

IPSAS 1 PRESENTATION OF FINANCIAL STATEMENTS

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ILLUSTRATIVE EXAMPLE

GOVERNMENT OF MALAYSIA FINANCIAL STATEMENTS

Content of Presentation

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- Compliance with IPSASs
- Components of Financial Statements
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Introduction

Financial statements are a structured representation of the financial position and financial performance of an entity.

Objective of IPSAS1

It provides the bases of presentation for general purpose financial statements (GPFS) in order to ensure comparability with the entity's financial statements of previous periods and, with the financial statements of other public sector entities.

SCOPE

IPSAS 1 applies to all general purpose financial statements prepared and presented under the accrual basis of accounting in accordance with IPSASs.

IPSAS1 is applicable

- to all public sector entities other than Government Business Enterprises.

Definitions

Accrual basis 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.

Definitions

Assets 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.

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.

Definitions

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

Definition

Revenue 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.

Purpose of financial statements

Objective of GPFS is to provide information to meet the needs of those users of fin statements who are not in the position to demand reporting adapted to their needs.

The users include taxpayers, members of parliaments, creditors, suppliers, the media and public sector employees.

Fair presentation of Financial Statements

GPFS must present fairly the financial positions, financial performance, and cash flows of an entity; through application of IPSASs and by observing general qualitative characteristics of financial reporting.

General qualitative characteristics of financial reporting

- are attributes to ensure that the users of financial statements are provided with **useful financial information for decision-making purpose.** (Appendix A- IPSAS1)
- The four principal qualitative characteristics are:
 - understandability, relevance, reliability, and comparability.

Other Considerations in Preparation of Financial Statements

- Going concern assumption
- Consistency of presentation
- Materiality and aggregation
- Offsetting
- Comparative information

Compliance with IPSASs

- An entity whose financial statements comply with IPSASs should disclose that fact in the notes to the financial statements.
- Financial statements should not be described as complying with IPSASs unless they comply with all the requirements of IPSASs.

Components of Financial Statements

- A statement of financial position
- A statement of financial performance
- A statement of changes in net assets/equity
- A cash flow statement- IPSAS 2
- Notes- comprising a summary of significant accounting policies and other explanatory notes.

Components of Financial Statements

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; and

Notes, comprising a summary of significant accounting policies and other explanatory notes.

Structure & Content of Financial Statements

The financial statements must be clearly identified and distinguished from other information in the same published document. In addition, the following information must be displayed:

- (a) The name of the reporting entity
- (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,
- (d) The presentation currency,
- (e) The level of rounding used in presenting amounts in the financial statements.

Illustrations

- IPSAS 1 refer to notes.

ILLUSTRATIVE EXAMPLE

GOVERNMENT OF NEW ZEALAND 2011 FINANCIAL STATEMENTS

Thank you

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