

May 30, 2012

Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street West  
Toronto, Ontario M5V 3H2 CANADA

**Re: PSAB Staff Comments on Consultation Paper “Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports”**

Thank you for the opportunity to comment on the Presentation Consultation Paper. We recognize the challenges of this pioneer project in developing a presentation framework for general purpose financial reports (GPFRs). Please find below our observations in the Consultation Paper. Comments on the “Specific Matters for Comment” requested in the Consultation Paper are provided in the appendix of this letter.

Overall, the Consultation Paper seemed to be driven by concepts in Phase 1 of the Conceptual Framework (Phase 1) and the presentation of general purpose financial statements (GPFs). Discussions on the presentation decisions appeared operational rather than conceptual. In particular, discussion on the most important presentation decision of “what” for GPFRs appeared inadequate.

Presentation concepts and principles scattered in the Consultation Paper need to be further expanded and integrated into a meaningful structure. We hope that our thoughts in this letter (and its appendix) would contribute towards the development of a high-quality presentation framework for GPFRs.

**Driven by Phase 1**

Phase 1 concepts and principles, when appropriate and relevant, should be included in the discussions. However, the presentation framework being a separate component of the Conceptual Framework, not an appendix of Phase 1, should introduce original thinking and add value to the Conceptual Framework as a whole. It should go beyond repeating, applying and interpreting the Phase 1 concepts to presentation of GPFRs.

A presentation framework should provide a structure with guidance for development of future GPFR pronouncements and preparation of GPFRs. A structure may start with the proposed definition of presentation, followed by discussions on the “what”, “where” and “how” presentation decisions, and

supplemented with general presentation principles that apply to all GPFRs (see suggestions in answer to Comment 5 in appendix.)

A logical sequence of steps normally followed in developing a GPFR pronouncement and/or a GPFR should be part of the discussion of these presentation decisions (see suggestions below under the discussion of “Key Presentation Issues”).

### **Constrained by GPFSs**

The Consultation Paper was heavily influenced by the content, structure, format, layout and presentation rules of GPFSs. In some instances, they were imposed on GPFRs though they do not seem applicable or relevant.

GPFS is a unique type of GPFRs. The primary focus of GPFS is on quantitative information. On the other hand, other GPFRs covering a wide range of topics may put more emphasis on qualitative information. The format and structure of GPFSs are well defined and have been generally accepted. IPSASB is still at its early stage of developing guidance for other GPFRs. The most appropriate structure and format of other GPFRs would likely depend on the content of the reports. The level of presentation consistency that can be achieved among different types of GPFRs would probably be limited. Presentation principles and concepts that work for GPFSs are not necessarily appropriate or useful for other GPFRs.

Expanding the scope of the presentation component of the Conceptual Framework to cover GPFRs requires developing broader principles and concepts that are general and yet meaningful enough for presentation in a wide range of possible GPFRs.

### **Operational Details**

By definition, conceptual framework should provide high level concepts and principles. The discussions in the Consultation Paper, other than those involve application of Phase 1 concepts, were primarily at the operational level. For example, the description of the presentation decisions in paragraph 5.2 addressed low level operational decisions such as totals.

### **Key Presentation Issues**

The Consultation Paper identified three key presentation decisions. It provided a brief description for each decision without further elaboration on the considerations and issues involved in each type of the presentation decisions. A few operational level examples primarily related to GPFSs were provided. Application of the qualitative characteristics to the three presentation decisions identified in Table 1, particularly the “where” and “how” decisions, seems overstretched.

Each of the key presentation decisions should be expanded to identify high level considerations and include related guidance. The discussions and examples should be applicable to all GPFRs. Concepts in Phase 1 should be included only when appropriate and relevant. The relationships among the three presentation decision should also be described.

Unlike a typical IPSAS for GPFs which addresses the accounting and reporting of a particular financial statement item or a type of transaction reported in GPFs, the content of other GPFRs will be the main focus of GPFR pronouncements. The “what” decision, among the three presentation decisions, representing the content of GPFRs would be particularly important for other GPFRs. The decisions of “where” and “how” would be affected by the “what”.

Below are examples, not an exhaustive list or comprehensive guidance, of what may be included in the key presentation decision discussions in the Conceptual Framework.

### ***What decision***

Decision regarding what information should be presented in a GPFR begins with an assessment of user needs for accountability assessment and decision-making and information gaps. It involves identification of the following:

#### Purpose and scope

- the purposes or objectives of a GPFR based on information gap and user needs; and
- the scope and boundary of the GPFR.

#### Core information

- key indicators most relevant for accountability and/or decision making on the subject matter and information essential in meeting the objectives of the GPFR;
- primary and secondary indicators, mandatory and optional indicators to consider, if applicable; and
- key measures that faithfully represent the key, primary and secondary indicators.

#### Supporting information

- supporting information that explains and describes the key measures to ensure users acquire a complete and unbiased understanding of the key and other indicators (e.g., definitions, accounting policies, methodologies, major assumptions, recognition criteria.)

#### Contextual information

- contextual information that puts key indicators in perspective (e.g., operating environment such as policies and activities, historical trend, economic environment, sensitivity analysis, risks and uncertainty, other known facts, subsequent events, contractual obligations, contingencies.)

### ***Where decision***

Discussion on the “where” decision can go beyond the typical GPFS structure and provide more general guidance. For example, factors to consider in terms of the relative location, and in what way the “what” and the “how” affect the “where”. Relative location may include front-end

versus back-end, main body versus appendices, summary versus details, sequence and logic of presenting information, chronological versus reverse history order, descending versus ascending.

***How decision***

Discussion on the “how” decisions can go beyond a listing of the possible formats and structures (such as table, graph, narrative, level of aggregation, comparison). It can include, for example, guidance on how the “what” affect the “how”, and what are the more effective ways of presenting certain types of information that enhance the understandability of GPFRs.

Please note that the comments above and in the appendix are views of staff and have not been considered by the Public Sector Accounting Board (PSAB).

Lastly, we would like to congratulate IPSASB on achieving the first milestone of this important undertaking and encourage it to continue to pursue this issue.

Sincerely,



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**APPENDIX: RESPONSES TO IPSASB SPECIFIC MATTERS FOR COMMENT  
CONSULTATION PAPER  
PRESENTATION IN GENERAL PURPOSE FINANCIAL REPORTS**

**Specific Matter for Comment 1** (See paragraphs 2.1 to 2.18)

With respect to the descriptions of “presentation”, “display”, “disclosure”, “core information”, and “supporting information”, and the proposed relationships between these terms:

- (a) Do you agree that the proposed descriptions and relationships are appropriate and adequate?

***Presentation***

*We agree that presentation should address the selection, location and organization of information reported in general purpose financial reports (GPFRs).*

***Display and Disclosure***

*We do not see how the terms “display” and “disclosure” help enhance the understanding of “presentation” or other ideas covered in the Consultation Paper. We noted that these two terms, except in the verb form, were rarely referred to in other sections of the Consultation Paper.*

*Paragraph 2.19 seemed to infer that “display is synonymous with core information” and “disclosure is synonymous with supporting information”. If they are synonymous, “core information” and “supporting information” are better terms because they are more specific and descriptive. “Display” and “disclosure” may be redundant.*

*The Consultation Paper did not explain what “display” and “disclosure” mean for GPFRs that are not general purpose financial statements (GPFSs). Paragraph 2.20 stated that the distinction between the two is in the form. The form of “display” and “disclosure” for non-GPFS GPFRs were not described in the Consultation Paper. Paragraph 2.8 stated that “For financial statements the difference is about information location: on the face of a financial statement or in the notes.” The difference between “display” and “disclosure” in Diagram A was that “display” included “statements” and “disclosure” did not. However, the Consultation Paper did not describe what a statement would be in other GPFRs.*

*Consequently, we have difficulty applying the principle stated in paragraph 2.9 “Disclosure not a substitute for display of core information.” We acknowledge that this is an important principle for GPFSs but we question its applicability to and appropriateness for non-GPFS GPFRs.*

*We suggest removing the cash-based statement example in paragraph 2.10. Using a cash basis statement to illustrate accrual basis conceptual framework is not appropriate. Also, though the example should explain the presentation*

*principle in paragraph 2.9, the concluding sentence in the example obviously brought out another presentation principle that had not been previously identified.*

### **Relationships among the terms**

*The Consultation Paper linked “display” with core information and “disclosure” with supporting information but did not clearly explain their relationships. In paragraph 2.6, “display” was linked to the location of core information while “display” was referred to as the ways in which core information is shown in paragraph 2.7.*

*It appears that both core and supporting information addresses the “what” aspect of presentation and the “display” and “disclosure” address the “where” and/or “how” aspects of presentation. We wonder whether a direct and simple relationship between “what” and “where/how” can be established without limiting the development of further guidance on the different aspects of presentation.*

### **Core and supporting information**

*The concepts of “core” and “supporting” information are useful. A complete presentation framework would go beyond these two and would also include identification of the information gap a GPFR is intended to address, the boundary or scope of the GPFR and the specific objectives or purposes of the GPFR.*

*We support the concept of “core information” which represents information essential to meeting user needs for accountability assessment and decision-making in the subject matter addressed in a GPFR. “Core information” may include key information and/or indicators, as well as key measures of the indicators. In this regard, we suggest replacing the term “key messages” with “key indicators” as messages are often associated with communication strategy which are not necessary objective or free from bias.*

*In general, we support the concept but not the description of “supporting information”. The description in the Consultation Paper (i.e., “supporting information makes core information more useful” and “it does this by providing detail that will help users to understand the core information”) appears vague. We suggest more specific description of supporting information, e.g., information that explains, describes and elaborates core information to make core information more understandable and useful.*

*Items (a) and (b) and the first bullet example in paragraph 2.11 seemed to meet the description of supporting information. It is unclear how item (c) and the second bullet example in paragraph 2.11 would fit the description of supporting information.*

*The description of item (d) in paragraph 2.11 “information that could affect users’ evaluation of core information” presented another possible category of information. We suggest separating this type of information from “supporting information” and called it “contextual information” to represent information that*

*provides the necessary operational, economic and historical context to help users assess and evaluate the core information and to put core information in perspective.*

*The contingent liabilities example in paragraph 2.12 would fit the description of “contextual information” better. Contrary to what was stated in paragraph 2.12, information about contingent liabilities does not fit the description of “supporting information” of elaborating items displayed on the face of a financial statement because they are not recognized in the financial statements. On the other hand, information on contingent liabilities gives users a more comprehensive picture of a government’s financial position.*

#### Alternative View

*We agree with some but not all aspects of the alternative view described in paragraphs 2.19 and 2.20. We agree that “core” and “supporting” information should be defined separately from “display” and “disclosure”. They should be defined based on their respective functions, not their forms or location in the GPFRs.*

*We suggest extending the two categories of information proposed in the Consultation Paper into four major categories: purpose and scope, core information, supporting information and contextual information.*

- (b) Do you agree that identification of core and supporting information for GPFRs should be made at a standards level rather than as part of the Conceptual Framework?

*We agree that specific core and supporting information should be identified at the standards level that is most relevant and representational of the subject matter of that standard. At the conceptual level, we believe that it would be useful to lay out the general description of the function and nature of core and supporting information in the presentation framework. Drawing specific examples from IPSASB’s documents issued for comment on other GPFRs would be useful. We also find paragraph 2.17 helpful.*

#### **Specific Matter for Comment 2 (See paragraphs 3.1 to 3.12)**

With respect to the IPSASB’s approach to presentation of information:

- (a) Do you agree with the development of presentation concepts that can be adopted for the more comprehensive scope of GPFRs including, but not restricted to, financial statements?

*It depends on whether a meaningful and useful presentation framework can be developed for GPFRs. Further work on materials in this Consultation Paper would be needed to make it a high-quality conceptual framework for presentation*

*in GPFRs. Discussions and examples in the Consultation Paper were mostly related to and restricted to Phase 1 concepts and presentation of GPFs. Discussion of presentation issues and decisions was primarily operational rather than conceptual. Concepts and ideas were rather disconnected.*

*Our thoughts on a possible structure of a GPFR presentation framework would include the definition of presentation; detailed discussion on three key presentation decisions of “what”, “where” and “how” in a logical sequence of steps for development of GPFR pronouncements and GPFRs; and guidance applicable to all types of GPFR in presentation principles or concepts. Applicable Phase 1 concept will be included in the discussions of presentation decisions and concepts.*

- (b) Do you agree with the approach of (i) focusing on user needs to identify presentation objectives, (ii) application of the qualitative characteristics (QCs) to presentation decisions, and (iii) separate presentation concepts?

*It is unclear what the proposed approach means in terms of showing the steps or the course to development of presentation guidance in future GPFR pronouncements.*

*It is difficult to comprehend the circular logic described in Section 3 of the Consultation Paper:*

- *The three components of the approach are three presentation perspectives (paragraphs 3.6 to 3.12);*
- *Each of three presentation perspectives contributed to the three “presentation concepts” (paragraph 3.5);*
- *The three presentation concepts together is one of the three components of the presentation approach (paragraph 3.3) and one of the three presentation perspectives (paragraphs 3.11 to 3.12).*

*We suggest an alternative structure in (a) above which would integrate the three components where appropriate.*

**Specific Matter for Comment 3** (See paragraphs 4.1 to 4.5)

This CP discusses the importance of developing presentation objectives as part of standard setting.

- (a) Do you agree that presentation objectives should be developed?



*It appears that examples and discussions in Section 4 of the Consultation Paper use the term “presentation objectives” to mean purposes or objectives of a particular GPFR. The term “presentation objectives” may mean something quite different for others, e.g., the presentation objective is to present information in an understandable manner. To avoid unnecessary confusion and misunderstanding, we suggest that this term be replaced with a term that better represents the purpose and objective of a GPFR.*

*The concepts of both “presentation objectives” based on common understanding of the term and “objectives of a GPFR” should be developed and described in the presentation framework. For example, how objectives of a GPFR should be determined (i.e., based on user needs and financial reporting objectives) should be identified in the Conceptual Framework. The specific objectives of a particular type of GPFRs should be developed at the standards level.*

- (b) If so, in your view, should they be developed at a standards level, or as part of the Conceptual Framework?

*See answer to the question (Comment 3a) above.*

**Specific Matter for Comment 4** (See paragraphs 6.1 to 6.27)

This CP proposes three presentation concepts. Please provide your views on these concepts, in particular whether:

- (a) Any of these concepts should be excluded from the Conceptual Framework; and
- Concept 2 should be excluded because information cannot be located to meet user needs. Information can be selected to meet user needs. Location of information may enhance understanding, but meeting user needs appears overstretched. Also, we do not agree that the location of information would affect its relevance, timeliness, verifiability or representation faithfulness.*
- (b) The description of each concept could be improved and, if so, indicate how.

**Concept 1**

*Concept 1 contained a few ideas that can be further explained and developed as individual concepts, including:*

- *The idea of providing sufficient information;*
- *The idea of prioritization of information and the related implications on the “where” and “how” decisions for items of different levels of priority;*
- *The idea of avoiding information clutter and overload;*
- *The idea about timing and frequency of issuing GPFRs; and*

- *The idea of considering whether value would be added to GPFR as a whole and the risk of information omission in presentation decisions.*

*We suggest not getting into a quantitative test in the discussion of cost benefit effectiveness.*

### **Concept 3**

*Concept 3 contained two concepts that should be separated as individual concepts:*

- *The concept of organizing information to make important relationships clear; and*
- *The concept of comparability.*

*We support the concept of “organizing information to make important relationships clear” and the related presentation techniques identified in the Consultation Paper, but not the description of this concept. In particular, we do not see introducing the terms “enhancement”, “similarity” and “shared purpose” useful in explaining this concept. In many cases, the examples provided did not align with the relationships the terms contained. Describing the important relationships in these three terms may restrict the consideration of other important relationships.*

### **Specific Matter for Comment 5 (See paragraphs 6.1 to 6.27)**

In addition to the three concepts proposed in Section 6, please provide your views on:

- (a) Whether there are further concepts that should be included in the Conceptual Framework; and  
Yes.
- (b) What those further concepts should be.

*The ideas contained in Concept 1 as identified in the answer to the question above (Comment 4b), including:*

- *Sufficient information (in terms of scope and depth) required to meet the objectives of the GPFR should be presented to ensure a complete and unbiased understanding.*
- *Information should be prioritized in terms of relevancy in meeting user needs. Presentation should reflect their relative priority.*
- *Excessive information presented in GPFR would result in information overload and distract users from getting an uncluttered view of the core information.*

- *The timing and frequency of preparation and issuance of GPFR should ensure that information presented in GPFR is meaningful and relevant to users.*
- *Presentation decisions should be evaluated on the resulting value to the GPFR as a whole and the risk of doing otherwise.*

*In addition, IPSASB may consider the following concepts:*

- *Selection of the appropriate presentation tools or techniques should consider the nature and characteristics of the information.*
- *Information should be presented in an understandable manner.*
- *The scope, key indicators and the basis of key measures should be consistent from one reporting period to another.*
- *The responsibility for the preparation and approval of the GPFR should be clearly communicated in the report.*
- *The fact that the GPFR is or is not subject to independent audit or review should be clearly communicated in the report. Where appropriate, the report of the independent auditor or reviewer should be appended to the GPFR.*
- *Users should be advised that GPFR as a whole provides information that meet user needs in that subject matter. Each type of information has its function and is of equal importance. The report should be read and considered in its totality to ensure a comprehensive and unbiased understanding.*

**Specific Matter for Comment 6** (See paragraphs 6.12, 6.17, 6.24, and 6.27)

Each presentation concept refers to the possibility of developing criteria to determine the presentation techniques to be used in setting accounting standards. Please provide:

- (a) Your views on whether it would be useful and workable for the IPSASB to apply such techniques; and

*The presentation techniques listed in the four paragraphs were a mixture of presentation tools, concepts and rules.*

*Identification of available presentation tools (such as table, graph, sub-totals, comparatives, trend analysis, reconciliation, use of headings and sub-headings, labeling, ordering, sequence, layering, aggregation and disaggregation) and the*

*circumstances (e.g., the nature and type of information) in which they would be appropriate and effective would be helpful.*

*Presentation concepts that would serve as presentation guidance should be removed from these paragraphs and included together with other presentation concepts (e.g., comparability and consistency, timing and frequency).*

*Presentation rules should be limited to high level general rules. Given the possible wide range of GPFRs, the presentation rules should be flexible enough to allow room for experimentation of presentation tools that work for specific GPFRs. For example, the second bullet point in paragraph 6.17 and the first and last bullet points in paragraph 6.12 would be too rigid or prescriptive.*

- (b) Any suggestions you have for developing these techniques.

*See answer to Comment 6a.*