

# CURRENT DEVELOPMENTS ON THE IASB & IPSAS BOARD CONCEPTUAL FRAMEWORKS

## Presentation of financial statements – IAS 1 & IPSAS1

Presentation by:

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# Presentation agenda



- ❑ IPSAS 1
- ❑ IAS 1
- ❑ Current developments on the conceptual frameworks

# Scope and objectives – IPSAS 1



## Effective date

Annual periods beginning on or after 1 January 2008.

## Scope

All financial statements (FS) prepared in accordance with IPSAS

## Objective

To set out the manner in which GPFS shall be prepared under the accrual basis of accounting, including guidance for their structure and the minimum requirements for content.

# Components of financial statements



A complete set of financial statements comprises:

- ☐ Statement of financial position
- ☐ Statement of financial performance
- ☐ Statement of changes in net assets/equity
- ☐ Cash flow statement
- ☐ When the entity makes its approved budget publicly available, a comparison of budget and accrual amounts
- ☐ Notes, comprising a summary of significant accounting policies and other explanatory notes

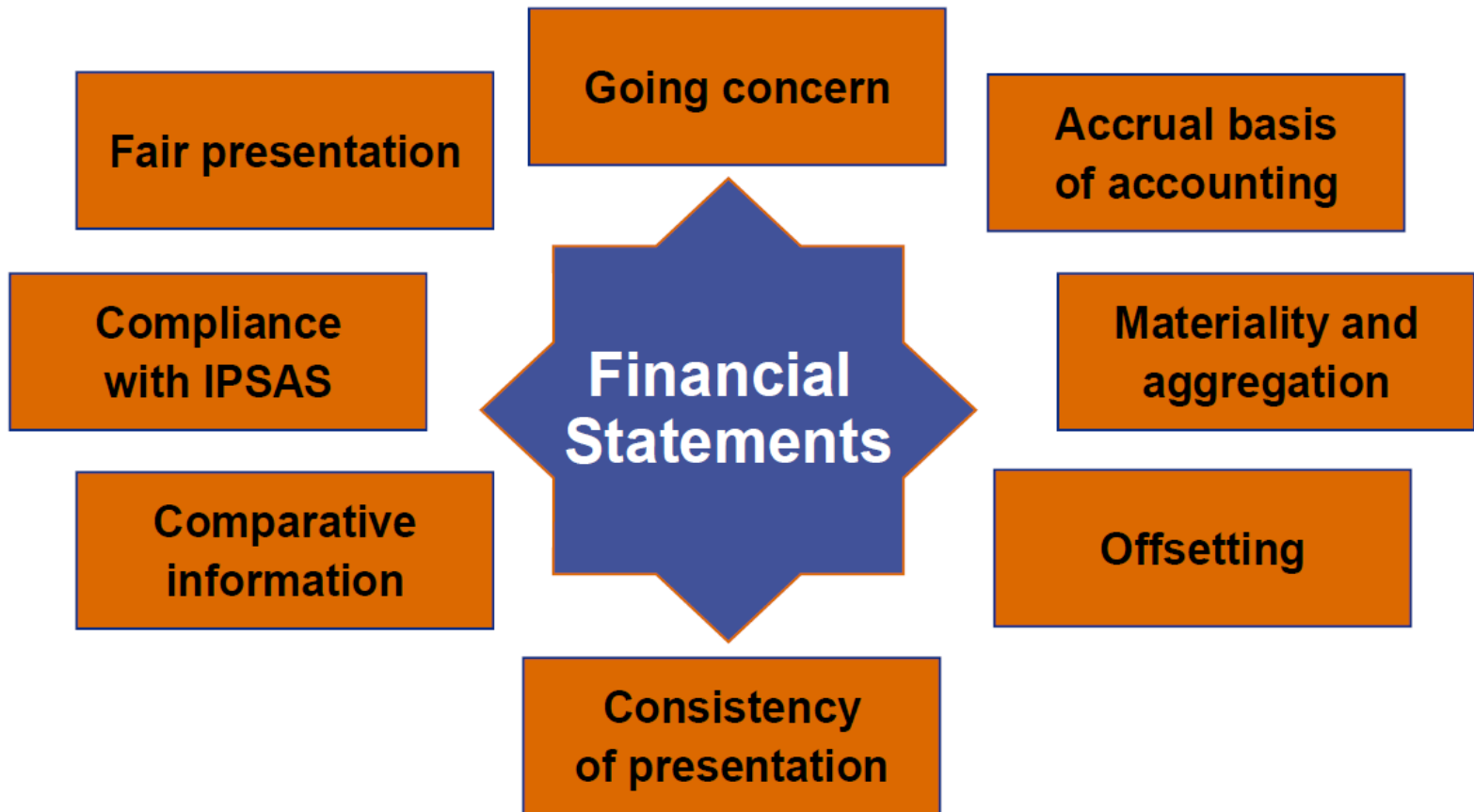
# Compliance with IPSAS



An entity whose financial statements comply with IPSAS shall make an explicit and unreserved statement of such compliance in the notes.

Financial statements shall not be described as complying with IPSAS unless they comply with all the requirements of IPSAS.

# Overall considerations



# Going concern



- ❑ Management should make an assessment of the entity's ability to continue as a going concern.
- ❑ Management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the reporting date.
- ❑ Management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing.

# Going concern (cont.)



- ❑ Disclose that fact if financial statements not prepare on a going concern basis, the basis on which prepared the financial statements and the reason why the entity is not regarded as a going concern.



# Consistency & frequency of presentation



Retain the same presentation and classification of items unless:

- ☐ Change will result in more appropriate presentation as required by IPSAS 3
- ☐ Change required by an IPSAS

Present a complete set of financial statements (including comparative information) at least annually.

If FS are presented for a period longer or shorter than one year, disclose:

- ☐ that fact and the reason for using a longer or shorter period.
- ☐ the fact that comparative amounts presented in the financial statements (and notes) are not entirely comparable.

# Comparative Information



- ❑ Enhancing the inter-period comparability of information
- ❑ allowing the assessment of trends in financial information for predictive purposes.
- ❑ Details of a legal dispute whose outcome was uncertain at the end of the immediately preceding reporting period
- ❑ Comparative narrative and descriptive information relevant to financial reporting

# Comparative Information(cont.)



- ❑ Accounting policy applied retrospectively or retrospective restatement of items or reclassifies items then present statements of financial position as at:
  - ✓ the end of the current period,
  - ✓ the end of the previous period
  - ✓ the beginning of the earliest comparative period

# Materiality and aggregation



- ❑ Separate presentation of material items of dissimilar nature or function
- ❑ Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances.
- ❑ Immaterial items need not be presented separately
  - ✓ Aggregate with amounts of similar nature or function
  - ✓ If sufficiently material after aggregation, separate presentation in notes required

# Offsetting



Assets and liabilities should not be offset unless

- ☐ Required or permitted by an IPSAS
- ☐ Offset if it reflects the substance of the transaction or other event,

Items of income and expense should not be offset unless

- ☐ Required or permitted by an IPSAS
- ☐ Gains, losses and related expenses arising from the same or similar items are not material

Measuring assets net of valuation allowances—for example, obsolescence allowances on inventories and doubtful debts allowances on receivables—is not

# Fair presentation



Achieved by appropriate application of IPSAS

Requires faithful representation of effects of transactions, events and conditions in accordance with recognition criteria set out in the Framework

# Accrual basis of accounting



Prepare its financial statements, except for cash flow information, using the accrual basis of accounting.

Recognises items as assets, liabilities, equity, income and expenses when they satisfy the definitions and recognition criteria

# Minimum disclosure requirements



- ☐ Accounting policies followed
- ☐ The judgments that management has made in the process of applying the entity's accounting policies
- ☐ The key assumptions concerning the future, and other key sources of estimation uncertainty,
- ☐ The domicile and legal form of the entity
- ☐ Nature of the entity's operations
- ☐ Reference to the relevant legislation
- ☐ The name of the controlling entity and ultimate controlling entity



# Scope and objectives – IAS 1



## Effective date

Reissued in 2007 and effective for Annual periods beginning on or after 1 January 2009.

## Scope

All general purpose financial statements that are prepared and presented in accordance with (IFRSs).

## Objective

To set out the manner in which GPFS shall be prepared under the accrual basis of accounting, including guidance for their structure and the minimum requirements for content.

# Related interpretations



## Related Interpretations

- ❑ IAS 1 (2003) superseded SIC-18 Consistency - Alternative Methods
- ❑ IFRIC 17 Distributions of Non-cash Assets to Owners
- ❑ SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease
- ❑ SIC-29 Disclosure -Service Concession Arrangements

# Amendments under consideration



## Amendments under consideration

- ☐ Disclosures about going concern
- ☐ Classification of liabilities
- ☐ Disclosure initiative – Principles of disclosure (research project)
- ☐ Disclosure initiative – Materiality (research project) - exposure draft of proposed amendments are expected in September 2017.

# IPSAS 1 vs IAS 1



Different terminology

- ☐ Statement of financial performance vs Statement of profit or loss and comprehensive income
- ☐ Net assets or equity while IAS 1 uses only equity
- ☐ IAS 1 defines IFRS to include IFRSs, ISAs and SIC/IFRC interpretations but IPSAS 1 does not define IPSAS.
- ☐ IAS 1 prohibits items of income and expenses being presented as extraordinary item
- ☐ IPSAS 1 contains transitional provisions
- ☐ Economic entity vs Group of entities

# Conceptual Framework



## Definition

A conceptual framework is a theory of accounting prepared by a standard-setting body against which practical problems can be tested objectively

A conceptual framework deals with:

- ☐ objectives and users of financial statements,
- ☐ the characteristics that make accounting information useful,
- ☐ the basic elements of financial statements
- ☐ The concepts for recognising and measuring these elements in the financial statements.

# Benefits of A Conceptual Framework



Benefits of a conceptual framework for financial reporting include:

- ❑ establishing precise definitions that facilitate discussion of accounting issues;
- ❑ providing guidance to accounting standard setters when developing and reviewing financial reporting rules;
- ❑ helping to ensure that accounting standards are internally consistent;

# Benefits of A Conceptual Framework (Cont..)



- ❑ helping preparers and auditors to resolve financial reporting problems in the absence of an accounting standard;
- ❑ helping to limit the volume of accounting standards by providing an overarching theory of accounting that can be applied to specific reporting problems.

# Applicable framework – IFRS

The Conceptual Framework for Financial Reporting (2010) issued by IASB: Which defines the primary objective of financial statements prepared under IFRS as:

- ☐ are economic decision-making;
- ☐ and stewardship.

Main users of financial statements are considered to be equity investors, lenders and other creditors, while the primary characteristics that make financial reporting information useful to these groups are relevance and faithful representation



# Current status –IFRS Framework



The IASB is currently updating its Framework in a joint project with the Financial Accounting Standards Board of the USA (FASB).

# Applicable framework – IPSAS



The *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* issued by IAPSAB establishes the concepts that are to be applied in developing International Public Sector Accounting Standards (IPSASs) and Recommended Practice Guidelines (RPGs) applicable to the preparation and presentation of general purpose financial reports (GPFRs) of public sector entities

# Current status –IPSAS Framework



Final Chapters of Phase 1 published on January 11, 2013:

- ☐ Chapter 1: Role and Authority of the Conceptual Framework
- ☐ Chapter 2: Objectives and Users of General Purpose Financial Reporting
- ☐ Chapter 3: Qualitative Characteristics
- ☐ Chapter 4: Reporting Entity

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# Current status –IPSAS Framework (Cont..)



## Remaining phases

- ❑ Phase 2: The definition and recognition of the elements of financial statements
- ❑ Phase 3: The measurement of the elements that are recognized in the financial statements
- ❑ Phase 4: The presentation of information in general purpose financial reports

# Limitations of financial statements



These include:

- ☐ dependence on historical costs
- ☐ Inflationary effects.
- ☐ Intangible assets not recorded
- ☐ Based on specific time period
- ☐ Subject to fraud
- ☐ No discussion of non-financial issues.

# Questions?



Ask  
Answer  
Who  
Why  
Where  
What  
When  
How  
Apply  
Question  
Answers  
Understand  
Query  
Questions

*Thank you*

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