Consultation Paper
April 2026
Comments due: September 14, 2026

IPSAS®

Presentation of Financial Statements

IPSASB International Public Sector Accounting Standards Board®

This document was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The objective of the IPSASB is to serve the public interest by setting high-quality public sector accounting and sustainability reporting standards and by facilitating the adoption and implementation of these, thereby enhancing the quality and consistency of practice throughout the world and strengthening the transparency and accountability of public sector finances and sustainable development.

In meeting this objective, the IPSASB sets International Public Sector Accounting Standards™ (IPSAS®), IPSASB SRS™ Standards, IPSAS® Practice Statements, and Recommended Practice Guidelines™ (RPG™), for use by public sector entities, including national, regional, and local governments, and related governmental agencies.

IPSAS Accounting Standards relate to the general purpose financial statements (financial statements) and are authoritative. IPSASB SRS Standards relate to sustainability disclosures and are authoritative. RPG Guidelines are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. IPSAS Practice Statements are non-mandatory guidance. Unlike IPSAS Accounting Standards and IPSASB SRS Standards, IPSAS Practice Statements and RPG Guidelines do not establish requirements. IPSASB SRS Standards, IPSAS Practice Statements, and RPG Guidelines do not provide guidance on the level of assurance (if any) to which information should be subjected.

The structures and processes that support the operations of the IPSASB are facilitated by the International Federation of Accountants® (IFAC®).

REQUEST FOR COMMENTS

This Consultation Paper, *Presentation of Financial Statements* was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The proposals in this Consultation Paper may be modified in light of comments received before being issued in final form. **Comments are requested by September 14, 2026**.

Respondents are asked to submit their comments electronically through the IPSASB website, using the "Submit a Comment" link. Please submit comments in both a PDF and Word file. Also, please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website. This publication may be downloaded from the IPSASB website: www.ipsasb.org. The approved text is published in the English language.

Guide for Respondents

The IPSASB welcomes comments on all the matters discussed in this Consultation Paper, including all Preliminary Views and Specific Matters for Comment. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording. Comments must be submitted in English.

The Preliminary Views and Specific Matter for Comment in this Consultation Paper are provided below. Chapter numbers identify the location of the Preliminary View or Specific Matter for Comment in the text.

Preliminary View 1—Chapter 1: Development of New Presentation Standard

The IPSASB's Preliminary View is that the development of a new IPSAS Standard to replace IPSAS 1, *Presentation of Financial Statements* should consider IFRS 18 *Presentation and Disclosure in Financial Statements*, with appropriate adaptations to reflect the objectives of financial reporting by public sector entities.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed in the development approach.

Preliminary View 2—Chapter 2: General Presentation Requirements

The IPSASB's Preliminary View is to continue providing definitions on financial statement elements (aligned with the IPSASB Conceptual Framework and IFRS 18) in the new IPSAS Standard, and to provide other definitions that support the understanding and application of presentation requirements.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons, and clearly explain what you consider should be changed from a public-sector perspective.

Preliminary View 3—Chapter 2: General Presentation Requirements

The IPSASB's Preliminary View is to retain the existing requirements regarding comparative information, and to add the requirement for an additional Statement of Financial Position at the beginning of the preceding period when previously reported information has been materially impacted by a restatement or reclassification into IPSAS Standards, aligned with IFRS 18 requirements.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed from a public-sector perspective.

Preliminary View 4—Chapter 2: General Presentation Requirements

The IPSASB's Preliminary View regarding the other general presentation requirements is to:

a) Retain existing IPSAS 1 guidance, without updates:
   i. The responsibility of financial statements (paragraphs 2.9-2.10);

b) Retain existing IPSAS 1 guidance, with updates to align with IFRS 18 for the public sector context:
   i. The objective of financial statements (paragraphs 2.4-2.8);
   ii. The complete set financial statements (paragraphs 2.11-2.13);
   iii. Identification of financial statements (paragraphs 2.20-2.21);
   iv. Material information (paragraphs 2.33-2.34);
   v. The other general presentation requirements in Table 2 (paragraphs 2.41-2.44);

c) Add new guidance, aligned with IFRS 18 and the IPSASB's Conceptual Framework:
   i. The roles of the financial statements and notes (paragraphs 2.14-2.19); and
   ii. The other general presentation requirements in Table 2 (paragraphs 2.41-2.44).

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed in the development approach.

Preliminary View 5—Chapter 3: Statement of Financial Position

The IPSASB's Preliminary View is to retain:

(a) The current/non-current approach as the general approach for classifying assets and liabilities on the face of the Statement of Financial Position;

(b) The order of liquidity approach as a permitted approach on an exception basis; and

(c) The mixed approach, to allow some assets and liabilities to be presented using the current/non-current classification, and others are presented in order of liquidity.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed regarding the classification of assets and liabilities on the Statement of Financial Position.

Preliminary View 6—Chapter 3: Statement of Financial Position

The IPSASB's Preliminary View is that the specific line items required in IPSAS 1 should be carried forward, with enhancements limited to adding a new line for goodwill (to align with IFRS 18).

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what line items should be added or removed from the list provided in Table 3.

Preliminary View 7—Chapter 3: Statement of Financial Position

The IPSASB's Preliminary View is that the new IPSAS Standard should retain IPSAS 1 requirements to:

(a) Not prescribe a specific structure (i.e., order or format) for presenting the Statement of Financial Position; and

(b) Not require the presentation of specific subtotals on the Statement of Financial Position.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed regarding the structure and the presentation of specific subtotals.

Preliminary View 8—Chapter 4: Statement of Financial Performance

The IPSASB's Preliminary View is to present revenue and expense items recognized in surplus or deficit in categories on the Statement of Financial Performance. The categorization requirements are aligned with IFRS 18 requirements, with additional public sector guidance.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed (for example, if you prefer a specific public-sector specific categorization, such as those considered in paragraph 4.30, please explain why it would meet the criteria in paragraph 4.29).

Preliminary View 9—Chapter 4: Statement of Financial Performance

The IPSASB's Preliminary View is to present totals and subtotals, and to permit entities to present additional subtotals, on the Statement of Financial Performance, as listed in paragraph 4.35. The total and subtotal requirements are aligned with IFRS 18 requirements, adapted for the public sector.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed.

Preliminary View 10—Chapter 4: Statement of Financial Performance

The IPSASB's Preliminary View is to maintain the minimum requirements regarding the presentation of line items on the face of the Statement of Financial Performance, with additional guidance. The minimum line item presentation requirements are aligned with IFRS 18 requirements, with additional public sector guidance.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed.

Specific Matter for Comment 1—Chapter 4: Statement of Financial Performance

The IPSASB proposes to maintain the requirements to present expenses by the nature of the expenses or by their function to the entity on the face of the Statement of Financial Performance, in alignment with IFRS 18 requirements, with additional guidance.

In your view, should the new IPSAS Standard replacing IPSAS 1 permit mixed presentation, where some expense line items are presented by nature, while others are presented by function? Would mixed presentation result in a useful structured summary of those expenses for users of financial statements in your jurisdiction?

Please provide the reasoning behind your view.

Preliminary View 11—Chapter 5: Statement of Changes in Net Assets/Equity

The IPSASB's Preliminary View is to maintain (1) requirements to present revenue and expense items recognized outside surplus or deficit directly in net assets/equity, on the Statement of Changes in Net Assets/Equity, and (2) requirements related to reclassification adjustments.

Do you agree with the IPSASB's Preliminary View, and are there additional enhancements to these IPSAS 1 requirements the IPSASB should consider (for example, whether to enhance disclosure requirements to help users better understand the nature and composition of material revenue and expense items recognized outside of surplus or deficit)?

If you do not agree, please provide your reasons and clearly explain what you consider should be changed.

Preliminary View 12—Chapter 5: Statement of Changes in Net Assets/Equity

The IPSASB's Preliminary View is to maintain the presentation requirements regarding the Statement of Changes in Net Assets/Equity, and revise the reconciliation requirement to require the reconciliation be displayed on the face of the Statement.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed.

Preliminary View 13—Chapter 5: Statement of Changes in Net Assets/Equity

The IPSASB's preliminary view is that guidance based on IFRIC 17 *Distribution of Non-cash Assets to Owners* should not be incorporated into the IPSAS Standards, as the relevant transactions are not prevalent in the international public sector.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed.

Preliminary View 14—Chapter 6: Disclosure of Information in the Notes

The IPSASB's Preliminary View is to retain existing IPSAS 1 requirements for the disclosure of information in the notes to the financial statements, and incorporate the IASB's amendments to IAS 1 (as presented in paragraphs 6.7 and 6.12) which would align with equivalent IFRS Accounting Standards guidance.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed.

Preliminary View 15—Chapter 6: Disclosure of Information in the Notes

The IPSASB's Preliminary View is to not incorporate the IFRS 18 definition and disclosure requirements for management-defined performance measures (MPMs) into the IPSAS Standards.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed.

Preliminary View 16—Chapter 6: Disclosure of Information in the Notes

The IPSASB's Preliminary View is to not include an amended IFRS 18 MPM concept for application in the public sector (thereby not introducing an amended version of the IFRS 18 MPM definition or disclosure requirements into the IPSAS Standards).

Do you agree with the IPSASB's Preliminary View?

If not, please:

a) Provide your reasons, and provide specific examples of alternative performance measures that are defined by management and provided in public communications outside the financial statements; and

b) Clearly explain why there is a need for greater transparency of those measures that warrants new guidance in the IPSAS Standards.

CONSULTATION PAPER, *PRESENTATION OF FINANCIAL STATEMENTS*

CONTENTS

Project Overview

Introduction

1. General Purpose Financial Statements ('financial statements') prepared by governments and other public sector entities are structured reports that provide an important source of financial information about:

   (a) The resources the entity owns and controls (its assets);

   (b) The amount it owes and other obligations (its liabilities);

   (c) The money and other resources received in the reporting period (its revenue); and

   (d) The money spent and resources consumed in the reporting period (its expenses).

2. The financial statements confirm the financial impact of transactions incurred and other events or conditions. Under the accrual basis of accounting, this is achieved by presenting information about an entity's financial position, financial performance, and cash flows for a specified reporting period.

3. The information provided in financial statements is used as the basis for decision-making regarding the formation of future budgets, long-term fiscal sustainability forecasts, and public policy decisions. The information is also used to hold governments and other public sector entities accountable for the efficient use and management of public resources.

4. How financial information is presented in financial statements plays a critical role in strengthening public financial management (PFM) globally, due to the importance of ensuring the information presented is faithfully representative, comparable, verifiable, and useful for accountability and decision-making purposes.[1]

5. Users of public sector financial statements include the recipients of public sector services and the resource providers who fund those services (and their representatives). This comprises a wide range of users, such as citizens, taxpayers, legislators, policy advisors, lenders, creditors, and donors.[2] Public sector entities must continually consider how best to present the information provided in financial statements in response to their users' evolving needs.

6. The IPSASB plays a vital role in this process by developing high-quality accounting standards that provide appropriate principles and requirements for the presentation of information in financial statements.

Why is this project being undertaken?

7. The objective of this project is to improve the communication effectiveness of information reported in public sector financial statements by developing a new IPSAS Standard to replace IPSAS 1, *Presentation of Financial Statements.*

8. Financial statements are vital in the public sector as they ensure accountability, inform decision-making, promote transparency, and support efficient resource management. The IPSASB is, therefore, keen to explore enhancements to existing presentation requirements to improve the understandability and accessibility of the information presented in the financial statements.

9. Recent international developments have highlighted the opportunity to improve the existing IPSAS 1 requirements, which have not been substantially updated since its original publication in 2000. The financial reporting landscape has evolved significantly over this period, including the development of IFRS 18

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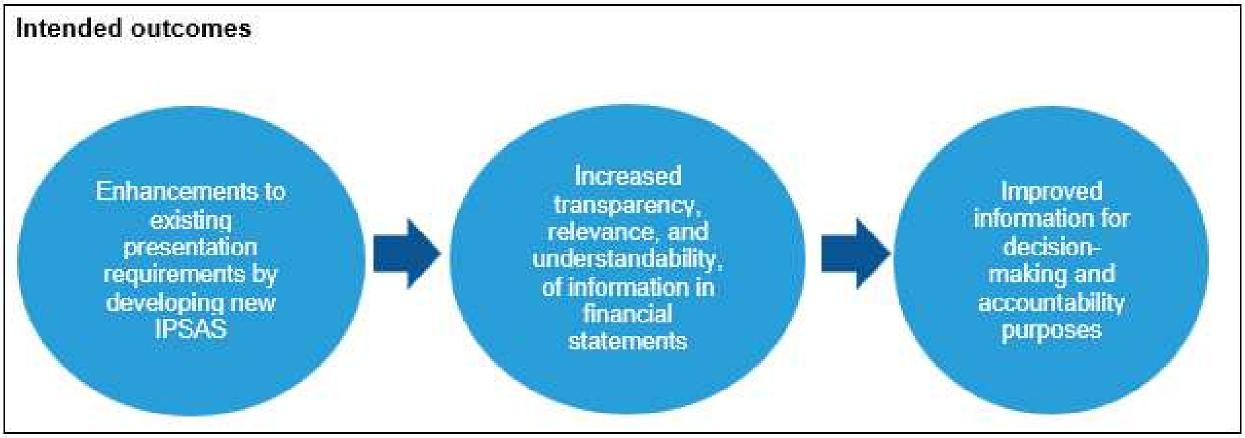
1 PFM, in its broadest sense, is the system by which financial resources are planned, directed, and controlled, both externally to and internally within the public sector, to enable the efficient, effective, and sustainable delivery of public service outcomes.

2 The financial information in financial statements is also used by other parties with an interest in the public sector, for example, statisticians, analysts, media, and lobby groups.

Presentation and Disclosure in Financial Statements by the International Accounting Standards Board (IASB), published in April 2024.

10. The project aims to develop a modern, fit-for-purpose IPSAS Standard that responds to recent financial reporting developments and the evolving needs of users of public sector financial statements.

11. An overview of the project objective and intended outcomes is illustrated in Diagram 1 below.



What is the scope of this project?

12. To achieve the project objective, the scope is focused on the principles and requirements for presenting information about an entity's assets, liabilities, net asset/equity, revenue, and expenses in its financial statements. This includes information displayed on the face of the primary financial statements and other information disclosed in the notes of the financial statements.

13. The project scope is determined by reference to the existing scope of IPSAS 1. IPSAS 1 currently sets out the general requirements for the selection, location, and organization of information reported in financial statements. The Standard also provides guidance on the structure, minimum disclosures, and overarching principles for preparing financial statements in accordance with IPSAS Standards.

14. IPSAS 1 is primarily focused on setting out the requirements for presenting the Statement of Financial Position, Statement of Financial Performance, and Statement of Changes in Net Assets/Equity. These are described in this consultation as the 'primary financial statements'

15. Other IPSAS Standards that include presentation requirements, such as IPSAS 2, *Cash Flow Statements*, are outside the scope of this project. Nonetheless, consequential amendments will be considered as part of this project to ensure other IPSAS Standards continue to work together with the new presentation Standard.[3]

How will this project be developed?

16. The IPSASB decided to initiate this project with a Consultation Paper (CP) due to the critical role that the presentation of financial statements plays in strengthening global PFM and the range of issues involved. The CP offers an opportunity to explore new ideas and gather constituent feedback on the IPSASB's preliminary views before developing a final pronouncement.

17. The Project is being developed over three distinct phases to allow for stakeholder feedback throughout, as explained in **Table 1**.

[3] Other related standards, in addition to IPSAS 2, include IPSAS 22, *Disclosure of Information About the General Government Sector,* and IPSAS 24, *Presentation of Budget Information in Financial Statements*. The need for comprehensive reviews of these other standards will be considered as part of the IPSASB's future Work Plan development.

Table 1

Phase 1 — Consultation Paper (CP) and illustrative Exposure Draft (illustrative ED)	This is the project's current phase, which is seeking feedback on the IPSASB's preliminary views on developing a new IPSAS Standard to replace IPSAS 1. An illustrative ED is included to provide constituents with an understanding of what the proposed Standard could look like based on the IPSASB's preliminary views as proposed in this consultation document.
Phase 2 — Exposure Draft (ED) of the proposed Standard to replace IPSAS 1, plus consequential amendments to other IPSAS Standards	Considering constituent feedback from Phase 1, the IPSASB will develop the ED of a final pronouncement, including consequential amendments to other IPSAS Standards, for public consultation.
Phase 3 — Final Standard	Based on constituent feedback received from Phase 2, the final IPSAS Standard and consequential amendments to other IPSAS Standards will be developed for publication.

18. The goal is to obtain feedback from the wide range of stakeholders who rely on the information presented in public sector financial statements. This feedback is essential for ensuring the development of enhancements to existing requirements are robust, practical, and widely accepted, ultimately contributing to improved transparency and accountability in public sector financial reporting.

19. Accompanying the CP is an illustrative ED of what a future pronouncement to replace IPSAS 1 could look like based on the IPSASB's preliminary views. In many jurisdictions, the existing presentation requirements in IPSAS 1 are well-established and applied broadly across the public sector. The illustrative ED, therefore, provides a helpful picture of what the changes could look like compared with the status quo, allowing constituents to consider the possible impacts and provide informed feedback in response to this consultation.

Chapter 1: Development of New Presentation Standard

1.1 To achieve the project's objective of improving the communication effectiveness of information reported in public sector financial statements, the IPSASB has considered the following to develop a new IPSAS Standard to replace IPSAS 1.

(a) Financial reporting developments since IPSAS 1 was last revised in 2006; and

(b) Issues identified during this project's scoping and research phase.

Financial Reporting Developments

1.2 IPSAS 1 was originally issued in May 2000 and was primarily drawn from IAS 1, *Presentation of Financial Statements* issued by the IASB. The Standard was last revised in December 2006.[4]

1.3 Since IPSAS 1 was last revised, the following related reporting developments have occurred, as summarized in **Table 2**.

Table 2 – Project Drivers

Financial Reporting Developments	**Project Drivers[5]**
IFRS developments The IASB has revised IAS 1 several times, introducing the concept of other comprehensive income (OCI) and making other amendments arising from its Disclosure Initiative projects. In April 2024, the IASB issued IFRS 18 which supersedes IAS 1.[6]	*Maintaining alignment with IFRS Accounting Standards to the extent appropriate for the public sector* The IPSASB's strategic objective is to align IPSAS Standards with the requirements, structure, and text of IFRS Accounting Standards, where transactions and user needs are the same. Alignment with IFRS Accounting Standards will ensure that the new proposed IPSAS Standard reflects the latest IASB developments. See Appendix A for more details.
IPSASB developments The IPSASB completed its *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the Conceptual Framework) for general purpose reporting by public sector entities. This included developing: • Definitions and recognition criteria for financial statement elements such as assets, liabilities, revenue, and expenses; and • General principles for displaying information on the face of the primary financial statements and disclosing information in the notes.	*Consistency with the IPSASB's Conceptual Framework* Since the issuance of its Conceptual Framework in 2014 and updates in 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 will help ensure the public sector context is appropriately reflected in the new proposed IPSAS Standard.

[4] IPSAS 1 has been subsequently amended for consequential amendments relating to the issuance of new IPSAS Standards.

[5] Appendix A provides additional information regarding the IPSASB's process for considering IASB and GFSM 2014.

[6] IFRS 18 was developed to improve the structure and content of the primary financial statements, with a focus on the statement(s) of financial performance.

Financial Reporting Developments	**Project Drivers**[5]
Government Finance Statistics Manual (GFSM 2014) developments The International Monetary Fund (IMF) issued an updated Government Finance Statistics Manual in 2014 (GFSM 2014). This manual provides comprehensive guidelines for compiling and presenting GFSM 2014 information, reflecting modern developments in fiscal reporting and statistical methodology.	*Reducing unnecessary differences with GFSM 2014* There is considerable overlap between IPSAS Standards accounting data and the information prepared for GFSM 2014 reporting purposes. Removing unnecessary differences between IPSAS Standards and GFSM 2014, will facilitate reporting under IPSAS 22, *Disclosure of Information about the General Government Sector* and help promote the broader use of IPSAS Standards-based information for PFM purposes. See Appendix A for more details.
Related work of National Standard-Setters Many national standard-setters in both the for-profit and public sectors have recently conducted projects focused on improving the communication effectiveness of information presented in financial statements.	*Considering alternative presentation approaches* The related projects of national standard-setters offer valuable insights into the needs of financial statement users at the jurisdictional level. These projects also present alternative presentation approaches that could be useful for reflecting the public sector context.

Issues Identified During Scoping and Research Phase[7]

1.4 During the scoping and research phase, the IPSASB identified the following common presentation issues raised by preparers and users of public sector financial statements.

(a) Entities are unsure how to apply the materiality concept when a specific disclosure is required by a standard, leading to the disclosure of immaterial or non-relevant information.

(b) Inconsistencies in the structure of the Statement of Financial Performance — specifically, the practice of presenting certain items of revenue and expenditure separately from an entity's surplus or deficit for the period.[8]

(c) Increased reporting of non-GAAP measures in financial statements, such as additional sub totals in the Statement of Financial Performance – the most common being 'operating surplus or deficit'. The calculation of these non-GAAP measures varies extensively between different jurisdictions.[9]

(d) Diversity in practice regarding the classification of assets and liabilities on the face of the Statement of Financial Position – for example, as an alternative to the current/non-current classification approach, some jurisdictions are using a financial/non-financial classification approach.

(e) Inconsistent accounting and presentation of equity reserves and reconciliation of movements for the reporting period. Also, some jurisdictions use different descriptions for categorizing equity balances, such as 'restricted and unrestricted reserves' or 'usable and unusable reserves'.

[7] This includes stakeholder feedback from recent IPSASB outreach events.

[8] Examples of line items excluded and presented separately include finance revenue, finance costs, proceeds from the sale of assets, fair movements, and actuarial gains and losses.

[9] Non-GAAP measures refer to measures of financial performance, financial position, or cash flows that are not based on measures provided for within accounting standards. Non-GAAP measures may be reported within or outside the financial statements.

1.5 The consideration of these issues has informed the development of the IPSASB's preliminary views as explored in the following chapters of this CP:

(a) Chapter 2: General Presentation Requirements

(b) Chapter 3: Statement of Financial Position

(c) Chapter 4: Statement of Financial Performance

(d) Chapter 5: Statement of Changes in Net Assets/Equity

(e) Chapter 6: Disclosure of Information in the Notes

Development of the Illustrative Exposure Draft

1.6 The IPSASB has reached several preliminary views as it has advanced the first phase of this project. An illustrative ED (Appendix D) has been developed to reflect what these views could look like in a new IPSAS Standard.

1.7 The illustrative ED has been developed using IFRS 18 as its starting point. The IPSASB considers that the presentation requirements between IPSAS Standards and IFRS Accounting Standards should be consistent unless there is a public sector reason to warrant a departure.[10] The IASB developed IFRS 18 through a rigorous due process and was tested through focus groups before being published.

1.8 Achieving consistency in the presentation requirements between IPSAS Standards and IFRS Accounting Standards, being how the financial statements are structured, minimum content requirements, and the descriptions used, provides immediate benefits from an understandability perspective. This is due to the familiarity many users of public sector financial statements have with IFRS-based financial statements.[11]

1.9 Although the development of the illustrative ED has been informed by the IASB's latest thinking on the presentation of financial statements as reflected in IFRS 18, it is essential to highlight that this is not purely an IFRS-alignment project. Modifications are reflected in the illustrative ED to ensure the public sector context is appropriately reflected.[12]

1.10 Some of the key issues considered from an IFRS 18 alignment perspective, include:

(a) The public sector approach to other comprehensive income (OCI)

IPSAS 1 does not currently include the concept of OCI, whereas IFRS Accounting Standards permits certain income and expense items to be recognized outside of the Profit and Loss Statement and instead presented in the Statement of Comprehensive Income. IPSAS Standards generally require these equivalent items of revenue and expenses to be recognized directly in equity reserves and accounted for through the Statement Changes in Net Assets/Equity.

(b) Sectioned Statement of Financial Performance

IFRS 18 has introduced a requirement to classify income and expenses into one of five categories presented in the Statement of Financial Performance — operating, investing, financing, income tax, and discontinued activities. An equivalent requirement does not currently exist in IPSAS 1. This consultation explores how revenue and expense should be classified to support the objectives of public

[10] Departures from IFRS Accounting Standards may be warranted when the requirements or terminology in IFRS Accounting Standards do not appropriately reflect the public sector context, or when additional guidance is necessary for specific or more prevalent transactions in the public sector.

[11] Stakeholder feedback on the IPSASB's Mid-Period Work Program Consultation supported the commencement of a project to revise IPSAS 1 based on the recent work of the IASB on improving communication effectiveness of information in financial statements.

[12] This has included considering the outcomes of related projects of public sector national standard-setters.

sector financial reporting — including whether to retain the requirement to present expenses by nature or by function, or allow a mixture of both.

(c) Aggregation and disaggregation of information

IFRS 18 has introduced enhanced principles for the aggregation and disaggregation of information. The consultation explores improvements to support the appropriate display of information in the primary financial statements and the disclosure of other information in the notes.

(d) Disclosure of management-defined performance measures

IFRS 18 has also introduced disclosure and reconciliation requirements for when management-defined performance measures (also commonly known as non-GAAP measures) are used to communicate management's view of an aspect of an entity's financial performance. The IPSASB has explored the extent to which non-IPSAS Standards measures are used in the public sector and the need for improved IPSAS Standards requirements.

1.11 These issues have been explored further within the relevant chapters of this CP.

Preliminary View 1—Chapter 1

The IPSASB's Preliminary View is that the development of a new IPSAS Standard to replace IPSAS 1, *Presentation of Financial Statements* should consider IFRS 18 *Presentation and Disclosure in Financial Statements*, with appropriate adaptations to reflect the objectives of financial reporting by public sector entities.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed in the development approach.

Chapter 2: General Presentation Requirements

Introduction

2.1 Presentation, which is the selection, location, and organization of information, aims to provide information that contributes towards the objectives of financial reporting and achieves the qualitative characteristics, while taking into account the constraints of information included in general purpose financial reports. Effective communication of information in financial statements is underpinned by general presentation principles.

2.2 This Chapter outlines the IPSASB's discussions and conclusions regarding these principles as general requirements for financial statements.

2.3 To advance the objectives of this project (as noted in Chapter 1), the IPSASB considered the following general presentation requirements:

(a) Objectives of Financial Statements;

(b) Responsibility for Financial Statements;

(c) Components of Financial Statements;

(d) Definitions; and

(e) General Requirements for Financial Statements.

Objectives of Financial Statements

2.4 General purpose financial statements (GPFSs, or financial statements) provide financial information to users for accountability and decision-making purposes.[13]

2.5 IPSAS 1 currently specifies that the objectives of financial statements are to provide information about a reporting entity's financial position, financial performance, and cash flows that are useful for decision-making and to demonstrate the accountability of the entity for the resources entrusted to it. Financial statements can have a predictive or prospective role regarding resources obtained and generated by continued operations, and provide information about a reporting entity's assets, liabilities, net assets/equity, revenue, expenses, other changes in net assets/equity, and cash flows, to meet these objectives.

2.6 The IPSASB confirmed that the objectives of financial statements stipulated in IPSAS 1:

(a) Are consistent with the *Objectives of Financial Reporting* in the IPSASB Conceptual Framework, issued in 2014 and updated in 2023, which states that the objectives of financial reporting are to provide information about the entity that is useful to users of general purpose financial reports (GPFRs) for accountability purposes and for decision-making purposes. While the scope of financial reporting is more comprehensive than that encompassed by financial statements (i.e., GPFRs are broader than GPFSs, and GPFSs are not intended to include all the information needed to discharge a public sector entity's reporting obligations), the information presented in financial statements remains at the core of financial reporting.[14]

(b) Are aligned in substance with IFRS 18, where the IASB states that the objective of financial statements is to provide information about an entity's assets, liabilities, revenue, and expenses to allow for an assessment of prospects for future net cash inflows to the entity and management's stewardship of the entity's economic resources. Aligning with the guidance in IFRS 18 would not result in a substantial change in IPSAS Standards, but appropriately reflects the public sector.

[13] Presented in the Preface and Chapter 2 of the IPSASB Conceptual Framework.

[14] Chapter 2 of the IPSASB Conceptual Framework.

2.7 The IPSASB concluded that the guidance in IPSAS 1 remains appropriate for the public sector, is consistent with the Conceptual Framework, and remains substantially aligned with IFRS Accounting Standards. Thus, the IPSASB proposes to incorporate guidance aligned with IFRS 18, to carry forward public-sector specific guidance from IPSAS 1, and to retitle this guidance as "Objective of Financial Statements" for consistency with the Conceptual Framework.

2.8 In considering how to better align with IFRS 18 guidance as appropriate for the public sector, the IPSASB noted that IFRS 18 does not reference 'cash flows' in its description of the objective of financial statements, as cash flow information is included in financial performance. The IPSASB acknowledged that cash flow information is not defined as a financial statement element and that some see it as an aspect of presenting financial performance, and that the Conceptual Framework emphasizes the importance of providing cash flow information in an entity's financial statements. For consistency with its Conceptual Framework, the IPSASB proposes to retain the reference to cash flows in its description of the objective of financial statements.

Responsibility for Financial Statements

2.9 IPSAS 1 acknowledges that the responsibility for preparing and presenting financial statements varies within and across jurisdictions, noting that some jurisdictions may separate the roles of preparation from those of approval or presentation. It also provides examples of individuals or roles that may be responsible for preparing financial statements at entity level (government departments or equivalent) or consolidated level (the government as a whole).

2.10 The IPSASB concluded that this guidance remains relevant and useful to public sector reporting and, therefore, should be carried forward to the new IPSAS Standard to replace IPSAS 1.

Components of Financial Statements

A Complete Set of Financial Statements

2.11 IPSAS 1 currently outlines the components of a complete set of financial statements, which includes: statement of financial performance, statement of financial position, statement of changes in net assets/equity, cash flow statement, notes, comparative information in respect of the preceding period, and a comparison of budget and actual amounts when the entity makes publicly available its approved budget. It also allows entities to use alternative titles for the financial statements, provided the content of the statements is faithfully presented.

2.12 The IPSASB concluded that this guidance remains relevant and useful to users of financial statements and is consistent with the equivalent guidance in IFRS 18. Therefore, the IPSASB proposes to carry the guidance forward to the new IPSAS Standard to replace IPSAS 1.

2.13 The IPSASB also noted that, in developing IFRS 18, the IASB retained the guidance indicating that an entity can choose to present its statement of financial performance as either a single statement of profit or loss and other comprehensive income, or a statement of profit or loss and a separate statement presenting comprehensive income. The IPSASB acknowledged that this guidance is related to how 'other comprehensive income' is presented in IFRS Accounting Standards. As articulated in Chapter 5, the IPSASB has formed a preliminary view to retain the public sector difference from IFRS Accounting Standards requirements regarding 'other comprehensive income' in IPSAS Standards; thus, the IASB's guidance regarding financial performance statements would not be relevant for the public sector.

The Roles of the Financial Statements and Notes

2.14 IPSAS 1, aligned with IAS 1 (2003), does not provide specific guidance on the roles of primary financial statements and notes.

2.15 IFRS 18 introduced new guidance to indicate 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, that are useful for users of financial statements for:

(a) Understanding the entity's financial position and financial performance;

(b) Making comparisons between entities and between reporting periods for the same entity; and

(c) Identifying items or areas where users may seek additional information in the notes.

2.16 The guidance also highlights that the role of the notes is to provide material information to help users understand the line items in the primary financial statements and supplement those statements to achieve the objective of financial statements.

2.17 This is consistent with Chapter 8 of the Conceptual Framework, which includes similar guidance on the selection of information for display or disclosure.

2.18 The IPSASB concluded that it would be appropriate to incorporate this new IFRS 18 guidance on the roles of primary financial statements and notes because:

(a) The primary financial statements and notes serve similar roles in IPSAS Standards and IFRS Accounting Standards;

(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 1 presentation requirements.

2.19 Furthermore, the IPSASB has not identified any public sector reasons to significantly adapt or add to the IFRS 18 guidance for the public sector, except for terminology changes for consistency with IPSAS Standards literature.

Identification of the Financial Statements

2.20 IPSAS 1 currently requires an entity to clearly identify and separate the financial statements from other information in the same published document. Additionally, entities must identify each primary financial statements and notes, and prominently disclose the entity's name, reporting scope (individual or group), reporting period, presentation currency, and the level of rounding used.

2.21 These requirements remain relevant to public sector financial reporting, and are consistent with those in IFRS 18. Therefore, the IPSASB proposes to retain them in the new IPSAS Standard that will replace IPSAS 1, with updates to align structurally with IFRS 18.

Definitions

2.22 IPSAS 1 includes several fundamental definitions relating to the presentation of financial statements, which are relevant to many standards. These definitions have remained unchanged since 2000, and updates may be necessary for consistency with the subsequent issuance of the Conceptual Framework and IFRS 18.[15]

Location of Definitions of Financial Statement Elements

2.23 In assessing these definitions, the IPSASB acknowledged that:

(a) The IPSASB, as a matter of standard practice, presents fundamental definitions on the elements of financial statements in the IPSAS Standards because of its authoritative status. The Conceptual Framework includes definitions of elements of financial statements (specifically, assets, liabilities,

[15] The IPSASB Conceptual Framework, first issued in 2014 and recently updated in 2023, presents these definitions in Chapter 5. IFRS 18 was issued in 2024.

revenue, expense, ownership contributions, and ownership distributions[16]) but are non-authoritative; and

(b) The IASB takes a different approach to presenting fundamental definitions on the elements of financial statements. IFRS 18, does not include these definitions but instead refers to the IFRS *Conceptual Framework for Financial Reporting*.[17]

2.24 The IPSASB acknowledged that continuing to present definitions of financial statement elements in the new IPSAS Standard replacing IPSAS 1 would be consistent with its standard practice and current IPSAS Standards literature.

Hierarchy of Application of Definitions

2.25 The IPSASB acknowledged there may be implications from aligning the Standards-level definitions with those in the Conceptual Framework, thereby making them authoritative, without due consideration of the context provided by the underlying standards or the appropriate application of recognition criteria.

2.26 For example, to align with the Conceptual Framework, the updated definition of a 'liability' removes the requirement that the settlement of a past event must result in an outflow of resources from the entity. Consequently, certain obligations that would previously have been classified as contingent liabilities may now meet the definition of a liability.

2.27 To address this potential conflict, the IPSASB proposes to include a paragraph to help public sector entities apply the financial statement element definitions. This paragraph would clarify that, when accounting for transactions, events, or conditions that constitute an entity's assets, liabilities, revenue, and expenses – as defined in the new IPSAS Standard to replace IPSAS 1 – the entity should consider the following sources of guidance in the following order, in accordance with IPSAS 3, *Accounting Policies, Changes in Estimates and Errors:*

(a) IPSAS Standards that specifically apply to the transaction, event, or condition;

(b) IPSAS Standards that deal with similar and related issues; and

(c) The definitions, recognition, and measurement criteria for assets, liabilities, revenue, and expense, described in the new IPSAS Standard to replace IPSAS 1 and the Conceptual Framework.

Revisions to Definitions of Financial Statement Elements

2.28 The IPSASB considered updating the definitions of financial statement elements to align with the Conceptual Framework, and noted that:

(a) The definitions in IPSAS 1 and the IPSASB Conceptual Framework are aligned in principle with minor wording differences; and

(b) One recurring difference is that the IPSASB Conceptual Framework uses 'net financial position' in the definitions of revenue, expense, ownership contributions, and ownership distributions, whereas IPSAS 1 uses 'net assets/equity'.

2.29 The Conceptual Framework defines 'net financial position' as the difference between assets and liabilities after adding other resources and deducting other obligations recognized in the Statement of Financial Position.[18] The IPSASB noted the concept of other resources or other obligations has not specifically been

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16 IPSAS 1 uses "contributions from owners" and "distributions to owners" respectively.

17 The IASB does not have equivalent definitions of 'ownership contributions' or 'ownership distributions' in IFRS 18.

18 As presented in Chapter 5 of the Conceptual Framework. Another resource or other obligation is a resource or obligation that does not satisfy the definition of a financial statement element but still needs to be recognized in the financial statements to achieve the objectives of financial reporting.

used in IPSAS Standards since the development of the Conceptual Framework in 2014. As a result, the IPSASB concluded that the use of 'net financial position' remains confined to the Conceptual Framework, and 'net assets/equity' should continue to be used at the Standards-level, in the definitions of revenue, expense, ownership contributions, and ownership distributions.

Other Definitions

2.30 The Conceptual Framework, IPSAS 1, and IFRS 18 include other definitions, listed in **Table 1**, that may be useful to present in the new IPSAS Standard.

Table 1 – Other Definitions

Other definitions in IPSASB Conceptual Framework only	Other definitions in IPSAS 1 that are also in IFRS 18	Other definitions in IPSAS 1 only	Other definitions in IFRS 18 only
Disclosed information	Impracticable	Accrual basis	Aggregation
Displayed information	Notes	Economic entity	Classification
Surplus or deficit for the period	Material		Disaggregation
			General purpose financial reports
			General purpose financial statements
			Primary financial statements
			Useful structured summary
			Operating surplus or deficit
			Reclassification adjustments

2.31 The IPSASB considered these definitions and noted that:

(a) Including Conceptual Framework definitions of 'disclosed information' and 'displayed information' in the new IPSAS Standard would help a reporting entity more effectively communicate to the users of its financial statements by distinguishing between information to locate on the face of the financial statements and further detailed information to include in the notes accompanying the financial statements;

(b) IPSAS 1 included definitions that are aligned with IFRS 18 as well as public sector-specific definitions that remain relevant and useful to include in the new IPSAS Standard; and

(c) IFRS 18 introduced new definitions that were not included in IPSAS 1, which are also appropriate to include in the new IPSAS Standard, with public sector terminology.

2.32 The IPSASB concluded that these definitions would support the understanding and consistent application of presentation requirements, while aligning with the Conceptual Framework and IFRS 18. Thus, the IPSASB proposes to include these definitions in the new IPSAS Standard to replace IPSAS 1.

Preliminary View 2—Chapter 2

The IPSASB's Preliminary View is to continue providing definitions on financial statement elements (aligned with the IPSASB Conceptual Framework and IFRS 18) in the new IPSAS Standard, and to provide other definitions that support the understanding and application of presentation requirements.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons, and clearly explain what you consider should be changed from a public-sector perspective.

General Requirements for Financial Statements

Material Information

2.33 IPSAS 1 provides guidance regarding materiality, and how an entity can consider whether an omission or misstatement is material. The IPSASB reviewed the existing IPSAS 1 materiality guidance as part of the limited scope *Making Materiality Judgement* project, which aims to develop additional guidance to help entities make materiality judgments. As part of the *Making Materiality Judgement* project, the IPSASB issued a final pronouncement, *Definition of Material* (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework), in October 2025, which amends IPSAS 1's definition of 'material' to align with the IPSASB's Conceptual Framework and incorporates relevant and useful IASB guidance.

2.34 For the purposes of this *Presentation of Financial Statements* project, the IPSASB concluded that the revised materiality guidance in the *Definition of Material* pronouncement should be incorporated into the new IPSAS Standard replacing IPSAS 1.

Comparative Information

Existing Requirements for Comparative Information

2.35 The presentation of comparative information enhances the inter-period comparability of information to assist users in decision-making.

2.36 IPSAS 1 currently requires that comparative information for all amounts reported in the current period's financial statements be disclosed for at least one preceding period. Additionally, if an entity changes the presentation or classification of items in the financial statements, comparative amounts shall be reclassified, unless impracticable. In such case, the entity shall disclose the reason for not reclassifying the amounts and the nature of the adjustments that would have been made if the amounts had been classified.

2.37 These requirements remain relevant and useful to users of financial statements and are consistent with the equivalent requirements in IFRS 18. Accordingly, the IPSASB concluded that the requirements should be retained in IPSAS Standards and, where applicable, modified to align with IFRS 18.

Additional Comparative Information

2.38 The IPSASB acknowledged that the IASB added an additional presentation requirement regarding comparative information, which has been carried forward into IFRS 18 with no significant changes, that had not been incorporated into IPSAS 1. Specifically, the IASB revised IAS 1 in 2007 to add a new requirement to present a third Statement of Financial Position as at the beginning of the preceding period, 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) These changes have a material effect on the information in the Statement of Financial Position as at the beginning of the preceding period.

2.39 The IPSASB noted that introducing this requirement into IPSAS Standards may be excessive, as there is already a requirement to disclose information about any accounting policy changes under IPSAS 3. However, there are notable benefits:

(a) Public sector users seeking to analyze financial statements over an extended number of years rely on understanding any changes to previously reported information about an entity's financial position and performance; and

(b) Introducing this requirement into IPSAS Standards would be in line with the project objective and appropriately align with IFRS Accounting Standards.

2.40 Thus, the IPSASB concluded that requiring additional comparative information in the new IPSAS Standard to replace IPSAS 1, consistent with IFRS 18, would enable clearer year-over-year analysis and highlight the impact of any restatements or reclassifications. No compelling public sector reasons to deviate from IFRS 18 were identified.

Preliminary View 3—Chapter 2

The IPSASB's Preliminary View is to retain the existing requirements regarding comparative information, and to add the requirement for an additional Statement of Financial Position at the beginning of the preceding period when previously reported information has been materially impacted by a restatement or reclassification into IPSAS Standards, aligned with IFRS 18 requirements.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed from a public-sector perspective.

Other General Presentation Requirements

2.41 The IPSASB also discussed other general presentation requirements, as presented in **Table 2**.

Table 2 – Other General Presentation Requirements[19]

Other general presentation requirements in IPSAS 1	Other general presentation requirements in IFRS Accounting Standards that were not in IPSAS 1
Fair Presentation and Compliance with IPSAS Standards	Accrual Basis of Accounting
Going Concern	Principles of Aggregation and Disaggregation
Frequency of Reporting	
Timeliness	
Consistency of Presentation	
Offsetting	

2.42 For the requirements that are currently included in IPSAS 1, the IPSASB concluded that these requirements and related guidance are still relevant and useful to ensure public sector entities appropriately present financial information to users of financial statements for accountability and decision-making purposes. In particular, the IPSASB acknowledged that global events, such as political or policy changes, pandemics, and evolving operating conditions, reiterate the importance of the going concern assessment. A public sector entity must continue to consider material uncertainties related to restructurings, policy changes, and other events and conditions on its ability to continue as going concern, in order to provide valuable information to users of the financial statements.

2.43 Therefore, the IPSASB concluded that, where applicable, the guidance for requirements currently in IPSAS 1 should be modified to align as appropriate with IFRS Accounting Standards guidance and carried forward into the new IPSAS Standard replacing IPSAS 1.

2.44 For the requirements that are not currently included in IPSAS 1 but included in IFRS Accounting Standards, the IPSASB concluded that these requirements are consistent with the concepts in the Preface and Chapter 8 of the IPSASB Conceptual Framework. Since these requirements remain relevant to the public sector and

[19] In developing IFRS 18, the IASB decided to move the guidance for fair presentation and compliance with IFRS, going concern, and accrual basis of accounting into IAS 8 *Basis of Preparation of Financial Statements*, instead of IFRS 18. To support constituents in considering the IPSASB's views in this Consultation Paper, equivalent IPSAS Standard guidance for these presentation requirements is illustrated in the illustrative ED.

are important to achieve the objective of financial statements, the IPSASB proposes to carry them forward into the new IPSAS Standard replacing IPSAS 1, with public-sector terminology adjustments.

Preliminary View 4—Chapter 2

The IPSASB's Preliminary View regarding the other general presentation requirements is to:

a) Retain existing IPSAS 1 guidance, without updates:

  i. The responsibility of financial statements (paragraphs 2.9-2.10);

b) Retain existing IPSAS 1 guidance, with updates to align with IFRS 18 for the public sector context:

  i. The objective of financial statements (paragraphs 2.4-2.8);

  ii. The complete set financial statements (paragraphs 2.11-2.13);

  iii. Identification of financial statements (paragraphs 2.20-2.21);

  iv. Material information (paragraphs 2.33-2.34);

  v. The other general presentation requirements in Table 2 (paragraphs 2.41-2.44);

c) Add new guidance, aligned with IFRS 18 and the IPSASB's Conceptual Framework:

  i. The roles of the financial statements and notes (paragraphs 2.14-2.19); and

  ii. The other general presentation requirements in Table 2 (paragraphs 2.41-2.44).

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed in the development approach.

Chapter 3: Statement of Financial Position

Introduction

3.1 The Statement of Financial Position (also often known as a 'balance sheet') aims to provide a structured summary of an entity's assets, liabilities, and net assets/equity at the end of a reporting period, together with comparative information – a summarized version of this Statement is illustrated in Figure 1.

Figure 1 – Illustrative Statement of Financial Position

Statement of Financial Position	**20X6**	**20X5**
As at December 31, 20X6	CU	CU
Assets		
Liabilities		
Net assets		
Components of net assets/equity		
Total net assets/equity		

3.2 The Statement of Financial Position provides financial statement users with information to help assess:

(a) The extent to which management has discharged its responsibility for safekeeping and managing the resources of the entity;

(b) The extent to which resources are available to support future service delivery activities (i.e., its assets);

(c) The amount and timing of future cash flows necessary to service and repay existing debts and other claims to the entity's resources (i.e., its liabilities);

(d) The liquidity of assets and liabilities held — how quickly assets can be converted into cash and when liabilities are required to be settled; and

(e) An entity's solvency — its ability to meet its short-term and long-term financial and service delivery obligations as they fall due (i.e., its 'financial sustainability').

3.3 This Chapter explores how this information should be presented in the Statement of Financial Position to enhance its transparency and understandability for accountability and decision-making purposes.[20]

3.4 To advance the objectives of this project (as noted in Chapter 1), the IPSASB considered the following core aspects of presenting the Statement of Financial Position:

(a) Classification of Assets and Liabilities;

(b) Presentation of Specific Line Items; and

(c) Structure and Presentation of Subtotals.

3.5 When considering these core aspects, the IPSASB noted that the existing requirements in IPSAS 1 for presenting the Statement of Financial Position are currently aligned with IFRS 18. Through the development of its *Primary Financial Statements* project, the IASB did not identify the need to amend the existing requirements for presenting this statement in IFRS 18.

[20] Individual IPSAS Standards set out the requirements for recognizing and measuring the balances that make up an entity's financial position, this project is focused on how these items should be presented.

Classification of Assets and Liabilities

3.6 When presenting the Statement of Financial Position, an entity is required to classify its assets and liabilities into broad groups based on shared characteristics. This classification helps to enhance understandability and comparability by providing a clear and structured format for presenting the statement.

3.7 IPSAS 1 currently requires an entity to present its assets and liabilities on the Statement of Financial Position using a current/non-current classification or, on an exception basis, an order of liquidity approach.

Current/Non-current Classification Approach

3.8 The current/non-current approach requires that assets and liabilities be classified based on whether they are current or non-current, as illustrated in **Figure 2**.

3.9 The approach distinguishes assets and liabilities continuously circulating as 'working capital' (classified as current) from those used to service the entity's long-term operations (classified as non-current). The information provided by the current/non-current classification is often used for various assessments, such as an entity's ability to continue as a going concern and compliance with debt covenants.[21]

3.10 The public sector manages its assets and liabilities to ensure resources are available over the short, medium, and long term to sustain service delivery. The current/non-current classification helps to explain the net resources immediately available for service delivery and those earmarked for longer-term initiatives. This supports informed decision-making regarding resource allocation and fiscal planning.

3.11 IPSAS 1 provides specific criteria and guidance for classifying assets and liabilities as current or non-current, as summarized in **Table 1**.

Figure 2 — Example of Current/Non-current Classification

Statement of Financial Position		
As at December 31, 20X6	**20X6**	**20X5**
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		
Components of net assets/equity		
Total net assets/equity		

[21] The term 'working capital' describes the difference between current assets and current liabilities. It is often used as a key indicator of an entity's short-term solvency.

Table 1 – Current/Non-current Distinction

Assets	**Liabilities**
Current assets Resources expected to be converted into cash or used up within a year or the entity's operating cycle, whichever is longer. For example, cash and bank accounts, accounts receivable, and inventory.	**Current liabilities** Obligations due within a year or the entity's operating cycle, whichever is longer. For example, accounts payable and short-term loans.
Non-current assets All other assets not classified as current. For example, property, plant and equipment, intangibles, and long-term investments.	**Non-current liabilities** All other liabilities not classified as current. For example, long-term loans and provisions.

Order of Liquidity Approach

3.12 IPSAS 1 also allows an entity to present its assets and liabilities using an order of liquidity approach, as illustrated in **Figure 3**.

3.13 This approach involves listing asset and liability line items on the Statement of Financial Position based on their relative liquidity (i.e., how quickly they can be converted into cash or settled).

3.14 The approach is permitted on an exception basis when it provides a more faithfully representative and relevant summary of an entity's financial position.

3.15 Financial institutions, service industries, and insurance entities often use this approach because the assets and liabilities held are mainly financial. For these entities, users are more interested in when their assets and liabilities mature as it better reflects the performance of their operations.

Figure 3 — Example of Order of Liquidity Approach

Statement of Financial Position		
As at December 31, 20X6	**20X6**	**20X5**
ASSETS		
Cash and cash equivalents		
Receivables		
Financial assets		
Total assets classified as held for sale and assets included in disposal groups classified as held for		
Inventories		
Investment property		
Investments accounted for using the equity method		
Intangible assets		
Property, plant, and equipment		
Total assets		
LIABILITIES		
Payables		
Taxes and transfers payable		
Social benefits liabilities		
Financial liabilities		
Provisions		
Liabilities included in disposal group classified as held for sale		
Total liabilities		
Net assets		
NET ASSETS/EQUITY		
Components of net assets/equity		
Total net assets/equity		

Alternative Classification Approach

3.16 As an alternative to the traditional current/non-current approach, the IPSASB noted that several jurisdictions currently use a financial/non-financial classification when presenting the Statement of Financial Position at central government and other levels of the public sector.[22]

[22] For example, the central government financial statements of Australia, Canada, and France broadly classify their assets and liabilities based on applying a financial/non-financial distinction.

3.17 The financial/non-financial approach involves classifying assets and liabilities based on whether they are considered financial or non-financial, as illustrated in **Figure 4**.

3.18 For those jurisdictions currently using a financial/non-financial classification, they highlight that this presentation approach provides users with an understanding of:

(a) The financial assets available to cover the immediate expenses associated with the ongoing delivery of services to the public;

(b) The non-financial assets intended to sustain public service delivery over the long term; and

(c) The financial liabilities and other non-financial liabilities recognized.

3.19 Presenting financial assets and financial liabilities separately increases the focus on how effectively an entity manages its financial resources. If financial liabilities exceed financial assets, it signals to users that actions such as raising revenues, reducing services, increasing debt, or selling non-financial assets may be needed to maintain operations.

3.20 The financial/non-financial distinction is generally understood to result in the classification of assets and liabilities, as summarized in **Table 2**.

Figure 4 — Example of Financial/Non-financial Classification

Statement of Financial Position As at December 31, 20X6	20X6	20X5
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		
Components of net assets/equity		
Total net assets/equity		

Table 2 – Potentially Financial/Non-financial Distinction[23]

Assets	Liabilities
Financial assets Assets held primarily for their financial capacity to generate cash flows to fund an entity's ongoing service delivery activities or to settle debt obligations. Examples include assets that can be easily converted to cash, such as money in the bank, investments, and accounts receivable.	**Financial liabilities** Liabilities that represent amounts owed to external parties and are expected to be settled using existing or future financial assets. Examples include loans, accounts payable, and other debt instruments.
Non-financial assets Assets held primarily for their operational capacity to support the provision of services over future periods. Examples include property, plant and equipment, and intangible assets.	**Non-current liabilities** Liabilities that are not considered financial liabilities. Examples include provisions and certain obligations for the transfer of future services or goods.

3.21 There is diversity in practice across the public sector in how assets and liabilities are classified as financial or non-financial for presentation purposes. In practice, decisions are often made at the jurisdictional level about what assets and liabilities are classified as 'financial' based on a government's short—and long-term fiscal objectives.

3.22 The financial/non-financial distinction is also used in GFSM 2014 to broadly classify assets for statistical reporting, to differentiate between assets representing financial claims on other entities from tangible or intangible resources owned or controlled by the government to deliver future services to the public.

3.23 GFSM 2014 does not provide a financial/non-financial classification for liabilities because, by definition in GFSM 2014, all liabilities are considered financial as they represent obligations to transfer economic value from one party to another. These obligations arise through contracts, legal requirements, or economic transactions, all of which involve future financial flows.

3.24 GFSM 2014 allows further classification of financial assets and liabilities based on the underlying type of instrument, counterparty, institutional sector, and maturity, in order to provide an understanding of funding sources, liquidity, and supports accurate consolidation of general government or public sector balance sheets.

3.25 The IPSASB acknowledged that classifying assets and liabilities in alignment with GFSM 2014 would require the introduction of a set of new definitions and recognition criteria, which is not in the scope of this project. See Appendix A for more information regarding the IPSASB's work to reduce unnecessary differences.

3.26 The IPSASB noted that in addition to the financial/non-financial alternative, there are other possible approaches for classifying assets and liabilities into broad groups when presenting the Statement of Financial Position. Two different approaches could include:

(a) Classifying assets and liabilities based on whether they are held for:

(i) Operational purposes — to deliver services directly to the public, such as hospital buildings held for providing healthcare to citizens;

[23] Descriptions are for illustrative purposes only and are not formal IPSAS definitions.

(ii) Investing purposes — to generate inflows of economic benefits, such as long-term bonds, to provide investment returns; and

(iii) Financing purposes — to manage debt, such as loans to fund ongoing activities; or

(b) Classifying assets and liabilities based on the core objectives of the reporting entity. For a central government, this classification could, for example, result in grouping assets and liabilities by the service line they contribute to — such as health, education, economic management, defense, welfare, law enforcement, and environmental protection.

3.27 These other classification approaches provide helpful information about how an entity's assets and liabilities support its objectives. However, the Board considers this type of information better suited to management commentary-type reporting rather than in the financial statements, where a consistent approach is important for accountability and comparability purposes.

3.28 The IPSASB acknowledged the possible benefits of other approaches for classifying assets and liabilities. However, the IPSASB does not see a current need to develop a new classification approach in IPSAS Standards at this time. The requirements in IPSAS Standards should support the consistent classification of assets and liabilities in the Statement of Financial Position across the public sector.

3.29 This preliminary view is based on the understanding that:

(a) The existing current/non-current approach is generally accepted and broadly used across both the for-profit and public sector, with no significant issues arising in practice;

(b) Introducing a new classification approach could disrupt the consistency and comparability of public sector financial statements, making it challenging for users to interpret and compare financial information;

(c) Difficulties will likely arise in reaching an international consensus on generally accepted definitions and criteria for financial and non-financial items, which could ultimately lead to a divergence in practice for those jurisdictions applying IPSAS Standards – and even with consensus, a revised definition may not be fully aligned with GFSM 2014;

(d) The classification outcomes of the current/non-current and financial/non-financial approaches are, in many circumstances, not substantially different; and

(e) IPSAS 1 currently allows an entity the flexibility to disclose alternative classifications of assets and liabilities in the notes.

3.30 Consideration was also given to whether the order of liquidity approach should be retained in IPSAS Standards on an exception basis. It was noted that this approach is currently used by public sector entities such as central banks, as it provides a clearer view of how financial resources are being managed.

3.31 The IPSASB considers that this presentation approach should be retained. However, the new IPSAS Standard should emphasize that the order of liquidity approach is only permitted when it provides a more faithful and relevant representation of an entity's financial position compared to the current/non-current approach.

3.32 The IPSASB also considers the mixed approach currently permitted under IPSAS 1, in which certain assets and liabilities are presented using the current/non-current classification while others are presented in order of liquidity. The IPSASB proposes to continue allowing the mixed approach, as it remains useful for entities with diverse operations or asset types where neither classification method alone provides the most relevant presentation.

Preliminary View 5—Chapter 3

The IPSASB's Preliminary View is to retain:

(a) The current/non-current approach as the general approach for classifying assets and liabilities on the face of the Statement of Financial Position;

(b) The order of liquidity approach as a permitted approach on an exception basis; and

(c) The mixed approach, to allow some assets and liabilities to be presented using the current/non-current classification, and others are presented in order of liquidity.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed regarding the classification of assets and liabilities on the Statement of Financial Position.

Presentation of Specific Line Items

3.33 The presentation of the Statement of Financial Position requires the preparer to consider what line items should be displayed on the face of the statement (under each broad classification, as discussed in the previous section). By including minimum display requirements, the Statement of Financial Position is comparable and understandable.

3.34 IPSAS 1 currently requires the following line items to be displayed on the Statement of Financial Position when relevant and material to the reporting entity, as presented in **Table 3**.

Table 3 – Currently Required Line Items in the Statement of Financial Position

Assets	**Liabilities**
Property, plant, and equipment	Taxes and transfers payable
Investment property	Social benefits liabilities
Intangible assets	Payables
Financial assets	Provisions
Investments accounted for using the equity method	Financial liabilities
Inventories	Liabilities included in disposal group classified as held for sale
Receivables	**Components of Net Assets/Equity**[24]
Cash and cash equivalents	Share capital (when applicable)
Total assets classified as held for sale and assets included in disposal groups classified as held for sale	Contributed capital
	Accumulated surpluses or deficits
	Reserves
	Non-controlling interests

3.35 The following general principles are relevant when applying the requirement to display specific line items as prescribed by IPSAS 1:

(a) The line items only require disclosure if they are material;

[24] It is proposed that the amounts of the components of make-up an entity's net assets/equity shall be displayed in the face of the Statement of Financial Position or disclosed in the notes.

(b) Additional line items shall be presented when such a presentation is relevant to understanding the entity's financial position;

(c) Decisions about the presentation of line items should be based on their size, nature, or function and relevance; and

(d) The description of line items shall be amended based on the nature of the entity and its transactions.

3.36 The IPSASB considers that the specific line items currently required by IPSAS 1 to be displayed on the Statement of Financial Position (when relevant and material) continue to be fit for purpose. The IPSASB proposes that a new line should be added for goodwill to distinguish this asset from other intangible assets. This new line item would ensure that the new IPSAS Standard maintains appropriate alignment with equivalent requirements in IFRS 18.

3.37 The IPSASB also considered whether to revise presentation requirements to better align with GFSM 2014. At a high level, the presentation requirements regarding line items for assets and liabilities are broadly similar between IPSAS 1 and GFSM 2014. However, there are underlying differences in definition and classification (as noted in paragraphs 3.22-3.25), and the more detailed and prescriptive aggregation requirements in GFSM 2014. These differences exist as a result of the different objectives of the two reporting frameworks, and requirements regarding the level of aggregation or disaggregation to apply.

3.38 Nonetheless, the IPSASB recognizes that the existing principles and requirements in IPSAS 1 for selecting and presenting line items in the financial statements and notes provide sufficient flexibility to enable a reporting entity to adopt a presentation approach that seeks to align, to the extent possible, with the line items in GFSM 2014.

Preliminary View 6—Chapter 3

The IPSASB's Preliminary View is that the specific line items required in IPSAS 1 should be carried forward, with enhancements limited to adding a new line for goodwill (to align with IFRS 18).

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what line items should be added or removed from the list provided in Table 3.

Structure and Presentation of Subtotals

3.39 An appropriate structure for presenting the Statement of Financial Position (i.e., its order and format) helps ensure that information is presented in a logical and systematic manner. This assists the user in accessing the information needed in response to their specific needs.

3.40 Financial statements are often structured in a particular order to allow for reporting specific subtotals. Displaying subtotals within the Statement of Financial Position can help users assess different aspects of an entity's financial position. Subtotals are often used to present specific measures or indicators based on jurisdictional or entity-level considerations.

3.41 IPSAS 1 does not currently prescribe a structure for presenting the Statement of Financial Position or require the presentation of any specific subtotals. Instead, IPSAS 1 provides flexibility for an entity to develop its own structure and subtotals based on its nature and user needs,[25] which is consistent with IFRS 18.

[25] The presentation of additional headings and subtotals is permitted (and encouraged) if such a presentation is necessary for the Statement of Financial Position to provide a useful summary of an entity's assets, liabilities, and net assets/equity.

Other Presentation Approaches

3.42 Through outreach activities, the IPSASB has noted the call from some stakeholders to consider developing requirements that support the presentation of 'net debt' as a specific subtotal on the face of the Statement of Financial Position. Net debt is a common indicator used by policymakers, economists, and analysts to assess an entity's overall indebtedness and ability to meet its future financial obligations.

3.43 Net debt is broadly understood to be the difference between an entity's financial assets and financial liabilities. Net debt is an important measure of the government's health and sustainability. If the government's financial assets exceed its liabilities, it indicates that net financial assets are available to support the delivery of future activities and to satisfy debt repayment obligations.

3.44 To mandate net debt as a subtotal, which could be displayed on the face of the Statement of Financial Position, would necessitate a specific presentation structure being prescribed, as illustrated in **Figure 5**.

Figure 5 — Illustration of Net Debt Presentation

Statement of Financial Position As at December 31, 20X6	20X6	20X5
Financial assets		
Less Financial liabilities		
Net Debt		
Plus non-financial assets		
Less non-financial liabilities		
Net assets		
Components of net assets/equity		
Total net assets/equity		

3.45 To introduce such a structure, the IPSASB would need to develop definitions and criteria for applying a financial/non-financial approach to classifying assets and liabilities (as discussed in paragraphs 3.16-3.27).

3.46 The reporting of net debt as a specific subtotal on the face of the Statement of Financial Position would also be difficult when applying the current structure as provided in IPSAS 1 (as illustrated in **Figure 2**), which focuses on presenting an entity's 'total assets' and 'total liabilities'.

3.47 GFSM 2014 does not require the presentation of subtotals. However, GFSM 2014 allows the recognition of memorandum items to provide supplemental information about items (such as aggregates and balancing items) related to, but not included on, the balance sheet, that are similar in nature to subtotals. Examples of these items are gross debt, net worth, net financial worth, and net debt.

3.48 The IPSASB acknowledged that 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 significant changes to IPSAS Standards requirements. Particularly, this approach would require the introduction of definitions and recognition criteria for financial and non-financial items, which the IPSASB does not intend to pursue (see rationale outlined in paragraphs 3.25 and 3.29).

3.49 Nonetheless, the IPSASB recognized that existing IPSAS 1 principles and requirements for selecting and presenting subtotals in the financial statements and notes provide sufficient flexibility to enable a reporting entity to present subtotals that seeks to align, to the extent possible, with the memorandum items in GFSM 2014 if it wishes to do so.

Preliminary View

3.50 The IPSASB considers that prescribing a structure for presenting the Statement of Financial Position or mandating the presentation of specific subtotals would not significantly enhance the transparency, understandability, and usefulness of public sector financial statements.

3.51 Structure:

(a) The underlying principles for preparing general purpose financial statements, together with the specific requirements for classifying assets and liabilities and displaying specific line items, provide an appropriate baseline for presenting the Statement of Financial Position. Reporting entities should continue to have the flexibility to tailor the structure of the Statement of Financial Position based on its specific circumstances, user needs, and local jurisdictional considerations.

(b) IPSAS 1 provides illustrative examples of different financial statement presentation formats. This guidance serves as a useful 'benchmark' for how the primary financial statements should be structured, supporting appropriate consistency in presentation across the public sector.

3.52 Subtotals:

(a) The IPSASB does not consider it useful or feasible to define specific subtotals to assess different aspects of an entity's financial position (such as 'net debt') because these indicators are often measured based on local jurisdictional considerations. It would, therefore, be difficult for the IPSASB to develop a definition of net debt that would be generally accepted and consistently applied across the public sector internationally.

(b) The IPSASB notes that an entity may choose to present different measures of its financial position in the notes if the components of their calculation are drawn directly from line items presented in the financial statements prepared in accordance with IPSAS Standards.

(c) Although the presentation of specific subtotals has not been proposed, new general guidance has been developed to support the appropriate use of subtotals. This guidance sets out that any subtotal presented in the Statement of Financial Position shall:

(i) Comprise amounts recognized and measured in accordance with IPSAS Standards;

(ii) Be compatible with the classification of assets and liabilities;

(iii) Be consistent from period to period; and

(iv) Be displayed no more prominently than specific totals and subtotals required by IPSAS Standards.

Preliminary View 7—Chapter 3

The IPSASB's Preliminary View is that the new IPSAS Standard should retain IPSAS 1 requirements to:

(a) Not prescribe a specific structure (i.e., order or format) for presenting the Statement of Financial Position; and

(b) Not require the presentation of specific subtotals on the Statement of Financial Position.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed regarding the structure and the presentation of specific subtotals.

3.53 As an overall outcome of the Preliminary Views in this Chapter, the proposed requirements for presenting the Statement of Financial Position (as provided in the illustrative ED) are both aligned with IFRS 18 and consistent with existing requirements in IPSAS 1.

Chapter 4: Statement of Financial Performance

Introduction

4.1 Information about the financial performance of a reporting entity helps their financial statement users assess the following, to support accountability and decision-making purposes:

(a) Whether the entity has acquired resources economically, and used them efficiently, effectively, and as intended, to achieve its service delivery, other operating, and financial objectives;

(b) Whether the entity has effectively managed the resources it is responsible for, and complied with the relevant budgetary, legislative, and other authority regulating the raising and use of resources;

(c) Whether the range, volume, and costs of services provided during the reporting period are appropriate, and the amounts and sources of cost recovery; and

(d) Whether the entity's resources are sufficient to maintain the volume and quality of services currently provided in future periods, and if they increase the entity's indebtedness level.

4.2 Financial performance is reflected by the entity's revenue and expense[26] items in the reporting period. IPSAS Standards currently require an entity to present revenue and expense items on one of two Statements:

(a) Statement of Financial Performance[27] – This Statement presents revenue and expense items recognized in the reporting period, in surplus or deficit.

(b) Statement of Changes in Net Assets/Equity – This Statement presents revenue and expense items recognized in the reporting period, outside surplus or deficit, directly in net assets/equity.

4.3 This Chapter explores potential presentation requirements regarding financial performance information on the Statement of Financial Performance, and presents the IPSASB's considerations and conclusions on how best to enhance the presentation requirements to better support users of financial statements. Chapter 5 explores the potential presentation requirements regarding financial performance information on the Statement of Changes in Net Assets/Equity.

4.4 The Statement of Financial Performance aims to provide a structured overview of a reporting entity's revenue and expense items during the reporting period, together with comparative information – a summarized version of this Statement is illustrated in **Figure 1**.

Figure 1 – Illustrative Statement of Financial Performance

Statement of Financial Performance	**20X6**	**20X5**
For the year ended December 31, 20X6	CU	CU
Revenue		
Expenses		
Surplus/(Deficit) for the period from continuing operations		
(Gain)/Loss for the period from discontinued operations		
Surplus/(Deficit) for the period		

[26] 'Revenue' is a gross inflow of economic benefits or service potential during the reporting period which results in an increase in the net financial position of the entity, other than increases arising from ownership contributions. 'Expense' is a decrease in economic benefits or service potential during the reporting period which decreases the net financial position of the entity, other than decreases arising from ownership distributions.

[27] The Statement of Financial Performance may also be referred to as a 'statement of revenues and expenses', 'income statement', 'operating statement', or 'profit and loss statement'.

4.5 To advance the objectives of this project (as noted in Chapter 1), the IPSASB considered the following core aspects of presenting information on the Statement of Financial Performance:

(a) Classification of Revenue and Expense Items;

(b) Presentation of Totals and Subtotals; and

(c) Presentation of Line Items.

Classification of Revenue and Expense Items

4.6 The Conceptual Framework provides general principles for displaying information in the financial statements, noting that displayed information should be concise, understandable, and prominently presented. The Conceptual Framework also acknowledges that the development of presentation requirements requires a balance between standardized requirements (to facilitate understandability and meet the objectives of financial reporting across all entities) and entity-specific needs (to reflect the nature and operations of specific entities).

4.7 IPSAS 1 currently requires entities to present all revenue and expense items in surplus or deficit, unless another IPSAS Standard requires otherwise. IPSAS 1 sets minimum presentation and disclosure requirements, allowing substantial flexibility for public sector entities to present and disclose additional information it deems material and relevant to its financial statement users and faithfully representative of that information.

4.8 The Statement of Financial Performance is a key source of financial information to help financial statement users obtain an understandable overview and relevant information to support their analysis and decision-making needs, as articulated in paragraph 4.1. However, the lack of specific guidance has resulted in diversity in practice in the presentation of revenue and expense items on the Statement of Financial Performance. This poses challenges for users of financial statements to understand, analyze, and compare financial performance information that reflects the unique characteristics of the public sector (see Appendix B).

Conceptual Benefits of Categorization

4.9 The objective and role of financial statements is to provide financial information about a reporting entity that is useful for financial statement users for accountability and decision-making purposes. Structure, through the categorization of information, has previously proven useful for public sector financial statement users to better understand information in primary financial statements. The IPSASB considered whether requiring categorization on the Statement of Financial Performance could also improve how information is presented to provide more useful, relevant, and comparable information for public sector financial statement users.

4.10 Conceptually, categorization would bring a more structured presentation of revenue and expense items than what is currently achieved by IPSAS 1 requirements to support user needs. The IPSASB generally agreed that, conceptually, requiring reporting entities to present its revenue and expense items recognized in surplus or deficit in distinct categories would:

(a) **Reduce diversity in current financial reporting** — to improve the comparability of information across similar entities (e.g., by remit or industry) within or across jurisdictions, and help users assess performance against relevant metrics and benchmarks; and

(b) **Support financial statement users information needs and effective public financial management** — by providing a clearer picture of how a reporting entity is managing its resources, executing its roles, and conducting its activities in the current and future periods. By doing so, users can more effectively understand, analyze, and objectively compare information to hold the entity accountable to achieving its service delivery objectives and effectively serving its constituents with available resources, including the long-term sustainability of its finances and key programs, and make informed decisions.

4.11 Categorizing financial information in the Statement of Financial Performance would also be consistent with the Conceptual Framework, which notes that effective grouping of information considers the nature of and linkages between information sets, and jurisdiction-specific factors (to the extent appropriate).

4.12 Thus, the IPSASB concluded that conceptually, categorization would help financial statement users better understand, analyze, and compare financial performance information to support accountability and decision-making. The IPSASB then considered how categorization would be applied in practice in the public sector.

Challenges Identifying Standardized Categories for the Public Sector

4.13 Practically, it is necessary to identify broad standardized categories that are appropriate for a wide range of public sector entities internationally to achieve the intended benefits and effectively help financial statement users better understand, analyze, and compare the financial information presented.

4.14 While most public sector entities have the primary function of providing services to enhance and maintain the well-being of citizens and other eligible residents, the public sector internationally is comprised of a wide range of entities (including but not limited to national, regional, and local governments, programs, commissions, agencies, and intergovernmental organizations). These entities may differ in their nature, service delivery objective, jurisdiction-specific factors. Consequently, the primary users[28] of financial statements will differ by entity, as entities serve potentially different groups of service recipients and resource providers.

4.15 These differences directly influence an entity's considerations regarding what information would meet the needs of its financial statement users. Balance is crucial, as some information may be of more interest or greater use to some users than others. See Appendix B for examples.

4.16 The different service recipients and resource providers, and their varying information needs, pose several challenges in identifying appropriate standardized categories. In particular:

(a) **Comparability** — which standardized categories would provide the appropriate level of comparability of financial information? For example, a regional development bank or government may compare similar entities (e.g., municipality 1 vs. municipality 2) to understand how they deliver similar public services to their respective services recipients, to support its funding decisions. In contrast, a lender or grantor may compare different entities (e.g., ministry of transport vs. ministry of infrastructure) to determine which entity may more effectively use the funding to meet a specific objective.

(b) **Clear communication** — which standardized categories would effectively structure financial information to provide a clear picture of an entity's financial performance for the period? For example, a citizen receiving public services in one jurisdiction may wish to see its government's revenue and expenses presented by the public service (e.g., transportation or social housing). However, a taxpayer in another jurisdiction may wish to see its government's revenue and expenses presented by the type of economic resources consumed (e.g., salary or materials). Other service recipients may wish to see both function and nature of these items. The introduction of standardized categories would provide a comparable measure of financial performance, in an understandable way, and a useful starting point for users' analysis, to support their accountability and decision-making needs.

[28] Throughout the CP, the terms 'primary users' and 'users' refer to those service recipients and their representatives and resource providers and their representatives who must rely on general purpose financial reports for much of the financial information they need. This is consistent with the IPSASB's Conceptual Framework and IPSAS Standards, and the IPSASB's recent decision on Phase 1 of its Making Material Judgments project and the IASB's decision in developing IFRS 18, that the terms 'primary users' and 'users' are intended to be interpreted the same way within the respective accounting standards.

Potential Categorization Approaches to Support User Needs

4.17 In line with its Project Drivers (Chapter 1, Table 2), the IPSASB considered whether to develop new presentation requirements for the Statement of Financial Performance that:

(a) Better align with IFRS 18 requirements[29] with any necessary public sector guidance or adaptations;

(b) Better align with Government Finance Statistics Manual 2014 (GFSM 2014) requirements to reduce unnecessary differences as appropriate; or

(c) Are different and unique for public sector financial reporting.

[A] Aligning with IFRS 18 Categories

4.18 If presentation requirements are aligned with IFRS 18, public sector entities would be required to categorize its revenue and expense items on the Statement of Financial Performance into five specific categories (of which Operating, Investing, and Financing are new categories). **Table 1** provides a summary of how each category provides financial statement users with relevant and useful information to support accountability and decision-making, and examples of public sector revenue and expense items that may be classified in each category.

[29] The existing requirements in IPSAS 1 for the Statement of Financial Performance, which were primarily aligned with IAS 1 *Presentation of Financial Statements*, are not aligned with IFRS 18. IFRS 18 evolved the presentation landscape in the private sector in response to the information needs of financial statement users, by introducing a more formal structure to its Statement of Profit or Loss to address similar challenges by reducing diversity, improving comparability and communications, thereby supporting user analysis.

Table 1 – Categorization of Revenue and Expenses in Alignment with IFRS 18

Category	**Presents financial statement users information about…**	**Examples of public sector transactions that generate revenue and expenses in this Category**
Operating	Revenue received and expenses incurred in delivering the entity's core public service delivery objectives, including whether the current levels of revenues are sufficient to maintain the volume and quality of services currently provided, to assess its performance of its core service delivery objectives.	All revenue and expenses in the reporting period that are not classified into the other four categories, such as revenue and expenses from: • Operations and activities to achieve service delivery objectives, accounted for using a variety of standards (including but not limited to IPSAS 47, *Revenue* and IPSAS 48, *Transfer Expenses*) • Consumption, depreciation and amortization of assets accounted for under various IPSAS Standards
Investing	Revenue and expenses arising from investments of resources to maintain service delivery over the medium and long term. These investment returns are generated individually and largely independently from the reporting entity's operations.	Revenue and expenses from: • Debt and equity investments under IPSAS 41, *Financial Instruments* • Investments in associates and joint ventures under IPSAS 36, *Investments in Associates and Joint Ventures* • Investment properties accounted for under IPSAS 16, *Investment Property*
Financing	Revenue and expenses from the effects of financing, arising from liabilities from transactions involving only the raising of finance, and other liabilities that do not only involve raising finance.	Revenue and expenses from: • Loans and bonds under IPSAS 41 • Lease liabilities under IPSAS 43, *Leases* • Pension liabilities under IPSAS 39, *Employee Benefits* and IPSAS 49, *Retirement Benefit Plans*
Income Taxes	For public sector entities subject to income taxes, any expenses from income taxes.	Expenses from: • Income tax requirements, according to relevant international or national accounting standards
Discontinued Operations	Revenues or expenses from the reporting entity's discontinued operations.	Revenue and expenses from: • Discontinued operations under IPSAS 44, *Non-current Assets Held for Sale and Discontinued Operations*

4.19 This new presentation requirement to classify revenue and expense items in these categories provides prescriptive guidance to help reporting entities classify revenue and expense items in a consistent manner, to achieve comparability across Statements of Financial Performance. These categories, which are not required labels, also provide flexibility: if an entity does not have investment returns, then it would not need to present an Investing category. Thus, presenting financial performance information using these broad but standardized categories would also effectively meet the needs of users of public sector financial statements. This:

(a) Would ensure that reporting entities provide more useful and understandable information to its financial statement users by presenting key measures of its operations, investment returns, and effects of financing separately; and

(b) Sets the Operating category as the "residual" category comprised of all revenue and expenses not presented in the other categories, which reflects that a reporting entity's operations include many different roles, responsibilities, and activities. Thus, an entity's performance in executing these roles, responsibilities, and activities is a focus area for users of financial statements.

4.20 To effectively provide users with useful and relevant information about its financial performance, a public sector entity should also consider its main operating activities to determine whether certain revenue and expenses should be classified in the Operating category that would otherwise have been in the Investing or Financing categories. To identify its main operating activities, a public sector entity should consider whether information about the activity is used as an important indicator of its performance for assessment, monitoring, or reporting purposes. Thus, a main operating activity for one public sector entity may not be a main operating activity for another, and each entity should use judgment, considering facts and circumstances to identify its main operating activities.

4.21 **Table 2** lists two specified main operating activities that a public sector entity may engage in to achieve its service delivery objectives or policy goals, which would prompt that entity to apply additional guidance to appropriately reflect its financial performance in the Statement of Financial Performance.

Table 2 – Specified Main Operating Activities

Specified Main Operating Activities	**Additional guidance would…**	**Examples of public sector entities with this main operating activity**
Investing in particular types of assets ("investing in assets")	Require entities with this main operating activity to classify certain revenue and expenses into the Operating category (that would otherwise have been classified into the Investing category).	• Holding property to earn rental or for capital appreciation in accordance with IPSAS 16 (e.g., managing a government's property portfolio on a commercial basis, or using funds generated to finance other service delivery activities). • Representing or supporting the interests of a wider group of investors, applying IPSAS 35, *Consolidated Financial Statements* (e.g., pension funds, government investment funds or trusts).
Providing financing to other parties	Require entities with this main operating activity to classify certain revenue and expenses into the Operating category (that would otherwise have been classified into the Financing category).	• Granting financing or entering into lending agreements to support government assistance programs or achieve specific objectives or policy goals in accordance with IPSAS 41 (e.g., concessionary loans to students, small businesses, or other government entities). • Providing financing or entering into concessionary leases to support affordable housing initiatives or achieve specific service delivery objectives, applying IPSAS 43.

4.22 This additional guidance would require public sector entities that conduct these main operating activities to classify certain revenue and expenses into the Operating category (that would otherwise have been in other categories) to provide a better indicator of the entity's overall performance in the reporting period. By doing so, the entity would more appropriately reflect the purpose of these underlying transactions as indicators of the entity's activities towards achieving its service delivery objectives. This would result in the presentation of information that is more useful and relevant to financial statement users for their analysis and decision making.

4.23 To help public sector entities categorize their revenue and expense items to achieve that outcome, the IPSASB proposes to provide additional public sector guidance to the future IPSAS Standard replacing IPSAS 1 to:

(a) Prompt reporting entities to consider the nature and substance of the revenue or expense item and from what it arises. For example, if an entity receives revenue subject to appropriations, the entity should consider its nature and substance to determine whether it is an investment return (to be classified in the Investing category) or from operations (to be classified in the Operating category);

(b) Prompt reporting entities that earn tax revenues to consider the nature, substance, and materiality of such revenues, to effectively categorize and present this information to users of its financial statements. For example, a national government may consider taxation as a funding mechanism and increase tax rates to collect higher tax revenues to fund its service delivery objectives. However, tax revenues would likely not meet the IFRS 18 requirements to be classified in the Financing category, and instead be classified in the Operating category. Additional guidance would help public sector entities understand how tax revenues would be categorized;[30]

(c) Clarify whether and how other public sector accounting concepts are relevant to the categorization of revenue and expense items. For example, whether an asset is held primarily for its operational or financial capacity directly impacts asset measurement considerations under IPSAS Standards, but does not necessarily dictate the presentation of revenues or expenses from those assets in the Operating or Financing category;[31]

(d) Provide specific public sector examples, to illustrate how revenue or expense items may be classified into these categories, with reference to applicable IPSAS Standards for those related transactions. These illustrative examples can build on the examples described in **Table 1** and be complemented by broad illustrative statements in Appendix C; and

(e) Provide specific public sector examples, to help entities determine whether they invest in assets or provide financing to other parties as a main operating activity to identify when they should classify certain revenue and expense items into the Operating category (that would otherwise have been in other categories). These examples can leverage those in **Table 2**.

[B] Aligning with GFSM 2014 Categories

4.24 To align the presentation requirements for the Statement of Financial Performance with GFSM 2014 presentation requirements, it would be necessary to address some key differences between the two frameworks and their statements:

(a) The GFSM 2014 Statement of Operations is similar, but not equivalent to, the IPSAS Statement of Financial Performance as they present different information, serve somewhat different objectives, and are not directly comparable (see Appendix A);

(b) The identification and recognition of revenue and expenses partially differ, including the timing of recognition. Thus, some revenue and expenses recognized in the Statement of Financial Performance under IPSAS Standards are:

(i) Considered other economic flows (and not revenue and expenses) under GFSM 2014; and

30 In some jurisdictions, the raising of taxes, like the issuance of debt, may be generally described as financing in the public financial management context and for the fiscal strategy of national governments. However, in the accounting context, taxes do not explicitly meet the specific requirements under IFRS 18 to be categorized as ‘financing’ revenue because these revenues are not arising from liabilities from (1) transactions where the entity receives financing (in the form of cash or extinguishment of a financial liability) *and* must return that financing at a later date, or (2) transactions such as payables for goods or services that will be settled in cash, contract liabilities, lease liabilities, defined benefit pension liabilities, or provision.

31 Revenue and expenses from an asset held primarily for its financial capacity is not necessarily classified in the Financing category. The reporting entity would need to consider the asset itself. For example, a public sector hospital may operate one building on a commercial basis, and conclude that the building is held primarily for financial capacity. However, since the hospital is still operating that building to achieve its service delivery objective (providing healthcare services), the revenue and expenses from that building would likely be classified in the Operating category. As another example, a municipal government may hold a piece of land with the sole intention of earning rental income and capital appreciation and conclude that the land is held primarily for financial capacity. However, since this land likely meets the definition of an investment property, the revenue and expenses from that land would likely be classified in the Investing category (so long as investing in investment properties is not a main operating activity of the municipal government).

(ii) Recognized at different points in time under GFSM 2014; and

(c) How revenue and expenses are measured can differ.

4.25 To align with GFSM 2014's presentation of revenue and expenses in the 'Items recognized in surplus or deficit' section of its Statement of Operations, public sector entities would be required to present revenue items and expense items as two separate subsections. Public sector entities would also need to apply a new, specific set of classification and aggregation requirements based on the economic nature of each revenue and expense item presented within that category.

4.26 The IPSASB acknowledged that while this approach could in theory reduce differences between IPSAS Standards and GFSM 2014 by better aligning the presentation of revenue and expense items and introducing more consistency in presentation across public sector Statements of Financial Performance, there would be important drawbacks in practice.

4.27 Nevertheless, the IPSASB highlights that IPSAS Standards-based accounting data can always be used as source data for statistical compilation of the GFSM 2014 Statement of Operations in specific circumstances (see more details in Appendix A).

[C] Developing Public Sector Specific Categories

4.28 The IPSASB considered whether to develop a unique set of standardized categories for use by public sector reporting entities. Requiring standardized categories unique to the public sector, that differ from or adapt IFRS 18 categories, may better reflect the overall objectives, roles, and activities of public sector entities in its current and future periods, thereby providing financial statement users with more relevant and useful information about its financial performance.

4.29 Any unique set of standardized categories for the public sector must:

(a) Be conceptually sound and sufficiently broad, to offer comparability while balancing diverse financial statement user needs, in order to be useful. This acknowledges that public sector entities vary widely in their service delivery objectives with varying groups of users and information needs. Since entities may provide different services to different recipients and have different resource providers, it is very likely that what may be useful for one set of users, may not be for another. Thus, the selected set of standardized categories should be as widely applicable as possible to achieve broad international consensus; and

(b) Be clearer, more applicable, and better able to achieve the objective of financial reporting on the Statement of Financial Performance to warrant deviation from IFRS 18.

4.30 To identify a unique set of standardized public-sector-specific categories, the IPSASB considered the following:

(a) Use "Operating" and "Non-operating" (or "Operating" and "Investing and Financing") — Adapting IFRS 18 categories by combining or renaming categories may better emphasize the importance of financial information about an entity's performance to assess whether it is achieving its public sector objectives. For example, combining Investing and Financing would communicate the concept of net funding, and how the entity accesses resources (by borrowing through financing, or investing for future inflow). However, the IPSASB has not been able to reach a consensus to define (and thus delineate between) operating and non-operating, which poses challenges in using this delineation for categorization of revenue and expenses. Furthermore, merging the Investing and Financing categories would obscure information about investments and effects of financing, thereby reducing communication effectiveness.

(b) Use "Operating", "Investing", and "Funding" — Adapting IFRS 18 categories by revising the composition and naming of categories may better highlight that public sector entities aim to achieve and acquire resources to support both current and future service delivery objectives. This adaptation splits the IFRS 18 Operating category into two categories (one presents information related to current operating capacity changes and current services, while the other presents information about future operating capacity changes or investments in future services that are not capitalized), and combines IFRS 18's Investing and Financing categories into a public sector "Funding" category (to present information about activities to provide funding for future services from investment returns and effects of financing). The IPSASB noted that this adaptation poses similar challenges as paragraph 4.30(a), and may also have wider implications, as users may be confused by different categorization of revenue and expenses in IPSAS Standards vs. IFRS Accounting Standards despite same or similar nature or substance, and may lead to negative impacts on the ability of public sector entities to access the capital markets effectively and efficiently.

(c) Require a standalone category for revenue from taxes — The ability to levy taxes, fines and levies is unique in the public sector and is a major source of revenue for national and subnational governments. Revenue from taxes, alongside borrowings if required, are collected and often distributed to government entities through appropriations to enable them to fulfil their service obligations. This distribution of funds is not equivalent to revenue from sale of goods and services and may merit a standalone category in addition to the IFRS 18 categories. Separately presenting revenues from taxes in its own category could help communicate whether the entity is funded through tax collection, central allocations, and/or other revenue-raising activities, could support greater consistency in the reporting of tax revenues, and could emphasize the importance of these revenues in the public sector. However, the IPSASB acknowledged that this communication benefit could still be achieved without a new standalone category, if the entity is appropriately applying general presentation requirements (such as materiality, aggregation, and disaggregation) and IPSAS 47 requirements[32] to display its financial statement line items, and categorizing these line items in accordance with IFRS 18 categories, to provide useful information for its financial statement users, while avoiding potential challenges in delineating which items be presented in this new category. Furthermore, requiring a standalone category for taxes may not sufficiently address the challenges (paragraphs 4.13-4.16) and needs of the broad range of entities in the public sector. A standalone category for taxes may be less useful for financial statement users of other entities that do not engage levy or collect taxes, because the presentation of revenue and expenses in IFRS 18 categories can also effectively provide useful information on how the entity is funded and how much of its expenses are covered by those revenues.

(d) Use existing concepts developed for other IPSAS Standards, such as "Operational vs. Financial Capacity" or "Exchange vs. Non-exchange" — These concepts reflect the public sector but were developed with specific applications in mind (e.g., measurement based on primary reason for holding assets, or accounting based on economic substance of transactions). Presenting revenue and expense items using these concepts may not provide clear or useful information for financial statement users, nor be appropriate for wider application to categorizing financial performance.

(e) Allow individual jurisdictions to determine and require categories deemed appropriate for their entities — While this may acknowledge the diversity of public sector entities and jurisdictional differences, it would not reduce diversity of reporting in practice, nor improve comparability, understandability, and usefulness of information presented for financial statement users.

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32 IPSAS 47, *Revenue* requires entities to present on the face or in the notes the amount of revenue from transactions, and showing separately by major classes (which could be sources), and disclose qualitative and quantitative information about its revenues.

4.31 Based on its research and deliberations, the IPSASB acknowledged overarching challenges in developing a conceptually sound and practical alternative to IFRS 18 categorizations that could receive international consensus, and avoid confusion caused by diverging from IFRS Accounting Standards despite the strong alignment between IPSAS Standards and IFRS Accounting Standards.

4.32 The IPSASB summarized the benefits and drawbacks of the potential approaches, in **Table 3**.

Table 3 – Benefits and Drawbacks to the Potential Categorization Approaches

Potential Approach	Overall Analysis	Benefits	Drawbacks
Aligning with IFRS 18 Categories (paragraphs 4.18-4.23)	Appropriate for the public sector, with additional public sector specific guidance	✓ Is applicable and usable for all types of public sector entities. All public sector entities receive revenue or incur expenses in at least one of the Operating (to deliver its service delivery objectives), Investing (from investments of resources to maintain its service delivery levels), and Financing (from servicing debt obligations) categories ✓ Provides financial statement users with more useful and relevant information about the public sector entity's financial performance ✓ Reflects that underlying accounting principles are primarily IFRS-aligned ✓ Offers comparability across capital markets to help access capital	o Requires additional guidance to help public sector entities effectively categorize its revenue and expenses, to achieve greater usefulness, understandability, and comparability for users of the financial statements
Aligning with GFSM 2014 Categories (paragraphs 4.24-4.27)	Effective alignment can only be achieved through substantial and comprehensive review of IPSAS Standard accounting principles, which is outside the scope of this project	✓ Standardizes presentation and increases comparability across public sector entities	o Does not achieve alignment in substance with section 1 of GFSM 2014 Statement of Operations, without also considering changes to the underlying accounting principles o Prescribes a specific and rigid presentation structure that may not be applicable for all public sector entities
Developing Public Sector Specific Categories (paragraphs 4.28-4.31)	A unique set of broad standardized categories could not be identified	✓ Could provide a more meaningful representation of public sector financial performance	o May not be able to identify a sound and practical set of broad standardized categories unique to public sector that receives international consensus and overcomes the conceptual challenges identified o May cause confusion by diverging from IFRS Accounting Standards despite strong alignment between underlying principles, which may impact the ability of public sector entities to access capital markets effectively and efficiently

4.33 Based on this assessment, the IPSASB concluded that developing new presentation requirements for the Statement of Financial Performance, aligned with IFRS 18 with additional public sector guidance, would introduce a more formal structure to better support financial statement users in understanding, analyzing, and comparing financial performance information for accountability and decision-making purposes.

Preliminary View 8—Chapter 4

The IPSASB's Preliminary View is to present revenue and expense items recognized in surplus or deficit in categories on the Statement of Financial Performance. The categorization requirements are aligned with IFRS 18 requirements, with additional public sector guidance.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed (for example, if you prefer a specific public-sector specific categorization, such as those considered in paragraph 4.30, please explain why it would meet the criteria in paragraph 4.29).

Presentation of Totals and Subtotals

4.34 Users of financial statements often use the totals and subtotals presented on financial statements as a starting point for their information needs, to obtain a meaningful understanding of the reporting entity's financial performance and more consistently and objectively analyze and compare information for accountability and decision-making purposes.

4.35 IPSAS 1 requires entities to present on the Statement of Financial Performance the surplus or deficit total and permits entities to present additional subtotals deemed relevant. The IPSASB noted that the presentation of totals and subtotals directly corresponds to the proposed presentation of revenue and expense items in categories. The following total and subtotal requirements would correspond with the IPSASB's preliminary view to align with IFRS 18 categorization requirements, with additional public sector guidance, and are illustrated in **Figure 2**:

(a) Retain the IPSAS 1 requirement for public sector entities to present the **'surplus or deficit' total**, as it remains a useful and fundamental metric for financial statement users to understand the entity's overall financial performance;

(b) Introduce a new requirement for entities to present the '**operating surplus or deficit**' **subtotal**, which is important and useful to give users an understanding of the current level of revenues and whether it is sufficient to maintain the volume and quality of services currently provided, and achieve future service delivery activities and objectives, consistent with Chapter 2 of the Conceptual Framework. This subtotal would provide financial statement users with comparable measures of financial performance as starting points for their analysis.[33]

Figure 2 – Illustrative Example of the Statement of Financial Performance with the Proposed Totals and Subtotals

Public Sector Entity *For the year ended December 31, 20X6*		
Taxes revenue	500	Operating
Other revenue	80	
Wages expenses	(200)	
Operating expenses	(300)	
Other expenses	(58)	
Operating surplus or deficit	**22**	
Investment income	15	Investing
Investment expenses	(13)	
Interest expense on loan	(21)	Financing
Surplus or deficit	**3**	

[33] An 'operating surplus or deficit' subtotal may also serve as a starting point for reconciling cash flows from operating activities in the Cash Flow Statement. The IPSASB will consider constituent feedback to identify consequential amendments to IPSAS 2 in the next Phase of the project.

(c) Continue to permit entities to present additional subtotals, as financial information needs may vary within and across jurisdictions in the international public sector. Additional subtotals are permitted if they provide a useful summary that is comprised of amounts recognized and measured in accordance with IPSAS Standards, compatible with the structure of the Statement of Financial Performance, consistent from period to period, and displayed no more prominently than the required totals and subtotals listed above.

4.36 The IPSASB does not propose to introduce a requirement for entities to present '**surplus or deficit before financing**' **subtotal**, similar to 'profit or loss before financing and income taxes' under IFRS 18, as members are of the view that this subtotal may communicate a profitability narrative which is not appropriate nor relevant in the public sector. However, IPSASB members note that if an entity concludes that this subtotal would provide useful information to the users of its financial statements, it would still be permitted to present it in accordance with paragraph 4.35(c).

4.37 Requiring these total and subtotal would enhance the benefits of categorizing revenue and expenses on the Statement of Financial Performance.[34] Together, the categorization requirements and totals and subtotals requirements based on that categorization enhance the coherence and comparability of the Statement across public sector entities. This improved structure reduces diversity in reporting, thereby providing more useful information for financial statement users to understand, analyze, and compare financial performance.

Preliminary View 9—Chapter 4

The IPSASB's Preliminary View is to present totals and subtotals, and to permit entities to present additional subtotals, on the Statement of Financial Performance, as listed in paragraph 4.35. The total and subtotal requirements are aligned with IFRS 18 requirements, adapted for the public sector.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed.

Presentation of Line Items

4.38 Individual financial statement line items, which present groupings of transactions with common or shared characteristics, provide financial statement users with information to understand the entity's material revenue and expense items, enable comparisons and analyses, and identify where they may wish to seek additional information in the notes. This financial information is crucial to help financial statement users understand and assess the costs of service delivery, the amounts and sources of cost recovery during the reporting period, and the resources acquired and used to efficiently and effectively achieve service delivery objectives.

Presentation of Minimum Line Items

4.39 IPSAS 1 provides minimum requirements regarding the presentation of line items on Statement of Financial Performance, and allowing entities to include additional line items that help users understand the entity's performance in the current period and its ability to meet service delivery obligations, and requiring separate disclosure of specific items.

4.40 The IPSASB acknowledged that these requirements continue to be fit for purpose, operate effectively in practice, and remain effective and appropriate, and thus do not require substantial change. Considering its preliminary view to introduce the requirement to categorize revenue and expense items and align with other IFRS 18 requirements, with additional public sector guidance, the IPSASB proposes to:

[34] The IPSASB acknowledged that constituent feedback regarding Preliminary View 8 may prompt further consideration regarding the potential total and subtotal requirements for the future IPSAS Standard replacing IPSAS 1.

(a) Retain the existing IPSAS 1 presentation requirements, but in the context of the new categorization requirements; and

(b) Add new application guidance to help entities determine whether to present additional line items to provide a more useful structured summary of its revenue and expense items.

4.41 In doing so, these presentation requirements would align with IFRS 18, which did not substantially change equivalent IAS 1 guidance, and adapts IFRS 18 guidance for the public sector.

4.42 The IPSASB also considered whether to introduce requirements aligned with GFSM 2014, noting that such an approach would require the introduction of a detailed and prescriptive set of requirements to classify and aggregate revenue and expenses into standardized line items. While this would result in a standardized structure and presentation on the Statement of Financial Performance, some line items aligned in terminology may not be aligned in what comprises those line items under IPSAS Standards vs. GFSM 2014 because of underlying recognition and classification differences (Appendix A). Aligning the presentation of line items does not necessarily align the substance of those line items, so the IPSASB does not propose to pursue this approach.

Preliminary View 10—Chapter 4

The IPSASB's Preliminary View is to maintain the minimum requirements regarding the presentation of line items on the face of the Statement of Financial Performance, with additional guidance. The minimum line item presentation requirements are aligned with IFRS 18 requirements, with additional public sector guidance.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed.

Presentation of Expenses by Nature or Function

4.43 IPSAS 1 requires entities to classify and present expenses on the Statement of Financial Performance either by the nature of the expenses (useful for predicting future cash flows) or by their function within the entity (useful to understand programs and purposes to fulfill service delivery objectives), whichever provides information that is faithfully representative and more relevant.

4.44 The IPSASB acknowledged that there are different but equally valuable benefits to presenting by nature or function, but current practice indicates that additional guidance may be necessary to better help entities determine which method would provide more useful and relevant information for the users of its financial statements, to support their understanding and analysis for accountability and decision-making purposes.

4.45 New presentation requirements in the IPSAS Standard replacing IPSAS 1 should lead public sector entities to effectively provide their financial statement users with useful and relevant information, and to reflect the realities and needs of the international public sector. To achieve this, the IPSASB proposes to:

(a) Continue providing the choice between presenting by nature or by function. Retaining this existing IPSAS 1 choice acknowledges that both methods have merits and provide an indication of costs that vary with the entity's outputs and can support financial statement users in understanding the costs of service delivery, to generate outputs and outcomes at the core of its service delivery objectives. Providing this choice allows public sector entities to make their own determination about which method provides a more useful structured summary of its revenue and expenses that provide relevant and faithfully representative information to their financial statement users. This choice also serves as a baseline for national standard setters to adapt for jurisdiction-specific needs;

(b) Reframe these existing IPSAS 1 requirements in the context of new categorization requirements for the Statement of Financial Performance proposed above; and

(c) Add additional guidance to help public sector entities:

(i) Better understand the merits of presenting expenses by nature vs. by function, and determine which of the two methods would provide more relevant and faithfully representative information for its financial statement users to understand the entity's allocation of resources to activities and programs;

(ii) Consider various factors in making that determination, such as the nature of the entity's service delivery objectives, roles, and activities, the entity's users, and common practices. For example, a national government or entity accountable for providing multiple services or delivering on multiple programs may conclude that presentation by function would be more appropriate, and may present functions similar to GFSM 2014 Classification of Functions of Government (COFOG) to provide more useful and relevant information for its financial statement users. In comparison, a ministry responsible for effectively using its resources to achieve one predominant objective or outcome may conclude that presentation by nature would be more appropriate to provide more useful and relevant information for its users; and

(iii) Apply judgment and identify when presentation by function may not be appropriate (for example, when it is not able to appropriately allocate expenses to functions without arbitrary allocations resulting in information that is not faithfully representative of resources used for that function).

4.46 These presentation requirements would broadly align with IFRS 18. The IPSASB noted that IFRS 18 now permits mixed presentation (some expense line items by nature, and others by function), in response to direct requests from private sector constituents. IPSASB members had different views on whether to introduce the option to use mixed presentation in IPSAS Standards, in alignment with IFRS 18:

(a) Mixed presentation provides reporting entities with an appropriate level of flexibility (i.e., an entity should be allowed to present expenses in this way if it contributes to providing the most useful structured summary of those expenses). Furthermore, no public sector issue has been identified that would warrant departure from IFRS 18 in accordance to the IPSASB's *Process for Reviewing and Adapting IASB Documents*; however

(b) IPSAS 1 did not allow for mixed presentation, and the IPSASB has not received any indications that mixed presentation is needed in the public sector. Prohibiting mixed presentation would improve comparability of financial information across entities and jurisdictions, and more effectively respond to initial feedback from public sector constituents to reduce diversity of presentation in practice.

4.47 The IPSASB also considered whether to introduce expense presentation requirements aligned with GFSM 2014, noting that such an approach would require the introduction of a detailed and prescriptive set of requirements to classify and aggregate expenses according to economic classification requirements for fiscal analysis. While this would result in a standardized presentation of expenses, the IPSASB is committed to taking a principled approach rather than setting prescriptive classification and presentation requirements, and so the IPSASB does not propose to pursue a GFSM 2014 aligned approach.

Specific Matter for Comment 1—Chapter 4

The IPSASB proposes to maintain the requirements to present expenses by the nature of the expenses or by their function to the entity on the face of the Statement of Financial Performance, in alignment with IFRS 18 requirements, with additional guidance.

In your view, should the new IPSAS Standard replacing IPSAS 1 permit mixed presentation, where some expense line items are presented by nature, while others are presented by function? Would mixed presentation result in a useful structured summary of those expenses for users of financial statements in your jurisdiction?

Please provide the reasoning behind your view.

Chapter 5: Statement of Changes in Net Assets/Equity

Introduction

5.1 This Chapter explores the potential presentation requirements regarding financial information on the Statement of Changes in Net Assets/Equity.

5.2 The Statement of Changes in Net Assets/Equity aims to provide a structured summary of changes to a reporting entity's net assets/equity, together with comparative information – a summarized version of this Statement is illustrated in **Figure 1**.[35] Changes in net assets/equity reflect the increase or decrease in its net assets during the period, and includes several components:

(a) All financial performance for the period, comprised of:

(i) Revenue and expense items recognized in surplus or deficit, presented as a total (from the Statement of Financial Performance – explored in Chapter 4);

(ii) Revenue and expense items recognized outside of surplus or deficit, presented individually and in total; and

(b) Contributions by, and distributions to, owners in their capacity as owners (if any); and

(c) The effects of changes in accounting policies and corrections of errors (if any).

Figure 1 – Illustrative Statement of Changes in Net Assets/Equity

Statement of Changes in Net Assets/Equity For the year ended December 31	**Attributable to owners of the controlling interest** Contributed capital	 Reserve X	 Total	**Non-controlling interest**	**Total net assets / equity**
Balance at December 31, 20X4					
Changes in net assets/equity: …					
Net revenue recognized directly in net assets/equity Surplus/(deficit) for the period					
Total revenue and expenses for the period					
Balance at December 31, 20X5					
Changes in net assets/equity: …					
Net revenue recognized directly in net assets/equity Surplus/(deficit) for the period					
Total revenue and expenses for the period					
Balance at December 31, 20X6					

[35] IPSAS 1 paragraph 125 allows entities to present its Statement of Net Assets/Equity either in a columnar format (as presented in Figure 1 and in the Implementation Guidance), or in a simplified manner with other information in the notes.

5.3 To advance the objectives of this project (as noted in Chapter 1), the IPSASB considered the following core aspects of presenting information on the Statement of Changes in Net Assets/Equity:

(a) Presentation of Revenue and Expenses Recognized Outside of Surplus or Deficit;

(b) Other Presentation Requirements for Statement of Changes in Net Assets/Equity; and

(c) Applicability of IFRIC 17 *Distribution of Non-cash Assets to Owners*.

Presentation of Revenue and Expenses Recognized Outside of Surplus or Deficit

5.4 Revenue and expenses represent the increases and decreases in a reporting entity's net financial position, other than ownership contributions and distributions. The IPSAS Standards requires entities to present revenue and expense items in one of two financial statements.

5.5 IPSAS 1 requires all items of revenue and expenses recognized in a period to be included in surplus or deficit, unless another IPSAS Standard requires otherwise. Normally, all revenue and expense items are expected to be included in surplus or deficit, on the Statement of Financial Performance. However, certain IPSAS Standards require some revenue and expense items to be recognized outside of surplus or deficit, directly in net assets/equity, on the Statement of Changes in Net Assets/Equity.[36]

Approaches to Presenting Revenue and Expense Items Recognized Outside of Surplus or Deficit

5.6 Presentation requirements related to revenue and expense items recognized outside of surplus or deficit should provide sufficient transparency to help users of financial statements understand and analyze this information for accountability and decision-making purposes. Displayed financial information is transparent if it is clear, easily understood, visible, and accessible, thereby helping users understand the nature and extent of changes to the reporting entity's net position in achieving its service delivery objectives and make informed decisions.

5.7 The IPSASB had mixed views on whether these longstanding IPSAS 1 requirements are achieving the appropriate level of transparency regarding these movements in the entity's net financial position, for a user's accountability and decision-making purposes, and this informs views on future presentation requirements.

5.8 In line with its Project Drivers (as noted in Chapter 1, Table 2), the IPSASB considered whether to:

(a) Retain and enhancing existing IPSAS 1 requirements, where appropriate;

(b) Align with IFRS 18 requirements with any necessary public sector guidance or adaptations; or

(c) Align with GFSM 2014 requirements to reduce unnecessary differences as appropriate.

[A] Retaining and Enhancing IPSAS 1 Requirements

5.9 By retaining and enhancing the existing IPSAS 1 requirements, reporting entities would be required to:

(a) Continue presenting revenue and expense items recognized outside of surplus or deficit on the Statement of Changes in Net Assets/Equity (see illustration in **Figure 1**, above), while appropriately

[36] Individual IPSAS Standards provide guidance on the recognition and measurement of revenue and expense items, including whether these items are to be recognized in surplus or deficit, or outside of surplus or deficit (directly into net assets/equity). The IPSASB's decisions regarding which revenue or expense items are recognized outside of surplus or deficit are made on an individual Standard-by-Standard basis, aligned with the IASB's allocation since 2000, and generally arise from specific remeasurements of certain assets and liabilities to current value. The scope of this project includes reviewing presentation requirements for these items outside surplus or deficit. The scope of this project does not include reassessing the allocation and composition (i.e., the IPSASB is not reevaluating its decisions in individual IPSAS Standards regarding the recognition, measurement, reclassification, and allocation of revenue and expense items to be in surplus or deficit vs. outside of surplus or deficit).

applying the existing general presentation principles (specifically considering the materiality, and level of aggregation and disaggregation of financial information presented);[37] and

(b) Provide qualitative information in the accompanying note disclosures about each material item of revenue and expense recognized outside of surplus or deficit, to enhance the existing note disclosure requirements in IPSAS 1.

5.10 Most IPSASB members supported retaining existing IPSAS 1 requirements. In their view, which is supported by preliminary academic research conducted to date, these requirements already achieve the appropriate level of transparency regarding these revenue and expense items:

(a) All reporting entities applying IPSAS Standards are required to provide a Statement of Changes in Net Assets/Equity. The application and results of IPSAS 1 presentation requirements are familiar to reporting entities and users of their financial statements. Financial statement users are able to easily access this Statement and are aware that it presents revenue and expense items recognized outside of surplus and deficit, which comprise the majority (if not the entirety) of financial information on this Statement.

(b) Using this Statement, financial statement users are currently able to obtain a good understanding of the nature and extent of these changes in the entity's net financial position and seek additional information in accompanying notes or other reports as needed. Together with the Statement of Financial Performance, users can fully understand changes in the entity's net financial position to support their accountability and decision-making needs.

[B] Aligning with IFRS 18 Requirements

5.11 IFRS 18 requires entities to present all income and expense items (i.e., regardless of whether they are recognized in profit or loss, or outside of profit or loss) separately from any changes in net assets that arise from transactions with owners, to help financial statement users assess the entity's performance in the period. The requirement, first introduced in IAS 1 (2007), permits entities to choose to present income and expense items on either one or two financial performance statements.

5.12 If the IPSASB adopts this IFRS 18 aligned approach, reporting entities would be required to relocate revenue and expense items recognized outside of surplus or deficit, and present these items on either of the following (as illustrated in **Figure 2**):

(a) The Statement of Financial Performance, in a separate section below surplus or deficit; or

(b) A new, second financial performance statement.

5.13 The IPSASB would also need to introduce a new term to refer to revenue and expense items recognized outside of surplus or deficit, to succinctly capture the nature and substance of these items. The IPSASB noted that IFRS 18's use of "Other Comprehensive Income" (OCI) for income and expenses recognized outside of profit or loss (consistent with revenue and expense items recognized outside of surplus or deficit under IPSAS Standards) would not be appropriate to use in the public sector because it may miscommunicate the nature and substance of those items. For illustrative purposes, **Figure 2** uses "other financial performance' to refer to revenue and expense items recognized outside of surplus or deficit, because these items are a component of an entity's financial performance in the period that represent a portion of changes to an entity's overall financial position.

[37] This ensures that the entity's presentation of revenue and expense items recognized outside of surplus or deficit does not obscure material information, to enable users to understand the key messages, at an understandable level, for accountability and decision-making.

Figure 2

(a) One Financial Performance Statement (paragraph 5.12(a))

Statement of Financial Performance
For the year ended December 31, 20X6
Revenue
Expenses
Surplus / (Deficit)
Other revenue
Other expenses
Total other financial performance *
Total financial performance *

(b) Two Financial Performance Statements (paragraph 5.12(b))

Statement of Financial Performance
For the year ended December 31, 20X6
Revenue
Expenses
Surplus / (Deficit)

Statement of Other Financial performance *
Surplus / (Deficit)
Other revenue
Other expenses
Total other financial performance *
Total financial performance *

5.14 Some IPSASB members are of the view that presentation requirements should align with IFRS 18 requirements. In their view, IPSAS 1 requirements do not achieve the appropriate level of transparency regarding these revenue and expense items:

(a) Revenue and expense items recognized outside surplus or deficit are part of an entity's overall financial performance for the period. Presenting these in the Statement of Changes in Net Assets/Equity reduces the visibility and prominence of these items, compared to revenue and expense items recognized in surplus or deficit on the Statement of Financial Performance.

(b) Presenting some financial performance information on the Statement of Financial Performance and other financial performance information on the Statement of Changes in Net Assets/Equity, is not intuitive and confusing for financial statement users. Users may not be effectively obtaining a full picture of the changes in the entity's net financial position in the period, which does not support their accountability and decision-making needs.

[C] Aligning with GFSM 2014 Requirements

5.15 As presented in Chapter 4 and Appendix A, there are important differences between the two statements produced under the two frameworks:

(a) The Statement of Other Economic Flows (which reports 'other economic flows' for the period that are changes in net worth that are not from transactions) is similar, but not equivalent to, the IPSAS Statement of Changes in Net Assets/Equity. These statements present different information, serve somewhat different objectives, and are not directly comparable; and

(b) What constitutes revenue and expenses (vs. other economic flows), and how they're identified and calculated, partially differ. Generally, all revenue and expense items recognized outside of surplus or deficit under IPSAS Standards are likely classified as 'other economic flows' under GFSM 2014. However, the scope of items classified as 'other economic flows' under GFSM 2014 is broader than those required or permitted to be recognized outside of surplus or deficit directly in net assets/equity under IPSAS Standards.

5.16 To align with GFSM 2014's presentation of other economic flows, public sector entities would be required to present revenue and expense items using a new, specific set of classification and aggregation requirements based on the economic nature of each item, with different underlying recognition and measurement requirements. This would require the introduction of the GFSM 2014 concept of transactions (that are never presented in the Statement of Other Economic Flows), as well as the GFSM 2014 concepts of changes in net worth due to holding gains and losses and changes in net worth due to other changes in the volume of assets and liabilities (that are always presented in the Statement of Other Economic Flows).

5.17 Similar to its discussions presented in Chapter 4, the IPSASB acknowledged that this approach could reduce differences between IPSAS Standards and GFSM 2014 by better aligning the presentation of these items. However, it would imply changing the classification, recognition, measurement, and presentation requirements across the whole suite of IPSAS Standards, which is not in the scope of this project.

5.18 Nevertheless, the IPSASB highlights that IPSAS Standards-based accounting data can always be used as source data for statistical compilation of the GFSM 2014 Statement of Other Economic Flows in specific circumstances (see more details in Appendix A).

5.19 The IPSASB summarized the benefits and drawbacks of the potential approaches, in **Table 1**.

Table 1 – Benefits and Drawbacks to the Potential Categorization Approaches

Potential Approach	Overall Analysis	Benefits	Drawbacks
Retaining IPSAS 1 (paragraphs 5.9-5.10)	Remains appropriate for the public sector, while enhancing the current note disclosure requirements	✓ Is consistent with current practice and presentation of these revenue and expense items recognized outside of surplus or deficit on the Statement of Changes in Net Assets/Equity is familiar for current users ✓ Improves communication without impeding existing transparency, and provides a comprehensive narrative about revenue and expense items recognized outside of surplus or deficit in the period ✓ Allows for more balanced set of financial statements, in comparison to the IFRS 18 approach, that is more usable and understandable for users	o Does not achieve alignment with IFRS, though the underlying accounting principles for these transactions are the same, which reduces comparability across sectors and may cause unnecessary confusion o May not clearly convey that these items are part of a reporting entity's financial performance in the period
Aligning with IFRS 18 Requirements (paragraphs 5.11-5.14)	Relabels and relocates revenue and expense items recognized outside surplus or deficit onto a different Statement	✓ May provide a more comprehensive and visible overview of financial performance, as all revenue and expenses (whether in or outside of surplus or deficit) are located on statement(s) that have the sole objective of presenting financial performance for the period to achieve service delivery objectives ✓ Reflects that underlying accounting principles are primarily IFRS-aligned, which may help entities better access capital markets ✓ Allows entities to balance potential advantages and challenges of one statement vs. two statements, to suit entity- and jurisdictional-specific user needs	o May cause confusion, without improving transparency or user understanding, as current presentation based on IPSAS 1 is well-understood and familiar to users of IPSAS-compliant financial statements o May lead to misunderstanding regarding the nature and substance of these items, and users may misinterpret these items are available resources o Potentially reduces the usefulness of the Statement of Changes in Net Assets/Equity in the public sector
Aligning with GFSM 2014 Categories (paragraphs 5.15-5.18)	Effective alignment can only be achieved through substantial and comprehensive review of IPSAS Standard accounting principles, which is outside the scope of this project	✓ Standardizes presentation and increases comparability across public sector entities	o Does not achieve alignment in substance with GFSM 2014, without also considering substantial changes to the underlying accounting principles o Prescribes a specific and rigid classification structure that may not be applicable for all public sector entities

5.20 Based on this assessment, the IPSASB proposes to retain the existing IPSAS 1 requirements regarding the presentation of revenue and expense items recognized outside of surplus or deficit, in the Statement of Changes in Net Assets/Equity. In making this decision, the IPSASB noted:

(a) Retaining IPSAS 1 requirements would entail an ongoing difference from IFRS Accounting Standards. A key reason to warrant departure is the differences between users of financial statements in the public sector compared to the private sector. As articulated in Chapter 4 and Appendix B, users of public sector financial statements may vary widely, given the broad range of public sector entities in their nature, service delivery objectives, and other factors. Users typically are, or serve as proxies for, the service recipients and service providers of the public sector entity. IPSASB members acknowledged that public sector users are familiar with the current IPSAS 1 presentation without issues, and there are drawbacks (as previously mentioned regarding IFRS 18 alignment), particularly the potential for confusion and misinterpretation by users which may pose accountability and governance risks. Thus, the IPSASB are of the view that this warrants departure from IFRS alignment, in compliance with the IPSASB's *Process for Reviewing and Adapting IASB Documents*.

(b) Existing disclosure requirements could be enhanced, to better communicate key messages, providing more context and details, to support financial statement users in understanding, analyzing, and comparing this information for accountability and decision-making purposes.

Reclassification Adjustments

5.21 IPSAS Standards may require reporting entities to reclassify certain amounts previously recognized in net assets/equity into surplus or deficit, as reclassification adjustments (for example, when the amounts become realized). These Standards amended IPSAS 1 to include guidance on reclassification adjustments (specifically paragraphs 125A-125C of IPSAS 1) to require entities to make necessary adjustments to avoid double-counting the amount.

5.22 The IPSASB proposes to retain guidance from IPSAS 1 related to reclassification adjustments, as it remains appropriate to require entities to avoid double-counting amounts subject to reclassification, and was developed based on its work on other IPSAS Standards.

Preliminary View 11—Chapter 5

The IPSASB's Preliminary View is to maintain (1) requirements to present revenue and expense items recognized outside surplus or deficit directly in net assets/equity, on the Statement of Changes in Net Assets/Equity, and (2) requirements related to reclassification adjustments.

Do you agree with the IPSASB's Preliminary View, and are there additional enhancements to these IPSAS 1 requirements the IPSASB should consider (for example, whether to enhance disclosure requirements to help users better understand the nature and composition of material revenue and expense items recognized outside of surplus or deficit)?

If you do not agree, please provide your reasons and clearly explain what you consider should be changed.

Other Presentation Requirements for Statement of Changes in Net Assets/Equity

5.23 The Statement of Changes in Net Assets/Equity presents information regarding the changes in an entity's net assets/equity between two reporting dates, and links to information presented on the Statement of Financial Performance and Statement of Financial Position.

5.24 IPSAS 1 requires specific information to be presented on the face of the Statement of Changes in Net Assets/Equity and/or in the accompanying notes to ensure that public sector entities provide a useful and transparent overview of changes in an entity's net assets/equity during the reporting period to the users of its financial statements.

5.25 The IPSASB concluded that the IPSAS 1 requirements have been effective and remain appropriate for the public sector, but acknowledged that these requirements could be enhanced to better support the information needs of financial statement users. Based on its assessment, the IPSASB noted that:

(a) IPSAS 1 requires entities to present a reconciliation of each component of net assets/equity at the beginning and end of the period, either on the face of the Statement of Changes in Net Assets/Equity or in the notes.

(b) IFRS 18 requires entities to present this reconciliation on the face of the Statement of Changes in Equity.

5.26 This reconciliation provides a snapshot overview, allowing users of financial statements to understand how the balances change over the reporting period and what is driving those changes. The IPSASB noted requiring the reconciliation be presented on the face of the Statement, rather than offering the choice of the face or the notes in current IPSAS 1, would achieve greater comparability across public sector financial statements and transparency on the face of the Statement of Changes in Net Assets/Equity. By requiring all entities to present the reconciliation on the face of the Statement, public sector entities can provide a comprehensive and useful overview on the face of the Statement to support users of the financial statements information needs.

Preliminary View 12—Chapter 5

The IPSASB's Preliminary View is to maintain the presentation requirements regarding the Statement of Changes in Net Assets/Equity, and revise the reconciliation requirement to require the reconciliation be displayed on the face of the Statement.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed.

Applicability of IFRIC 17 Distribution of Non-cash Assets to Owners

5.27 During the development of its Project Brief, the IPSASB decided to review IFRIC 17 *Distribution of Non-cash Assets to Owners* to determine whether the guidance is relevant and applicable in the public sector.

5.28 IFRIC 17, issued by the IFRS Interpretations Committee (formerly "International Financial Reporting Interpretations Committee") (IFRIC), provides guidance on the recognition, measurement, presentation and disclosure of non-reciprocal (i.e., non-exchange) distributions of assets by an entity to its owners acting in their capacity as owners. The IPSASB noted that IFRIC 17 applies to a specific scope of transactions: distributions of non-cash assets and distributions that give owners a choice of receiving either non-cash assets or a cash alternative. IFRIC 17 only applies to non-reciprocal distributions of assets by an entity to its owners in which all owners of the same class of equity instruments are treated equally, and does not apply to distributions where the assets are ultimately controlled by the same party or parties before and after distribution.

5.29 The IPSASB acknowledged that while non-cash assets may be transferred between public sector entities, these transactions typically would not be in the scope of IFRIC 17 as they are not typically transactions with owners in their capacity as owners in which all owners are treated equally, and/or the non-cash asset is likely still controlled by the same party or parties before and after its distribution. Thus, the IPSASB concluded that transactions that would be in the scope of IFRIC 17 are not prevalent in the public sector, and that guidance based on IFRIC 17 should not be incorporated into IPSAS Standards.

Preliminary View 13—Chapter 5

The IPSASB's Preliminary View is that guidance based on IFRIC 17 *Distribution of Non-cash Assets to Owners* should not be incorporated into the IPSAS Standards, as the relevant transactions are not prevalent in the international public sector.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed.

Chapter 6: Disclosure of Information in the Notes

Introduction

6.1 Note disclosures help achieve the overall objective of financial reporting, by providing more details to help users of financial statements better understand the information presented in the financial statements, thereby supporting their accountability and decision-making needs. To contribute to the achievement of the objective of financial reporting, information disclosed in the notes presents the entity's financial statements in the context of the entity and its operating environment and has a clear relationship with information displayed on the face of the related financial statements.[38]

6.2 This Chapter outlines the IPSASB's discussions and conclusions regarding the requirements for the disclosure of information in the notes to the financial statements.

6.3 To advance the objectives of this project (as noted in Chapter 1), the IPSASB considered the requirements related to:

(a) Structure of the Notes;

(b) Disclosure of Accounting Policy Information;

(c) Disclosure of Sources of Estimation Uncertainty;

(d) Disclosure of General Information and Net Assets/Equity Information; and

(e) Applicability of IFRS 18's Management-Defined Performance Measures.

Structure of the Notes

6.4 The structure of the notes that accompany information displayed in the financial statements can impact how effectively information is communicated to, and thus understood by, the users of financial statements.

6.5 IPSAS 1, aligned with IAS 1 (2003), provides guidance regarding the structure of the notes. IPSAS 1 requires entities to present in the notes, in a systematic manner, specific information and additional information deemed relevant to understanding information on the face of the financial statements.

6.6 In considering these requirements, the IPSASB:

(a) Noted these requirements have been effective in helping public sector entities determine the appropriate structure of the notes they present, to support the information needs of financial statement users; and

(b) Acknowledged that the IASB amended equivalent private sector guidance in 2014 as part of its *Disclosure Initiative* project to clarify existing disclosure requirements regarding the structure of the notes, by framing 'systematic manner' in the context of qualitative characteristics and refining guidance to avoid misinterpretations. The guidance was carried forward into IFRS 18 without substantial changes.

6.7 Based on its assessment, the IPSASB concluded that the 2014 amendments to IAS 1 should be incorporated into IPSAS Standards, as they would help public sector entities better understand and apply the requirements regarding the structure of the notes. Incorporating the amendments would clarify existing requirements, refine guidance to avoid misinterpretation, and help entities use judgment to apply requirements by framing the determination of 'systematic manner' in the context of qualitative characteristics (understandability and comparability).

38 Chapter 8 of the IPSASB Conceptual Framework.

Disclosure of Accounting Policy Information

6.8 Disclosure of an entity's accounting policies can support the understanding of information in the financial statements by the users of financial statements.

6.9 IPSAS 1 currently requires entities to disclose significant accounting policies, and prompts entities to consider when additional disclosures would assist users of financial statements in understanding specific transactions, events, and conditions, accounting policies selected, and other entity-specific considerations. IPSAS 1 also directs entities to adhere to disclosure requirements in other IPSAS Standards.

6.10 In considering these requirements, the IPSASB:

(a) Noted these requirements have been effective in helping public sector entities disclose their significant accounting policies, to support the information needs of financial statement users; and

(b) Acknowledged that the IASB amended equivalent private sector guidance in 2021 as part of its *Disclosure Initiative* project to clarify existing disclosure requirements, by revising guidance to focus on material accounting policy information (rather than significant) and to emphasize the application of judgment in making their accounting policy disclosures. The guidance was carried forward without substantial changes.[39]

6.11 There is broad, ongoing interest in managing potential disclosure overload, to ensure that information in financial statements is useful, relevant, and communicated effectively to users of the financial statements. This puts continued emphasis on considering information in the context of materiality and disclosing information that can be reasonably expected to influence the decisions of the primary users of financial statements.

6.12 Thus, the IPSASB proposes to incorporate the 2021 amendments to IAS 1 into IPSAS Standards, thereby revising existing IPSAS 1 guidance to focus on material accounting policy information. This would:

(a) Reframe the existing disclosure requirements in the context of materiality and application of judgment, to more effectively prompt entities to consider what information is material to the primary users of its financial statements and their decision-making needs, without substantially changing the existing requirements on the disclosure of accounting policy information; and

(b) Be consistent with the IPSASB Conceptual Framework, and the IPSASB's recent and upcoming work on its current narrow-scope *Making Materiality Judgments* project.

Disclosure of Sources of Estimation Uncertainty

6.13 When applying IPSAS Standards, entities make assumptions about the future and estimate the effects of uncertain future events to measure some assets and liabilities. Information about the sources of estimation uncertainty helps users of financial statements understand the entity's judgments, to better understand the information in the financial statements.

6.14 IPSAS 1 currently requires entities to disclose information about key assumptions made about the future, and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial year. It also provides guidance and examples to help entities apply these requirements and directs entities to adhere to disclosure requirements in other IPSAS Standards regarding key assumptions and sources of estimation uncertainty.

[39] In developing IFRS 18, the IASB decided to move the guidance for the disclosure of accounting policy information into IAS 8 *Basis of Preparation of Financial Statements*, instead of IFRS 18. To support constituents in considering the IPSASB's views in this Consultation Paper, equivalent IPSAS Standard guidance for these presentation requirements is illustrated in the illustrative ED.

6.15 The IPSASB noted that the requirements have been effective in helping entities identify and disclose key sources of estimation uncertainty to support information needs of financial statement users, and remain relevant and appropriate for public sector financial reporting. In addition, these requirements remain consistent with those in IFRS Accounting Standards,[40] with important public sector differences (for example, the IPSAS Standards include current operational value as a potential current value measurement basis). Therefore, the IPSASB proposes to retain them in the IPSAS Standards.

Disclosure of General Information and Net Assets/Equity Information

6.16 Since public sector entities differ in their nature, service delivery objectives, and jurisdiction-specific factors, the users of financial statements benefit from general information about the entity itself (such as its legal form, nature of its operations, relevant legislation, and other details) and relevant information about its net assets/equity.

6.17 IPSAS 1 provides specific requirements for entities to disclose the general information if not disclosed elsewhere in information published with the financial statements. The IPSASB noted that these requirements are applicable for all public sector entities, and results in useful information for users of financial statements to understand the jurisdiction and operational environment of the entity.

6.18 IPSAS 1 also requires entities to disclose any information related to components of net assets/equity (if applicable). The IPSASB acknowledged that these disclosure requirements are transaction specific and may not be applicable for some public sector entities. For example, only entities that have capital are required to disclose information to help users of financial statements evaluate the entity's objectives, policies, and processes for managing that capital and any different capital requirements. In addition, entities with puttable financial instruments classified as net assets/equity, or that have share capital and dividends or similar distributions, would be required to disclose specific information in accordance with IPSAS 1 requirements. The IPSASB noted that these requirements remain relevant and appropriate, and ensures that entities provide useful information in their notes to help users of financial statements understand any such transactions.

6.19 Based on its discussions, the IPSASB proposes that the guidance be retained in the IPSAS Standards . This guidance also remains aligned with equivalent IFRS Accounting Standards guidance.[41]

Preliminary View 14—Chapter 6

The IPSASB's Preliminary View is to retain existing IPSAS 1 requirements for the disclosure of information in the notes to the financial statements, and incorporate the IASB's amendments to IAS 1 (as presented in paragraphs 6.7 and 6.12) which would align with equivalent IFRS Accounting Standards guidance.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed.

Applicability of IFRS 18's Management-Defined Performance Measures

6.20 The IASB formally introduced the concept of 'management-defined performance measures' (MPMs) in IFRS 18, published in 2024. In line with its Project Drivers (Chapter 1, Table 2), the IPSASB considered whether, and how, IFRS 18 MPMs may be relevant or applicable for the public sector.

[40] In developing IFRS 18, the IASB decided to move the guidance for the disclosure of sources of estimation uncertainty into IAS 8, instead of IFRS 18. To support constituents in considering the IPSASB's views in this Consultation Paper, equivalent IPSAS Standard guidance for these presentation requirements is illustrated in the illustrative ED.

[41] In developing IFRS 18, the IASB decided to move the guidance for the disclosure of puttable financial instruments classified as equity into IFRS 7 *Financial Instruments: Disclosures*, instead of IFRS 18. To support constituents in considering the IPSASB's views in this Consultation Paper, equivalent IPSAS Standard guidance for these presentation requirements is illustrated in the illustrative ED.

6.21 The IASB's decision to introduce this concept, defining MPMs in a narrow manner and requiring specific disclosures for MPMs, was a direct response to constituent feedback in the private sector. Users of private sector financial statements found that alternative performance measures (i.e., non-GAAP measures) defined by management and communicated *outside* the financial statements provided useful information. However, these users raised concerns about the quality of information provided about such measures.

6.22 To address constituent feedback:

(a) IASB defined and introduced disclosure requirements for MPMs to improve the transparency of such measures (e.g., their purpose/use, calculation, and reconciliation back to the most directly comparable subtotal required by IFRS) and the quality of such information (as the disclosure requirements likely bring such measures within the scope of audit); and

(b) The IASB intentionally defined MPM in a narrow manner to directly address constituent feedback in the private sector. Specifically, management-defined performance measures are only MPMs as defined in IFRS 18 (and subject to the disclosure requirements) if they are a subtotal of income *and* expenses that:

(i) An entity uses in public communications *outside* financial statements, to communicate to users of financial statements *management's view* of an aspect of the entity's financial performance as a whole; and

(ii) Are *not* subtotals specifically required to be presented or disclosed by IFRS 18 or other IFRS Accounting Standards.

6.23 To effectively consider whether, and how, IFRS 18 MPMs may be relevant or applicable for the public sector, the IPSASB:

(a) First considered whether public sector entities report alternative performance measures that would meet the definition of MPMs as defined by IFRS 18, which could warrant incorporating the IFRS 18 definition and disclosure requirements for MPMs into IPSAS Standards to provide greater transparency of such measures; and

(b) If not, whether there is a need for greater transparency of public sector alternative performance measures that do not meet the IFRS 18 MPM definition, that could be addressed by including an amended version of the IFRS 18 definition and disclosure requirements for the public sector.

Incorporating IFRS 18 MPMs in the Public Sector

6.24 In assessing whether to incorporate the IFRS 18 MPM guidance (i.e., the definition and disclosure requirements) into IPSAS Standards, the IPSASB noted that public sector entities may also report alternative performance measures in public communications outside the financial statements to communicate an aspect of the entity's performance as a whole, to support accountability and decision-making needs.

6.25 However, these public sector alternative performance measures typically would not be MPMs as defined by IFRS 18 because they are not a subtotal of revenue *and* expenses. Examples of such common alternative performance measures across the international public sector include:

(a) Debt-related measures, such as net debt, debt issuances, total borrowings, and net lending figures;

(b) Budgetary and statistical information, such as GDP (by industry and in total), debt brakes, budget deficits, budget variances, expenditure values and ratios (in total or by type), and revenue values and ratios (in total or by source), and other fiscal monitoring data;

(c) Non-financial measures, such as service delivery targets, unit cost of specific services, employment and workforce rates and ratios, tax collection percentages, migration figures, and quality of life metrics; and

(d) Financial measures that are subtotals of individual financial statement elements (e.g., subtotals of only revenue items, only expense items, or based on assets or liabilities), but typically not subtotals of revenue *and* expenses.

6.26 Based on its research and deliberations to date, the IPSASB noted that alternative performance measures that could meet the IFRS 18 MPM definition are not prevalent in the public sector. Specifically, the IPSASB:

(a) Acknowledged that public sector entities often use a *total* of revenue and expenses (its surplus and deficit) as a key performance measure, to assess how the entity balances its expenses and revenues alongside achieving service delivery objectives and manage its fiscal stability over time; and

(b) Observed that there are limited examples of public sector entities using a *subtotal* of revenue and expenses, presented outside the financial statements, to provide additional context for its performance. The IPSASB noted that subtotals of revenue and expenses appear less common in the public sector than the private sector because the primary objective of public sector entities is to deliver services that benefit the public, whereas the primary objective of private sector entities is to maximize profits and generate stakeholder value.

6.27 Therefore, the IPSASB proposes not to incorporate the IFRS 18 definition of, and disclosure requirements for, MPMs into the IPSAS Standards. The different objectives and funding models of public sector entities warrants departure from IFRS alignment, consistent with the IPSASB's application of its *Process for Reviewing and Adapting IASB Documents*.

Preliminary View 15—Chapter 6

The IPSASB's Preliminary View is to not incorporate the IFRS 18 definition and disclosure requirements for management-defined performance measures (MPMs) into the IPSAS Standards. Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons and clearly explain what you consider should be changed.

Amending IFRS 18 MPMs for Application in the Public Sector

6.28 Instead of incorporating the concept of MPM as defined in IFRS 18, the IPSASB also considered whether to amend the IFRS 18 MPM concept and definition for application in the public sector, and to introduce similar disclosure requirements into the IPSAS Standards. To make this decision, the IPSASB considered whether there is a similar need for greater transparency over the use and measurement of alternative performance measures that are communicated outside the financial statements in the public sector, and if so, whether amending the IFRS 18 guidance for inclusion in IPSAS Standards would provide similar benefits to financial statement users in the public sector regarding such measures.

6.29 The IPSASB is aware that public sector entities provide a wide variety of alternative performance measures to communicate information about its performance. Unlike private sector feedback to the IASB, public sector constituents have not voiced similar concerns to the IPSASB regarding the transparency or quality of information provided by alternative performance measures currently only communicated outside financial statements. It is the IPSASB's view that this is likely because alternative performance measures in the public sector are:

(a) Typically commonly used and well understood by public sector constituents;

(b) Directly related to the entity's service delivery objective(s) and the jurisdiction(s) in which it operates. These measures are entity- or jurisdiction-specific, and are:

(i) In most circumstances, already subject to established industry standards and/or local requirements, laws, and regulations. Examples include alternative performance measures related to fiscal monitoring or fiscal strategy, based on each jurisdiction's own legislative requirements; or

(ii) In limited circumstances, provided voluntarily by the entity for transparency and accountability purposes. In such cases, the entities generally are transparent and consistent in their communication of such measures (i.e., their purpose and calculation) as they related to fiscal strategy or monitoring, service delivery or financial management objectives;

(c) Governed by other reporting frameworks or sets of guidance in the broader public sector reporting landscape. This is particularly true for alternative performance measures summarized in paragraph 6.25, as existing budgetary, statistical, service performance, and financial statement discussion and analysis (FSDA) reporting guidance already provide requirements or guidelines for calculating and presenting such measures to users of this information); and/or

(d) Typically subject to a greater degree of scrutiny by a wider range of users in the public sector. This means that entities generally calculate their alternative performance measures in a consistent manner year-over-year and are less subject to change at the discretion of management. The consistency of the calculation over time, and a high threshold for any revisions to this calculation, gives credibility to the alternative performance measure presented.

6.30 The IPSASB also acknowledged that, from a standard-setting perspective, it would likely be challenging to amend IFRS 18's definition of an MPM in a manner that works for all public sector entities, given the diversity of the public sector globally.

6.31 Based on the above, the IPSASB proposes not to amend the IFRS 18 MPM concept and definition for the public sector, and thus not to introduce disclosure requirements similar to those for IFRS 18 MPMs. This proposal reflects the IPSASB's research and deliberations to date, which have not identified a need for greater transparency in the public sector that would warrant developing a public sector version of IFRS 18 MPMs. The IPSASB also noted practical challenges in establishing a definition for MPMs that would be appropriate for public sector entities globally, and the additional cost on preparers to meet any such new disclosure requirements.

6.32 In forming this view, IPSASB members also highlighted that the IPSASB's Recommended Practice Guidelines (RPG) already provide non-authoritative guidance and best practices to help public sector entities communicate information about the entity to its financial statement users:

(a) The long-term sustainability of the public sector entity's finances, and the impact of current policies and decisions on future inflows and outflows (RPG 1, *Reporting on the Long-term Sustainability of an Entity's Finances*);

(b) FSDA explain (but are not part of) financial statements, to assist users in understanding the financial statements (RPG 2, *Financial Statement Discussion and Analysis*); and

(c) The entity's service performance objectives and the extent (efficiency and effectiveness) of its achievement of those objectives (RPG 3, *Reporting Service Performance Information*).

6.33 Notably, an entity that applies RPG 2 guidance can gain similar benefits as an entity that applies IFRS 18 disclosure requirements for MPMs. Reporting information in accordance with RPG 2 helps entities present FSDA that enables users to gain insights into the operations of the entity from the perspective of the entity itself. When an entity presents adjusted financial statement information in its FSDA, paragraph 24 of RPG 2 requires the entity to disclose that fact, explain the nature of and reasons for the adjustments, and to reconcile any non-IPSAS Standards measures presented in the FSDA to IPSAS Standards-based information presented in the financial statements.

Preliminary View 16—Chapter 6

The IPSASB's Preliminary View is to not include an amended IFRS 18 MPM concept for application in the public sector (thereby not introducing an amended version of the IFRS 18 MPM definition or disclosure requirements into the IPSAS Standards).

Do you agree with the IPSASB's Preliminary View?

If not, please:

a) Provide your reasons, and provide specific examples of alternative performance measures that are defined by management and provided in public communications outside the financial statements; and

b) Clearly explain why there is a need for greater transparency of those measures that warrants new guidance in the IPSAS Standards.

Appendix A

Considering IFRS Accounting Standards and GFSM 2014

Introduction

A.1 Chapter 1 of this Consultation Paper (CP) listed two key project drivers, when considering and proposing new presentation requirements. This Appendix provides a summary of overarching considerations regarding the two project drivers that pertain to the IPSASB's discussions in the CP:

(a) Maintain alignment with International Financial Reporting Standards (IFRS), to the extent appropriate for the public sector. This is in line with the IPSASB's *Process for Reviewing and Adapting IASB Documents*; and

(b) Reduce unnecessary differences with Government Finance Statistics Manual 2014 (GFSM 2014), where possible. This is in line with the IPSASB's *Process for Considering GFS Reporting Guidelines During Development of IPSAS*.

Alignment with IFRS

A.2 The IPSASB acknowledges that IPSAS Standards and IFRS Accounting Standards share important conceptual and technical similarities. These similarities form a primary basis for the IPSASB's approach to developing IPSAS Standards, by adapting IFRS Accounting Standards to the public sector context where appropriate.

A.3 Overall, the two reporting frameworks can be characterized as follows:

(a) IPSAS Standards are accrual- and principle-based accounting standards developed by the IPSASB for use by public sector entities worldwide in the preparation of general purpose financial reports (GPFRs). These entities include national, regional, and local governments, ministries, public authorities, and international or inter-governmental organizations. IPSAS Standards are intended to enhance the quality and transparency of public sector financial reporting by providing better information for public sector financial management, for accountability and decision-making purposes.

(b) IFRS Accounting Standards are accrual- and principle-based accounting standards developed by the International Accounting Standards Board (IASB) for use by profit-oriented entities worldwide in the preparation of general purpose financial statements (GPFSs) and other financial reporting. Profit-oriented entities include those engaged in commercial, industrial, financial, or similar activities, including corporations, mutual insurance companies, and cooperatives that distribute economic benefits to their owners or members. IFRS Accounting Standards are intended to bring transparency, accountability, and efficiency to financial reporting by providing information about a reporting entity's financial position and performance that is useful to users of financial statements in decision-making.

A.4 Based on the above, both IPSAS Standards and IFRS Accounting Standards are accrual- and principle-based accounting frameworks. Although they are used by different types of entities (public sector entities for IPSAS Standards and profit-oriented entities for IFRS Accounting Standards), both sets of standards share the objective of enhancing the quality, transparency, and accountability of financial reporting by providing financial information that is useful for decision-making.

A.5 Given the important similarities between IPSAS Standards and IFRS Accounting Standards, the IPSASB has pursued the following approach to develop IPSAS Standards since its inception:[42]

(a) Developing new IPSAS Standards based on IFRS Accounting Standards, where their requirements are potentially applicable to the public sector, with varying degrees of adaptation for the public sector;

(b) Developing new IPSAS Standards to address public sector specific financial reporting issues not addressed in IFRS Accounting Standards. The current suite of IPSAS Standards includes four public-sector-specific IPSAS Standards; and

(c) Revising or enhancing existing IPSAS Standards based on any developments by the IASB. The IPSASB considers any new IFRS Accounting Standards, Annual Improvements to IFRS Accounting Standards, and Interpretations by the IFRS Interpretations Committee (IFRIC), to determine if similar revisions or enhancements are to be incorporated into the IPSAS Standards.

This approach has resulted in IPSAS Standards that remain aligned with IFRS Accounting Standards where appropriate, with adaptations for public sector differences.

A.6 Maintaining alignment with IFRS Accounting Standards is an overarching principle in the ongoing development of IPSAS Standards for several reasons, including:

(a) International public sector financial reporting standards should have consistent principles and accounting outcomes with the private sector when the underlying economic transactions are the same;

(b) Given that IFRS Accounting Standards are widely adopted, aligning IPSAS Standards with IFRS Accounting Standards enhances comparability of public sector financial statements internationally;

(c) Leveraging existing, well-established IFRS Accounting Standards allows the IPSASB to develop IPSAS Standards more efficiently; and

(d) Alignment reduces the cost and complexity of preparing consolidated financial statements across public entities that apply either IPSAS Standards or IFRS Accounting Standards.

Alignment with GFSM 2014

A.7 In developing IPSAS Standards, the IPSASB acknowledges that there are similarities and differences between the IPSAS Standards and GFSM 2014. Both frameworks show accrual-based financial information and provide complementary perspectives in public sector financial performance, and certain public sector entities may prepare financial reports using both IPSAS Standards (for its financial statements) and GFSM 2014 (for its statistical reports). While there are overlaps between the recognition and measurement requirements of the two frameworks, IPSAS Standards and GFSM 2014 serve slightly different objectives, leading to differences in recognition, measurement, and presentation principles.[43]

A.8 Overall, the two reporting frameworks can be characterized as follows:

(a) IPSAS Standards provide accounting guidance for use to prepare general purpose financial reports to enhance the quality and transparency of public sector financial reporting, providing better information for public sector financial management, for accountability and decision-making purposes. Those preparing reports based on IPSAS Standards comprise a wide range of public sector entities including national, regional, local governments, ministries, authorities, and international government and inter-government organizations with various service delivery objectives.

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[42] The IPSASB regularly maintains a IPSAS Standards-IFRS Accounting Standards Alignment Dashboard to track the degree of alignment between the two frameworks. This Dashboard is available in the Quick Links on the IPSASB website.

[43] The IPSASB regularly maintains a IPSAS Standards-GFSM 2014 Alignment Dashboard to track the degree of alignment between the two frameworks. This Dashboard is available in the Quick Links on the IPSASB website.

(b) GFSM 2014 provides statistical guidance and is a comprehensive analytic framework to support fiscal policy analysis and to offer a macroeconomic view of the performance of the general government sector and the broader public sector of any economy. Those preparing reports based on GFSM 2014 are typically entities and institutions in the statistical and macro-fiscal space (finance ministries, statistics offices) for national governments to evaluate its impact on the economy and influence on other sectors of the economy.

A.9 GFSM 2014 statements are structured differently from IPSAS Standards-based financial statements. As an integrated statistical framework drawn from the principles of the 2008 System of National Accounts (SNA), GFSM 2014 presents information based on flows that change stock positions to obtain key macroeconomic balances. Flows (defined as monetary expressions of economic action and effects of events that change the economic value in the reporting period) explain all changes in stock positions, comprised of:

(a) **Transactions**, presented in the GFSM 2014 Statement of Operations, are economic flows that are interactions between institutional units by mutual agreement or through the operation of the law, or an action within an institutional unit that is analytically useful to treat like a transaction. This definition highlights that transactions must be between different units and must be entered into with prior knowledge and consent; and

(b) **Other economic flows**, presented in the GFSM 2014 Statement of Other Economic Flows, are changes in the volume or value of assets or liabilities that do not result from transactions (i.e., do not meet one or more of the characteristics of transactions). These are essentially all other flows, which are holding gains and losses and other changes in volume of assets and liabilities.

A.10 This distinction between transactions and other economic flows is an important difference between IPSAS Standards and GFSM 2014, which results in different classification and recognition requirements, thus leading to different presentation requirements which impairs direct comparability between information based on IPSAS Standards and GFSM 2014.

A.11 The IPSASB acknowledges that significant benefits can be gained from harmonizing with statistical accounting and is currently developing new guidance to strengthen the linkage between the two frameworks, and there are opportunities to reduce unnecessary differences and improve the linkages between information produced under the two frameworks. Through the *Strengthening Linkages Between IPSAS Standards and the GFSM* project, the IPSASB intends to facilitate governments and public sector entities in making the most of accounting data based on IPSAS Standards for statistical compilation purposes, by proposing non-authoritative guidance to IPSAS 22, *Disclosure of Information about the General Government Sector* on:

(a) The data recognition and measurement requirements that are aligned with those in GFSM 2014

(b) Where GFSM 2014 has different data presentation requirements, even though recognition and measurement requirements are aligned; and

(c) Where additional data needs to be collected for GFSM 2014 purposes because of key recognition and measurement differences.

A.12 This work highlights potential limitations in achieving alignment in presentation requirements within the scope of the Presentation of Financial Statements project, where there are still various recognition and measurement differences. The IPSASB acknowledges and has considered this limitation in developing its views in this CP.

A.13 Nevertheless, the IPSASB highlights that IPSAS Standards-based accounting data can be used as source data for statistical compilation of the GFSM 2014 Statements, provided that the entity:

(a) Selects the recognition and measurement requirements in IPSAS Standards that are aligned with GFSM 2014 requirements (see IPSASB's Exposure Draft 94, *Linkages Between IPSAS Standards and the Government Finance Statistics Manual 2014 (Amendments to IPSAS 22)*, open for public comment through June 22, 2026); and

(b) Codifies the transactions and other events in both frameworks using a multidimensional chart of accounts (see example in PULSAR's *A Good Practice Outline of the Multipurpose Chart of Accounts*).

Appendix B

Key Public Sector Considerations

Introduction

B.1 The IPSASB considers the public sector context when adapting IFRS Accounting Standards requirements or developing additional guidance. This appendix provides a summary of key public sector considerations that are relevant to the development of this Consultation Paper (CP).

Distinct Characteristics of the Public Sector

The Nature of Public Sector Entities

B.2 The public sector includes national and sub-national (regional, state/provincial, and local) governments, and related government bodies. It also includes international public sector organizations, with varying structures and governance arrangements.

B.3 The Preface to the IPSASB's Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities highlights several key characteristics, such as the:

(a) Primary objective is not profit-driven – the primary objective of most public sector entities is to deliver services to the public, rather than to make profits or generate a return on equity to investors.

(b) Nature of public sector programs and longevity of the public sector – many programs are long term and the ability to meet commitments depends upon future taxation and contributions. While political control may change regularly, nation states generally have very long existences. Sub-national entities may rely on national governments as funders, potential lenders of last resort, or to provide large scale guarantees, or may see a change in its service delivery objectives from higher levels of government. However, non-governmental public sector entities, such as international aid organizations, rely more on external funding to sustain operations and therefore, are more vulnerable to material economic uncertainties that may affect their ability to continue as a going concern.

(c) Volume and financial significance of non-exchange transactions – non-exchange transactions, where an entity receives value from another party without directly giving appropriately equal value in exchange, are common in the public sector. The provision of goods and services by public sector entities is generally non-exchange in nature because the benefits individuals or group of individuals receive normally do not directly correspond to the taxes, contributions, and fees they pay.

Key Considerations

B.4 The unique nature of the public sector gives rise to a few key considerations which are relevant to the development of presentation requirements for IPSAS Standards to support accountability and informed decision-making.

B.5 Since the primary objective of most public sector entities is to deliver services to the public:

(a) Long-term fiscal sustainability information is useful – in addition to going concern, users of financial statements gain useful insights on the interrelated dimensions of the entity's long-term fiscal sustainability: service, revenue, and debt; and

(b) Assets may be held for operational capacity rather than financial capacity – public sector entities may primarily hold certain assets for its operational capacity, rather than its financial capacity. This was a key driver behind the IPSASB's development of a public-sector-specific measurement basis, current operational value, to measure assets based on its intended primary objective.

B.6 Given their long-term nature and engagement in non-exchange transactions:

(a) Governments' broad powers enable them to continue delivering services in the long-term – governments generally have broad powers, including the power to levy taxes and to create, enforce, and amend legal requirements. Taxation is a legally mandated, compulsory non-exchange transaction between individuals or entities and the government. Tax-raising powers can vary considerably between jurisdictions, depending upon the relationship between the powers of the national government and those of sub-national governments and other public sector entities. Other government entities without tax-raising powers mostly depend on government transfers to finance their operations.

(b) Non-government entities face different challenges to continue delivering services in the long-term – international public sector entities are largely funded by transfers from national, regional, and state governments, and such funding may be governed by treaties and conventions or on a voluntary basis. These entities may also rely on other funding sources.

B.7 Public sector entities differ in nature, service delivery objective, and jurisdiction-specific factors. Consequently, the primary users of financial statements may differ by entity, as entities serve potentially different groups of service recipients and resource providers. These differences directly influence an entity's considerations regarding what information would meet the needs of its financial statement users, as some information may be of more interest or greater use to some users than others. The following are examples for illustration purposes:

(a) A federal government serving its nation will respond to the information needs of its service recipients (e.g., citizens), resource providers (e.g., taxpayers, other government entities, lenders), and representatives of the interests of these service recipients and resource providers (e.g., parliamentarians, ministers, and members of legislative bodies);

(b) A municipal government providing local services to its community will respond to the information needs of its service recipients (e.g., citizens), its resource providers (e.g., taxpayers, other government entities, lenders), and representatives of the interests of these service recipients and resource providers (e.g., city councilors and elected officials);

(c) A hospital providing health services will respond to the information needs of its service recipients (e.g., patients, and medical students) and its resource providers (e.g., government entities, lenders, donors, educational institutions, other organizations, and patients themselves); and

(d) A university offering education will respond to the information needs of its service recipients (e.g., students, researchers, faculty staff) and its resource providers (e.g., government entities, lenders, donors, other organizations, and students themselves).

Appendix C

Illustrative Examples of Statement of Financial Performance using IFRS 18 Categories

Introduction

C.1 This Appendix accompanies Chapter 4 of this Consultation Paper. Chapter 4 considered whether to require public sector entities to categorize its revenue and expense items on the Statement of Financial Performance into five specific categories (of which Operating, Investing, and Financing are new categories), aligned with IFRS 18.

C.2 The IPSASB considered examples of common types of public sector entities in most jurisdictions, and how their revenue and expense items recognized in surplus or deficit may be categorized in accordance with IFRS 18 categories. These examples are provided for illustrative purposes only, and include some assumptions based on publicly available information.[44]

Illustrative Example 1: Municipal Government

Current presentation

Municipal Government Body *for the year ended December 31, 20X6*	
Property taxes and taxation from other governments	xx
Government transfers	xx
User charges	xx
Municipal land transfer tax	xx
Rent and concessions	xx
Development charges	xx
Investment income	xx
Government business enterprises earnings	xx
Other revenue sources	xx
Total revenues	**XX**
Transportation	xx
Social and family services	xx
Protection to persons and property	xx
Environmental services	xx
Recreation and cultural services	xx
Social housing	xx
General government	xx
Health services	xx
Planning and development	xx
Total expenses	**XX**
Annual surplus	**XX**
Annual surplus	**XX**

Proposed presentation

Municipal Government Body *for the year ended December 31, 20X6*		Expected Category
Property taxes and taxation from other governments	xx	**Operating**
Government transfers	xx	
User charges	xx	
Municipal land transfer tax	xx	
Rent and concessions	xx	
Development charges	xx	
Other revenue sources	xx	
Total operating revenue	**XX**	
Transportation expenses *(operating portion)*	(xx)	
Social and family services *(operating portion)*	(xx)	
Protection to persons and property *(operating portion)*	(xx)	
Environmental services *(operating portion)*	(xx)	
Recreation and cultural services *(operating portion)*	(xx)	
Social housing *(operating portion)*	(xx)	
General government *(operating portion)*	(xx)	
Health services *(operating portion)*	(xx)	
Planning and development *(operating portion)*	(xx)	
Total operating expenses	**(XX)**	
Operating surplus or deficit	**XX**	
Investment income	xx	**Investing**
Government business enterprises earnings	xx	
Interest expense on long-term debt	xx	**Financing**
Surplus or deficit	**XX**	

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[44] These assumptions were made in order to complete the illustration of categorizing revenue and expenses in accordance with IFRS 18 categories, as proposed in Preliminary View 8. The IPSASB clarifies that changes in any of the assumptions made in this illustration exercise would not substantially change the IPSASB's view on the benefits and feasibility of categorizing revenue and expenses on the Statement of Financial Performance, as presented in Chapter 4.

Illustrative Example 2: Regional Hospital

Current presentation

Regional Hospital *for the year ended December 31, 20X6*	
Income inpatients	xx
Income outpatients	xx
External contracts and other medical income	xx
Income from research and teaching	xx
Net revenue from deliveries and services	**XX**
Non-medical income (grants, services-in-kind)	xx
Transfers from regional states	xx
Income from own work capitalized	xx
Other operating income	**XX**
Change in treatments started	xx
Operating income	**XX**
Personnel expenses	xx
Medical fees	xx
Medical expenditure	xx
Non-Medical expenditure	xx
Operating expenses excluding rental expenses	**XX**
Withdrawal/(contribution): funds in debt transfer funds	xx
Operating result EBITDAR	**XX**
Rental expenses	xx
Operating result EBITDA	**XX**
Depreciation of fixed assets and PPE	xx
Amortization of intangible assets	xx
Operating result before financial result EBIT	**XX**
Financial result (interest on borrowings, instruments)	xx
Result from associated companies (dividend income)	xx
Profit or loss of the period	**XX**

Proposed presentation

Regional Hospital *for the year ended December 31, 20X6*		Expected Category
Income inpatients	xx	**Operating**
Income outpatients	xx	
External contracts and other medical income	xx	
Income from research and teaching	xx	
Non-medical income (grants, services-in-kind)	xx	
Transfers from regional states	xx	
Income from own work capitalized	xx	
Change in treatments started	xx	
Total operating revenue	**XX**	
Personnel expenses	(xx)	
Medical fees	(xx)	
Medical expenditure	(xx)	
Non-Medical expenditure	(xx)	
Rental expenses	(xx)	
Depreciation of fixed assets and PPE	(xx)	
Amortization of intangible assets	(xx)	
Total operating expenses	**(XX)**	
Operating surplus or deficit	**XX**	
Financial result *(investing portion)*	(xx)	**Investing**
Result from associated companies (dividend income)	xx	
Financial result *(financing portion)*	(xx)	**Financing**
Withdrawal/(contribution): funds in debt transfer funds	xx	
Surplus or deficit	**XX**	

Illustrative Example 3: Education Institute

Current presentation

Education Institute	
for the year ended December 31, 20X6	
Government grants	xx
Tuition fees	xx
Research and contracts	xx
Other revenue	xx
Other gains/(losses)	xx
Transfer of funds from restricted to unrestricted	xx
Total operating revenue	**XX**
People costs	xx
Operating costs	xx
Finance costs of borrowing	xx
Depreciation and amortization	xx
Total operating expenses	**XX**
Net surplus/(deficit) before tax	**XX**
Income tax expense/(benefit)	xx
Net surplus/(deficit) after tax	**XX**

Proposed presentation

Education Institute		Category
for the year ended December 31, 20X6		
Government grants	xx	**Operating**
Tuition fees	xx	
Research and contracts	xx	
Other revenue *(operating portion)*	xx	
Transfer of funds from restricted to unrestricted	xx	
People costs	(xx)	
Operating costs	(xx)	
Depreciation and amortization	(xx)	
Operating surplus or deficit	**XX**	
Other revenue *(investing portion)*	xx	**Investing**
Other gains/(losses)	xx	
Finance costs of borrowing	(xx)	**Financing**
Income tax expense/(benefit)	xx	**Income taxes**
Surplus or deficit	**XX**	

Appendix D

Illustrative Exposure Draft

Posted separately on the publication page on the IPSASB website.

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Appendix D – Illustrative Exposure Draft

Information for Respondents

1. The Illustrative Exposure Draft (hereafter referred to as 'Illustrative ED') is an Appendix to the Consultation Paper (CP). It is an illustration of a future pronouncement replacing IPSAS 1, *Presentation of Financial Statements*, and contains core text and application guidance based on the IPSASB's Preliminary Views (PVs) in the CP.

2. The Illustrative ED does not replace nor skip any phase of the IPSASB's due process. Rather, its intended purpose is to illustrate the potential structure and guidance of the future pronouncement, based on the IPSASB's PVs, to help respondents better understand and provide feedback to the CP.

3. Respondent feedback will help the IPSASB develop a formal Exposure Draft in the next Phase of this project. Subject to feedback, the IPSASB may use the Illustrative ED as a reference point for the development of authoritative guidance in the ED. The IPSASB will also develop non-authoritative guidance (including implementation guidance and illustrative examples) to help entities apply the proposed presentation requirements, and amendments to other IPSAS Standards.

4. The Illustrative ED uses a three-column tabular format. The following table explains the information presented in each column:

Column 1: **Primary Source(s)**	**Column 2:** **Illustrative ED, *Presentation of Financial Statements***	**Column 3:** **Additional Information**
This column provides the sources of the Illustrative ED paragraph in the following ways: a) When there is a single primary source, it is shown alone (for example, "IFRS 18.X"); b) When the primary source is accompanied by comparable guidance (that is consistent in principle), the comparable guidance is followed by the note "(consistent)"; and c) When the paragraph is based on multiple primary sources (either as pieces to form the paragraph, or are the same except for editorial differences), all relevant sources are listed.	This column presents the Illustrative ED paragraph.	This column provides additional information, including: a) The basis for modifications (other than modifications for public sector terminology) to the source paragraph; and b) References to relevant CP paragraphs.

APPENDIX D OF THE CONSULTATION PAPER: ILLUSTRATIVE EXPOSURE DRAFT [XX], *PRESENTATION OF FINANCIAL STATEMENTS*

CONTENTS

Primary Source(s)	Illustrative Exposure Draft [XX], *Presentation of Financial Statements*	Additional Information
Core Text		
	Objective	
IFRS 18.1 IPSASB Conceptual Framework 2.1 and 8.4	1. This [draft] Standard sets out requirements for the presentation of information in general purpose financial statements to help ensure they provide relevant information to users for accountability and decision-making purposes that faithfully represents an entity's assets, liabilities, net assets/equity, revenue, and expenses (see paragraph AG1).	
	Scope	CP paragraphs 12-15
IFRS 18 .2 IPSAS 1.2	2. **An entity shall apply this [draft] Standard when presenting information in general purpose financial statements prepared under the accrual basis of accounting in accordance with IPSAS Standards. The presentation of information in the general purpose financial statements includes the information displayed in the primary financial statements and the information disclosed in the notes.**	• This paragraph includes a reference to accrual basis of accounting because the IPSAS Standards include a cash-based standard.
IPSAS 1.3 IPSASB Conceptual Framework 1.4, and 2.4–2.9	3. The scope applies to general purpose financial statements (hereafter referred to as 'financial statements'), which are those intended to meet the financial information needs of users who are unable to require the preparation of financial reports tailored to meet their specific information needs. 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.	• This paragraph was modified to align with the description of general purpose financial statements and their intended users in the IPSASB Conceptual Framework.
IPSAS 1.3	4. Financial statements within scope include those that are presented separately or within another public document, such as an annual report. This [draft] Standard does not apply to condensed or interim financial information.	
IFRS 18.3 IPSAS 1.59 (consistent)	5. This [draft] Standard sets out general and specific requirements for the display of information on the face of the statement of financial performance, the statement of financial position and the statement of changes in net assets/equity. This [draft] Standard also sets out requirements for the disclosure of information in the notes. IPSAS 2, *Cash Flow Statements* sets out requirements for the presentation 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 14–69 and 139–140 apply to cash flow information and budget information when presented in the financial statements in accordance with paragraph 20.	• This paragraph includes a reference to IPSAS 24 for requirements for presenting budget information in the financial statements.

IFRS 18.4 IPSAS 1.1 (consistent)	6. Other IPSAS Standards set out the recognition, measurement, and presentation requirements for specific transactions and other events.	
IFRS 18.8	7. Many entities provide management discussion and analysis, which is separate from the financial statements (see paragraph 20), that describes and explains the main features of the entity's financial performance, financial position, as well as the principal uncertainties it faces. Management discussion and analysis is outside the scope of IPSAS Standards. Recommended Practice Guideline ('RPG') 2, *Financial Statement Discussion and Analysis*, provides non-mandatory guidance on presenting management commentary and analysis accompanying financial statements that have been prepared applying IPSAS Standards.	• This paragraph was modified to refer to IPSASB RPG 2.
	Definitions	CP paragraphs 2.22-2.32
IPSAS 1.7	8. The following terms are used in this [draft] Standard with the meanings specified:	
IPSAS 1.7	**<u>Accrual basis</u>** 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.	
IFRS 18 Appendix A	**<u>Aggregation</u>** is the adding together of assets, liabilities, net assets/equity, revenue, expenses, or cash flows that share characteristics and are included in the same classification.	
IPSASB Conceptual Framework 5.6 IPSAS 1.7 (consistent)	An **<u>asset</u>** is a resource presently controlled by the entity as a result of past events.	
IFRS 18 Appendix A	**<u>Classification</u>** is the sorting of assets, liabilities, net assets/equity, revenue, expenses and cash flows based on shared characteristics.	
IFRS 18 Appendix A	**<u>Disaggregation</u>** is the separation of an item into component parts that have characteristics that are not shared.	
IPSASB Conceptual Framework 8.43	**<u>Disclosed information</u>** is information reported in the notes to the financial statements.	
	<u>Displayed information</u> 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, provides a comparison with budget information.	

IPSAS 1.7	An **economic entity** is a controlling entity and its controlled entities.	
IPSASB Conceptual Framework 5.30 IPSAS 1.7 (consistent)	**Expenses** are decreases in the net assets/equity of the entity, other than decreases arising from ownership distributions.	
IFRS 18 Appendix A IPSASB Conceptual Framework 1.4 and 1.6	**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.	
IFRS 18 Appendix A IPSASB Conceptual Framework 4.6	**General purpose financial statements** are a particular form of general purpose financial reports that provide information about a reporting entity's assets, liabilities, net asset/equity, revenue, expenses, and cash flows.	• This paragraph includes a reference to 'cash flows', consistent with the IPSASB Conceptual Framework.
IPSAS 1.7	Applying a requirement is **impracticable** when the entity cannot apply it after making every reasonable effort to do so.	
IPSASB Conceptual Framework 5.14 IPSAS 1.7 (consistent)	A **liability** is a present obligation of the entity to transfer resources as a result past events.	
IPSAS 1.7 IPSASB Conceptual Framework 3.32 IFRS 18 Appendix A, B1 (consistent)	Information is **material** if omitting, misstating or obscuring it could reasonably be expected to influence the discharge of accountability by the entity, or the decisions that primary users[1] make on the basis of the entity's general purpose financial statements prepared for that reporting period.	• This definition was added to IPSAS 1 by *Definition of Material (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework)* Pronouncement. Refer to paragraphs 2.33–2.34 in Chapter 2 of the CP.

[1] Throughout the Illustrative ED, the terms 'primary users' and 'users' refer to those service recipients and their representatives and resource providers and their representatives who must rely on general purpose financial reports for much of the financial information they need. This is consistent with the IPSASB's Conceptual Framework and IPSAS Standards, the IPSASB's recent decision on Phase 1 of its Making Material Judgments project, and the IASB's decision in developing IFRS 18, that the terms 'primary users' and 'users' are intended to be interpreted the same way within the respective accounting standards.

IPSAS 1.7 IFRS 18.B87	**Net assets/equity** is the residual interest in the assets of the entity after deducting all its liabilities. The components of net assets/equity are contributed capital, accumulated surpluses or deficits, reserves, and non-controlling interests. Types of reserves include: (a) Changes in revaluation surplus (see IPSAS 31, *Intangible Assets* and IPSAS 45, *Property, Plant, and Equipment*); (b) Remeasurements of defined benefit plans (see IPSAS 39, *Employee Benefits*); (c) Gains and losses arising from translating the financial statements of a foreign operation (See IPSAS 4, *The Effects of Changes in Foreign Exchange Rates)*; (d) Gains and losses from investments in equity instruments designated at fair value through net assets/equity in accordance with paragraph 106 of IPSAS 41, *Financial Instruments*; (e) Gains and losses on financial assets measured at fair value through net assets/equity in accordance with paragraph 41 of IPSAS 41; (f) The effective portion of gains and losses on hedging instruments in a cash flow hedge and the gains and losses on hedging instruments that hedge investments in equity instruments measured at fair value through net assets/equity in accordance with paragraph 106 of IPSAS 41 (see paragraph 113-155 of IPSAS 41); (g) For particular liabilities designated as at fair value through surplus or deficit, the amount of the change in fair value that is attributable to changes in the liability's credit risk (see paragraph 108 of IPSAS 41); (h) Changes in the value of the time value of options when separating the intrinsic value and time value of an option contract and designating as the hedging instrument only the changes in the intrinsic value (see paragraphs 113-155 of IPSAS 41); and (i) Changes in the value of the forward elements of forward contracts when separating the forward element and spot element of a forward contract and designating as the hedging instrument only the changes in the spot element, and changes in the value of the foreign currency basis spread of a financial instrument when excluding it from the designation of that financial instrument as the hedging instrument (see paragraph 113-155 of IPSAS 41).	
IFRS 18 Appendix A	**Notes** disclose information reported in the financial statements provided in addition to that displayed in the primary financial statements.	
IFRS 18 Appendix A	**Operating surplus or deficit** is the total of all revenue and expenses classified in the operating category.	
IPSASB Conceptual Framework 5.33	**Ownership contributions** are inflows of resources to an entity, contributed by external parties in their capacity as owners, which establish or increase an interest in the net asset/equity position of the entity.	• Reference to 'net financial position' was changed to 'net assets/equity'. Refer

IPSAS 1.7 (consistent)		to paragraph 2.29 of the CP.
IPSASB Conceptual Framework 5.34 IPSAS 1.7 (consistent)	**Ownership distributions** are outflows of resources from the entity, distributed to external parties in their capacity as owners, which return or reduce an interest in the net asset/equity position of the entity.	
IFRS 18 Appendix A	The **primary financial statements** comprise: (a) The statement of financial position; (b) The statement of financial performance; (c) The statement of changes in net assets/equity; (d) The cash flow statement; and (e) When an entity makes publicly available its approved budget: (i) The comparison of budget and actual amounts presented either as a separate financial statement or as a budget column in the financial statements; and (ii) The reconciliation of actual amounts on a comparable basis and actual amounts in the financial statements, when presented in accordance with IPSAS 24, on the face of the statement of comparison of budget and actual amounts.	
IFRS 18 Appendix A	**Reclassification adjustments** are revenue and expense amounts reclassified to surplus or deficit in the current reporting period that were recognized directly in net assets/equity in the current or prior periods.	
IPSASB Conceptual Framework 5.6A	A **resource** is a right to either service potential or the capability to generate economic benefits, or a right to both.	
IPSASB Conceptual Framework 5.29 IPSAS 1.7 (consistent)	**Revenue** is increases in net assets/equity, other than increases arising from ownership contributions.	
IPSASB Conceptual Framework 5.32 IFRS 18 Appendix A (consistent)	**Surplus or deficit for the period** is the difference between revenue and expenses reported on the statement of financial performance.	

IFRS 18 Appendix A	A **useful structured summary** is a structured summary provided in a primary financial statement of a reporting entity's recognized assets, liabilities, net assets/equity, revenue, expenses, and cash flows that is useful for: (a) Obtaining an understandable overview of the entity's recognized assets, liabilities, net assets/equity, revenue, 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.	
IPSAS 1.7	Terms defined in other IPSAS Standards are used in this [draft] Standard with the same meaning as in those Standards and are reproduced in the *Glossary of Defined Terms* published separately.	
n/a – new paragraph	9. The accounting for transactions, events, or conditions that make up an entity's assets, liabilities, revenue, and expenses, as defined in paragraph 8, requires the consideration of the following sources in the following order, in accordance with IPSAS 3, *Accounting Policies, Changes in Estimates and Errors*: (a) IPSAS Standards that specifically apply to the transaction, event, or condition; (b) IPSAS Standards that deal with similar and related issues; and (c) The definitions, recognition, and measurement criteria for assets, liabilities, revenue, and expense, described in this [draft] Standard and the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*.	• This paragraph was added based on IPSASB considerations, summarized in paragraphs 2.25–2.27 of the CP.
	Economic Entity	
IPSAS 1.8–9	10. The term economic entity is used in this [draft] 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.	
IPSAS 1.10	11. 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 IPSASB Conceptual Framework 5.8–5.10	12. The definition of an asset refers to the present control of a resource arising from past events. Resources are described as embodying a right to either service potential or the capability to general future economic benefits, or a right to both. Control of the resources provides the entity with the ability to use the resource (or direct other parties on its use) to derive the benefit of the service potential or economic benefits embodied in the resource to	• This paragraph was modified to align with the new definitions of 'resource' and revised definitions of financial statement elements.

	achieve its 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.	
	Net Assets/Equity	
IPSAS 1.14	13. Net assets/equity is the term used in this [draft] 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.	
	Objective of Financial Statements	CP paragraphs 2.4-2.8
IFRS 18.9 IPSASB Conceptual Framework 2.17 IPSAS 1.15 and 17 (consistent)	14. The objective of financial statements is to provide financial information about a reporting entity's assets, liabilities, net assets/equity, revenue, expenses, and cash flows that is useful to users of financial statements for decision-making and to demonstrate the entity's accountability for the resources entrusted to it (see paragraphs AG2-AG5).	
IPSAS 1.23	15. The financial statements provide users with information about an entity's resources and obligations at the end of the reporting period and the flow of resources between reporting periods. This information is useful for users making assessments of an entity's ability to continue to provide goods and services at a given level, and the level of resources that may need to be provided to the entity in the future so that it can continue to meet its service delivery obligations.	
IPSAS 1.16	16. 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 continued operations may generate, and the associated risks and uncertainties. Financial reporting may also provide users with information: (a) Indicating whether resources were obtained and used in accordance with the legally adopted budget; and (b) Indicating whether resources were obtained and used in accordance with legal and contractual requirements, including financial limits established by appropriate legislative authorities.	
IPSAS 1.18	17. Although the information contained in financial statements will provide useful information about an entity's financial position, financial performance, and cash flows, it is unlikely to 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 information, may be reported alongside the financial	• This paragraph was modified to align with the revised objective of financial statements in paragraph 14.

	statements in order to provide a more comprehensive picture of the entity's activities during the period.	
	Responsibility for Financial Statements	CP paragraphs 2.9-2.10
IPSAS 1.19	18. 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).	.
IPSAS 1.20	19. 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).	.
	Components of Financial Statements	CP paragraphs 2.11-2.21
	A Complete Set of Financial Statements	CP paragraphs 2.11-2.13
IFRS 18.10 IPSAS 1.21 (consistent)	20. **A complete set of financial statements comprises:** (a) **A statement of financial performance for the reporting period;** (b) **A statement of financial position as at the end of the reporting period;** (c) **A statement of changes in net assets/equity for the reporting period;** (d) **A cash flow statement for the reporting period in accordance with IPSAS 2;** (e) **When an entity makes publicly available its approved budget, a comparison of budget and actual amounts presented either as a separate additional financial statement or as additional budget columns in the financial statements presented in accordance with IPSAS Standards as specified by IPSAS 24;** (f) **Notes for the reporting period;** (g) **Comparative information in respect of the preceding period as specified in paragraphs 58–59; and** (h) **A statement of financial position as at the beginning of the preceding period if required by paragraph 63.**	

IFRS 18.11 IPSAS 1.22	21. The statements listed in paragraphs 20(a)–20(e) (and their comparative information) are referred to as the *primary financial statements*. An entity may use titles for the statements other than those used in this [draft] Standard, as long as they faithfully represent the items presented in them. For example, the statement of financial position may be referred to as a balance sheet or statement of assets and liabilities, and the statement of financial performance may be referred to as a statement of revenues and expenses, an operating statement, or a surplus or deficit statement. The notes may include items referred to as schedules in some jurisdictions.	
IFRS 18.14	22. An entity shall present each of the primary financial statements listed in paragraphs 20(a)–20(e) with equal prominence in a complete set of financial statements.	
	The Roles of the Financial Statements and Notes	CP paragraphs 2.14-2.19
IFRS 18.15	23. **To achieve the objective of financial statements (see paragraph 14), an entity displays information in the primary financial statements and discloses information in the notes. An entity need only display or disclose material information (see paragraphs 27 and AG15–AG17).**	
IFRS 18.16	24. **The role of the primary financial statements is to provide structured summaries of a reporting entity's recognized assets, liabilities, net assets/equity, revenue, expenses, and cash flows, that are useful to users of financial statements for:** (a) **Obtaining an understandable overview of the entity's recognized assets, liabilities, net assets/equity, revenue, 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.**	
IFRS 18.17	25. **The role of the notes is to provide material information necessary:** (a) **To enable users of financial statements to understand the line items displayed in the primary financial statements (see paragraph AG8); and** (b) **To supplement the primary financial statements with additional information to achieve the objective of financial statements (see paragraph AG9).**	
IFRS 18.18	26. An entity shall use the roles of the primary financial statements and the notes, described in paragraphs 24–25, 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:	

	(a) To provide the structured summaries described in paragraph 24, information provided in the primary financial statements is more aggregated than information provided in the notes; and (b) To provide the information described in paragraph 25, more detailed information about the entity's assets, liabilities, net assets/equity, revenue, expenses, and cash flows, including the disaggregation of information displayed in the primary financial statements, is provided in the notes.	
	Information Displayed in the Primary Financial Statements or Disclosed on the Notes	
IFRS 18.19 IPSAS 1.47 (consistent)	27. **Some IPSAS Standards specify information that is required to be displayed in the primary financial statements or disclosed in the notes. An entity need not provide a specific display or disclosure required by an IPSAS Standard if the information resulting from that display or disclosure is not material. This is the case even if an IPSAS Standard contains a list of specific requirements or describes them as minimum requirements.**	
IFRS 18.20 IPSAS 1.29(c) (consistent)	28. **An entity shall consider whether to provide additional disclosures when compliance with the specific requirements in IPSAS Standards 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, financial performance, and cash flows.**	
	Information Displayed in the Primary Financial Statements	
IFRS 18.21	29. Paragraph 24 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 display in those statements, as set out in paragraphs 30–32.	
IFRS 18.22	30. **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:** (a) **For the statement of financial performance—the requirements in paragraphs 76, 99, 104 and 109;** (b) **For the statement of financial position—the requirements in paragraphs 116 and 123;** (c) **For the statement of changes in net assets/equity—the requirements in paragraph 129; and** (d) **For the cash flow statement—the requirements in paragraph 18 of IPSAS 2.**	
IFRS 18.23	31. **Some IPSAS Standards require specific line items to be displayed separately in the primary financial statements (for example paragraphs 102 and 122 of this [draft] Standard). An entity need not display**	

IPSAS 1.47 (consistent)	**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 an IPSAS Standard contains a list of specific required line items or describes the line items as minimum requirements (see paragraph AG10).**	
IFRS 18.24	32. **An entity shall 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 displays additional line items or subtotals, those line items or subtotals shall (see paragraph AG11):** (a) **Comprise amounts recognized and measured in accordance with IPSAS Standards;** (b) **Be compatible with the statement structure created by the requirements listed in paragraph 30;** (c) **Be consistent from period to period, in accordance with paragraph 57, and** (d) **Be displayed no more prominently than the totals and subtotals required by IPSAS Standards.**	
	Identification of the Financial Statements	CP paragraphs 2.20-2.21
IFRS 18.25 IPSAS 1.61	33. **An entity shall clearly identify the financial statements and distinguish them from other information in the same published document (see paragraph AG12).**	
IFRS 18.26 IPSAS 1.62	34. IPSAS Standards apply only to financial statements, and not necessarily to other information provided in an annual report, a regulatory filing or another document. Therefore, it is important that users of financial statements can distinguish information that is prepared in accordance with IPSAS Standards from other information that may be useful to users but is not the subject of those requirements.	
IFRS 18.27 IPSAS 1.63 (consistent)	35. **An entity shall clearly identify each primary financial statement and the notes. In addition, an entity shall disclose prominently, and repeat when necessary for the information provided to be understandable:** (a) **The name of the reporting entity or other means of identification, and any change in that information from the end of the preceding reporting period;** (b) **Whether the financial statements are of an individual entity or an economic entity (i.e., a group of entities, as described in paragraph 10);** (c) **The date of the end of the reporting period or the period covered by the financial statements;** (d) **The presentation currency, as defined in IPSAS 4; and** (e) **The level of rounding used for the amounts in the financial statements (see paragraph AG13).**	

	General Requirements for Financial Statements	
	Fair Presentation and Compliance with IPSAS Standards	CP paragraphs 2.41-2.44
IPSAS 1.27 IAS 8.6A (consistent)	36. **Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in IPSAS Standards. The application of IPSAS Standards, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.**	• In developing IFRS 18, the IASB moved the IAS 1 *Presentation of Financial Statements* guidance on Fair Presentation and Compliance with IFRS to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. For the current stage of this project, these paragraphs are included in this Illustrative ED.
IPSAS 1.28 IAS 8.6B (consistent)	37. **An entity whose financial statements comply with IPSAS Standards shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with IPSAS Standards unless they comply with all the requirements of IPSAS Standards.**	
IPSAS 1.29 IAS 8.6C (consistent)	38. In virtually all circumstances, an entity achieves a fair presentation by compliance with applicable IPSAS Standards. A fair presentation also requires an entity: (a) To select and apply accounting policies in accordance with IPSAS 3. IPSAS 3 sets out a hierarchy of authoritative guidance that management considers in the absence of an IPSAS Standard that specifically applies to an item. (b) To present information, including accounting policies, in a manner that provides relevant, faithfully represented, comparable, and understandable information. (c) To provide additional disclosures when compliance with the specific requirements in IPSAS Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.	
IPSAS 1.30 IAS 8.6D (consistent)	39. **An entity cannot rectify inappropriate accounting policies either by disclosure of the accounting policies used or by notes or explanatory material.**	
IPSAS 1.31 IAS 8.6E (consistent)	40. **In the extremely rare circumstances in which management concludes that compliance with a requirement in an IPSAS Standard would be so misleading that it would conflict with the objective of financial statements set out in this [draft] Standard, the entity shall depart from**	

	that requirement in the manner set out in paragraph 41 if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure.	
IPSAS 1.32 IAS 8.6F (consistent)	41. **When an entity departs from a requirement of an IPSAS Standard in accordance with paragraph 40, it shall disclose:** (a) **That management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows;** (b) **That it has complied with applicable IPSAS Standards, except that it has departed from a particular requirement to achieve a fair presentation;** (c) **The title of the IPSAS Standard from which the entity has departed, the nature of the departure, including the treatment that the IPSAS Standard would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements set out in this [draft] Standard, and the treatment adopted; and** (d) **For each period presented, the financial effect of the departure on each item in the financial statements that would have been reported in complying with the requirement.**	
IPSAS 1.33 IAS 8.6G (consistent)	42. **When an entity has departed from a requirement of an IPSAS Standard in a prior period, and that departure affects the amounts recognized in the financial statements for the current period, it shall make the disclosures set out in paragraphs 41(c)–41(d).**	
IPSAS 1.34 IAS 8.6H (consistent)	43. Paragraph 42 applies, for example, when an entity departed in a prior period from a requirement in an IPSAS Standard for the measurement of assets or liabilities and that departure affects the measurement of changes in assets and liabilities recognized in the current period's financial statements.	
IPSAS 1.35 IAS 8.6I (consistent)	44. **In the extremely rare circumstances in which management concludes that compliance with a requirement in an IPSAS Standard would be so misleading that it would conflict with the objective of financial statements set out in this [draft] Standard, but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing:** (a) **The title of the IPSAS Standard in question, the nature of the requirement, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in this [draft] Standard; and** (b) **For each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation.**	
IPSAS 1.36	45. For the purpose of paragraphs 40–44, an item of information would conflict with the objective of financial statements when it does not represent faithfully the transactions, other events and conditions that it either purports to	

IAS 8.6J (consistent)	represent or could reasonably be expected to represent and, consequently, it would be likely to influence decisions made by users of financial statements. When assessing whether complying with a specific requirement in an IPSAS Standard would be so misleading that it would conflict with the objective of financial statements set out in this [draft] Standard, management considers: (a) Why the objective of financial statements is not achieved in the particular circumstances; and (b) How the entity's circumstances differ from those of other entities that comply with the requirement. If other entities in similar circumstances comply with the requirement, there is a rebuttable presumption that the entity's compliance with the requirement would not be so misleading that it would conflict with the objective of financial statements set out in this [draft] Standard.	
IPSAS 1.37	46. Departures from the requirements of an IPSAS Standard in order to comply with statutory/legislative financial reporting requirements in a particular jurisdiction do not constitute departures that conflict with the objective of financial statements set out in this [draft] Standard as outlined in paragraph 40. If such departures are material, an entity cannot claim to be complying with IPSAS Standards.	
	Going Concern	CP paragraphs 2.41-2.44
IPSAS 1.38 IAS 8.6K (consistent)	47. **When preparing financial statements, an assessment of an entity's ability to continue as a going concern shall be made. This assessment shall be made by those responsible for the preparation of financial statements. Financial statements shall be prepared on a going concern basis unless there is an intention to liquidate the entity or to cease operating, or if there is no realistic alternative but to do so. When those responsible for the preparation of the financial statements are aware, in making their assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. When financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern.**	• In developing IFRS 18, the IASB moved the IAS 1 guidance on Going Concern to IAS 8. For the current stage of this project, these paragraphs are included in this Illustrative ED.
IPSAS 1.39 IAS 8.6L (consistent)	48. Financial statements are normally prepared on the assumption that the entity is a going concern and will continue in operation and meet its statutory obligations for the foreseeable future. In assessing whether the going concern assumption is appropriate, those responsible for the preparation of financial statements take into account all available information about the future, which is at least, but is not limited to, twelve months from the approval of the financial statements.	
IPSAS 1.40	49. The degree of consideration depends on the facts in each case, and assessments of the going concern assumption are often not predicated on the solvency test usually applied to business enterprises. There may be circumstances where the usual going concern tests of liquidity and solvency	• This paragraph includes sub-bullet (b). Refer to paragraph 2.42 of the CP.

	appear unfavorable, but other factors suggest that the entity is nonetheless a going concern. For example: (a) In assessing whether a government is a going concern, the power to levy rates or taxes may enable some entities to be considered as a going concern, even though they may operate for extended periods with negative net assets/equity; (b) Political or policy shifts that may result in restructurings, reorganizations, program changes, and other changes, can lead to material uncertainties but do not necessarily cast significant doubt on whether the entity is able to continue as a going concern assumption; and (c) For an individual entity, an assessment of its statement of financial position at the end of the reporting period may suggest that the going concern assumption is not appropriate. However, there may be multi-year funding agreements or other arrangements in place that will ensure the continued operation of the entity.	
IPSAS 1.41	50. The determination of whether the going concern assumption is appropriate is primarily relevant for individual entities rather than for a government as a whole. For individual entities, in assessing whether the going concern basis is appropriate, those responsible for the preparation of financial statements may need to consider a wide range of factors relating to: (a) Current and expected performance; (b) Potential and announced restructurings of organizational units; (c) Estimates of revenue or the likelihood of continued government funding; and (d) Potential sources of replacement financing before it is appropriate to conclude that the going concern assumption is appropriate.	
	Accrual Basis of Accounting	CP paragraphs 2.41-2.44
IAS 8.6M	51. **An entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting.**	• In developing IFRS 18, the IASB moved the IAS 1 guidance on Accrual Basis of Accounting to IAS 8. For the current stage of this project, these paragraphs are included in this Illustrative ED.
IAS 8.6N IPSAS 1.27 (consistent)	52. When the accrual basis of accounting is used, an entity recognizes items of assets, liabilities, revenue, and expenses (elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in accordance with IPSAS Standards**.**	
	Frequency of Reporting	CP paragraphs 2.41-2.44
IFRS 18.28	53. **An entity shall provide a complete set of financial statements at least annually. When an entity changes the end of its reporting period and**	

IPSAS 1.66	**provides financial statements for a period longer or shorter than one year, the entity shall disclose, in addition to the period covered by the financial statements:** (a) **The reason for using a longer or shorter period; and** (b) **The fact that amounts included in the financial statements are not entirely comparable.**	
IPSAS 1.67	54. In exceptional circumstances, an entity may be required to, or decide to, change the end of its reporting period, for example in order to align the reporting cycle more closely with the budgeting cycle. When this is the case, it is important that (a) users be aware that the amounts shown for the current period and comparative amounts are not comparable, and (b) the reason for changing the end of its reporting period and the resulting reporting period is disclosed. A further example is where, in making the transition from cash to accrual accounting, an entity changes the end of its reporting period for entities within the economic entity to enable the preparation of consolidated financial statements.	
IFRS 18.29 IPSAS 1.68	55. Normally, an entity consistently prepares financial statements for a one-year period. However, for practical reasons, some entities prefer to report, for example, for a 52-week period. This [draft] Standard does not preclude this practice, because the resulting financial statements are unlikely to be materially different from those that would be presented for one year.	
	Timeliness	CP paragraphs 2.41-2.44
IPSAS 1.69	56. The usefulness of financial statements is impaired if they are not made available to users within a reasonable period after the end of the reporting period. An entity should be in a position to issue its financial statements within six months of the end of the reporting period. Ongoing factors such as the complexity of an entity's operations are not sufficient reason for failing to report on a timely basis. More specific deadlines are dealt with by legislation and regulations in many jurisdictions.	
	Consistency of Presentation	CP paragraphs 2.41-2.44
IFRS 18.30 IPSAS 1.42 (consistent)	57. **An entity shall retain the display of line items on the face of the primary financial statements, disclosure of items in the notes, and classification of items in the financial statements from one reporting period to the next unless:** (a) **It is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in IPSAS 3 (see paragraph AG18); or** (b) **An IPSAS Standard requires a change in presentation or classification.**	

	Comparative Information	CP paragraphs 2.35-2.40
IFRS 18.31 IPSAS 1.53	58. **Except when an IPSAS Standard permits or requires otherwise, an entity shall provide comparative information (that is, information for the preceding reporting period) for all amounts reported in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information if it is necessary for an understanding of the current period's financial statements (see paragraph AG20).**	
IFRS 18.32 IPSAS 1.53A (consistent)	59. **An entity shall present a current reporting period and preceding period in each of its primary financial statements and in the notes. Paragraphs AG21-AG22 set out requirements relating to additional comparative information.**	
	Changes in Accounting Policy, Retrospective Restatement or Reclassification	
IFRS 18.33 IPSAS 1.55 (consistent)	60. **If an entity changes the presentation or classification of items in its financial statements, it shall reclassify comparative amounts unless reclassification is impracticable. When an entity reclassifies comparative amounts, it shall disclose (including as at the beginning of the preceding period):** (a) **The nature of the reclassification;** (b) **The amount of each item or class of items that is reclassified; and** (c) **The reason for the reclassification.**	
IFRS 18.34 IPSAS 1.56	61. **When it is impracticable to reclassify comparative amounts, an entity shall disclose:** (a) **The reason for not reclassifying the amounts; and** (b) **The nature of the adjustments that would have been made if the amounts had been reclassified.**	
IFRS 18.36 IPSAS 1.58	62. IPSAS 3 sets out the adjustments to comparative information required when an entity changes an accounting policy or corrects an error.	
IFRS 18.37	63. **An entity shall present a third statement of financial position as at the beginning of the preceding period in addition to the comparative information required in paragraphs 58-59 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) **The retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period.**	

IFRS 18.38	64. In the circumstances described in paragraph 63 an entity shall present three statements of financial position—a statement of financial position as at: (a) The end of the current reporting period; (b) The end of the preceding period; and (c) The beginning of the preceding period.	
IFRS 18.39	65. When an entity is required to present a third statement of financial position applying paragraph 63, it shall disclose the information required by paragraphs 60–62 and IPSAS 3. However, it need not provide the related notes to the statement of financial position as at the beginning of the preceding period.	
IFRS 18.40	66. The date of that opening statement of financial position shall be as at the beginning of the preceding period regardless of whether an entity's financial statements provide comparative information for earlier periods (see paragraphs AG21–AG22).	
	Aggregation and Disaggregation	
	Principles of Aggregation and Disaggregation	CP paragraphs 2.41-2.44
IFRS 18.41	67. **For the purposes of this [draft] Standard, an item is an asset, liability, component of net assets/equity, revenue, expense, or cash flow or any aggregation or disaggregation of such assets, liabilities, net assets/equity, revenue, expenses, or cash flows. A line item is an item that is displayed separately in the primary financial statements. Other material information about items is disclosed in the notes. Unless doing so would override specific aggregation or disaggregation in IPSAS Standards, an entity shall (see paragraphs AG24–AG31):** (a) **Classify and aggregate assets, liabilities, net assets/equity, revenue, expenses, or cash flows into items based on shared characteristics;** (b) **Disaggregate items based on characteristics that are not shared;** (c) **Aggregate or disaggregate items to display line items in the primary financial statements that fulfill the role of the primary financial statements in providing useful structured summaries (see paragraph 24);** (d) **Aggregate or disaggregate items to disclose information in the notes that fulfills the role of the notes in providing material information (see paragraph 25); and** (e) **Ensure that aggregation and disaggregation in the financial statements do not obscure material information (see paragraph AG17).**	
IFRS 18.42 IPSAS 1.45 and 106 (consistent)	68. Applying the principles in paragraph 67, an entity shall disaggregate items whenever the resulting information is material. If, applying paragraph 67(c), an entity does not display material information in the primary financial statements, it shall disclose the information in the notes. Paragraphs AG88 and AG117 set out examples of revenue, expenses, assets, liabilities and	

	items of net assets/equity that might have sufficiently dissimilar characteristics that presentation in the statement of financial performance or statement of financial position or disclosure in the notes is necessary to provide material information.	
IFRS 18.43	69. **An entity shall label and describe items displayed in the primary financial statements (that is, totals, subtotals and line items) or items disclosed in the notes in a way that faithfully represents the characteristics of the item (see paragraphs AG32–AG34). To faithfully represent an item, an entity shall provide all descriptions and explanations necessary for a user of financial statements to understand the item. In some cases, an entity might need to include in the descriptions and explanations the meaning of the terms the entity uses and information about how it has aggregated or disaggregated assets, liabilities, net assets/equity, revenue, expenses, and cash flows.**	
	Offsetting	CP paragraphs 2.41-2.44
IFRS 18.44 IPSAS 1.48 (consistent)	70. **An entity shall not offset assets and liabilities or revenue and expenses, unless required or permitted by an IPSAS Standard (see paragraphs AG35–AG36).**	
IPSAS 1.49 IFRS 18.45 (consistent)	71. It is important that an entity reports separately both assets and liabilities, revenue, and expenses. Offsetting in the statement of financial performance or the statement of financial position, except when offsetting reflects the substance of the transaction or other event, reduces the users' ability to both (a) understand the transactions and other events and conditions that have occurred and (b) assess the entity's future cash flows. Measuring assets net of valuation allowances—for example, obsolescence allowances on inventories and doubtful debts allowances on receivables—is not offsetting.	
IPSAS 1.52	72. The offsetting of cash flows is dealt with in IPSAS 2.	
	Statement of Financial Performance	**Related to Chapter 4 of CP**
IFRS 18.46 IPSAS 1.99 (consistent)	73. **An entity shall include all items of revenue and expense in a reporting period in the statement of financial performance unless another IPSAS Standard requires or permits otherwise.**	
IPSAS 1.100	74. Normally, all items of revenue and expense recognized in a period are included in surplus or deficit. This includes the effects of changes in accounting estimates. However, circumstances may exist when particular items may be excluded from surplus or deficit for the current period. IPSAS 3 deals with two such circumstances: the correction of errors and the effect of changes in accounting policies.	
IPSAS 1.101	75. Other IPSAS Standards deal with items that may meet definitions of revenue or expense set out in this [draft] Standard, but are usually excluded from surplus or deficit. Examples include revaluation surpluses (see IPSAS 45), particularly:	

	(a) Gains and losses arising on translating the financial statements of a foreign operation (see IPSAS 4); and (b) Gains or losses on remeasuring financial assets measured at fair value through net assets/equity (guidance on measurement of financial assets can be found in IPSAS 41).	
	Categories in The Statement of Financial Performance	CP paragraphs 4.6–4.33
IFRS 18.47	76. **An entity shall classify revenue and expenses included in the statement of financial performance in one of five categories (see paragraph AG37):** (a) **The operating category (see paragraph 81);** (b) **The investing category (see paragraphs 82–87);** (c) **The financing category (see paragraphs 88–95);** (d) **The income taxes category (see paragraph 96); and** (e) **The discontinued operations category (see paragraph 97).**	
IFRS 18.48	77. Paragraphs 81–97 set out requirements for classifying revenue and expenses in the operating, investing, financing, income taxes and discontinued operations categories. In addition, paragraphs AG74–AG85 set out requirements on how foreign exchange differences, the gain or loss on the net monetary position, and gains and losses on derivatives and designated hedging instruments are classified in the categories.	
	Entities with Specified Main Operating Activities	CP paragraphs 4.20–4.22
IFRS 18.49	78. To classify revenue and expenses in the operating, investing and financing categories, an entity shall assess whether it has a specified main operating activity—that is a main operating activity of (see paragraphs AG39–AG50): (a) Investing in particular types of assets, referred to hereafter as investing in assets (see paragraph 82); or (b) Providing financing to other parties.	
IFRS 18.50	79. Applying paragraphs 84–87 and 94–95, an entity with a specified main operating activity classifies in the operating category some revenue and expenses that would have been classified in the investing or financing category if the activity were not a main operating activity.	
IFRS 18.51	80. If an entity: (a) Invests in assets as a main operating activity, it shall disclose that fact. (b) Provides financing to other parties as a main operating activity, it shall disclose that fact. (c) Identifies a different outcome from its assessment of whether it invests in assets or provides financing to other parties as a main operating activity (see paragraph AG50), it shall disclose: (i) The fact the outcome of the assessment has changed and the date of the change; and (ii) The amount and classification of items of revenue and expense before and after the date of the change in the outcome of the	

	assessment in the current period and the amount and classification in the prior period for the items for which the classification has changed because of the changed outcome of the assessment, unless it is impracticable to do so. If an entity does not disclose the information because it is impracticable to do so, the entity shall disclose that fact.	
	The Operating Category	CP paragraphs 4.6–4.33
IFRS 18.52	81. **An entity shall classify in the operating category all revenue and expenses included in the statement of financial performance that are not classified in (see paragraph AG51):** (a) **The investing category;** (b) **The financing category;** (c) **The income taxes category; or** (d) **The discontinued operations category.**	
	The Investing Category	CP paragraphs 4.6–4.33
IFRS 18.53	82. **Except as required by paragraphs 84–87 for an entity that has a specified main operating activity, an entity shall classify in the investing category revenue and expenses specified in paragraph 83 from:** (a) **Investments in associates, joint ventures and unconsolidated controlled entities (see paragraphs AG52–AG53);** (b) **Cash and cash equivalents; and** (c) **Other assets if they generate a return individually and largely independently of the entity's other resources (see paragraphs AG54–AG58).**	
IFRS 18.54	83. **The revenue and expenses from the assets identified in paragraph 82 that an entity shall classify in the investing category comprise the amounts included in the statement of financial performance for (see paragraph AG56):** (a) **The revenue generated by the assets;** (b) **The revenue and expenses that arise from the initial and subsequent measurement of the assets, including on derecognition of the assets; and** (c) **The incremental expenses directly attributable to the acquisition and disposal of the assets—for example, transaction costs and costs to sell the assets.**	
	Entities with Specified Main Operating Activities	CP paragraphs 4.20–4.22
IFRS 18.55	84. For the assets specified in paragraph 82(a) (that is, investments in associates, joint ventures and unconsolidated controlled entities) that an entity invests in as a main operating activity (see paragraph AG47), the entity shall classify the revenue and expenses specified in paragraph 83:	

	(a) In the investing category if the assets are accounted for applying the equity method (see paragraphs AG52(a) and AG53(a)); or (b) In the operating category if the assets are not accounted for applying the equity method (see paragraphs AG52(b)–(c) and AG53(b)–(c).	
IFRS 18.56	85. For the assets specified in paragraph 82(b) (that is, cash and cash equivalents), an entity shall classify the revenue and expenses specified in paragraph 83 in the investing category unless: (a) It invests as a main operating activity in financial assets within the scope of paragraph 82(c)—in which case it shall classify the revenue and expenses in the operating category. (b) It does not meet the requirements in (a) but provides financing to other parties as a main operating activity—in which case it shall classify: (i) The revenue and expenses from cash and cash equivalents that relate to providing financing to other parties, for example cash and cash equivalents held for related regulatory requirements—in the operating category. (ii) The revenue and expenses from cash and cash equivalents that do not relate to providing financing to other parties—by applying an accounting policy choice to classify the revenue and expenses specified in paragraph 83 in the operating category or the investing category. The choice of accounting policy shall be consistent with that made by the entity for the purpose of the related accounting policy for revenue and expenses from liabilities in paragraph 94(a)(ii).	
IFRS 18.57	86. If an entity applying paragraph 85(b) cannot distinguish between the cash and cash equivalents described in paragraphs 85(b)(i)and 85(b)(ii), it shall apply the accounting policy choice in paragraph 85(b)(ii) to classify revenue and expenses from all cash and cash equivalents in the operating category.	
IFRS 18.58	87. An entity may invest in assets specified in paragraph 82(c) (that is, other assets if they generate a return individually and largely independently of the entity's other resources) as a main operating activity (see paragraph AG49). Public sector entities that may invest in such assets as a main operating activity include government property agencies and government investment funds that invest in real estate, and manage their property portfolios on a commercial basis to finance other service delivery objectives would consider such investments as a main operating activity. In such cases, the entity shall classify the revenue and expenses specified in paragraph 83 in the operating category.	• This paragraph includes additional public sector-specific guidance. Refer to paragraph 4.23(e) of the CP.
	The Financing Category	CP paragraphs 4.6–4.33
IFRS 18.59	88. **To determine what revenue and expenses to classify in the financing category, an entity shall distinguish between:** (a) **Liabilities that arise from transactions that involve only the raising of finance (see paragraphs AG59–AG60); and**	

	(b) **Liabilities other than those described in (a)—that is, liabilities that arise from transactions that do not involve only the raising of finance (see paragraph AG62).**	
IFRS 18.60	89. **For the liabilities specified in paragraph 88(a) (that is, liabilities that arise from transactions that involve only the raising of finance), except as set out in paragraphs 92–95, an entity shall classify in the financing category the amounts included in the statement of financial performance for:** (a) **Revenue and expenses that arise from the initial and subsequent measurement of the liabilities, including on derecognition of the liabilities (see paragraph AG61); and** (b) **The incremental expenses directly attributable to the issue and extinguishment of the liabilities—for example, transaction costs.**	
IFRS 18.61	90. **For the liabilities specified in paragraph 88(b) (that is, liabilities that arise from transactions that do not involve only the raising of finance), except as set out in paragraphs 92–93, an entity shall classify in the financing category:** (a) **Interest revenue and expenses, but only if the entity identifies such revenue and expenses for the purpose of applying other requirements in IPSAS Standards; and** (b) **Revenue and expenses arising from changes in interest rates, but only if the entity identifies such revenue and expenses for the purpose of applying other requirements in IPSAS Standards.**	
IFRS 18.62	91. Paragraphs AG65–AG66 set out how an entity shall apply the requirements in paragraphs 88–90 to hybrid contracts that contain a host that is a liability.	
IFRS 18.63	92. The requirements in paragraphs 89–90 do not apply to gains and losses on derivatives and designated hedging instruments. An entity shall apply paragraphs AG79–AG85 to classify such gains and losses.	
IFRS 18.64	93. An entity shall exclude from the financing category and classify in the operating category: (a) Revenue and expenses from issued investment contracts with participation features recognized applying IPSAS 41 (see paragraph AG67); and (b) Insurance finance revenue and expenses included in the statement of financial performance applying the relevant international or national accounting standard dealing with insurance contracts.	
	Entities with Specified Main Operating Activities	CP paragraphs 4.20–4.22
IFRS 18.65	94. If an entity provides financing to other parties as a main operating activity, it shall classify revenue and expenses (see paragraph AG68): (a) From the liabilities specified in paragraph 88(a) (that is, liabilities that arise from transactions that involve only the raising of finance):	

	(i) If the liabilities relate to providing financing to other parties—in the operating category. (ii) If the liabilities do not relate to providing financing to other parties—by applying an accounting policy choice to classify the revenue and expenses specified in paragraph 89 in the operating category or the financing category. The choice of accounting policy shall be consistent with that made by the entity for the purpose of the related accounting policy for revenue and expenses from cash and cash equivalents in paragraph 85(b)(ii). (b) From the liabilities specified in paragraph 88(b) (that is, liabilities that arise from transactions that do not involve only the raising of finance): (i) If the revenue and expenses are specified in paragraph 90—in the financing category; or (ii) If the revenue and expenses are not specified in paragraph 90—in the operating category.	
IFRS 18.66	95. If an entity applying paragraph 94(a) cannot distinguish between the liabilities described in paragraphs 94(a)(i) and 94(a)(ii), it shall apply the accounting policy choice in paragraph 94(a)(ii) to classify revenue and expenses from all such liabilities in the operating category.	
	The Income Taxes Category	CP paragraphs 4.6–4.33
IFRS 18.67	96. An entity that pays income taxes shall classify in the income taxes category tax expense that is included in the statement of financial performance applying the relevant international or national accounting standards, and any related foreign exchange differences (see paragraphs AG74–AG77).	
	The Discontinued Operations Category	CP paragraphs 4.6–4.33
IFRS 18.68	97. An entity shall classify in the discontinued operations category revenue and expenses from discontinued operations as required by IPSAS 44, *Non-current Assets Held for Sale and Discontinued Operations*.	
	Totals and Subtotals to be Displayed in the Statement of Financial Performance	CP paragraphs 4.34–4.37
IFRS 18.69	98. **An entity shall display totals and subtotals in the statement of financial performance for:** (a) **Operating surplus or deficit (see paragraph 99); and** (b) **Surplus or deficit (see paragraph 100).**	
IFRS 18.70	99. Operating surplus or deficit comprises all revenue and expenses classified in the operating category.	
IFRS 18.72	100. Surplus or deficit is the total of revenue less expenses included in the statement of financial performance. Accordingly, it comprises all revenue and expenses classified in all categories in the statement of financial performance (see paragraph 76).	

IPSAS 1.104	101. **Additional subtotals shall be displayed on the face of the statement of financial performance when such presentation is necessary to provide a useful structured summary of the entity's revenue and expenses (see paragraphs 32 and 67(c)).**	
	Items to be Displayed in the Statement of Financial Performance or Disclosed in the Notes	CP paragraphs 4.38–4.42
IFRS 18.75 IPSAS 1.102 (consistent)	102. **An entity shall display in the statement of financial performance line items for (see paragraph AG86):** (a) **Amounts required by this [draft] Standard, namely:** (i) **Revenue, displaying separately the line items described in (b)(i);** (ii) **Operating expenses, displaying separately line items as required by paragraphs 108 and 112);** (iii) **Share of the surplus or deficit of associates and joint ventures accounted for using the equity method;** (iv) **Income tax expense; and** (v) **A single amount for the total of discontinued operations (see IPSAS 44);** (b) **Amounts required by IPSAS 41, namely:** (i) **Interest revenue calculated using the effective interest method;** (ii) **Impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with paragraphs 73–93 of IPSAS 41;** (iii) **Gains and losses arising from the derecognition of financial assets measured at amortized cost;** (iv) **Any gain or loss arising from the difference between the fair value of a financial asset and its previous amortized cost at the date of reclassification from amortized cost measurement to measurement at fair value through surplus or deficit; and** (v) **Any cumulative gain or loss previously recognized in net assets/equity that is reclassified to surplus or deficit at the date of reclassification of a financial asset from measurement at fair value through net assets/equity to measurement at fair value through surplus or deficit.**	
IFRS 18.76 IPSAS 1.103 (consistent)	103. **An entity shall display in the statement of financial performance (outside all the categories described in paragraph 76) an allocation of surplus or deficit for the reporting period attributable to any:** **(a) Non-controlling interests; and** (b) **Owners of the controlling entity.**	

IFRS 18.77	104. Paragraphs AG87–AG88 set out requirements on how an entity uses its judgment to determine whether to display additional line items in the statement of financial performance or disclose items in the notes.	
IPSAS 1.104	105. Additional line items shall be displayed on the face of the statement of financial performance when such presentation is necessary to provide a useful structured summary of the entity's revenue and expenses (see paragraph 32 and 67(c)).	
IPSAS 1.105	106. Because the effects of an entity's various activities, transactions, and other events differ in terms of their impact on its ability to meet its service delivery obligations, disclosing the components of financial performance assists in an understanding of the financial performance achieved and in making projections of future results. Additional line items are included on the face of the statement of financial performance, and the descriptions used and the ordering of items are amended when this is necessary to explain the elements of performance. Factors to be considered include materiality and the nature and function of the components of revenue and expenses. Revenue and expense items are not offset unless the criteria in paragraph 70 are met.	
IPSAS 1.117 IFRS 18.110 (consistent)	107. **When an entity provides a dividend or similar distribution to its owners and has share capital, it shall disclose, either on the face of the statement of financial performance or the statement of changes in net assets/equity, or in the notes, the amount of dividends or similar distributions recognized as ownership distributions during the period, and the related amount per share.**	
	Presentation of Expenses Classified in the Operating Category *[Note: Text in [ ] is subject to constituents' views regarding Specific Matter for Comment (SMC) 1 in the Consultation Paper, on whether to permit mixed presentation of expenses similar to IFRS 18]*	CP paragraphs 4.43–4.47
IFRS 18.78 IPSAS 1.109-111 (consistent)	108. **In the operating category of the statement of financial performance, an entity shall classify and present expenses in line items in a way that provides the most useful structured summary of its expenses, using one [or both] of these characteristics (see paragraphs AG89–AG94):** (a) **The nature of expenses; or** (b) **The function of the expenses within the entity.**	
IFRS 18.79	109. Any individual line item shall comprise operating expenses aggregated on the basis of only one of these characteristics [but the same characteristic does not have to be used as the aggregation basis for all line items (see paragraph AG90)].	• This illustrative guidance is subject to constituent feedback on whether to permit mixed presentation of operating expenses.
IFRS 18.80 IPSAS 1.112 (consistent)	110. In classifying expenses by nature ('nature expenses'), an entity provides information about operating expenses related to the nature of the economic resources consumed to accomplish the entity's activities without reference to the activities in relation to which those economic resources were	

	consumed. Such information includes information about raw material expense, employee benefit expense, depreciation and amortization.	
IFRS 18.81 IPSAS 1.113-114 (consistent)	111. In classifying expenses by function within the entity, an entity allocates and aggregates operating expenses according to the activity to which the consumed resource relates. Therefore, when classifying expenses by function, an entity might: (a) Allocate to several function line items expenses relating to economic resources of the same nature (such as employee benefit expense); and (b) Include in a single function line item an allocation of expenses relating to economic resources of several natures (such as employee benefit expense, depreciation and amortization).	
IPSAS 1.115 IFRS 18.82 (consistent)	112. **Entities classifying expenses by function shall disclose a qualitative description of the nature of expenses included in each function line item.**	• IPSAS 1 is used as the primary source for this paragraph because the IFRS paragraph allows for mixed presentation of operating expenses (see SMC 1 in the CP). This illustrative guidance is subject to constituent feedback on whether to permit mixed presentation of operating expenses.
IFRS 18.83	113. **An entity that displays [one or more] line items comprising expenses classified by function in the operating category of the statement of financial performance shall also disclose in a single note:** (a) **The total for each of:** (i) **Depreciation, comprising the amounts required to be disclosed by paragraph 90(d)(iv) of IPSAS 16, *Investment Property*, paragraph 56(a) of IPSAS 43, *Leases*, paragraph 69(e)(vii) of IPSAS 45, and paragraph 54(c) of IPSAS 51, *Tangible Natural Resources Held for Conservation*;** (ii) **Amortization, comprising the amount required to be disclosed by paragraph 117(e)(vi) of IPSAS 31;** (iii) **Employee benefits, comprising the amount for employee benefits recognized by an entity applying IPSAS 39;** (iv) **Impairment losses and reversals of impairment losses, comprising the amounts required to be disclosed by paragraphs 73(a) and 73(b) of IPSAS 21, *Impairment of Non-Cash Generating Assets* and paragraphs 115(a) and 115(b) of IPSAS 26, *Impairment of Cash-Generating Assets*; and** (v) **Write-downs and reversals of write-downs of inventories, comprising the amounts required to be disclosed by paragraphs 47(e) and 47(f) of IPSAS 12, *Inventories*; and**	• This paragraph includes a reference IPSAS 51, *Tangible Natural Resources Held for Conservation*, which was published in January 2026.

	(b) **For each total listed in (a)(i)–(v):** (i) **The amount related to each line item in the operating category (see paragraph AG93); and** (ii) **A list of any line items outside the operating category that also include amounts relating to the total.**	
IFRS 18.84	114. Paragraph 67 requires an entity to disaggregate items to provide material information. However, an entity that applies paragraph 113 is exempt from disclosing: (a) In relation to function line items presented in the operating category of the statement of financial performance—disaggregated information about the amounts of nature expenses included in each line item, beyond the amounts specified in paragraph 113; and (b) In relation to nature expenses specifically required by an IPSAS Standard to be disclosed in the notes—disaggregated information about the amounts of the expenses included in each function line item presented in the operating category of the statement of financial performance, beyond the amounts specified in paragraph 113.	
IFRS 18.85	115. The exemption in paragraph 114 relates to disaggregation of operating expenses. However, it does not exempt an entity from applying specific disclosure requirements relating to those expenses in IPSAS Standards.	
	Statement of Financial Position	**Related to Chapter 3 of CP**
	Classification of Assets and Liabilities	CP paragraphs 3.6-3.32
IFRS 18.96 IPSAS 1.70	116. **An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position in accordance with paragraphs 118–121 except when a presentation based on liquidity provides a more useful structured summary. When that exception applies, an entity shall present all assets and liabilities in order of liquidity (see paragraphs AG95–AG98).**	
IFRS 18.97 IPSAS 1.71 (consistent)	117. **Whichever method of presentation is adopted, an entity shall disclose in the notes the amount expected to be recovered or settled after more than twelve months 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 period; and** (b) **More than twelve months after the reporting period.**	
	Current Assets	
IFRS 18.99 IPSAS 1.76 (consistent)	118. **An entity shall classify an asset as current when it satisfies any of the following criteria (see paragraphs AG99–AG101):** (a) **It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;** (b) **It holds the asset primarily for the purpose of trading;**	

	(c) **It expects to realize the asset within twelve months after the reporting period; or** (d) **The asset is cash or a cash equivalent (as defined in IPSAS 2), unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.**	
IFRS 18.100 IPSAS 1.76	119. An entity shall classify all assets other than those specified in paragraph 118 as non-current.	
	Current Liabilities	
IFRS 18.101 IPSAS 1.80 (consistent)	120. **An entity shall classify a liability as current when it satisfies any of the following criteria:** (a) **It expects to settle the liability in its normal operating cycle (see paragraphs AG102 and AG113–AG114);** (b) **It holds the liability primarily for the purpose of trading (see paragraph AG103);** (c) **The liability is due to be settled within twelve months after the reporting period (see paragraphs AG103–AG104 and AG113–AG114); or** (d) **It does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the end of the reporting period (see paragraphs AG105–AG114).**	
IFRS 18.102 IPSAS 1.80	121. An entity shall classify all liabilities other than those specified in paragraph 120 as non-current.	
	Items to be Displayed in the Statement of Financial Position or Disclosed in the Notes	CP paragraphs 3.33-3.52
IFRS 18.103 IPSAS 1.88	122. **An entity shall display on the face of the statement of financial position the amounts for the following line items:** (a) **Property, plant and equipment;** (b) **Investment property;** (c) **Tangible natural resources held for conservation;** (d) **Intangible assets;** (e) **Goodwill;** (f) **Financial assets (excluding amounts shown under(g), (j) and (k));** (g) **Investments accounted for using the equity method;** (h) **Biological assets within the scope of IPSAS 27, *Agriculture*;** (i) **Inventories;** (j) **Receivables and other accrued revenue;** (k) **Cash and cash equivalents;**	• This paragraph includes a new line item for goodwill to distinguish this asset from other intangible assets (refer to paragraph 3.36 of the CP), and a new line item for tangible natural resources held for conservation to reflect amendments to IPSAS 1 by IPSAS 51, *Tangible Natural Resources Held for Conservation*.

	(l) **The total of assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with IPSAS 44;** (m) **Social benefit liabilities;** (n) **Taxes and transfers payable;** (o) **Payables and other accrued expenses;** (p) **Provisions;** (q) **Financial liabilities (excluding amounts shown under (n), (o), and (p); and** (r) **Liabilities included in disposal groups classified as held for sale in accordance with IPSAS 44;** (s) **Binding arrangement assets or binding arrangement liability in accordance with IPSAS 47, *Revenue*; and** (t) **Transfer right asset or transfer obligation liability arising from transactions with binding arrangements in accordance with IPSAS 48, *Transfer Expenses*.**	
IFRS 18.104 IPSAS 1.88	123. **If applicable, an entity shall display on the statement of financial position any:** (a) **Non-controlling interests; and** (b) **Net assets/equity attributable to owners of the controlling entity.**	
IPSAS 1.89 IFRS 18.105	124. Additional line items, headings, and sub-totals shall be displayed on the face of the statement of financial position when necessary to provide a useful structured summary of the entity's assets, liabilities, and net assets/equity, in accordance with paragraphs 32 and 67(c). Paragraphs AG115-AG117 set out requirements on how an entity uses its judgment to determine whether to display additional line items in the statement of financial position or disclose items in the notes.	
IFRS 18.106 IPSAS 1.90 (consistent)	125. Subject to paragraph 116, this [draft] Standard does not prescribe the order or format in which an entity displays items in the statement of financial position. In addition, the descriptions used and the ordering of items or aggregation of similar items may be amended according to the nature of the entity and its transactions, to provide a useful structured summary of the entity's assets, liabilities and net assets/equity. For example, a public sector entity may amend the descriptions in paragraph 122 to provide a useful structured summary of the assets, liabilities and net assets/equity based on descriptions used at a local jurisdictional level.	
	Net Assets/Equity	
IPSAS 1.95 IFRS 18.131 (consistent)	126. **An entity shall display on the face of the statement of financial position or disclose in the notes the amounts for the components that make up the entity's net assets/equity, including:** (a) **Share capital (when applicable) (refer to paragraph 167(a));**	

	(b) **Contributed capital, being the cumulative total at the end of the reporting period of ownership contributions, less ownership distributions;** (c) **Accumulated surpluses or deficits;** (d) **Reserves, including a description of the nature and purpose of each reserve within net assets/equity; and** (e) **Non-controlling interests.**	
IPSAS 1.96	127. Many public sector entities will not have share capital, but the entity may be controlled exclusively by another public sector entity. The nature of the interest in the net assets/equity of the entity is likely to be a combination of contributed capital and the aggregate of the entity's accumulated surpluses or deficits and reserves that reflect the net assets/equity attributable to the entity's operations.	
IPSAS 1.97	128. In some cases, there may be a non-controlling interest in the net assets/equity of the entity. For example, at the whole-of-government level, the economic entity may include a commercial public sector entity that has been partly privatized. Accordingly, there may be private shareholders who have a financial interest in the net assets/equity of the entity, which is presented as a non-controlling interest.	• This paragraph includes a reference to non-controlling interest, for consistency with paragraph 126(e).
	Statement of Changes in Net Assets/Equity	**Related to Chapter 5 of CP**
	Information to be Presented in the Statement of Changes in Net Assets/Equity	CP paragraphs 5.23-5.26
IPSAS 1.118-119 IFRS 18.86-87, 107 (consistent)	129. **An entity shall display a statement of changes in net assets/equity showing on the face of the statement:** (a) **Surplus or deficit for the period;** (b) **Each item of revenue and expenses for the period that, as required by other IPSAS Standards, is recognized directly in net assets/equity, and the total of these items;** (c) **Total revenue and expenses for the period (calculated as the sum of (a) and (b)), showing separately the total amounts attributable to owners of the controlling entity and to non-controlling interest;** (d) **For each component of net assets/equity, the effects of changes in accounting policies and corrections of errors recognized in accordance with IPSAS 3; and** (e) **For each component of net assets/equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately (at a minimum) displaying each change resulting from:** (i) **Surplus or deficit;** (ii) **The balance of accumulated surpluses or deficits at the beginning and end of the reporting period and at the reporting date, and the changes during the period; and**	• This paragraph includes sub-bullet (e) (based on IFRS 18.107(c) and IPSAS 1.119) to require the reconciliation of each component of net assets/equity be displayed on the face of the Statement of Changes in Net Assets/Equity. Refer to paragraphs 5.25–5.26 of the CP.

	(iii) **Transactions with owners in their capacity as owners, showing separately ownership contributions and ownership distributions, and changes in ownership interests in controlled entities that do not result in a loss of control.**	
IPSAS 1.120 IFRS 18.112	130. Changes in an entity's net assets/equity between two reporting dates reflect the increase or decrease in its net assets during the period.	
IPSAS 1.121 IFRS 18.112 (consistent)	131. The overall change in net assets/equity during a period represents the total amount of surplus or deficit for the period, other revenue and expenses recognized directly as changes in net assets/equity, together with any ownership contributions and ownership distributions in their capacity as owners.	
IPSAS 1.122	132. Ownership contributions and ownership distributions include transfers between two entities within an economic entity (for example, a transfer from a government, acting in its capacity as owner, to a government department). Ownership contributions, in their capacity as owners, to controlled entities are recognized as a direct adjustment to net assets/equity only where they explicitly give rise to residual interests in the entity in the form of rights to net assets/equity.	
	Information about Items of Revenue and Expenses Recognized Outside Surplus or Deficit	CP paragraphs 5.4-5.22
IPSAS 1.123 IFRS 18.B86 (consistent)	133. This [draft] Standard requires all items of revenue and expenses recognized in a period to be included in surplus or deficit, unless another IPSAS Standard requires otherwise. Other IPSAS Standards require some items (such as revaluation increases and decreases, and particular foreign exchange differences) to be recognized directly as changes in net assets/equity. Because it is important to consider all items of revenue and expenses in assessing changes in an entity's financial position between two reporting dates, this [draft] Standard requires the presentation of a statement of changes in net assets/equity that highlights an entity's total revenue and expenses, including those that are recognized directly in net assets/equity.	
IPSAS 1.124 IFRS 18.108, B86 (consistent)	134. IPSAS 3 requires retrospective adjustments to reflect changes in accounting policies, to the extent practicable, except when the transitional provisions in another IPSAS Standard requires otherwise. IPSAS 3 also requires that restatements to correct errors are made retrospectively, to the extent practicable. Retrospective adjustments and retrospective restatements are made to the balance of accumulated surpluses or deficits, except when an IPSAS Standard requires retrospective adjustment of another component of net assets/equity. Paragraph 129(d) requires disclosure in the statement of changes in net assets/equity of the total adjustment to each component of net assets/equity separately disclosed resulting, separately, from changes in accounting policies and from corrections of errors. These adjustments are disclosed for each prior period and the beginning of the period.	
IPSAS 1.125A	135. Other IPSAS Standards specify whether and when amounts previously recognized in net assets/equity are reclassified to surplus or deficit. Such reclassifications are referred to in this [draft] Standard as reclassification	

IFRS 18.91 (consistent)	adjustments. A reclassification adjustment is included with the related component of net assets/equity in the period that the adjustment is reclassified to surplus or deficit. These amounts may have been recognized in net assets/equity as unrealized gains in the current or previous periods. Those unrealized gains must be deducted from net assets/equity in the period in which the realized gains are reclassified to surplus or deficit to avoid including them in the statement of changes in net assets/equity twice.	
IPSAS 1.125B IFRS 18.B88	136. Reclassification adjustments arise, for example, on disposal of a foreign operation (see IPSAS 4) and when some hedged forecast cash flows affect surplus or deficit (see paragraph 140(d) of IPSAS 41 in relation to cash flow hedges).	
IPSAS 1.125C IFRS 18.B89	137. Reclassification adjustments do not arise on changes in revaluation surplus recognized in accordance with IPSAS 31 or IPSAS 45 on remeasurements of defined benefit plans recognized in accordance with IPSAS 39. These components are recognized in net assets/equity and are not reclassified to surplus or deficit in subsequent periods. Changes in revaluation surplus may be transferred to accumulated surpluses or deficits in subsequent periods as the asset is used or when it is derecognized (see IPSAS 31 or IPSAS 45). In accordance with IPSAS 41, reclassification adjustments do not arise if a cash flow hedge or the accounting for the time value of an option (or the forward element of a forward contract or the foreign currency basis spread of a financial instrument) result in amounts that are removed from the cash flow hedge reserve or a separate component of net assets/equity, respectively, and included directly in the initial cost or other carrying amount of an asset or a liability. These amounts are directly transferred to assets or liabilities.	
	Cash Flow Statement	
IPSAS 1.126	138. Cash flow information provides users of financial statements with a basis to assess (a) the ability of the entity to generate cash and cash equivalents, and (b) the needs of the entity to utilize those cash flows. IPSAS 2 sets out requirements for the presentation of the cash flow statement and related disclosures.	
	Notes	**Related to Chapter 6 of CP**
	Structure	CP paragraphs 6.4-6.7
IFRS 18.113 IPSAS 1.127	139. **An entity shall disclose in the notes:** (a) **Information about the basis of preparation of the financial statements (see paragraphs 36–52) and the specific accounting policies used (see paragraphs 143–151);** (b) **Information required by IPSAS Standards that is not presented in the primary financial statements; and** (c) **Other information that is not presented in the primary financial statements, but is necessary for an understanding of any of them (see paragraph 28).**	

IFRS 18.114 IPSAS 1.128 (consistent)	140. **An entity shall, as far as practicable, present notes in a systematic manner (see paragraph AG118). In determining a systematic manner, the entity shall consider the effect on the understandability and comparability of its financial statements. An entity shall cross-reference each item in the primary financial statements to any related information in the notes. If amounts disclosed in the notes are included in one or more line items in the primary financial statements, an entity shall disclose in the note the line item(s) in which the amounts are included.**	
IFRS 18.115 IPSAS 1.131	141. **An entity may disclose notes providing information about the basis of preparation of the financial statements and specific accounting policies used in a separate section of the financial statements.**	
IFRS 18.116 IPSAS 1.150	142. **If not disclosed elsewhere in information published with the financial statements, an entity shall disclose in the notes:** (a) **The domicile and legal form of the entity, and the jurisdiction within which it operates;** (b) **A description of the nature of the entity's operations and its principal activities;** (c) **A reference to the relevant legislation governing the entity's operations;** (d) **The name of the controlling entity and the ultimate controlling entity of the economic entity (where applicable); and** (e) **If it is a limited-life entity, information regarding the length of its life.**	
	Disclosure of Selection and Application of Accounting Policies	CP paragraphs 6.8-6.12
IAS 8.27A IPSAS 1.132 (consistent)	143. **An entity shall disclose material accounting policy information (see paragraph 8). Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.**	• In developing IFRS 18, the IASB moved the IAS 1 guidance on Disclosure of Selection and Application of Accounting Policies to IAS 8. For the current stage of this project, these paragraphs are included in this Illustrative ED.
IAS 8.27B IPSAS 1.134 (consistent)	144. Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may nevertheless be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.	

IAS 8.27C IPSAS 1.134-136 (consistent)	145. Accounting policy information is expected to be material if users of an entity's financial statements would need it to understand other material information in the financial statements. For example, an entity is likely to consider accounting policy information material to its financial statements if that information relates to material transactions, other events or conditions and: (a) The entity changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements; (b) The entity chose the accounting policy from one or more options permitted by IPSAS Standards—such a situation could arise if the entity chose to measure investment property at historical cost rather than fair value; (c) The accounting policy was developed in accordance with this [draft] Standard in the absence of an IPSAS Standard that specifically applies; (d) The accounting policy relates to an area for which an entity is required to make significant judgments or assumptions in applying an accounting policy, and the entity discloses those judgments or assumptions in accordance with paragraphs 149 and 152; or (e) The accounting required for them is complex and users of the entity's financial statements would otherwise not understand those material transactions, other events or conditions—such a situation could arise if an entity applies more than one IPSAS Standard to a class of material transactions.	
IAS 8.27D IPSAS 1.134-136 (consistent)	146. Accounting policy information that focuses on how an entity has applied the requirements in the IPSAS Standards to its own circumstances provides entity-specific information that is more useful to users of financial statements than standardized information, or information that only duplicates or summarizes the requirements of the IPSAS Standards.	
IAS 8.27E IPSAS 1.134-136 (consistent)	147. If an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.	
IAS 8.27F IPSAS 1.134-136 (consistent)	148. An entity's conclusion that accounting policy information is immaterial does not affect the related disclosure requirements set out in other IPSAS Standards.	
IAS 8.27G IPSAS 1.137 (consistent)	149. **An entity shall disclose, along with its material accounting policy information or other notes, the judgments, apart from those involving estimations (see paragraph 152), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.**	
IAS 8.27H	150. In the process of applying the entity's accounting policies, management makes various judgments, apart from those involving estimations, that can	

IPSAS 1.138 (consistent)	significantly affect the amounts it recognizes in the financial statements. For example, management makes judgments in determining: (a) When substantially all the significant risks and rewards of ownership of financial assets and, for lessors, assets subject to leases are transferred to other entities; (b) Whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue; and (c) Whether the contractual terms of a financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.	
IAS 8.27I IPSAS 1.139	151. Some of the disclosures made in accordance with paragraph 149 are required by other IPSAS Standards. For example, IPSAS 38, *Disclosure of Interests in Other Entities* requires an entity to disclose the judgments it has made in determining whether it controls another entity. IPSAS 16 requires disclosure of the criteria developed by the entity to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, when classification of the property is difficult.	
	Disclosure of Sources of Estimation Uncertainty	CP paragraphs 6.13-6.15
IAS 8.31A IPSAS 1.140	152. **An entity shall disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:** (a) **Their nature; and** (b) **Their carrying amount as at the end of the reporting period.**	• In developing IFRS 18, the IASB moved the IAS 1 guidance on Disclosure of Sources of Estimation Uncertainty to IAS 8. For the current stage of this project, these paragraphs are included in this Illustrative ED.
IAS 8.31B IPSAS 1.141	153. Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the end of the reporting period. For example, in the absence of a quoted price in an active market used to measure the following assets and liabilities, future-oriented estimates are necessary to measure the recoverable amount of certain classes of property, plant, and equipment, the effect of technological obsolescence on inventories, provisions subject to the future outcome of litigation in progress, and long-term employee benefit liabilities such as pension obligations. These estimates involve assumptions about such items as the risk adjustment to cash flows or discount rates, future changes in salaries, and future changes in prices affecting other costs.	
IAS 8.31C IPSAS 1.142	154. The assumptions and other sources of estimation uncertainty disclosed in accordance with paragraph 152 relate to the estimates that require management's most difficult, subjective or complex judgments. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgments become more subjective	

	and complex, and the potential for a consequential material adjustment to the carrying amounts of assets and liabilities normally increases accordingly.	
IAS 8.31D IPSAS 1.143	155. The disclosures in paragraph 152 are not required for assets and liabilities with a significant risk that their carrying amounts might change materially within the next financial year if, at the end of the reporting period, they are measured at current operational value or fair value based on a quoted price in an active market for an identical asset or liability. Such current operational values or fair values might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting period.	
IAS 8.31E IPSAS 1.144	156. An entity provides the disclosures in paragraph 152 in a manner that helps users of financial statements to understand the judgments that management makes about the future and about other sources of estimation uncertainty. The nature and extent of the information provided vary according to the nature of the assumption and other circumstances. Examples of the types of disclosures an entity makes are: (a) The nature of the assumption or other estimation uncertainty; (b) The sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity; (c) The expected resolution of an uncertainty and the range of reasonably possible outcomes within the next financial year in respect of the carrying amounts of the assets and liabilities affected; and (d) An explanation of changes made to past assumptions concerning those assets and liabilities, if the uncertainty remains unresolved.	
IAS 8.31F IPSAS 1.146	157. This [draft] Standard does not require an entity to disclose budget information or forecasts in making the disclosures in paragraph 152.	
IAS 8.31G IPSAS 1.146	158. Sometimes it is impracticable to disclose the extent of the possible effects of an assumption or another source of estimation uncertainty at the end of the reporting period. In such cases, the entity discloses that it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount of the asset or liability affected. In all cases, the entity discloses the nature and carrying amount of the specific asset or liability (or class of assets or liabilities) affected by the assumption.	
IAS 8.31H IPSAS 1.147	159. The disclosures in paragraph 149 of particular judgments that management made in the process of applying the entity's accounting policies do not relate to the disclosures of sources of estimation uncertainty in paragraph 152.	
IAS 8.31I IPSAS 1.148	160. Other IPSAS Standards require the disclosure of some of the assumptions that would otherwise be required in accordance with paragraph 152. For example, IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets* requires disclosure, in specified circumstances, of major assumptions concerning future events affecting classes of provisions. IPSAS 45 requires disclosure of measurement techniques and inputs	

	applied in measuring current operational values and fair values of revalued items of property, plant, and equipment. IPSAS 46, *Measurement* requires disclosure of significant assumptions (including the valuation technique(s) and inputs) the entity uses when measuring the fair values of assets and liabilities that are carried at fair value.	
	Capital	CP paragraphs 6.16-6.19
IFRS 18.126 IPSAS 1.148A	161. **An entity shall disclose in the notes information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.**	
IFRS 18.127 IPSAS 1.148B	162. To comply with paragraph 161 an entity shall disclose in the notes: (a) Qualitative information about its objectives, policies, and processes for managing capital, including: (i) A description of what it manages as capital; (ii) When an entity is subject to externally imposed capital requirements, the nature of those requirements, and how those requirements are incorporated into the management of capital; and (iii) How it is meeting its objectives for managing capital. (b) Summary quantitative data about what it manages as capital. Some entities regard some financial liabilities (for example, some forms of subordinated debt) as part of capital. Other entities regard capital as excluding some components of net assets/equity (for example, components arising from cash flow hedges). (c) Any changes in (a) and (b) from the preceding reporting period. (d) Whether during the reporting period it complied with any externally imposed capital requirements to which it is subject. (e) When it has not complied with such externally imposed capital requirements, the consequences of such non-compliance.	
IFRS 18.128 IPSAS 1.148B	163. An entity shall base the note disclosures in paragraph 162 on the information provided internally to key management personnel.	
IFRS 18.129 IPSAS 1.148C	164. An entity may manage capital in a number of ways and be subject to a number of different capital requirements. For example, a conglomerate may include entities that undertake insurance activities and banking activities and those entities may operate in several jurisdictions. When an aggregate disclosure of capital requirements and how capital is managed would not provide useful information or would distort a financial statement user's understanding of an entity's capital resources, the entity shall disclose separate information for each capital requirement to which the entity is subject.	
	Puttable Financial Instruments Classified as Net Assets/Equity	CP paragraphs 6.16-6.19

IFRS 7.19A IPSAS 1.148D	165. For puttable financial instruments classified as equity instruments in accordance with paragraphs 15–16 of IPSAS 28, *Financial Instruments: Presentation*, an entity shall disclose (to the extent not disclosed elsewhere): (a) Summary quantitative data about the amount classified as net assets/equity; (b) Its objectives, policies and processes for managing its obligation to repurchase or redeem the instruments when required to do so by the instrument holders, including any changes from the previous period; (c) The expected cash outflow on redemption or repurchase of that class of financial instruments; and (d) Information about how the expected cash outflow on redemption or repurchase was determined.	• In developing IFRS 18, the IASB moved the IAS 1 guidance on Puttable Financial Instruments Classified as Equity to IFRS 7. For the current stage of this project, these paragraphs are included in this Illustrative ED.
IFRS 7.19B IPSAS 1.95A	166. If an entity has reclassified any of the following financial instruments between financial liabilities and equity, it shall disclose the amount reclassified into and out of each category (financial liabilities or equity), and the timing and reason for that reclassification: (a) A puttable financial instrument classified as an equity instrument applying paragraphs 15–16 of IPSAS 28; or (b) An instrument that imposes 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 is classified as an equity instrument applying paragraphs 17–18 of IPSAS 28.	
	Other Disclosures	CP paragraphs 6.16-6.19
IFRS 18.130 IPSAS 1.98	167. **An entity shall either present in the statement of financial position or the statement of changes in net assets/equity or disclose in the notes:** (a) **For each class of share capital:** (i) **The number of shares authorized;** (ii) **The number of shares issued and fully paid, and issued but not fully paid;** (iii) **Par value per share, or a statement that the shares have no par value;** (iv) **A reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period;** (v) **The rights, preferences and restrictions attaching to that class, including restrictions on the distribution of dividends and the repayment of capital;** (vi) **Shares in the entity held by the entity or by its controlled entities or associates; and** (vii) **Shares reserved for issue under options and contracts for the sale of shares, including terms and amounts; and** (b) **A description of the nature and purpose of each reserve within net assets/equity.**	

IFRS 18.131	168. **An entity without share capital shall disclose information equivalent to that required by paragraph 167(a) as applicable to the entity, showing changes during the reporting period in each category of equity interest and/or component of net assets/equity, and the rights, preferences and restrictions attaching to each category of equity interest if applicable.**	
IFRS 18.132 IPSAS 1.149	169. **An entity shall disclose in the notes:** (a) **The amount of dividends, or similar distributions, proposed or declared before the financial statements were authorized for issue but not recognized as an ownership distribution during the reporting period, and the related amount per share; and** (b) **The amount of any cumulative preference dividends, or similar distributions, not recognized.**	
Application Guidance		
	Objective	
IPSAS 1.60	AG1. Paragraph 1 provides that the objective of this [draft] Standard is to set out requirements for the presentation of information in general purpose financial statements (financial statements). This [draft] Standard sometimes uses the term *presentation* in a broad sense, encompassing items displayed on the face of the primary financial statements or disclosed in the notes. Specific presentation requirements are also included in other IPSAS Standards. Unless specified to the contrary elsewhere in this [draft] Standard, or in another IPSAS Standard, such presentations (when material) are made either on the face of a primary financial statement or in the notes (in accordance with paragraphs 23-32).	
	Objective of Financial Statements	CP paragraphs 2.4-2.8
IPSASB Conceptual Framework 2.17, BC2.22	AG2. Paragraph 14 sets out that the purpose of financial statements is to provide financial information about a reporting entity's assets, liabilities, net assets/equity, revenue, expenses and cash flows that is useful to users of financial statements for decision-making and to demonstrate the entity's accountability for the resources entrusted to it. To assist users to better understand, interpret, and put into context the information presented in the financial statements, public sector entities are encouraged to present additional information to enhance, complement, and supplement the financial statements (see paragraphs AG3-AG5).	
IPSAS 1.25	AG3. Entities are encouraged to present additional information to assist users in assessing the performance of the entity, and its stewardship of assets, as well as making and evaluating decisions about the allocation of resources. This additional information may include details about the entity's outputs and outcomes in the form of (a) performance indicators, (b) statements of service performance, (c) program reviews, and (d) other reports by management about the entity's achievements over the reporting period.	• This guidance is relocated to Application Guidance, as it is intended to encourage disclosures.

IPSAS 1.26	AG4. Entities are also encouraged to disclose information about compliance with legislative, regulatory, or other externally-imposed regulations. When information about compliance is not included in the financial statements, it may be useful for a note to refer to any documents that include that information. Knowledge of non-compliance is likely to be relevant for accountability purposes, and may affect a user's assessment of the entity's performance and direction of future operations. It may also influence decisions about resources to be allocated to the entity in the future.	• This guidance is relocated to Application Guidance, as it is intended to encourage disclosures.
IPSASB Conceptual Framework BC2.19	AG5. The additional information described in AG3–AG4 may be communicated by separate reports that present financial and non-financial information about the achievement of the entity's service delivery objectives during the reporting period; it's compliance with approved budgets and legislation or other authority governing the raising and use of resources; and prospective financial and non-financial information about its future service delivery activities, objectives, and resource needs. In some cases, information about these matters may be disclosed in notes to the financial statements.	
	Components of Financial Statements	CP paragraphs 2.11-2.21
	A Complete Set of Financial Statements	CP paragraphs 2.11-2.13
IPSAS 1.24	AG6. Paragraph 20 requires that a complete set of financial statements includes the presentation of budget information when budget information is made publicly available. Public sector entities are typically subject to budgetary limits in the form of appropriations or budget authorizations (or equivalent), which may be given effect through authorizing legislation. General purpose financial reporting by public sector entities may provide information on whether resources were obtained and used in accordance with the legally adopted budget. Entities that make publicly available their approved budget(s) are required to comply with the requirements of IPSAS 24, *Presentation of Budget Information in Financial Statements*.	• This guidance explains the context for the requirements in the core text and, therefore, is more appropriate to be included in the Application Guidance.
IPSAS 1.24	AG7. For entities, where the financial statements and the budget are prepared on the same basis of accounting, but the budget information is not separately made publicly available. This [draft] Standard encourages the inclusion in the financial statements of a comparison with the budgeted amounts for the reporting period. Reporting against budget(s) for these entities may be presented in various different ways, including: (a) The use of a columnar format for the financial statements, with separate columns for budgeted amounts and actual amounts. A column showing any variances from the budget or appropriation may also be presented for completeness; and (b) Disclosure that the budgeted amounts have not been exceeded. If any budgeted amounts or appropriations have been exceeded, or expenses incurred without appropriation or other form of authority, then details may be disclosed by way of footnote to the relevant item in the financial statements.	• This guidance is relocated to Application Guidance, as it is intended to encourage disclosures.

	The Roles of the Primary Financial Statements and Notes	CP paragraphs 2.14-2.19
	Information Disclosed in the Notes	
IFRS 18.B6	AG8. Applying paragraph 25(a), an entity provides in the notes information necessary for users of financial statements to understand the line items displayed in the primary financial statements. Examples of such information include: (a) Disaggregation of the line items displayed in the primary financial statements; (b) Descriptions of the characteristics of the line items displayed in the primary financial statements; and (c) Information about the methods, assumptions and judgments used in recognizing, measuring and displaying the items included in the primary financial statements.	
IFRS 18.B7	AG9. Applying paragraph 25(b), an entity supplements the primary financial statements with additional information necessary to achieve the objective of financial statements—that is: (a) Information specifically required by IPSAS Standards (see paragraph 27)—for example: (i) Information required by IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets* about an entity's unrecognized contingent assets and contingent liabilities; and (ii) Information required by IPSAS 30, *Financial Instruments: Disclosures* about an entity's exposure to various types of risks, such as credit risk, liquidity risk and market risk; and (b) Information additional to that specifically required by IPSAS Standards (see paragraph 28).	
	Information Displayed in the Primary Financial Statements	
IFRS 18.B8	AG10. Paragraph 31 explains that an entity need not 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 IPSAS Standards. For example, an entity need not display a line item listed in paragraph 102 if doing so is not necessary for the statement of financial performance to provide a useful structured summary of revenue and expenses, or a line item listed in paragraph 122 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 display the line items listed paragraphs 102 and 122, it shall disclose the items in the notes if the resulting information is material (see paragraph 68).	
IFRS 18.B9	AG11. Conversely, applying paragraph 32, an entity shall display additional line items to those listed in paragraphs 102 and 122 if such presentations are necessary for the statement of financial performance to provide a useful structured summary of revenue and expenses or for the statement of	

	financial position to provide a useful structured summary of assets, liabilities and net assets/equity (see paragraphs AG87–AG88 and AG115–AG117).	
	Identification of Financial Statements	CP paragraphs 2.20-2.21
IFRS 18.B10 IPSAS 1.64 (consistent)	AG12. Paragraph 33 requires an entity to clearly identify the financial statements and distinguish them from other information in the same published document. An entity meets these requirements by providing appropriate headings for pages, statements, notes, columns and the like. Judgment is required in determining the best way of providing such information. For example, if an entity provides the financial statements electronically, an entity considers other ways to meet the requirements—for example, by appropriate digital tagging of information provided in the financial statements.	
IFRS 18.B11 IPSAS 1.65	AG13. An entity often makes financial statements more understandable by providing information in thousands or millions of units of the presentation currency. This practice is acceptable as long as the entity discloses the level of rounding and does not omit material information.	
	General Requirements for Financial Statements	
	Material Information	CP paragraphs 2.33-2.34
n/a – new paragraph	AG14. Paragraph 23 sets out that to achieve the objectives of this [draft] Standard, an entity need only display in the primary financial statements or disclose in the notes material information (as defined in paragraph 8).	• This paragraph is used to link the application guidance on material information to requirements in the core text.
IPSAS 1.12A IFRS 18.B2-B3	AG15. Materiality depends on the nature and amount of the item judged in the particular circumstances of each entity. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole. Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured: (a) Information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear; (b) Information regarding a material item, transaction or other event is scattered throughout the financial statements; (c) Dissimilar items, transactions or other events are inappropriately aggregated; (d) Similar items, transactions or other events are inappropriately disaggregated; and	• This paragraph was added to IPSAS 1 by *Definition of Material (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework)* Pronouncement. Refer to paragraphs 2.33–2.34 in Chapter 2 of the CP.

	(e) The understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.	
IPSAS 1.13 IFRS 18.B4	AG16. Assessing whether information could reasonably be expected to influence the discharge of accountability by the entity, or decisions made by primary users of a specific reporting entity's general purpose financial statements, requires an entity to consider the characteristics of those users while also considering the entity's own circumstances.	• This paragraph was amended by *Definition of Material (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework)* Pronouncement. Refer to paragraphs 2.33–2.34 in Chapter 2 of the CP.
IPSAS 1.13A IFRS 18.B5	AG17. Many existing and potential service recipients and their representatives and resource providers and their representatives cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of public sector programs and operations and who review and analyze the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena.	• This paragraph was added to IPSAS 1 by *Definition of Material (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework)* Pronouncement. Refer to paragraphs 2.33–2.34 in Chapter 2 of the CP
	Consistency of Presentation	CP paragraphs 2.41-2.44
IFRS 18.B12 IPSAS 1.44 (consistent)	AG18. Paragraph 57(a) requires an entity to change the presentation or classification of items in the financial statements if it is apparent that another presentation or classification would be more appropriate. An entity is permitted to change the presentation or classification of items in its financial statements only if the change provides information that is more useful to users of financial statements and if the entity is likely to continue using the revised presentation or classification, so that inter-period comparability is not impaired. When making such changes, an entity reclassifies its comparative information in accordance with paragraphs 61–62.	
IPSAS 1.43	AG19. A significant acquisition or disposal, or a review of the presentation of the financial statements, might suggest that the financial statements need to be presented differently. For example, an entity may dispose of a savings bank that represents one of its most significant controlled entities and the remaining economic entity conducts mainly administrative and policy advice services. In this case, the presentation of the financial statements based on the principal activities of the economic entity as a financial institution is unlikely to be relevant for the new economic entity.	.

	Comparative Information	CP paragraphs 2.35-2.40
	Required Comparative Information	
IFRS 18.B13 IPSAS 1.54	AG20. In some cases, narrative information provided in the financial statements for the preceding reporting period(s) continues to be relevant in the current period. For example, an entity discloses in the current period details of a legal dispute, the outcome of which was uncertain at the end of the preceding period and is yet to be resolved. Users of financial statements might benefit from the disclosure of information that the uncertainty existed at the end of the preceding period and from disclosure of information about the steps that have been taken during the period to resolve the uncertainty.	
	Additional Comparative Information	
IFRS 18.B14	AG21. An entity may choose to provide comparative information in addition to the comparative information required by IPSAS Standards, as long as that information is prepared in accordance with IPSAS Standards. This comparative information may consist of one or more of the primary financial statements referred to in paragraph 20 but need not comprise a complete set of financial statements. When this is the case, the entity shall disclose in the notes information for those additional primary financial statements.	
IFRS 18.B15	AG22. For example, when applying AG21, an entity may present a third statement (or statement) of financial performance (thereby presenting the current reporting period, the preceding period, and one additional comparative period). However, the entity is not required to present a third statement of financial position, a third cash flow or a third statement of changes in net assets/equity (that is, an additional primary financial statement comparative). The entity is required to disclose in the notes the comparative information related to that additional statement of financial performance.	
	Changes in Accounting Policy, Retrospective Restatement or Reclassification	
IFRS 18.35 IPSAS 1.57	AG23. Paragraph 60 requires an entity to reclassify comparative amounts if the entity changes the presentation or classification of items in its financial statements, unless reclassification is impracticable. Enhancing the inter-period comparability of information assists users of financial statements for accountability and decision-making purposes, especially by allowing the assessment of trends in financial information for predictive purposes. In some circumstances, it is impracticable to reclassify comparative information for a particular prior reporting period to achieve consistency with the current period. For example, an entity may not have collected data in the prior period(s) in a way that allows reclassification, and it may be impracticable to recreate the information.	

	Aggregation and Disaggregation	
	Principles of Aggregation and Disaggregation	CP paragraphs 2.41-2.44
	Process of Aggregation and Disaggregation	
IFRS 18.B16	AG24. Financial statements result from entities processing large numbers of transactions and other events. These transactions and other events are added together (aggregated) to give rise to assets, liabilities, net assets/equity, revenue, expenses, and cash flows.	
IFRS 18.B17	AG25. To apply the requirements in paragraph 67, an entity shall aggregate items based on shared characteristics (that is, aggregate items that have similar characteristics) and disaggregate items based on characteristics that are not shared (that is, disaggregate items that have dissimilar characteristics). In doing so, an entity shall: (a) Identify the assets, liabilities, net assets/equity, revenue, expenses, and cash flows that arise from individual transactions or other events; (b) Classify and aggregate assets, liabilities, net assets/equity, revenue, expenses, and cash flows into items based on their characteristics (for example, their nature, their function, their measurement basis or another characteristic) so as to result in the display in the primary financial statements of line items and disclosure in the notes of items that have at least one similar characteristic; and (c) Disaggregate items based on dissimilar characteristics: (i) In the primary financial statements, as necessary to provide useful structured summaries (as described in paragraph 24); and (ii) In the notes, as necessary to provide material information (as described in paragraph 25).	
IFRS 18.B18	AG26. An entity may apply the steps in paragraphs AG25(a)–AG25(c) in varying order to apply the principles of aggregation and disaggregation in paragraph 67.	
	Basis for Aggregation and Disaggregation	
IFRS 18.B19	AG27. Paragraphs AG24–AG26 explain that an entity uses its judgment to aggregate and disaggregate assets, liabilities, net assets/equity, revenue, expenses, and cash flows from individual transactions and other events based on similar and dissimilar characteristics. Paragraphs AG87 and AG116 set out examples of characteristics an entity considers in making its judgments.	
IFRS 18.B20 IPSAS 1.46 (consistent)	AG28. The more similar the characteristics of assets, liabilities, net assets/equity, revenue, expenses and cash flows are, the more likely it is that aggregating them will fulfill the role of the primary financial statements (that is, to provide useful structured summaries as described in paragraph 24) or the notes (that is, to provide material information as described in paragraph 25). The more dissimilar the characteristics of assets, liabilities, net assets/equity, revenue, expenses, and cash flows are, the more likely	

	it is that disaggregating the items will fulfill the roles of the primary financial statements or the notes.	
IFRS 18.B21 IPSAS 1.46 (consistent)	AG29. The items aggregated and displayed as line items in the primary financial statements shall have at least one similar characteristic other than meeting the definition of assets, liabilities, net assets/equity, revenue, expenses, or cash flows. However, because the role of the primary financial statements is to provide useful structured summaries, the line items in the primary financial statements are also likely to aggregate items that have sufficiently dissimilar characteristics that information about the disaggregated items is material.	
IFRS 18.B22 IPSAS 1.46 (consistent)	AG30. Applying paragraph 67, an entity shall disaggregate items that have dissimilar characteristics when the resulting information is material. A single dissimilar characteristic could result in information about disaggregated items being material.	
IFRS 18.B23	AG31. The following illustrates how items that have dissimilar characteristics may be disaggregated: (a) Financial instruments: an entity might display in the statement of financial position financial assets that comprise equity investments and debt investments separately from non-financial assets. The financial assets have dissimilar characteristics because they have different measurement bases—some are measured at fair value through surplus or deficit and others at amortized cost. The entity might therefore determine that to provide a useful structured summary it is necessary to display line items that disaggregate the financial assets based on those measurement bases. That disaggregation results in a line item comprising equity investments and debt investments measured at fair value through surplus or deficit and a line item comprising debt investments measured at amortized cost. Because equity investments are dissimilar to debt investments in that each exposes the entity to different risks, the entity would assess whether further disaggregation in the statement of financial position of financial assets measured at fair value through surplus or deficit into equity investments and debt investments is needed to provide a useful structured summary. If not, and if the resulting information were material, the entity would need to disclose in the notes the equity investments separately from the debt investments. In addition if, for example, the equity investments had other dissimilar characteristics, the entity would be required to disaggregate further those equity investments in the notes if the resulting information were material. (b) Property, plant, and equipment: After initial recognition, when an entity chooses to measure an entire class of property, plant, and equipment using the current value model, different measurement bases can be applied to individual items depending on the primary objective for which the entity holds them. Property, plant, and equipment items held primarily for their operational capacity are measured at current operational value and those held primarily for their financial capacity are measured at fair value. Because these property, plant, and equipment items have different measurement bases, they have dissimilar characteristics. The entity might therefore	• This paragraph includes a new sub-bullet to provide a public sector-specific example.

	determine that to provide a useful structured summary it is necessary to present line items that disaggregate the items within a class of property, plant, and equipment based on their measurement bases. That disaggregation results in a line item comprising property, plant, and equipment items measured at current operational value and a line item comprising property, plant, and equipment items measured at fair value if the resulting information were material.	
	Description of Items	
IFRS 18.B24	AG32. Paragraph 69 requires an entity to label and describe items presented in a way that faithfully represents the characteristics of the item. Such items will often be aggregations of items arising from individual transactions or other events and could vary in whether they are aggregations of items for which information is material and items for which information is immaterial. Specifically, in either the primary financial statements or in the notes: (a) An item for which information is material could be aggregated with other items for which information is also material—an entity might provide such an aggregation to summarize information but would also be required to disclose information about each item; (b) An item for which information is material could be aggregated with items for which information is not material—an entity would be required to provide information about disaggregated items only if immaterial information obscured the material information; or (c) An item for which information is not material could be aggregated with other items for which information is not material—an entity might provide such an aggregation to complete a list of items and would not be required to disclose information about disaggregated items, subject to paragraph AG34(b).	
IFRS 18.B25	AG33. An entity shall label items presented as 'other' only if it cannot find a more informative label. Examples of how an entity might find a more informative label are: (a) If an item for which information is material is aggregated with items for which information is not material, finding a label that describes the item for which information is material; and (b) If items for which information is not material are aggregated: (i) Aggregating items that share similar characteristics and describing them in a way that faithfully represents the similar characteristics; or (ii) Aggregating items with other items that do not share similar characteristics and describing them in a way that faithfully represents the dissimilar characteristics of the items.	
IFRS 18.B26	AG34. If an entity cannot find a more informative label than 'other': (a) For any aggregation—the entity shall use a label that describes the aggregated item as precisely as possible, for example, 'other operating expenses'.	

	(b) For an aggregation comprising only items for which information is not material—the entity shall consider whether the aggregated amount is sufficiently large that users of financial statements might reasonably question whether it includes items for which information could be material. If so, information to resolve that question is material information. Accordingly, in such cases, the entity shall disclose further information about the amount—for example: (i) An explanation that no items for which information would be material are included in the amount; or (ii) An explanation that the amount comprises several items for which information would not be material, with an indication of the nature and amount of the largest item.	
	Offsetting	CP paragraphs 2.41-2.44
IFRS 18.B27 IPSAS 1.50	AG35. Paragraph 70 prohibits an entity from offsetting assets and liabilities or revenue and expenses unless required or permitted by an IPSAS Standard. For example, IPSAS 47, *Revenue* requires revenue to be measured at the amount of consideration to which the entity expects to be entitled in exchange for transferring promised goods or services. The amount of revenue recognized reflects any trade discounts and volume rebates the entity allows. In contrast, an entity might undertake, in the course of its activities, other transactions that do not generate revenue but are incidental to the main revenue-generating activities. The entity would display in the primary financial statements or disclose in the notes the results of such transactions, when this presentation reflects the substance of the transaction or other event, by netting any income with related expenses arising on the same transaction. For example: (a) An entity displays in the primary financial statements or discloses in the notes gains and losses on the disposal of non-current assets by deducting from the amount of consideration on disposal the carrying amount of the asset and related selling expenses; and (b) An entity may net expenditure related to a provision that is recognized in accordance with IPSAS 19 and reimbursed under a contractual arrangement with a third party (for example, a supplier's warranty agreement) against the related reimbursement.	
IFRS 18.B28 IPSAS 1.51	AG36. In addition, an entity presents on a net basis gains and losses arising from a group of similar transactions—for example, foreign exchange gains and losses or gains and losses arising on financial instruments held for trading that are included in the same category of the statement of financial performance applying paragraphs 76–97. However, an entity shall disclose such gains and losses separately in the notes if doing so provides material information.	

	Statement of Financial Performance	**Related to Chapter 4 of CP**
	Categories in the Statement of Financial Performance	CP paragraphs 4.6–4.33
IFRS 18.B29	AG37. Paragraph 76 requires an entity to classify revenue and expenses included in the statement financial performance in one of five categories. The operating category comprises all revenue and expenses included in the statement of financial performance that are not classified in the other categories (see paragraph 81). Revenue and expenses classified in the discontinued operations category applying paragraph 97 are not subject to the requirements for classifying items of revenue and expense in the categories listed in paragraphs 76(a)–(d). Expenses classified in the income taxes category applying paragraph 96 are not subject to the requirements for classifying items of revenue and expense in the categories listed in paragraphs 76(a)–(c).	
n/a – new paragraph	AG38. A public sector entity needs to consider the unique characteristics of the public sector (e.g., power to levy taxes and revenue subject to appropriation) that are relevant when applying the categorization requirements in paragraphs 81–97. For example, the following circumstances require entities to apply judgment to determine the appropriate category for revenue and expenses: (a) In the public sector, revenue received by entities is often subject to appropriation. An entity that receives revenue subject to appropriation should assess the nature and substance of the underlying activity to which the appropriation relates to determine the appropriate category of the related revenue. (b) Some governments may levy taxes, including compulsory contributions and levies, as a major source of revenue and may increase tax rates to collect higher tax revenue to fund their service delivery objectives. Entities shall apply professional judgment and consider the nature, substance, and materiality of their tax revenue when applying the categorization requirements in paragraphs 81–97. (c) Applying IPSAS 46, *Measurement* after initial measurement, an entity may select a measurement basis for an asset depending on whether it is primarily held for operational capacity or financial capacity. However, the measurement basis applied for that asset does not necessarily dictate the presentation and classification of revenue and expenses arising from it. For example, a public hospital may operate one building on a commercial basis and conclude that the building is held primarily for financial capacity. However, since the hospital is still operating that building to achieve its service delivery objective (providing healthcare service), the revenue and expenses from that building would be classified in the Operating category. As another example, a municipal government may hold a piece of land with the sole intention of earning rental revenue and capital appreciation and conclude that the land is held primarily for financial capacity. If the land meets the definition of an investment property, the revenue and expenses from that land would be classified in the investing category,	• This paragraph was added to provide public sector-specific guidance. Refer to paragraph 4.23 of the CP. .

	provided that investing in investment properties is not a main operating activity of the municipal government.	
	Assessment of Specified Main Operating Activities	CP paragraphs 4.20–4.22
IFRS 18.B30	AG39. Paragraph 78 requires an entity to assess whether it invests in assets or provides financing to other parties as a main operating activity. An entity may have more than one main operating activity. For example, an entity that provides a public service and also provides financing to other parties may determine that both its public service activity and financing activity are main operating activities. To classify revenue and expenses into the categories of operating, investing and financing as required by this [draft] Standard, an entity need only determine whether either of, or both, investing in assets and providing financing to other parties are main operating activities.	
IFRS 18.B31	AG40. Examples of entities that might invest in assets as a main operating activity include: (a) Investment entities as defined by IPSAS 35, *Consolidated Financial Statements*; (b) Investment property companies; and (c) Insurers.	
IFRS 18.B32	AG41. Examples of entities that might provide financing to other parties as a main operating activity include: (a) Banks and other lending institutions; (b) Entities that provide financing to other parties to enable those parties to access the entity's services; and (c) Lessors that provide financing to other parties in finance leases.	
IFRS 18.B33	AG42. Whether investing in assets or providing financing to other parties is a main operating activity of the entity is a matter of fact and not merely an assertion. An entity shall use its judgment to assess whether investing in assets or providing financing to parties is a main operating activity and that assessment shall be based on evidence.	
IFRS 18.B34	AG43. In general, investing in assets or providing financing to other parties is likely to be a main operating activity of an entity if the entity uses a particular type of subtotal as an important indicator of operating performance. The particular type of subtotal is a subtotal similar to operating surplus or deficit (see paragraph 99) that includes revenue and expenses that would be classified in the investing or financing categories if investing in assets or providing financing to other parties were not main operating activities.	

IFRS 18.B35	AG44. Evidence that subtotals similar to operating surplus or deficit described in paragraph 99 are important indicators of operating performance includes using such subtotals to: (a) Explain operating performance externally; or (b) Assess or monitor operating performance internally.	
IFRS 18.B36	AG45. Information about segments may provide evidence that investing in assets or providing financing to other parties is a main operating activity if an entity applies IPSAS 18, *Segment Reporting*. Specifically: (a) If a reportable segment comprises a single operating activity, this indicates that the performance of the reportable segment is an important indicator of the entity's operating performance and that the operating activity of the reportable segment is a main operating activity of the entity; and (b) If an operating segment comprises a single operating activity, this indicates that the operating activity might be a main operating activity of the entity if the performance of the operating segment is an important indicator of the entity's operating performance as described in paragraph AG43.	
IFRS 18.B37	AG46. An entity shall assess whether investing in assets or providing financing to other parties is a main operating activity for the reporting entity as a whole. Accordingly, the assessment of whether investing in assets or providing financing to other parties is a main operating activity by a reporting entity that is a consolidated group and a reporting entity that is one of the controlled entities in the consolidated group could have different outcomes.	
IFRS 18.B38	AG47. An entity shall assess whether it invests as a main operating activity in associates, joint ventures and unconsolidated controlled entities not accounted for using the equity method (see paragraphs AG52(b)–(c) and AG53(b)–(c)) by individual asset or using groups of assets with shared characteristics. If an entity prepares separate financial statements as specified in IPSAS 34, *Separate Financial Statements* and performs the assessment for groups of assets, the entity shall use groups of assets that are consistent with the categories used to determine their measurement basis applying paragraph 12 of IPSAS 34. An entity need not assess whether it invests as a main operating activity in associates, joint ventures and non-consolidated controlled entities accounted for using the equity method (see paragraphs AG52(a) and AG53(a)) because it is required to classify the revenue and expenses from those investments in the investing category (see paragraph 84(a)).	
IFRS 18.B39	AG48. An entity need not assess whether it invests as a main operating activity in cash and cash equivalents (see paragraph 82(b)). An entity is required to classify revenue and expenses from cash and cash equivalents in the investing category unless paragraphs 85(a) or 85(b) apply.	
IFRS 18.B40	AG49. An entity shall assess whether it invests as a main operating activity in other assets that generate a return individually and largely independently of the entity's other resources (see paragraph 82(c)) by assessing an	

	individual asset or groups of assets with shared characteristics. When performing the assessment for groups of financial assets an entity shall use groups of financial assets that are consistent with the classes of financial assets identified by the entity in applying paragraph 9 of IPSAS 30.	
IFRS 18.B41	AG50. An entity shall assess whether investing in assets or providing financing to other parties is a main operating activity based on the facts at the time, so a change in the outcome of the assessment does not change the outcome of the previous assessments. Accordingly, an entity classifies and presents revenue and expenses applying the change in the outcome of the assessment prospectively from the date of the change and does not reclassify amounts presented before the date of the change. Unless it is impracticable to do so, paragraph 80(c)(ii) requires an entity to disclose the amount and classification of items of revenue and expense before and after the date of the change in the outcome of the assessment in the current period and the amount and classification in the prior period for items for which the classification has changed because of the change in the outcome of the assessment.	
	Operating	CP paragraphs 4.6–4.33
IFRS 18.B42	AG51. The requirements in paragraphs 76–95 result in an entity classifying revenue and expenses from its main operating activities in the operating category of the statement of financial performance, except for any such revenue and expenses from investments accounted for using the equity method. Furthermore, the operating category is not limited to revenue and expenses from an entity's main operating activities. It includes all revenue and expenses that are not classified by an entity in the other categories applying paragraphs 82–97, including such revenue or expenses that are volatile or non-recurring.	
	Investing	CP paragraphs 4.6–4.33
	Investments in Associates, Joint Ventures and Unconsolidated Controlled Entities	
IFRS 18.B43	AG52. Paragraphs 82 and 84 set out requirements for the classification of revenue and expenses from investments in associates and joint ventures. These investments comprise: (a) Investments in associates and joint ventures accounted for using the equity method in accordance with paragraph 22 of IPSAS 36, *Investments in Associates and Joint Ventures* and paragraph 12(c) of IPSAS 34; (b) Investments in associates and joint ventures (or a portion thereof) that an entity elects to measure at fair value through surplus or deficit in accordance with IPSAS 41, *Financial Instruments* applying paragraphs 24–25 of IPSAS 36 and paragraph 13 of IPSAS 34; and (c) Investments in associates and joint ventures in separate financial statements that are accounted for at cost applying paragraph 12(a) of IPSAS 34 or in accordance with IPSAS 41 applying paragraph 12(b) of IPSAS 34.	

IFRS 18.B44	AG53. Paragraphs 82 and 84 also set out requirements for the classification of revenue and expenses from unconsolidated controlled entities. Investments in unconsolidated controlled entities comprise: (a) Investments in controlled entities in separate financial statements accounted for using the equity method in accordance with paragraph 12(c) of IPSAS 34; (b) Investments in controlled entities held by an investment entity that are measured at fair value through surplus or deficit in accordance with paragraph 56 of IPSAS 35 and paragraph 14 of IPSAS 34; and (c) Investments in controlled entities in separate financial statements that are accounted for at cost applying paragraph 12(a) of IPSAS 34 or in accordance with IPSAS 41 applying paragraph 12(b) of IPSAS 34.	
	Assets that Generate a Return Individually and Largely Independently of the Entity's Other Resources	
IFRS 18.B45	AG54. Paragraph 82(c) requires an entity to identify assets that generate a return individually and largely independently of the entity's other resources. The return could be positive or negative.	
IFRS 18.B46	AG55. Assets that generate a return individually and largely independently of the entity's other resources in paragraph 82(c) typically include: (a) Debt or equity investments accounted for in accordance with IPSAS 41; and (b) Investment properties, and receivables for rent generated by those properties accounted for in accordance with IPSAS 16, *Investment Property*.	• This paragraph includes references to relevant IPSAS Standards, based on the IPSASB's views and considerations summarized in paragraph 4.23(d) of the CP.
IFRS 18.B47	AG56. Revenue and expenses specified in paragraph 83 from such assets typically include: (a) Interest; (b) Dividends; (c) Rental revenue; (d) Depreciation; (e) Impairment losses and reversals of impairment losses; (f) Fair value gains and losses; and (g) Revenue and expenses from the derecognition of the asset, or its classification and remeasurement as held for sale (see paragraphs AG69–AG73).	

Assets that Do Not Generate a Return Individually and Largely Independently of the Entity's Other Resources

IFRS 18.B48

AG57. Assets that an entity uses in combination to produce or supply goods or services do not generate a return individually and largely independently of the entity's other resources. Such assets typically include:

(a) Property, plant and equipment;

(b) Assets that arise from the production or supply of goods and services for which the revenue and expenses are classified in the operating category (for example, receivables for such goods and services); and

(c) If the entity provides financing to other parties as a main operating activity, any loans to a party.

IFRS 18.B49

AG58. Revenue and expenses from the assets described in paragraph AG57 are classified in the operating category—for example:

(a) Revenue for goods or services produced or supplied by the entity using a combination of assets;

(b) Interest revenue;

(c) Depreciation and amortization;

(d) Impairment losses and reversals of impairment losses;

(e) Revenue and expenses from the derecognition of the asset, or its classification and remeasurement as held for sale (see paragraphs AG69–AG73); and

(f) Revenue and expenses arising on a public sector combination that includes assets that will give rise to revenue and expenses that will be classified in the operating category, such as a gain on a bargain purchase and remeasurements of contingent consideration.

Financing

CP paragraphs 4.6–4.33

Liabilities Arising from Transactions That Involve Only the Raising of Finance

IFRS 18.B50

AG59. Liabilities arising from transactions that involve only the raising of finance:

(a) Receives finance in the form of cash, or an extinguishment of a financial liability, or receipt of the entity's own equity instruments; and

(b) At a later date, will return in exchange cash or its own equity instruments.

IFRS 18.B51

AG60. Liabilities arising from transactions that involve only the raising of finance include:

(a) A debt instrument that will be settled in cash, such as debentures, loans, notes, bonds and mortgages—an entity receives cash and will return cash in exchange;

(b) A liability under a supplier finance arrangement when the payable for goods or services is derecognized—an entity is discharged of the

	financial liability for the goods or services and will return cash in exchange; (c) A bond that will be settled through delivery of an entity's shares—an entity receives cash and will return its own equity instruments in exchange; and (d) An obligation for an entity to purchase its own equity instruments—an entity receives its own equity instruments and will return cash in exchange.	
IFRS 18.B52	AG61. Examples of revenue and expenses from such liabilities that paragraph 89 requires an entity to classify in the financing category include: (a) Interest expenses (for example, on debt instruments issued); (b) Fair value gains and losses (for example, on a liability designated at fair value through surplus or deficit); (c) Dividends on issued shares classified as liabilities; and (d) Revenue and expenses from the derecognition of the liability (see paragraph AG70).	
	Liabilities Arising from Transactions That Do Not Involve Only the Raising of Finance	
IFRS 18.B53	AG62. Paragraph 88(b) requires an entity to identify liabilities that arise from transactions that do not involve only the raising of finance. Such liabilities include: (a) Payables for goods or services that will be settled in cash—an entity receives goods or services, not finance in the form described in paragraph AG59(a); (b) Liabilities—an entity will return goods and services, not cash or its own equity instruments as described in paragraph AG59(b); (c) Lease liabilities—an entity receives a right-of-use asset, not finance in the form described in paragraph AG59(a); (d) Defined benefit pension liabilities—an entity receives employee services, not finance in the form described in paragraph AG59(a); (e) Decommissioning or asset restoration provisions—an entity receives an asset that is not finance in the form described in paragraph AG59(a); and (f) A litigation provision—an entity does not receive finance as described in paragraph AG59(a).	
IFRS 18.B54	AG63. Examples of revenue and expenses from such liabilities that paragraph 90 requires an entity to classify in the financing category include: (a) Interest expenses on payables arising from the purchase of goods or services, applying IPSAS 41; (b) Interest expenses on a binding arrangement liability with a significant financing component as specified by IPSAS 47;	

	(c) Interest expenses on a lease liability, applying IPSAS 43, *Leases*; (d) Net interest expense (revenue) on a net defined benefit liability (asset), applying IPSAS 39, *Employee Benefits*; and (e) The increase in the discounted amount of a provision arising from the passage of time and the effect of any change in the discount rate on provisions, applying IPSAS 19.	
IFRS 18.B55	AG64. Examples of revenue and expenses that arise from transactions that do not involve only the raising of finance but that are not in the scope of paragraph 90, and accordingly are classified in the operating category, include: (a) Expenses recognized for consumption of the purchased goods or services described in paragraph AG63(a); (b) Current and past service cost arising from a defined benefit plan, applying IPSAS 39; and (c) Remeasurements of the fair value of a liability for contingent consideration in a public sector combination recognized applying IPSAS 40, *Public Sector Combinations*.	
	Classification of Revenue and Expenses from Hybrid Contracts Containing a Host That is a Liability	
IFRS 18.B56	AG65. How an entity classifies revenue and expenses from a hybrid contract with a host that is a liability depends on whether the embedded derivative is separated from the host contract. If the embedded derivative: (a) Is separated from the host liability: (i) For the separated host liability—an entity applies the requirements for revenue and expenses from liabilities, as specified in paragraphs 81, 88–90, 93(b) and 94–95; and (ii) For the separated embedded derivative—an entity applies the requirements for revenue and expenses from derivatives, as specified in paragraphs AG79–AG85; (b) Is not separated from the host liability and if the hybrid contract arises from a transaction that involves only the raising of finance—an entity applies the requirements for liabilities that arise from such transactions, as specified in paragraphs 81, 89 and 94–95; (c) Is not separated from the host liability and if the hybrid contract does not arise from a transaction that involves only the raising of finance: (i) If the host liability is a financial liability within the scope of IPSAS 41 that is measured at amortized cost—an entity classifies in the financing category revenue and expenses specified in paragraph 89 from the contract after initial recognition (instead of the revenue and expenses specified in paragraph 90) (see paragraph AG68); (ii) If the hybrid contract is an insurance contract within the scope of the relevant international or national accounting standard dealing	

	with insurance contracts—an entity applies the requirements in paragraphs 81 and 93(b); and (iii) Otherwise—an entity applies the requirements for revenue and expenses from liabilities that arise from such transactions, as specified in paragraphs 81 and 90.	
IFRS 18.B57	AG66. An entity shall apply paragraphs AG65(b) and AG65(c) to all hybrid contracts containing a host liability for which the embedded derivative is not separated, regardless of whether the embedded derivative is not separated by the entity applying paragraph 49 of IPSAS 41 or applying paragraph 51 of IPSAS 41.	
	Liabilities Arising from Issued Investment Contracts with Participation Features	
IFRS 18.B58	AG67. Paragraph 93(a) sets out requirements for revenue and expenses from liabilities arising from issued investment contracts with participation features recognized applying IPSAS 41. Examples of such investment contracts are: (a) An investment contract with participation features issued by an insurer that does not meet the definition in the relevant international or national accounting standard dealing with insurance contracts of an investment contract with discretionary participation features; and (b) An investment contract with participation features issued by an investment entity.	
	Revenue and Expenses Classified in the Operating Category by an Entity That Provides Financing to Other Parties as a Main Operating Activity	
IFRS 18.B59	AG68. Paragraph 94 requires an entity that provides financing to other parties as a main operating activity to classify in the operating category revenue and expenses from some or all liabilities that arise from transactions that involve only the raising of finance. For example, development agencies or other government entities may grant concessionary loans (accounted for in accordance with IPSAS 41) to students, low-income families, or small farms to support government assistance programs or achieve specific policy goals. In such cases, providing financing to other parties is considered a main operating activity and revenue and expenses arising from this activity shall be classified in the operating category. An entity shall also apply the requirements in that paragraph to revenue and expenses from a derivative relating to a transaction that involves only the raising of finance specified in paragraph AG82(a), but not to the revenue and expenses from a hybrid contract specified in paragraph AG65(c)(i).	• This paragraph includes additional public sector-specific guidance, based on the IPSASB's views and considerations summarized in paragraph 4.23(e) of the CP.
	Derecognition and Changes in Classification	CP paragraphs 4.6–4.33
	Derecognition of an Asset or Liability, or Classification and Remeasurement of an Asset as Held for Sale	
IFRS 18.B60	AG69. Paragraphs AG56(g) and AG58(e) refer to revenue and expenses from the derecognition of an asset, or its classification as held for sale. An entity shall classify revenue and expenses on the derecognition of an asset, or	

its classification as held for sale and any subsequent measurement while held for sale, in the same category as it classified the revenue and expenses from the asset immediately before its derecognition. For example, an entity shall classify gains and losses:

(a) On the disposal of property, plant and equipment—in the operating category;

(b) On the disposal of an investment property that an entity does not invest in as a main operating activity—in the investing category; and

(c) From the remeasurement of an investment in an associate previously accounted for using the equity method on the step acquisition of a controlled entity—in the investing category.

IFRS 18.B61

AG70. An entity shall classify revenue and expenses from the derecognition of a liability by applying the requirements in paragraphs 81 and 88–89. For example, the entity classifies revenue and expenses from the derecognition of a liability:

(a) In the financing category—if the liability arises from a transaction that involves only the raising of finance by an entity that does not provide financing to other parties as a main operating activity; and

(b) In the operating category—if as part of a supplier finance arrangement an entity derecognizes a payable to a supplier and recognize a liability under that arrangement.

Change in Use of an Asset

IFRS 18.B62

AG71. A transaction or other event might change the category in the statement of financial performance in which an entity classifies revenue and expenses from an asset, without the asset being derecognized. In such cases, an entity shall classify the revenue and expenses from the transaction or other event in the category in which it classified revenue and expenses from the asset immediately before the transaction or event. For example, an entity shall classify in the operating category any revenue or expenses recognized in the statement of financial performance on the transfer of property from the scope of IPSAS 45, *Property, Plant and Equipment* to investment property in the scope of IPSAS 16.

Groups of Assets and Liabilities

IFRS 18.B63

AG72. Paragraphs AG69–AG71 set out requirements for revenue and expenses from an asset or liability from its derecognition, classification and subsequent measurement while held for sale, or from its change in use. A transaction or other event might result in these outcomes for a group of assets (or a group of assets and liabilities) that generated revenue and expenses that an entity classified in different categories immediately before the transaction or other event. An entity shall classify revenue or expenses from such a transaction or other event:

(a) In the investing category if, other than any income tax assets, all the assets in the group generated revenue and expenses that the entity

	classified in the investing category immediately before the transaction or other event; and (b) In the operating category otherwise.	
IFRS 18.B64	AG73. For example, an entity classifies: (a) In the operating category—gains and losses on the disposal of a consolidated controlled entity, if the controlled entity included assets that generated revenue and expenses that the entity classified in the operating category immediately before the disposal. The gains and losses include the reclassification from net assets/equity to surplus or deficit of foreign exchange differences required by paragraph 57 of IPSAS 4, *The Effects of Changes in Foreign Exchange Rates*. (b) In the operating category—an impairment loss arising on the classification of a disposal group as held for sale by the entity applying IPSAS 44, *Non-current Assets Held for Sale and Discontinued Operations*, if the disposal group included assets that generated revenue and expenses that the entity classified in the operating category immediately before its classification as held for sale. (c) In the investing category—gains and losses on disposal of a consolidated controlled entity, if the only assets of the controlled entity were investment property that the consolidated reporting entity did not invest in as a main operating activity and related income tax assets. The gains and losses include the reclassification from net assets/equity to surplus or deficit of foreign exchange differences required by paragraph 57 of IPSAS 4.	
	Classification of Foreign Exchange Differences and the Gain or Loss on the Net Monetary Position	CP paragraphs 4.6–4.33
IFRS 18.B65	AG74. To apply paragraph 76, an entity shall classify foreign exchange differences included in the statement of financial performance applying IPSAS 4 in the same category as the revenue and expenses from the items that gave rise to the foreign exchange differences, unless doing so would involve undue cost or effort (see paragraph AG77).	
IFRS 18.B66	AG75. For example, an entity classifies foreign exchange differences on: (a) A receivable described in paragraph AG57(b) denominated in a foreign currency, in the same category as the revenue and expenses from that asset—that is, in the operating category; and (b) A debt instrument that is a liability described in paragraph AG60(a) denominated in a foreign currency, in the same category as the revenue and expenses on that liability—that is, in the financing category (unless the entity provides financing to other parties as a main operating activity and classifies the revenue and expenses from the liability in the operating category applying paragraph 94).	
IFRS 18.B67	AG76. An entity might classify in more than one category revenue and expenses from a transaction that does not involve only the raising of finance. For example, the purchase of services in a transaction denominated in a foreign currency and negotiated on extended credit terms could give rise	

	to an expense for the purchase of the services classified in the operating category (see paragraph AG64(a)) and interest expenses classified in the financing category (see paragraph AG63(a)). In such cases, subject to paragraph AG77, an entity shall use its judgment to determine whether the foreign exchange difference relates to the amount classified in the financing category—and classify it in that category—or whether it relates to the amount classified in another category—and classify it in that category. An entity shall not allocate between categories a foreign exchange difference arising on a liability from a transaction that does not involve only the raising of finance. In making its judgments about how to classify the foreign exchange differences, an entity need not classify in the same category the foreign exchange differences on all such liabilities. However, an entity shall classify in the same category foreign exchange differences on similar liabilities.	
IFRS 18.B68	AG77. If applying the requirements in paragraphs AG74 and AG76 would involve undue cost or effort, an entity shall instead classify the affected foreign exchange differences in the operating category. An entity shall assess whether classifying foreign exchange differences as described in paragraphs AG74 and AG76 involves undue cost or effort for each item that gives rise to foreign exchange differences. The assessment is specific to the facts and circumstances related to each item. If the same facts and circumstances relate to a number of items, an entity could apply the same assessment to each of the items.	
IFRS 18.B69	AG78. Applying paragraph 29 of IPSAS 10, *Financial Reporting in Hyperinflationary Economies*, an entity might present the gain or loss on the net monetary position with other revenue and expense items associated with the net monetary position, such as interest revenue and expenses and foreign exchange differences. If the entity does not present the gain or loss on the net monetary position with the associated revenue and expenses, it shall classify the gain or loss in the operating category.	
	Classification of Gains and Losses on Derivatives and Designated Hedging Instruments	CP paragraphs 4.6–4.33
IFRS 18.B70	AG79. Paragraph 76 requires an entity to classify revenue and expenses in categories in the statement of financial performance. To apply paragraph 76, an entity shall classify gains and losses included in the statement of financial performance on a financial instrument designated as a hedging instrument applying IPSAS 41 in the same category as the revenue and expenses affected by the risks the financial instrument is used to manage. However, if doing so would require the grossing up of gains and losses, an entity shall classify all such gains and losses in the operating category (see paragraphs AG83–AG84).	
IFRS 18.B71	AG80. An entity shall classify gains and losses on an undesignated component of a designated hedging instrument in the same category as gains and losses on the designated component. An entity shall classify ineffective portions of a gain or loss in the same category as the effective portions.	
IFRS 18.B72	AG81. An entity shall also apply the requirements in paragraph AG79 to gains and losses on a derivative that is not designated as a hedging instrument	

	applying IPSAS 40, but is used to manage identified risks. However, if doing so would require the grossing up of gains or losses (see paragraphs AG83–AG84) or involve undue cost or effort, the entity shall instead classify all gains and losses on the derivative in the operating category.	
IFRS 18.B73	AG82. An entity shall classify gains and losses on a derivative that is not used to manage identified risks: (a) In the financing category, if the derivative relates to a transaction that involves only the raising of finance (for example, a purchased call option that allows the issuing entity to exchange a fixed amount of a foreign currency for a fixed number of the entity's equity instruments), unless the entity that provides financing to other parties as a main operating activity classifies the gains and losses in the operating category applying paragraph AG68; and (b) In the operating category, if the conditions in (a) are not met.	
IFRS 18.B74	AG83. Paragraphs AG79 and AG81 prohibit the grossing up of gains and losses on financial instruments designated as hedging instruments and derivatives not designated as hedging instruments. The grossing up of gains and losses might arise from situations in which: (a) An entity uses such financial instruments to manage the risks of a group of items with offsetting risk positions (see paragraph 146 of IPSAS 41 for the criteria for a group of items to be an eligible hedged item); and (b) The risks managed affect line items in more than one category of the statement of financial performance.	
IFRS 18.B75	AG84. For example, an entity may use a derivative to manage both the net foreign currency risk on revenue (classified in the operating category) and interest expenses (classified in the financing category). In such cases, the foreign exchange differences on the revenue are offset by the foreign exchange differences on the interest expenses and the gains or losses on the derivative. However, the entity classifies the foreign exchange differences on the revenue in a different category from the foreign exchange differences on the interest expenses. To present the gain or loss on the derivative in each category, an entity would need to present in each category a larger gain or loss than occurred on the derivative. Applying the requirements in paragraphs AG79–AG82, an entity shall not gross up the gains or losses in this manner and instead shall classify any gain or loss on the derivative in the operating category.	
IFRS 18.B76	AG85. The requirements in paragraphs AG79–AG84 specify only how to classify revenue and expenses into categories of the statement of financial performance. They do not prescribe the line item (or line items) in which to include such revenue and expenses, nor do they override the requirements in other IPSAS Standards.	

	Items to be Displayed in the Statement of Financial Performance or Disclosed in the Notes	CP paragraphs 4.38–4.42
IFRS 18.B77	AG86. An entity may be required to display a line item listed in paragraph 102, or specified in another IPSAS Standard, in more than one of the categories listed in paragraph 76. For example, an entity that does not invest in assets or provide financing to other parties as a main operating activity may be required to display the line item specified in paragraph 102(b)(ii) of impairment losses determined in accordance with Section *Impairment* of IPSAS 41 in: (a) The operating category—if it relates to receivables for goods and services as described in paragraph AG57(b); and (b) The investing category—if it relates to financial assets that generate a return individually and largely independently of the entity's other resources as described in paragraph AG55.	
IFRS 18.B78	AG87. Paragraphs 32 and 67(c) require an entity to display additional line items in the statement of financial performance if doing so is necessary to provide a useful structured summary of the entity's revenue and expenses. An entity uses its judgment to make this determination (including whether it is necessary to disaggregate the line items listed in paragraph 102). Paragraphs 28 and 67(d) require an entity to disaggregate items to disclose material information in the notes. An entity also uses its judgment to make this determination. Paragraph 67 requires the entity to base its judgments on an assessment of whether the items have characteristics that are shared (similar characteristics) or characteristics that are not shared (dissimilar characteristics). Such characteristics include: (a) Nature (see paragraph 110); (b) Function (role) within the entity's operating activities (see paragraph 111); (c) Source of revenue or funding; (d) Persistence (including the frequency of the item of revenue or expense or whether it is recurring or non-recurring); (e) Measurement model or basis; (f) Measurement uncertainty or outcome uncertainty (or other risks associated with an item); (g) Size; (h) Geographical location or regulatory environment; (i) Tax effects (for example, if different tax rates apply to items of revenue or expense); and (j) Whether the revenue or expenses arise on initial recognition of a transaction or event or from a subsequent change in estimate relating to the transaction or event.	• This paragraph includes public sector-specific characteristics, because public sector entities may have multiple revenue sources.
IFRS 18.B79	AG88. Revenue and expenses that might have sufficiently dissimilar characteristics that display in the statement of financial performance is	• This paragraph includes a new line item for tangible

IPSAS 1.107 (consistent)	necessary to provide a useful structured summary or disclosure in the notes is necessary to provide material information include: (a) Write-downs of inventories, as well as reversals of such write-downs; (b) Impairment losses for property, plant and equipment, as well as reversals of such impairment losses; (c) Revenue and expenses from restructurings of an entity's activities and reversals of any provisions for restructuring; (d) Disposals of tangible natural resources held for conservation; (e) Revenue and expenses from disposals of property, plant and equipment; (f) Revenue and expenses from disposals of investments; (g) Revenue and expenses from litigation settlements; (h) Reversals of provisions; and (i) Non-recurring revenue and expenses not included in (a)–(h).	natural resources held for conservation to reflect amendments to IPSAS 1 by IPSAS 51, *Tangible Natural Resources Held for Conservation*.
	Presentation of Expenses Classified in the Operating Category	CP paragraphs 4.43–4.47
	Use of Characteristics of Nature and Function *[Note: Text in [ ] is subject to constituents' views regarding Specific Matter for Comment (SMC) 1 in the Consultation Paper, on whether to permit mixed presentation of expenses similar to IFRS 18]*	
IFRS 18.B80 IPSAS 1.116 (consistent)	AG89. In determining how to use the characteristics of nature and function to provide the most useful structured summary as required by paragraph 108, an entity shall consider: (a) What line items provide the most useful information about the main components or drivers of the entity's financial performance. For example, for a public hospital a main component or driver of financial performance might be cost of providing healthcare service. Presenting expenses by healthcare service might provide relevant information about whether the cost of each healthcare service is sufficiently funded (e.g., cost of providing oncology care). However, presenting expenses by healthcare service is unlikely to provide relevant information about the costs of important components or drivers to provide that healthcare service (e.g., the cost of wages versus supplies to provide oncology care); (b) What line items most closely represent the way the operation is managed and reported internally. For example, a national government managed on the basis of major functions might classify expenses by function for public sector reporting purposes. In contrast, an entity that has a single predominant function, such as providing social housing service, might determine that line items comprising expenses classified by nature provide the most useful information for internal reporting purposes; (c) The nature of the entity's service delivery objectives, roles, and activities, and the entity's users. For example, a ministry responsible for effectively using its resources to achieve one predominant	• This paragraph includes public sector-specific guidance. Refer to paragraph 4.45(c) of the CP.

	objective or outcome may conclude that presentation by nature would be more appropriate to provide more useful and relevant information for its users. In comparison, a national government or entity accountable for providing multiple services or delivering on multiple programs may conclude that presentation by function would be more appropriate and may present functions similar to GFSM 2014 Classification of Functions of Government (COFOG) to provide more useful and relevant information for its financial statement users; (d) What standard industry practice entails. If expenses are classified in the same way by entities in an industry, users of financial statements can more easily compare expenses between entities in the same industry; and (e) Whether the allocation of particular expenses to functions would be arbitrary to the extent that the line items presented would not provide a faithful representation of the functions. In such cases, an entity shall classify these expenses by nature.	
IFRS 18.B81	AG90. [In some cases, an entity considering the factors set out in paragraph AG89 could determine that classifying and presenting some expenses by nature and other expenses by function provides the most useful structured summary. For example: (a) The factors in paragraphs AG89(a)–(b) might indicate that classifying and presenting expenses by function provides the most useful structured summary, except for particular expenses for which the allocation to functions would be arbitrary (see paragraph AG89(e)); and (b) An entity having two different types of main operating activities might classify and present some expenses by function and other expenses by nature to provide information about the main drivers of its profitability].	• This illustrative guidance is subject to constituent feedback on whether to permit mixed presentation of operating expenses.
IFRS 18.B82	AG91. [If an entity classifies and presents some expenses by nature and other expenses by function in the statement of financial performance, it shall label the resulting line items in a way that clearly identifies what expenses are included in each line item. For example, if an entity includes some employee benefits in a function line item and other employee benefits in a nature line item, the label for the nature line item would clearly identify that it does not include all employee benefits (for example, 'employee benefits other than those included in cost of sales')].	• This illustrative guidance is subject to constituent feedback on whether to permit mixed presentation of operating expenses.
IFRS 18.B83	AG92. Applying paragraph 57, an entity shall classify and present expenses consistently from one reporting period to the next unless paragraphs 57(a) or 57(b) apply. For example, if an entity presents impairment of goodwill as a nature line item in one reporting period, it shall also present any similar impairment of goodwill as a nature line item in subsequent reporting periods unless paragraphs 57(a) or 57(b) apply. If there is no similar impairment of goodwill in a subsequent period, the fact that there is an expense of nil in that subsequent period does not constitute a change in classification and presentation.	
IFRS 18.B84	AG93. An entity will either present expenses by nature, or applying paragraph 113, disclose some expenses by nature. The amounts	

	presented need not be the amounts recognized as an expense in the period. They could include amounts that have been recognized as part of the carrying amount of an asset. If an entity: (a) Displays amounts that are not the amounts recognized as an expense in the period, it will also display an additional line item for the change in the carrying amount of the affected assets. For example, applying paragraph 50 of IPSAS 12, *Inventories*, an entity might display a line item for changes in inventories of finished goods and work in progress. (b) Discloses, applying paragraph 113(b), amounts that are not the amounts recognized as an expense in the period, the entity shall give a qualitative explanation of that fact, identifying the assets involved.	
	Aggregation of Operating Expenses	
IFRS 18.B85 IPSAS 1.116 (consistent)	AG94. To apply paragraph 108, an entity shall consider what level of aggregation for operating expenses provides the most useful structured summary. For example, an entity might have various administrative activities (such as human resources, information technology, legal and accounting). To provide a useful structured summary, the entity might aggregate operating expenses relating to those activities based on their shared characteristic—all are expenses for resources consumed in administrative activities. Accordingly, the entity might present them in a line item labelled as 'administrative expenses'. The entity might also have expenses for resources consumed in service-providing activities. These expenses have a dissimilar characteristic from the administrative expenses—service-providing expenses arise from resources consumed in service-providing activities and administrative expenses arise from resources consumed in administrative activities. These characteristics are sufficiently dissimilar that disaggregation—presentation in separate line items for service-providing expenses and administrative expenses—might be necessary to provide a useful structured summary of the entity's expenses.	
	Statement of Financial Position	**Related to Chapter 3 of CP**
	Classification of Assets and Liabilities	CP paragraphs 3.6-3.32
IFRS 18.B90 IPSAS 1.72	AG95. In applying paragraph 116, when an entity supplies goods or services within a clearly identifiable operating cycle, separate classification of current and non-current assets and liabilities in the statement of financial position provides useful information by distinguishing the net assets that are continuously circulating as working capital from those used in the entity's long-term operations. Such separate classification also highlights assets that an entity expects to realize within the current operating cycle and liabilities that are due for settlement within the same period.	
IFRS 18.B91 IPSAS 1.73 (consistent)	AG96. For some public sector entities, such as financial institutions, a presentation of assets and liabilities in increasing or decreasing order of liquidity provides a more useful structured summary than a current/non-current classification because the entity does not supply goods or services within a clearly identifiable operating cycle or reporting period.	

IFRS 18.B92 IPSAS 1.74	AG97. In applying paragraph 116, 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 doing so provides a more useful structured summary. The need for a mixed basis of presentation might arise when an entity has diverse operations.	
IFRS 18.B93 IPSAS 1.75 (consistent)	AG98. In applying paragraph 116, an entity is required to consider the expected dates of realization of all assets and liabilities displayed on the face of statement of financial position. Information about expected dates of realization of assets and liabilities is useful in assessing the liquidity and solvency of an entity. IPSAS 30 requires disclosure of the maturity analysis of financial assets and financial liabilities. Financial assets include trade and other receivables, and financial liabilities include trade and other payables. Information on the expected date of recovery of non-monetary assets, such as inventories, and the expected date of settlement for liabilities, such as provisions, is also useful, whether assets and liabilities are classified as current or as non-current. For example, the application of paragraph 116 requires an entity to disclose in the notes the amount of inventories that it expects to recover more than twelve months after the reporting period.	
	Current Assets	
IFRS 18.B94 IPSAS 1.77	AG99. Paragraph 119 requires an entity to classify as non-current all assets not classified as current. This [draft] Standard uses the term 'non-current' to include tangible, intangible and financial assets of a long-term nature. It does not prohibit the use of alternative descriptions as long as the meaning is clear.	
IPSAS 1.78 IFRS 18.B95 (consistent)	AG100. The operating cycle of an entity is the time taken to convert inputs or resources into outputs. For instance, governments transfer resources to public sector entities so that they can convert those resources into goods and services, or outputs, to meet the government's desired social, political, and economic outcomes. When the entity's normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months.	
IPSAS 1.79 IFRS 18.B95 (consistent)	AG101. Current assets include assets (such as taxes receivable, user charges receivable, fines and regulatory fees receivable, inventories and accrued investment revenue) that are either realized, consumed or sold, as part of the normal operating cycle even when they are not expected to be realized within twelve months after the end of the reporting period. Current assets also include assets held primarily for the purpose of trading (examples include some financial assets that meet the definition of held for trading in IPSAS 41 and the current portion of non-current financial assets).	
	Current Liabilities	
	Normal Operating Cycle (see paragraph 120(a))	
IFRS 18.B96 IPSAS 1.81 (consistent)	AG102. Some current liabilities, such as trade payables and some accruals for employee and other operating costs, are part of the working capital used in an entity's normal operating cycle. Such operating items are classified as current liabilities even if they are due to be settled more than twelve	

	months after the reporting period. The same normal operating cycle applies to the classification of the entity's assets and liabilities. When the entity's normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months.	
	Held Primarily for the Purpose of Trading (see paragraph 120(b)) or Due to be Settled within Twelve months (see paragraph 120(c))	
IFRS 18.B97 IPSAS 1.82	AG103. Other current liabilities are not settled as part of the normal operating cycle, but are due for settlement within twelve months after the reporting period or held primarily for the purpose of trading. Examples are some financial liabilities that meet the definition of held for trading in IPSAS 41, bank overdrafts, and the current portion of non-current financial liabilities, dividends or similar distributions payable, and other non-trade payables. Financial liabilities that provide financing on a long-term basis (that is, are not part of the working capital used in the entity's normal operating cycle) and are not due for settlement within twelve months after the reporting period are non-current liabilities, subject to paragraphs AG105–AG109.	
IFRS 18.B98 IPSAS 1.83 (consistent)	AG104. An entity classifies its financial liabilities as current when they are due to be settled within twelve months after the reporting period, even if: (a) The original term was for a period longer than twelve months; and (b) An agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue.	
	Right to Defer Settlement for at Least Twelve Months (paragraph 120(d))	
IFRS 18.B99 IPSAS 1.83A (consistent)	AG105. An entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and, as illustrated in paragraphs AG106–AG109, must exist at the end of the reporting period.	
IFRS 18.B100 IPSAS 1.83B (consistent)	AG106. An entity's right to defer settlement of a liability arising from a loan arrangement for at least twelve months after the reporting period may be subject to the entity complying with conditions specified in that loan arrangement (hereafter referred to as 'covenants'). For the purposes of applying paragraph 120(d), such covenants: (a) Affect whether that right exists at the end of the reporting period—as illustrated in paragraphs AG108–AG109—if an entity is required to comply with the covenant on or before the end of the reporting period. Such a covenant affects whether the right exists at the end of the reporting period even if compliance with the covenant is assessed only after the reporting period (for example, a covenant based on the entity's financial position at the end of the reporting period but assessed for compliance only after the reporting period). (b) Do not affect whether that right exists at the end of the reporting period if an entity is required to comply with the covenant only after the reporting period (for example, a covenant based on the entity's financial position six months after the end of the reporting period).	

IFRS 18.B101 IPSAS 1.84 (consistent)	AG107. If an entity has the right, at the end of the reporting period, to roll over an obligation for at least twelve months after the reporting period under an existing loan facility, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period. If the entity has no such right, the entity does not consider the potential to refinance the obligation and classifies the obligation as current.	
IFRS 18.B102 IPSAS 1.85 (consistent)	AG108. When an entity breaches a covenant of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it classifies the liability as current, even if the lender agreed, after the reporting period and before the authorization of the financial statements for issue, not to demand payment as a consequence of the breach. The entity classifies the liability as current because, at the end of the reporting period, it does not have the right to defer its settlement for at least twelve months after that date.	
IFRS 18.B103 IPSAS 1.86 (consistent)	AG109. However, an entity classifies the liability as non-current if the lender agreed by the end of the reporting period to provide a period of grace ending at least twelve months after the reporting period, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment.	
IFRS 18.B104 IPSAS 1.86A (consistent)	AG110. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. If a liability meets the criteria in paragraphs 120-121 for classification as non-current, it is classified as non-current even if management intends or expects the entity to settle the liability within twelve months after the reporting period, or even if the entity settles the liability between the end of the reporting period and the date the financial statements are authorized for issue. However, in either of those circumstances, the entity may need to disclose information about the timing of settlement to enable users of financial statements to understand the impact of the liability on the entity's financial position (see paragraphs 38c) and AG111(d)).	
IFRS 18.B105 IPSAS 1.87 (consistent)	AG111. If the following events occur between the end of the reporting period and the date the financial statements are authorized for issue, those events are disclosed as non-adjusting events in accordance with IPSAS 14, *Events after the Reporting Period*: (a) Refinancing on a long-term basis of a liability classified as current (see paragraph AG104); (b) Rectification of a breach of a long-term loan arrangement classified as current (see paragraph AG108); (c) The granting by the lender of a period of grace to rectify a breach of a long-term loan arrangement classified as current (see paragraph AG109); and (d) Settlement of a liability classified as non-current (see paragraph AG110).	
IFRS 18.B106	AG112. In applying paragraphs 120–121 and AG102–AG109, an entity might classify liabilities arising from loan arrangements as non-current when the	

IPSAS 1.87A (consistent)	entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period (see paragraph AG106(b)). In such situations, the entity shall disclose information in the notes that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, including: (a) Information about the covenants (including the nature of the covenants and when the entity is required to comply with them) and the carrying amount of related liabilities. (b) Facts and circumstances, if any, that indicate the entity may have difficulty complying with the covenants—for example, the entity having acted during or after the reporting period to avoid or mitigate a potential breach. Such facts and circumstances could also include the fact that the entity would not have complied with the covenants if they were to be assessed for compliance based on the entity's circumstances at the end of the reporting period.	
	Settlement (paragraphs 120(a), 120(c) and 120(d))	
IFRS 18.B107 IPSAS 1.87B	AG113. For the purpose of classifying a liability as current or non-current, settlement refers to a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of: (a) Cash or other economic resources—for example, goods or services; or (b) The entity's own equity instruments, unless paragraph AG114 applies.	
IFRS 18.B108 IPSAS 1.87C	AG114. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments do not affect its classification as current or non-current if, applying IPSAS 28, *Financial Instruments: Presentation*, the entity classifies the option as an equity instrument, recognizing it separately from the liability as an equity component of a compound financial instrument.	
	Items to be Displayed in the Statement of Financial Position or Disclosed in the Notes	CP paragraphs 3.33-3.52
IFRS 18.B109 IPSAS 1.91–92 (consistent)	AG115. Paragraph 32 and 67(c) requires an entity to display additional line items in the statement of financial position if doing so is necessary to provide a useful structured summary of the entity's assets, liabilities and net assets/equity. An entity uses its judgment to make this determination (including whether it is necessary to disaggregate the line items listed in paragraph 122). Paragraph 67 requires the entity to base its judgments on an assessment of whether the items have characteristics that are shared (similar characteristics) or characteristics that are not shared (dissimilar characteristics). For additional line items for assets and liabilities, an entity bases its judgments on an assessment of the nature or function of the assets or liabilities. The characteristics listed in paragraphs AG116(c)–(j) might assist an entity in identifying the nature or function of assets and liabilities.	

IFRS 18.B110	AG116. Paragraphs 28 and 67(d) require an entity to disaggregate items to disclose material information in the notes. An entity uses its judgment to do this based on an assessment of whether the items have characteristics that are shared (similar characteristics) or characteristics that are not shared (dissimilar characteristics). Such characteristics include: (a) Nature; (b) Function (role) in the entity's activities; (c) Duration and timing of recovery or settlement (including whether an asset or liability is classified as current or non-current or whether its recovery or settlement forms part of the entity's operating cycle); (d) Liquidity; (e) Measurement model or basis; (f) Measurement uncertainty or outcome uncertainty (or other risks associated with an item); (g) Size; (h) Geographical location or regulatory environment; (i) Type, for example, the type of good or service; and (j) Restrictions on the use of an asset or on the transferability of a liability.	
IFRS 18.B111 IPSAS 1.93-94 (consistent)	AG117. Assets, liabilities and items of net assets/equity that might have sufficiently dissimilar characteristics that display in the statement of financial position is necessary to provide a useful structured summary or disclosure in the notes is necessary to provide material information include: (a) Property, plant and equipment disaggregated into classes in accordance with IPSAS 45; (b) Tangible natural resources held for conservation disaggregated into classes in accordance with IPSAS 51, *Tangible Natural Resources Held for Conservation*; (c) Receivables disaggregated into amounts receivable from user charges, taxes and other revenue transactions, related parties, prepayments and other amounts; (d) Inventories disaggregated, applying IPSAS 12, into items such as merchandise, production supplies, materials, work in progress, and finished goods; (e) Payables disaggregated into amounts payable from tax refunds, transfers, exchange transactions, related parties, income in advance, and other expense amounts; (f) Social benefit liabilities disaggregated into separate social benefit schemes where these are material; (g) Provisions disaggregated according to their nature, such as, provisions for employee benefits, decommissioning liabilities, or other items; and	• This paragraph includes a new sub-bullet to reflect amendments to IPSAS 1 by IPSAS 51, *Tangible Natural Resources Held for Conservation*.

	(h) Components of net assets/equity disaggregated into contributed capital, accumulated surpluses, and any reserves.	
	Notes	**Related to Chapter 6 of CP**
	Structure	CP paragraphs 6.4-6.7
IFRS 18.B112 IPSAS 1.129 (consistent)	AG118. Paragraph 140 requires an entity to present notes in a systematic manner, so far as is practicable. Examples of systematic ordering or grouping of the notes include: (a) Giving prominence to the areas of its activities that an entity considers to be most important to an understanding of its financial performance and financial position, such as grouping together information about particular business activities; (b) Grouping together information about items measured similarly, such as grouping assets measured at current operational value separately from assets measured at fair value; or (c) Following the order of the line items in the statement of financial performance and the statement of financial position, such as: (i) Statement of compliance with IPSAS Standards (see paragraph 37); (ii) Material accounting policy information (see paragraph 143); (iii) Supporting information for items presented in the statement of financial position, the statement of financial performance, the statement of changes in net assets/equity and the statement of cash flows, in the order in which each statement is provided and each line item is presented; and (iv) Other disclosures, including: (1) Contingent liabilities (see IPSAS 19) and unrecognized contractual commitments; and (2) Non-financial disclosures—for example an entity's financial risk management objectives and policies (see IPSAS 30).	