Monday, 14 September 2026

Mr Thomas Müller-Marqués Berger
Chairman
International Public Sector Accounting Standards Board
277 Wellington Street West
Toronto, ON M5V 3H2
Canada

Submission via IPSASB website

Dear Thomas,

Consultation Paper, Presentation of Financial Statements

Chartered Accountants Australia and New Zealand (CA ANZ) welcomes the opportunity to provide feedback to the International Public Sector Accounting Standards Board (IPSASB) on the Consultation Paper, *Presentation of Financial Statements* ("the CP"). We make this submission on behalf of our members and in the public interest.

For clarity, our responses are primarily based on the feedback and context from our stakeholders in the New Zealand public sector, given that they are required to adopt the IPSAS Standards. While our Australian public sector stakeholders are not required to adopt the IPSAS Standards, many are interested in the CP and therefore we have also taken into account their experience and views.

We support the revision of the extant IPSAS 1 *Presentation of Financial Statements* (IPSAS 1) to incorporate certain aspects of IFRS 18 *Presentation and Disclosure in Financial Statements* (IFRS 18), adapted for the public sector. This would ensure that public sector financial reporting adopts global best practice and the quality of public sector reporting continues to be enhanced.

Key points

We support:

- Retaining the definitions of financial statement elements in IPSAS 1 to support presentation requirements (Preliminary View 2).
- Updating the general presentation requirements in IPSAS 1, including the aggregation and disaggregation proposals and clarifications regarding the role of the note disclosures. However, we recommend more flexibility on the location of the third balance sheet (Preliminary Views 3 and 4).

- Updating to the Statement of Financial Position presentation requirements in IPSAS 1, including adding a new line for goodwill, not prescribing a specific structure, and not requiring specific subtotals (Preliminary Views 5, 6 and 7).
- Retaining the requirement in IPSAS 1 to present expenses on the face of the Statement of Financial Performance by either nature or function, in line with IFRS 18 and supported by additional guidance (Specific Matter for Comment 1).
- Requiring in IPSAS 1 the high-level reconciliation to be displayed on the face of the Statement of Changes in Net Assets/Equity, with further detailed breakdowns in the notes. However, we recommend the IFRS 18 concept of Other Comprehensive Income, adapted for the public sector, is introduced into IPSAS 1 (Preliminary Views 11, 12 and 13).
- Updating to the note disclosure requirements in IPSAS 1 to incorporate the IASB's amendments to IAS 1 (Preliminary View 14).
- Not introducing management-defined performance measures (MPM) requirements into the IPSAS Standards at this time (Preliminary Views 15 and 16).

However, we do not support the development of a new IPSAS Standard to replace IPSAS 1 (Preliminary View 1). We are concerned that the key proposal from IFRS 18, requiring revenue and expenses to be categorised into operating, financing and investing categories with related subtotals, is not well suited to the public sector when assessed on a cost-benefit basis. While presentation of information in this way was demanded by users of for-profit sector financial statements, we have not heard from primary users of public sector financial statements that the same problems exist. Feedback from preparers also indicated that it is likely to be complicated to adapt the categorisation requirements consistently across public sector entities for user needs, therefore we cannot see how it would apply effectively to the public sector (Preliminary Views 8, 9 and 10).

We therefore recommend that this project be undertaken in two parts:

1. An update to the existing IPSAS 1, for the improvements in presentation and disclosure, should be progressed as soon as possible.
2. The development of a new IPSAS Standard to replace IPSAS 1, addressing the more complex issues of revenue and expense classification and related subtotals, should be deferred until after the for-profit sector has completed its implementation of IFRS 18. This would allow the IPSASB to draw on implementation experience from the for-profit sector and undertake further research to determine whether there is a clear user need for these changes and whether the benefits would justify the costs before the progressing this aspect of the project further.

Appendix A to this letter contains our responses to the preliminary views and specific matters for comment in the CP. Appendix B provides more information about CA ANZ. If you have any questions about our submission, please contact Amir Ghandar at amir.ghandar@charteredaccountantsanz.com.

Yours sincerely,

Geraldine Magarey FCA
Group Executive, Policy and International

Amir Ghandar FCA
Reporting and Assurance Leader

Appendix A

Responses to Preliminary Views and Specific Matters 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 approach.

We do not support the IPSASB's Preliminary View to develop a new IPSAS Standard to replace IPSAS 1 at this stage but we do believe that IPSAS 1 could be revised to incorporate many aspects of IFRS 18, adapted for public sector entities as appropriate. We support the IPSASB's strategy of aligning IPSAS Standards with the IFRS Accounting Standards where appropriate. In our Submission on IPSASB 2025 Work Program Consultation we encouraged the IPSASB to maintain alignment where similar transactions occur in both the public and for-profit sectors. This approach also improves comparability for entities operating within mixed groups.

We believe that there are many aspects of IFRS 18 that would benefit public sector reporting and hence should be brought into a revised IPSAS 1. However, the key proposal – the revenue and expense classification requirements into operating, investing and financing categories, and related subtotals, is more problematic.

These requirements were in response to for-profit sector user needs, and we are not aware of equivalent demand from primary users of public sector financial statements. Experience by for-profit sector preparers to date has shown this is the most challenging aspect of IFRS 18 as it requires a significant transformation project. Therefore, without further research we believe that it is unclear whether the benefits of these changes would exceed the costs for the public sector.

We therefore recommend that the project to update IPSAS 1 be broken into two parts. This would enable the improvements in presentation and disclosure to be incorporated quickly (see our comments on Preliminary Views 2, 3, 4, 5, 6, 7 and 14). A more considered approach can then be adopted to the Statement of Financial Performance classification requirements (see our comments on Preliminary Views 8, 9 and 10) that is informed both by the IFRS 18 implementation experience in the for-profit sector and more research into user needs in the public sector.

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.

We agree with the IPSASB's Preliminary View to continue providing definitions of financial statement elements, but in a revised IPSAS 1, and to provide other definitions that support the application of presentation requirements. Preparers and users of financial statements refer to the definitions of financial statement elements, which are essential for reporting, therefore it is logical to locate these within the same standard as the presentation requirements.

We also support the alignment of these definitions with the IPSASB Conceptual Framework as consistency across IPSASB literature is essential for effective application of the requirements.

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.

We agree with the IPSASB's Preliminary View to retain the existing requirements for comparative information, and 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. We agree with the view held in paragraph 2.39 of the CP that there are notable benefits for the additional comparative information.

However, feedback from our stakeholders indicates that requiring an additional column could lead to excessive information on the face of the Statement of Financial Position, especially in situations where both budget and actual information is presented, which is common. We therefore recommend that the option of disclosing the third balance sheet in the notes to the financial statements should be permitted. Excessive information on the Statement of Financial Position may detract from its communication effectiveness.

Preliminary View 4—Chapter 2: General Presentation Requirements

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

(a) Retain existing IPSAS 1 guidance, without updates:

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

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

- **i. The objective of financial statements (paragraphs 2.4-2.8);**
- **ii. The complete set financial statements (paragraphs 2.11-2.13);**
- **iii. Identification of financial statements (paragraphs 2.20-2.21);**
- **iv. Material information (paragraphs 2.33-2.34);**
- **v. The other general presentation requirements in Table 2 (paragraphs 2.41-2.44);**

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

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

Do you agree with the IPSASB's Preliminary View?

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

We agree with the IPSASB's Preliminary View regarding guidance on the other general presentation requirements. In particular, we support the addition of the IFRS 18 guidance on the aggregation and disaggregation of information, which has already been well received by for-profit preparers currently implementing IFRS 18, and so should provide similar support for public sector preparers as well. We have also received feedback that the new guidance about the roles of the financial statements and notes (paragraphs 2.15 and 2.16) are useful clarifications because preparers have included too much detail on the face of the primary financial statements when note disclosures could have been used.

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.

We agree with the IPSASB's Preliminary View regarding the proposed approach to classification and presentation of assets and liabilities. Overall, we have not heard significant concerns about the above classification and presentation of assets and liabilities therefore we are of the view that the existing requirements are operating as intended.

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.

We agree with the IPSASB's Preliminary View to carry forward the specific line items required in IPSAS 1 and add a new line item for goodwill, consistent with IFRS 18.

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.

We agree with the IPSASB's Preliminary View that prescribing a structure for presenting the Statement of Financial Position and specific subtotals is not necessary.

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).

We do not agree with the IPSASB's Preliminary View. Feedback from for-profit preparers transitioning to IFRS 18 is they have found that it requires data remapping, redesigning statements, and building new disclosures, often across diverse enterprise resource planning (ERP) and chart of accounts structures. The IFRS Interpretations Committee has also received several questions about IFRS 18 which indicates there is still a lot of unresolved uncertainty about its application. Public sector preparers are likely to face similar implementation challenges, as well as additional difficulties in classifying operating and investing activities, accounting for public sector-specific transactions, and assessing the relevance of a financing category for entities that rely mainly on appropriations.

We are of the view that adopting these IFRS 18 requirements, even with supporting public sector guidance as proposed, is unlikely to strike the right balance between costs and benefits. We recommend that the IPSASB conducts research to determine the information needs of primary users of public sector financial statements regarding the categorisation of revenue and expenses and how these can best be met.

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.

We agree there is merit in standardising totals and subtotals. We therefore support retaining the IPSAS 1 requirement to present the "surplus or deficit" total, and permitting the presentation of additional subtotals where they provide useful information. However, we do not support requiring the "operating surplus or deficit" subtotal until such time that there is a clarity on the outcome from the research discussed in our response to Preliminary View 8.

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.

Subject to our views expressed in response to Preliminary View 8, we agree with the IPSASB's Preliminary View to maintain the minimum requirements for the presentation of line items (aligned with IFRS 18) on the face of the Statement of Financial Performance with additional public sector specific guidance.

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.

We agree that a mixed presentation, where some expense line items are presented by nature, while others are by function, is appropriate. Based on the feedback we received, a mixed presentation enables preparers to provide a useful summary of expenses for users of financial statements, and we do not expect any practical issues to arise in the public sector if these requirements are retained.

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.

We do not agree with the IPSASB's Preliminary View to continue to present revenue and expense items recognised outside surplus or deficit directly in net assets/equity. We are of the view that it is preferable to align with the IFRS 18 concept of "Other Comprehensive Income" (OCI) in this regard. The term has been widely used in the for-profit sector for many years, and users of financial statements are sufficiently familiar with it so we do not believe this change will miscommunicate the nature and substance of those items as stated in paragraph 5.13 of the CP.

This is evidenced by the current New Zealand version of IPSAS 1 which is modified to include the concept of OCI but renamed "Other Comprehensive Revenue and Expenses" (OCRE) as this terminology is more appropriate for the public sector context. It is well understood and this alignment with the for-profit sector is beneficial for mixed groups purposes.

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.

We agree with the IPSASB's Preliminary View on the basis that the reconciliation displayed on the face of the Statement of Changes in Net Assets/Equity is likely to provide a source of complete information. Furthermore, it is not expected to significantly increase cost where there is a need to move the reconciliation from the notes to the Statement of Changes in Net Assets/Equity. However, this may contribute to a high volume of information on the face of the Statement of Changes in Net Assets/Equity that may detract from its understandability. Therefore, when there is excessive information on the face of the Statement of Changes in Net Assets/Equity, we support the option of presenting the more detailed breakdowns in the notes.

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.

We agree with the IPSASB's Preliminary View not to incorporate the guidance based on IFRIC 17 for the reasons stated in paragraph 5.29 of the CP. We have not been advised by our members that there is a need for the guidance, or that such transactions are common in the public sector in New Zealand or Australia.

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.

We agree with the IPSASB's Preliminary View on the disclosure of information in the notes to the financial statements and incorporating the 2014 amendments to IAS 1 – *Disclosure Initiative*, and the 2021 amendments to IAS 1 – *Disclosure of Accounting Policies*.

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.

We agree with the IPSASB's Preliminary View not to incorporate the IFRS 18 definition and disclosure requirements for MPMs into IPSAS Standards at this time. Our feedback is that most of the alternative performance measures that are currently used in public sector financial statements probably would not meet the IFRS 18 MPMs definition. Some measures used by New Zealand public sector entities that may meet the IFRS 18 definition of MPMs include: 'adjusted net surplus before tax', 'earnings before interest, tax, depreciation and amortisation' (EBITDA), and 'operating balance before gains or losses' (OBEGAL). There is also concern that some information published outside public sector financial statements could meet the IFRS 18 MPMs definition if these requirements were not carefully adapted to the public sector, imposing additional unnecessary costs on preparers and auditors to identify, report and audit those performance measures.

We expect the prevalence of alternative performance measures meeting the IFRS 18 MPM definition to be very jurisdiction-specific. Therefore, we recommend that the IPSASB gathers more information from international public sector stakeholders to better understand the nature of the additional information that could be useful for primary users in this regard.

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.

We support the IPSASB's Preliminary View not to include an amended IFRS 18 MPM concept for application in the public sector. For reasons stated in our response to Preliminary View 15, an amended IFRS 18 MPM concept appears unnecessary.

However, the public sector could also operate some significant for-profit entities or business enterprises that are competing with the private sector’s for-profit entities which apply IFRS 18, including the MPM disclosures. The difference in disclosure requirements may provide some entities with differential reporting, a comparative advantage or otherwise. We recommend additional research or consultation to better understand how for-profit operations within the public sector may change the need for such information.

Appendix B

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents nearly 143,000 financial professionals, supporting them to build value and make a difference to the businesses, organisations and communities in which they work and live.

Around the world, Chartered Accountants are known for their integrity, financial skills, adaptability and the rigour of their professional education and training.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

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We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate in the public interest. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations.

We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 13 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.