IPSAS® ACCOUNTING STANDARD

IPSAS 1, *PRESENTATION OF FINANCIAL STATEMENTS*

International Federation of Accountants®
570 Lexington Avenue
New York, New York 10022 USA

This publication was published by the International Federation of Accountants (IFAC®). Its mission is to serve the public interest and strengthen the accountancy profession by supporting the development of high-quality international standards, promoting the adoption and implementation of these standards, building the capacity of professional accountancy organizations, and speaking out on public interest issues.

Published by:

International Federation of Accountants®

IPSAS 1, *PRESENTATION OF FINANCIAL STATEMENTS*

Acknowledgment

This International Public Sector Accounting Standard (IPSAS) is drawn primarily from International Accounting Standard (IAS®) 1 (Revised 2003), *Presentation of Financial Statements*, published by the International Accounting Standards Board (IASB®). Extracts from IAS 1 are reproduced in this publication of the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC) with the permission of the International Financial Reporting Standards (IFRS®) Foundation.

The approved text of the IFRS Accounting Standards is that published by the IASB in the English language, and copies may be obtained directly from IFRS Foundation, Customer Service, Columbus Building, 7 Westferry Circus, Canary Wharf, London E14 4HD, United Kingdom.

E-mail: customerservices@ifrs.org

Internet: www.ifrs.org

IPSAS 1, *PRESENTATION OF FINANCIAL STATEMENTS*

History of IPSAS Accounting Standard

This version includes amendments resulting from IPSAS Accounting Standards issued up to January 31, 2026.

IPSAS 1, *Presentation of Financial Statements* was issued in May 2000.

In December 2006, the IPSASB issued a revised IPSAS 1.

Since then, IPSAS 1 has been amended by the following IPSAS Accounting Standards:

- IPSAS 51, *Tangible Natural Resources Held for Conservation* (issued January 2026)
- IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards* (issued November 2025)
- *Definition of Material* (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework) (issued October 2025)
- *Improvements to IPSAS, 2023* (issued April 2024)
- IPSAS 47, *Revenue* (issued May 2023)
- IPSAS 46, *Measurement* (issued May 2023)
- IPSAS 45, *Property, Plant, and Equipment* (issued May 2023)
- IPSAS 44, *Non-current Assets Held for Sale and Discontinued Operations* (issued May 2022)
- *COVID-19: Deferral of Effective* Dates (issued November 2020)
- IPSAS 42, *Social Benefits* (issued January 2019)
- IPSAS 41, *Financial Instruments* (issued August 2018)
- IPSAS 40, *Public Sector Combinations* (issued January 2017)
- IPSAS 39, *Employee Benefits* (issued July 2016)
- *The Applicability of IPSAS* (issued April 2016)
- *Improvements to IPSAS 2015* (issued April 2016)
- IPSAS 38, *Disclosure of Interests in Other Entities* (issued January 2015)
- IPSAS 35, *Consolidated Financial Statements* (issued January 2015)
- IPSAS 33*, First-time Adoption of Accrual Basis International Public Sector Accounting Standar*ds (IPSAS) (issued January 2015)
- *Improvements to IPSAS 2014* (issued January 2015)
- *Improvements to IPSAS 2011* (issued October 2011)
- *Improvements to IPSAS* (issued November 2010)
- *Improvements to IPSAS* (issued January 2010)
- IPSAS 30, *Financial Instruments: Disclosures* (issued January 2010)
- IPSAS 29, *Financial Instruments: Recognition and Measurement* (issued January 2010)
- IPSAS 28, *Financial Instruments: Presentation* (issued January 2010)

Table of Amended Paragraphs in IPSAS 1

Paragraph Affected	How Affected	Affected By
Introduction section	Deleted	*Improvements to IPSAS* October 2011
4	Amended	IPSAS 35 January 2015
5	Deleted	*The Applicability of IPSAS* April 2016
6	Deleted	*The Applicability of IPSAS* April 2016
7	Amended	IPSAS 35 January 2015 *The Applicability of IPSAS* April 2016 IPSAS 41 August 2018 IPSAS 45 May 2023 *Definition of Material* October 2025
7A	New	IPSAS 28 January 2010
12	Deleted	*The Applicability of IPSAS* April 2016
12A	New	*Definition of Material* October 2025
13	Amended	*Definition of Material* October 2025
13A	New	*Definition of Material* October 2025
21	Amended	*Improvements to IPSAS* January 2015
29	Amended	*Improvements to IPSAS* April 2016
44	Amended	*Improvements to IPSAS* April 2016
50	Amended	IPSAS 47 May 2023
53	Amended	*Improvements to IPSAS* January 2015
53A	New	*Improvements to IPSAS* January 2015
54	Amended	*Improvements to IPSAS* January 2015
70	Amended	*Improvements to IPSAS* April 2016 *Improvements to IPSAS, 2023* April 2024
73	Amended	*Improvements to IPSAS* April 2016
74	Amended	*Improvements to IPSAS* April 2016
75	Amended	IPSAS 30 January 2010
79	Amended	IPSAS 29 January 2010 *Improvements to IPSAS* January 2010 IPSAS 41 August 2018
80	Amended	*Improvements to IPSAS* November 2010 *Improvements to IPSAS, 2023* April 2024

Paragraph Affected	How Affected	Affected By
Heading above paragraph 81	New	*Improvements to IPSAS, 2023* April 2024
Heading above paragraph 82	New	*Improvements to IPSAS, 2023* April 2024
82	Amended	IPSAS 29 January 2010 *Improvements to IPSAS* January 2010 *Improvements to IPSAS* November 2010 IPSAS 41 August 2018 *Improvements to IPSAS, 2023* April 2024
83A	New	*Improvements to IPSAS, 2023* April 2024
83B	New	*Improvements to IPSAS, 2023* April 2024
84	Amended	*Improvements to IPSAS, 2023* April 2024
85	Amended	*Improvements to IPSAS, 2023* April 2024
86A	New	*Improvements to IPSAS, 2023* April 2024
87	Amended	*Improvements to IPSAS, 2023* April 2024
87A	New	*Improvements to IPSAS, 2023* April 2024
Heading above paragraph 87B	New	*Improvements to IPSAS, 2023* April 2024
87B	New	*Improvements to IPSAS, 2023* April 2024
87C	New	*Improvements to IPSAS, 2023* April 2024
88	Amended	IPSAS 35 January 2015 IPSAS 42 January 2019 IPSAS 44 May 2022 IPSAS 47 May 2023 IPSAS 51 January 2026
92	Amended	IPSAS 45 May 2023 IPSAS 51 January 2026
94	Amended	IPSAS 42 January 2019 IPSAS 45 May 2023 IPSAS 47 May 2023
95	Amended	IPSAS 35 January 2015
95A	New	IPSAS 28 January 2010
97	Amended	IPSAS 35 January 2015 *The Applicability of IPSAS* April 2016
101	Amended	IPSAS 29 January 2010 IPSAS 41 August 2018

Paragraph Affected	How Affected	Affected By
		IPSAS 45 May 2023
102	Amended	IPSAS 41 August 2018 IPSAS 44 May 2022
103	Amended	IPSAS 35 January 2015
107	Amended	IPSAS 44 May 2022 IPSAS 51 January 2026
109	Amended	*Improvements to IPSAS* April 2016
112	Amended	IPSAS 42 January 2019
113	Amended	IPSAS 42 January 2019
114	Amended	IPSAS 42 January 2019
115	Amended	IPSAS 42 January 2019
116	Amended	IPSAS 39 July 2016 *Improvements to IPSAS* April 2016
118	Amended	IPSAS 35 January 2015
125A	New	IPSAS 41 August 2018
125B	New	IPSAS 41 August 2018
125C	Amended	IPSAS 41 August 2018 IPSAS 45 May 2023
129	Amended	IPSAS 30 January 2010
133	Amended	IPSAS 46 May 2023
134	Amended	IPSAS 38 January 2015 IPSAS 45 May 2023 IPSAS 46 May 2023 IPSAS 51 January 2026
135	Amended	IPSAS 35 January 2015 IPSAS 40 January 2017 IPSAS 47 May 2023
138	Amended	IPSAS 41 August 2018
139	Amended	IPSAS 38 January 2015
141	Amended	IPSAS 46 May 2023
143	Amended	IPSAS 46 May 2023
148	Amended	IPSAS 30 January 2010

Paragraph Affected	How Affected	Affected By
		IPSAS 45 May 2023
148A	New	IPSAS 30 January 2010
148B	New	IPSAS 30 January 2010
148C	New	IPSAS 30 January 2010
148D	New	IPSAS 28 January 2010
150	Amended	IPSAS 28 January 2010
151	Deleted	IPSAS 33 January 2015
152	Deleted	IPSAS 33 January 2015
153A	New	*Improvements to IPSAS* January 2010
153B	New	IPSAS 28 January 2010
153C	New	IPSAS 30 January 2010
153D	New	*Improvements to IPSAS* November 2010
153E	New	*Improvements to IPSAS* January 2015
153F	New	IPSAS 33 January 2015
153G	New	IPSAS 38 January 2015 IPSAS 35 January 2015
153H	New	*Improvements to IPSAS* April 2016
153I	New	*The Applicability of IPSAS* April 2016
153J	New	IPSAS 39 July 2016
153K	New	IPSAS 40 January 2017
153L	Amended	*COVID-19: Deferral of Effective Dates* November 2020
153M	New	IPSAS 42 January 2019
153N	New	IPSAS 44 May 2022
153O	New	IPSAS 45 May 2023
153P	New	IPSAS 46 May 2023
153Q	New	IPSAS 47 May 2023
153R	New	*Improvements to IPSAS, 2023* April 2024
153S	Amended	*Definition of Material* October 2025
153T	New	IPSAS 51 January 2026
154	Amended	IPSAS 33 January 2015

Paragraph Affected	How Affected	Affected By
		IPSAS 33 November 2025
Implementation Guidance	Amended	IPSAS 44 May 2022 IPSAS 47 May 2023

IPSAS 1, *PRESENTATION OF FINANCIAL STATEMENTS*

CONTENTS

International Public Sector Accounting Standard 1, *Presentation of Financial Statements*, is set out in paragraphs 1−155. All the paragraphs have equal authority. IPSAS 1 should be read in the context of its objective, the Basis for Conclusions, the *Preface to IPSAS Accounting Standards and IPSASB SRS Standards*, and *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*. IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*, provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Objective

1. The objective of this Standard is to prescribe the manner in which general purpose financial statements should be presented to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. To achieve this objective, this Standard sets out overall considerations for the presentation of financial statements, guidance for their structure, and minimum requirements for the content of financial statements prepared under the accrual basis of accounting. The recognition, measurement, and disclosure of specific transactions and other events are dealt with in other IPSAS.

Scope

2. **This Standard shall be applied to all general purpose financial statements prepared and presented under the accrual basis of accounting in accordance with IPSAS.**

3. General purpose financial statements are those intended to meet the needs of users who are not in a position to demand reports tailored to meet their particular information needs. Users of general purpose financial statements include taxpayers and ratepayers, members of the legislature, creditors, suppliers, the media, and employees. General purpose financial statements include those that are presented separately or within another public document, such as an annual report. This Standard does not apply to condensed interim financial information.

4. This Standard applies equally to all entities including those that present consolidated financial statements in accordance with IPSAS 35, *Consolidated Financial Statements* and those that present separate financial statements, in accordance with IPSAS 34, *Separate Financial Statements*.

5. [Deleted]

6. [Deleted]

Definitions

7. **The following terms are used in this Standard with the meanings specified:**

<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.

<u>Assets</u> are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

<u>Contributions from owners</u> means future economic benefits or service potential that has been contributed to the entity by parties external to the entity, other than those that result in liabilities of the entity, that establish a financial interest in the net assets/equity of the entity, which:

(a) **Conveys entitlement both to (i) distributions of future economic benefits or service potential by the entity during its life, such distributions being at the discretion of the owners or their representatives, and to (ii) distributions of any excess of assets over liabilities in the event of the entity being wound up; and/or**

(b) **Can be sold, exchanged, transferred, or redeemed.**

Distributions to owners means future economic benefits or service potential distributed by the entity to all or some of its owners, either as a return on investment or as a return of investment.

An economic entity is a controlling entity and its controlled entities.

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets/equity, other than those relating to distributions to owners.

Impracticable Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so.

Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

Material 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 make on the basis of the entity's general purpose financial statements prepared for that reporting period.

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 paragraphs 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 paragraphs 113–155 of IPSAS 41).**

<u>Notes</u> contain information in addition to that presented in the statement of financial position, statement of financial performance, statement of changes in net assets/equity and cash flow statement. Notes provide narrative descriptions or disaggregations of items disclosed in those statements and information about items that do not qualify for recognition in those statements.

<u>Revenue</u> is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets/equity, other than increases relating to contributions from owners.

Terms defined in other IPSAS are used in this Standard with the same meaning as in those Standards, and are reproduced in the *Glossary of Defined Terms* published separately.

7A. The following terms are described in IPSAS 28*, Financial Instruments: Presentation* and are used in this Standard with the meaning specified in IPSAS 28:

(a) Puttable financial instrument classified as an equity instrument (described in paragraphs 15 and 16 of IPSAS 28);

(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 (described in paragraphs 17 and 18 of IPSAS 28).

Economic Entity

8. The term economic entity is used in this Standard to define, for financial reporting purposes, a group of entities comprising the controlling entity and any controlled entities.

9. Other terms sometimes used to refer to an economic entity include administrative entity, financial entity, consolidated entity, and group.

10. 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

11. Assets provide a means for entities to achieve their 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. To encompass all the purposes to which assets may be put, this Standard uses the term "future economic benefits or service potential" to describe the essential characteristic of assets.

Government Business Enterprises

12. [Deleted]

Materiality

12A. 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

(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.

13. Assessing whether information could reasonably be expected to influence the discharge of accountability by the entity, or the decisions that primary users make on the basis 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.

13A. 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.

Net Assets/Equity

14. Net assets/equity is the term used in this 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.

Purpose of Financial Statements

15. Financial statements are a structured representation of the financial position and financial performance of an entity. The objectives of general purpose financial statements are to provide information about the financial position, financial performance, and cash flows of an entity that is useful to a wide range of users in making and evaluating decisions about the allocation of resources. Specifically, the objectives of general purpose financial reporting in the public sector should be to provide information useful for decision making, and to demonstrate the accountability of the entity for the resources entrusted to it, by:

(a) Providing information about the sources, allocation, and uses of financial resources;

(b) Providing information about how the entity financed its activities and met its cash requirements;

(c) Providing information that is useful in evaluating the entity's ability to finance its activities and to meet its liabilities and commitments;

(d) Providing information about the financial condition of the entity and changes in it; and

(e) Providing aggregate information useful in evaluating the entity's performance in terms of service costs, efficiency, and accomplishments.

16. General purpose 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 may be generated by continued operations, 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.

17. To meet these objectives, the financial statements provide information about an entity's:

(a) Assets;

(b) Liabilities;

(c) Net assets/equity;

(d) Revenue;

(e) Expenses;

(f) Other changes in net assets/equity; and

(g) Cash flows.

18. Although the information contained in financial statements can be relevant for the purpose of meeting the objectives in paragraph 15, it is unlikely to enable all these objectives to be met. 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 statements, may be reported alongside the financial statements in order to provide a more comprehensive picture of the entity's activities during the period.

Responsibility for Financial Statements

19. 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).

20. 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

21. **A complete set of financial statements comprises:**

(a) **A statement of financial position;**

(b) **A statement of financial performance;**

(c) **A statement of changes in net assets/equity;**

(d) **A cash flow statement;**

(e) **When the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements;**

(f) **Notes, comprising a summary of significant accounting policies and other explanatory notes; and**

(g) **Comparative information in respect of the preceding period as specified in paragraphs 53 and 53A of IPSAS 1.**

22. The components listed in paragraph 21 are referred to by a variety of names both within and across jurisdictions. The statement of financial position may also be referred to as a balance sheet or statement of assets and liabilities. The statement of financial performance may also be referred to as a statement of revenues and expenses, an income statement, an operating statement, or a profit and loss statement. The notes may include items referred to as schedules in some jurisdictions.

23. The financial statements provide users with information about an entity's resources and obligations at the reporting date and the flow of resources between reporting dates. 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.

24. 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*. For other entities, where the financial statements and the budget are on the same basis of accounting, this 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:

- 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
- 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.

25. 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.

26. 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.

Overall Considerations

Fair Presentation and Compliance with IPSAS

27. **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. The application of IPSAS, with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation.**

28. **An entity whose financial statements comply with IPSAS shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with IPSAS unless they comply with all the requirements of IPSAS.**

29. In virtually all circumstances, a fair presentation is achieved by compliance with applicable IPSAS. A fair presentation also requires an entity:

    (a) To select and apply accounting policies in accordance with IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors.* IPSAS 3 sets out a hierarchy of authoritative guidance that management considers, in the absence of a Standard that specifically applies to an item.

    (b) To present information, including accounting policies, in a manner that provides relevant, faithfully representative, understandable, timely, comparable, and verifiable information.

    (c) To provide additional disclosures when compliance with the specific requirements in IPSAS 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.

30. **Inappropriate accounting policies are not rectified either by disclosure of the accounting policies used, or by notes or explanatory material.**

31. **In the extremely rare circumstances in which management concludes that compliance with a requirement in a Standard would be so misleading that it would conflict with the objective of financial statements set out in this Standard, the entity shall depart from that requirement in the manner set out in paragraph 32 if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure.**

32. **When an entity departs from a requirement of a Standard in accordance with paragraph 31, 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, except that it has departed from a particular requirement to achieve a fair presentation;**

    (c) **The title of the Standard from which the entity has departed, the nature of the departure, including the treatment that the 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 Standard, and the treatment adopted; and

(d) **For each period presented, the financial impact of the departure on each item in the financial statements that would have been reported in complying with the requirement.**

33. **When an entity has departed from a requirement of a 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 paragraph 32(c) and (d).**

34. Paragraph 33 applies, for example, when an entity departed in a prior period from a requirement in a 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.

35. **In the extremely rare circumstances in which management concludes that compliance with a requirement in a Standard would be so misleading that it would conflict with the objective of financial statements set out in this 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 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 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.**

36. For the purpose of paragraphs 31−35, 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 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 a Standard would be so misleading that it would conflict with the objective of financial statements set out in this 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 the financial statements set out in this Standard.

37. Departures from the requirements of an IPSAS 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 Standard as outlined in paragraph 31. If such departures are material, an entity cannot claim to be complying with IPSAS.

Going Concern

38. **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.

39. 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.

40. The degree of consideration depends on the facts in each case, and assessments of the going concern assumption are 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 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; and

(b) For an individual entity, an assessment of its statement of financial position at the reporting date 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.

41. 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.

Consistency of Presentation

42. **The presentation and classification of items in the financial statements shall be retained from one 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; or**

(b) **An IPSAS requires a change in presentation.**

43. 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.

44. An entity changes the presentation of its financial statements only if the changed presentation provides information that is faithfully representative and is more relevant to users of the financial statements, and the

revised structure is likely to continue, so that comparability is not impaired. When making such changes in presentation, an entity reclassifies its comparative information in accordance with paragraphs 55 and 56.

Materiality and Aggregation

45. **Each material class of similar items shall be presented separately in the financial statements. Items of a dissimilar nature or function shall be presented separately, unless they are immaterial.**

46. Financial statements result from processing large numbers of transactions or other events that are aggregated into classes according to their nature or function. The final stage in the process of aggregation and classification is the presentation of condensed and classified data, which form line items on the face of the statement of financial position, statement of financial performance, statement of changes in net assets/equity, and cash flow statement, or in the notes. If a line item is not individually material, it is aggregated with other items either on the face of those statements or in the notes. An item that is not sufficiently material to warrant separate presentation on the face of those statements may nevertheless be sufficiently material for it to be presented separately in the notes.

47. Applying the concept of materiality means that a specific disclosure requirement in an IPSAS need not be satisfied if the information is not material.

Offsetting

48. **Assets and liabilities, and revenue and expenses, shall not be offset unless required or permitted by an IPSAS.**

49. It is important that assets and liabilities, and revenue and expenses, are reported separately. 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, detracts from the ability of users both (a) to understand the transactions, other events and conditions that have occurred, and (b) to 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.

50. IPSAS 47, *Revenue*, requires revenue to be measured at the amount of consideration to which the entity expects to be entitled in the transaction. The amount of revenue recognized reflects any trade discounts and volume rebates allowed by the entity. In the course of its activities, an entity undertakes other transactions that do not generate revenue but are incidental to the main revenue-generating activities. The results of such transactions are presented, when this presentation reflects the substance of the transaction or other event, by netting any revenue with related expenses arising on the same transaction. For example:

    (a) Gains and losses on the disposal of non-current assets, including investments and operating assets, are reported by deducting from the amount of consideration on disposal the carrying amount of the asset and related selling expenses; and

    (b) Expenses related to a provision that is recognized in accordance with IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*, and reimbursed under a contractual arrangement with a third party (for example, a supplier's warranty agreement) may be netted against the related reimbursement.

51. In addition, gains and losses arising from a group of similar transactions are reported on a net basis, for example, foreign exchange gains and losses and gains and losses arising on financial instruments held for trading. Such gains and losses are, however, reported separately if they are material.

52. The offsetting of cash flows is dealt with in IPSAS 2, *Cash Flow Statements.*

Comparative Information

Minimum Comparative Information

53. **Except when an IPSAS permits or requires otherwise, an entity shall present comparative information in respect of the preceding period for all amounts reported in the financial statements. An entity shall include comparative information for narrative and descriptive information if it is relevant to understanding the current period's financial statements.**

53A. **An entity shall present, as a minimum, one statement of financial position with comparative information for the preceding period, one statement of financial performance with comparative information for the preceding period, one cash flow statement with comparative information for the preceding period and one statement of changes in net assets/equity with comparative information for the preceding period, and related notes.**

54. In some cases, narrative information provided in the financial statements for the preceding 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 may 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.

55. **When the presentation or classification of items in the financial statements is amended, comparative amounts shall be reclassified unless the reclassification is impracticable. When comparative amounts are reclassified, an entity shall disclose:**

    (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.**

56. **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.**

57. Enhancing the inter-period comparability of information assists users in making and evaluating decisions, 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 period to achieve comparability with the current period. For example, data may not have been collected in the prior period(s) in a way that allows reclassification, and it may not be practicable to recreate the information.

58. IPSAS 3 deals with the adjustments to comparative information required when an entity changes an accounting policy or corrects an error.

Structure and Content

Introduction

59. This Standard requires particular disclosures on the face of the statement of financial position, statement of financial performance, and statement of changes in net assets/equity, and requires disclosure of other line items either on the face of those statements or in the notes. IPSAS 2 sets out requirements for the presentation of a cash flow statement.

60. This Standard sometimes uses the term disclosure in a broad sense, encompassing items presented on the face of the (a) statement of financial position, (b) statement of financial performance, (c) statement of changes in net assets/equity, and (d) cash flow statement, as well as in the notes. Disclosures are also required by other IPSAS. Unless specified to the contrary elsewhere in this Standard, or in another Standard, such disclosures are made either on the face of the statement of financial position, statement of financial performance, statement of changes in net assets/equity or cash flow statement (whichever is relevant), or in the notes.

Identification of the Financial Statements

61. **The financial statements shall be identified clearly, and distinguished from other information in the same published document.**

62. IPSAS apply only to financial statements, and not to other information presented in an annual report or other document. Therefore, it is important that users can distinguish information that is prepared using IPSAS from other information that may be useful to users but is not the subject of those requirements.

63. **Each component of the financial statements shall be identified clearly. In addition, the following information shall be displayed prominently, and repeated when it is necessary for a proper understanding of the information presented:**

    (a) **The name of the reporting entity or other means of identification, and any change in that information from the preceding reporting date;**

    (b) **Whether the financial statements cover the individual entity or the economic entity;**

    (c) **The reporting date or the period covered by the financial statements, whichever is appropriate to that component of the financial statements;**

    (d) **The presentation currency, as defined in IPSAS 4, *The Effects of Changes in Foreign Exchange Rates*; and**

    (e) **The level of rounding used in presenting amounts in the financial statements.**

64. The requirements in paragraph 63 are normally met by presenting page headings and abbreviated column headings on each page of the financial statements. Judgment is required in determining the best way of presenting such information. For example, when the financial statements are presented electronically, separate pages are not always used; the above items are then presented frequently enough to ensure a proper understanding of the information included in the financial statements.

65. Financial statements are often made more understandable by presenting information in thousands or millions of units of the presentation currency. This is acceptable as long as the level of rounding in presentation is disclosed and material information is not omitted.

Reporting Period

66. **Financial statements shall be presented at least annually. When an entity's reporting date changes and the annual financial statements are presented for a period longer or shorter than one year, an 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 comparative amounts for certain statements such as the statement of financial performance, statement of changes in net assets/equity, cash flow statement, and related notes are not entirely comparable.**

67. In exceptional circumstances, an entity may be required to, or decide to, change its reporting date, 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 the change in reporting date is disclosed. A further example is where, in making the transition from cash to accrual accounting, an entity changes the reporting date for entities within the economic entity to enable the preparation of consolidated financial statements.

68. Normally, financial statements are consistently prepared covering a one-year period. However, for practical reasons, some entities prefer to report, for example, for a 52-week period. This 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

69. The usefulness of financial statements is impaired if they are not made available to users within a reasonable period after the reporting date. An entity should be in a position to issue its financial statements within six months of the reporting date. 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.

Statement of Financial Position

Current/Non-current Distinction

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

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

72. When an entity supplies goods or services within a clearly identifiable operating cycle, separate classification of current and non-current assets and liabilities on the face of 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. It also highlights assets that are expected to be realized within the current operating cycle, and liabilities that are due for settlement within the same period.

73. For some entities, such as financial institutions, a presentation of assets and liabilities in increasing or decreasing order of liquidity provides information that is faithfully representative and is more relevant than a current/non-current presentation, because the entity does not supply goods or services within a clearly identifiable operating cycle.

74. In applying paragraph 70, an entity is permitted to present some of its assets and liabilities using a current/non-current classification, and others in order of liquidity, when this provides information that is faithfully representative and is more relevant. The need for a mixed basis of presentation might arise when an entity has diverse operations.

75. Information about expected dates of realization of assets and liabilities is useful in assessing the liquidity and solvency of an entity. IPSAS 30, *Financial Instruments: Disclosures*, requires disclosure of the maturity dates

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 and settlement of non-monetary assets and liabilities such as inventories and provisions is also useful, whether or not assets and liabilities are classified as current or non-current.

Current Assets

76. **An asset shall be classified as current when it satisfies any of the following criteria:**

(a) **It is expected to be realized in, or is held for sale or consumption in, the entity's normal operating cycle;**

(b) **It is held primarily for the purpose of being traded;**

(c) **It is expected to be realized within twelve months after the reporting date; or**

(d) **It is cash or a cash equivalent (as defined in IPSAS 2), unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.**

All other assets shall be classified as non-current.

77. This Standard uses the term non-current assets 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.

78. 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.

79. 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 reporting date. 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

80. **A liability shall be classified as current when it satisfies any of the following criteria:**

(a) **It is expected to be settled in the entity's normal operating cycle;**

(b) **It is held primarily for the purpose of being traded;**

(c) **It is due to be settled within twelve months after the reporting date; or**

(d) **The entity does not have the right to at the reporting date defer settlement of the liability for at least twelve months after the reporting date.**

All other liabilities shall be classified as non-current.

Normal Operating Cycle (paragraph 80(a))

81. Some current liabilities, such as government transfers payable and some accruals for employee and other operating costs, are part of the working capital used in the 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 date. The same normal operating cycle applies to the classification of an 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 (paragraph 80(b) or Due to be Settled within Twelve Months (paragraph 80(c))

82. Other current liabilities are not settled as part of the normal operating cycle, but are due for settlement within twelve months after the reporting date or held primarily for the purpose of being traded. 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, income taxes and other non-trade payables. Financial liabilities that provide financing on a long-term basis (i.e., 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 date are non-current liabilities, subject to paragraphs 83A–86.

83. An entity classifies its financial liabilities as current when they are due to be settled within twelve months after the reporting date, 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 date and before the financial statements are authorized for issue.

Right to Defer Settlement for at Least Twelve Months (paragraph 80(d))

83A. An entity's right to defer settlement of a liability for at least twelve months after the reporting date must have substance and, as illustrated in paragraphs 83B–86, must exist at the reporting date.

83B. An entity's right to defer settlement of a liability arising from a loan arrangement for at least twelve months after the reporting date 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 80(d), such covenants:

(a) Affect whether that right exists at the reporting date—as illustrated in paragraphs 85–86—if an entity is required to comply with the covenant on or before the reporting date. Such a covenant affects whether the right exists at the reporting date even if compliance with the covenant is assessed only after the reporting date (for example, a covenant based on the entity's financial position at the reporting date but assessed for compliance only after the reporting date).

(b) Do not affect whether that right exists at the reporting date if an entity is required to comply with the covenant only after the reporting date (for example, a covenant based on the entity's financial position six months after the reporting date).

84. If an entity has the right, at the reporting date, to roll over an obligation for at least twelve months after the reporting date 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 and classifies the obligation as current.

85. When an entity breaches a covenant of a long-term loan agreement on or before the reporting date, with the effect that the liability becomes payable on demand, the liability is classified as current, even if the lender has agreed, after the reporting date and before the authorization of the financial statements for issue, not to demand payment as a consequence of the breach. The liability is classified as current because, at the reporting date, the entity does not have the right to defer its settlement for at least twelve months after that date.

86. However, the liability is classified as non-current if the lender agreed by the reporting date to provide a period of grace ending at least twelve months after the reporting date, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment.

86A. 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 date. If a liability meets the criteria in paragraph 80 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 date, or even if the entity settles the liability between the reporting date 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 its financial statements to understand the impact of the liability on the entity's financial position (see paragraphs 29(c) and 87(d)).

87. If the following events occur between the reporting date and the date the financial statements are authorized for issue, those events qualify for disclosure as non-adjusting events in accordance with IPSAS 14, *Events after the Reporting Date*:

(a) Refinancing on a long-term basis of a liability classified as current (see paragraph 83);

(b) Rectification of a breach of a long-term loan agreement classified as current (see paragraph 85);

(c) The receipt from the lender of a period of grace to rectify a breach of a long-term loan agreement classified as current (paragraph 86); and

(d) Settlement of a liability classified as non-current (see paragraph 86A).

87A. In applying paragraphs 80–86, an entity might classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting date (see paragraph 83B(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 date, 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 date 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 reporting date.

Settlement (paragraphs 80(a), 80(c) and 80(d))

87B. 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 resources—for example, goods or services; or

(b) The entity's own equity instruments, unless paragraph 87C applies.

87C. 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.

Information to be Presented on the Face of the Statement of Financial Position

88. **As a minimum, the face of the statement of financial position shall include line items that present the following amounts:**

(a) **Property, plant, and equipment;**

(b) **Investment property;**

(ba) **Tangible natural resources held for conservation**;

(c) **Intangible assets;**

(d) **Financial assets (excluding amounts shown under (e), (g), (h) and (i));**

(e) **Investments accounted for using the equity method;**

(f) **Inventories;**

(g) [Deleted]

(h) **Receivables;**

(i) **Cash and cash equivalents;**

(ia) **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, *Non-current Assets Held for Sale and Discontinued Operations;***

(j) **Taxes and transfers payable;**

(ja) **Social benefits liabilities;**

(k) **Payables;**

(l) **Provisions;**

(m) **Financial liabilities (excluding amounts shown under (j), (k) and (l));**

(ma) **Liabilities included in disposal groups classified as held for sale in accordance with IPSAS 44;**

(n) **Non-controlling interest, presented within net assets/equity; and**

(o) **Net assets/equity attributable to owners of the controlling entity.**

89. **Additional line items, headings, and sub-totals shall be presented on the face of the statement of financial position when such presentation is relevant to an understanding of the entity's financial position.**

90. This Standard does not prescribe the order or format in which items are to be presented. Paragraph 88 simply provides a list of items that are sufficiently different in nature or function to warrant separate presentation on the face of the statement of financial position. Illustrative formats are set out in Implementation Guidance to this Standard. In addition:

(a) Line items are included when the size, nature, or function of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of the entity's financial position; and

(b) 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 information that is relevant to an understanding of the entity's financial position.

91. The judgment on whether additional items are presented separately is based on an assessment of:

(a) The nature and liquidity of assets;

(b) The function of assets within the entity; and

(c) The amounts, nature and timing of liabilities.

92. The use of different measurement models for different classes of assets suggests that their nature or function differs and, therefore, that they should be presented as separate line items. For example, different classes of property, plant, and equipment can be carried at cost or revalued amounts in accordance with IPSAS 45. Similarly, different classes of tangible natural resources held for conservation can be carried at historical cost or current value in accordance with IPSAS 51, *Tangible Natural Resources Held for Conservation*.

Information to be Presented either on the Face of the Statement of Financial Position or in the Notes

93. **An entity shall disclose, either on the face of the statement of financial position or in the notes, further subclassifications of the line items presented, classified in a manner appropriate to the entity's operations.**

94. The detail provided in subclassifications depends on the requirements of IPSAS and on the size, nature and function of the amounts involved. The factors set out in paragraph 91 also are used to decide the basis of subclassification. The disclosures vary for each item, for example:

(a) Items of property, plant and equipment are disaggregated into classes in accordance with IPSAS 45;

(b) Receivables are disaggregated into amounts receivable from user charges, taxes and other revenue transactions, receivables from related parties, prepayments, and other amounts;

(c) Inventories are subclassified in accordance with IPSAS 12, Inventories, into classifications such as merchandise, production supplies, materials, work in progress, and finished goods;

(d) Taxes and transfers payable are disaggregated into tax refunds payable, transfers payable, and amounts payable to other members of the economic entity;

(da) Social benefits liabilities are disaggregated into separate social benefit schemes where these are material;

(e) Provisions are disaggregated into provisions for employee benefits and other items; and

(f) Components of net assets/equity are disaggregated into contributed capital, accumulated surpluses and deficits, and any reserves.

95. **When an entity has no share capital, it shall disclose net assets/equity, either on the face of the statement of financial position or in the notes, showing separately:**

(a) **Contributed capital, being the cumulative total at the reporting date of contributions from owners, less distributions to owners;**

(b) **Accumulated surpluses or deficits;**

(c) **Reserves, including a description of the nature and purpose of each reserve within net assets/equity; and**

(d) **Non-controlling interests.**

95A. **If an entity has reclassified:**

(a) **A puttable financial instrument classified as an equity instrument; 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;**

between financial liabilities and net assets/equity, it shall disclose the amount reclassified into and out of each category (financial liabilities or net assets/equity), and the timing and reason for that reclassification.

96. Many public sector entities will not have share capital, but the entity will be controlled exclusively by another public sector entity. The nature of the government's 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.

97. 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.

98. **When an entity has share capital, in addition to the disclosures in paragraph 95, it shall disclose the following, either on the face of the statement of financial position or 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 the number issued but not fully paid;**

(iii) **Par value per share, or 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 year;**

(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 the terms and amounts; and**

(b) **A description of the nature and purpose of each reserve within net assets/equity.**

Statement of Financial Performance

Surplus or Deficit for the Period

99. **All items of revenue and expense recognized in a period shall be included in surplus or deficit, unless an IPSAS requires otherwise.**

100. 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.

101. Other IPSAS deal with items that may meet definitions of revenue or expense set out in this Standard, but are usually excluded from surplus or deficit. Examples include revaluation surpluses (see IPSAS 45), particular (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).

Information to be Presented on the Face of the Statement of Financial Performance

102. **As a minimum, the face of the statement of financial performance shall include line items that present the following amounts for the period:**

(a) **Revenue, presenting separately:**

(i) **Interest revenue calculated using the effective interest method; and**

(ii) **Gains and losses arising from the derecognition of financial assets measured at amortized cost;**

(b) **Finance costs;**

(ba) **Impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with paragraphs 73–93 of IPSAS 41;**

(c) **Share of the surplus or deficit of associates and joint ventures accounted for using the equity method;**

(ca) **If a financial asset is reclassified out of the amortized cost measurement category so that it is measured at fair value through surplus or deficit, any gain or loss arising from a difference between the previous amortized cost of the financial asset and its fair value at the reclassification date (as defined in IPSAS 41);**

(cb) **If a financial asset is reclassified out of the fair value through net asset/equity measurement category so that it is measured at fair value through surplus or deficit, any cumulative gain or loss previously recognized in net assets/equity that is reclassified to surplus or deficit;**

(d) [Deleted]

(e) **Surplus or deficit; and**

(f) **A single amount for the total of discontinued operations (see IPSAS 44).**

103. **The following items shall be disclosed on the face of the statement of financial performance as allocations of surplus or deficit for the period:**

(a) **Surplus or deficit attributable to non-controlling interest; and**

(b) **Surplus or deficit attributable to owners of the controlling entity.**

104. **Additional line items, headings, and subtotals shall be presented on the face of the statement of financial performance when such presentation is relevant to an understanding of the entity's financial performance.**

105. 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 48 are met.

Information to be Presented either on the Face of the Statement of Financial Performance or in the Notes

106. **When items of revenue and expense are material, their nature and amount shall be disclosed separately**.

107. Circumstances that would give rise to the separate disclosure of items of revenue and expense include:

(a) Write-downs of inventories to net realizable value or of property, plant, and equipment to recoverable amount or recoverable service amount as appropriate, as well as reversals of such write-downs;

(b) Restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring;

(c) Disposals of items of property, plant, and equipment;

(ca) Disposals of tangible natural resources held for conservation;

(d) Privatizations or other disposals of investments;

(e) Discontinued operations;

(f) Litigation settlements; and

(g) Other reversals of provisions.

108. **An entity shall present, either on the face of the statement of financial performance or in the notes, a subclassification of total revenue, classified in a manner appropriate to the entity's operations.**

109. **An entity shall present, either on the face of the statement of financial performance or in the notes, an analysis of expenses using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is faithfully representative and more relevant.**

110. Entities are encouraged to present the analysis in paragraph 109 on the face of the statement of financial performance.

111. Expenses are subclassified to highlight the costs and cost recoveries of particular programs, activities, or other relevant segments of the reporting entity. This analysis is provided in one of two ways.

112. The first form of analysis is the nature of expense method. Expenses are aggregated in the statement of financial performance according to their nature (for example, depreciation, purchases of materials, transport costs, employee benefits, and advertising costs), and are not reallocated among various functions within the entity. This method may be simple to apply because no allocations of expenses to functional classifications are necessary. An example of a classification using the nature of expense method is as follows:

Revenue		X
Employee benefits costs	X	
Social benefits expenses	X	
Depreciation and amortization expense	X	
Other expenses	X	
Total expenses		(X)
Surplus		X

113. The second form of analysis is the function of expense method and classifies expenses according to the program or purpose for which they were made. This method can provide more relevant information to users than the classification of expenses by nature, but allocating costs to functions may require arbitrary allocations and involves considerable judgment. An example of a classification using the function of expense method is as follows:

Revenue	X
Expenses:	
Social benefits expenses	(X)
Health expenses	(X)
Education expenses	(X)
Other expenses	(X)
Surplus	X

114. The expenses associated with the main functions undertaken by the entity are shown separately. In this example, the entity has functions relating to the provision of social benefits, health and education services. The entity would present expense line items for each of these functions.

115. **Entities classifying expenses by function shall disclose additional information on the nature of expenses, including depreciation and amortization expense, social benefits expense and employee benefits expense.**

116. The choice between the function of expense method and the nature of expense method depends on historical and regulatory factors and the nature of the entity. Both methods provide an indication of those costs that might vary, directly or indirectly, with the outputs of the entity. Because each method of presentation has its merits for different types of entities, this Standard requires management to select the most relevant and faithfully representative presentation. However, because information on the nature of expenses is useful in predicting future cash flows, additional disclosure is required when the function of expense classification is used. In paragraph 115, employee benefits has the same meaning as in IPSAS 39.

117. **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 distributions to owners during the period, and the related amount per share.**

Statement of Changes in Net Assets/Equity

118. **An entity shall present 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 expense for the period that, as required by other Standards, is recognized directly in net assets/equity, and the total of these items;**

(c) **Total revenue and expense 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; and**

(d) **For each component of net assets/equity separately disclosed, the effects of changes in accounting policies and corrections of errors recognized in accordance with IPSAS 3.**

119. **An entity shall also present, either on the face of the statement of changes in net assets/equity or in the notes:**

(a) **The amounts of transactions with owners acting in their capacity as owners, showing separately distributions to owners;**

(b) **The balance of accumulated surpluses or deficits at the beginning of the period and at the reporting date, and the changes during the period; and**

(c) **To the extent that components of net assets/equity are separately disclosed, reconciliation between the carrying amount of each component of net assets/equity at the beginning and the end of the period, separately disclosing each change.**

120. Changes in an entity's net assets/equity between two reporting dates reflect the increase or decrease in its net assets during the period.

121. The overall change in net assets/equity during a period represents the total amount of surplus or deficit for the period, other revenues and expenses recognized directly as changes in net assets/equity, together with any contributions by, and distributions to, owners in their capacity as owners.

122. Contributions by, and distributions to, owners 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). Contributions by owners, 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.

123. This Standard requires all items of revenue and expense recognized in a period to be included in surplus or deficit, unless another IPSAS requires otherwise. Other IPSAS require some items (such as revaluation increases and decreases, 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 expense in assessing changes in an entity's financial position between two reporting dates, this 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.

124. IPSAS 3 requires retrospective adjustments to reflect changes in accounting policies, to the extent practicable, except when the transitional provisions in another IPSAS require 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 requires retrospective adjustment of another component of net assets/equity. Paragraph 118(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.

125. The requirements in paragraphs 118 and 119 may be met by using a columnar format that reconciles the opening and closing balances of each element within net assets/equity. An alternative is to present only the items set out in paragraph 118 in the statement of changes in net assets/equity. Under this approach, the items described in paragraph 119 are shown in the notes.

125A. Other IPSAS specify whether and when amounts previously recognized in net assets/equity are reclassified to surplus or deficit. Such reclassifications are referred to in this Standard as reclassification 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.

125B. 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).

125C. 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

126. 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

Structure

127. **The notes shall:**

(a) **Present information about the basis of preparation of the financial statements and the specific accounting policies used, in accordance with paragraphs 132−139;**

(b) **Disclose the information required by IPSAS that is not presented on the face of the statement of financial position, statement of financial performance, statement of changes in net assets/equity, or cash flow statement; and**

(c) **Provide additional information that is not presented on the face of the statement of financial position, statement of financial performance, statement of changes in net assets/equity, or cash flow statement, but that is relevant to an understanding of any of them.**

128. **Notes shall, as far as practicable, be presented in a systematic manner. Each item on the face of the statement of financial position, statement of financial performance, statement of changes in net assets/equity, and cash flow statement shall be cross-referenced to any related information in the notes.**

129. Notes are normally presented in the following order, which assists users in understanding the financial statements and comparing them with financial statements of other entities:

(a) A statement of compliance with IPSAS (see paragraph 28);

(b) A summary of significant accounting policies applied (see paragraph 132);

(c) Supporting information for items presented on the face of the statement of financial position, statement of financial performance, statement of changes in net assets/equity, or cash flow statement, in the order in which each statement and each line item is presented; and

(d) Other disclosures, including:

(i) Contingent liabilities (see IPSAS 19), and unrecognized contractual commitments; and

(ii) Non-financial disclosures, e.g., the entity's financial risk management objectives and policies (see IPSAS 30).

130. In some circumstances, it may be necessary or desirable to vary the ordering of specific items within the notes. For example, information on changes in fair value recognized in surplus or deficit may be combined with information on maturities of financial instruments, although the former disclosures relate to the statement of financial performance and the latter relate to the statement of financial position. Nevertheless, a systematic structure for the notes is retained as far as practicable.

131. Notes providing information about the basis of preparation of the financial statements and specific accounting policies may be presented as a separate component of the financial statements.

Disclosure of Accounting Policies

132. **An entity shall disclose in the summary of significant accounting policies:**

(a) **The measurement basis (or bases) used in preparing the financial statements;**

(b) **The extent to which the entity has applied any transitional provisions in any IPSAS; and**

(c) **The other accounting policies used that are relevant to an understanding of the financial statements.**

133. It is important for users to be informed of the measurement basis or bases used in the financial statements (for example, the historical cost basis, current operational value, cost of fulfillment, or fair value), because the basis on which the financial statements are prepared significantly affects their analysis. When more than one measurement basis is used in the financial statements, for example when particular classes of assets are revalued, it is sufficient to provide an indication of the categories of assets and liabilities to which each measurement basis is applied.

134. In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events, and conditions are reflected in the reported financial performance and financial position. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in IPSAS. An example is disclosure of whether an entity applies the current value model or historical cost model to its investment property (see IPSAS 16, *Investment Property*.) Some IPSAS specifically require disclosure of particular accounting policies, including choices made by management between different policies allowed in those Standards. For example, IPSAS 45 and IPSAS 51 require disclosure of the measurement bases used for classes of property, plant, and equipment or classes of tangible natural resources held for conservation. IPSAS 5, *Borrowing Costs*, requires disclosure of whether borrowing costs are recognized immediately as an expense, or capitalized as part of the cost of qualifying assets.

135. Each entity considers the nature of its operations and the policies that the users of its financial statements would expect to be disclosed for that type of entity. For example, public sector entities would be expected to disclose an accounting policy for recognition of taxes, donations, and other forms of revenue. When an entity has significant foreign operations or transactions in foreign currencies, disclosure of accounting policies for the recognition of foreign exchange gains and losses would be expected. When public sector combinations have occurred, the policies used for measuring goodwill and non-controlling interest are disclosed.

136. An accounting policy may be significant because of the nature of the entity's operation, even if amounts for current and prior periods are not material. It is also appropriate to disclose each significant accounting policy that is not specifically required by IPSAS, but is selected and applied in accordance with IPSAS 3.

137. **An entity shall disclose, in the summary of significant accounting policies or other notes, the judgments, apart from those involving estimations (see paragraph 140), management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognized in the financial statements.**

138. In the process of applying the entity's accounting policies, management makes various judgments, apart from those involving estimations, that can significantly affect the amounts recognized in the financial statements. For example, management makes judgments in determining:

- Whether assets are investment properties;
- Whether agreements for the provision of goods and/or services that involve the use of dedicated assets are leases;
- Whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue;
- Whether the substance of the relationship between the reporting entity and other entities indicates that these other entities are controlled by the reporting entity; and,
- 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.

139. Some of the disclosures made in accordance with paragraph 137 are required by other IPSAS. 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, *Investment Property*, 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.

Key Sources of Estimation Uncertainty

140. **An entity shall disclose in the notes information about (a) the key assumptions concerning the future, and (b) other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing 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 reporting date.**

141. 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 reporting date. 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 (a) the recoverable amount of certain classes of property, plant, and equipment, (b) the effect of technological obsolescence on inventories, and (c) provisions subject to the future outcome of litigation in progress. These estimates involve assumptions about such items as the risk adjustment to cash flows or discount rates used and future changes in prices affecting other costs.

142. The key assumptions and other key sources of estimation uncertainty disclosed in accordance with paragraph 140 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.

143. The disclosures in paragraph 140 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 reporting date, 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 reporting date).

144. The disclosures in paragraph 140 are presented in a manner that helps users of financial statements to understand the judgments management makes about the future and about other key 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 made 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.

145. It is not necessary to disclose budget information or forecasts in making the disclosures in paragraph 140.

146. When it is impracticable to disclose the extent of the possible effects of a key assumption or another key source of estimation uncertainty at the reporting date, the entity discloses that it is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions 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.

147. The disclosures in paragraph 137 of particular judgments management made in the process of applying the entity's accounting policies do not relate to the disclosures of key sources of estimation uncertainty in paragraph 140.

148. The disclosure of some of the key assumptions that would otherwise be required in accordance with paragraph 140 is required by other IPSAS. For example, IPSAS 19 requires disclosure, in specified circumstances, of major assumptions concerning future events affecting classes of provisions. IPSAS 30 requires disclosure of significant assumptions applied in estimating fair values of financial assets and financial liabilities that are carried at fair value. 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.

Capital

148A. **An entity shall disclose information that enables users of its financial statements to evaluate the entity's objectives, policies, and processes for managing capital.**

148B. To comply with paragraph 148A the entity discloses the following:

(a) Qualitative information about its objectives, policies, and processes for managing capital, including (but not limited to):

(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 (e.g., some forms of subordinated debt) as part of capital. Other entities regard capital as excluding some components of equity (e.g., components arising from cash flow hedges).

(c) Any changes in (a) and (b) from the previous period.

(d) Whether during the period it complied with any externally imposed capital requirements to which it is subject.

(e) When the entity has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

These disclosures shall be based on the information provided internally to the entity's key management personnel.

148C. 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 also operate in several jurisdictions. When an aggregate disclosure of capital requirements and how capital is managed would not provide useful information or distorts 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

148D. **For puttable financial instruments classified as equity instruments, 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.**

Other Disclosures

149. **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 a distribution to owners during the period, and the related amount per share; and**

(b) **The amount of any cumulative preference dividends, or similar distributions, not recognized.**

150. **An entity shall disclose the following, if not disclosed elsewhere in information published with the financial statements:**

(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 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.**

Transitional Provisions

151. [Deleted]

152. [Deleted]

Effective Date

153. **An entity shall apply this Standard for annual financial statements covering periods beginning on or after January 1, 2008. Earlier application is encouraged. If an entity applies this Standard for a period beginning before January 1, 2008, it shall disclose that fact.**

153A. **Paragraphs 79 and 82 were amended by *Improvements to IPSAS* issued in January 2010. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2011. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2011, it shall disclose that fact.**

153B. **IPSAS 28 amended paragraph 150 and inserted paragraphs 7A, 95A, and 148D. An entity shall apply the amendments for annual financial statements covering periods beginning on or after January 1, 2013. If an entity applies IPSAS 28 for a period beginning before January 1, 2013, the amendments shall also be applied for that earlier period.**

153C. **IPSAS 30 amended paragraphs 75, 129, and 148 and inserted paragraphs 148A–148C. An entity shall apply the amendments for annual financial statements covering periods beginning on or after January 1, 2013. If an entity applies IPSAS 30 for a period beginning before January 1, 2013, the amendments shall also be applied for that earlier period.**

153D. **Paragraph 80 was amended by *Improvements to IPSAS* issued in November 2010. An entity shall apply that amendment for annual financial statements covering periods beginning on or after January 1, 2012. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2012, it shall disclose that fact.**

153E. **Paragraphs 21, 53 and 54 were amended and paragraph 53A added by *Improvements to IPSAS 2014,* issued in January 2015. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2015. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2015, it shall disclose that fact.**

153F. **Paragraphs 151, 152 and 154 were amended by IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS)* issued in January 2015. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2017. Earlier application is permitted. If an entity applies IPSAS 33 for a period beginning before January 1, 2017, the amendments shall also be applied for that earlier period.**

153G. **IPSAS 35 and IPSAS 38 issued in January 2015, amended paragraphs 4, 7, 12, 88(n), 95(d), 97, 103, 118(c), 134, 135 and 139. An entity shall apply those amendments when it applies IPSAS 35, and IPSAS 38.**

153H. **Paragraphs 29, 44, 70, 73, 74, 109 and 116 were amended, and Appendix A, Qualitative Characteristics of Financial Reporting, was deleted by *Improvements to IPSAS 2015* issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2017. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2017 it shall disclose that fact.**

153I. **Paragraphs 5, 6 and 12 were deleted and paragraphs 7 and 97 were amended by *The Applicability of IPSAS*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.**

153J. **Paragraph 116 was amended by IPSAS 39 issued in July 2016. An entity shall apply that amendment for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2018 it shall disclose that fact and apply IPSAS 39 at the same time.**

153K. **Paragraph 135 was amended by IPSAS 40, *Public Sector Combinations,* issued in January 2017. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2019. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2019 it shall disclose that fact and apply IPSAS 40 at the same time.**

153L. **Paragraphs 7, 79, 82, 101, 102 and 138 were amended and paragraphs 125A, 125B and 125C were added by IPSAS 41, issued in August 2018. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2023. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2023 it shall disclose that fact and apply IPSAS 41 at the same time.**

153M. **Paragraphs 88, 94 and 112–115 were amended by IPSAS 42, *Social Benefits*, issued in January 2019. An entity shall apply these amendments at the same time as it applies IPSAS 42.**

153N. **Paragraphs 88, 102 and 107 were amended by IPSAS 44 issued in May 2022. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2025. Earlier application is permitted. If an entity applies the amendments for a period beginning before January 1, 2025, it shall disclose that fact and apply IPSAS 44 at the same time.**

153O. **Paragraphs 7, 92, 94, 101, 125C, 134, and 148 were amended by IPSAS 45 issued in May 2023. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2025. Earlier application is encouraged. If an entity applies these amendments for a period beginning before January 1, 2025, it shall disclose that fact and apply IPSAS 45 at the same time.**

153P. **Paragraphs 133, 134, 141, and 143 were amended by IPSAS 46, *Measurement*, issued in May 2023. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2025. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2025, it shall disclose that fact and apply IPSAS 46 at the same time.**

153Q. **Paragraphs 50, 88, 94, and 135 were amended by IPSAS 47, issued in May 2023. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2026. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2026, it shall disclose that fact and apply IPSAS 47 at the same time.**

153R. **Paragraphs 83A, 83B, 86A, 87A, 87B, and 87C were added and paragraphs 70, 80, 82, 84, 85, and 87 were amended by *Improvements to IPSAS, 2023*, issued in April 2024. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2026 retrospectively in accordance with IPSAS 3. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.**

153S. **Paragraphs 7 and 13 are amended and paragraphs 12A and 13A are added by *Definition of Material* (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework), issued in October 2025. An entity shall apply these amendments prospectively for annual financial statements covering periods beginning on or after January 1, 2027. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.**

153T. **Paragraphs 88(ba) and 107(ca) were added, and paragraphs 92 and 134 were amended by IPSAS 51, issued in January 2026. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2028. Earlier application is permitted. If an entity applies the amendments for a period beginning before January 1, 2028, it shall disclose that fact and apply IPSAS 51 at the same time.**

154. When an entity adopts accrual basis IPSAS Standards as defined in IPSAS 33*, First-time Adoption of Accrual Basis International Public Sector Accounting Standards* for financial reporting purposes subsequent to this effective date, this Standard applies to the entity's annual financial statements covering periods beginning on or after the date of adoption of IPSAS Standards.

Withdrawal of IPSAS 1 (2000)

155. This Standard supersedes IPSAS 1, *Presentation of Financial Statements*, issued in 2000.

Appendix A

Qualitative Characteristics of Financial Reporting

This Appendix is an integral part of IPSAS 1.

[Deleted]

Appendix B

Amendments to Other IPSAS

[Deleted]

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 1.

Revision of IPSAS 1 as a result of the IASB's General Improvements Project 2003

Background

BC1. The IPSASB's IFRS convergence program is an important element in the IPSASB's work program. The IPSASB policy is to converge the accrual basis IPSAS with IFRS issued by the IASB where appropriate for public sector entities.

BC2. Accrual basis IPSAS that are converged with IFRS maintain the requirements, structure, and text of the IFRS, unless there is a public sector-specific reason for a departure. Departure from the equivalent IFRS occurs when requirements or terminology in the IFRS are not appropriate for the public sector, or when inclusion of additional commentary or examples is necessary to illustrate certain requirements in the public sector context. Differences between IPSAS and their equivalent IFRS are identified in the *Comparison with IFRS* included in each IPSAS.

BC3. In May 2002, the IASB issued an exposure draft of proposed amendments to 13 IAS[1] as part of its General Improvements Project. The objectives of the IASB's General Improvements Project were to "reduce or eliminate alternatives, redundancies and conflicts within the Standards, to deal with some convergence issues and to make other improvements." The final IAS were issued in December 2003.

BC4. IPSAS 1, issued in January 2000, was based on IAS 1 (revised 1997), which was reissued in December 2003. In late 2003, the IPSASB's predecessor, the Public Sector Committee (PSC),[2] actioned an IPSAS improvements project to converge, where appropriate, IPSAS with the improved IAS issued in December 2003.

BC5. The IPSASB reviewed the improved IAS 1 and generally concurred with the IASB's reasons for revising the IAS and with the amendments made. (The IASB's Basis for Conclusions is not reproduced here. Subscribers to the IASB's *Comprehensive Subscription Service* can view the Basis for Conclusions on the IASB's website at www.ifrs.org). In those cases where the IPSAS departs from its related IAS, the Basis for Conclusions explains the public sector-specific reasons for the departure.

BC6. IAS 1 has been further amended as a consequence of IFRS issued after December 2003. IPSAS 1 does not include the consequential amendments arising from IFRS issued after December 2003. This is because the IPSASB has not yet reviewed and formed a view on the applicability of the requirements in those IFRS to public sector entities.

Income

BC7. IAS 1 uses the term income, which is not used in IPSAS 1. IPSAS 1 uses revenue, which corresponds to income in the IAS/IFRS. The term income is broader than revenue, encompassing gains in addition to revenue. The IPSAS do not include a definition of income, and introducing such a definition was not part of the improvements project and was not included in ED 26.

---

1 IAS were issued by the IASB's predecessor, the IASC. The Standards issued by the IASB are entitled International Financial Reporting Standards (IFRS). The IASB has defined IFRS to consist of IFRS, IAS, and Interpretations of the Standards. In some cases, the IASB has amended, rather than replaced, the IAS, in which case the old IAS number remains.

2 The PSC became the IPSASB when the IFAC Board changed the PSC's mandate to become an independent standard-setting board in November 2004.

Extraordinary Items

BC8. IAS 1 prohibits an entity from presenting any item of income or expense as extraordinary items, either on the face of the income statement or in the notes. The IASB concluded that items treated as extraordinary result from the normal business risks faced by an entity, and do not warrant presentation in a separate component of the income statement. The nature or function of a transaction or other event, rather than its frequency, should determine its presentation within the income statement.

BC9. The definition of extraordinary items in IPSAS 1 (2000) differed from the definition included in the previous (1993) version of IAS 8, *Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies*.[3] This difference reflected the public sector view of what constituted an extraordinary item for public sector entities.

BC10. This Standard does not explicitly preclude the presentation of items of revenue and expense as extraordinary items, either on the face of the statement of financial performance or in the notes. IAS 1 prohibits any items of income and expense to be presented as extraordinary items, either on the face of the income statement or in the notes. The IPSASB is of the view that IPSAS should not prohibit entities from disclosing extraordinary items in the notes to, or on the face of, the statement of financial performance. This is because they believe that the disclosure of information about extraordinary items may be consistent with the objectives and qualitative characteristics of financial reporting. However, other members are of the view that there is not a public sector-specific reason to depart from the requirements of IAS 1 in respect of this matter. They also noted that IPSAS 1 does not preclude the separate presentation of items that are distinct from the ordinary activities of a government, either on the face of the financial statements or in the notes, as long as these items are material. They are not convinced that there is a public sector-specific reason to depart from the IASB's prohibition on presenting "extraordinary items" in the financial statements.

Revision of IPSAS 1 as a result of the IASB's Improvements to IFRS issued in 2008

BC11. The IPSASB reviewed the revisions to IAS 1 included in the *Improvements to IFRS* issued by the IASB in May 2008 and generally concurred with the IASB's reasons for revising the standard. The IPSASB concluded that there was no public sector specific reason for not adopting the amendments.

Revision of IPSAS 1 as a result of the IASB's Improvements to IFRS issued in 2009

BC12. The IPSASB reviewed the revisions to IAS 1 included in the *Improvements to IFRS* issued by the IASB in April 2009 and generally concurred with the IASB's reasons for revising the standard. The IPSASB concluded that there was no public sector specific reason for not adopting the amendment.

Revision of IPSAS 1 as a result of IASB's Improvements to IFRS issued May 2012

BC13. The IPSASB reviewed the revisions to IAS 1 included in the *Improvements to IFRS* issued by the IASB in May 2012 and generally concurred that there was no public sector specific reason for not adopting certain amendments. The IPSASB noted some of the amendments impact IFRS 1, *First-time Adoption of International Financial Reporting Standards* and IAS 34, *Interim Financial Reporting* for which equivalent standards do not exist in IPSAS, and therefore such amendments have been excluded. Further, a portion of the amendments propose changes related to presenting a statement of financial position at the beginning of a preceding period for retrospective changes resulting from accounting policy changes, restatements and reclassifications. Presentation of an opening statement of financial position is currently not a requirement of

---

[3] IPSAS 1 (2000) defined extraordinary items as "revenue or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the entity, are not expected to recur frequently or regularly and are outside the control or influence of the entity." IAS 8 defined "extraordinary items" as "income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and therefore are not expected to recur frequently or regularly."

IPSAS 1 and introducing changes related to these IASB amendments, is not considered minor and therefore these have been excluded. A further portion of the amendment related to presenting additional comparative information was not considered a minor change and has also been excluded.

Revision of IPSAS 1 as a result of the first four chapters of the IPSASB's *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (Improvements to IPSAS 2015)*

BC14. Following completion of the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the Conceptual Framework) the IPSASB initiated a limited scope project to make changes to IPSAS to reflect the first four chapters of the Conceptual Framework. These chapters address role and authority; objectives and users; qualitative characteristics (QCs) and constraints on information in general purpose financial reports; and the reporting entity. The Conceptual Framework adopted the QC of "faithful representation" rather than "reliability".

BC15. Both the version of IPSAS 1 issued in May 2000 and the revised version of IPSAS 1 issued in December 2006 included an appendix that summarized the QCs and constraints that IPSASB had indirectly adopted. These QCs and constraints were drawn from the former International Accounting Standards Committee's 1989 Conceptual Framework. The IPSASB considered whether this Appendix should be deleted completely or amended to reflect the QCs and constraints in the IPSASB's own Conceptual Framework. The IPSASB decided that it is important that the concepts in the Conceptual Framework are considered directly rather than being mediated through secondary sources. The IPSASB therefore decided to delete Appendix A completely. Consistent with this decision the IPSASB also decided to delete a replication of Appendix A in IPSAS 18, *Segment Reporting*.

BC16. The IPSASB noted that recognition criteria in IPSAS include the words "reliably" or "reliable". Many other IPSAS do not include explicit recognition criteria, but include references to "reliably" and "reliable" in more general guidance on recognition, estimation, allocation and other issues related to measurement. The IPSASB did not consider it appropriate to make piecemeal changes to recognition criteria in advance of a fuller review of recognition criteria and related guidance. The IPSASB therefore decided to include a footnote explaining the meaning of "reliability" in each IPSAS with recognition criteria or related guidance on aspects of measurement. This footnote states that "information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent."

Revision of IPSAS 1 as a result of the IPSASB's *The Applicability of IPSAS*, issued in April 2016

Background

BC17. IPSAS 1 included the following definition of a Government Business Enterprise (GBE):

Government Business Enterprise means an entity that has all the following characteristics:

(a) *Is an entity with the power to contract in its own name;*

(b) *Has been assigned the financial and operational authority to carry on a business;*

(c) *Sells goods and services, in the normal course of its business, to other entities at a profit or full cost recovery;*

(d) *Is not reliant on continuing government funding to be a going concern (other than purchases of outputs at arm's length); and*

(e) *Is controlled by a public sector entity.*

BC18. The purpose of the definition was to exclude commercial public sector entities that met the above definition of a GBE from the scope of IPSAS. However, feedback received by the IPSASB indicated that there is a wide range of entities being described as GBEs, some of which clearly do not meet the IPSASB definition of a GBE. There also appeared to be different interpretations of components of the definition.

BC19. To address this problem, in August 2014 the IPSASB issued a Consultation Paper (CP), *The Applicability of IPSAS to Government Business Enterprises and Other Public Sector Entities.* The CP proposed two main approaches to communicate its policy on the public sector entities for which it is developing accounting standards and on GBEs.

BC20. Approach 1 proposed (i) deleting the definition of a GBE; and (ii) providing a high-level description of the characteristics of public sector entities for which IPSAS are intended. This approach had two options: using the IPSASB's current and developing literature (Option 1a) or using Government Finance Statistics (GFS) reporting guidelines and explanatory guidance (Option 1b).

BC21. Under Option 1a, the IPSASB would describe the characteristics of the public sector entities in the following way:

IPSAS are designed to apply to entities that:

(a) Are responsible for the delivery of services[4] to the public with assets held primarily for their service potential and/or to make transfer payments to redistribute income and wealth;

(b) Finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees and do not have capital providers that are seeking a return on their investment or a return of the investment.

BC22. Approach 2 proposed retaining and modifying the definition of a GBE in IPSAS 1 in order to resolve problems in its application, and proposed two options for the definition's modification. Option 2a proposed clarifying the current definition of a GBE and Option 2b proposed narrowing the existing definition of a GBE.

BC23. The IPSASB expressed a unanimous Preliminary View in the CP that Approach 1 was most appropriate because it focuses on the characteristics of public sector entities for which IPSAS are intended. A majority of IPSASB members supported Option 1a because it is a high level, principles-based approach that draws on The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (the Conceptual Framework), and acknowledges the role of regulators and other relevant authorities in determining which entities should apply IPSAS.

BC24. There was strong support from respondents for Option 1a. In general, respondents supported Option 1a for the reasons stated in the previous paragraph. Some respondents also gave additional reasons for supporting Option 1a. These reasons included reliance on the literature of a third-party over which the IPSASB has no control, and the possibility of inconsistency with the IPSASB's own literature, which were identified as risks with Option 1b.

BC25. Respondents' reasons for not supporting Option 1a included:

(a) A lack of resource capacity of regulators in less developed countries, making it difficult to develop detailed criteria for reporting requirements;

(b) Different national regulators using different criteria, which would reduce consistency between jurisdictions; and

(c) The complexities of public sector entities compared with private sector entities that demand a different approach to the determination of reporting requirements.

[4] Services encompasses goods and services.

BC26. In coming to its decision, the IPSASB considered:

(a) The role of regulators in determining the accounting framework for public sector entities in their jurisdiction may vary;

(b) The alignment between IPSAS and GFS reporting guidelines;

(c) The meaning of the term “public sector” with reference to the Preface to the Conceptual Framework;

(d) How holding assets for service potential instead of for cash generation is a distinctive characteristic of public sector entities for which IPSAS are intended; and

(e) Replacing the term government business enterprise with the terms “commercial entities” and “commercial public sector entities”, where appropriate.

The role of regulators and other relevant authorities

BC27. The IPSASB acknowledged that regulators and other relevant authorities might form different views from the IPSASB on the applicability of IPSAS in each jurisdiction. Many jurisdictions develop their own criteria to decide which entities should apply IPSAS. These criteria may vary for legal, economic or fiscal reasons. Therefore, the IPSASB is of the view that a principles-based approach is appropriate, because that approach allows flexibility in each jurisdiction.

Alignment between IPSAS and GFS reporting guidelines

BC28. The IPSASB has a policy of reducing unnecessary differences between IPSAS and GFS reporting guidelines, where appropriate. The IPSASB decided that, on the issue of the applicability of IPSAS, the objectives of financial reporting are better served by developing characteristics that are based on the IPSASB’s current and developing literature over which it has control rather than relying on third-party guidelines.

The meaning of the term “public sector”

BC29. According to paragraph 1.8 of the Conceptual Framework, the term “public sector” includes national, regional, state/provincial and local governments. It also includes international governmental organizations. The IPSASB acknowledges that the public sector also includes other entities that seek a return on equity to investors. IPSAS are not intended to apply to the general purpose financial reports of this type of entity. However, when they are included in consolidated financial statements by a controlling entity that applies IPSAS, appropriate adjustments are made to ensure conformity with the economic entity’s accounting policies. Therefore, the IPSASB is of the view that the term public sector is related to single and group entities as described in the Conceptual Framework.

Assets held for service potential

BC30. The IPSASB is of the view that the description “are responsible for the delivery of services to the public” provided in the *Preface to International Public Sector Accounting Standards* indicates that IPSAS are intended for public sector entities that hold assets primarily for service potential rather than the generation of cash flows.

Commercial entities and commercial public sector entities

BC31. The IPSASB was of the view that only removing the term “GBE” would leave a vacuum in the IPSASB’s literature because the public sector comprises not only entities for which IPSAS are designed, but also commercial entities. Therefore, the IPSASB proposed to replace the term “GBE” with the term “commercial public sector entities” and ”commercial entities”, where appropriate.

Modification of Preface to International Public Sector Accounting Standards

BC32. In August 2015, the IPSASB issued Exposure Draft (ED) 56, *The Applicability of IPSAS.* The ED reflected the IPSASB's decision to delete the definition of a GBE from IPSAS 1 and from other IPSAS and RPGs. The IPSASB considered that this approach best serves the public interest because it removes a definition that has been ambiguous and difficult to implement, and describes the characteristics of public sector entities for which IPSAS are designed. The IPSASB proposed to provide this description in the *Preface to International Public Sector Accounting Standards* and to base that proposed description on the IPSASB's literature. Although not subject to the IPSASB's due process, the IPSASB made the revised characteristics available in the Executive Summary of ED 56.

Responses to the ED

BC33. Overall respondents supported the proposed approach and most of the comments related to:

(a) The characteristics of public sector entities in paragraph 10 of the Preface to IPSAS;

(b) The use of wording "commercial entities" and "commercial public sector entities"; and

(c) Other amendments to IPSASB's literature.

Characteristics of public sector entities in paragraph 10 of the Preface to IPSAS

BC34. The characteristics of public sector entities in paragraph 10 of the Preface to IPSAS have been amended to reflect the IPSASB's agreement with respondents' suggestions to increase consistency with the Conceptual Framework, while retaining a principles-based approach to the description of those characteristics.

BC35. Some respondents questioned whether the reference to "capital providers" in paragraph 10(b) should be amended to "equity providers" to be consistent with terminology in the Conceptual Framework. Other respondents indicated that the reference to "capital providers" is not necessary, as it is clear that entities should not have a profit objective. The IPSASB agreed with this suggestion and decided to delete the reference to "capital providers".

Commercial public sector entities

BC36. In the ED, the IPSASB proposed replacing the term "GBE" with the terms "commercial public sector entities" and "commercial entities". The term "commercial entities" was used for economy of expression in those contexts where the IPSASB considered it clear that the discussion was about the public sector. However, some respondents were of the view that having different terms for the same type of entity might create confusion. The IPSASB decided therefore to replace the term "GBE" with one term - "commercial public sector entities" - and acknowledge that regulators can interpret the term taking account of jurisdictional factors.

Other amendments to IPSASB's literature

BC37. Some respondents suggested focusing IPSAS on the public sector entities for which they are designed by removing the wording "other than GBEs" from the IPSASB literature. The ED had proposed the wording "other than commercial entities". The IPSASB agreed with respondents' suggestion and has removed the wording because it is in accordance with the ED's approach of communicating the public sector entities for which IPSAS are designed in a positive way, rather than focusing attention on entities for which IPSAS are not intended, which include commercial public sector entities.

BC38. Other respondents proposed changes to IPSASB's literature that had previously been discussed, including:

- Provide explanation for borderline cases—Some constituents suggested more explanation about the distinction between "pure" public sector entities and "pure" profit seeking entities. For example, a public sector entity might not be profit seeking but may have profits. The IPSASB is of view that regulators may decide which entities apply IPSAS.

- Change of objectives may imply change of the applicability of IPSAS—The IPSASB is of the view that regulators have a role to develop the transitional requirements when public sector entities change their accounting framework.

Revision of IPSAS 1 as a result of *Improvements to IPSAS, 2023*

BC39. The IPSASB reviewed the revisions to IAS 1, *Presentation of Financial Statements*, included in *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1) and *Non-current Liabilities with Covenants* issued by the IASB in January 2020 and October 2022, respectively, and the IASB's rationale for making these amendments as set out in their Basis for Conclusions, and generally concurred that there was no public sector specific reason for not adopting these amendments.

Revision of IPSAS 1 as a result of *Definition of Material* (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework) issued in October 2025

BC40. In December 2024, the IPSASB decided that the definition of material in IPSAS 1 should be reviewed for consistency with the Conceptual Framework. The IPSASB noted that the description of materiality in the Conceptual Framework differed from the definition of material in IPSAS 1.

BC41. The IPSASB noted that the differences between the description of materiality in the Conceptual Framework and the definition of material in IPSAS 1 could imply that the IPSASB intended these to have different meanings and be applied differently in practice. The IPSASB discussed that the description of materiality was revised with the update of the Conceptual Framework in 2023, specifically: obscuring information was added as a materiality factor, and the materiality threshold was softened. The IPSASB agreed that these updates to the Conceptual Framework should be reflected throughout IPSAS Standards.

BC42. The IPSASB also reviewed the revisions to IAS 1 *Presentation of Financial Statements*, included in *Definition of Material* (Amendments to IAS 1 and IAS 8) issued by the IASB in October 2018, and the IASB's rationale for making these amendments as outlined in its Basis for Conclusions. The IPSASB supported aligning the definition of material in IPSAS 1 with the IASB's definition, while adapting it for the public sector context. To reflect the difference in the public sector, the definition of material in IPSAS 1 includes 'discharge of accountability by the entity'. It is therefore not fully aligned with the definition in IAS1 but remains consistent with the Conceptual Framework.

Amendments to the definition of material

BC43. During the development of this pronouncement, the IPSASB decided to align the definition of material in IPSAS 1 with the description of materiality in the Conceptual Framework. The IPSASB discussed that this is appropriate, as the Conceptual Framework establishes the concepts to be applied in developing IPSAS Standards. Such amendments include:

(a) Add obscuring information as an additional materiality factor because the inclusion of immaterial disclosures can have a negative impact on primary users, rather than just being unnecessary;

(b) Soften the materiality threshold from 'could influence' to 'could reasonably be expected to influence' because it imposes a more realistic expectation on preparers' assessment of materiality, as almost anything 'could' influence the decision of primary users;

(c) Add 'discharge of accountability' because the provision of information in GPFSs should enable primary users to hold the entity accountable for the resources entrusted to it for the delivery of services to constituents and others, and its compliance with legislation, regulation, or other authority that governs its service delivery and other operations; and

(d) Add ‘primary’ ahead of users because it emphasizes that the decisions about materiality are intended to reflect primary users' information needs and not all users.

BC44. Additionally, aligning the definition of material with the Conceptual Framework will:

(a) Ensure consistent application of materiality by entities when making materiality judgments in the preparation of financial statements in accordance with IPSAS Standards; and

(b) Align the definition of material with IAS 1 *Presentation of Financial Statements*, consistent with the IASB’s *Definition of Material* (Amendments to IAS 1 and IAS 8) issued by the IASB in October 2018.

Amendment to the clarification accompanying the definition of material

BC45. The IPSASB reviewed the revisions to IAS 1 *Presentation of Financial Statements*, included in *Definition of Material* (Amendments to IAS 1 and IAS 8) issued by the IASB in October 2018, and the IASB’s rationale for making these amendments as set out in its Basis for Conclusions, and generally concurred that there was no public sector specific reason for not adopting the amendments to the clarification accompanying the definition of material.

Other Amendments

BC46. The amendments to the definition of material in IPSAS 1 are not considered to be substantive because these align the definition of material in IPSAS 1 with existing guidance in the Conceptual Framework. The IPSASB consequently concluded that amendments to other requirements in IPSAS Standards are unnecessary, other than to update the definition of material where it is quoted or referred to directly.

BC47. The IPSASB decided it is unnecessary to change all instances of ‘users’ to ‘primary users’ in IPSAS Standards because these terms are similar in that both 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.

Implementation Guidance

This guidance accompanies, but is not part of, IPSAS 1.

Illustrative Financial Statement Structure

IG1. This Standard sets out the components of financial statements and minimum requirements for disclosure on the face of the statement of financial position and the statement of financial performance, as well as for the presentation of changes in net assets/equity. It also describes further items that may be presented either on the face of the relevant financial statement or in the notes. This guidance provides simple examples of the ways in which the requirements of the Standard for the presentation of the statement of financial position, statement of financial performance, and statement of changes in net assets/equity might be met. The order of presentation and the descriptions used for line items should be changed when necessary in order to achieve a fair presentation in each entity's particular circumstances. For example, line items of a public sector entity such as a defense department are likely to be significantly different from those for a central bank.

IG2. The illustrative statement of financial position shows one way in which a statement of financial position distinguishing between current and non-current items may be presented. Other formats may be equally appropriate, provided the distinction is clear.

IG3. The financial statements have been prepared for a national government and the statement of financial performance (by function) illustrates the functions of government classifications used in the Government Finance Statistics. These functional classifications are unlikely to apply to all public sector entities. Refer to this Standard for an example of more generic functional classifications for other public sector entities.

IG4. The examples are not intended to illustrate all aspects of IPSAS. Nor do they comprise a complete set of financial statements, which would also include a cash flow statement, a summary of significant accounting policies, and other explanatory notes.

Public Sector Entity—Statement of Accounting Policies (Extract)

Reporting Entity

These financial statements are for a public sector entity (national government of Country A). The financial statements encompass the reporting entity as specified in the relevant legislation (Public Finance Act 20XX). This comprises:

- Central government ministries; and
- Commercial public sector entities.

Basis of Preparation

The financial statements comply with International Public Sector Accounting Standards for the accrual basis of accounting. The measurement base applied is historical cost adjusted for revaluations of assets.

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

Public Sector Entity—Statement of Financial Position

As at December 31, 20X2

(in thousands of currency units)	**20X2**	**20X1**
ASSETS		
Current assets		
Cash and cash equivalents	X	X
Receivables	X	X
Inventories	X	X
Prepayments	X	X
Other current assets	X	X
	X	X
Non-current assets		
Receivables	X	X
Investments in associates	X	X
Other financial assets	X	X
Infrastructure, plant and equipment	X	X
Land and buildings	X	X
Intangible assets	X	X
Other non-financial assets	X	X
	X	X
Total assets	**X**	**X**
LIABILITIES		
Current liabilities		
Payables	X	X
Short-term borrowings	X	X
Current portion of long-term borrowings	X	X
Short-term provisions	X	X
Social benefits	X	X
Employee benefits	X	X
Superannuation	X	X

(in thousands of currency units)	20X2	20X1
	X	X
Non-current liabilities		
Payables	X	X
Long-term borrowings	X	X
Long-term provisions	X	X
Social benefits	X	X
Employee benefits	X	X
Superannuation	X	X
	X	X
Total liabilities	X	X
Net assets	**X**	**X**
NET ASSETS/EQUITY		
Capital contributed by other government entities	X	X
Reserves	X	X
Accumulated surpluses/(deficits)	X	X
Non-controlling interest	X	X
Total net assets/equity	**X**	**X**

Public Sector Entity—Statement of Financial Performance for the Year Ended December 31, 20X2

(Illustrating the Classification of Expenses by Function)

(in thousands of currency units)

	20X2	20X1
Revenue		
Taxes	X	X
Other compulsory contributions and levies	X	X
Transfers without a binding arrangement	X	X
Revenue from compliance obligations in a binding arrangement	X	X
Other revenue	X	X
Total revenue	**X**	**X**

	20X2	20X1
Expenses		
General public services	(X)	(X)
Defense	(X)	(X)
Public order and safety	(X)	(X)
Education	(X)	(X)
Health	(X)	(X)
Social benefits	(X)	(X)
Other social protection	(X)	(X)
Housing and community amenities	(X)	(X)
Recreational, cultural, and religion	(X)	(X)
Economic affairs	(X)	(X)
Environmental protection	(X)	(X)
Other expenses	(X)	(X)
Finance costs	(X)	(X)
Total expenses	**(X)**	**(X)**
Share of surplus of associates*	X	X
Surplus/(deficit) for the period from continuing operations	X	X
Loss for the period from discontinued operations	(X)	(X)
Surplus/(deficit) for the period	**X**	**X**
Attributable to:		
Owners of the controlling entity	X	X
Non-controlling interests	X	X
	X	X

* This means the share of associates' surplus attributable to owners of the associates, i.e., it is after tax and non-controlling interests in the associates.

Public Sector Entity—Statement of Financial Performance for the Year Ended December 31, 20X2

(Illustrating the Classification of Expenses by Nature)

(in thousands of currency units)	**20X2**	**20X1**
Revenue		
Taxes	X	X
Other compulsory contributions and levies	X	X
Transfers without a binding arrangement	X	X
Revenue from compliance obligations in a binding arrangement	X	X
Other revenue	X	X
Total revenue	**X**	**X**
Expenses		
Wages, salaries, and employee benefits	(X)	(X)
Social benefits	(X)	(X)
Grants and other transfer payments	(X)	(X)
Supplies and consumables used	(X)	(X)
Depreciation and amortization expense	(X)	(X)
Impairment of property, plant, and equipment*	(X)	(X)
Other expenses	(X)	(X)
Finance costs	(X)	(X)
Total expenses	**(X)**	**(X)**
Share of surplus of associates	X	X
Surplus/(deficit) for the period from continuing operations	(X)	X
Loss for the period from discontinued operations	(X)	(X)
Surplus/(deficit) for the period	(X)	X
Attributable to:		
Owners of the controlling entity	(X)	X
Non-controlling interest	(X)	X

* In a statement of financial performance in which expenses are classified by nature, an impairment of property, plant, and equipment is shown as a separate line item. By contrast, if expenses are classified by function, the impairment is included in the function(s) to which it relates.

Public Sector Entity—Statement of Changes in Net Assets/Equity for the Year Ended December 31, 20X1

(in thousands of currency units)	**Attributable to owners of the controlling entity**					**Non-controlling interest**	**Total net assets/ equity**
	Contributed Capital	**Other Reserves** [5]	**Translation Reserve**	**Accumulated Surpluses/ (Deficits)**	**Total**		
Balance at December 31, 20X0	X	X	(X)	X	X	X	X
Changes in accounting policy				(X)	(X)	(X)	(X)
Restated balance	X	X	(X)	X	X	X	X
Changes in net assets/equity for 20X1							
Gain on property revaluation		X			X	X	X
Loss on revaluation of investments		(X)			(X)	(X)	(X)
Exchange differences on translating foreign operations			(X)		(X)	(X)	(X)
Net revenue recognized directly in net assets/equity		X	(X)		X	X	X
Surplus for the period				X	X	X	X
Total recognized revenue and expense for the period		X	(X)	X	X	X	X
Balance at December 31, 20X1 carried forward	X	X	(X)	X	X	X	X
Balance at December 31, 20X1 brought forward	X	X	(X)	X	X	X	X

[5] Other reserves are analyzed into their components, if material.

(in thousands of currency units)	Attributable to owners of the controlling entity					Non-controlling interest	Total net assets/ equity
	Contributed Capital	**Other Reserves [5]**	**Translation Reserve**	**Accumulated Surpluses/ (Deficits)**	**Total**		
Changes in net assets/equity for 20X2							
Loss on property revaluation		(X)			(X)	(X)	(X)
Gain on revaluation of investments		X			X	X	X
Exchange differences on translating foreign operations			(X)		(X)	(X)	(X)
Net revenue recognized directly in net assets/equity		(X)	(X)		(X)	(X)	(X)
Deficit for the period				(X)	(X)	(X)	(X)
Total recognized revenue and expense for the period		(X)	(X)	(X)	(X)	(X)	(X)
Balance at December 31, 20X2	X	X	(X)	X	X	X	X

COMPARISON WITH IAS 1

IPSAS 1 is drawn primarily from IAS 1 (2003) and includes amendments made to IAS 1 as part of the *Improvements to IFRS* issued in May 2008 and April 2009 respectively. At the time of initially issuing this Standard, the IPSASB had not considered the applicability of IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, to public sector entities; therefore IPSAS 1 did not reflect amendments made to IAS 1 consequent upon the issuing of IFRS 5. The IPSASB has subsequently issued IPSAS 44, *Non-current Assets Held for Sale and Discontinued Operations* in May 2022. Therefore, all amendments made to IAS 1 from the issuance of IFRS 5 are now reflected in IPSAS 1. The main differences between IPSAS 1 and IAS 1 are as follows:

- Discussion on the application of the going concern concept to public sector entities has been included in IPSAS 1 compared to that in IAS 1.
- IAS 1 allows the presentation of either a statement showing all changes in net assets/equity, or a statement showing changes in net assets/equity, other than those arising from capital transactions with owners and distributions to owners in their capacity as owners. IPSAS 1 requires the presentation of a statement showing all changes in net assets/equity.
- IPSAS 1 uses different terminology, in certain instances, from IAS 1. The most significant examples are the use of the terms "statement of financial performance," and "net assets/equity" in IPSAS 1. The equivalent terms in IAS 1 are "income statement," and "equity".
- IPSAS 1 does not use the term "income," which in IAS 1 has a broader meaning than the term "revenue."
- IAS 1 defines "International Financial Reporting Standards (IFRS)" to include IFRS, IAS, and SIC/IFRIC Interpretations. IPSAS 1 does not define "International Public Sector Accounting Standards."
- IPSAS 1 contains a different set of definitions of technical terms from IAS 1 (paragraph 7).
- IPSAS 1 contains commentary on the responsibility for the preparation of financial statements. IAS 1 does not include the same commentary (paragraphs 19–20).
- IPSAS 1 uses the phrase "the objective of financial statements set out in this Standard" to replace the equivalent phrase "the objective of financial statement set out in the Framework" in IAS 1. This is because an equivalent Framework in IPSAS does not exist.
- IPSAS 1 contains commentary on timeliness of financial statements, because of the lack of an equivalent Framework in IPSAS (paragraph 69).
- IPSAS 1 does not explicitly preclude the presentation of items of revenue and expense as extraordinary items, either on the face of the statement of financial performance or in the notes. IAS 1 prohibits any items of income and expense to be presented as extraordinary items either on the face of the income statement or in the notes.
- IPSAS 1 contains a transitional provision allowing the non-disclosure of items that have been excluded from the financial statements due to the application of a transitional provision in another IPSAS (paragraph 151).

THIS PAGE INTENTIONALLY LEFT BLANK