

Swiss Comment to Presentation of Financial Statements

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1. Introduction

The Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP) was established in 2008 by the Swiss Federal Ministry of Finance together with the cantonal Ministers of Finance. One of its aims is to provide the IPSAS Board with a consolidated statement for all three Swiss levels of government (municipalities, cantons and Confederation).

The SRS-CSPCP would like to comment on *Presentation of Financial Statements*, as follows.

2. Context

The IPSASB's *Presentation of Financial Statements* project aims to develop a new IPSAS Standard replacing IPSAS 1. The Consultation Paper seeks preliminary views on proposals to enhance the communication effectiveness, comparability and understandability of financial information presented in general purpose financial statements, while continuing to support accountability and decision-making in the public sector.

General comments to the IPSASB

The SRS-CSPCP welcomes the IPSASB's initiative to modernise the presentation requirements in IPSAS 1. Overall, we support the project's objective of improving the presentation and comparability of financial statements and appreciate the efforts to align the proposed requirements with the Conceptual Framework and, where appropriate, IFRS Accounting Standards.

In general, we consider the Consultation Paper to provide a sound basis for developing a new IPSAS Standard. Nevertheless, some preliminary views would benefit from further clarification or refinement to ensure that the proposed requirements remain practical and appropriately reflect the specific characteristics of the public sector.

3. Comments on the Preliminary Views

Preliminary View 1 - Chapter 1: Development of New Presentation Standard

We welcome the IPSASB's approach of considering IFRS 18 without seeking full alignment. IFRS 18 should serve as a valuable reference in developing the new Standard, while allowing for appropriate adaptations to reflect the objectives and specific characteristics of public sector financial reporting.

Preliminary View 2 - Chapter 2: General Presentation Requirements

We support retaining definitions of financial statement elements in the new IPSAS Standard, aligned with the IPSASB Conceptual Framework. We also support including additional definitions where they contribute to a consistent understanding and application of the presentation requirements.

Preliminary View 3 - Chapter 2: General Presentation Requirements

We support the proposal in principle, as additional guidance on the restatement of financial statements is helpful and should improve consistency in practice. However, we encourage the IPSASB to consider whether the proposed requirements could, in some cases, lead to disproportionate consequences. For example, relatively minor errors affecting one individual line item should not necessarily result in unnecessary reporting requirements, such as a full restatement of the entire financial statements, including all notes and disclosures. In such a scenario limited restatement of the individual line item and the corresponding disclosures would be more useful for the users of financial statements. We therefore recommend clarifying the intended application to ensure that the requirements remain proportionate.

Preliminary View 4 - Chapter 2: General Presentation Requirements

We agree with the IPSASB's Preliminary View. We support retaining the existing IPSAS 1 guidance where appropriate, updating them to align with IFRS 18 where suitable for the public sector, and introducing the proposed new guidance. In our view, the proposed changes provide useful clarification without fundamentally changing the existing presentation requirements.

Preliminary View 5 - Chapter 3: Statement of Financial Position

We agree with the IPSASB's Preliminary View. We encourage the IPSASB to clarify that the proposed approaches do not preclude additional sub-classifications where these are necessary to support compliance with jurisdiction-specific fiscal rules or other statutory reporting requirements.

Preliminary View 6 - Chapter 3: Statement of Financial Position

We do not support the proposal to require a separate line item for goodwill. Goodwill is of limited significance in the public sector. In particular for governments, it is highly uncommon, but even for State-owned-Enterprises (which rather use IFRS) it is much less common than in the private sector. Nationalizations are typically occurring in case of default or at least severe financial distress of the nationalized entity, where there is no goodwill. We therefore do not believe that a mandatory line item, which almost always will show a zero balance, is warranted. In the unlikely case goodwill is material, entities should retain the flexibility to present it separately in the Statement of Financial Position, including where goodwill arises from consolidating entities applying IFRS Accounting Standards.

Preliminary View 7 - Chapter 3: Statement of Financial Position

We agree with the IPSASB's Preliminary View. We support retaining the existing IPSAS 1 guidance not to prescribe a specific structure for the Statement of Financial Position and not to require the presentation of specific subtotals. We believe this approach provides appropriate flexibility to reflect the diversity of public sector entities. It also allows to present subtotals which are required to support compliance with jurisdiction-specific fiscal rules or other statutory reporting requirements.

Preliminary View 8 - Chapter 4: Statement of Financial Performance

We do not agree with the proposed categorization of revenue and expense items into operating, investing and financing categories. In our view, this classification reflects concepts developed primarily for the private sector and does not appropriately reflect the characteristics of the public sector. The objectives and reporting needs of public sector entities differ significantly, and the proposed categories would not necessarily improve comparability. Also investments are different in nature in the public sector, since they are usually not made to generate financial return, but rather to provide public goods and services. Furthermore, the proposed structure may conflict with existing national reporting frameworks and fiscal rules. We therefore encourage the IPSASB to consider a presentation approach that better reflects the specific characteristics and reporting objectives of the public sector.

Preliminary View 9 - Chapter 4: Statement of Financial Performance

We partially agree with the IPSASB's Preliminary View. Consistent with our comments on Preliminary View 8, we do not support mandatory subtotals based on the proposed operating, investing and financing categories. However, we support the IPSASB's decision not to require an EBIT-like subtotal, as this concept is not appropriate for the public sector. We also support permitting entities to present additional subtotals where these provide relevant information and reflect the specific reporting needs of public sector entities.

Preliminary View 10 - Chapter 4: Statement of Financial Performance

We consider that public sector entities should be required to present expenses by both nature and function. The arguments are presented hereafter.

However, IPSASB should address the issue that "by function" is understood very differently in the private sector (and thus in IFRS) and in the public sector. In the private sector, the classification by function refers to Function of Expense Method (sometimes also called Cost of Sales Method), which is a particular way to present the cost of goods/services sold. In contrast, in the public sector, "by function" refers to the functions of government (e.g., Education, Health, Defence etc.), sometimes classified according to the Classification of Functions of Government (COFOG). Already under IPSAS 1, this difference in terminology results in serious misunderstandings and the CP does not seem to address this sector specific issue.

Arguments in favour of presentation by both nature and function:**1. Functions are a defining characteristic of the public sector activities**

Expenses by nature and expenses by function provide complementary rather than alternative information. Classification by nature explains the type of resources consumed (e.g., salaries, grants and depreciation), whereas classification by function explains the public purposes, services or policy objectives for which those resources were used. While both perspectives are useful in any sector, the functional perspective is particularly important in the public sector because public expenditure is generally incurred to fulfil legally established mandates and approved public policy objectives. This distinctive characteristic of the public sector

justifies requiring both perspectives and represents a fundamental difference from the private sector.

2. Link with public budgeting

Public budgets are generally authorised, approved and monitored according to programmes, functions or policy objectives rather than by the nature of expenses. Requiring a functional presentation would therefore strengthen the link between financial statements, budget execution and parliamentary accountability, enabling users to better assess how public resources have been allocated and used to achieve approved policy objectives.

3. Link with IPSAS SRS 2

IPSAS SRS 2 will require entities to report the financial implications of climate-related public policy programmes. Although IPSAS SRS 2 does not explicitly require a functional classification in the financial statements, presenting expenses by function would provide a natural foundation for producing consistent, auditable and comparable information on policy programmes across both financial and sustainability reporting.

4. Consolidation

Whole-of-government and other consolidated financial statements combine entities responsible for a wide range of public services and policy objectives. Users of these financial statements need to understand not only the nature of the resources consumed, but also the public purposes for which those resources were used. As explained above, this information can only be provided if all consolidated entities classify their expenses according to a consistent functional framework. Requiring functional information only at the consolidated level would necessitate significant reallocations and reduce both consistency and auditability.

Specific Matter for Comment 1—Chapter 4: Statement of Financial Performance

We do not support permitting a mixed presentation, whereby some expense line items are presented by nature while others are presented by function. In our view, such an approach would not provide useful information for users of public sector financial statements.

Arguments:

Nature and function represent two different but complementary dimensions of expense, rather than two alternative line-item classifications. Mixing these dimensions within the same statement may confuse users, create the impression of double counting, or lead users to aggregate overlapping information incorrectly.

Recommendation:

Instead, we recommend a cross-presentation of expenses by both nature and function, with a clearly defined hierarchy between the two dimensions. For example, expenses presented by nature could be disaggregated by function, or expenses presented by function could be further analysed by nature. However, mixing nature and function at the same hierarchical level should be avoided.

Preliminary View 11 - Chapter 5: Statement of Changes in Net Assets/Equity

We agree with the IPSASB's Preliminary View. We support maintaining the existing IPSAS 1 guidance, as we believe they provide users of public sector financial statements with relevant and understandable information about changes in net assets/equity. We do not consider any further enhancements necessary.

Preliminary View 12 - Chapter 5: Statement of Changes in Net Assets/Equity

We agree with the IPSASB's Preliminary View. We support maintaining the existing presentation requirements and requiring the reconciliation of changes in net assets/equity to be presented on the face of the Statement of Changes in Net Assets/Equity. In our view, this improves the transparency and understandability of the information for users of public sector financial statements.

Preliminary View 13 - Chapter 5: Statement of Changes in Net Assets/Equity

We agree with the IPSASB's Preliminary View. We support the decision not to incorporate guidance based on IFRIC 17 into IPSAS Standards, as the relevant transactions are generally not prevalent in the public sector.

Preliminary View 14 - Chapter 6: Disclosure of Information in the Notes

We agree with the IPSASB's Preliminary View. We support retaining the existing IPSAS 1 disclosure requirements and incorporating the proposed amendments aligned with IAS 1. In our view, this approach maintains continuity while improving the consistency of disclosures.

Preliminary View 15 - Chapter 6: Disclosure of Information in the Notes

We agree with the IPSASB's Preliminary View. We support the decision not to incorporate the IFRS 18 definition and disclosure requirements for management-defined performance measures (MPMs)

into IPSAS Standards. The proposed disclosure requirements have been developed for private sector performance reporting and are not appropriate for the public sector, where different performance measures are used to support accountability and fiscal management.

Preliminary View 16 - Chapter 6: Disclosure of Information in the Notes

We agree with the IPSASB's Preliminary View. We do not support introducing an amended MPM concept for the public sector. Public sector entities use performance measures that differ fundamentally from those used in the private sector. Consequently, we do not believe that adapting the IFRS 18 MPM concept would provide meaningful information for users of public sector financial statements.

Winterthur, 24. September 2026