

**Meeting:** International Public Sector Accounting  
Standards Board

**Meeting Location:** Brussels, Belgium

**Meeting Date:** September 17–20, 2024

## Agenda Item 9

For:

☐ Approval

☒ Discussion

☐ Information

### PRESENTATION OF FINANCIAL STATEMENTS

<b>Project summary</b>	<p>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>.</p> <p>The project is in the Consultation Paper (CP) development phase.</p>	
<b>Project staff lead</b>	<ul style="list-style-type: none"> <li>• Anthony Heffernan, Principal</li> </ul>	
<b>Task Force members</b>	<ul style="list-style-type: none"> <li>• Ian Carruthers, IPSASB Chair (Task Force Chair)</li> <li>• Andrew van der Burgh, IPSASB Member</li> <li>• Angela Ryan, IPSASB Member</li> <li>• Jonah Wala, IPSASB Member</li> <li>• Marc Wermuth, IPSASB Technical Advisor</li> <li>• Jean-Pierre Menanteau, Conseil de normalisation des comptes publics (CNoCP), France</li> <li>• Antonella Risi, Public Sector Accounting Board (PSAB), Canada</li> </ul>	
<b>Meeting objectives</b>	<b>Topic</b>	<b>Agenda Item</b>
<b>Project management</b>	<a href="#">Presentation of Financial Statements Dashboard</a>	<a href="#">9.1.1</a>
	<a href="#">Decisions to Previous Meeting</a>	<a href="#">9.1.2</a>
	<a href="#">Instructions up to Previous Meeting</a>	<a href="#">9.1.3</a>
	<a href="#">Project Roadmap</a>	<a href="#">9.1.4</a>
<b>Items requiring feedback at this meeting</b>	<a href="#">Development of draft Consultation Paper and Illustrative Exposure Draft</a>	<a href="#">9.2.1</a>
	<b>Draft Consultation Paper</b>	
	<a href="#">Draft Consultation Paper — Statement of Financial Position</a>	<a href="#">9.2.2</a>
	<b>Draft Illustrative Exposure Draft</b>	
	<a href="#">Development of Draft Illustrative Exposure Draft</a>	<a href="#">9.2.3</a>

	<a href="#">Draft Sections of IED — General Requirements for Financial Statements</a>	<a href="#">9.2.4</a>
	<a href="#">Draft Sections of IED — Aggregation and Disaggregation</a>	<a href="#">9.2.5</a>
	<a href="#">Draft Sections of IED — Statement of Financial Position</a>	<a href="#">9.2.6</a>
	<a href="#">Statement of Financial Position — Order of Liquidity</a>	<a href="#">9.2.7</a>
<b>Supporting papers</b>	<a href="#">Draft Consultation Paper</a>	<a href="#">9.3.1</a>
	<a href="#">Draft Illustrative Exposure Draft</a>	<a href="#">9.3.2</a>
	<a href="#">Table of Concordance with IFRS 18</a>	<a href="#">9.3.3</a>
	<a href="#">Table of Concordance with IPSAS 1</a>	<a href="#">9.3.4</a>

## 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	Sep 2024	Dec 2024	Mar 2024	Jun 2025	Sep 2025
<b>Overall Project Management</b>						
Completion of research and scoping phase	✓					
Approval of Project Brief	✓					
Review and approval of CP and IED						
<b>Development of CP and IED</b>						
CP Introductory chapters	✓					
Objectives	✓					
Scope	✓					
Definitions	✓					
Purpose of Financial Statements	✓					
General principles of presentation <sup>1</sup>	✓					
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						

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

<sup>1</sup> 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	<a href="#">Project Brief</a>
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.	Ongoing considerations.
	2. Draft Chapter 1 of the CP appropriately reflected the project objectives, key drivers, scope, and reasons for conducting the project.	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.	The draft CP has been updated to reflect IPSASB comments.
March 2024	1. The definitions of financial statement elements: (a) Should be included in the definitions sections of the IED; (b) To be aligned with the definitions of financial statement elements in the IPSASB Conceptual Framework (revised in October 2023).	The IED has been updated to reflect IPSASB decisions.
	2. The proposal to disclose a statement of financial position as at the beginning of the earliest comparative period, in certain circumstances, should be highlighted in the CP. 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.	This will be discussed in Chapter 2 of the CP <i>General Presentation Requirements</i> . The IED has been updated to reflect IPSASB decisions.
June 2024	1. The requirements for presenting the Statement of Financial Position should be aligned with IFRS 18, which is consistent with existing requirements in IPSAS 1.	The IED has been updated to reflect IPSASB decisions.

## 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 CP.	1. In progress, the development of the CP 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 readability.	2. The opening chapters of the CP have been updated and reduced.
	3. Consider feedback from IPSASB members, Technical Advisors, and observers received during the break-out sessions.	3. The feedback from the break-out sessions has been captured and will be used to inform future discussions of issues.
March 2024	1. Include in the CP a discussion and preliminary view on using the definitions of financial statement elements based on the Conceptual Framework definitions.	1. In progress, this will be included in Chapter 2 of the CP on <i>General Presentation Principles</i> .
	2. Consider the interaction of the proposed financial statement element definition for an asset and liability with other IPSAS.	2. An explanatory paragraph has been added to the IED to avoid unintended consequences.
	3. Explain in the CP that the IED has been developed applying the <a href="#">Process for Reviewing and Modifying IASB Documents</a> to encourage feedback on any public sector reasons for departing from IFRS 18.	3. Addressed in updated Chapter 1 of the CP.
	4. Consider whether further guidance on disclosing compliance with IPSAS is needed, especially for jurisdictions that have adopted adapted versions of IPSAS.	4. IPSAS applies to entities that prepare financial statements in full compliance with IPSAS. If a jurisdiction adopts an adapted version of IPSAS, it should develop appropriate disclosures concerning compliance. <sup>2</sup>
June 2024	1. To further consider if the order of liquidity should be retained as an approach for presenting the Statement of Financial Position.	Refer to Agenda Item <a href="#">9.2.7</a> .

<sup>2</sup> This could be an area where staff guidance can be developed to support national standard-setters

## PRESENTATION OF FINANCIAL STATEMENTS: PROJECT ROADMAP

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

## Agenda Item 9.1.4

September 2024	<ul style="list-style-type: none"><li>• Review of draft IED, presenting the Statement of Financial Position</li><li>• Review of draft CP Chapter, presenting the statement of financial position</li></ul>
December 2024	<ul style="list-style-type: none"><li>• Discussion of Issues — Statement(s) of Financial Performance</li><li>• Discussion of Issues —Statement(s) of Changes in Net Assets/Equity</li></ul>
March 2025	<ul style="list-style-type: none"><li>• Review of draft IED, Statement of Financial Performance</li><li>• Review of draft CP Chapter, Statement of Financial Performance</li></ul>
June 2025	<ul style="list-style-type: none"><li>• Review of draft IED, Statement of Changes in Net Asset/Equity</li><li>• Review of draft CP Chapter, Statement of Changes in Net Assets/Equity</li><li>• Review of remaining CP and IED sections</li></ul>
Sep 2025	<ul style="list-style-type: none"><li>• Review of draft CP and IED</li><li>• Approval of CP and IED</li></ul>

## **Development of Draft Consultation Paper and Illustrative Exposure Draft**

### **Purpose**

1. To update the IPSASB on the development of the Consultation Paper (CP) and accompanying illustrative exposure draft (IED).

### **Project Update**

2. The project's first phase involves developing a CP and an IED.
  - (a) The CP allows for feedback on the IPSAB's preliminary views on proposed enhancements to existing presentation requirements before developing a final standard to replace IPSAS 1, *Presentation of Financial Statements*.
  - (b) 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 CP and IED will explore recent developments and the evolution of requirements for presenting general purpose financial statements by using IFRS 18 *Presentation and Disclosure in Financial Statements* as its starting base.

### *Development approach*

4. As discussed in June 2024, staff are following a three-step process to develop each section of the ED and the corresponding chapters of the CP.
  - (a) Step 1 Deliberation of key issues related to a section of the IED.
  - (b) Step 2A Develop draft section of IED (based on the IPSASB direction from Step 1).
  - (c) Step 2B Develop the relevant chapter of the CP (based on the feedback received from Steps 1 and 2A).
5. At each meeting, staff will bring different sections of the IED for IPSASB review, following a stage approach. When possible, we plan to advance steps 2A and 2B in the same meeting, following the discussion of the related issues in the previous quarter.<sup>3</sup>
6. Following this approach, the agenda items for consideration at this meeting include the draft CP chapter and the related IED sections concerning the Statement of Financial Position.
7. [Appendix A](#) outlines the planned program for developing each section of the IED and CP using the three-step approach. It also highlights the sections that the IPSASB has already reviewed.
8. The draft CP and draft IED, based on the issues considered to date, are provided in [Agenda Item 9.3.1](#) and [Agenda Item 9.3.2](#).

### **Decision required**

9. No decisions are required, this paper is provided for IPSASB information purposes.

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<sup>3</sup> Once all sections of the IED have been completed, the Task Force will conduct a final review to ensure the coherence of the draft documents before seeking final IPSASB approval.



## Appendix A – Overview of the staged approach for developing IED and CP

Section of Illustrative Exposure Draft	Step 1 Discussion of issues	Step 2A Review of Draft IED	Step 2B Review of Draft CP
Objective	<div>✔</div> <div>(Dec 2023)</div>	<div>✔</div> <div>(June 2024)</div>	<div>✔</div> <div>Review of opening chapters (Dec 2023)</div>
Scope	<div>✔</div> <div>(Dec 2023)</div>	<div>✔</div> <div>(June 2024)</div>	
Definitions	<div>✔</div> <div>(March 2024)</div>	<div>✔</div> <div>(June 2024)</div>	
Purpose of Financial Statements	<div>✔</div> <div>(Dec 2023)</div>	<div>✔</div> <div>(June 2024)</div>	
Responsibility for Financial Statements	<div>✔</div> <div>(June 2024)</div>	<div>✔</div> <div>(June 2024)</div>	
Components of Financial Statements			<div>Q1 2025</div> <div>Chapter 2: General Presentation Principles</div>
A Complete Set of Financial Statements	Q4 2024	Q1 2025	
The Roles of the Primary Financial Statements and Notes	<div>✔</div> <div>(June 2024)</div>	<div>✔</div> <div>(June 2024)</div>	
Identification of the Financial Statements	Q4 2024	Q1 2025	
General Requirements for Financial Statements			
Fair Presentation and Compliance with IPSAS	<div>✔</div> <div>(March 2024)</div>	<a href="#">Agenda Item 9.2.4</a>	
Going Concern	Q4 2024	Q1 2025	
Accrual Basis of Accounting	<a href="#">Agenda Item 9.2.4</a>		
Reporting Period			
Timeliness			
Consistency of Presentation			
Comparative Information	<div>✔</div> <div>(March 2024)</div>	<a href="#">Agenda Item 9.2.4</a>	
Changes in Accounting Policies, Retrospective Restatement or Reclassification	<a href="#">Agenda Item 9.2.4</a>		
Aggregation and Disaggregation			
Principles of Aggregation and Disaggregation	<div>✔</div> <div>(TF June 2024)</div>	<a href="#">Agenda Item 9.2.5</a>	
Offsetting	<div>✔</div> <div>(March 2024)</div>		

# Agenda Item 9.2.1

Statement of Financial Performance			Q1 2025  Chapter 3: Presenting Financial Performance
Classification of Revenue and Expenses	Q4 2024  (Breakout Group discussion, Dec 23)	Q1 2025	
Information to be Displayed in the Statement Financial Performance			
Information to be Displayed in the Statement Financial Performance or Disclosed in the Notes			
Statement of Comprehensive Revenue and Expense <sup>4</sup>			Q1 2025
Other Comprehensive Revenue or Expense	Q4 2024  (Breakout group discussion, March 24)	Q1 2025	
Items to be Displayed in the Statement Other Comprehensive Revenue and Expenses			
Items to be Displayed in the Statement Other Comprehensive Revenue and Expenses or Disclosed in the Notes			
Statement of Financial Position			Agenda Item 9.2.2  Chapter 4: Presenting Financial Position
Presentation of Assets and Liabilities	✓ (June 2024)	Agenda Item 9.2.6	
Items to be Displayed in the Statement of Financial Position or Disclosed in the Notes	✓ (June 2024)		
Net Assets/Equity	Q3 2024		
Statement of Changes in Net Assets/Equity			Q1 2025  Chapter 5: Presenting Changes in Net/Assets Equity
Items to be Displayed in the Statement of Changes in Net Assets/Equity or Disclosed in the Notes	Q4 2024	Q1 2025	
Notes			Q2 2025  Chapter 6: Notes and Other Disclosures
Structure	No significant issues	Q1 2025	
Accounting Policies			
Key Sources of Estimation and Uncertainty			
Capital Management			
Management-defined Performance Measures	Q1 2025  (Breakout Group discussion, Dec 23)		
Other Disclosures	No significant issues		

<sup>4</sup> Subject to future IPSASB deliberation on introducing the total comprehensive revenue and expense (i.e. OCI) concept into IPSAS.

## Draft Consultation Paper – Statement of Financial Position

### Question

- Does Chapter 3 of the draft Consultation Paper (CP) in [Agenda Item 9.3.1](#) reflect the IPSASB's deliberation of issues related to the Statement of Financial Position in June 2024?<sup>5</sup>

### Recommendation

- Staff recommends that Board members review Chapter 3 of the draft CP and provide feedback to support its ongoing development. Any editorial comments, including wording preferences, can be shared with staff directly.

### Background

- [Agenda Item 9.3.1](#) presents the draft CP, consolidating the matters considered by the IPSASB to date, which includes the sections provided in Table 1.

**Table 1**

<p>(a) <i>Project Overview</i> Outlines the project purpose, project scope, and development approach</p>	<p>The IPSASB considered a first draft of these opening sections in December 2023.</p>
<p>(b) <i>Chapter 1 — Development of New Presentation Standards</i> Explains why a new IPSAS is required, the project drivers, and the development of the illustrative exposure draft.</p>	<p>In contrast to the earlier drafts, these sections have been condensed to keep the CP document succinct.</p>
<p>(c) <i>Chapter 3 — Statement of Financial Position</i> Considers the key issues concerning the presentation of assets and liabilities on the face of Statement of Financial Position.</p>	<p>The draft Chapter is based on the IPSASB's deliberation of related issues in June 2024.</p>

- This meeting focuses on receiving Board feedback on whether staff has appropriately captured the IPSASB's decisions and instructions in Chapter 3 on the Statement of Financial Position. This is the first substantive chapter considered by the IPSASB that addresses a primary financial statement.
- We note that this chapter does not propose any significant changes to existing requirements for presenting the Statement of Financial Position because:
  - IPSAS 1 is already substantially aligned with IFRS,
  - The issuance of IFRS 18 has not led to any significant changes in the requirements for presenting this statement; and
  - No public sector specific issues were identified during this project's scoping and research phase that would warrant changes to the current requirements.

<sup>5</sup> Subject to changes resulting from the development of other chapters.

5. Although no substantial changes are proposed, the draft chapter aims to:
  - (a) Provide a brief overview of the existing requirements in IPSAS — giving all readers a baseline understanding of the current requirements, enabling them to consider whether changes are needed;
  - (b) Offer insight into the issues considered by the Board — informing the reader of the key matters and alternative approaches; and
  - (c) Explain the basis for the Board's preliminary views — encouraging feedback on whether stakeholders agree or believe specific issues should be considered further during phase 2 of the project.
6. To achieve this objective, the draft chapter discusses the following core aspects of presenting the Statement of Financial Position, as outlined in Table 2.

**Table 2**

Core aspect	IPSASB decisions June 2024
Classification of Assets and Liabilities	<p>The current/non-current approach for classifying assets and liabilities on the face of the Statement of Financial Position should be used as the general approach in IPSAS.</p> <p>However, the CP should reflect the other approaches considered by the Board.</p> <p>The order of liquidity required further consideration (see <a href="#">Agenda Item 9.2.7</a>).</p>
Display of Specific Line Items	<p>The list of asset and liability items required to be displayed on the face of the Statement of Financial Position (when relevant and material) should be aligned with IFRS 18.</p>
Structure and Presentation of Sub-Totals	<p>Consistent with IPSAS 1 (and IFRS 18), proposals should <u>not</u> seek to:</p> <ol style="list-style-type: none"> <li>(a) Prescribe the structure (i.e., the order or format) in which an entity is required to present the Statement of Financial Position; or</li> <li>(b) Define and require the presentation of any specific sub-totals on the face of the Statement of Financial Position.</li> </ol>

7. We anticipate using the same core aspects to help structure the other chapters on each primary financial statement. However, the other chapter will likely include a more substantive discussion of proposals to introduce enhancements to existing requirements in IPSAS 1.

## Decisions Required

8. To consider Chapter 3 in the draft Consultation Paper in [Agenda Item 9.3.1](#).

## **Development of Draft Illustrative Exposure Draft**

### **Purpose**

1. To update the IPSASB on the development of the draft illustrative exposure draft (IED).

### **Background**

2. As part of the first phase of this project, the IPSASB agreed to develop an IED to accompany the Consultation Paper (CP). The IED is a non-authoritative illustration of what a future pronouncement to replace IPSAS 1, *Presentation of Financial Statements* could look like based on the IPSASB's preliminary views expressed in the CP.
3. The IED illustrates how the general overarching presentation principles and the specific requirements in the proposed IPSAS will work together. The IED will help constituents understand the extent to which the IPSASB expects to align with, adapt, or depart from the requirements in IFRS 18 *Presentation and Disclosure in Financial Statements*. The IED will also help illustrate the extent of change compared to existing requirements in IPSAS 1.

### **Development Approach**

4. The IPSASB, in June 2024, reaffirmed its position that the draft IED should be developed using a rules-of-the-road approach, drawing primarily from IFRS 18. This approach is consistent with the [Project Brief](#) and the IPSASB strategic objective of maintaining alignment with the requirements, structure, and text of an equivalent IFRS unless there is a public sector reason that warrants a departure.<sup>6</sup>
5. Although the IED uses IFRS 18 as its starting base, modifications are required to ensure that it appropriately supports the objectives of financial reporting by public sector entities. That is, to provide information about the entity that is useful to the wide range of users in the public sector for accountability and decision-making purposes.<sup>7</sup>
6. The identification of modifications to IFRS 18 will be based on:<sup>8</sup>
  - (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;
  - (c) Addressing public sector-specific issues as identified in the Project Brief; and
  - (d) Reducing to the extent possible unnecessary differences with Government Finance Statistics (GFS);<sup>9</sup> and

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<sup>6</sup> 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').

<sup>7</sup> Paragraph 2.1 of the IPSASB Conceptual Framework.

<sup>8</sup> When developing an IPSAS, a departure from an equivalent IFRS is required 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.

<sup>9</sup> Based on the IPSASB's [Process for Considering GFS Reporting Guidelines during the Development of IPSASs](#).

## Advancing the Development of Draft IED

7. At this meeting, we are seeking feedback on the following sections of the IED:
  - (a) General Requirements for Financial Statements — [Agenda Item 9.2.4](#)
  - (b) Principles of Aggregation and Disaggregation — [Agenda Item 9.2.5](#)
  - (c) Statement of Financial Position — [Agenda Item 9.2.6](#)
8. The general requirements in (a) and (b) have been aligned with IFRS 18 with no substantive changes and are consistent with existing principles in IPSAS. These sections have been brought to the Board at this time because they provide important context for considering the specific requirements concerning the Statement of Financial Position in (c).

## Supporting Papers

9. The following supporting papers are provided to assist the IPSASB in reviewing the sections of the draft IED presented for consideration at this meeting
  - (a) [Agenda Item 9.3.2](#)—Draft IED based on sections completed to date. This includes the sections previously reviewed by the IPSASB and updated for feedback received.
  - (b) [Agenda Item 9.3.3](#) — Table of Concordance with IFRS 18.
  - (c) [Agenda item 9.3.4](#) — Table of Concordance with IPSAS 1.

## Decision Required

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

## **Illustrative Exposure Draft — General Requirements for Financial Statements**

### **Question**

1. Does the IPSASB agree that the proposed section of the IED on the *general requirements for preparing financial statements* has been appropriately drafted? <sup>1</sup>

To respond to this question, the IPSASB is asked to review and provide comments of a substantive nature on the following sections of the IED, as provided in [Agenda Item 9.3.2](#):

- (a) Core Standard — Paragraphs 38 – 68 (pages 21 – 29 of supporting paper); and
- (b) Application Guidance — Paragraphs AG14 – AG27 (pages 39 – 43 of supporting paper).

### **Recommendation**

2. For this section of the IED, Staff recommend:
  - (a) Aligning the paragraphs addressing the general requirements for preparing financial statements with IFRS 18 *Presentation and Disclosures in Financial Statements*, based on a rules-of-the-road approach; and
  - (b) Carrying forward public sector paragraphs from IPSAS 1, *Presentation of Financial Statements* that continue to be relevant and useful.

### **Background**

3. IPSAS 1 prescribes specific requirements for displaying information in the primary financial statements and disclosing information in the notes. It also sets out the general requirements for presenting general-purpose financial statements.
4. The general requirements which underpin the preparation of the accrual-based financial statements include:
  - (a) Fair presentation and compliance with IPSAS;
  - (b) Going concern (to be considered at a future meeting);
  - (c) Accrual basis of accounting;
  - (d) Material information (to be considered at future meeting);
  - (e) Frequency of reporting;
  - (f) Consistency of presentation
  - (g) Offsetting
  - (h) Comparative information; and
  - (i) Changes in accounting policy, retrospective restatement, or reclassification.

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<sup>1</sup> Subject to further consideration of the *going concern* concept and *material information* at a future meeting.

5. The general requirements for preparing and presenting financial statements as currently provided in IPSAS 1 are well-established in practice and generally consistent in accounting standards used across the public, not-for-profit, and for-profit sectors at the international and national level.
6. These general requirements are important for ensuring an appropriate level of consistency in the presentation of financial statements, which supports comparison between the financial statements of different entities and between reporting periods of the same entity.
7. During the research and scoping phase of this project, no specific issues were identified concerning the general requirements for preparing and presenting financial statements. Therefore, staff do not consider there is a need to explore significant changes to these underlying presentation requirements as part of this project.
8. The drafting of this section of the IED is being brought to the IPSASB's attention at this time, as the general presentation requirements provide an essential baseline and context for assessing the specific requirements for presenting the primary financial statements and notes.

*Alignment with IFRS*

9. The general requirements for financial statements as provided in IPSAS 1 are currently aligned with IAS 1, *Presentation of Financial Statements* as issued by the International Accounting Standards Board (IASB), except for the requirement to present a third balance sheet, as discussed below.
10. During the research phase of the IASB's *Primary Financial Statements* project, no issues or concerns regarding the general presentation requirements were identified. Consequently, this section of the standard was not an area of focus for the IASB. The issuance of IFRS 18 has resulted in the existing requirements and guidance concerning the general requirements for financial statements being carried forward from IAS 1 unchanged.<sup>2</sup>

**Previous discussion of issues**

11. In March 2024, the IPSASB discussed the following issues concerning the general requirements for financial statements to help identify any matters requiring further consideration.

*Fair presentation and compliance with IPSAS<sup>3</sup>*

12. The IPSASB considered whether the existing requirements concerning the disclosure of compliance with IPSAS continued to be appropriate. The current requirements in IPSAS 1 are aligned with IAS 1, which have been carried forward into IFRS 18 unchanged.
13. The IPSASB agreed the existing requirements concerning the disclosure of compliance with IPSAS should be retained in the IED. However, staff were asked to consider whether appropriate guidance was provided for jurisdictions that applied adapted versions of IPSAS. Board members also raised questions about how the disclosures concerning compliance with IPSAS interacted with IPSAS 33, *First-Time Adoption of Accrual Basis International Public Sector Accounting Standards*.

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<sup>2</sup> Although the existing paragraphs in IAS 1 were unchanged, the issuance of IFRS 18 resulted in some topics being relocated to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* as consequential amendments. For the CP stage of this project, these paragraphs are included in the IED, consistent with IPSAS 1.

<sup>3</sup> [Agenda Item 12.2.5 \(IPSASB Meeting March 2024\)](#).



14. In response to this question, staff note:
- (a) The scope of IPSAS 1 applies to reporting entities that prepare general purpose financial statements in accordance with IPSAS.<sup>4</sup> If a jurisdiction allows an entity to apply an adapted version of IPSAS (for example, based on national standards), then the national standard-setter should develop appropriate disclosure requirements to explain compliance with those national standards.
  - (b) IPSAS 33 guides entities transitioning to preparing financial statements based on full accrual-basis IPSAS adoption. During the transition period, an entity is permitted to take advantage of certain transition exemptions. In these circumstances, paragraph 33 of IPSAS 33 requires a first-time adopter to assess whether the transitional provisions adopted affect the first-time adopter's ability to assert fair presentation and compliance with IPSAS.
15. Staff consider that it would not be appropriate for the IED to address the disclosures concerning compliance with IPSAS for entities using an adapted version of IPSAS, as IPSAS is intended for entities that fully comply with it. However, there may be an opportunity to develop staff guidance to support national standard setters in establishing appropriate disclosures for jurisdictions that use adapted versions of IPSAS.

*Additional comparative information<sup>5</sup>*

16. The IPSASB previously considered whether to introduce the requirement to present a 'third balance sheet' into IPSAS in certain circumstances.
17. In 2007, the IASB introduced requirements to present a third balance sheet through amendments to IAS 1, which have been carried forward into IFRS 18. However, these amendments have not yet been incorporated into IPSAS.
18. IAS 1 requires an entity to present a Statement of Financial Position as at the beginning of the earliest comparative period (a third balance sheet') if:
- (a) It applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements, or reclassifies items in its financial statements; and
  - (b) Because of these changes, the comparative year's opening net asset/equity position is materially impacted.
19. The Board expressed mixed views on the benefit of this presentation requirement for the public sector. However, it was agreed that the requirements should be included in the IED based on retaining consistency with for-profit reporting and that no public sector reason to depart from IFRS had been identified. The Board noted the CP should seek to encourage feedback on this preliminary view.

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<sup>4</sup> Paragraph 2 of IPSAS 1.

<sup>5</sup> [Agenda Item 12.2.3 \(IPSASB Meeting March 2024\)](#).

*Offsetting*<sup>6</sup>

20. The IPSASB considered whether the general presentation requirements in IPSAS 1 concerning offsetting should be included in the IED. The current requirements in IPSAS 1 are aligned with IAS 1, which have been carried forward into IFRS 18 unchanged.
21. The Board agreed that the existing requirements and guidance should be included in the IED.

**Other issues**

22. In addition to the issues discussed above, staff have identified the following general presentation principles as requiring further analysis:
  - (a) The *going concern* concept; and
  - (b) The disclosure of *material information*.
23. Although constituents have raised no specific issues (and no changes have been introduced through the issuance of IFRS 18), some stakeholder groups propose improved guidance and disclosures in these areas. Recognizing the significant importance of these principles in preparing financial statements, we will discuss these two topics with the Task Force before discussing the issues with the Board at a future meeting.

**Analysis**

24. Subject to further analysis of the requirements concerning going concern and disclosure of material information, staff have not identified any reason to depart from the general requirements for financial statements in IFRS 18.
25. No substantive updates are necessary to the existing general requirements for financial statements in IPSAS 1 from a public sector perspective because:
  - (a) They are consistent with principles and concepts in the IPSASB Conceptual Framework; and
  - (b) During this project's research and scoping phase, no public sector-specific issues regarding these general requirements were identified.
26. [Agenda Item 9.3.2](#) provides the proposed drafting of the general requirements for financial statements in the IED and further staff comments.

**Decision Required**

27. Does the IPSASB agree with the staff [recommendation](#) in paragraph 2?

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<sup>6</sup> [Agenda Item 12.2.4 \(IPSASB Meeting March 2024\)](#).

## **Illustrative Exposure Draft — Principles of Aggregation and Disaggregation**

### **Question**

1. Does the IPSASB agree that the proposed section of the IED on the principle of *Aggregation and Disaggregation* has been appropriately drafted?

To respond to this question, the Board is asked to review and provide comments of a substantive nature on the following sections of the IED, as provided in [Agenda Item 9.3.2](#):

- (a) Core Standard — Paragraphs 69 – 74 (pages 29 – 31 of the supporting paper); and
- (b) Application Guidance — paragraphs AG28 – AG40 (pages 44 – 48 of the supporting paper).

### **Recommendation**

2. Staff recommends incorporating the new guidance into the IED based on a rules-of-the-road approach, with modifications limited to terminology changes to reflect the public sector context.

### **Background**

3. Financial statements portray the financial effects of transactions and other events by grouping transactions based on shared characteristics into balances described as items. The aggregation principle combines individual transactions or items into larger balances, and the disaggregation principle breaks down aggregated balances into smaller ones. An entity must use its judgment to determine an appropriate level of aggregation and disaggregation when presenting items in the primary financial statements and notes.

#### *Existing guidance in IPSAS*

4. IPSAS 1 currently provides limited guidance on how to apply the general principles of aggregation and disaggregation. Aggregation is required to provide information relevant to understanding the entity's financial position, financial performance, and cash flows on the face of the primary financial statements. Disaggregation is required to provide further detailed information in the notes to support the primary financial statements.
5. Paragraph 46 of IPSAS 1, *Presentation of Financial Statements* provides that:
  - (a) If a line item is not individually material, it is aggregated with other items either on the face of those statements or in the notes; and
  - (b) A line item that is not sufficiently material to warrant separate presentation on the face of those statements may nevertheless be sufficiently material for it to be presented separately in the notes.

#### *New IFRS guidance*

6. IFRS 18 *Presentation and Disclosures in Financial Statements* has introduced enhanced guidance on applying the principles of aggregation and disaggregation. This has been done to support decisions about selecting information to display on the face of the primary financial statements or disclose in the notes.

7. The IASB developed enhanced guidance in response to feedback that financial statements do not always include appropriately aggregated or disaggregated information. Specifically, IASB research indicated that users consider that some line items within the primary financial statements provide information that is too highly aggregated to be useful.<sup>1</sup>
8. The new IFRS 18 guidance requires entities to ensure that:
  - (a) Items are classified and aggregated based on shared characteristics<sup>2</sup> and disaggregated based on characteristics that are not shared;
  - (b) Items are aggregated or disaggregated such that the primary financial statements and the notes fulfil their roles;<sup>3</sup> and
  - (c) The aggregation and disaggregation of items does not obscure material information.
9. In applying these requirements, IFRS 18 provides that aggregated information must be further disaggregated when the resulting information is material. In these circumstances, if the information is not displayed in the primary financial statements, it shall be disclosed in the notes.
10. IFRS 18 specifically requires that items aggregated and displayed as line items on the face of a primary financial statement, shall have at least one similar characteristic other than meeting the definition of a financial statement element.
11. IFRS 18 also introduces specific guidance on labelling items that are grouped together and described as 'other'. IFRS 18 provides that: An entity shall only display or disclose items as 'other' if it cannot find a more informative label (achieving this objective may require the entity to reconsider how the information has been aggregated or disaggregated); and
  - (b) If an entity cannot find a more informative label than 'other':
    - (i) The entity shall use a label that describes the aggregated items as precisely as possible, for example, 'other operating expenses; and
    - (ii) For aggregation comprising only items for which the information is not material, an entity shall disclose further information about the amount, for example, an explanation that no material items are included and a description of the nature and amount of the largest item.

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<sup>1</sup> [Staff Paper: IFRS Advisory Forum — Guidance on Aggregation and Disaggregation \(April 2018\)](#)

<sup>2</sup> Examples of shared characteristics include their nature, function, measurement basis, liquidity, geographical location, or type of service or good being delivered.

<sup>3</sup> In IFRS 18, the roles of the primary financial statement and notes are set out as follows:

- (a) The role of the primary financial statements is to provide a structured and comparable summary of an entity's recognized assets, liabilities, equity, income, and expenses; and
- (b) The role of the notes is to:
  - (i) Provide further information necessary to disaggregate, reconcile and explain the items recognized in the primary financial statements; and
  - (ii) Supplement the primary financial statements with other information that is necessary to meet the objective of financial statements.

### Analysis

12. Staff consider that it is appropriate to include the new IFRS 18 guidance on aggregation and disaggregation in the proposed IED because:
  - (a) The guidance is, in principle, aligned with existing requirements in IPSAS,<sup>4</sup>
  - (b) The guidance is consistent with related concepts in the IPSASB's Conceptual Framework;<sup>5</sup> and
  - (c) The IASB introduced the guidance to clarify existing principles and support consistent application, which will help advance the project's objectives.
13. Staff have not identified a public sector specific reason to depart from the IFRS 18 requirements or the need for public sector-specific guidance, except for terminology changes to ensure consistency with IPSAS literature.<sup>6</sup>
14. The section on aggregation and disaggregation also includes the guidance on offsetting, which the IPSASB considered in March 2024 with no issues identified.
15. [Agenda Item 9.3.2](#) provides the proposed drafting of the requirements and application guidance in the IED concerning aggregation and disaggregation, together with further staff analysis.

### Decisions required

16. Does the IPSASB agree with the staff [recommendation](#) in paragraph 2?

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<sup>4</sup> IASB IFRS 18 *Effects Analysis* document provides that "applying the principles of aggregation and disaggregation is likely to result in incremental costs for most companies".

<sup>5</sup> Chapter 8 of the Conceptual Framework discusses the selection of information to display on the face of a financial statement and the disclosure of additional information in the notes, which is linked to the concept of aggregation and disaggregation.

<sup>6</sup> The display of specific line items for the presentation of revenue and expenses on the face of the statement of financial performance will be addressed separately.

## Illustrative Exposure Draft —Presenting the Statement of Financial Position

### Question

1. Does the IPSASB agree that the proposed section of the IED on presenting the *Statement of Financial Position* appropriately reflects previous Board decisions and instructions?

The Board is asked to review and provide comments of a substantive nature on the following sections of the IED, as provided in [Agenda Item 9.3.2](#):

- (a) Core Standard — Paragraphs 124 – 128 (pages 31 – 35 of the supporting paper); and
- (b) Application Guidance — paragraphs AG102 – AG124 (pages 48 – 55 of the supporting paper).

### Recommendation

2. Staff recommend aligning the requirements for presenting the Statement of Financial Position with IFRS 18, which aligns with existing requirements in IPSAS 1, *Presentation of Financial Statements*).

### Background

3. The Statement of Financial Position is one of the primary financial statements that forms part of a complete set of financial statements. It enables users to assess the extent of an entity's resources and obligations, represented by its assets, liabilities, and net assets/equity at the end of a reporting period.
4. During the project's research and scoping stage, no specific concerns were identified regarding the presentation of the Statement of Financial Position in the public sector. Nevertheless, the IPSASB in June 2024 considered possible enhancements to existing requirements based on responding to public sector 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.<sup>1</sup>
17. Table 1 summarizes the key issues considered by the IPSASB in June 2024 and the direction provided to assist staff in developing the related section of the IED and draft chapter of the CP.

**Table 1**

Statement of Financial Position	
Key issues	IPSASB direction (June 2024)
How should assets and liabilities be broadly classified on the face of the Statement of Financial Position? <sup>2</sup>	<ul style="list-style-type: none"> <li>The IPSASB concluded that the current/non-current approach for classifying assets and liabilities should be retained as the general approach in IPSAS (consistent with IPSAS 1 and IFRS 18).</li> </ul>

<sup>1</sup> Specifically, the IPSASB has considered the work of the Canadian Public Sector Accounting Board (PSAB), which issued a revised reporting model for the public sector in October 2023.

<sup>2</sup> [Agenda Item 8.2.3 Classification of Asset and Liabilities \(June 2024\)](#)

	<ul style="list-style-type: none"> <li>• This conclusion was based on: <ul style="list-style-type: none"> <li>(a) The existing current/non-current approach is broadly used and accepted across both the for-profit and public sector;</li> <li>(b) Maintaining a consistent presentation approach will support the comparability of financial statements for public financial management purposes (PFM); and</li> <li>(c) An entity can choose to provide alternative classifications of assets and liabilities in the notes.</li> </ul> </li> <li>• Whether the order of liquidity presentation approach should continue to be permitted on an exception basis requires further analysis (see <a href="#">Agenda Item 9.2.7</a>).</li> <li>• The CP should discuss the different classification approaches considered by the IPSASB (including the financial/non-financial approach) and how the preliminary view was reached to mandate the current/non-current classification as the general approach.</li> </ul>
<p>Should IPSAS provide requirements for how the Statement of Financial Position should be structured (i.e. the order or format), including the presentation of specific sub-totals?<sup>3</sup></p>	<ul style="list-style-type: none"> <li>• The IPSASB concluded that consistent with IPSAS 1 and IFRS 18: <ul style="list-style-type: none"> <li>(a) IPSAS should not prescribe the structure in which an entity is required to present the Statement of Financial Position; and</li> <li>(b) IPSAS should not define or require the presentation of specific sub-totals on the face of the Statement of Financial Position.</li> </ul> </li> <li>• These conclusions were based on: <ul style="list-style-type: none"> <li>(a) Although IPSAS does not mandate a specific structure for the Statement of Financial Position, the requirements for the classification and display of specific line items offer sufficient guidance to support a consistent approach across the public sector;</li> <li>(b) IPSAS includes illustrative examples of the primary financial statements in non-authoritative</li> </ul> </li> </ul>

<sup>3</sup> [Agenda Item 8.2.4 Structure and Sub-Totals \(June 2024\)](#)

	<p>material accompanying the Standard, which serves as a benchmark for how the financial statements should be structured;</p> <p>(c) IPSAS allows the flexibility to present additional subheadings and subtotals when such a presentation is relevant to understanding an entity's financial position; and</p> <p>(d) It would not be helpful or feasible for IPSAS to define specific sub-totals used by individual jurisdictions to assess different aspects of an entity's financial position (such as 'net debt') because these indicators are often measured differently based on jurisdictional considerations.<sup>4</sup></p>
<p>Do the existing requirements concerning the presentation of specific line items on the face of the Statement of Financial Position require enhancement?<sup>5</sup></p>	<ul style="list-style-type: none"> <li>The IPSASB concluded that the list of specific asset and liability line items required to be displayed on the face of the Statement of Financial Position should be aligned with IFRS 18 (which is consistent with existing requirements in IPSAS).</li> <li>This conclusion was conclusion was based on: <ul style="list-style-type: none"> <li>(a) No concerns arising in practice concerning existing requirements;</li> <li>(b) The list provides for the minimum line items requiring display (when material), additional line items shall be presented when such a presentation is relevant to understanding an entity's financial position; and</li> <li>(c) IPSAS allows the description of the line items to be amended based on the entity's nature and its transactions.</li> </ul> </li> </ul>

### Analysis

18. Based on the direction received from the IPSASB in June 2024, staff have drafted the related sections of the IED, which set out the requirements for presenting the Statement of Financial Position. A summary of these sections and overview of staff considerations is provided below.

<sup>4</sup> Instead, when specific non-GAAP measures of an entity's financial position are presented in the financial statements, IPSAS should provide requirements for an entity to explain their purpose and how they have been calculated. This will be addressed at a future meeting when the requirements concerning management-defined performance measures are developed.

<sup>5</sup> [Agenda Item 8.2.5 Presentation of Asset and Liability Line Items \(June 2024\)](#)



## Core Standard

19. In June 2024, the IPSASB confirmed its preliminary view that the requirements for presenting the Statement of Financial Position should be aligned with IFRS 18. For this statement, the IASB has carried forward the requirements in IFRS 18 from IAS 1 without any notable amendments.
20. The proposed requirements in the draft IED, based primarily on IFRS 18, are substantially consistent with the existing requirements in IPSAS. This is because IPSAS 1 is substantially aligned with IAS 1. Public sector-specific paragraphs from IPSAS 1 have been carried forward into the IED when they continue to be useful and relevant.

## Application Guidance

21. The proposed application guidance section of the draft IED (which forms an authoritative part of the standard) includes a significant amount of new guidance material. This new guidance primarily addresses the classification of assets and liabilities as current or non-current.
22. Most of the proposed application guidance material is currently included in the core text of IPSAS 1, which does not include an application guidance section due to being a relatively old standard. Staff considers it appropriate to move these IPSAS 1 paragraphs to the application guidance section (consistent with the approach taken in IFRS 18). This approach is consistent with other IPSASs, whereby the application guidance is used to support the consistent application of the requirements established in the core standard.

## Overview of alignment with IFRS 18

23. Table 2 illustrates the extent to which the paragraphs in IFRS 18 have been included in the draft IED.

**Table 2**

Presenting the Statement of Financial Position		
Core Standard		
IFRS 18 paragraph	IED paragraph	Extent of alignment with IFRS 18
96-97	124-125	Aligned with IFRS 18
98	-	The IFRS 18 paragraph is not used as it addresses the presentation of deferred tax, which is not applicable to IPSAS.
100-104	126-131	Aligned with IFRS 18
-	132	New IPSAS paragraph to reference the display requirements in IPSAS 47 <i>Revenue</i> and IPSAS 48 <i>Transfer Expenses</i> .
-	133	New IPSAS paragraph to remind the reader that specific line items listed in the IED only require display if material (as explained earlier in the IED).
105-106	134-135	Aligned with IFRS 18
-	136-138	IPSAS 1 paragraphs carried forward
Application Guidance (AG)		
B90-B108	AG102-AG121	Aligned with IFRS 18

*Overview of Changes in Contrast to IPSAS 1*

24. Table 3 illustrates the extent to which equivalent IPSAS 1 paragraphs have been included in the draft IED.

**Table 3**

<b>Presenting the Statement of Financial Position</b>		
<b>IPSAS 1</b>	<b>IED paragraph</b>	<b>Extent of alignment with IFRS 18</b>
<i>Current/Non-current Distinction</i>		
70-71	124-125	Carried forward and aligned with IFRS 18
72-75	AG102-AG105	Carried forward and moved to AGs (aligned with IFRS 18)
<i>Current Assets</i>		
76	126-127	Carried forward and aligned with IFRS 18
77-79	AG106-AG108	Carried forward and moved to AGs (aligned with IFRS 18)
<i>Current Liabilities</i>		
80	128-129	Carried forward and aligned with IFRS 18
81-87C	AG109-AG121	Carried forward and moved to AGs (aligned with IFRS 18)
<i>Information to be Presented on the Face of the Statement of Financial Position</i>		
88	130-131	Carried forward and aligned with IFRS 18
-	132	New IPSAS paragraph to reference the display requirements in IPSAS 47 <i>Revenue</i> and IPSAS 48 <i>Transfer Expenses</i> .
-	133	New IPSAS paragraph to remind the reader that specific line items listed in the IED only require display if material (as explained earlier in the IED).
89-90	134-135	Carried forward and aligned with IFRS 18
91-92	AG122	Carried forward and moved to AGs (aligned with IFRS 18)
<i>Information to be Presented Either on the Face of the Statement of Financial Position or in the Notes</i>		
93	-	Paragraph not used — equivalent requirements are provided in new guidance on aggregation and disaggregation.
-	AG123	New IFRS 18 AG paragraph
94	AG124	Carried forward and moved to AGs (aligned with IFRS 18)
95	136	IPSAS 1 paragraphs carried forward
95A	-	Paragraph moved to IPSAS 30, <i>Financial Instruments: Disclosures</i> (consistent with IFRS 18 consequential amendments).
96-97	137-138	IPSAS 1 paragraphs carried forward
98	161	Carried forward and aligned with IFRS 18

25. [Agenda Item 9.3.2](#) provides the proposed requirements and application guidance for presenting the Statement of Financial Position in the IED and further staff analysis.

**Decisions required**

26. Does the IPSASB agree with the staff [recommendation](#) in paragraph 2?

## Statement of Financial Position — Order of Liquidity Approach

### Question

1. Does the IPSASB agree to retain the order of liquidity as an approach for presenting the Statement of Financial Position that can be applied on an exception basis?

### Recommendation

2. Staff recommend retaining the exception to present the Statement of Financial Position based on the order liquidity approach, consistent with IPSAS 1 and IFRS 18.

### Background

3. At its June 2024 meeting, the IPSASB considered the requirements for classifying assets and liabilities on the face of the Statement of Financial Position. The IPSASB agreed to retain the current/non-current classification as the general approach in IPSAS to promote a consistent presentation across the public sector.
4. Based on this decision, the IPSASB asked staff to give further consideration to whether the order or liquidity should continue to be provided in IPSAS as a presentation approach that can be applied on an exception basis.
5. Paragraph 70 of IPSAS 1 sets out the current requirements for presenting assets and liabilities on the face of the Statement of Financial Position. These requirements are aligned with IAS 1, *Presentation of Financial Statements*, and have been carried forward unchanged into IFRS 18.

#### IPSAS 1

70 An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications on the face of its statement of financial position in accordance with paragraphs 76–87, except when a presentation based on liquidity provides information that is faithfully representative and is more relevant. When that exception applies, all assets and liabilities shall be presented broadly in order of liquidity.

6. Neither IPSAS 1 nor IFRS 18 provide further guidance on how to apply the order of liquidity approach or guidance concerning the specific circumstances in which it may be appropriate for the exception to apply.
7. In IPSAS, liquidity is generally considered to be how quickly an asset can be converted into cash or when a liability is required to be settled by cash or another financial asset.<sup>1</sup> This differs from the current/non-current distinction, which is based on when an asset or liability is expected to be realized, consumed, or settled. When applying the order of liquidity approach, neither IPSAS 1 nor IFRS 18 are clear on this subtle difference.
8. In practice, the order of liquidity approach is generally understood to involve listing asset and liability line items on the face of the Statement of Financial Position based on their relative liquidity (determined by how quickly they can be converted into cash or require settlement. Under this

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<sup>1</sup> *Liquidity* is not defined in IPSAS. However, *liquidity risk* is defined in IPSAS 30, *Financial Instruments: Disclosures*. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

presentation approach, the Statement of Financial Position typically only includes 'assets' and 'liabilities' subheadings, with no further classification.

9. When applying the order of liquidity approach, it is useful to note that information about the expected maturity of each asset and liability line item presented on the face of the Statement of Financial Position is required by way of note disclosure in accordance with paragraph 71 of IPSAS 1.

## IPSAS 1

71 Whichever method of presentation is adopted, for each asset and liability line item that combines amounts expected to be recovered or settled (a) no more than twelve months after the reporting date, and (b) more than twelve months after the reporting date, an entity shall disclose the amount expected to be recovered or settled after more than twelve months.

10. While not commonly used by many public sector entities, financial institutions (such as central banks) often use the order of liquidity approach because their assets are mainly financial instruments (with different maturity dates) rather than substantial tangible assets such as property, plant, and equipment. For these entities, listing items in order of liquidity, rather than splitting them across what is considered an arbitrary current non-current classification, provides a clearer view of how well resources are being managed to ensure obligations can be met as they fall due.
11. The financial statements of the Bank of England (the United Kingdom's Central Bank) provide an example of the order of liquidity approach applied in practice. Below is the Statement of Financial Position from their 2023 annual report.

	Note	2023 (£mn)	2022 (£mn)
<b>Assets</b>			
Cash and balances with other central banks	7	6,406	708
Loans and advances to banks and other financial institutions	8	192,784	203,219
Other loans and advances	9	843,797	896,134
Securities held at fair value through profit or loss	13	5,193	9,969
Derivative financial instruments	20	493	354
Securities held at amortised cost	16	16,619	15,959
Securities held at fair value through other comprehensive income	17	1,495	1,420
Investments in subsidiaries	24	–	–
Inventories		3	2
Property, plant and equipment	29	391	456
Intangible assets	30	237	202
Retirement benefit assets	26	719	1,279
Other assets	31	5,799	654
<b>Total assets</b>		<b>1,073,936</b>	<b>1,130,356</b>
<b>Liabilities</b>			
Deposits from central banks	10	17,533	30,739
Deposits from banks and other financial institutions	11	913,168	971,357
Deposits from banks – Cash Ratio Deposits	18	13,417	13,043
Other deposits	12	106,937	102,331
Foreign currency commercial paper in issue	14	5,598	2,713
Foreign currency bonds in issue	15	6,447	2,936
Derivative financial instruments	20	183	97
Deferred tax liabilities	34	448	559
Retirement benefit liabilities	26	133	216
Other liabilities	32	4,648	588
<b>Total liabilities</b>		<b>1,068,512</b>	<b>1,124,579</b>

Source: [Bank of England Annual Report and Accounts - 2023](#) | Bank of England

## Analysis

12. Staff recommend the order of liquidity be retained as a presentation approach that can be applied on an exception basis for the following reasons:
- (a) It is currently used by specific entities within the public sector, and no issues have been noted in practice;
  - (b) Its retention will maintain alignment with IFRS 18 (no public sector-specific reason has been identified to justify a departure from IFRS);
  - (c) When applicable, it provides information that is faithfully representative and more relevant than the current/non-current presentation approach (based on the considerations in paragraph 10); and
  - (d) If an order of liquidity approach is applied, entities will nevertheless be required to provide information about the expected maturity of assets and liabilities in the notes (as currently required by IPSAS 1).
13. The following basis for conclusions has been drafted to emphasize further the IPSASB's expectation that the order of liquidity approach should only be applied on an exception basis.

BCX The IPSASB concluded that to promote a consistent presentation approach, the current/non-current classification should be retained as the general approach in IPSAS for presenting the statement of financial position. The IPSASB also recognized that the order of liquidity approach should continue to be permitted on an exception basis when it is considered to provide faithfully representative and more relevant information. The circumstances in which this exception would apply will be based on the nature of the entity's activities, its assets and liabilities, and the application of professional judgment. For example, an order of liquidity approach may be faithfully representative and more relevant for presenting an entity's financial position when an entity holds mainly financial assets, such as a public sector financial institution.

14. Staff also note that B92 of IFRS 18 permits an entity to present some of its assets and liabilities using a current/non-current classification and others in order of liquidity – described as a mixed approach. We do not believe that a mixed presentation approach will be useful for promoting a consistent presentation of the Statement of Financial Position across the public sector and have therefore modified the application guidance as follows:

IFRS 18	Modified in draft IED ( <a href="#">Agenda Item 9.3.2</a> )
B92 In applying paragraph 124, an entity is permitted to present some of its assets and liabilities using a current/non-current classification and others in order of liquidity when this provides information that is reliable and more relevant. The need for a mixed basis of presentation might arise when an entity has diverse operations.	AG104 In applying paragraph 124, an entity using a current/non-current classification may choose to list the line items displayed under each classification based on an order of liquidity.

## Decision required

15. Does the IPSASB agree with the staff [recommendation](#) in paragraph 2?

### **Supporting Document 1 — Draft Consultation Paper**

The draft Consultation Paper (CP) referred to in [Agenda Item 9.2.1](#) and [Agenda Item 9.2.2](#) is posted separately for easier readability.

The draft CP reflects the issues considered by the IPSASB to date. The CP content page provides a useful overview of the future chapters that will be developed.

## **Supporting Document 2 — Draft Illustrative Exposure Draft**

The draft Illustrative Exposure Draft (IED) referred to in [Agenda Item 9.2.4](#) is posted separately for easier readability.

The draft IED reflects the issues considered to date by the IPSASB and the sections for consideration at this meeting. The draft ED is provided in a three-column format with marked-up changes in contrast to IFRS 18 and staff comments for IPSASB analysis purposes. We expect the published IED will be a 'clean version' with no marked-up changes and formatted using the IPSASB ED style.



### **Supporting Document 3 — Table of Concordance with IFRS 18**

The Table of Concordance is provided for those Board members who may wish to track how the requirements in IFRS 18 *Presentation and Disclosure in Financial Statements* correspond with the proposed requirements in the draft IED on a paragraph-by-paragraph basis.

The IPSASB has not been asked to review this document for this meeting. However, Board members are welcome to share any comments or questions directly with staff.

The Table of Concordance with IFRS 18 is posted separately for easier readability.

### **Supporting Document 4 — Table of Concordance with IPSAS 1**

The Table of Concordance is provided for those Board members who may wish to track how the existing requirements in IPSAS 1, *Presentation of Financial Statements* correspond with the proposed requirements in the draft IED on a paragraph-by-paragraph basis.

The IPSASB has not been asked to review this document for this meeting. However, Board members are welcome to share any comments or questions directly with staff.

The Table of Concordance with IPSAS 1 is posted separately for easier readability.