assets			
Liabilities			
9,159	9,256		9,002
Issued currency			
15,057	17,147	19	18,726
Payables			
2,807	3,420		3,610
Deferred revenue			
230,618	222,465	20	226,755
Borrowings			
10,694	8,360	21	6,125
New Zealand Emissions Trading Scheme			
69,026	56,850	12	57,511
Insurance liabilities			
9,061	8,254	22	8,039
Retirement plan liabilities			
10,042	14,484	23	15,426
Provisions			
356,464	340,236		345,194
Total liabilities			
128,854	178,956		191,472
Total assets less total liabilities			
Net Worth			
(10,254)	6,932		8,380
Taxpayer funds			
134,146	164,188	17	174,575
Property, plant and equipment revaluation reserve			
(687)	196	22	409
Defined benefit retirement plan reserve			
(659)	(566)	23	(392)
Veterans disability entitlements reserve			
(145)	298		542
Other reserves			
122,401	171,048		183,514
Total net worth attributable to the Crown			
6,453	7,908	24	7,958
Net worth attributable to minority interests			
128,854	178,956		191,472
Total net worth			

Appendix B – Classification of Assets and Liabilities in GFS

- B1. In GFS, assets and liabilities are broadly classified as follows:
- (a) **Financial assets** consist of financial claims plus gold bullion held by monetary authorities as reserve assets. 'Financial claims' refer to financial assets held by a reporting entity that represent claims or rights to receive future economic benefits from other entities. As defined in GFS, financial assets include monetary assets, trade receivables, loans, debt securities, equity investments, and other financial assets such as derivatives.
 - (b) **Non-financial assets** consist of economic assets other than financial assets. The main categories of non-financial assets are produced assets (such as fixed assets, inventories, and valuables) and non-produced assets (such as natural resources, contracts, leases, licenses, goodwill, and marketing assets).
 - (c) **Liabilities** consist of obligations by one unit (a debtor) to provide funds or other resources to another unit (the creditor). Whenever a liability exists, the creditor has a corresponding financial claim on the debtor.¹ In GFS, liabilities are broadly categorized as debt instruments (creditors and loans), financial derivatives, and equity instruments.²
- B2. GFS encourages further classification of assets and liabilities beyond the broad categories described above. This additional classification provides a more detailed and nuanced understanding of the government's financial holdings and obligations, as well as their characteristics and associated risks. The further classifications used for GFS purposes include:
- (a) Classification by type of instrument;
 - (b) Classification by maturity;
 - (c) Classification by issuer or counterparty; and
 - (d) Classification by sector or industry.
- B3. In GFS, classifying assets as financial or non-financial helps differentiate between assets representing financial claims on other entities and tangible or intangible resources owned or controlled by the government to deliver future services to the public.
- B4. GFS does not provide a financial/non-financial classification for liabilities because all liabilities recognized in GFS are considered 'financial'. This is due to liabilities as defined in GFS arising from a financial claim from a counterparty, which comprises obligations to transfer economic benefits to other entities, typically as a result of borrowing or other contractual arrangements. GFS generally does not recognize liabilities in the form of provisions as described in IPSAS until a contractual obligation is established.

¹ A financial claim is an asset that typically entitles the owner of the asset (the creditor) to receive funds or other resources from another unit, under the terms of a liability.

² In GFS, equity and investment fund shares issued by corporations and similar legal forms of organization are treated as liabilities of the issuing units because the holders of the claims do not have a fixed or predetermined monetary claim on the corporation.

Appendix C – Definition of Financial Assets and Financial Liabilities in IPSAS

IPSAS 28, *Financial Instruments: Presentation*

A **financial asset** is any asset that is:

- (a) Cash;
- (b) An equity instrument of another entity;
- (c) A contractual right
 - (i) To receive cash or another financial asset from another entity; or
 - (ii) To exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity;
- (d) A contract that will or may be settled in the entity's own equity instruments and is:
 - (i) A non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments;
 - (ii) A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include puttable financial instruments classified as equity instruments, instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and are classified as equity instruments, or instruments that are contracts for the future receipt or delivery of the entity's own equity instruments.

A **financial liability** is any liability that is:

- (a) A contractual obligation:
 - (i) To deliver cash or another financial asset to another entity; or
 - (ii) To exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or
- (b) A contract that will or may be settled in the entity's own equity instruments and is:
 - (i) A non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
 - (ii) A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, rights, options, or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options, or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Also, for these purposes the entity's own equity instruments do not include puttable financial instruments, instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and are classified as equity instruments, or instruments that are contracts for the future receipt or delivery of the entity's own equity instruments.

Structure and Sub-Totals

Question

1. Does the IPSASB agree that no substantial changes are required to the existing requirements for the structure (i.e., the order or format) and required sub-totals when presenting the statement of financial position?

Recommendations

2. The Task Force recommends aligning the requirements concerning the structure and sub-totals for presenting the statement of financial position with IFRS 18, *Presentation and Disclosure of Financial Statements*.
3. This recommendation will result in the illustrative exposure draft (IED):
 - (a) Not prescribing the structure in which an entity is required to present the statement of financial position; and
 - (b) Not defining or requiring the presentation of any specific sub-totals on the face of the statement of financial position.
4. The recommendations do not substantially change the current requirements in IPSAS 1, *Presentation of Financial Statements*.

Background

5. The question of structure addresses how the information required by IPSAS to be presented on the face of the statement of financial position should be organized. An appropriate structure helps ensure that information is presented in a logical and systematic manner to assist users in making informed decisions.
6. Displaying sub-totals can help users identify the most relevant information and enable the reporting of specific measures of an entity's financial position. An entity's presentation decisions regarding the classification of assets and liabilities and the structure of the statement of financial position largely determine the nature of sub-totals reported.
7. In practice, the statement of financial position is usually presented following a standard format. Table 1 provides examples of the structures used across the public sector based on a high-level review of central government financial statements.

Table 1

Approach	Structure (ordering of elements)
Net financial position approach	Total Assets – Total Liabilities = Net Assets/Equity
Balance sheet approach	Total Assets = Total Liabilities + Net Assets/Equity
Net debt approach	Financial liabilities – Financial Assets = Net Debt (sub-total) + Non-financial assets - Non-financial liabilities = Net Assets/Equity (Net Worth)

Working capital approach (Used in the for-profit sector)	Current assets – Current Liabilities = Working Capital (sub-total) + Non-Current Assets - Non-current Liabilities = Net Assets/Equity
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Current IPSAS Requirements

8. IPSAS 1 sets out the requirements for presenting information about an entity’s assets, liabilities, and net assets/equity in the statement of financial position. This includes requirements for classifying line items on the face of the statement of financial position (discussed in [Agenda Item 8.2.3](#)) and requirements for presenting specific line items (discussed in [Agenda Item 8.2.5](#)).
9. However, IPSAS 1 does not currently include any specific requirements for how the information required to be presented on the face of the statement of financial position should be structured or any requirements concerning the presentation of specific sub-totals. Instead, paragraph 89 of IPSAS 1 sets out the following general requirements:

Additional line items, headings, and sub-totals shall be presented on the face of the statement of financial position when such a presentation is relevant to an understanding of an entity’s financial position.

10. The current requirements allow a reporting entity to develop its own structure or format for presenting the information required by IPSAS in the statement of financial position based on its user needs. The entity is responsible for ensuring the presentation of the statement of financial position faithfully represents its assets, liabilities, and net assets/equity at the reporting date.

Current IFRS Requirements

11. IFRS 18, consistent with IPSAS 1, other than the requirement concerning the classification of assets and liabilities, does not prescribe the order or format in which an entity is required to present information in its statement of financial position. Instead, IFRS 18 provides that ordering items or aggregating similar items may be amended according to the entity’s nature and its transactions to provide a useful, structured summary of the entity’s assets, liabilities, and equity.¹
12. IFRS 18 is also consistent with IPSAS 1 in that it does not prescribe the presentation of any specific sub-totals in the statement of financial position. Instead, the standard only lists individual items that are sufficiently different in nature or function to warrant separate presentation on the face of the statement of financial position.
13. Although not prescribing the presentation of any specific sub-totals, IFRS 18 provides that additional sub-totals should be presented if such a presentation is necessary for the statement to provide a useful summary of the entity’s assets, liabilities, and equity.

¹ IFRS 18.106

14. IFRS 18 has introduced new guidance that when an entity presents additional sub-totals, they shall:
- (a) Comprise amounts recognized and measured in accordance with IFRS Accounting Standards;
 - (b) Be compatible with the statement structure created by the requirements regarding the classification of assets and liabilities;
 - (c) Be consistent from period to period, in accordance with the requirements regarding the presentation of comparative information; and
 - (d) Be displayed no more prominently than specific totals and sub-totals required by IFRS Accounting Standards.²

We expect this principles-based guidance will be incorporated into the new IPSAS to replace IPSAS 1.

15. The IASB, through its *Primary Financial Statements* project, did not identify the need to introduce requirements concerning the structure or specific sub-totals when presenting the statement of financial position. The IASB concluded that the existing requirements and principles were sufficient to allow an entity with an appropriate level of flexibility to design the structure of its financial statements based on its nature and activities.

Work of National Standard-Setters

16. Staff have considered the approach taken by the Canadian Public Sector Accounting Board (PSAB) in their recently completed project to develop a new public sector reporting model, which led to the issuance of Section PS 1202, *Financial Statement Presentation*, published in October 2023.
17. Unlike IPSAS 1 and IFRS 18, PS 1202 has taken a more prescriptive approach in establishing the requirements for presenting information about an entity's financial position in the primary financial statements. The structure designed is mainly in response to the importance of presenting the components of the 'net financial assets' or 'net financial liabilities' sub-total (formally known as 'net debt') on the face of the primary financial statements.
18. The PSAB reporting model provides that an entity is required to present information about its financial position through two primary financial statements:
- (a) The Statement of Financial Position, which presents:
 - (i) Total Assets and total liabilities at the end of the accounting period, each segregated between financial and non-financial items;
 - (ii) Its net financial position — the 'net assets' or "net liabilities' subtotal; and
 - (iii) The components of net assets or net liabilities (i.e., equity).
 - (b) The Statement of Net Financial Assets (or Net Financial Liabilities), which presents:
 - (i) Total financial assets;
 - (ii) Total financial liabilities; and
 - (iii) The "net financial assets" or "net financial liabilities" sub-total.

² IFRS 18.24

19. The structure for presenting an entity’s financial position under the PSAB reporting model is illustrated in Table 2 and Table 3.

Table 2

Statement of Financial Position As at 31 December 20X2		
	20X2 CU	20X1 CU
ASSETS		
Financial assets		
...		
Total Financial assets		
Non-financial assets		
...		
Total non-financial assets		
Total assets		
LIABILITIES		
Financial liabilities		
...		
Total financial liabilities		
Non-financial liabilities		
...		
Total non-financial liabilities		
Total liabilities		
Net assets/net liabilities		
NET ASSETS/NET LIABILITIES		
...		
Total net assets/net liabilities		

Table 3

Statement of Net Financial Assets/(Net financial Liabilities) As at 31 December 20X2		
	20X2 CU	20X1 CU
Financial assets		
Financial liabilities		
Net financial assets/net financial liabilities		

20. The PSAB concluded that the ‘net financial Assets’ or ‘net financial liabilities’ (formally known as net debt) indicator should be reported in its own separate statement (Table 3) for the following reasons:
- It continues to provide a measure consistent with the ‘net debt’ calculation used within the Canadian public sector.
 - It allows the indicator to be prominently displayed in a statement together with the components that make up its calculations.
 - It ensures that the statement of financial position presents all assets and liabilities together, which strengthens the understandability for users.
 - It allows PSAB to consider whether certain public sector entities should be exempt from presenting a separate statement of net financial assets or net financial liabilities.

Reporting of Net Debt Sub-Total

21. The PSAB reporting model highlights the importance of the net debt measure as a key indicator of an entity's financial position.
22. Net debt in the public sector refers to the difference between a government's total financial liabilities and its total financial assets. It serves as a measure of the government's overall indebtedness and its ability to meet its financial obligations. If the government's financial assets exceed its liabilities, this provides an important indicator that net financial assets are on hand, which can provide financial resources to finance future operations.
23. The PSAB believes 'net debt' is an essential indicator of an entity's financial stability that should be considered when assessing an entity's financial position. The net debt indicator:
 - (a) Provides information about the future resources required to settle past commitments and obligations; and
 - (b) Highlights a liquidity/solvency issue when an entity's financial obligations exceed its financial resources, even if its net assets/equity position may be positive.³
25. Staff have not found evidence of other jurisdictions presenting net det as a sub-total on the face of the statement of financial position. Instead, the statement of financial positions reports gross figures of asset and liability balances, from which net debt can be derived. The net debt indicator is often included in the supplementary information that accompanies (but is not part of) the financial statements.

GFS Reporting

24. We note that information used for GFS purposes includes various measures or indicators for assessing an entity's financial position. Enabling the presentation of these measures on the face of the statement of financial position, along with the components used in their calculation, would necessitate the need for different presentation structures in IPSAS.
25. Some measures or indicators used to assess a reporting unit's financial position and level of indebtedness for GFS purposes include the following.

Gross debt	Often referred to as "total debt" or "total debt liabilities"—it consists of all liabilities that are debt instruments.
Gross debt, net of highly liquid assets	In most countries, liquid assets would primarily comprise currency and deposits.
Net worth	The net worth of an institutional unit (or grouping of units) is the total value of its assets minus the total value of its liabilities.
Net financial worth	Financial assets minus liabilities.
Net debt	Net debt is calculated as gross debt minus financial assets corresponding to debt instruments.

³ This will particularly be the case for entities that are 'asset-rich' (due to large holdings of non-financial assets held for future operating purposes) but are 'cash poor' (due to low holding of financial assets).

Analysis

26. Staff have not identified a public sector-specific reason to warrant a departure from IFRS 18 (which is consistent with existing requirements in IPSAS 1) concerning the structure of the statement of financial position and the reporting of specific sub-totals.

Structure

27. IPSAS 1 and IFRS 18 require the statement of financial position to provide the information necessary for the user to understand the entity's total assets, total liabilities, and the components that make up its net assets/equity. Based on these general requirements, there are only a limited number of ways the statement of financial position can be structured.
28. The existing requirements require entities to structure their financial statements to enhance the clarity, understandability, and usefulness of the information presented for accountability and decision-making purposes. Staff consider that applying this principle, together with the requirements for classifying assets and liabilities and presenting specific line items, establishes an appropriate level of minimum presentation requirements. This retains the flexibility for entities to tailor the structure of the statement of financial position to reflect their specific circumstances, user needs, and jurisdictional considerations.
29. We expect the new IPSAS will include illustrative financial statements offering different presentation formats in the non-authoritative implementation guidance. This guidance will serve as a 'benchmark' for how the primary financial statements should be structured and encourage appropriate consistency in presentation approaches across the public sector.

Sub-totals

30. IPSAS 1 and IFRS 18 do not require the presentation of specific sub-totals in the statement of financial position. Instead, entities are encouraged to present additional sub-totals when necessary to provide a useful structured summary of their assets, liabilities, and net assets /equity.
31. Staff do not consider it appropriate or useful for IPSAS to require an entity to display specific sub-totals on the face of the statement of financial position. This is due to the difficulty in developing internationally accepted measures of an entity's liquidity, solvency, or level of indebtedness.
32. We are aware that many jurisdictions, for example, use various net debt measures to assess public sector financial stability for PFM purposes. However, the calculation of net debt is not consistent internationally and is often jurisdictional specific, based on a government's short—and long-term fiscal strategies. Furthermore, the measure of net debt may not be drawn directly from elements or line items as presented in the financial statements prepared in accordance with IPSAS.

Task Force View

33. The Task Force recommends aligning the requirements for the structure and presentation of sub-totals in the statement of financial position with IFRS 18, which means not:
- (a) Prescribing the structure for presenting the statement of financial position; and
 - (b) Requiring the display of any specific sub-totals in the statement of financial position.

Decision required

34. Does the IPSASB agree with the Task Force [recommendations](#) in paragraph 2?

Presentation of asset and liability line items

Question

1. Does the IPSASB agree with the Task Force's recommendation to align the specific line items requiring presentation on the face of the statement of financial position with IFRS 18?

Recommendations

2. Staff recommend that no changes are required to the asset and liability line items currently listed in IPSAS 1, except for adding a requirement to present *goodwill* as a separate line item.

Background

Introduction

3. The requirements in individual IPSAS and the overarching principles of materiality, aggregation, and disaggregation guide the presentation of line items in an entity's financial statements. This paper focuses on the list of specific line items currently required by IPSAS 1, *Presentation of Financial Statements* to be presented on the face of the statement of financial position.
4. The preparation of the statement of financial position requires decisions about the line items (which are groupings of transactions with common or shared characteristics) to be separately displayed on the face of the statement of financial position.
5. The decisions regarding the individual line items to be presented on the face of the statement of financial position are based on providing users with information to:
 - (a) Obtain an understanding of the entity's recognized assets, liabilities, and net assets/equity;
 - (b) Allow for comparison with the entity's financial statements of previous periods and with the financial statements of other entities; and
 - (c) Identify line items or areas where they may wish to seek additional information in the notes.

Current Requirements in IPSAS 1

6. Paragraph 88 of IPSAS 1 currently sets out that, as a minimum, the face of the statement of financial position shall include the following line items of assets and liabilities:

- | |
|--|
| <ol style="list-style-type: none">(a) Property, plant, and equipment;(b) Investment property;(c) Intangible assets;(d) Financial assets (excluding amounts shown under (e), (g), (h) and (i));(e) Investments accounted for using the equity method;(f) Inventories;(g) Receivables(h) Cash and cash equivalents(i) The total of assets classified as held for sale;(j) Taxes and transfers payable(k) Social benefits liabilities |
|--|

- (l) Payables
- (m) Provisions
- (n) Financial liabilities (excluding amounts shown under (j), (k), and (l))
- (o) Liabilities include in disposal group classified as held for sale.

7. IPSAS 1 provides that when applying the requirement to present specific line items on the face of the statement of financial position, the following overarching principles require considerations:
- (a) The line items prescribed in IPSAS only require disclosure if material — IPSAS 1.47.¹
 - (b) Additional line items shall be presented when such a presentation is relevant to understanding the entity's financial position — IPSAS 1.89.
 - (c) Decisions about the presentation of line items should be based on their size, nature, or function and relevance — IPSAS 1.90(a).
 - (d) The description of line items shall be amended based on the nature of the entity and its transactions — IPSAS 1.90(b).

Requirements in IFRS 18

8. The current list of line items in IPSAS 1 is substantially aligned with IAS 1, *Presentation of Financial Statements*.
9. As an outcome of its *Primary Financial Statements* project, the IASB decided not to revisit the list of line items that IAS 1 required an entity to present on the face of its statement of financial position. Instead, the IASB introduced additional guidance to reinforce the understanding of the role of the primary financial statements and notes (see [Agenda Item 8.2.13](#)).
10. However, the IASB introduced one new line item, adding a requirement to present *goodwill* separately from other intangible assets. The IASB considered that the characteristics of goodwill are sufficiently dissimilar from other intangible assets (as goodwill cannot be measured directly) to warrant separate presentation.²

Line Items in GFS

11. The line items reported for GFS purposes seek to provide a comprehensive and systematic framework for capturing and organizing the different types of assets and liabilities used to support the delivery of government activities.
12. At the first level, the Government Finance Statistics Manual 2014 (GFSM 2014) includes asset and liability line items, as provided in Table 1 on the next page. GFS includes further sub-categorization (i.e., further disaggregation) for many of these line items.

¹ IFRS 18.23 further emphasizes this point by explaining that even if an IFRS Accounting Standard contains a list of specific requirements or describes a disclosure as a minimum requirement, disclosure is only required if material.

² IFRS 18 BC314

Table 1

Line items of assets and liabilities in GFS	
<p>Financial assets</p> <p>Monetary gold and Special Drawing Rights</p> <p>Currency and deposits</p> <p>Debt securities</p> <p>Loans</p> <p>Equity and investment fund shares</p> <p>Insurance, pension, and standardized insurance schemes</p> <p>Financial derivatives and employee stock options</p> <p>Other accounts receivable</p>	<p>Liabilities</p> <p>Special Drawing Rights</p> <p>Currency and deposits</p> <p>Debt securities</p> <p>Loans</p> <p>Equity and investment fund shares</p> <p>Insurance, pension, and standardized insurance schemes</p> <p>Financial derivatives and employee stock options</p> <p>Other accounts payable</p>
<p>Non-financial assets</p> <p>Fixed assets</p> <p> Buildings and structures</p> <p> Machinery and equipment</p> <p> Other fixed assets</p> <p> Weapons systems</p> <p>Non-produced assets</p> <p> Land</p> <p> Mineral and energy resources</p> <p> Other naturally occurring assets</p> <p> Intangible non-produced assets</p> <p>Inventories</p> <p>Valuables</p>	

Analysis

Alignment with IFRS

- Staff suggest adding *goodwill* to the list of specific line items in IPSAS that must be displayed on the face of the statement of financial position (when material). Although the recognition of goodwill is not common in the public sector, the amendment will maintain alignment with IFRS.

GFS Reporting

- At the high level, asset and liability line items in GFS are generally aligned with those required by IPSAS 1 and individual IPSAS Standards. However, different descriptions are used in places. The aggregation of information for GFS purposes provides more detail than necessary for the general purpose financial statements.

15. Differences will always exist (to some degree) between the information provided for GFS purposes and general purpose financial statements. This is due to the different objectives of the reporting frameworks, which lead to varying levels of aggregation and disaggregation in response to various user needs.
16. In the staff view, the existing principles and requirements in IPSAS for selecting and presenting line items in the financial statements and notes allow the flexibility to enable a reporting entity to adopt a presentation approach that seeks to align, to the extent possible, with the categorization of assets and liabilities used for GFS purposes.

National Standard-Setters

17. Based on a high-level review of the requirements for presenting specific items by public sector national standard-setters, staff identified no significant differences from the existing IPSAS 1 requirements.³

Decision required

18. Does the IPSASB agree with the Task Force [recommendation](#) in paragraph 2?

³ We note that the South African Accounting Standards Board (ASB) GRAP 1 *Presentation of Financial Statements* requires the presentation of *living resources* as a separate line item on the face of the statement of financial position. The presentation requirements regarding living resources fall within the scope of the IPSASB's ongoing *Natural Resources* project.

Implementation Guidance— Illustrative Financial Statements

Question

1. Does the IPSASB agree to include in the implementation guidance of the illustrative exposure draft (IED) the three examples of the statement of financial position, as provided in [Appendix A](#)?

Recommendation

2. The Task Force recommends including illustrative examples of different formats in the IED for presenting the statement of financial position based on different approaches for classifying assets and liabilities.

Background

3. Drawing together the recommendations from agenda items 8.2.3 – 8.2.5, staff have developed illustrative examples of different formats for presenting the statement of financial position.
4. The illustrative examples will be included in the IED's implementation guidance (non-authoritative) section to show how the statement of financial position may be presented based on three different approaches:
 - (a) Current/Non-Current Classification Approach
 - (b) Financial/Non-Financial Classification Approach; and
 - (c) Order of Liquidity Presentation Approach.

Decision required

5. Does the IPSASB agree with the Task Force recommendation in paragraph 2?

Appendix A – Illustrative Examples of Reporting Formats

(a) Statement of Financial Position – Current/Non-Current Classification Approach

Statement of Financial Position		
As at 31 December 20X2		
(In thousands of currency units)	20X2	20X1
	CU	CU
ASSETS		
Current Assets		
Cash and cash equivalents		
Receivables		
Prepayments		
Inventories		
Assets held for sale		
Current financial assets		
Other current assets		
Total current assets		
Non-current assets		
Property, plant, and equipment		
Investment property		
Goodwill		
Other intangible assets		
Non-current financial assets		
Investments accounted for using the equity method		
Other non-current assets		
Total non-current assets		
Total assets		
LIABILITIES		
Current liabilities		
Taxes and transfers payable		
Other payables		
Liabilities of disposal group classified as held for sale		
Employee entitlements		
Social benefits liabilities		
Other provisions		
Other current financial liabilities		
Other current liabilities		
Total current liabilities		

Non-current liabilities

Employee entitlements

Social benefits liabilities

Other provisions

Non-current financial liabilities

Total non-current liabilities

Total liabilities

Net assets

NET ASSETS/EQUITY

Net assets/equity attributable to owners of the controlling entity

Contributed capital

Accumulated surpluses or deficits

Other net assets/equity reserves

Total net assets/equity attributable owners of the controlling entity

Non-controlling interest

Total net assets/equity

(b) Statement of Financial Position – Financial/Non-Financial Classification Approach

The classification of assets and liabilities into financial/non-financial is based on the definition of ‘financial assets’ and ‘financial liabilities’ in IPSAS 28 *Financial Instruments: Presentation*.

Statement of Financial Position		
As at 31 December 20X2		
(In thousands of currency units)		
	20X2	20X1
	CU	CU
ASSETS		
Financial Assets		
Cash and cash equivalents		
Receivables		
Investments accounted for using the equity method		
Other investments		
Other financial assets		
Total financial assets		
Non-financial assets		
Property, plant, and equipment		
Investment property		
Assets held for sale		
Goodwill		
Other intangible assets		
Inventories		
Prepayments		
Other non-financial assets		
Total non-financial assets		
Total assets		
LIABILITIES		
Financial liabilities		
Payables		
Loans and other borrowings		
Other financial liabilities		
Total financial liabilities		
Non-financial liabilities		
Taxes and transfers payable		
Employee entitlements		
Social benefits liabilities		
Other provisions		
Other non-financial liabilities		
Total non-financial liabilities		
Liabilities of disposal group classified as held for sale		
Total liabilities		
Net assets		

NET ASSETS/EQUITY
Net assets/equity attributable to owners of the controlling entity
Contributed capital
Accumulated surpluses or deficits
Other net assets/equity reserves
<hr/>
Total net assets/equity attributable owners of the controlling entity
Non-controlling interest
<hr/>
Total net assets/equity
<hr/> <hr/>

When using the financial/non-financial classification approach, note disclosure is required for each asset and liability line item to explain the amounts expected to be recovered or settled:

- (a) No more than twelve months after the end of the reporting period, and
- (b) More than twelve months after the end of the reporting period.

(c) Statement of Financial Position – Order of Liquidity Presentation Approach

Statement of Financial Position		
As at 31 December 20X2		
(In thousands of currency units)		
	20X2	20X1
	CU	CU
ASSETS		
Cash and cash equivalents		
Receivables		
Prepayments		
Inventories		
Investments		
Investments accounted for using the equity method		
Assets held for sale		
Property, plant, and equipment		
Investment property		
Goodwill		
Other intangible assets		
Other assets		
Total assets		
LIABILITIES		
Payables		
Taxes and transfers payable		
Employee entitlements		
Social benefits liabilities		
Liabilities of disposal group classified as held for sale		
Loans and other borrowings		
Other provisions		
Other liabilities		
Total liabilities		
Net assets		
NET ASSETS/EQUITY		
Net assets/equity attributable to owners of the controlling entity		
Contributed capital		
Accumulated surpluses or deficits		
Other net assets/equity reserves		
Total net assets/equity attributable owners of the controlling entity		
Non-controlling interest		
Total net assets/equity		

When using the order of liquidity presentation approach, note disclosure is required for each asset and liability line item to explain the amounts expected to be recovered or settled:

- (a) No more than twelve months after the end of the reporting period, and
- (b) More than twelve months after the end of the reporting period.

Development of Draft Illustrative Exposure Draft

Purpose

1. To provide the IPSASB with an understanding of the approach and format used to develop the Illustrative Exposure Draft (IED).

Development Approach

2. As part of the first phase of this project, the IPSASB agreed to develop a Consultation Paper (CP) and accompanying IED. The IED is a non-authoritative illustration of what a future pronouncement to replace IPSAS 1 could look like based on the IPSASB's preliminary views that will be expressed in the CP.
3. The draft IED has been developed using a 'rules-of-the-road' approach, drawing from IFRS 18. This approach involves maintaining alignment with the requirements, structure, and text of the IFRS Standard unless there is a public sector reason that warrants modification.¹
4. The identification of modifications will be based on:²
 - (a) Carrying forward public sector-specific paragraphs from IPSAS 1 that remain relevant and useful in applying IPSAS;
 - (b) Ensuring consistency with the IPSASB Conceptual Framework and internal consistency of terminology with other IPSAS Standards;
 - (c) Addressing public sector-specific issues as identified in the [Project Brief](#);³
 - (d) Reducing unnecessary differences with Government Finance Statistics (GFS);⁴ and
 - (e) Exploring the development of different presentation options in response to the diverse nature of the public sector and the needs of its financial statement users.

Draft IED

6. For review purposes, the draft IED has been broken into sections and included as an appendix to each of the following technical papers. The papers follow the order of the IED.
5. The draft IED has been developed using a three-column approach which provides the source of the paragraph, the marked-up changes in contrast to IFRS 18, and staff notes explaining the basis for any modifications.

¹ The development of an IPSAS aligned with an equivalent IFRS is guided by the IPSASB's policy paper [Process for Reviewing and Modifying IASB Documents](#) (known as 'Rules of the Road').

² A departure from an equivalent IFRS occurs when the IFRS requirements or terminology are not appropriate for the public sector or when additional commentary or examples are necessary to illustrate certain requirements in the public sector context.

³ This includes consideration of feedback from the IPSASB's Consultation Advisory Group (CAG).

⁴ Based on the IPSASB's [Process for Considering GFS Reporting Guidelines during the Development of IPSASs](#).

6. The draft IED has been formatted for IPSASB and Task Force review purposes as follows.

(a) Paragraphs primarily based on IFRS 18 are shaded grey.

- IPSAS modifications are shown with tracked changes — new text underlined, deleted text ~~struck through~~, and relocated text double underlined.

(b) Paragraphs brought forward from IPSAS 1 are shaded green.

- Amendments to existing IPSAS 1 paragraphs are shown with tracked changes — new text underlined, deleted text ~~struck through~~, and relocated text double underlined.

7. A [Table of Concordance](#) has also been developed for those wanting to track the paragraph referencing in contrast to existing requirements in IPSAS 1.
8. Marked-up changes in contrast to IPSAS 1 are also anticipated to be made available upon request when the consultation documents are published. Staff are tracking these for internal analysis purposes.

IED sections developed for this meeting

9. Based on IPSASB deliberations to date, staff have drafted the following 'front-end' sections of the IED to provide the Board with an understanding of how staff plans to develop the IED.
- (a) Objective — [Agenda Item 8.2.8](#)
 - (b) Scope — [Agenda 8.2.9](#)
 - (c) Other Definitions — [Agenda 8.2.10](#)
 - (d) Purpose of Financial Statements — [Agenda 8.2.11](#)
 - (e) Responsibility for Financial Statements — [Agenda 8.2.12](#)
 - (f) The Roles of the Statements and Notes — [Agenda 8.2.13](#)
10. Each agenda item includes questions for the Board, staff recommendations, background information, and analysis.
11. The proposed 'front-end' sections of the IED are primarily based on IFRS 18 and public sector-specific paragraphs carried forward from IPSAS 1. When drafting the presentation requirements for the primary financial statements, such as the statement of financial position and the statement of financial performance, we expect the modifications will likely be more substantive.

Decision required

12. No decisions are required; this paper is provided for IPSASB information purposes.

Illustrative Exposure Draft – Objective

Question

1. Does the IPSASB agree to include the objective paragraphs in the illustrative exposure draft (IED), as provided in [Appendix A](#)?¹

Recommendation

2. The Task Force recommends aligning the objective paragraph with IFRS 18 and providing an additional explanatory paragraph to ensure consistency with the IPSASB Conceptual Framework.

Background

IPSAS 1 Objective Paragraph

3. Consistent with other IPSAS, paragraph 1 of IPSAS 1 explains its objective. This helps to explain the purpose for its development and provides important context for its subsequent application and interpretation.
4. The existing IPSAS 1 objective paragraph is provided below.

Objective
<ol style="list-style-type: none"> 1. The objective of this Standard is to prescribe the manner in which general purpose financial statements should be presented to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. To achieve this objective, this Standard sets out overall considerations for the presentation of financial statements, guidance for their structure, and minimum requirements for the content of financial statements prepared under the accrual basis of accounting. The recognition, measurement, and disclosure of specific transactions and other events are dealt with in other IPSASs.

5. Paragraph 1 of IPSAS 1 is substantially aligned with the equivalent paragraph in IAS 1, *Presentation of Financial Statements*, except that the last line is addressed in the scope section.

IFRS 18 Objective Paragraph

6. IFRS 18 includes amendments to streamline and refine the objective paragraph, which was broadly supported by constituents. Table 1 highlights these changes.

Table 1

IAS 1	IFRS 18
<p>Objective</p> <ol style="list-style-type: none"> 1. This Standard prescribes the basis for the presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. It sets out overall requirements for the presentation of financial statements, guidelines for their structure, and minimum requirements for their content. 	<p>Objective</p> <ol style="list-style-type: none"> 1. This Standard sets out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

¹ Subject to any consequential amendments arising from the development of other sections of the IED.

7. The substantial changes introduced by IFRS 18 include:
- (a) Removing the notion that the presentation requirements are focused solely on ensuring comparability (the importance of comparability is addressed separately within the standard);
 - (b) Focusing the objective on establishing requirements for the presentation and disclosure of information in financial statements; and
 - (c) Clarifying the purpose of presenting information in financial statements — to provide “*relevant information that faithfully represents an entity’s assets, liabilities, equity, income and expenses*”.

Analysis

8. Staff have not identified any public sector-specific reasons to warrant a departure from the IFRS 18 objective paragraph. The objectives of general purpose financial statements are generally consistent between the IPSASB and IASB. However, staff consider that modifications are required to reflect the public sector context as provided in the IPSASB Conceptual Framework.
9. [Appendix A](#) provides the proposed objective paragraphs for inclusion in the IED, with marked-up changes in contrast to IFRS 18, and commentary on the basis for the proposed modifications.
10. We note in Table 2 that the proposed objective paragraph does not include all the matters currently addressed by the objective paragraph in IPSAS 1. This is due to the desire to keep the paragraph streamlined (consistent with the IASB approach) and to exclude matters that will be addressed separately within other sections of the IED.

Table 2

Matters from existing IPSAS 1 objective paragraph not included in proposed IED paragraph	Basis for exclusion
<p><i>To ensure comparability both with the entity’s financial statements of previous periods and with the financial statements of other entities.</i></p>	<p><i>Included in new section of IED</i></p> <p>A new section on the <i>role of the statements and notes</i> explains that the financial statements provide information useful for “making comparisons between entities and between reporting periods for the same entity.”</p>
<p><i>This Standard sets out overall considerations for the presentation of financial statements, guidance for their structure, and minimum requirements for the content of financial statements prepared under the accrual basis of accounting.</i></p>	<p><i>Included in scope section of IED</i></p> <p>The updated scope section provides that the “<i>Standard sets out the general and specific requirements for the presentation of information in the statement(s) of financial performance, the statement of financial position and the statement of changes in net assets/equity.</i>”</p> <p>The updated scope section also provides that the “<i>Standard shall apply to all general purpose financial statements prepared and presented under the <u>accrual basis</u> of accounting in accordance with IPSAS</i>”.</p>

<i>The recognition, measurement, and disclosure of specific transactions and other events are dealt with in other IPSASs.</i>	<i>Included in scope section of IED</i> The updated scope section states, "Other IPSASs set out the recognition, measurement, presentation, and disclosure requirements for specific transactions and other events."
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13. We also note that the proposed objective paragraph refers to assets, liabilities, net assets/equity, revenue, and expenses but does not reference cash flows. This is addressed through the updated scope section, which explains that "*IPSAS 2 Cash Flows Statements sets out the requirements for the presentation and disclosure of cash flow information*".²

Decision Required

14. Does the IPSASB agree with the Task Force [recommendations](#) in paragraph 2?

² The IASB explains the basis for not referring to cash flow information in the objective paragraph of IFRS 18 in BC18 of that standard. Although IFRS 18 provides a complete set of financial statements including a statement of cash flows, the IASB noted that IAS 7 sets out the requirements for the presentation and disclosure of cash flow information.

Appendix A – Objective Section of Draft IED (using IFRS 18 as the starting base)

Paragraphs primarily based on IFRS 18 are shaded grey.

Paragraphs brought forward from IPSAS 1 are shaded green.

New text underlined, deleted text ~~struck through~~, and relocated text double underlined.

Original Source	Illustrative Exposure Draft XX, <i>Presentation of Financial Statements</i>	Staff Notes
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IFRS 18.1	<p>Objective</p> <ol style="list-style-type: none"> This <u>[draft]</u> Standard sets out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information <u>to users</u> for <u>accountability and decision-making purposes</u> that faithfully represents an entity's assets, liabilities, <u>net assets/equity</u>, income <u>revenue</u>, and expenses. [Paragraph not used and will be removed in next draft] 	<p><i>Aligned with IFRS 18</i></p> <ul style="list-style-type: none"> Modifications to reflect: <ul style="list-style-type: none"> In the IPSASB literature, the reference to 'presentation' addresses the display of information in the primary financial statements and the disclosure of information in the notes.¹ The shorthand of general purpose financial statements has been set up in the scope section. The objective of financial reporting in the public sector—to provide information useful for accountability and decision-making purposes.²
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¹ Paragraph 8.4 of the IPSASB Conceptual Framework presentation concerns the selection, location, and organization of information reported in *general purpose financial reports*.

² Consistent with paragraph 2.1 of the IPSASB Conceptual Framework.

Illustrative Exposure Draft – Scope

Question

1. Does the IPSASB agree to include the scope paragraphs in the illustrative exposure draft (IED), as provided in [Appendix A](#)?¹

Recommendation

2. The Task Force recommends:
 - (a) Aligning the scope paragraphs with IFRS 18 with modifications to reflect the public sector context; and
 - (b) Carrying forward public sector-specific paragraphs from IPSAS 1 that remain relevant and useful in applying IPSAS.

Background

3. The scope section in IPSAS 1 is currently aligned with IAS 1, together with additional paragraphs to reflect the broader range of public sector entities and their respective user needs.
4. The changes introduced by IFRS 18 do not substantially alter the existing scope in IAS 1 but have been provided by the IASB to clarify the scope as it applies to general purpose financial statements.
5. Clarifying the scope of the standard as it relates to the presentation of information in general purpose financial statements is useful, particularly given the increase in different forms of external reporting, such as management commentary and the reporting of non-financial information.

Terminology

6. When drafting the new IPSAS, the consistent use of key terms is crucial to ensure clarity and precision regarding the proposed presentation requirements. The scope paragraphs introduce several key terms that will be used throughout the IED, as outlined in Table 1.

Table 1

Presentation	<p>In the IED, 'presentation' or 'present' is the general term for the information reported in the general purpose financial statements. This encompasses the information displayed in the primary financial statements and the information disclosed in the notes.</p> <p>This approach is consistent with the IPSASB Conceptual Framework and recently published IPSAS Standards.</p>
Financial statements	<p>In the IED, 'financial statements' is used as shorthand for 'general purpose financial statements' rather than the abbreviation GPFS.</p> <p>This is consistent with the approach in IPSAS 1 and other IPSAS Standards.</p>

¹ Subject to any consequential amendments arising from the development of other sections of the IED.

Display and disclosure	<p>In the IED, the terms ‘displayed’ and ‘display’ refer to the information reported in the primary financial statements, while ‘disclosure’ and ‘disclosed’ refer to the information reported in the notes of the financial statements.</p> <p>This terminology and distinction are consistent with the approach taken in the IPSASB Conceptual Framework and recently published IPSAS Standards.²</p>
Primary Financial Statements	<p>Although not currently used in the IPSAS literature, the Task Force agreed to use the term ‘primary financial statements’ in the IED when referring to the components that make up the financial statements, excluding the notes.</p> <p>Specifically, the reference to ‘primary financial statements’ in the draft IED comprises:</p> <ul style="list-style-type: none"> (a) The statement of financial position; (b) The statement of financial performance; (c) The statement of changes in net assets/equity; and (d) The cash flow statement. <p>In addition, when an entity makes publicly available its approved budget, the primary financial statements include:</p> <ul style="list-style-type: none"> (a) The comparison of budget and actual amounts presented either as a separate financial statement or as a budget column in the financial statements; and (b) Reconciliation of budget information prepared in accordance with IPSAS 24, <i>Presentation of Budget Information in Financial Statements</i> when presented on the face of the statement of comparison of budget and actual amounts.
Notes	<p>The notes disclose further detailed information to help users understand the information displayed in the primary financial statements.</p>

7. The use of the terms in Table 1 aims to achieve an appropriate balance of consistency with the IPSASB Conceptual Framework, alignment with IFRS 18, and enhancing the understandability of the standard.

8. [Agenda Item 8.2.10](#) considers the proposed definitions of key terms for inclusion in the IED.

Analysis

9. Other than terminology changes, staff have not identified any public sector specific reasons to warrant a departure from the IFRS 18 scope paragraphs. Paragraphs have been carried forward from IPSAS 1 when they continue to help clarify the scope for public sector entities.

² IPSASB Conceptual Framework, paragraph 8.43: *For the financial statements, displayed information is shown on the face of the appropriate statement, while disclosures are in the notes. Distinguishing displayed information and disclosed information through location ensures that those items that directly relate to communicating matters, such as an entity’s financial position, financial performance and cash flow, can be highlighted, with furthermore detailed information provided through the disclosure in the notes.*

10. [Appendix A](#) provides the proposed scope paragraphs, with marked-up changes in contrast to IFRS 18, and commentary on the basis for proposed modifications.

Decision Required

11. Does the IPSASB agree with the Task Force [recommendations](#) in paragraph 2?

Appendix A – Scope Section of Draft IED (using IFRS 18 as the starting base)

Paragraphs primarily based on IFRS 18 are shaded grey.

Paragraphs brought forward from IPSAS 1 are shaded green.

New text underlined, deleted text ~~struck through~~, and relocated text double underlined.

Original Source	Illustrative Exposure Draft XX, <i>Presentation of Financial Statements</i>	Staff Notes
IFRS 18.2	<p>Scope</p> <p>3. An entity shall apply this Standard in when presenting and disclosing information in general purpose financial statements (hereafter referred to as 'financial statements') prepared under the accrual basis of accounting in accordance with IFRS Accounting Standards IPSAS. The presentation of information in the financial statements includes the information displayed in the primary financial statements and the information disclosed in the notes.</p>	<p><i>Aligned with IFRS 18</i></p> <ul style="list-style-type: none"> • In IFRS 18, 'presentation' is used in reference to the information shown in the primary financial statements (i.e., excluding the notes).⁴⁰ • In IPSAS, the reference to 'presentation' addresses the information <i>displayed</i> in the primary financial statements and the <i>disclosure</i> of information in the notes.⁴¹ • The reference to 'accrual basis of accounting' is consistent with IPSAS 1 and is required because IPSAS includes a cash-based standard. • The reference to 'hereafter referred to as' is commonly used in IPSAS when describing the shorthand of a term.
IPSAS 1.3	<p>4. General purpose financial statements (financial statements) are those intended to meet the information needs of users who are not in a position to demand and are unable to require the preparation of financial reports tailored to meet their particular specific information needs. Users of general purpose financial statements In the public sector financial statements are developed primarily to respond to the information needs of service recipients and resource providers and their representatives for accountability and decision-making purposes. Users of general purpose financial statements include taxpayers, ratepayers, members of the legislature, creditors, suppliers, the media, and employees. General purpose financial statements include those that are presented separately or within another public document, such as an</p>	<p><i>Carried forward from IPSAS 1</i></p> <ul style="list-style-type: none"> • No equivalent paragraph is provided in IAS 1 or IFRS 18. • Amendments to align with the description of GPFRs⁴² and their intended users⁴³ in the IPSASB Conceptual Framework. • The last sentence has been relocated to a separate paragraph below.

⁴⁰ IPSAS 18.3 provides that the Standard sets out the general and specific requirements for the presentation of information in the statements and the requirements for the disclosure of information in the notes.

⁴¹ Paragraph 8.4 of the IPSASB Conceptual Framework presentation concerns the selection, location, and organization of information reported in *general purpose financial reports*.

⁴² Paragraph 1.4 of the IPSASB Conceptual Framework provides that "GPFRs are financial reports intended to meet the information needs of users who are unable to require the preparation of financial reports tailored to meet their specific information needs".

⁴³ Paragraphs 2.4 – 2.9 of the IPSASB Conceptual Framework.

		annual report. This Standard does not apply to condensed or interim financial information.	
IPSAS 1.3	5.	General purpose Financial statements include those that are presented separately or within another public document, such as an annual report.	<p><i>Carried forward from IPSAS 1</i></p> <ul style="list-style-type: none"> No equivalent paragraph is provided in IAS 1 or IFRS 18. Moved to a separate paragraph as it addresses a distinct scope matter.
IFRS 18.3	6.	This Standard sets out general and specific requirements for the presentation of information in the statement(s) of financial performance, the statement of financial position and the statement of changes in <u>net assets/equity</u> . This Standard also sets out requirements for the disclosure of information in the notes. IAS 7 Statement of Cash Flows IPSAS 2, Cash Flow Statements sets out requirements for the presentation and disclosure of cash flow information, and IPSAS 24, Presentation of Budget Information in Financial Statements sets out requirements for the presentation of budget information when an entity makes publicly available its approved budget. However, the general requirements for financial statements in paragraphs x–xx and xxx–xxx apply to the statement of cash flows cash flow information and budget information when presented in the financial statements.	<p><i>Aligned with IFRS 18</i></p> <ul style="list-style-type: none"> Explains the financial reports included in the scope, as currently provided in IPSAS 1.59. Added a reference to IPSAS 24, which set out the requirements for presenting budget information in the financial statements. Decisions about whether the statement of financial performance will be presented in one or two statements is subject to future IPSASB deliberations.
IFRS 18.4	7.	Other IFRS Accounting Standards IPSAS Standards set out the recognition, measurement, presentation display , and disclosure requirements for specific transactions and other events.	<p><i>Aligned with IFRS 18</i></p> <ul style="list-style-type: none"> Consistent with IPSAS 1.1.
IFRS 18.5		This Standard does not apply to the presentation and disclosure of information in condensed interim financial statements prepared applying IAS 34 Interim Financial Reporting. However, paragraphs 34–39, 109–117 and 128–129 apply to such financial statements.	<p><i>IFRS 18 paragraph not used</i></p> <ul style="list-style-type: none"> The IPSAS suite does not include a standard for interim or condensed/summary financial statements.
IFRS 18.6		This Standard uses terminology that is suitable for profit-oriented entities, including public sector business entities. Suppose entities with not-for-profit activities in the private sector or the public sector apply this Standard. In that case, they may need to amend the descriptions used for particular line items, categories, subtotals or totals in the financial statements and for the financial statements themselves.	<p><i>IFRS 18 paragraph not used</i></p> <ul style="list-style-type: none"> Not applicable to IPSAS, and requirements for using different line item descriptions are addressed in other sections of the standard.
IPSAS 1.4	8.	This Standard applies equally to all entities, including those that present consolidated financial statements in accordance with IPSAS 35, <i>Consolidated Financial Statements</i> , and those that present separate financial statements, in accordance with IPSAS 34, <i>Separate Financial Statements</i> .	<p><i>Carried forward from IPSAS 1</i></p> <ul style="list-style-type: none"> The equivalent paragraph is included in IAS 1 but has been removed from IFRS 18. The IASB concluded that the paragraph does not add anything not already addressed by the general scope provisions. On balance, staff considers retaining the paragraph from IPSAS 1 useful.

IFRS 18.7	<p>9. Similarly, Entities that do not have equity as defined in IAS 32 IPSAS 28 Financial Instruments: Presentation (for example some mutual funds) and entities whose share capital is not equity (for example, some co-operative entities) may need to adapt the financial statement presentation of members' or unitholders' interests.</p>	<p><i>Aligned with IFRS 18</i></p> <ul style="list-style-type: none"> • Not expected to be broadly applicable to the public sector but retained for completeness.
IFRS 18.8	<p>10. Many entities provide a financial review by management discussion and analysis, which is separate from the financial statements (see paragraph 10), that describes and explains the main features of the entity's financial performance, financial position, as well as the principal uncertainties it faces. Such a review Management discussion and analysis is outside the scope of IFRS Accounting Standards IPSAS. IFRS Practice Statement 1 Management Commentary RPG 2 Financial Statement Discussion and Analysis provides non-mandatory guidance on how to present management commentary and analysis accompanying financial statements that have been prepared applying IFRS Accounting Standards IPSAS.</p>	<p><i>Aligned with IFRS 18</i></p> <ul style="list-style-type: none"> • Public sector specific modifications are based on RPG 2 terminology.

Illustrative Exposure Draft – Other Definitions

Question

1. Does the IPSASB agree to include the other definitions in the illustrative exposure draft (IED) as provided in [Appendix A](#)?¹

Recommendations

2. The Task Force recommends that the other definitions include:
 - (a) Definitions from IFRS 18 to achieve appropriate alignment with IFRS, with modifications to reflect the public sector context; and
 - (b) Public sector-specific definitions carried forward from IPSAS 1 that remain relevant and useful in applying IPSAS

Background

3. This paper considers the proposed definitions that the IPSASB has not yet considered. The IPSASB considered the definitions regarding the financial statement elements in March 2024.
4. The issuance of IFRS 18 has resulted in the introduction of new or amended definitions to:
 - (a) Enhance the understanding of existing requirements; and
 - (b) Support the consistent application of newly introduced requirements and guidance.

Analysis

5. Staff consider that the IFRS 18 definitions should be the starting point for developing the other definitions in the IED. The new definitions, appropriately modified for the public sector, will support the consistent understanding and application of IPSAS.
6. [Appendix A](#) provides the proposed other definitions, with marked-up changes in contrast to IFRS 18, and commentary on the basis for any modifications.
7. Table 1 summarizes the proposed definitions for inclusion in the IED.

Table 1

Definitions (Excluding the financial statement elements)	Alignment with IFRS 18 ²	Brought forward from IPSAS 1	Amendments in contrast to IPSAS 1
Accrual basis		☑	No change
Aggregation	☑		New definition
Classification	☑		New definition
Disaggregation	☑		New definition

¹ Subject to any consequential amendments arising from the development of other IED sections.

² Together with modifications to reflect the public sector context or to ensure consistency with IPSAS terminology.

Disclosed information (aligned with IPSASB CF)			New definition
Displayed information (aligned with IPSASB CF)			New definition
Economic entity		☑	No change
General purpose financial reports	☑		New definition
General purpose financial statements	☑		New definition
Impracticable	☑	☑	No change
Management-defined performance measures	To be considered at a future meeting		
Material information	To be considered at a future meeting		
Notes	☑	☑	Amended
Operating surplus or deficit	To be considered at a future meeting		
Other comprehensive revenue or expense	To be considered at a future meeting		
Primary financial statements	☑		New definition
Surplus or deficit before financing	To be considered at a future meeting		
Surplus or deficit for the period	To be considered at a future meeting		
Reclassification adjustments	To be considered at a future meeting		
Total comprehensive revenue or expense	To be considered at a future meeting		
Useful structured summary	☑		New definition

Decision Required

8. Does the IPSASB agree with the Task Force [recommendations](#) in paragraph 2?

Appendix A – Other Definitions (using IFRS 18 as the starting base)

Paragraphs primarily based on IFRS 18 are shaded grey.

Paragraphs brought forward from IPSAS 1 are shaded green.

New text underlined, deleted text ~~struck through~~, and relocated text double underlined.

Original Source	Illustrative Exposure Draft XX, <i>Presentation of Financial Statements</i>	Notes
IFRS 18 Appendix A	Definitions	<i>Consistent with other IPSAS, the definitions are included in the main content of the IED.</i>
IPSAS 1.7	11. The following terms are used in this Standard with the meanings specified:	<i>Lead-in is consistent with other IPSAS.</i>
IPSAS 1.7	Accrual basis means a basis of accounting under which transactions and other events are recognized 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. The elements recognized under accrual accounting are assets, liabilities, net assets/equity, revenue, and expenses.	<i>Carried forward from IPSAS 1</i> <ul style="list-style-type: none"> No equivalent definition is included in IAS 1 or IFRS 18. The definition supports the understanding of 'accrual' accounting as referenced in the scope provisions.
IFRS 18 Appendix A	Aggregation <u>is</u> the adding together of assets, liabilities, net assets/equity , income revenue, expenses, or cash flows that share characteristics and are included in the same classification.	<i>New IFRS 18 definition</i> <ul style="list-style-type: none"> Supports the addition of enhanced guidance on the concept of aggregation.
IFRS 18 Appendix A	Classification <u>is</u> the sorting of assets, liabilities, net assets/equity , income <u>revenue</u> , expenses and cash flows based on shared characteristics.	<i>New IFRS 18 definition</i> <ul style="list-style-type: none"> Supports the addition of enhanced guidance on the concept of classification.
IFRS 18 Appendix A	Disaggregation <u>is</u> the separation of an item into component parts that have characteristics that are not shared.	<i>New IFRS 18 definition</i> <ul style="list-style-type: none"> Supports the addition of enhanced guidance on the concept of disaggregation.
Paragraphs 8.15, 8.17, 8.18, and 8.43 of the IPSASB Conceptual Framework	<p><u>Disclosed information is information reported in the notes to the financial statements.</u></p> <p><u>Displayed information is information reported in the primary financial statements, which summarize an entity's financial position, financial performance, changes in net assets/equity, and cash flows and, where applicable, provide a comparison with budget information.</u></p>	<i>New IPSAS-specific paragraphs</i> <ul style="list-style-type: none"> The IPSASB CF refers to information <i>displayed</i> in the financial statements and information <i>disclosed</i> in the notes.¹

¹ IPSASB Conceptual Framework, paragraph 8.43: *For the financial statements, displayed information is shown on the face of the appropriate statement, while disclosures are in the notes.*

Original Source	Illustrative Exposure Draft XX, <i>Presentation of Financial Statements</i>	Notes
IPSAS 1.7	An economic entity is a controlling entity and its controlled entities.	<p><i>Carried forward from IPSAS 1</i></p> <ul style="list-style-type: none"> The term is used in IPSAS to describe public sector specific examples.
<p>IFRS 18 Appendix A</p> <p>Paragraphs 1.4 and 1.6 of the IPSASB Conceptual Framework</p>	<p>General purpose financial reports are reports that provide financial information about a reporting entity that is useful to primary users in making decisions relating to providing resources to the entity. Those decisions involve decisions about:</p> <p>(a) buying, selling, or holding equity and debt instruments;</p> <p>(b) providing or selling loans and other forms of credit; or</p> <p>(c) exercising rights to vote on, or otherwise influence, the entity's management's actions that affect the use of the entity's economic resources.</p> <p>General purpose financial reports include but are not restricted to an entity's general purpose financial statements and sustainability related financial disclosures.</p> <p><u>General purpose financial reports are financial reports intended to meet the information needs of users who are unable to require the preparation of financial reports tailored to meet their specific information needs. General purpose financial reports encompass financial statements including their notes, and the presentation of information that enhances, complements, and supplements the financial statements.</u></p>	<p><i>New IFRS 18 definition</i></p> <ul style="list-style-type: none"> A definition of general purpose financial reports (GPFR) was not previously provided in IFRS but was defined in the IASB's Conceptual Framework. The IASB introduced the definition of GPFRs into IFRS 18 to establish a common understanding of the purpose and scope of financial reporting. The definition supports a stronger focus on user needs. The definition also supports the definition of general purpose financial statements (GPFS), which establishes the scope of the standard.
IFRS 18 Appendix A	<p>General Purpose Financial Statements are a particular form of general purpose financial reports that provide information about a reporting entity's assets, liabilities, <u>net asset/equity, income revenue, and expenses and cash flows.</u></p>	<p><i>Aligned with IFRS 18</i></p> <ul style="list-style-type: none"> IFRS 18 includes an updated definition from that provided in IAS 1. IPSAS 1 does not define general purpose financial statements (GPFS).² A reference to 'cash flows' was added as this is a key part of the information provided by GPFS, as described by the IPSASB³ Conceptual Framework.

² The reference to GPFSs is used pervasively throughout IPSAS 1 (including defining the scope of the standard) and therefore, it would be helpful to provide a definition consistent with the approach taken in IFRS 18.

³ Paragraph 4.6 of the IPSASB Conceptual Framework provides that "financial statements present information about the resources of the reporting entity or group reporting entity, and claims to those resources at the reporting date, and changes to those resources and claims and cash flows for the reporting period".

Original Source	Illustrative Exposure Draft XX, <i>Presentation of Financial Statements</i>	Notes
IPSAS 1.7	Impracticable: Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so.	Carried forward from IPSAS 1 <ul style="list-style-type: none"> The equivalent definition has also been carried forward in IFRS from IAS 1. As a consequence of issuing IFRS 18, it has been moved to IAS 8, <i>Basis of Preparation of Financial Statements</i>.⁴
IFRS 18 Appendix A	IFRS Accounting Standards are Standards and Interpretations issued by the International Accounting Standards Board (IASB). They comprise: (a) IFRS Accounting Standards; (b) International Accounting Standards; (c) IFRIC Interpretations; and (d) SIC Interpretations.	New IFRS 18 definition not used <ul style="list-style-type: none"> Carried forward from IAS 1 into IFRS 18. IPSAS 1 does not provide an equivalent definition. A description of 'IPSAS' is provided in the preface to the IPSASB Handbook, and therefore, staff do not consider it necessary to provide a definition in the presentation standard.
IFRS 18 Appendix A	Management-defined performance measures: A subtotal of income and expenses that: (a) An entity uses in public communications outside financial statements; (b) An entity uses to communicate to users of financial statements management's view of an aspect of the financial performance of the entity as a whole; and (c) As not listed in paragraph 118 of IFRS 18, or specifically required to be presented or disclosed by IFRS Accounting Standards.	To be considered at a future IPSASB meeting
IFRS 18 Appendix A	Material information: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.	To be considered at a future IPSASB meeting
IFRS 18 Appendix A	Notes disclose information reported in the financial statements provided in addition to that presented displayed in the primary financial statements.	Aligned with IFRS 18 <ul style="list-style-type: none"> Carried forward from IAS 1 into IFRS 18. Supports the guidance on the roles of the primary financial statements and notes.

⁴ Staff will consider whether to make similar consequential amendments, regarding the location of definitions, during phase two of the project.

Original Source	Illustrative Exposure Draft XX, <i>Presentation of Financial Statements</i>	Notes
IFRS 18 Appendix A	Operating profit or loss: The total of all income and expenses classified in the operating category.	<i>New IFRS 18 definition</i> To be considered at a future IPSASB meeting ⁵
IFRS 18 Appendix A	Other comprehensive income: Items of income and expenses (including reclassification adjustments) that are recognized outside profit or loss as required or permitted by other IFRS Accounting Standards.	<i>Carried forward from IAS 1 into IFRS 18</i> To be considered at a future IPSASB meeting ⁶
IFRS 18 Appendix A	Owners: Holders of claims classified as equity.	<i>IFRS 18 definition not used</i> <ul style="list-style-type: none"> The definition is not used in IPSAS 1. The IPSASB Conceptual Framework does not define 'owners'. Definitions of <i>ownership contributions</i> and <i>ownership distributions</i> are provided instead.
IFRS 18 Appendix A IPSASB CF 5.32	Profit or loss: The total of income less expenses included in the statement of profit or loss. <u>The Surplus or deficit for the period is the difference between the total revenue and expense reported in the statement of financial performance.</u>	<i>Aligned with IFRS 18</i> <ul style="list-style-type: none"> Definition carried forward from IAS 1 into IFRS 18 Definition not currently used in IPSAS 1. The IPSAS definition is based on the definition in the IPSASB Conceptual Framework. To be considered further at a future IPSASB meeting on the Statement of Financial Performance.
IFRS 18 Appendix A	Primary financial statements: The statement(s) of financial performance, the statement of changes in equity and statement of cash flows statement. <u>The primary financial statements comprise:</u> <u>(a) The statement of financial position;</u> <u>(b) The statement of financial performance;</u> <u>(c) The statement of changes in net assets/equity;</u> <u>(d) The cash flow statement;</u> <u>(e) When an entity makes publicly available its approved budget;</u> <u>(i) The comparison of budget and actual amounts presented either as a separate financial statement</u>	<i>New IFRS 18 definition</i> <ul style="list-style-type: none"> The reference to 'primary financial statements' is not currently used in IPSASB literature. The IASB term has been used to help differentiate between the information that should be displayed in the statements and the information that should be disclosed in the notes. The primary financial statements encompass all the components of the financial statements, excluding the notes.

⁵ The introduction of an operating profit-like sub-total into IPSAS is subject to future IPSASB deliberations.

⁶ The introduction of an OCI-like approach into IPSAS is subject to future IPSASB deliberations.

Original Source	Illustrative Exposure Draft XX, <i>Presentation of Financial Statements</i>	Notes
	<p><u>or as a budget column in the financial statements; and</u></p> <p><u>(ii) The reconciliation of actual amounts on a comparable basis to the budget and actual amounts in the financial statements, when presented in accordance with paragraph 47 of IPSAS 24 on the face of the statement of comparison of budget and actual amounts.</u></p>	
IFRS 18 Appendix A	<p>Surplus or deficit before financing and income taxes: The total of operating profit or loss and all income and expenses classified in the investing category.</p>	<p><i>New IFRS 18 definition</i> To be considered at a future IPSASB meeting⁷</p>
IFRS 18 Appendix A	<p>Reclassification adjustments: Amounts reclassified to profit or loss in the current reporting period that were included in other comprehensive income in the current or previous periods.</p>	<p><i>Definition carried forward from IAS 1 into IFRS 18</i> To be considered at a future IPSASB meeting⁸</p>
IFRS 18 Appendix A	<p>Total comprehensive income: The change in equity during the period resulting from transactions and other events, other than those changes resulting from transactions with owners in their capacity as owners.</p>	<p><i>Definition carried forward from IAS 1 into IFRS 18</i> To be considered at a future IPSASB meeting⁹</p>
IFRS 18 Appendix A	<p>Useful structured summary: A structured summary provided in a primary financial statement of a reporting entity's recognized assets, liabilities, <u>net assets/equity</u>, <u>income revenue</u>, expenses, and cash flows that is useful for:</p> <p>(a) Obtaining an understandable overview of the entity's recognized assets, liabilities, <u>net assets/equity</u>, <u>income revenue</u>, expenses and cash flows;</p> <p>(b) Making comparisons between entities, and between reporting periods for the same entity; and</p> <p>(c) Identifying items or areas about which users of financial statements may wish to seek additional information in the notes.</p>	<p><i>New IFRS 18 definition</i></p> <ul style="list-style-type: none"> Introduced to help explain the roles of the primary financial statements and notes. Definition may need to be revisited after the IPSASB considers the 'structuring' of the statement of financial position and statement of financial performance.
IPSAS 1.7	<p>Terms defined in other IPSASs are used in this Standard with the same meaning as in those Standards and are reproduced in the <i>Glossary of Defined Terms</i> published separately.</p>	<p><i>Carried forward from IPSAS 1</i></p>
	<p>12. Placeholder for guidance paragraph on applying financial statement element definitions.</p>	<p>.</p>

⁷ The introduction of specific sub-totals into the statement of financial performance is subject to future IPSASB deliberations.

⁸ Contingent upon future IPSASB deliberations regarding the possible introduction of an OCI-like approach into IPSAS.

⁹ Contingent upon future IPSASB deliberations regarding the possible introduction of an OCI-like approach into IPSAS.

Original Source	Illustrative Exposure Draft XX, <i>Presentation of Financial Statements</i>	Notes
	Economic entity	<i>Carried forward from IPSAS 1</i>
IPSAS 1.8 and 1.9	13. The term economic entity is used in this Standard to define, for financial reporting purposes, a group of entities comprising the controlling entity and any controlled entities. Other terms sometimes used to refer to an economic entity include administrative entity, financial entity, consolidated entity, and group.	<ul style="list-style-type: none"> Guidance continues to be useful and relevant to applying IPSAS. The reference to 'economic entity is used throughout IPSAS to describe public sector specific examples.
IPSAS 1.10	14. An economic entity may include entities with both social policy and commercial objectives. For example, a government housing department may be an economic entity that includes entities that provide housing for a nominal charge, as well as entities that provide accommodation on a commercial basis.	
	Future Economic Benefits or Service Potential	
IPSAS 1.11	15. Assets provide a means for entities to achieve their objectives. Assets that are used to deliver goods and services in accordance with an entity's objectives, but which do not directly generate net cash inflows, are often described as embodying service potential. Assets that are used to generate net cash inflows are often described as embodying future economic benefits. To encompass all the purposes to which assets may be put, this Standard uses the term "future economic benefits or service potential" to describe the essential characteristics of assets.	<i>Carried forward from IPSAS 1</i> <ul style="list-style-type: none"> Guidance continues to be useful and relevant to applying IPSAS.
	Materiality	
IPSAS 1.13	16. Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. Users are assumed to have a reasonable knowledge of the public sector and economic activities and accounting, and a willingness to study the information with reasonable diligence. Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.	To be considered at a future IPSASB meeting <ul style="list-style-type: none"> Not yet updated
	Net assets/equity	
IPSAS 1.14	17. Net assets/equity is the term used in this Standard to refer to the residual measure in the statement of financial position (assets less liabilities). Net assets/equity may be positive or negative. Other terms may be used in place of net assets/equity, provided that their meaning is clear.	<i>Carried forward from IPSAS 1</i> <ul style="list-style-type: none"> Guidance continues to be useful and relevant to applying IPSAS.

Illustrative Exposure Draft – Purpose of Financial Statements

Question

1. Does the IPSASB agree to include in the illustrative exposure draft (IED) the paragraphs explaining the purpose of financial statements as provided in [Appendix A](#)?¹

Recommendations

2. The Task Force recommends including paragraphs on the purpose of financial statements in the IED based on:
 - (a) Seeking to align with IFRS 18 with modifications to reflect the public sector context; and
 - (c) Carrying forward public sector specific paragraphs from IPSAS 1 that remain relevant and useful.

Background

3. Establishing a clear and concise description of the purpose of general purpose financial statements ('financial statements') establishes an important starting point from which decisions can be made by preparers about the selection and presentation of information in financial statements.
4. IPSAS 1 (consistent with IAS 1) includes a section on the 'Purpose of Financial Statements' near the front end of the standard, which IFRS 18 describes as the 'Objective of Financial Statements'.
5. The current description of the purpose of financial statements in IPSAS 1 closely mirrors that of IAS 1, with the addition of paragraphs to reflect the broader focus on the information needs of resource providers and service recipients in the public sector.
6. Research conducted during the scoping phase revealed that the perspectives of the IPSASB, IASB, and other national standard setters on the purpose of financial statements have remained largely consistent since the development of IPSAS 1. It is generally accepted that financial statements serve to provide a structured representation of an entity's financial position, financial performance, and cash flows for a reporting period.

Changes Introduced by IFRS 18

7. IFRS 18 includes a revised description of the objective of financial statements, which rather than seeking to introduce any new thinking, highlights a move towards streamlining the extent of guidance provided at the standards level on this topic. The IASB considered that a discussion on the objective of financial statements is a concept better addressed through its conceptual framework.

IPSASB Conceptual Framework

8. The IPSASB's Conceptual Framework provides the following key provisions which describe the objectives of financial statements in the public sector:
 - (a) The objectives of financial reporting by public sector entities are to provide financial information about the entity useful to users of general purpose financial reports (GPFRRs) for accountability and decision-making purposes.²

¹ Subject to any consequential amendments arising from the development of other IED sections.

² Paragraph 2.1 of the IPSASB Conceptual Framework.

- (b) GPFRs encompass financial statements, including the notes and the presentation of other information that enhances, complements, and supplements the financial statements.³
- (c) While the Conceptual Framework reflects a scope of financial reporting that is more comprehensive than that encompassed by financial statements, information presented in financial statements remains at the core of financial reporting.⁴
- (d) Financial statements present information about the reporting entity's resources and claims to those resources at the reporting date and changes to those resources, claims, and cash flows during the reporting period.⁵

Analysis

Aligning with IFRS 18

- 9. Staff consider it appropriate to update the paragraphs on the *purpose of financial Statements* in the IED based on IFRS 18, which the IASB developed to provide increased clarity about existing principles. The guidance in IFRS 18 is consistent with the IPSASB Conceptual Framework, in that the purpose of the financial statements is to provide information about an entity's assets, liabilities, revenue, and expenses to allow for an assessment of how well it has managed its resources.
- 10. The updated IFRS 18 guidance includes a focus on providing information to help users assess management's stewardship of the entity's resources. For the public sector, this represents an entity's accountability for the management and use of resources to those who provide the resources and those who depend on the use of those resources to deliver necessary services.

Proposed Paragraphs for IED

- 11. [Appendix A](#) provides the proposed *Purpose of Financial Statements* paragraphs, with marked-up changes in contrast to IFRS 18, and commentary on the basis for any modifications.
- 12. The proposed revisions aim to enhance the understanding of the purpose of financial statements and support the consistent application of the presentation requirements. By emphasizing that the purpose of financial statements in the public sector is to provide information useful for accountability and decision-making purposes, these changes are anticipated to improve preparer focus.

Reference to Cash Flow Information

- 13. One difference noted by staff is that the IASB description of the purpose of financial statements does not reference information about 'cash flows'. This is in contrast with the IPSASB Conceptual Framework, which states that information about an entity's financial position, financial performance, and cash flows are typically presented in the financial statements. Information about the cash flows of a government or other public sector contributes to assessments of financial performance and the entity's liquidity and solvency.⁶

³ Paragraph 1.6 of the IPSASB Conceptual Framework.

⁴ Paragraph 2.30 of the IPSASB Conceptual Framework.

⁵ Paragraph 4.6 of the IPSASB Conceptual Framework.

⁶ Paragraphs 2.14 – 2.17 of the IPSASB Conceptual Framework.

14. The IASB's decision not to include a reference to cash flow information when describing the objective of the financial statements was a considered one – as explained in the IFRS 18 basis for conclusions.
- BC18 This objective does not refer to providing information about cash flows. Nonetheless, IFRS 18 includes some general requirements for financial statements that apply to the statement of cash flows. IAS 7 sets out requirements for the presentation and disclosure of cash flow information. Paragraphs 9 and 20 of IFRS 18 do not refer to cash flow information. This is because financial performance includes cash flow information, as explained in paragraph 1.20 of the Conceptual Framework.⁷
15. Staff acknowledge that cash flow information is not defined as a financial statement element and that some see it as an aspect of presenting financial performance. However, given the emphasis in the IPSASB Conceptual Framework on the importance of providing cash flow information in an entity's financial statements, staff recommend that the IPSASB's description of the purpose of financial statements include a reference to cash flow information.⁸

Decision Required

16. Does the IPSASB agree with the Task Force [recommendations](#) in paragraph 2?

⁷ Paragraph 1.20 of the IASB Conceptual Framework: *Information about a reporting entity's cash flows during a period also helps users to assess the entity's ability to generate future net cash inflows and to assess management's stewardship of the entity's economic resources. That information indicates how the reporting entity obtains and spends cash, including information about its borrowing and repayment of debt, cash dividends or other cash distributions to investors, and other factors that may affect the entity's liquidity or solvency. Information about cash flows helps users understand a reporting entity's operations, evaluate its financing and investing activities, assess its liquidity or solvency and interpret other information about financial performance.*

⁸ The IED will highlight that the statement of cash flow is a key component of the financial statements and that the requirements for presenting this statement are provided in a separate standard – IPSAS 2, *Cash Flow Statements*.

Appendix A – Purpose of Financial Statements (using IFRS 18 as the starting base)

Paragraphs primarily based on IFRS 18 are shaded grey.

Paragraphs brought forward from IPSAS 1 are shaded green.

New text underlined, deleted text ~~struck through~~, and relocated text double underlined.

Original Source	Illustrative Exposure Draft XX, <i>Presentation of Financial Statements</i>	Notes
	<u>Objective Purpose</u> of financial statements ¹	<i>IPSAS 1 refers to the 'Purpose of Financial Statements'</i>
IFRS 18.9	18. The <u>objective purpose</u> of financial statements is to provide financial information about a reporting entity's assets, liabilities, <u>net assets/equity</u> , income revenue , and expenses and <u>cash flows</u> that is useful to users of financial statements <u>for decision-making and to demonstrate the entity's accountability for the resources entrusted to it</u> .	<p><i>Aligned with IFRS 18</i></p> <ul style="list-style-type: none"> • Modifications to ensure consistency with IPSAS terminology. • Other changes to reflect the public sector context are based on IPSAS 1.15 • Reference to 'cash flow' is included to ensure consistency with the IPSASB Conceptual Framework.
IPSAS 1.16	<p>19. General purpose Financial statements can also have a predictive or prospective role, providing information useful in predicting the level of resources required for continued operations, the resources that may be generated by continued operations, and the associated risks and uncertainties. Financial reporting may also provide users with information:</p> <p>(a) Indicating whether resources were obtained and used in accordance with the legally adopted budget; and</p> <p>(b) Indicating whether resources were obtained and used in accordance with legal and contractual requirements, including financial limits established by appropriate legislative authorities.</p>	<p><i>Carried forward from IPSAS 1.</i></p> <ul style="list-style-type: none"> • No equivalent paragraph is included in IAS 1 or IFRS 18. • Guidance continues to be relevant and useful to public sector reporting.

¹ The first paragraph in the IED clarifies that the reference to 'financial statements' as used throughout the standard refers specifically to 'general purpose financial statements', which is the scope of the standard.

IPSAS 1.18	20. Although the information contained in the financial statements can be relevant for the purpose of meeting the objectives in paragraph 45 will provide useful information about an entity's financial position, financial performance, and cash flows , it is unlikely to enable all these objectives to be met provide all the information users need for accountability and decision-making purposes. This is likely to be particularly so in respect of entities whose primary objective may not be to make a profit, as managers are likely to be accountable for the achievement of service delivery as well as financial objectives. Supplementary information, including non-financial statements information , may be reported alongside the financial statements in order to provide a more comprehensive picture of the entity's activities during the period.	<i>Carried forward from IPSAS 1.</i> <ul style="list-style-type: none">• No equivalent paragraph is included in IAS 1 or IFRS 18.• Guidance continues to be relevant and useful to public sector reporting.• Amendments to align with the revised purpose of financial statements in paragraph 18 of IED.
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Illustrative Exposure Draft – Responsibility for Financial Statements

Question

1. Does the IPSASB agree that the guidance on the responsibility for financial statements in IPSAS 1 should be moved to implementation guidance in IPSAS 14, *Events After the Reporting Date*?

Recommendation

2. The Task Force recommends that the guidance be moved to implementation guidance (non-authoritative) in IPSAS 14, as it relates to the authorization of the financial statements referred to within this standard.

Background

3. When originally developing IPSAS 1, the IPSASB introduced guidance on the responsibilities for preparing and presenting financial statements, as provided below.

IPSAS 1

Responsibility for Financial Statements

19. The responsibility for the preparation and presentation of financial statements varies within and across jurisdictions. In addition, a jurisdiction may draw a distinction between who is responsible for preparing the financial statements and who is responsible for approving or presenting the financial statements. Examples of people or positions who may be responsible for the preparation of the financial statements of individual entities (such as government departments or their equivalent) include the individual who heads the entity (the permanent head or chief executive) and the head of the central finance agency (or the senior finance official, such as the controller or accountant-general).
20. The responsibility for the preparation of the consolidated financial statements of the government as a whole usually rests jointly with the head of the central finance agency (or the senior finance official, such as the controller or accountant-general) and the finance minister (or equivalent).

4. The IASB does not include equivalent guidance in IAS 1 or IFRS 18.
5. Staff noted the following provisions in IPSAS 14, *Events After the Reporting Date*, which relate to the requirement to disclose when the financial statements were authorized for issue and who gave that authorization.

IPSAS 14

Disclosure of Date of Authorization for Issue

26. An entity shall disclose the date when the financial statements were authorized for issue and who gave that authorization. If another body has the power to amend the financial statements after issuance, the entity shall disclose that fact.
27. It is important for users to know when the financial statements were authorized for issue, as the financial statements do not reflect events after this date. It is also important for users to know of the rare circumstances in which any persons or organizations have the authority to amend the financial statements after issuance. Examples of individuals or bodies that may have the power to amend the financial statements after issuance are Ministers, the government of which the entity forms part, Parliament, or an elected body of representatives. If changes are made, the amended financial statements are a new set of financial statements.

Analysis

6. The new IPSAS, which will replace IPSAS 1, will focus on establishing the principles and requirements for preparing and presenting financial statements by public sector entities. Given the advisory nature of the guidance on financial statement responsibility, moving this material into the implementation guidance section of IPSAS 14 would be more appropriate.
7. Retaining this guidance material in the implementation guidance could be helpful for jurisdictions in the early stages of introducing accrual-based reporting requirements across the public sector.

Decision Required

8. Does the IPSASB agree with the Task Force [recommendation](#) in paragraph 2?

Illustrative Exposure Draft — The Roles of the Primary Financial Statements and the Notes

Question

1. Does the IPSASB agree to include in the illustrative exposure draft (IED) the paragraphs explaining the roles of the primary financial statements and notes as provided in [Appendix A](#)?¹

Recommendation

2. The Task Force recommends including paragraphs on the roles of the primary financial statements and the notes in the IED, based on seeking to align with the IPSASB Conceptual framework and the new IFRS 18 guidance.

Background

New IFRS Requirements

3. IFRS 18 has introduced new guidance to clarify the principle that the role of the primary financial statements is to provide 'structured summaries' of a reporting entity's recognized assets, liabilities, equity, income, expenses, and cash flows, and the role of the notes is to provide further 'detail' of material information to assist with the understanding of those summaries.
4. The new IFRS 18 guidance was developed in response to feedback from constituents seeking increased clarity over whether information, as required by IFRS, should be displayed in the primary financial statements, or disclosed in the notes.
5. The IASB developed the new guidance based on its *Conceptual Framework* and research that showed that users of financial statements pay more attention to the information presented in the primary financial statements and use it more frequently than the additional information disclosed in the notes.

Existing Guidance in IPSAS 1

6. IPSAS 1 currently provides limited guidance to support judgments about the location of material information presented in the primary financial statements and notes. IPSAS 1 currently sets out the minimum requirements for line items requiring presentation in the primary financial statements and explains that the notes provide for additional information not presented on the face of a financial statement.

Analysis

7. Staff consider that it is useful to include the new IFRS 18 guidance on the roles of the primary financial statements and notes in the IED because:
 - (a) The primary financial statements and notes serve similar roles in IPSAS and IFRS;
 - (b) The new guidance is consistent with related concepts in the IPSASB's Conceptual Framework; and
 - (c) The guidance will help to clarify existing IPSAS presentation requirements.

¹ Subject to any consequential amendments arising from the development of other IED sections.

8. The IPSASB Conceptual Framework includes the following concepts that are consistent with the IASB's basis for introducing the new IFRS 18 guidance:
 - (a) Information selected for display in a financial statement communicates key messages about an entity's financial performance, position, net assets/equity, and cash flows. Information selected for note disclosure helps the user to understand the displayed information by providing further detail.²; and
 - (b) Displayed information should be kept to a concise, understandable level, so that users can focus on the key messages presented [in the primary financial statements] and not be distracted by detail that could otherwise obscure those messages.³
9. Staff have not identified any public sector reasons to significantly modify the new IFRS 18 guidance or the need for additional public sector-specific guidance, except for terminology changes to ensure consistency with IPSAS literature.
10. [Appendix A](#) provides the proposed paragraphs, with marked-up changes in contrast to IFRS 18, and commentary on the basis for any modifications.

Terminology

11. The following terms are crucial to understanding the proposed paragraphs in [Appendix A](#). These terms (as outlined in [Agenda Item 8.2.9](#)) have been used to ensure consistency with the IPSASB Conceptual Framework and to provide clarity for the reader of the standard.
 - (a) **Presented** information is the umbrella term used for any information reported in the financial statements, encompassing information that is either displayed in the primary financial statements or disclosed in the notes.
 - (b) **Displayed** information refers to information reported in the primary financial statements.
 - (c) **Disclosed** information refers to information reported in the notes.
 - (d) The **Primary financial statements** comprise of all the components that make up a complete set of financial statements prepared in accordance with IPSAS, excluding the notes.⁴
 - (e) The **Notes** refer to the information disclosed in the financial statements, in addition to the information displayed in the primary financial statements.

Decision Required

22. Does the IPSASB agree with the Task Force [recommendation](#) in paragraph 2?

² IPSASB Conceptual Framework, paragraph 8.15

³ IPSASB Conceptual Framework, paragraph 8.17

⁴ The 'primary financial statements' include the statement of cash flows and the disclosure of budget information when displayed on the face of a statement.

Appendix A – The Roles of the Primary Financial Statements and Notes (using IFRS 18 as the starting base)

Paragraphs primarily based on IFRS 18 are shaded grey.

New text underlined, deleted text ~~struck through~~, and relocated text double underlined.

Original Source	Illustrative Exposure Draft XX, <i>Presentation of Financial Statements</i>	Notes
Core Standard		
The roles of the primary financial statements and the notes		
IFRS 18.15	21. To achieve the <u>objective purpose</u> of financial statements (see paragraph 9 18), an entity presents information in the primary financial statements and discloses information in the notes is required to present a complete set of financial statements (see paragraph xx). The financial statements include information displayed in the primary financial statements and information disclosed in the notes. An entity is only required present to <u>display</u> or disclose <i>material information</i> (see paragraphs XX and BX–BX).	Aligned with IFRS 18 <ul style="list-style-type: none"> • Modifications based on using the IPSASB CF reference to ‘display’ and ‘disclosure’ of information.
IFRS 18.16	22. The role of the primary financial statements is to provide structured summaries of a reporting entity’s recognized assets, liabilities, <u>net assets/equity</u> , <u>income revenue</u> , expenses and cash flows, that are useful to users of financial statements for: <ul style="list-style-type: none"> (a) Obtaining an understandable overview of the entity’s recognized assets, liabilities, <u>net assets/equity</u>, <u>income revenue</u>, expenses and cash flows; (b) Making comparisons between entities, and between reporting periods for the same entity; and (c) Identifying items or areas about which users of financial statements may wish to seek additional information in the notes. 	Aligned with IFRS 18 <ul style="list-style-type: none"> • Modifications are limited to terminology.
IFRS 18.17	23. The role of the notes is to provide material information necessary: <ul style="list-style-type: none"> (a) To enable users of financial statements to understand the line items presented <u>displayed</u> in the primary financial statements (see paragraph AGX); and (b) To supplement the primary financial statements with additional information to achieve the <u>objective purpose</u> of financial statements (see paragraph AGX). 	Aligned with IFRS 18 <ul style="list-style-type: none"> • Modifications are limited to terminology.

IFRS 18.18	<p>24. An entity shall use the roles of the primary financial statements and the notes, described in paragraphs 22–23, to determine whether to include information in the primary financial statements or in the notes. The different roles of the primary financial statements and the notes mean that the extent of the information required in the notes differs from that in the primary financial statements. The differences mean that:</p> <p>(a) To provide the structured summaries described in paragraph 22, information provided in the primary financial statements is more aggregated than information provided in the notes; and</p> <p>(b) To provide the information described in paragraph 23, more detailed information about the entity’s assets, liabilities, net assets/equity, income revenue, expenses and cash flows, including the disaggregation of information presented displayed in the primary financial statements, is provided in the notes.</p>	<p><i>Aligned with IFRS 18</i></p> <ul style="list-style-type: none"> • Modifications are limited to terminology.
<p>Information presented displayed in the primary financial statements or disclosed in the notes</p>		
IFRS 18.19	<p>25. Some IFRS Accounting Standards IPSAS Standards specify information that is required to be presented displayed in the primary financial statements or disclosed in the notes. An entity need not provide a specific presentation display or disclosure required by IFRS Accounting Standards an IPSAS if the information resulting from that presentation display or disclosure is not material. This is the case even if IFRS Accounting Standards an IPSAS contains a list of specific requirements or describe them as minimum requirements.</p>	<p><i>Aligned with IFRS 18</i></p> <ul style="list-style-type: none"> • Modifications are limited to terminology. • Similar to the existing requirement in IPSAS 1.47, a specific disclosure requirement in an IPSAS need not be satisfied if the information is not material.
IFRS 18.20	<p>26. An entity shall consider whether to provide additional disclosures when compliance with the specific requirements in IFRS Accounting Standards IPSAS is insufficient to enable users of financial statements to understand the effect of transactions and other events and conditions on the entity’s financial position and, financial performance, and cash flows.</p>	<p><i>Aligned with IFRS 18</i></p> <ul style="list-style-type: none"> • Consistent with the existing requirement in IPSAS 1.29 (c). •
<p>Information presented displayed in the primary financial statements</p>		
IFRS 18.21	<p>27. Paragraph 22 establishes that the role of the primary financial statements is to provide structured summaries that are useful for the purposes specified in that paragraph (referred to hereafter as a useful structured summary). An entity shall use the role of the primary financial statements to determine what material information to present display in those statements, as set out in paragraphs 30–32.</p>	<p><i>Aligned with IFRS 18</i></p> <ul style="list-style-type: none"> • Modifications are limited to terminology.
IFRS 18.22	<p>28. To provide a useful structured summary in a primary financial statement, an entity shall comply with specific requirements that determine the structure of the statement. The specific requirements are:</p> <p>(a) For the statement of profit or loss financial performance —the requirements in paragraphs xx, xx, xx and xx;</p>	<p><i>Aligned with IFRS 18</i></p> <ul style="list-style-type: none"> • Modifications are limited to terminology. • Whether an OCI-like statement will be introduced is subject to

	<p>(b) For the statement presenting comprehensive income revenue and expense—the requirements in paragraphs xx-xx;</p> <p>(c) For the statement of financial position—the requirements in paragraphs xx and xxx;</p> <p>(d) For the statement of changes in net assets/equity—the requirements in paragraph xxx; and</p> <p>(e) For the statement of cash flows cash flow statement—the requirements in paragraph xx of IAS 7 IPSAS 2.</p>	<p>future IPSASB deliberations.</p>
IFRS 18.23	<p>29. Some IFRS IPSAS Accounting Standards require specific line items to be presented displayed separately in the primary financial statements (for example paragraphs xx and xxx of this Standard). An entity need not present display separately a line item in a primary financial statement if doing so is not necessary for the statement to provide a useful structured summary. This is the case even if IFRS IPSAS Accounting Standards contain a list of specific required line items or describe the line items as minimum requirements (see paragraph AGX).</p>	<p><i>Aligned with IFRS 18</i></p> <ul style="list-style-type: none"> • Modifications are limited to terminology. • Requirement is similar to IPSAS 1.47, which provides that a specific disclosure requirement in an IPSAS need not be satisfied if the information is not material. • The paragraph makes it clear that materiality also applies to specific line items.
IFRS 18.24	<p>30. An entity shall present display additional line items and subtotals if such presentations are necessary for a primary financial statement to provide a useful structured summary. When an entity presents displays additional line items or subtotals, those line items or subtotals shall (see paragraph AGX):</p> <p>(a) Comprise amounts recognized and measured in accordance with IFRS Accounting Standards IPSAS;</p> <p>(b) Be compatible with the statement structure created by the requirements listed in paragraph 22 28;</p> <p>(c) Be consistent from period to period, in accordance with paragraph xx, and</p> <p>(d) Be displayed no more prominently than the totals and subtotals required by IFRS Accounting Standards IPSAS.</p>	<p><i>Aligned with IFRS 18</i></p> <ul style="list-style-type: none"> • Modifications are limited to terminology.
Application Guidance		
	The roles of the primary financial statements and the notes	
IFRS 18.B6	<p>AGXX Applying paragraph 23(a), an entity provides in the notes information necessary for users of financial statements to understand the line items presented displayed in the primary financial statements. Examples of such information include:</p> <p>(a) Disaggregation of the line items presented displayed in the primary financial statements;</p> <p>(b) Descriptions of the characteristics of the line items presented displayed in the primary financial statements; and</p> <p>(c) Information about the methods, assumptions and judgements used in recognizing, measuring and</p>	<p><i>Aligned with IFRS 18</i></p> <ul style="list-style-type: none"> • Modifications are limited to terminology.

		presenting displaying the items included in the primary financial statements.	
IFRS 18.B7	AGXX	<p>Applying paragraph 23(b), an entity supplements the primary financial statements with additional information necessary to achieve the objective of financial statements—that is:</p> <p>(a) Information specifically required by IFRS Accounting Standards IPSAS (see paragraph 25)—for example:</p> <p>(a) Information required by IPSAS 19 <i>Provisions, Contingent Liabilities and Contingent Assets</i> about an entity’s recognized contingent assets and contingent liabilities; and</p> <p>(ii) Information required by IPSAS 30 <i>Financial Instruments: Disclosures</i> about an entity’s exposure to various types of risks, such as credit risk, liquidity risk and market risk; and</p> <p>(b) Information additional to that specifically required by IFRS IPSAS Accounting Standards (see paragraph 26).</p>	
		Information presented displayed in the primary financial statements	
IFRS 18.B8	AGXX	<p>Paragraph 29 explains that an entity need not present display separately a line item in a primary financial statement if doing so is not necessary for the statement to provide a useful structured summary, even if the line item is required by IFRS Accounting Standards IPSAS. For example, an entity need not present display a line item listed in paragraph xx if doing so is not necessary for the statement of profit or loss of financial performance to provide a useful structured summary of income revenue and expenses, or a line item listed in paragraph xxx if doing so is not necessary for the statement of financial position to provide a useful structured summary of assets, liabilities and net assets/equity. If an entity does not present display the line items listed paragraphs xx and xxx, it shall disclose the items in the notes if the resulting information is material (see paragraph xx).</p>	<p><i>Aligned with IFRS 18</i></p> <ul style="list-style-type: none"> • Modifications are limited to terminology.
IFRS 18.B9	AGXX	<p>Conversely, applying paragraph 30, an entity shall present display additional line items to those listed in paragraphs xx and xx if such presentations are necessary for the statement of profit or loss financial performance to provide a useful structured summary of income revenue and expenses or for the statement of financial position to provide a useful structured summary of assets, liabilities and equity (see paragraphs AGXX–AGXX and AGXX–AGXX).</p>	<p><i>Aligned with IFRS 18</i></p> <ul style="list-style-type: none"> • Modifications are limited to terminology.

Table of concordance with IPSAS 1

The table below shows how the content of IPSAS 1 and the draft IED correspond.

IPSAS 1 paragraph	IED paragraph
IPSAS 1.1	IED X.1
<i>New</i>	IED X.2
IPSAS 1.2	IED X.3
IPSAS 1.3	IED X.4
<i>New</i>	IED X.5
<i>New</i>	IED X.6
<i>New</i>	IED X.7
IPSAS 1.4	IED X.8
IPSAS 1.5	<i>Deleted</i>
IPSAS 1.6	<i>Deleted</i>
<i>New</i>	IED X.9
<i>New</i>	IED X.10
IPSAS 1.7	IED X.11
<i>New</i>	IED X.12
IPSAS 1.7A	<i>Deleted</i>
IPSAS 1.8	IED X.13
IPSAS 1.9	IED X.13
IPSAS 1.10	IED X.14
IPSAS 1.11	IED X.15
IPSAS 1.12	<i>Deleted</i>
IPSAS 1.13	IED X.16
IPSAS 1.14	IED X.17
IPSAS 1.15	IED X.18
IPSAS 1.16	IED X.19
IPSAS 1.17	<i>Deleted</i>
IPSAS 1.18	IED X.20
IPSAS 1.19	IG IPSAS 14

IPSAS 1.20	IG IPSAS 14
<i>New</i>	IED X.21
<i>New</i>	IED X.22
<i>New</i>	IED X.23
<i>New</i>	IED X.24
<i>New</i>	IED X.25
<i>New</i>	IED X.26
<i>New</i>	IED X.27
<i>New</i>	IED X.28
<i>New</i>	IED X.39
<i>New</i>	IED X.30
<i>New</i>	AGXX