Consultation Paper, Presentation of Financial Statements.

A public consultation issued by the International Public Sector Accounting Standards Board (IPSASB)

Comments from ACCA to the IPSASB

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We are ACCA (the Association of Chartered Certified Accountants), a globally recognised professional accountancy body providing qualifications and advancing standards in accountancy worldwide.

Founded in 1904 to widen access to the accountancy profession, we have long championed inclusion and today proudly support a diverse community of over 266,100 members and 546,500 future members in 179 countries.

Our forward-looking qualifications, continuous learning and insights are respected and valued by employers in every sector. They equip individuals with the business and finance expertise and ethical judgment to create, protect, and report the sustainable value delivered by entities and economies.

Guided by our purpose and values, our vision is to develop the accountancy profession the world needs. Partnering with policymakers, standard setters, the donor community, educators, and other accountancy bodies, we are strengthening and building a profession that drives a sustainable future for all. Find out more at: www.accaglobal.com.

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General Comments

ACCA welcomes the opportunity to provide comments in response to IPSASB's *Consultation Paper, Presentation of Financial Statements*. Financial reporting has developed significantly since IPSAS 1 was initially published in 2000. The International Accounting Standards Board's (IASB) publication of *IFRS 18 – Presentation and disclosure in financial statements* provides an opportunity to bring the presentation and disclosure requirements of IPSAS into line with best practice in public sector financial reporting.

ACCA supports the overall approach that the IPSASB is proposing for developing the proposed new IPSAS standard on the presentation of financial statements by adapting IFRS 18 for the public-sector context. Our minor areas of recommendation relate primarily to how the IPSASB may further reflect the specific circumstances of the public sector in its upcoming Exposure Draft. Our responses to the Preliminary Views and the Specific Matter for Comment in the Consultation Paper are provided below.

ACCA looks forward to the release of the Exposure Draft of the proposed new IPSASB standard on the presentation of financial statements. We are, of course, happy to discuss or provide further information about our comments at your request.

Responses to Preliminary Views and Specific Matter for Comment

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

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

Do you agree with the IPSASB's Preliminary View?

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

ACCA supports the IPSASB's preliminary view that any new IPSAS standard on the presentation of financial statements should take IFRS 18 as its initial starting point and then make adaptations where appropriate to reflect the public sector context. This is consistent with the IPSASB's policy aim, which ACCA supports, to align International Public Sector Accounting Standards (IPSAS) with International Financial Reporting Standards (IFRS) issued by the IASB. Furthermore, if adapted appropriately to the public-sector context, the new requirements and guidance in IFRS 18 on the standardisation of subtotals, the mandating of minimum line items and the aggregation of information should be useful for users of financial statements prepared under IPSAS.

ACCA notes that the effective date for IFRS 18 is for reporting periods beginning on or after 1 January 2027. The creates a risk that the IPSASB develops its new standard without the benefit of understanding practical challenges that reporting entities have faced when implementing the new IFRS standard. To mitigate this risk, as it develops the Exposure Draft, the IPSASB should review the implementation questions that have been submitted to the IFRS Interpretations Committee as well as agenda decisions relating to IFRS 18. If any of the questions or agenda decisions are relevant to the public sector context, these should be factored into the Exposure Draft.

A specific challenge in the public sector may be that many entities are governed by primary legislation, regulations and official guidance. These entity-specific authorities may direct how certain public sector entities must present some balances and transactions in their financial statements. The IPSASB may wish to consider including guidance on how entities should present their financial statements in the rare event of a conflict between IPSASB and such entity-specific authorities.

Preliminary View 2 – Chapter 2: General Presentation Requirements

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

Do you agree with the IPSASB's Preliminary View?

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

ACCA supports the IPSASB's preliminary view that any new IPSAS standard should continue to provide definitions of the elements of financial statements and should provide other definitions that support the understanding and application of presentation requirements. The definitions provided appear comprehensive when compared to existing guidance contained in IPSAS 1, IFRS 18 and the Conceptual Framework.

Preliminary View 3 – Chapter 2: General Presentation Requirements

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

Do you agree with the IPSASB's Preliminary View?

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

ACCA supports the IPASB's preliminary view on keeping existing requirements for the comparative information. We also support the decision to introduce the requirement for an additional Statement of Financial Position at the beginning of the preceding period when previously reported information has been materially affected by a restatement or reclassification. This presentation will facilitate users' ability to make period-to-period comparisons when entities restate information which impacts their financial position, thereby supporting the comparability of general-purpose financial statements of public sector entities, consistent with IPSASB's *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*.

This will also bring the requirements of IPSAS standards into line with established practice in IFRS, which pre-dates the publication of IFRS 18. It is also consistent with the principles that entities must apply when disclosing the impact of adjusting a material prior-period error the impact of a material change in an accounting policy under *IPSAS 3 - Accounting Policies, Changes in Accounting Estimates and Errors*.

Preliminary View 4 – Chapter 2: General Presentation Requirements

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

a) Retain existing IPSAS 1 guidance, without updates:

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

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

i. The objective of financial statements (paragraphs 2.4-2.8); ii. Identification of financial statements (paragraphs 2.20-2.21); iii. Material information (paragraphs 2.33-2.34); iv. The other general presentation requirements in Table 2 (paragraphs 2.41-2.44); v. Add new guidance, aligned with IFRS 18 and the IPSASB's Conceptual Framework;

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

i. The roles of the financial statements and notes (paragraphs 2.14-2.19); and ii. The other general presentation requirements in Table 2 (paragraphs 2.41-2.44).

Do you agree with the IPSASB's Preliminary View?

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

ACCA supports the IPSASB's preliminary view on the other general presentation requirements included in the Consultation Paper.

Preliminary View 5 – Chapter 3: Statement of Financial Position

The IPSASB's Preliminary View is to retain:

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

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

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

Do you agree with the IPSASB's Preliminary View?

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

ACCA supports the IPSASB's preliminary view to keep the current/non-current approach, the order of liquidity approach and the mixed approach to the classification of assets and liabilities on the face of the Statement of Financial Position. While we expect that most public-sector entities would adopt the current/non-current approach, public sector entities are diverse and can have complex, sometimes even contradictory, operations within a single reporting entity. Continuing to allow these three approaches, although it may risk compromising the comparability of different entities' financial reporting, will allow entities to tailor their reporting to their individual circumstances. We see no good reason for narrowing the options currently available to reporting entities.

Preliminary View 6 – Chapter 3: Statement of Financial Position

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

Do you agree with the IPSASB's Preliminary View?

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

ACCA supports the IPSASB's preliminary view that the specific line items required in IPSAS 1 should be carried forward. However, we are unconvinced about the value of requiring a new line for goodwill to the Statement of Financial Position in the public sector context.

While introducing this requirement has the merit of supporting consistency with IFRS 18, we believe that goodwill balances arise much more rarely in the financial statements of public sector entities than their private sector counterparts. Business combinations in the public sector are more often amalgamations arising from machinery of government changes which do not give rise to goodwill, rather than commercial acquisitions. For example, although prepared under IFRS rather than IPSAS, the United Kingdom's Whole of Government Accounts for 2024/25 does not disclose any goodwill in its intangible assets note.[1]

Furthermore, while goodwill may be material to users' understanding the financial position of private sector entities, especially large corporate groups who have grown through acquisition, it is much less likely to be material to users' understanding of the financial position of public sector entities. Where public sector entities do acquire non-government entities which may give rise to goodwill, for example the nationalisation of an industry or enterprise, the objectives of these transactions are often more driven by a public policy objective, such as protecting citizens' interests or a strategic resource, rather than generating a return on capital.

In such scenarios, even if goodwill is not separately shown on the face of the Statement of Financial Position, *IPSAS 40 – Public sector combinations* requires disclosure of relevant in the notes to the financial statements. Therefore, disclosures of goodwill would still be made in the public sector on the rare occasions where goodwill does arise.

[1] HM Treasury, *Whole of Government Accounts – Year Ended 31 March 2025*, June 2026, p. 128.

Preliminary View 7 – Chapter 3: Statement of Financial Position

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

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

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

Do you agree with the IPSASB's Preliminary View?

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

ACCA supports the IPSASB's preliminary view that the proposed new standard should not prescribe a specific structure for the Statement of Financial Position and should not require the presentation of specific subtotals on the Statement of Financial Position. This allows reporting entities to report a Statement of Financial Position with a structure and subtotals based on their own circumstances, which is consistent with current practice and with IFRS 18.

Furthermore, proposing a specific structure and specific sub-totals for the Statement of Financial Position would be inconsistent with Preliminary View 5, which allows reporting entities a degree of flexibility in how their classify assets and liabilities on the face of the Statement of Financial Position.

Preliminary View 8 – Chapter 4: Statement of Financial Performance

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

Do you agree with the IPSASB's Preliminary View?

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

ACCA generally supports the IPSASB's preliminary view to present revenue and expense items recognised in surplus or deficit on the Statement of Financial Performance in line with the IFRS 18 requirements. However, we recommend that the IPSASB further consider whether it is right for public sector entities to classify tax revenue as operating income in the Statement of Financial Performance.

The ability to raise revenue through taxes and levies is a clear differentiator between the public sector and other sectors of the global economy. Furthermore, the level of tax revenue and its application to the provision of public services is a key area of interest for users of general-purpose financial statements in the public sector. The interest of users would, therefore, be more appropriately satisfied by having a standalone category for taxation revenue on the face of the Statement of Financial Performance rather than through presenting taxation revenue as a class of operating income.

The IPSASB may also wish to consider that tax authorities in often raise revenue as an agent of the general government sector rather than for their own use in delivering services to citizens. An explicit discussion of how tax revenues should be presented for such entities may be a helpful addition to the Exposure Draft in the next stage of the consultation process.

Preliminary View 9 – Chapter 4: Statement of Financial Performance

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

Do you agree with the IPSASB's Preliminary View?

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

ACCA supports the IPSASB's preliminary view to present the 'surplus or deficit' total and the 'operating surplus or deficit total' on the face of the Statement of Financial Performance and to allow entities to present more subtotals relevant to their circumstances.

Preliminary View 10 – Chapter 4: Statement of Financial Performance

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

Do you agree with the IPSASB's Preliminary View?

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

ACCA generally supports the IPSASB's preliminary view to keep the minimum requirements on the presentation of line items on the face of the Statement of Financial Performance, in line with the IFRS 18 requirements.

However, consistent with our perspective on Preliminary View 8, we recommend that the IPSASB further consider whether a requirement should be added for reporting entities to present tax revenues on the face of the Statement of Financial Performance. Given government activities are primarily financed by raising revenue through the power of taxation, and given users' interest the level of taxation, it would appear unusual if public sector entities are required to disclose a separate line item for their income tax expense but not their tax revenue.

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

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

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

Please provide the reasoning behind your view.

ACCA agrees that the new IPSAS Standard replacing IPSAS 1 should allow mixed representation of expenses on the Statement of Financial Performance, where some expense line items are presented by nature while others are presented by function, in line with IFRS 18. While we expect that most public-sector entities would present their expenses by their nature, public sector entities are diverse. As noted in our response to Preliminary View 5, the largest government entities can have complex, sometimes even contradictory, operations. While there is a risk that allowing the mixed approach may compromise the comparability of different entities' financial statements, this flexibility will allow more complex public-sector entities to tailor their Statement of Financial Performance to their own unique circumstances. Therefore, we see no good reason why the proposed new IPSAS standard should not allow the same level of flexibility as IFRS 18.

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

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

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

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

ACCA supports the IPSASB's preliminary view to keep the requirement to present revenue and expense items recognised outside surplus or deficit directly on the Statement of Changes in Net Assets/Equity and to keep the requirements related to reclassification adjustments. As noted in the Consultation Paper, all reporting entities must prepare a Statement of Changes in Net Assets/Equity which already provide information about revenue and expenses that are recognised outside of surplus or deficit. We do not believe a second performance statement will improve users' understanding of these transactions sufficiently to merit changing existing practice.

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

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

Do you agree with the IPSASB's Preliminary View?

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

ACCA supports the IPSASB's preliminary view to keep the presentation requirements on the Statement of Changes in Net Assets/Equity and to revise the reconciliation requirement to require the reconciliation be displayed on the face of the Statement. Requiring the reconciliation to be presented on the face of the Statement both aligns with the requirements of IFRS 18 and arguably compensates for Preliminary View 11's proposal not to require entities to prepare a second performance statement.

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

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

Do you agree with the IPSASB's Preliminary View?

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

ACCA supports the IPSASB's preliminary view that guidance based on IFRIC 17 should not be incorporated into the IPSAS Standards. IFRIC 17's guidance relates to how entities should account for non-cash dividends paid to their owners. The legal structure of public sector entities rarely allows the payment of dividends, and the aim of public sector entities is rarely to generate a financial return to return capital to their owners. Consequently, guidance based in IFRIC 17 is highly unlikely to be relevant to the operations of entities reporting under IPSAS.

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

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

Do you agree with the IPSASB's Preliminary View?

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

ACCA supports the IPSAS's preliminary view to keep existing IPSAS 1 requirements for the disclosure of information in the notes to the financial statements and incorporate the IASB's amendments to IAS 1 to align with equivalent IFRS guidance.

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

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

Do you agree with the IPSASB's Preliminary View?

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

ACCA supports the IPSASB's Preliminary View not to incorporate the IFRS 18 definition and disclosure requirements for management-defined performance measures into the IPSAS standards. We note that these requirements were introduced to IFRS 18 in response to specific investor feedback in the private sector, where there were concerns about the quality of information the companies provided about their non-GAAP performance measures. Such concerns are not prevalent amongst users of general-purpose financial statements in the public sector. Furthermore, given the role that general-purpose financial statements perform in the accountability cycle in the public sector, it is rare that alternative performance measures in the public sector are defined by management. Instead, alternative financial performance measures or public sector entities are often set by an external authority, such as a legislature or a ministry of finance or other resource provider, rather than by management.

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

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

Do you agree with the IPSASB's Preliminary View?

If not, please:

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

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

ACCA supports the IPSASB's Preliminary View not to amend the IFRS 18 concept of management-defined performance measures for the public sector context. Our reasons are consistent with the explanation given to Preliminary View 15 above. While consideration could be given to whether an adaptation could be made to require entities to disclose externally-set financial performance measures, such as their financial performance against an agreed budget, this is already satisfied by the requirements of *IPSAS 24 – Presentation of Budget Information in Financial Statement*.