

*International Public Sector Accounting Standard*

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# Disclosure of Financial Information About the General Government Sector



**International Federation  
of Accountants**

International Public Sector Accounting Standards Board  
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This International Public Sector Accounting Standard was prepared by the International Public Sector Accounting Standards Board (IPSASB), an independent standard-setting body within the International Federation of Accountants (IFAC). The objective of the IPSASB is to serve the public interest by developing high quality accounting standards for use by public sector entities around the world in the preparation of general purpose financial statements. This will enhance the quality and transparency of public sector financial reporting and strengthen public confidence in public sector financial management.

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ISBN: 1-931949-61-1

## **INTRODUCTION TO THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS**

The International Federation of Accountants' International Public Sector Accounting Standards Board (IPSASB) develops accounting standards for public sector entities referred to as International Public Sector Accounting Standards (IPSASs). The IPSASB recognizes the significant benefits of achieving consistent and comparable financial information across jurisdictions and it believes that the IPSASs will play a key role in enabling these benefits to be realized.

The IPSASB issues IPSASs dealing with financial reporting under the accrual basis of accounting and the cash basis of accounting. The accrual basis IPSASs are based on the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) where the requirements of those Standards are applicable to the public sector. They also deal with public sector specific financial reporting issues that are not dealt with in IFRSs.

The adoption of IPSASs by governments will improve both the quality and comparability of financial information reported by public sector entities around the world. The IPSASB recognizes the right of governments and national standard-setters to establish accounting standards and guidelines for financial reporting in their jurisdictions. The IPSASB encourages the adoption of IPSASs and the harmonization of national requirements with IPSASs. Financial statements should be described as complying with IPSASs only if they comply with all the requirements of each applicable IPSAS.

**INTERNATIONAL PUBLIC SECTOR ACCOUNTING  
STANDARD (IPSAS) 22 — DISCLOSURE OF FINANCIAL  
INFORMATION ABOUT THE  
GENERAL GOVERNMENT SECTOR**

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International Public Sector Accounting Standard 22, “Disclosure of Financial Information about the General Government Sector” (IPSAS 22) is set out in paragraphs 1 – 48 and the Appendix. All the paragraphs have equal authority. IPSAS 22 should be read in the context of its objective, the Basis for Conclusions, and the “Preface to the International Public Sector Accounting Standards.” IPSAS 3, “Accounting Policies, Changes in Accounting Estimates and Errors” provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

## **Introduction**

### **Reasons for Issuing the IPSAS**

- IN1. Statistical bases of financial reporting such as the System of National Accounts 1993 (SNA 93 and updates), Government Finance Statistics Manual 2001 (GFSM 2001), and the European System of Accounts 1995 (ESA 95) require governments to compile financial information about the general government sector (GGS). For statistical purposes, the GGS comprises government controlled entities primarily engaged in non-market activities. The GGS is sometimes described as comprising those entities that fulfill the core functions of government as their primary activity.
- IN2. Current IPSASs require entities to prepare financial statements that include information about all the resources controlled by the reporting entity, and prescribe rules for consolidation of all controlled entities. IPSASs also require financial statements to make disclosures about segments. A segment is defined as “a distinguishable activity or group of activities of an entity for which it is appropriate to separately report financial information for the purpose of evaluating the entity’s past performance in achieving its objectives and for making decisions about the future allocation of resources.” IPSASs do not require public sector entities to disclose information about the GGS in their financial statements.
- IN3. This Standard establishes requirements for governments which elect to disclose information about the GGS and prepare financial statements under the accrual basis of accounting as prescribed by IPSASs. The disclosures required by this Standard provide a useful bridge to the statistical bases of reporting.

### **Main Features of the Standard**

- IN4. This Standard establishes requirements for preparing and presenting information about the GGS. The Standard is only applied in respect of a government’s consolidated financial statements. Information disclosed in accordance with this standard disaggregates those consolidated financial statements according to the GGS boundaries as specified in statistical bases of financial reporting. The Standard does not permit reporting entities to consolidate information about entities that are not subject to common control, as statistical information about government finances published by a statistical agency would.
- IN5. This Standard requires entities electing to make GGS disclosures to apply all IPSASs to those disclosures except IPSAS 6, “Consolidated and Separate Financial Statements.” Statistical bases of financial reporting use different consolidation rules to IPSAS 6; applying IPSAS 6 would not enable comparison of financial statement information with GGS information.

- IN6. This Standard requires a different treatment of investments in the public corporations sectors than is normally required by IPSASs. IPSAS 6 requires full consolidation of all entities, however, this Standard requires the public financial corporations sector and the public non-financial corporations sector to be presented as investments of the general government sector.
- IN7. Making the GGS disclosures set out in this IPSAS does not exempt entities from the operation of IPSAS 18, “Segment Reporting.”
- IN8. This Standard applies for annual periods beginning on or after January 1, 2008, but earlier application is encouraged.

## Objective

1. The objective of this Standard is to prescribe disclosure requirements for governments which elect to present information about the general government sector (GGS) in their consolidated financial statements. The disclosure of appropriate information about the GGS of a government can enhance the transparency of financial reports, and provide for a better understanding of the relationship between the market and non-market activities of the government and between financial statements and statistical bases of financial reporting.

## Scope

2. **A government that prepares and presents consolidated financial statements under the accrual basis of accounting and elects to disclose financial information about the general government sector shall do so in accordance with the requirements of this Standard.**
3. Governments raise funds from taxes, transfers and a range of non-market and market activities to fund their service delivery activities. They operate through a variety of entities to provide goods and services to their constituents. Some entities rely primarily on appropriations or allocations from taxes or other government revenues to fund their service delivery activities, but may also undertake additional revenue generating activities including commercial activities in some cases. Other entities may generate their funds primarily or substantially from commercial activities. These include government business enterprises (GBEs) as defined in paragraph 15 of this Standard.
4. Financial statements for a government prepared in accordance with International Public Sector Accounting Standards (IPSASs) provide an overview of the assets controlled and liabilities incurred by the government, the cost of services provided by the government and the taxation and other revenues generated to fund the provision of those services. Financial statements for a government, which delivers services through controlled entities, whether primarily dependent on the government budget to fund their activities or not, are consolidated financial statements.
5. In some jurisdictions, financial statements and budgets for the government, or sectors thereof, may also be issued in accordance with statistical bases of financial reporting. These bases reflect requirements consistent with, and derived from, the System of National Accounts 1993 (SNA 93) prepared by the United Nations and other international organizations. These statistical bases of financial reporting focus on the provision of financial information about the GGS. The GGS comprises those non-profit entities which undertake non-market activities and rely primarily on appropriations or allocations from the government budget to fund their service delivery activities (hereafter referred to as non-market entities or activities). The statistical bases of financial reporting may also provide information about the corporations sector of government which primarily engages in market activities (usually characterized

as the public financial corporations (PFC) sector and the public non-financial corporations (PNFC) sector) and the public sector as a whole. The major features of the PFC and PNFC sectors are outlined at paragraphs 19 and 20 of this Standard.

6. Financial statements consolidate only controlled entities. Such a limitation is not made in statistical bases of financial reporting. In some jurisdictions a national government controls state/provincial and local government entities, and therefore its financial statements consolidate those levels of government, but in other jurisdictions they do not. In all jurisdictions, under statistical bases of financial reporting, the GGS of all levels of government are combined, so in some jurisdictions the GGS will include units that financial statements do not consolidate. This Standard disaggregates the consolidated financial statements of a government. Therefore, it prohibits the presentation, as part of the GGS, of any entity not consolidated within a government's financial statements.

### **Segment Reporting**

7. IPSAS 18, "Segment Reporting" requires the disclosure of certain information about the service delivery activities of the entity and the resources allocated to support those activities for accountability and decision-making purposes. Unlike the sectors reported under statistical bases of financial reporting, segments reported in accordance with IPSAS 18 are not based on a distinction between market and non-market activities.
8. The disclosure of information about the GGS does not replace the need to make disclosures about segments in accordance with IPSAS 18. This is because information about the GGS alone will not provide sufficient detail to enable users to evaluate the entity's past performance in achieving major service delivery objectives, when those objectives are achieved through non-GGS entities. For example, identifying the GGS as a segment will not provide information about a government's performance in achieving its telecommunication, healthcare or educational objectives where government corporations or quasi-corporations deliver services related to those objectives. Because the GGS is only a subset of the government as a whole, important information would be omitted if a government did not present segment information in respect of its consolidated financial statements.

### **Statistical Bases of Financial Reporting**

9. The objectives of financial statements prepared in accordance with IPSASs and those prepared in accordance with statistical bases of financial reporting differ in some respects. The objectives of financial statements prepared in accordance with IPSASs are to provide information useful for decision-making and to demonstrate the accountability of the entity for the resources entrusted to it and which it controls. The purpose of financial statements prepared in accordance with statistical bases of financial reporting is to provide information suitable

for analyzing and evaluating fiscal policy, especially the performance of the GGS and the broader public sector of any country. In addition, although statistical bases of financial reporting may be described in accounting terms, they might differ in important ways from the underlying financial accounting system from which most of the statistics about government finances will be derived. However, the IPSASs and the statistical bases of financial reporting also have many similarities in the treatment of transactions and events. For example, they adopt an accrual basis of accounting, deal with similar transactions and events, and in some respects require a similar type of report structure.

10. In some jurisdictions, the disclosure of appropriate information about the GGS in financial statements can support and enhance the decision-making of, and accountability to, users of those statements. For example, disclosure of information about the GGS is consistent with enhanced transparency of financial reporting and will assist users of the financial statements to better understand:
  - (a) The resources allocated to support the service delivery activities by the GGS, and the government's financial performance in delivering those services; and
  - (b) The relationship between the GGS and the corporations sectors, and the impact each have on overall financial performance.
  
11. In those jurisdictions where financial statements for the government are prepared in accordance with statistical bases of financial reporting and widely published, the disclosure of information about the GGS in financial statements will form a useful link between the financial statements prepared in accordance with IPSASs and those prepared in accordance with statistical bases of financial reporting. This will assist users in reconciling information presented in financial statements to information presented in statistical reports. IPSAS 24, "Presentation of Budget Information in Financial Statements," requires that financial statements include a comparison of budget and actual amounts on a basis consistent with that adopted for the budget. Where government budgets are prepared for the GGS rather than the government as a whole, financial information about the GGS disclosed in accordance with this Standard will be relevant to the comparisons required by that IPSAS.

#### **Accounting Policies**

12. IPSAS 3, "Accounting Policies, Changes in Accounting Estimates and Errors" requires the development of accounting policies to ensure that the financial statements provide information that meets a number of qualitative characteristics. The compilation and presentation of GGS data which satisfy the qualitative characteristics of information provided in financial statements and related audit requirements may add significantly to the workload of

preparers and auditors in many jurisdictions, and may increase the complexity of the financial statements. This will be particularly so in jurisdictions where financial statements based on, or incorporating, GGS disclosures in accordance with statistical bases of financial reporting are not currently prepared. In addition, in some jurisdictions users may not be dependent on financial statements for information about the GGS. In those jurisdictions, the costs involved in preparing and presenting GGS disclosures as part of the financial statements may be greater than their benefit. Therefore, this Standard allows, but does not require, the disclosure of information about the GGS. Whether or not disclosure of information about the GGS will be made in financial statements, will be determined by the government or other appropriate authority in each jurisdiction.

13. This Standard requires that when disclosures about the GGS are made in financial statements, those disclosures are to be made in accordance with the requirements prescribed in this Standard. This will ensure that an appropriate representation of the GGS is made in the financial statements and that disclosures about the GGS satisfy the qualitative characteristics of financial information, including understandability, relevance, reliability, and comparability.
14. IPSASs generally apply to all public sector entities. However, it is only possible to disclose a meaningful representation of the GGS for a government – not its individual controlled entities. Therefore, this Standard specifies requirements for application only by governments which prepare consolidated financial statements under the accrual basis of accounting as prescribed by IPSASs. These governments may include national, state/provincial and local governments.

## **Definitions**

15. **The following terms are used in this Standard with the meanings specified:**

**The General Government Sector comprises all organizational entities of the general government as defined in statistical bases of financial reporting.**

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

- (a) **Is an entity with the power to contract in its own name;**
- (b) **Has been assigned the financial and operational authority to carry on a business;**
- (c) **Sells goods and services, in the normal course of its business, to other entities 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 entity.**

**Terms defined in other International Public Sector Accounting Standards are used in this Standard with the same meaning as in those other Standards, and are reproduced in the Glossary of Defined Terms published separately.**

### **Government Business Enterprises**

16. Government Business Enterprises (GBEs) include both trading enterprises, such as utilities, and financial enterprises, such as financial institutions. GBEs are, in substance, no different from entities conducting similar activities in the private sector. GBEs generally operate to make a profit, although some may have limited community service obligations under which they are required to provide some individuals and organizations in the community with goods and services at either no charge or a significantly reduced charge.

### **General Government Sector**

17. Under statistical bases of financial reporting the public sector comprises the general government sector (GGS), the public financial corporations (PFC) sector and the public non-financial corporations (PNFC) sector. Additional subgroups within these sectors may be identified for statistical analytical purposes.
18. The GGS is defined in the SNA 93 (and updates) as consisting of all resident central, state and local government units, social security funds at each level of government, and non-market non-profit institutions controlled by government units. Under statistical bases of financial reporting, the GGS encompasses the central operations of government and typically includes all those resident non-market non-profit entities that have their operations funded primarily by the government and government entities. As such, the financing of these entities is sourced primarily from appropriation or allocation of the government's taxes, dividends from government corporations, other revenues, and borrowings. The GGS typically includes entities such as government departments, law courts, public educational institutions, public health care units and other government agencies. The GGS does not include PFCs or PNFCs. Disclosure of GGS information will be made in those jurisdictions where strengthening the link between IPSASs and statistical bases of financial reporting is considered useful and relevant to users of financial statements. Governments electing to make GGS disclosures will therefore need to ensure that the information about the GGS included in the financial statements is consistent with the definition of GGS, and any interpretations thereof, adopted for statistical bases of financial reporting in their jurisdiction.

*Public Financial Corporations Sector*

19. The PFC sector comprises resident government controlled financial corporations, quasi-corporations and non-profit institutions which primarily engage in financial intermediation and the provision of financial services for the market. Included within this sector are government controlled banks, including central banks, and other government financial institutions that operate on a market basis.

*Public Non-Financial Corporations Sector*

20. The PNFC sector comprises resident government controlled non-financial corporations, quasi-corporations and non-profit institutions that produce goods or non-financial services for the market. Included within this sector are entities such as publicly owned utilities and other entities that trade in goods and services.

21. Statistical bases of financial reporting define:

- (a) Corporations as legal entities created for the purpose of producing goods and services for the market;
- (b) Quasi-corporations as enterprises that are not incorporated or otherwise legally established but function as if they were corporations; and
- (c) Non-profit institutions as legal or other entities which produce or distribute goods and services, but which do not generate financial gain for their controlling entity.

22. A GBE as defined in this Standard has similar characteristics to a public corporation or public quasi-corporation as defined in statistical bases of financial reporting. However, there may not be an identical mapping of GBEs and the PFC and PNFC sectors. For example, a GBE that is not resident would not be classified as a PFC or a PNFC.

## **Accounting Policies**

**23. Financial information about the general government sector shall be disclosed in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements of the government, except as required by paragraphs 24 and 25.**

**24. In presenting financial information about the general government sector, entities shall not apply the requirements of IPSAS 6, “Consolidated and Separate Financial Statements” in respect of entities in the public financial corporations and public non-financial corporations sectors.**

25. **The general government sector shall recognize its investment in the public financial corporations and public non-financial corporations sectors as an asset and shall account for that asset at the carrying amount of the net assets of its investees.**
26. This Standard reflects the view that the consolidated financial statements of a government which elects to disclose information about the GGS are to be “disaggregated” to present the GGS as one sector of the government reporting entity. Consistent with this view, this Standard requires that the same definitions and the same recognition, measurement and presentation requirements that are applied when preparing the consolidated financial statements are also applied to the GGS disclosures, with one exception. That exception is that the requirements of IPSAS 6 are not applied in respect of the relationship of the GGS sector with entities in the PFC and PNFC sectors.
27. IPSAS 6 requires controlling entities to prepare financial statements that consolidate controlled entities on a line-by-line basis. IPSAS 6 also contains a detailed discussion of the concept of control as it applies in the public sector and guidance on determining whether control exists for financial reporting purposes. Consistent with the requirements of IPSAS 6, entities in the PFC and PNFC sectors as defined in statistical bases of financial reporting which are controlled entities of the government, will be consolidated in the government’s financial statements.
28. Financial statements prepared consistent with statistical bases of financial reporting portray the impact of the GGS on the public sector as a whole and, in the context of the SNA 93 (and updates), on a national economy. Consistent with that focus, statistical bases of financial reporting require the GGS financial statements to present public sector entities outside that sector as investments in other sectors. In addition, under statistical bases of financial reporting, transactions of the GGS with entities in other sectors are not eliminated from the statement of government operations or a similar statement.
29. To apply the IPSAS 6 requirements for consolidation to the GGS would result in the re-presentation of the consolidated financial statements of a government, rather than the GGS financial statements.
30. Therefore, in disclosing financial information about the GGS, balances and transactions between entities within the GGS are eliminated in accordance with IPSAS 6. However, balances and transactions between entities in the GGS and entities in other sectors are not eliminated.
31. This Standard requires the GGS sector to recognize its investment in entities in the PFC or PNFC sectors at the carrying amount of the net assets of those entities. This will ensure that the GGS disclosures reflect a disaggregation of

financial information presented in the consolidated financial statements of the government of which it is a part. Consistent with the GGS being a disaggregation of the consolidated financial statements of a government, changes in the carrying amount of the net assets of those entities will be recognized in the same manner as they are recognized in the consolidated financial statements of a government.

32. Statistical bases of reporting require all assets and liabilities (except loans) to be revalued to market value at each reporting date. IPSASs include different measurement requirements and require or permit cost and current values for certain classes of assets and liabilities. They do not require all assets and liabilities to be revalued to market value. Therefore, the measurement of assets and liabilities in the GGS disclosures in the financial statements, including the investment in the PFC and PNFC sectors, may differ from the measurement basis adopted in statistical bases of reporting.

#### **Further Disaggregation**

33. In some jurisdictions, national governments may control provincial and/or local governments and, consequently, the national government's financial statements will consolidate different levels of government. If financial statements consolidate different levels of government, further disaggregation of the consolidated financial statements may occur in accordance with the requirements of this Standard to separately disclose information about the GGS at each level of government.
34. This further disaggregation is not required by this Standard. However, it may be presented to further assist users to better understand the relationship between the GGS activities of each level of government consolidated in the financial statements, and the relationship between financial statements and the statistical bases of financial reporting in those jurisdictions.

#### **Disclosures**

35. **Disclosures made in respect of the general government sector shall include at least of the following:**
  - (a) **Assets by major class, showing separately the investment in other sectors;**
  - (b) **Liabilities by major class;**
  - (c) **Net assets/equity;**
  - (d) **Total revaluation increments and decrements and other items of revenue and expense recognized directly in net assets/equity;**

- (e) **Revenue by major class;**
- (f) **Expenses by major class;**
- (g) **Surplus or deficit;**
- (h) **Cash flows from operating activities by major class;**
- (i) **Cash flows from investing activities; and**
- (j) **Cash flows from financing activities.**

**The manner of presentation of the general government sector disclosures shall be no more prominent than the government's financial statements prepared in accordance with International Public Sector Accounting Standards.**

- 36. IPSAS 1 identifies a complete set of financial statements (under the accrual basis) as a statement of financial position, statement of financial performance, statement of changes in net assets/equity, cash flow statement and accounting policies and notes to the financial statements.
- 37. This Standard requires disclosure of the major classes of assets, liabilities, revenues, expenses and cash flows reflected in the financial statements. This Standard does not specify the manner in which the GGS disclosures shall be made. Governments electing to make GGS disclosures in accordance with this Standard may make such disclosures by way of note disclosure, separate columns in the primary financial statements, or otherwise as considered appropriate in their jurisdiction. However, the manner of presentation of the GGS disclosures will be no more prominent than the consolidated financial statements prepared in accordance with IPSASs.
- 38. To assist users to understand the relationship of financial information presented for the GGS to a government's operations, statistical bases of financial reporting require total government expenses to be disaggregated and disclosed by class based on either the economic nature of the expenses or by the Classification of Functions of Government (COFOG). This Standard does not require nor prohibit entities disclosing GGS information from presenting disaggregated GGS information classified by economic nature or consistent with the COFOG classification basis. In some jurisdictions, the COFOG classifications adopted in respect of the GGS disclosures may be similar to the classifications adopted in accordance with IPSAS 18 for segment disclosures.
- 39. Entities will also make any additional disclosures that are necessary for users to understand the nature of the information presented.
- 40. **Entities preparing general government sector disclosures shall disclose the significant controlled entities that are included in the general government sector and any changes in those entities from the prior period, together**

**with an explanation of the reasons why any such entity that was previously included in the general government sector is no longer included.**

41. This Standard requires entities electing to disclose information about the GGS to disclose a list of the significant controlled entities that are included in the GGS. IPSAS 6 requires entities preparing consolidated financial statements to disclose a list of the significant controlled entities that are included in the consolidated financial statements. Disclosure of which of the entities consolidated in the financial statements in accordance with IPSAS 6 are included in the GGS will assist users in developing an understanding of the relationship between information about the government and its GGS, and in better understanding the GGS information itself.
42. Similarly, disclosure of changes in the controlled entities included in the GGS will enable users to monitor the relationship between the consolidated financial statements and the GGS information over time.

#### **Reconciliation to the Consolidated Financial Statements**

43. **The general government sector disclosures shall be reconciled to the consolidated financial statements of the government showing separately the amount of the adjustment to each equivalent item in those financial statements.**
44. This Standard requires the amounts disclosed in respect of the GGS to be reconciled to their equivalent amounts in the consolidated financial statements of the government. Entities will present separately the adjustment in the amount of the asset investment in PFC and PNFC sectors determined in accordance with paragraph 23 and adjustments to each of the items disclosed separately in accordance with paragraph 35. In addition, entities may, but are not required to, disclose separately the amount of the adjustment to each item attributable to the PFC and the PNFC sectors. This reconciliation will enable the government to better discharge its accountability obligations by demonstrating the relationship between the amounts of each item for the GGS with the total amount of that item for the government.

#### **Reconciliation to Statistical Bases of Financial Reporting**

45. Statistical bases of financial reporting and IPSASs have many similarities in their treatment of particular transactions and events. However, there are also differences. For example, in addition to differences in the measurement bases for assets and liabilities outlined in paragraph 32 above, statistical bases of financial reporting treat dividends as expenses while IPSASs treat them as distributions. Statistical bases of financial reporting also make a distinction between transactions and other economic flows for presentation of financial information that is not currently reflected in the consolidated financial statements, and focus on particular measures relevant for analysis of fiscal policy such as net lending/borrowing and cash surplus/deficit.

46. This Standard does not require a reconciliation of the GGS disclosures in the consolidated financial statements with the GGS disclosures under statistical bases of financial reporting. This is because of concerns about the practicability, and the costs and benefits, of such a requirement in all jurisdictions. However, the inclusion of such a reconciliation by way of note disclosure is not precluded.

### **Effective Date**

47. **An entity that elects to disclose financial information about the general government sector shall apply this International Public Sector Accounting Standard for annual financial statements covering periods beginning on or after January 1, 2008. Earlier application is encouraged. If an entity applies this Standard for a period beginning before January 1, 2008 it shall disclose that fact.**
48. When an entity adopts the accrual basis of accounting, as defined by International Public Sector Accounting Standards, for financial reporting purposes, subsequent to this effective date, this Standard applies to the entity's annual financial statements covering periods beginning on or after the date of adoption. In accordance with the requirements of IPSAS 1, the disclosure of comparative information is not required for the reporting period in which this Standard is first applied.

## Appendix

### Amendments to Other International Public Sector Accounting Standards

*The amendments in this appendix shall be applied for annual financial statements covering periods beginning on or after January 1, 2008. If an entity applies this Standard for an earlier period, these amendments shall be applied for that earlier period.*

A1. In IPSAS 18, “Segment Reporting,” paragraph 24 is amended to read as follows:

24. ...However, in some cases an entity’s internal reporting to the governing body and the senior manager may be structured to aggregate and report on a basis which distinguishes revenues, expenses, assets and liabilities related to budget-dependent activities from those of trading activities, or which distinguishes budget-dependent entities from GBEs. Reporting segment information in the financial statements on the basis of only these segments is unlikely to meet the objectives specified for this Standard. This is because these segments are unlikely to provide information that is relevant to users about, for example, the performance of the entity in achieving its major operating objectives. IPSAS 22, “Disclosure of Financial Information about the General Government Sector” includes requirements for governments which elect to disclose financial information about the general government sector (GGS) as defined in statistical bases of financial reporting.

Implementation Guidance – Illustrative Financial Statement Structure  
*This guidance accompanies, but is not part of, IPSAS 22.*

## **GOVERNMENT A – EXTRACT OF FINANCIAL STATEMENTS**

### ***Extract from the Notes to the Financial Statements***

#### **Note: General Government Sector (GGS) Disclosures**

The following disclosures are made for the general government sector (GGS). They reflect the accounting policies adopted in the consolidated financial statements except that the consolidation requirements have been varied in respect of the public financial corporations (PFCs) sector and public non-financial corporations (PNFCs) sector. In accordance with the requirements of IPSAS 22, “Disclosure of Financial Information about the General Government Sector,” PFCs and PNFCs are not consolidated in the GGS disclosures but are recognized as investments of the GGS. The investments in PFCs and PNFCs are presented as a single line item measured at the carrying amount of the net assets of the investees.

The GGS comprises all central government ministries and other entities controlled by the government that are primarily engaged in non-market activities. These entities are:

Ministry of x

y

z.

During the reporting period, activities related to the postal service, previously undertaken by the ministry of communications, have been reconstituted on a commercial basis and are no longer included in the financial information presented for the GGS.

**STATEMENT OF FINANCIAL POSITION FOR THE GGS –  
AS AT DECEMBER 31, 20X2**

(in thousands of currency units)

	GGS		PFC and PNFC		Eliminations		Total W-of-G	
	20X2	20X1	20X2	20X1	20X2	20X1	20X2	20X1
<b>ASSETS</b>								
<b>Current assets</b>								
Cash and cash equivalents	X	X	X	X	(X)	(X)	X	X
Receivables	X	X	X	X	(X)	(X)	X	X
Inventories	X	X	X	X			X	X
Prepayments	X	X	X	X	(X)	(X)	X	X
Investment	X	X	X	X			X	X
Other current assets	X	X	X	X			X	X
	X	X	X	X	(X)	(X)	X	X
<b>Non-current assets</b>								
Receivables	X	X	X	X	(X)	(X)	X	X
Investments	X	X	X	X			X	X
Investment in other sectors	X	X			(X)	(X)		
Other financial assets	X	X	X	X	(X)	(X)	X	X
Infrastructure, plant and equipment	X	X	X	X			X	X
Land and buildings	X	X	X	X			X	X
Intangible assets	X	X	X	X			X	X
Other non-financial assets	X	X	X	X			X	X
	X	X	X	X	(X)	(X)	X	X
<b>TOTAL ASSETS</b>	X	X	X	X	(X)	(X)	X	X
<b>LIABILITIES</b>								
<b>Current liabilities</b>								
Payables	X	X	X	X	(X)	(X)	X	X
Short-term borrowings	X	X	X	X			X	X
Current portion of borrowings	X	X	X	X			X	X
Provisions	X	X	X	X			X	X
Employee benefits	X	X	X	X			X	X
Other current liabilities	X	X	X	X	(X)	(X)	X	X
	X	X	X	X	(X)	(X)	X	X
<b>Non-current liabilities</b>								
Payables	X	X	X	X	(X)	(X)	X	X
Borrowings	X	X	X	X			X	X
Provisions	X	X	X	X			X	X
Employee benefits	X	X	X	X			X	X
Other liabilities	X	X	X	X	(X)	(X)	X	X
	X	X	X	X	(X)	(X)	X	X
<b>TOTAL LIABILITIES</b>	X	X	X	X	(X)	(X)	X	X
<b>NET ASSETS</b>	X	X	X	X	(X)	(X)	X	X
<b>NET ASSETS/EQUITY</b>								
Reserves	X	X	X	X	(X)	(X)	X	X
Accumulated surpluses/ (deficits)	X	X	X	X	(X)	(X)	X	X
	X	X	X	X	(X)	(X)	X	X
<b>TOTAL NET ASSETS/ EQUITY</b>	X	X	X	X	(X)	(X)	X	X

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE GGS -  
FOR YEAR ENDED DECEMBER 31, 20X2 – CLASSIFICATION OF  
FUNCTION OF GOVERNMENT**

(in thousands of currency units)

	GGS		PFC and PNFC		Eliminations		Total W-of-G	
	20X2	20X1	20X2	20X1	20X2	20X1	20X2	20X1
<b>Revenue</b>								
Taxes	X	X			(X)	(X)	X	X
Fees, fines, penalties	X	X	X	X	(X)	(X)	X	X
Revenue from other sectors	X	X	X	X	(X)	(X)		
Transfers from other governments	X	X	X	X			X	X
Other operating revenue	X	X	X	X	(X)	(X)	X	X
<b>Total revenue</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(X)</b>	<b>(X)</b>	<b>X</b>	<b>X</b>
<b>Expenses</b>								
General public services	X	X					X	X
Defense	X	X					X	X
Public order and safety	X	X	X	X			X	X
Economic affairs	X	X					X	X
Environmental protection	X	X	X	X	(X)	(X)	X	X
Housing and community amenities	X	X	X	X	(X)	(X)	X	X
Health	X	X	X	X			X	X
Recreational, cultural and religious	X	X					X	X
Education	X	X	X	X	(X)	(X)	X	X
Social protection	X	X	X	X	(X)	(X)	X	X
<b>Total expenses</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(X)</b>	<b>(X)</b>	<b>X</b>	<b>X</b>
<b>Surplus/(deficit) for the period</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(X)</b>	<b>(X)</b>	<b>X</b>	<b>X</b>

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE GGS -  
FOR YEAR ENDED DECEMBER 31, 20X2 – ECONOMIC  
CLASSIFICATION OF EXPENSE (Alternative presentation method)**

(in thousands of currency units)

	GGS		PFC and PNFC		Eliminations		Total W-of-G	
	20X2	20X1	20X2	20X1	20X2	20X1	20X2	20X1
<b>Revenue</b>								
Taxes	X	X			(X)	(X)	X	X
Fees, fines, penalties	X	X	X	X	(X)	(X)	X	X
Revenue from other sectors	X	X	X	X	(X)	(X)		
Transfers from other governments	X	X	X	X			X	X
Other operating revenue	X	X	X	X	(X)	(X)	X	X
<b>Total revenue</b>	X	X	X	X	(X)	(X)	X	X
<b>Expenses</b>								
Compensation of Employees	X	X	X	X	(X)	(X)	X	X
Use of Goods and Services	X	X	X	X	(X)	(X)	X	X
Consumption of Fixed Capital	X	X	X	X	(X)	(X)	X	X
Interest	X	X	X	X	(X)	(X)	X	X
Subsidies	X	X	X	X	(X)	(X)	X	X
Social Benefits	X	X	X	X	(X)	(X)	X	X
Other Expense	X	X	X	X			X	X
<b>Total expenses</b>	X	X	X	X	(X)	(X)	X	X
<b>Surplus/(deficit)</b>	X	X	X	X	(X)	(X)	X	X

**STATEMENT OF CHANGES IN NET ASSETS/EQUITY FOR THE GGS -  
FOR THE YEAR ENDED DECEMBER 31, 20X2**

(in thousands of currency units)

	GGS			PFC and PNFC	Elimin- ations	Total W-of-G
	Revalu- ation Reserve	Trans-lation Reserve	Accumu- lated Surpluses/ (Deficits)			
Balance at December 31, 20X0	X	(X)	X	X	X	X
Surplus on revaluation of property	X			X		X
Deficit on revaluation of investments	(X)			(X)	X	(X)
Currency translation differences		(X)		(X)		(X)
Net gains and losses not recognized in the statement of financial performance	X	(X)		X	(X)	X
Net surplus for the period			X	X	(X)	X
Balance at December 31, 20X1	X	(X)	X	X	(X)	X
Deficit on revaluation of property	(X)			(X)	X	(X)
Surplus on revaluation of investments	X			X	(X)	X
Currency translation differences		(X)		X		X
Net gains and losses not recognized in the statement of financial performance	(X)	(X)		(X)	(X)	(X)
Net deficit for the period			(X)	(X)	(X)	(X)
Balance at December 31, 20X2	X	(X)	X	X	(X)	X

**CASH FLOW STATEMENT FOR THE GGS -  
FOR YEAR ENDED DECEMBER 31, 20X2**

(in thousands of currency units)

	GGS		PFC and PNFC		Eliminations		Total W-of-Gov	
	20X2	20X1	20X2	20X1	20X2	20X1	20X2	20X1
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Receipts								
Taxation	X	X			(X)	(X)	X	X
Sales of goods and services			X	X	(X)	(X)	X	X
Grants			X	X	(X)	(X)	X	X
Interest received			X	X			X	X
Dividends from other sectors to government	X	X			(X)	(X)		
Other receipts	X	X	X	X	(X)	(X)	X	X
Payments								
Employee costs	(X)	(X)	(X)	(X)			(X)	(X)
Retirement Benefits	(X)	(X)	(X)	(X)			(X)	(X)
Suppliers	(X)	(X)	(X)	(X)			(X)	(X)
Interest paid	(X)	(X)	(X)	(X)			(X)	(X)
Dividend to other sectors			(X)	(X)	X	X		
Other payments	(X)	(X)	(X)	(X)	X	X	(X)	(X)
<b>Net cash flows from operating activities</b>	X	X	X	X	(X)	(X)	X	X
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Purchase of plant and equipment	(X)	(X)	(X)	(X)			(X)	(X)
Proceeds from sale of plant and equipment	X	X	X	X			X	X
Proceeds from sale of investments	X	X	X	X			X	X
Purchase of foreign currency securities	(X)	(X)	(X)	(X)			(X)	(X)
<b>Net cash flows from investing activities</b>	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
Proceeds from borrowings	X	X	X	X			X	X
Repayment of borrowings	(X)	(X)	(X)	(X)			(X)	(X)
<b>Net cash flows from financing activities</b>	X	X	X	X	(X)	(X)	X	X
<b>Net increase/(decrease) in cash and cash equivalents</b>	X	X	X	X	(X)	(X)	X	X
<b>Cash and cash equivalents at beginning of period</b>	X	X	X	X	(X)	(X)	X	X
<b>Cash and cash equivalents at end of period</b>	X	X	X	X	(X)	(X)	X	X

## **Basis for Conclusions**

*This Basis for Conclusions accompanies, but is not part of, the International Public Sector Accounting Standard.*

### **Introduction**

- BC1. The System of National Accounts 1993 (SNA 93) (and updates), Government Finance Statistics Manual 2001 (GFSM 2001), and the European System of Accounts 1995 (ESA 95), all require governments to publish financial information about the general government sector (GGS). For statistical purposes, the GGS comprises government controlled entities primarily engaged in non-market activities. The GGS is sometimes described as comprising those entities that fulfill the core functions of government as their primary activity. The GGS does not include public corporations, even when all the equity of such corporations is owned by the government or government entities.
- BC2. Current International Public Sector Accounting Standards (IPSASs) do not require entities to disclose information about the GGS in their financial statements. IPSASs require entities to prepare financial statements that include information about all the resources controlled by the reporting entity, and prescribe rules for consolidation of all controlled entities. IPSAS 18, “Segment Reporting” also requires entities to identify segments and present information about those segments.
- BC3. Some governments prepare, present and widely publish both financial statements and information about the financial characteristics and performance of the public sector prepared in accordance with statistical bases of reporting.
- BC4. The IPSASB supports the convergence of IPSASs with statistical bases of reporting where appropriate. The statistical community encouraged the IPSASB to develop an IPSAS addressing the presentation of GGS information as part of a government’s consolidated financial statements as a means of facilitating convergence.
- BC5. The disclosure of GGS information can provide useful information to users of financial statements, particularly in those jurisdictions in which national or other governments, both financial statements in accordance with IPSASs and financial information in accordance with statistical bases of financial reporting. The IPSASB is also of the view that the disclosure of such information can assist users in better understanding the relationship between the market and non-market activities of the government. However, the IPSASB is not persuaded that the benefits of making such disclosures may be significantly greater than their costs in those jurisdictions where financial statements prepared in accordance with statistical bases of financial reporting

are not routinely prepared and made publicly available. Consequently, these disclosures are not mandatory.

BC6. This Standard specifies requirements for application only by governments. This is because it is only possible to disclose a meaningful representation of the GGS for a government as a whole. In some jurisdictions, national governments may control provincial and/or local governments. Where this occurs, the financial statements may be further disaggregated to separately disclose information about the GGS for each level of government. Such disclosure is likely to assist users to better understand the relationship between the GGS activities of each level of government. However, in some jurisdictions, such disclosures may impose additional pressure on the accounting system and those responsible for data collection and aggregation, and it is not clear that the benefits of such disclosure for users of the financial statements will exceed their cost. Therefore, this Standard does not require entities that elect to disclose information about the GGS to also disclose separately information about the GGS of each level of government consolidated in the financial statements. However, such disclosures are not precluded.

#### **Consolidation and Disaggregation**

BC7. Statistical bases of financial reporting and IPSASs have many similarities in their treatment of particular transactions and events. However, there are also differences. For example, statistical bases of financial reporting:

- (a) Require all assets and liabilities (except loans) to be revalued to market value at each reporting date. IPSASs include different measurement requirements, and require or permit cost and current values for certain classes of assets and liabilities;
- (b) Treat dividends as expenses while IPSASs treat them as distributions;
- (c) Make a distinction between transactions and other economic flows for presentation of financial information. IPSASs do not currently make a similar distinction; and
- (d) Focus on the presentation of financial information about the GGS and the other sectors of the public sector as separate components and, in this context, adopt the same rules for recognition and measurement as are adopted for presentation of the rest of the economy to ensure consistency of the macro-economic totals. Under statistical bases of financial reporting, financial statements prepared for the GGS do not include consolidation of public non-financial corporations (PNFCs), being government controlled entities that trade in goods and services, and public financial corporations (PFCs) such as banks. The IPSASs focus on consolidated financial statements which present financial

information about all the assets, liabilities, revenues, expenses and cash flows controlled by the entity.

- BC8. This Standard requires that the disclosure of information about the GGS be a disaggregation of a government's consolidated financial statements. This is a similar perspective that is adopted for disclosure of segment information in accordance with IPSAS 18. Accordingly, the same accounting policies as those adopted for the consolidated financial statements are to be adopted in making GGS disclosures with one exception as noted below.
- BC9. When GGS disclosures are made in financial statements, the requirements of IPSAS 6, "Consolidated and Separate Financial Statements" should not be applied in respect of public financial corporations and public non-financial corporations. This is because the application of IPSAS 6 to the PFC and PNFC sectors would result in the re-presentation of a government's consolidated financial statements rather than the GGS financial statements. This would defeat the purpose of the disclosure of GGS information as a bridge between financial statements prepared in accordance with IPSASs and those prepared in accordance with statistical bases of financial reporting.

### **Segment Reporting**

- BC10. IPSAS 18 requires the separate disclosure of certain information about significant activities or groups of activities for the evaluation of the performance of the entity in achieving its objectives, and for decision-making purposes. IPSAS 18 does not distinguish between exchange and non-exchange transactions and events, or market and non-market activity of government. Rather, its focus is on the disclosure of the revenues, expenses, assets and liabilities associated with the delivery of major services or groups of services – whether these services are delivered by the GGS of the government or by PFCs and PNFCs. The objective of segment reporting is not achieved by the disclosure of information about the GGS. Accordingly, a government electing to disclose information about the GGS needs also to disclose information about segments.
- BC11. Statistical bases of financial reporting present information about expenses or expenditure of the government classified either by economic nature or the functions of government (COFOG). Either of these classification bases may be applied to disclose additional information about the GGS. In some cases a COFOG classification may be adopted to disclose segment information in a government's consolidated financial statements.

### **Reconciliation**

- BC12. The information disclosed about the GGS in accordance with the requirements of this Standard may differ in content and form from that presented under statistical bases of financial reporting.

BC13. The IPSASB considered whether those governments which elect to disclose information about the GGS in accordance with this Standard should be required to disclose a reconciliation of the GGS disclosures in the financial statements and the GGS disclosures under statistical bases of financial reporting. The IPSASB was concerned that such a requirement may impose significant costs on the preparer and that those costs may be greater than the benefits in some jurisdictions. This would then discourage governments which might otherwise elect to make such disclosures. Of particular concern to the IPSASB in this respect was, for example, whether the:

- (a) Timing of compilation of financial statements and statistical information is such that a reconciliation could be completed within the timeframe necessary for the financial statements to be audited and “signed off” or “authorized for issue” in accordance with legislative requirements and/or requirements of the IPSASs;
- (b) Inclusion of such a requirement would trigger an audit of the reconciliation and may also trigger an audit of the statistical reports themselves; and
- (c) Entity may be required to remeasure and reclassify assets, liabilities, revenues and expenses in accordance with the requirements of the statistical bases of financial reporting, and whether this would discourage disclosure of the GGS information.

BC14. On balance, the IPSASB concluded that such a reconciliation should not be required at this stage. However, a reconciliation of the GGS disclosures presented in accordance with the requirements of this Standard to the equivalent items in the financial statements of the government prepared in accordance with the requirements of IPSASs is consistent with enhanced transparency, is not onerous and would be useful to users. The disclosure of a reconciliation of the GGS disclosures presented in accordance with the requirements of this Standard and the GGS disclosures presented under statistical bases of financial reporting is not prohibited.



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