

Exposure Draft

April 2013

Comments due: August 15, 2013

International Public Sector Accounting Standards Board

Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports

IPSASB

International Public
Sector Accounting
Standards Board

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

The IPSASB sets International Public Sector Accounting Standards (IPSASs) and Recommended Practice Guidelines (RPGs) for use by public sector entities, including national, regional, and local governments, and related governmental agencies.

The objective of the IPSASB is to serve the public interest by setting high-quality public sector accounting standards and guidance and by facilitating their adoption and implementation, thereby enhancing the quality and consistency of practice throughout the world and strengthening the transparency and accountability of public sector financial reporting and financial management.

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

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REQUEST FOR COMMENTS

This Conceptual Framework Exposure Draft 4 (CF–ED4), *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports*, was developed and approved by the International Public Sector Accounting Standards Board (IPSASB).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. Comments are requested by August 15, 2013.

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 file and a 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. Although IPSASB prefers that comments are submitted via its website, comments can also be sent to Stephenie Fox, IPSASB Technical Director at stepheniefox@ipsasb.org.

This publication may be downloaded free of charge 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 proposals in CF–ED4. 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 proposed changes to CF–ED4.

Specific Matters for Comment

The IPSASB particularly values comments on the Specific Matters for Comment below.

Specific Matter for Comment 1

Do you agree with the proposed descriptions of “presentation”, “display”, and “disclosure” and the relationships between them in Section 1? If not, how would you modify them?

Specific Matter for Comment 2

Do you agree with the identification of three presentation decisions (selection, location and organization) in section 1? If not, how would you modify the identification of presentation decisions?

Specific Matter for Comment 3

Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?

Specific Matter for Comment 4

Do you agree with the description of information selection in Section 2:

- (a) In the financial statements; and
- (b) Within other GPFs?

If not, how would you modify the description(s)?

Specific Matter for Comment 5

Do you agree with the description of information location in Section 3:

- (a) In the financial statements;
- (b) In other GPFRs; and,
- (c) Between different reports within GPFRs?

If not, how would you modify the description(s)?

Specific Matter for Comment 6

Do you agree with the description of information organization in Section 4:

- (a) In the financial statements; and
- (b) In other GPFRs?

If not, how would you modify the description(s)?

Specific Matter for Comment 7

Do you consider that CF–ED4 contains sufficient detail on concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?

BACKGROUND TO THE CONCEPTUAL FRAMEWORK

The *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the *Conceptual Framework*) establishes and makes explicit the concepts that are to be applied in developing IPSASs and RPGs.

IPSASs are developed to apply across countries and jurisdictions with different political systems, different forms of government and different institutional and administrative arrangements for the delivery of services to constituents. The IPSASB recognizes the diversity of forms of government, social and cultural traditions, and service delivery mechanisms that exist in the many jurisdictions that may adopt IPSASs. In developing this *Conceptual Framework*, the IPSASB has attempted to respond to and embrace that diversity.

The Accrual Basis of Accounting

This Exposure Draft (ED) deals with concepts that apply to general purpose financial reporting (financial reporting) under the accrual basis of accounting.

Under the accrual basis of accounting, transactions and other events are recognized in financial statements 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.

Financial statements prepared under the accrual basis of accounting inform users of those statements of past transactions involving the payment and receipt of cash during the reporting period, obligations to pay cash or sacrifice other resources of the entity in the future, the resources of the entity at the reporting date, and changes in obligations and resources at that date. Therefore, they provide information about past transactions and other events that is more useful to users for accountability purposes and as input for decision making than is information provided by the cash basis or other bases of accounting or financial reporting.

Project Development

The IPSASB communicates *Conceptual Framework* developments to an advisory panel comprising a number of national standard setters and similar organizations with a role in establishing financial reporting requirements for governments and other public sector entities in their jurisdictions.

The purpose of the IPSASB's *Conceptual Framework* project is to develop concepts, definitions and principles that:

- Respond to the objectives, environment and circumstances of governments and other public sector entities; and therefore
- Are appropriate to guide the development of IPSASs and other documents dealing with financial reporting by public sector entities.

Many of the IPSASs currently on issues are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), to the extent that the requirements of those IFRSs are relevant to the public sector. The IPSASB's strategy also includes maintaining the alignment of IPSASs with IFRSs where appropriate for the public sector.

The IASB has a project to update and refine its Conceptual Framework for profit-oriented entities. The IASB has recently reactivated this project following deliberations about its future work plan. Developments in the IASB's Conceptual Framework are being monitored. However, development of the IPSASB's *Conceptual Framework* is not an IFRS convergence project, and the purpose of the IPSASB's project is not to interpret the application of the IASB Framework to the public sector.

The concepts underlying statistical financial reporting guidelines, and the potential for convergence with them, are also being considered by the IPSASB in developing its *Conceptual Framework*. The IPSASB is committed to minimizing divergence from the statistical financial reporting guidelines where appropriate.

Consultation Papers, Exposure Drafts and Final Chapters

Although all the components of the *Conceptual Framework* are interconnected, the *Conceptual Framework* project is being developed in phases. Phase 1 has now been completed. It comprises Chapters 1–4 of the *Conceptual Framework*. These chapters deal with:

Chapter 1: Role and Authority of the Conceptual Framework

Chapter 2: Objectives and Users of General Purpose Financial Reporting

Chapter 3: Qualitative Characteristics

Chapter 4: Reporting Entity

The other phases of the *Conceptual Framework* are:

Phase 2—The definition and recognition of the elements of financial statements;

Phase 3—The measurement of the elements that are recognized in the financial statements; and

Phase 4—The presentation of information in GPFRs.

Each phase begins with development and issuance of a Consultation Paper (CP), which draws out key issues and explores ways to deal with those issues. An ED is issued after consideration of responses on the CP. The CP for Phase 4 (*Presentation in General Purpose Financial Reports*) was issued in January 2012. This ED for Phase 4 has been developed following analysis of responses on that CP. EDs for Phase 2 (Elements and Recognition in Financial Statements) and Phase 3 (Measurement of Assets and Liabilities in Financial Statements) were issued in November 2012.

CONCEPTUAL FRAMEWORK FOR GENERAL PURPOSE FINANCIAL REPORTING BY PUBLIC SECTOR ENTITIES: PRESENTATION IN GENERAL PURPOSE FINANCIAL REPORTS

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Section 1: Presentation

Purpose and Structure of this Exposure Draft

- 1.1 This ED sets out the concepts applicable to the presentation of information in general purpose financial reports (GPFs), including general purpose financial statements (subsequently referred to as financial statements) of governments and other public sector entities (public sector entities). This section establishes presentation related terms and identifies three presentation decisions. Sections 2 through 4 discuss the factors involved in each presentation decision for the financial statements, which include notes to those statements, and other GPFs.

Presentation

- 1.2 Presentation is the selection, location and organization of information that is displayed and disclosed in the GPFs. Presentation aims to provide information that contributes towards the objectives of financial reporting and achieves the qualitative characteristics (QCs) while taking into account the constraints¹.

Display

- 1.3 Information selected for display communicates the key messages in a GPF. Displayed information is kept to a concise, understandable level, so that users can focus on the key messages presented and not be distracted by an excess of detail that could otherwise obscure those messages. Displayed information is presented prominently, using appropriate presentation techniques such as clear labeling, borders, tables or graphs.

Disclosure

- 1.4 Disclosed information makes displayed information more useful, by providing detail that will help users to understand the displayed information, including (a) the basis for the displayed information, such as applicable policies or methodology, (b) disaggregations of displayed information, and, (c) items that share many but not all of the aspects of displayed information (for example disclosures on items that meet some, but not all, of the characteristics of an element definition).

Criteria for Display and Disclosure

- 1.5 Information is either displayed or disclosed in GPFs. Disclosure is not a substitute for display.
- 1.6 Decisions about display or disclosure apply to both the financial statements and other GPFs. The objectives of financial reporting are applied to the area covered by a particular report, in order to guide the identification of information for display or disclosure. The identification of information for display and disclosure in a particular GPF may involve the development of:
- (a) Classification principles;
 - (b) A list of broad types of information that should be displayed and a similar list of broad types of information that should be disclosed; and/or,

¹ The QCs of information are relevance, faithful representation, understandability, timeliness, comparability, and verifiability. Materiality, cost-benefit, and achieving an appropriate balance between the QCs are pervasive constraints on information included in GPFs.

(c) Lists of specific information that preparers must display or disclose.

1.7 Sections 2, 3 and 4 relate display and disclosure to information selection, location and organization.

Presentation Decisions

1.8 Decisions on the selection, location and organization of information are made in response to the needs of users for information about economic or other phenomena. They seek to achieve the financial reporting objectives while also applying the QCs and constraints.

1.9 Chapter 1 of the *Conceptual Framework, Role and Authority of the Conceptual Framework*, explains that GPFRs are likely to comprise multiple reports, each responding more directly to certain aspects of the objectives of financial reporting and matters included within the scope of financial reporting. The objectives of financial reporting, applied to the area covered by a particular report, will guide presentation decisions for that report.

1.10 Presentation decisions may be (a) high level decisions that could potentially result in development of a new report, movement of information between reports, or the amalgamation of existing reports; or, (b) lower level, more detailed decisions on information selection, location and organization within a report.

Section 2: Information Selection

- 2.1 Decisions about what information needs to be reported involve consideration of: (a) the relevant economic or other phenomena about which information may be necessary; (b) the objectives of financial reporting, the QCs and constraints of GPFRs; and (c) information already reported in GPFRs.
- 2.2 Decisions on information selection are made at two levels; (1) high-level decisions on information selection for financial statements and other reports, and (2) lower-level decisions on information selection *within* a report. Chapter 2 of the *Conceptual Framework, Objectives and Users of General Purpose Financial Reporting*, describes information included in GPFRs to meet the objectives of financial reporting. This section focuses on the selection of detailed information to be developed and presented in GPFRs, including financial statements and other reports.

Information in Financial Statements and Other GPFRs

Financial Statements

- 2.3 The objectives of financial reporting guide detailed information selection decisions for the financial statements. The user needs identified in Chapter 2 also underpin information selection for the financial statements. Those user needs include the need to provide information about the financial position, financial performance and cash flows of a public sector entity in order to:
- (a) Enable users to identify the resources of the entity and claims to those resources at the reporting date;
 - (b) Inform assessments of matters such as whether the entity has acquired resources economically, and used them efficiently and effectively to achieve its service delivery objectives; and,
 - (c) Enable users to assess financial performance and the entity's liquidity and solvency.
- 2.4 The financial statements may also provide information that assists users in:
- (a) Assessing the extent to which revenues, expenses, cash flows and financial results of the entity comply with the estimates reflected in approved budgets, and the entity's adherence to relevant legislation or other authority governing the raising and use of public monies, and
 - (b) Determining how well a public sector entity has met its financial objectives.

Other GPFRs

- 2.5 For other GPFRs the objectives of financial reporting, applied to the area covered by a particular report, guide detailed information selection decisions in order to satisfy the user needs addressed by a particular report.

Selection Decisions for Detailed Information within a GPFR

- 2.6 Appropriate information selection results in sufficient information to meet the objectives of financial reporting, as applied to the area covered by a particular report. Information selection avoids information overload which reduces understandability. Too much information may make it difficult for users to understand the overall situation, and undermine achievement of the objectives of financial reporting.

- 2.7 Information selection involves decisions about the appropriate level of detail. Such decisions involve information prioritization and summarization.
- 2.8 Information identified for possible selection is critically reviewed as it is developed and considered for presentation, with particular reference to its relevance, materiality and cost-benefit. All material transactions, events, and other items reported are presented in a manner that conveys their substance rather than their legal or other form so that the QCs of relevance and representational faithfulness are achieved.
- 2.9 When considering information selection, the benefits to users of receiving information should justify the costs to entities of collecting and presenting that information. In performing this assessment it is important to consider how individual items impact on the overall view presented and the nature of the information presented. Items that may appear to have little benefit when viewed in isolation could have much greater benefits when viewed as contributing to the whole set of information presented.
- 2.10 Information needs to be presented on a sufficiently timely basis to help users to hold management accountable, and inform decisions. Timeliness includes the need to provide information both (a) on a sufficiently frequent basis to allow the compilation and review of trend information important for accountability and decision making, and (b) soon enough after the events upon which information is reported to be useful for accountability and decision making. Relevance, faithful representation, comparability, and understandability are all reduced if information is not provided with sufficient timeliness. GPFRs may include additional information derived from sources other than the financial information system. The date of delivery of any such additional information should be as close as possible to the financial statements' reporting date, so that reported information will be timely.

Section 3: Information Location

- 3.1 Location has an impact on information's relevance, verifiability, understandability, faithful representation, and comparability. Location may be used to (a) convey the relative importance of information and its connections with other items of information, (b) convey the nature of information, and (c) link different items of information that combine to meet a particular user need. The location of information can either support or undermine users' ability to compare information.
- 3.2 Decisions on information location occur at two levels. Decisions are made on (a) the report in which information is located, and (b) within which part, or component, of a report information is located. Information location within a report ensures that displayed information is given appropriate prominence and is not obscured by more detailed and extensive disclosed information.

Allocation of Information between Different Reports

- 3.3 Factors relevant to decisions about locating information in the financial statements or another GPFR include:
- (a) *Linkage*: Whether or not the additional information envisaged needs to link very closely to information already included in an existing report.
 - (b) *Nature*: Whether the nature of the information, for example historical versus prospective, supports including the information either in the same or a different report, because of considerations related to, for example, comparability and/or understandability.
 - (c) *Jurisdiction Specific*: Whether jurisdiction-specific factors, such as legal provisions, specify requirements on information location.

Allocation of Information to the Financial Statements

- 3.4 The effective location of information in the financial statements contributes to communicating a complete financial picture of an entity.
- 3.5 Recognition of an element is often one of the key drivers in determining whether information is displayed on the face of the financial statements and/or disclosed either in the notes or elsewhere in the GPFRs. In other cases, for example cash flows, displayed information supports achievement of the objectives of financial reporting. The display of line items and aggregate totals involves factors such as balancing standardization to ensure that particular information necessary to meet the objectives of financial reporting is available for all entities, and consideration of entity specific factors. Materiality is an important factor for preparers when making certain types of display decisions.
- 3.6 The notes to the financial statements disclose information that supports the information displayed on the face of the statements. Information in other GPFRs may enhance, complement and supplement the financial statements.

Allocation of Information to Other GPFRs

- 3.7 A separate report may be necessary when:
- (a) Additional user needs, not satisfied by an existing report, are identified; and,
 - (b) A separate report to meet those needs is more likely to achieve the objectives of financial reporting and QCs than including information in an existing report.

Location of Information within a Report

- 3.8 Section 1 states that selected information is classified either as information for display or information for disclosure. It further states that displayed information is presented prominently, using appropriate presentation techniques; location is one way to achieve this.
- 3.9 For the financial statements, displayed information is shown on the face of the appropriate statement, while disclosures are in the notes. The use of this style of organization has historically been how information about an entity's financial position, financial performance, cash flows, and other aspects has been presented. Distinguishing displayed information and disclosed information ensures that those items that directly relate to communicating an entity's financial position, performance and cash flows can be highlighted, with necessary supporting information provided through disclosure in the notes.
- 3.10 For other GPFRs, displayed information may either be located separately from disclosed information or located in the same area, but distinguished from disclosed information and given prominence through the use of some other presentation technique.

Section 4: Information Organization

- 4.1 Information organization involves a range of decisions including the use of tables, different types of graphs, headings, numbering, and the arrangement of items within a particular component of a report, including decisions on item order.
- 4.2 Information organization in GPFRs aims to make clear important relationships between items. Related information is linked through the use of consistent headings, presentation order, and/or other methods appropriate to the relationship and type(s) of information.
- 4.3 Relationships may exist between (a) information in different GPFRs, (b) information in different components within a report, and (c) information in different parts of a single component.

Types of Relationships

- 4.4 Important relationships include, but are not restricted to, those of:
 - (a) Enhancement;
 - (b) Similarity; and
 - (c) Shared purpose.
- 4.5 *Enhancement*: Information in one place in a GPFR may be enhanced through information provided elsewhere. For example, budget, prospective and service performance information enhances information in the financial statements. Tables and graphs may be used to enhance the understanding of narrative information. Links to information reported outside the GPFRs may enhance the understandability of information reported in GPFRs. It is important that (a) links to information from other sources not undermine GPFR's achievement of the QCs and (b) the date of delivery of any such linked information be as close as possible to the financial statements' reporting date so that reported information will be sufficiently timely.
- 4.6 *Similarity*: A relationship of similarity exists where information reported in one place is based on information reported elsewhere in the GPFRs, and either has not been adjusted or has had relatively minor adjustments. For example, if service performance information includes the cost of services, or the value of assets deployed in different services, then it may be helpful to show how those totals relate to expenses and assets reported in the financial statements. Another example is the relationship between the total expenses reported against budget and total expenses reported in the statement of financial performance. A reconciliation between the two different amounts can enhance users' understanding of a reporting entity's finances.
- 4.7 *Shared purpose*: A relationship of shared purpose exists where information reported in different places contributes to a shared purpose. An example of such a situation is that of different statements and disclosures providing information needed for assessments of accountability for services provided. Information about (a) the actual and budgeted cost of different services, (b) financial and non-financial resources used in the provision of different services, and (c) narrative on future provision of different services may be included in different places. To make the relationship between the information in different places clear, it may be appropriate to organize the information by using techniques such as common headings and referencing.

Organization of Information within the Financial Statements

Information Displayed in the Financial Statements

- 4.8 The information displayed on the faces of the financial statements will provide a structured overview of the reporting entity's financial position, financial performance and cash flows. Information displayed on the face of the financial statements is organized into numeric totals and sub-totals.
- 4.9 For the financial statements, relationships may exist between:
- (a) Subsets of displayed amounts or changes in displayed amounts *and* their related impact on an entity's financial position, financial performance and/or cash flows;
 - (b) Different displayed amounts in different financial statements, which (i) all reflect the impact of a common external event, or (ii) contribute together towards an understanding of an aspect of the entity's financial position or financial performance; and,
 - (c) Displayed amounts *and* related note disclosures that provide information that explains or could otherwise support users' understanding of displayed items.
- 4.10 Following identification of elements and application of recognition criteria, display involves further decisions on:
- (a) Separation of element totals into appropriate statements;
 - (b) Subclassification of element totals into meaningful sub-totals;
 - (c) Ordering and grouping of items displayed within each statement;
 - (d) Identification of aggregates (additive and subtractive); and,
 - (e) Identification of other information for inclusion on the face of the statement.

Information Disclosed in the Financial Statements

- 4.11 Information disclosed in the notes is organized so that relationships to items reported on the face of the financial statements are clear. The notes are an integral part of the financial statements. Decisions about selection of information to be displayed and disclosed are made (a) with reference to each other rather than in isolation of each other, and (b) with the aim of effectively communicating an integrated set of information.
- 4.12 Information disclosed in the notes to the financial statements (a) is necessary to a user's understanding of those financial statements, (b) provides information that puts the financial statements into the context of the entity and its operating environment, and (c) may have a clear and demonstrable relationship to information displayed on the face of the financial statement(s) to which it pertains.
- 4.13 In addition to information displayed on the face of the financial statements users may benefit from information disclosed in the notes on:
- (a) Entity-related factors that could influence judgments about reported information (for example, information about related parties and controlled entities or interests in other entities);
 - (b) The basis for what is displayed (for example, information on accounting policies and measurement, including measurement methods and measurement uncertainties where applicable);
 - (c) Detail related to disaggregations of the high level summary on the face of the statements (for example, a break-down of property, plant and equipment into different classes);

- (d) Items that do not meet the definition or recognition criteria for elements but are still important to an understanding of the entity's finances and ability to deliver services (for example, information about events and conditions, including items that meet some but not all the essential aspects of an element, that might affect future cash flows or service potential, including their natures, possible effects on cash flow or service potential, probabilities of occurrence, and sensitivities to changes in conditions); and,
- (e) Information that may explain under-lying trends affecting displayed totals (for example, segment information).

Organization of Information within Other GPFRs

- 4.14 As is the case for the financial statements, information organization in other GPFRs helps to ensure that key messages are understandable. Presentation that clearly identifies important relationships is likely to enhance the extent to which a report (a) achieves financial reporting objectives, and (b) meets the QCs.
- 4.15 Linking related information helps users to find important information. Some information is more understandable when organized into graphs, charts, tables, ratios or key performance indicators. Other information may be presented more effectively in narrative form. Information organization supports users' understanding of linkages between information within the same GPFR.
- 4.16 Information organization facilitates comparisons such as making clear when items are similar or dissimilar. Inter-period comparability is facilitated by avoiding changes to the way that information is organized for the same reporting entity from year to year unless such changes enhance relevance and understandability. Inter-entity comparisons are facilitated when different reporting entities organize the information they present in similar ways.

Basis for Conclusions

This Basis for Conclusions accompanies, but does not form part of, the Conceptual Framework.

Concepts Applicable to Presentation for GPFRs

- BC1. This ED describes concepts applicable to presentation in GPFRs, including both financial statements and additional information and reports that enhance, complement, and supplement the financial statements. Such concepts have not previously received detailed attention. This is the first time that an international standard setter has developed presentation concepts applicable to both financial statements and other GPFRs.
- BC2. The Consultation Paper, *Presentation in General Purpose Financial Reports* (CF—CP4), proposed that the presentation concepts should be applicable to presentation in GPFRs. Most of the respondents to CF—CP4 supported development of concepts for this more comprehensive information. However some argued that the IPSASB should focus exclusively on the financial statements. Of those who supported a more comprehensive approach, some were concerned that the resulting concepts should also be sufficiently detailed to address issues particular to financial statements.
- BC3. The IPSASB's view is that effective presentation of information in other GPFRs is very important in meeting the objectives of financial reporting—accountability and decision making. Presentation of this additional information raises particular challenges for the IPSASB and preparers, which makes the development of applicable concepts essential. The IPSASB acknowledged the need to provide concepts that are sufficiently detailed for application to the financial statements. Therefore the IPSASB decided to continue to develop presentation concepts for GPFRs, while setting out the concepts applicable to financial statements in more depth.

Presentation and Other Parts of the Conceptual Framework

- BC4. This ED explains the relationship between other parts of the *Conceptual Framework* and presentation concepts. Presentation is strongly linked to Chapters 1 to 4 of the *Conceptual Framework*. The objectives of financial reporting, user needs, qualitative characteristics of information and constraints all have a direct influence on presentation decisions. Presentation is also linked to the ED that discusses the definition and recognition of elements because, for example:
- (a) The elements identified affect the nature of the items presented in GPFRs;
 - (b) The application of the recognition criteria for the elements affects the location of information in GPFRs; and
 - (c) Presentation decisions affect both the level of detail provided in respect of items that have been recognized as elements in the financial statements and where that information is presented.
- BC5. In addition presentation is linked to the ED on measurement because, for example, when describing measurement bases or measurement models:
- (a) Information is usually presented on measurement methodologies, including information on measurement models applied, assumptions, and explanations for measurement choices; and

- (b) More information may be presented where elements cannot be measured in a faithfully representative way.

Presentation, Display and Disclosure

- BC6. CF—CP4 proposed descriptions of “presentation”, “display”, “disclosure”, “core information”, and “supporting information”. Respondents were evenly divided on whether the descriptions were appropriate. There was significant support for the description of presentation, which covered the selection, location and organization of information. Some respondents opposed the introduction of new descriptions, because they considered that the terms “presentation” and “disclosure” have been widely used by standard setters with accepted meanings. There was scepticism about adopting new descriptions. The distinction between core and supporting information was controversial. Many respondents considered that this distinction implied that information in the notes to the financial statements is less important than information on the face of a statement.
- BC7. The IPSASB’s view is that the distinction between presentation and disclosure used in some jurisdictions, where presentation applies to information reported on the face of a statement and disclosure applies to information reported in the notes, is inadequate to address presentation concepts for GPFRs. Distinctions focused on the financial statements have limited usefulness and may be confusing within this broader context. Display and disclosure support a clear distinction, within the context of financial statements, between information shown on the face of a financial statement (display) and information shown in the notes to the statements (disclosure). For this reason the IPSASB has broadly continued with the descriptions of presentation, display and disclosure proposed in CF—CP4.
- BC8. The description of presentation proposed in CF—CP4 included both what presentation is (information selection, location and organization) and what presentation should do (it should meet GPFR objectives, needs of users, and QCs). After further consideration the IPSASB decided that separation of these two ideas would better facilitate consideration of presentation issues. Therefore presentation is now described neutrally as information selection, location and organization. There is also a description of what presentation aims to achieve, which is to provide information that (a) effectively contributes to the objectives of financial reporting, and (b) achieves the QCs while taking into account the constraints.
- BC9. The IPSASB acknowledged respondents’ concerns about core and supporting information. There was no intention to imply that supporting information is less important than core information. Nevertheless, because many respondents considered that the two terms created a hierarchy, the IPSASB reconsidered the need for a distinction between core and supporting information and concluded that incorporating the ideas related to these two types of information into the descriptions of display and disclosure within each GPFR would be more appropriate. Consequently the terms core information and supporting information have not been retained and the descriptions of display and disclosure have been revised to explain what types of information would be displayed and what disclosed, without the implication that one type of information is more important than another. Coverage in subsequent sections provides additional guidance on the distinction between display and disclosure as it applies to the three presentation decisions.

Overall Approach to Presentation

- BC10. CF—CP4 proposed an approach to presentation of (i) focusing on user needs to identify presentation objectives, (ii) application of the QCs to presentation decisions, and (iii) separate presentation concepts. (The proposed concepts were Concept 1: Select information that meets user needs, satisfies the cost-benefit test, and is sufficiently timely; Concept 2: Locate information to meet user needs; and, Concept 3: Organize information to make important relationships clear and support comparability). CF—CP4 also proposed that presentation objectives be established at the standards level, for application to particular reports or reporting topics.
- BC11. Respondents generally agreed that the needs of users and application of the QCs were important for presentation decisions. They supported development of presentation objectives, but advocated their inclusion in the *Conceptual Framework*. While generally agreeing that separate presentation concepts should be developed, a significant number of respondents disagreed with the three presentation concepts proposed. Some respondents disagreed with the way that the three presentation concepts emphasized particular QCs or constraints. They argued that other QCs or constraints should be added. Others argued that the concepts added little, if anything, to the QCs and constraints.
- BC12. After considering responses to CF—CP4 and further discussion, the IPSASB decided that a simpler, more focused approach—one that directly applies concepts developed in Phase 1 to presentation decisions—was more appropriate. The IPSASB’s view is that decisions on information selection, location and organization are made in response to the needs of users for information about economic or other phenomena. Presentation decisions are made to seek to achieve the financial reporting objectives, and they involve application of the QCs and constraints.
- BC13. Presentation decisions are made at two levels. They may be either (a) high level decisions that may result in development of a new report, movement of information between reports, or the amalgamation of existing reports; or, (b) detailed decisions on information selection, location and organization related to information *within* a report.
- BC14. The need to distinguish the display and disclosure of information is a further important aspect of the IPSASB’s overall approach to presentation. An example of a detailed decision within a report is a decision about whether information should be displayed on the face of a financial statement or disclosed in the notes.

Needs of Users

- BC15. Chapter 2 of the *Conceptual Framework* addresses the needs of users and objectives of GPFs. The objectives of GPFs incorporate the needs of users. The IPSASB considers that the needs of users are very important when making presentation decisions. However, to avoid duplication this ED focuses primarily on the role that presentation has in supporting the objectives.

Presentation Objectives

- BC16. As stated above, in CF—CP4 the IPSASB proposed an approach where “presentation objectives” would be developed to guide presentation decisions. Respondents supported

identifying presentation objectives. After further consideration the IPSASB decided against the inclusion of presentation objectives in this ED, because they would create an unnecessary additional layer of objectives beneath the financial reporting objectives established in Phase 1. Development of a second layer of presentation objectives could be confusing and detract from the financial reporting objectives.

Application of the Qualitative Characteristics and Constraints

BC17. Many respondents' comments supported application of the QCs to presentation decisions. However, some respondents expressed reservations, which highlighted that the constraints on information had not been properly integrated into the overall approach to presentation in CF—CP4. The IPSASB agreed that the constraints apply to presentation decisions. They have therefore been included in the overall approach to presentation.

Presentation Concepts

BC18. After considering respondents' concerns about the three presentation concepts proposed in CF—CP4 and possible further changes to address those concerns, the IPSASB concluded that the ideas in the three concepts are adequately addressed through application of the QCs and constraints to presentation decisions. Therefore the three presentation concepts included in CF—CP4 were replaced with a revised description of the application of the QCs and constraints to presentation decisions.

Sections 2 to 4—Presentation Decisions

BC19. Sections 2 to 4 provide further detail on the IPSASB's overall approach to presentation, particularly with respect to the financial statements. These three sections describe the application of concepts in other parts of the *Conceptual Framework* to information selection (Section 2), information location (Section 3) and information organization (Section 4). They also relate display and disclosure to presentation decisions. These three sections discuss (a) high level decisions, and (b) lower level, more detailed decisions on information selection, location and organization within a report.

BC20. The discussion in Section 2 on information selection includes the need for selected information to be timely. Public sector entities may prepare GPFRs that include additional information derived from sources other than the financial information system. In such circumstances the IPSASB considered that the date of delivery of additional information should be as close as possible to the financial statements reporting date, so that reported information will be timely. These considerations are reflected in paragraphs 2.10 and 4.5.

BC21. The discussion in Section 4 on information organization states that links between information can support understandability. This may include links to information reported outside the GPFRs. For example, detailed budgetary or statistical information—providing important context for information reported in the GPFRs—may be published by bodies external to the entity. External information sources should be reliable. Chapter 2 of the *Conceptual Framework* explains that users of GPFRs may also need to consider information from other sources, including reports on current and anticipated economic conditions, government budgets and forecasts, and information about government policy initiatives not reported in GPFRs. It is important to ensure that links to information from other sources do not undermine GPFRs' achievement of the QCs.

Presentation in the Financial Statements

- BC22. The further detail provided on financial statements responds, as noted above, to the need to ensure that the concepts proposed are applicable to the financial statements. However, this ED does not propose the number or type of financial statements that should be specified in IPSASs and/or RPGs. This approach is consistent with the IPSASB's view that the specification of financial statements is a standards-level issue. It reflects an appreciation that internationally some preparers treat the primary financial statements as a minimum requirement, with flexibility for the preparer to add further statements (for example, additional statements that list commitments or public sector debt) to the financial statement components presently required by IPSASs. It is also consistent with the need to avoid over-specification at the *Conceptual Framework* level.
- BC23. In order to avoid over-specification this ED also does not attempt to identify a list of information that should be included in the financial statements, including their notes. Over-specification is avoided so that the *Conceptual Framework* description of presentation concepts applicable to financial statements will remain relevant as changes occur in: (a) the type of information required to adequately meet the objectives of financial reporting; (b) the information technology available to present information in GPFRs; and, (c) the type of economic or other phenomena on which financial statements present information. The *Conceptual Framework* focuses on high level principles. It aims to avoid over-specification, which could otherwise inhibit future presentation developments that could more effectively address existing and emerging presentation problems. Future presentation developments include those that may arise from technological developments in information management.

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