

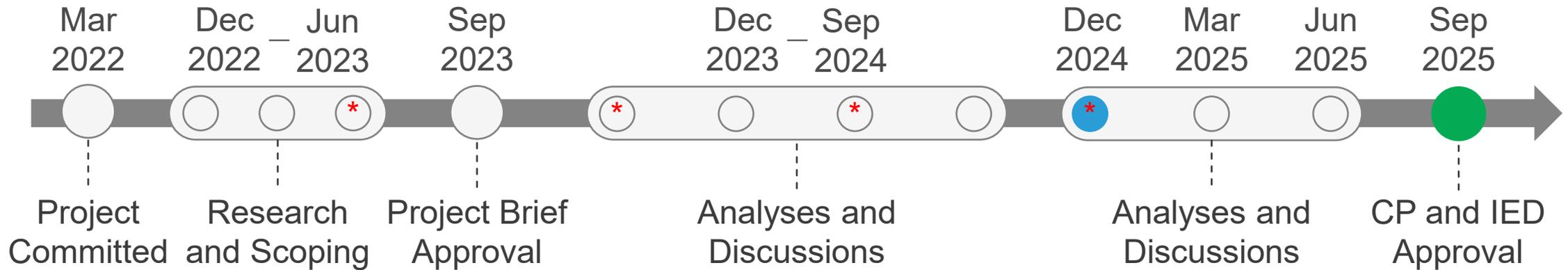
PRESENTATION OF FINANCIAL STATEMENTS

IPSASB Meeting – December 2024

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Project Overview and Next Steps



- Key strategic decisions:**
- Align with IFRS (unless there is public sector reason to deviate)
 - Be consistent with Conceptual Framework, and retain useful IPSAS 1 elements
 - Balance need for structure and flexibility

**Overview,
Scope,
General
Requirements,
Statement of
Financial Position**

**Statement of
Financial
Performance,
Statement of
Changes in Net
Assets/Equity,
Disclosures in Notes,
+ misc.**

* = received CAG advice

Project Overview and Next Steps

Topics	Discussions	CP Development	IED Development
Project Overview and Development	Completed	Reviewed	Reviewed
Purpose of FS / General Principles	Ongoing, Q2 2025	Ongoing, Q1-Q2 2025	Ongoing, Q2 2025
Statement of Financial Position	Completed	Reviewed	Reviewed
Statement of Financial Performance	Ongoing, Q1 2025	Q1-Q2 2025	Q1-Q2 2025
Statement of Changes in Net Assets/Equity	Q1 2025	Q2 2025	Q2 2025
Disclosures in the Notes	Q2 2025	Q3 2025	Q3 2025
Other Elements of IED	Q3 2025	Q3 2025	Q3 2025

Statement of Financial Performance – Categories

Current IPSAS

- Statement of Financial Performance is a **key source of financial information** for public sector financial statement (FS) users
- **IPSAS 1:**
 - Requires all revenues and expenses in period to be presented in Statement of Financial Performance (*unless another IPSAS requires otherwise*)
 - Sets minimum presentation and disclosure requirements, allowing substantial flexibility

Current IFRS

- IFRS 18, issued in April 2024, replaces IAS 1
- **IFRS 18 addresses information needs of FS users:**
 - Most substantial changes from IAS 1 relate to Statement of Profit or Loss, as existing IAS 1 requirements posed challenges
 - Introduces more **structured** format
 - Requires entities to **classify** income and expenses into **specific categories** to **improve how private sector entities communicate information**

Statement of Financial Performance – Categories

Analysis

- **Is there a similar potential for improvement in the public sector?**
Yes. Same objective and role of financial statements, and similar challenges posed by current presentation requirements.
- **Is categorization, as a concept, useful in the public sector?**
Yes. Conceptually, categorization helps users better understand, analyze, and objectively compare financial performance.
- **Is categorization, using the same terms as in IFRS 18, appropriate in the public sector?**
Yes, if supplemented with public sector guidance. Usefulness and classification expected to be consistent.

Recommendation

- **Require** entities to classify and present revenue and expense items in categories on the Statement of Financial Performance
- **Align** with IFRS 18 and its categories, **and** provide additional public sector guidance

Statement of Financial Perf. – Totals and Subtotals

Current IPSAS

- Statement of Financial Performance is a **key source of financial information** for public sector financial statement (FS) users
- **IPSAS 1:**
 - Sets minimum presentation and disclosure requirements, allowing substantial flexibility
 - Requires only one total: surplus or deficit

Current IFRS

- IFRS 18, issued in April 2024, replaces IAS 1
- **IFRS 18 addresses information needs of FS users:**
 - Most substantial changes from IAS 1 relate to Statement of Profit or Loss, as existing IAS 1 requirements posed challenges
 - Introduces more **structured** format
 - Requires entities to present **two new defined subtotals**

Statement of Financial Perf. – Totals and Subtotals

Analysis

- **Is there a similar potential for improvement in the public sector?**
Yes. Same objective and role of financial statements, and similar challenges posed by current presentation requirements.
- **Are totals & subtotals, as a concept, useful in public sector?**
Yes. Conceptually, they help users better understand, analyze, and objectively compare financial performance.
- **Is the existing total (surplus or deficit) appropriate to retain?**
Yes. Remains a fundamental and useful metric.
- **Are new defined subtotals, as required in IFRS 18, appropriate in the public sector?**
Yes. Useful in providing comparable measures of performance.

Recommendation

- **Require** entities to present *surplus or deficit* (consistent with IPSAS 1 and IFRS 18);
- **Require** entities to present *operating surplus or deficit and surplus or deficit before financing* (similar to IFRS 18); and
- **Permit** entities to present additional subtotals, if they meet specific requirements

Enhancing Transparency: Revenues and Expenses Recognized Outside of Surplus or Deficit

March 2024

Based on preliminary discussions, IPSASB agreed:

- Any new presentation requirements should **enhance transparency and understanding** (if greater transparency is needed)
- Take **IFRS-aligned** approach

December 2024

Progress discussions by considering the following:

- **Is there a need** for greater transparency and clearer communications of these items in the FS?
- **How** can the IPSASB enhance transparency and communication, and are there private sector learnings to leverage?

March 2025

Finalize:

- Any remaining discussions
- Review drafting in CP and IED

Enhancing Transparency: Revenues and Expenses Recognized Outside of Surplus or Deficit

[Discussion A]

Do you believe there is a need for greater transparency and clearer communication of this information in the financial statements?

Considerations for Breakout Discussion:

- IPSAS currently requires revenues and expenses to be presented in two locations: in surplus or deficit (on Statement of Financial performance) or outside of surplus or deficit directly in net assets/equity (on Statement of Changes in Net Assets/Equity)
- Allocation: developed over time, no explicit basis. Aligned with IASB's allocation.
- All revenues and expenses are changes in net financial position. Presenting certain items separately from others can help FS users better understand nature and quantity of changes.
- Reduced visibility and prominence may impact usefulness and may impede transparency and clarity of communications.

Enhancing Transparency: Revenues and Expenses Recognized Outside of Surplus or Deficit

[Discussion B]

If yes [there is a need and potential for improvement], how can the IPSASB enhance transparency and communication, and are there learnings from the private sector the IPSASB could leverage?

Considerations for Breakout Discussion:

- Broad group of public sector financial statement users.
- From standard setting perspective, consider:
 - Location: Where should financial information be presented that is accessible and understandable for FS users, to effectively convey the nature, substance, and importance of this financial information; and
 - Terminology: Use terminology that succinctly captures the nature and substance of financial information, that resonates with the majority of users in the public sector.
- Paper provides further analysis, options, and other considerations.

Enhancing Transparency: Revenues and Expenses Recognized Outside of Surplus or Deficit

Intended Outcome

At the end of the breakout session, please be ready to share views on the following:

1. Is there a need for greater transparency and clearer communication of revenue and expense items recognized outside of surplus or deficit in the financial statements?
2. If yes, would you recommend the IPSASB enhance transparency and communication by:
 - i. Location:* Requiring entities to present revenue and expense items recognized outside of surplus or deficit using Option(s) [X]?; and/or
 - ii. Terminology:* Describing these revenue and expense items recognized outside of surplus or deficit using the Term [Y] in its IPSAS guidance?

