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Submitted via IPSASB website

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August 21, 2026
523/617

Re.: IPSASB Consultation Paper, Presentation of Financial Statements

Dear Board Members,

The Institut der Wirtschaftsprüfer (IDW) appreciates the opportunity to comment on the IPSASB Consultation Paper *Presentation of Financial Statements*. We welcome the IPSASB's initiative to modernize IPSAS 1 and to enhance the communication effectiveness of financial statements prepared by public sector entities.

Our response is structured in two parts. The first part sets out our overarching observations on matters that we consider particularly important for the development of the new Standard. The Appendix provides our detailed responses to each Preliminary View and the Specific Matter for Comment.

General comments

We support the IPSASB's objective of replacing IPSAS 1 with a modern, fit-for-purpose presentation Standard. In our view, the revised Standard should improve transparency, comparability and understandability while preserving sufficient flexibility to accommodate the wide variety of public sector entities, reporting environments and jurisdictional requirements.

We agree that IFRS 18 should be considered as an important reference point where transactions, reporting objectives and user needs are comparable. However, the new IPSAS Standard should not be developed as a mere IFRS-alignment exercise. Departures from IFRS 18 are warranted where public

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sector characteristics – such as service delivery objectives, non-exchange transactions, budget accountability, long-term fiscal sustainability and the role of legislative oversight – make different presentation requirements more relevant and faithfully representative.

A central issue is the proposed categorization of revenue and expenses in the Statement of Financial Performance. We acknowledge the potential benefits of a more structured presentation and broadly support categorization, provided that it is supported by robust public sector application guidance. At the same time, we caution that the operating category will be particularly significant and potentially broad in the public sector. The Standard should therefore include clear guidance and illustrative examples for taxes, transfers, appropriations, grants, concessionary financing, social benefits, pension-related amounts and investment activities undertaken to achieve public policy objectives.

We support retaining the current IPSAS approach for revenue and expense items recognized outside surplus or deficit. Further guidance would, however, be helpful. We encourage the IPSASB to structure this topic further in the course of the project.

We recall that the question whether to introduce an OCI or non-OCI approach was considered when the Conceptual Framework was developed. The IPSASB Conceptual Framework does not include an other comprehensive income approach. Introducing such a presentation approach would therefore raise a more fundamental conceptual issue and would first require consideration of whether, and how, the Conceptual Framework should be amended.

We agree with the IPSASB's cautious approach to management-defined performance measures (MPMs) and support the Preliminary View to not incorporate the IFRS 18 definition and disclosure requirements for MPMs into the IPSAS Standards. Instead, it would be important to consider indicators that are relevant for decision-making and accountability in a public sector context. Performance measures in the public sector often arise from budgetary, statistical, fiscal policy or service performance frameworks rather than from management-defined subtotals of revenue and expenses. In practice they remain underdeveloped and are often strongly oriented towards statistical or macroeconomic frameworks rather than entity-level financial reporting. We encourage the IPSASB to explore this topic further, for example through the Financial Reporting Implementation Forum.

We hope that our comments will be useful in taking this important project forward. If you have any questions relating to our comments in this letter, we should be pleased to provide you with further information.

Sincerely,

Daniel P. Siegel	Viola Eulner
Executive Director	Technical Principal Public Sector

Appendix: Responses to the 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 approach.

We agree. IFRS 18 provides an appropriate and useful reference point, particularly where the underlying presentation issue is comparable across sectors.

However, the new IPSAS Standard should be developed from the public sector reporting objectives of accountability and decision usefulness. Adaptations should not be limited to terminology; they should also reflect public sector-specific features such as non-exchange revenue, appropriations and transfers, the relationship with budgets, service delivery objectives and long-term fiscal sustainability.

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. Including authoritative definitions in the Standard supports consistent application and its readability as a stand-alone document. Any resulting duplication with the Conceptual Framework or other Standards appears limited and acceptable, given the benefit of making the key definitions readily accessible within the presentation Standard.

We particularly support the proposed hierarchy in paragraph 9 of the illustrative ED, which clarifies the relationship between the definitions in the new Standard, transaction-specific IPSAS requirements and the Conceptual Framework. The IPSASB should ensure that the final drafting makes clear that incorporating updated element definitions into the presentation Standard is not intended, by itself, to reopen recognition or measurement outcomes established by other Standards.

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 in principle. An additional Statement of Financial Position can provide useful information where retrospective changes materially affect previously reported financial position. However, we emphasize that this requirement should be limited to circumstances in which the additional statement provides material information to users, as indicated by the illustrative ED in paragraph 63 (b).

The IPSASB should also consider practicable transition relief and provide clear guidance on what constitutes a material impact in a public sector context.

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. The proposed approach appropriately combines continuity with targeted modernization.

We particularly support adding guidance on the respective roles of the primary financial statements and the notes, as this can help reduce disclosure overload and improve the location of information.

Guidance on aggregation and disaggregation should be principle-based and accompanied by examples that are relevant to governments and other public sector entities.

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. The current/non-current approach is well established, understandable and generally suitable. Retaining the order of liquidity approach on an exception basis in rare cases is appropriate for entities such as financial institutions or central banks.

The mixed approach should remain available as an additional exception where it results in a more faithful and relevant presentation. We do not oppose retaining the existing practice in IPSAS 1, paragraph 74. However, the current drafting of the illustrative ED (paragraph 116) does not yet clearly reflect that the mixed approach is a permitted presentation option. In our view, this should be stated clearly in the core Standard rather than being addressed only in AG97.

We do not support introducing a mandatory financial/non-financial classification at this stage, as internationally accepted definitions and criteria would be difficult to develop and could create additional diversity in practice.

<u>Preliminary View 6 — Chapter 3: Statement of Financial Position</u>

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 support the line items proposed in paragraph 122 of the illustrative ED. Carrying forward the existing line items preserves continuity and comparability. Adding goodwill is appropriate for alignment with IFRS 18 where relevant.

We do not recommend mandating additional line items. However, the application guidance should emphasize that additional line items may be necessary for material public sector balances for example transfers receivable, concessionary loans or infrastructure-related assets.

<u>Preliminary View 7 — Chapter 3: Statement of Financial Position</u>

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.

Measures such as net debt can provide useful information to users of public sector financial statements. However, mandating specific subtotals or a specific structure would require robust definitions and classification criteria that are not yet sufficiently settled internationally.

Entities should remain able to present additional subtotals where these provide useful information and are transparently derived from amounts recognized and measured in accordance with IPSAS Standards. We particularly support the safeguards in paragraph 32 of the ED. If the IPSASB retains a non-prescriptive approach, application guidance should illustrate how those safeguards apply to public sector subtotals such as net debt (without implying that such measures are required or defined by IPSAS Standards).

<u>Preliminary View 8 — Chapter 4: Statement of Financial Performance</u>

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.

We support the general direction, subject to robust public sector application guidance. Categorization can improve the structure and comparability of the Statement of Financial Performance. However, the operating category will be particularly significant in the public sector and, by becoming a residual category, should not obscure important information.

We acknowledge the IPSASB's proposal not to introduce a stand-alone category for taxes, but rather require tax revenue to be presented as a separate line item within the IFRS 18 categories (see paragraph AG38 (b) in the illustrative ED; especially in the operating category as suggested in Figure 2/ paragraph 4.35 of the Consultation Paper). While this may not be intuitive at first sight, raising sufficient tax revenue is an inherent part of a government's public policy mandate and operating activities. We therefore encourage the IPSASB to explain this reasoning clearly in the Basis for Conclusions, including the rationale discussed in paragraph 4.30 (c) of the Consultation Paper and Agenda Item 4.A.3 of the IPSASB Meeting in March 2026.

The IPSASB should provide detailed guidance and examples for taxes, grants, appropriations, transfers, concessionary financing, social benefits, pension obligations and investment activities undertaken to achieve public policy objectives. Guidance needs to take into account, that entities may also provide public services through affiliated entities. In our view, any resulting expenses and revenues should be allocated to the operating result.

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 with requiring surplus or deficit and operating surplus or deficit, provided that the meaning of operating surplus or deficit is clearly explained for public sector entities. We support the IPSASB's decision not to require a "surplus or deficit before financing" subtotal, as such a measure could imply a profitability perspective that is not central to public sector financial reporting. Additional subtotals should be permitted only if they are based on amounts recognized and measured in accordance with IPSAS Standards, are compatible with the structure of the statement, are presented consistently and are not displayed more prominently than required totals and subtotals.

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.

We agree. Maintaining minimum line item requirements is appropriate, but the guidance should be sufficiently detailed to support consistent application.

The Standard should emphasize that material public sector revenue and expense streams should not be obscured by overly aggregated line items. Illustrative examples would be helpful to show when separate presentation is warranted for major tax revenues, transfers, grants, social benefits, employee benefits, depreciation, finance costs and investment returns.

<u>Specific Matter for Comment 1 — Chapter 4: Statement of Financial Performance</u>

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 are cautious about permitting mixed presentation. In the public sector, presentation of expenses by function can be highly relevant where users are interested in programs, services and policy areas, whereas presentation by nature can be more transparent where reliable allocation to functions is not possible. Allowing a mixture may improve relevance in individual cases, but it could also reduce comparability and increase diversity in practice.

If mixed presentation is permitted, the entity should be required to demonstrate that the mixed approach provides the most useful structured summary, disclose the basis for classification and apply the approach consistently over time.

The IPSASB should also consider whether jurisdictions should be able to restrict mixed presentation for comparability reasons.

<u>Preliminary View 11 — Chapter 5: Statement of Changes in Net Assets/Equity</u>

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?

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

We agree. Presenting these items in the Statement of Changes in Net Assets/Equity remains appropriate and avoids importing an OCI-type presentation that could be misunderstood in the public sector. The IPSASB Conceptual Framework does not presently provide for an OCI approach. Introducing such an approach in the presentation Standard would not be merely a matter of presentation mechanics; it would first require a conceptual discussion and, if considered appropriate, amendments to the Conceptual Framework.

We support retaining the guidance on reclassification adjustments.

We recommend enhancing disclosure requirements for material items recognized outside surplus or deficit, including the nature of the item, the relevant IPSAS Standard, whether and when reclassification to surplus or deficit may occur, and the effect on components of net assets/equity.

<u>Preliminary View 12 — Chapter 5: Statement of Changes in Net Assets/Equity</u>

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. Requiring the reconciliation of each component of net assets/equity to be presented on the face of the statement enhances transparency and comparability.

The IPSASB should provide illustrative examples for entities with multiple reserves and restrictions, as these are common in public sector reporting and can be difficult for users to understand.

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. Transactions within the scope of IFRIC 17 are not common in the public sector, and transfers of non-cash assets between public sector entities often occur under common control or for policy reasons rather than as owner distributions. Incorporating IFRIC 17-based guidance would add complexity without clear benefits.

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. Incorporating the IASB amendments on the structure of the notes and material accounting policy information should improve the quality and relevance of disclosures. We encourage the IPSASB to align this guidance with its broader work on materiality judgments and to include public sector examples demonstrating how entities can avoid disclosure overload while still providing information needed for accountability.

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. The IFRS 18 MPM model is designed for a private sector context in which management communicates performance subtotals of income and expenses. Public sector alternative performance measures are often budgetary, statistical, fiscal or service performance measures and generally do not meet the IFRS 18 MPM definition. Incorporating the IFRS 18 MPM requirements would therefore risk adding complexity without addressing a demonstrated need.

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 agree. We do not see sufficient evidence that a public sector-specific MPM concept is needed within IPSAS Standards. Measures such as net debt, budget balance, debt brake indicators, expenditure ceilings, service performance indicators or fiscal sustainability measures are often governed by budget law, statistical frameworks, fiscal rules or recommended practice guidance rather than by management-defined performance reporting in financial statements.

Where entities provide adjusted financial information outside the financial statements, existing or enhanced guidance in Recommended Practice Guideline 2 (RPG 2), Financial Statement Discussion and Analysis may be a more appropriate location for transparency requirements than the presentation standard itself.