



International Public Sector Accounting Standards (IPSAS) Workshop

14th -15th July 2016
Nairobi Safari Club, Nairobi

**Session 1: Presentation of financial statements
and specific disclosure requirements**

1. Objective
2. Scope
3. Definitions & Purpose of FS
4. Responsibility and content
5. Overall Considerations

Objective



The objective of IPSAS 1 is to prescribe the manner in which general purpose financial statements should be presented to ensure comparability both with the organization's financial statements of previous periods and with the financial statements of other organizations.

Scope



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

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.

Scope



Users of general purpose financial statements include taxpayers, members of parliament, 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. IPSAS 1 applies to all public sector organizations other than Government Business Enterprises (GBEs).

Definitions



The following terms are used in IPSAS
1:

Economic organization means a group of organizations comprising a controlling organizations and one or more controlled organization.

Definitions



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

- (a) Is an organization with the power to contract in its own name;
- (b) Has been assigned the financial and operational authority to carry on a business;

Definitions



- (c) Sells goods and services, in the normal course of its business, to other organizations 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 organization

4 Purpose of Financial Statements



Financial statements are a structured representation of the financial position and financial performance of an organization. The objectives of general purpose financial statements are to provide information about the financial position, financial performance and cash flows of an organization that is useful to a wide range of users in making and evaluating decisions about the allocation of resources.

4 Purpose of Financial Statements



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 organization for the resources entrusted to it by providing:

4 Purpose of Financial Statements



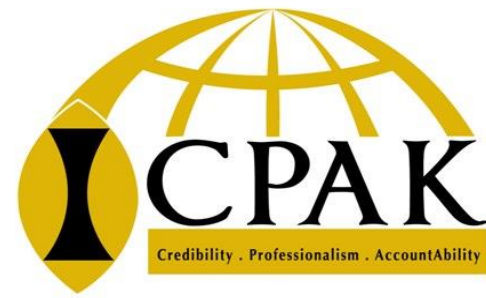
- (a) Information about the sources, allocation and uses of financial resources;
- (b) Information about how the organization financed its activities and met its cash requirements;

4 Purpose of Financial Statements



- (c) Information that is useful in evaluating the organization's ability to finance its activities and to meet its liabilities and commitments;
- (d) Information about the financial condition of the organization and changes in it; and
- (e) Aggregate information useful in evaluating the organization's performance in terms of service costs, efficiency and accomplishments.

4 Purpose of Financial Statements



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.

5 Responsibility for Financial Statements



The responsibility for the preparation and presentation of financial statements varies across countries. In addition, a country may have a distinction between those who prepare and those who approve financial statements.

5 Responsibility for Financial Statements



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) for example here in Kenya we have the Cabinet Secretary for Treasury.

6 Components of Financial Statements



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;

6 Components of Financial Statements



(e) When the organization 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

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

7 Overall Considerations



Just like IAS 1:

1. Fair Presentation and Compliance with IPSASs
2. Going Concern
3. Consistency of Presentation
4. Materiality and Aggregation
5. Offsetting
6. Comparative Information

Content – IPSAS 16



1. Introduction and definitions
2. Adjusting events
3. Non adjusting events
4. Going concern
5. Date of approval

1. Introduction



Events after the reporting period are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue.

1. Introduction



Two types of events can be identified:

- (a) Those that provide evidence of conditions that existed at the end of the reporting period (*adjusting events after the reporting period*); and
- (b) Those that are indicative of conditions that arose after the reporting period (*non-adjusting events after the reporting period*).

2. Adjusting Events



An entity shall adjust the amounts recognized in its financial statements to reflect adjusting events after the reporting period.

2. Adjusting Events



Examples

1. A court case confirming obligation to pay.
2. Information that an asset is impaired (Bankruptcy of a customer and Sale of Inventory below cost)

3. Adjusting Events



3. Confirmation of purchase or sale price after the end of the year though the sale took place before year end.

4. Determination of profits or bonus after the year end.

5. The discovery of fraud.

3. Non -Adjusting Events



An entity shall not adjust the amounts recognized in its financial statements to reflect non-adjusting events after the reporting period.

3. Non -Adjusting Events



If non-adjusting events after the reporting period are material, they should be disclosed.

Information to be disclosed includes:

3. Non -Adjusting Events



- (a) The nature of the event; and
- (b) An estimate of its financial effect, or a statement that such an estimate cannot be made.

3. Non -Adjusting Events



Examples:

1. Major business combination
2. Plan to discontinue a major operation

3. Non -Adjusting Events



- 3. Major purchase or sale of assets (or expropriation)
- 4. Major destruction of assets
- 5. Commencement of major restructuring.

3. Non -Adjusting Events



6. Major ordinary share transactions (issue of new shares, bonus issues, share splits or reverse share splits).

7. Abnormally large changes in asset prices or exchange rates

3. Non -Adjusting Events



8. Changes in tax rates that may affect future tax payments.

9. Major commitments

10. Major litigations

3. Non -Adjusting Events



Dividends

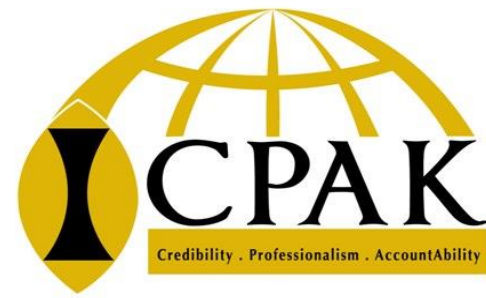
If an entity declares dividends to holders of equity instruments after the reporting period, the entity shall not recognize those dividends as a liability at the end of the reporting period. They should be disclosed in the notes.

4. Going Concern



If an event after the reporting period casts doubt on the going concern of the business, then an entity should not prepare its financial statements on a going concern basis.

5. Date of Approval of Financial Statements



The date when the financial statements were authorized for issue should be disclosed and who gave that authorization.