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Financial Statement Presentation & The Conceptual Framework: A Practical Approach to Application

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Introduction

Section PS 1202, *Financial Statement Presentation*, and the Conceptual Framework introduce important changes to public sector financial reporting. Section PS 1202 replaces Section PS 1201 and introduces a new reporting model, while the Conceptual Framework provides the foundation for developing and applying public sector accounting standards. Both are effective for fiscal years beginning on or after April 1, 2026, with earlier adoption permitted.

Applicability

Section PS 1202 and the Conceptual Framework apply to all public sector entities reporting in accordance with Public Sector Accounting Standards (PSAS).

Government not-for-profit organizations (GNFPOs) who apply the PS 4200 series will continue to apply PS 4200 Financial Statement Presentation; however, Section PS 1202 has general applicability to them. GNFPOs applying the PS 4200 series should consult the *Introduction to accounting standards that apply only to government not-for-profit organizations* for further guidance on Section PS 1202 applicability.

This publication provides a practical, structured approach to assist public sector entities in implementing Section PS 1202 and the Conceptual Framework.

Use the table below to navigate to the various sections of the publication.

Two Phase Approach	Phase 1: Impact Assessment Phase 2: Adoption
Transition	
Other Considerations	

Two Phase Approach

The two phases to this approach are as follows:

Phase 1: Impact Assessment	Understand the requirements of Section PS 1202 & The Conceptual Framework and key steps for a successful impact assessment
Phase 2: Adoption of the Section PS 1202 and the Conceptual Framework	Understand key elements for a successful adoption

Let's look at each phase in more detail.

Phase 1: Impact Assessment

Section PS 1202 introduces significant changes to the presentation of financial statements by public sector entities. These changes are designed to improve transparency, comparability, and users' understanding of an entity's financial position and performance.

Understanding the Key Changes

Section PS 1202

A proper impact assessment requires a clear understanding of both Section PS 1202 and the Conceptual Framework. At a high level, the key changes introduced by Section PS 1202 include the following:

Financial Statement/Area	Key Change(s)	Reporting Implication
Statement of Financial Position	Significantly restructured, with new categories for classification of liabilities	Classification of liabilities as financial or non-financial may require significant judgment and could affect the calculation of net financial assets (net financial liabilities)
Statement of Net Financial Assets (Net Financial Liabilities)	New statement presenting revised calculation of net debt known as the net financial asset (net financial liability) indicator	Prepare and present the new statement; update calculations and supporting processes for revised metrics
Statement of Change in Net Financial Assets (Net Debt)	Removed	Discontinue preparation and transition to new Statement of Net Financial Assets (Net Financial Liabilities)
Statement of Changes in Net Assets (Net Liabilities)	New statement reconciling opening and closing balances of components of net assets. The separate Statement of Remeasurement Gains and Losses no longer required unless changes in net assets become overly complex.	Prepare and present the new statement; changes in net assets may require additional detail or supporting schedules

Statement of Cash Flows	Restructured to include additional subtotals and separate presentation of financing activities	Update cash flow presentation; separately identify and present financing activities
Budget	Enhanced budget presentation requirements, including alignment of budget and actual amounts and, in some cases, budget restatements and reconciliations	Assess whether approved budgets are prepared using the same accounting basis, accounting policies, scope and classifications as the financial statements. Where differences exist, additional work may be required to restate budget information and prepare reconciliation disclosures

Conceptual Framework

PSAB replaced former Sections PS 1000, *Financial Statement Concepts*, and PS 1100, *Financial Statement Objectives*, with a modernized, principles-based conceptual framework that provides the foundation for financial reporting under PSAS. The Conceptual Framework also provides guidance when no specific PSAS standard applies to a transaction or event. As a result, entities may need to reassess financial statement presentation and disclosures for consistency with Chapter 10, *Presentation Concepts for Financial Statements*, evaluate whether entity-developed accounting policies remain consistent with the Conceptual Framework, and consider the revised concepts for recognition, derecognition and measurement when accounting for transactions not specifically addressed in the PSA Handbook.

Consequential Amendments

Consequential amendments were made throughout the PSA Handbook as a result of issuing Section PS 1202 and the Conceptual Framework. Most of these amendments align terminology, disclosures and related guidance with Section PS 1202 and the Conceptual Framework. While many are not expected to significantly impact recognition or measurement, entities should understand amendments that may affect financial statement disclosures, accounting policies and reporting processes.

One consequential amendment that may be particularly relevant for entities is Section PS 1300.39A, which requires disclosure of major changes to the reporting entity during the accounting period. As a result, entities should consider whether existing processes are sufficient to identify, monitor and document changes to the reporting entity throughout the year.

Additional Resources

The following resources may assist with your impact assessment and implementation of Section PS 1202:

- Section PS 1202: Financial Statement Presentation At a Glance
- PSAB's Reporting Model: Resources
- PSAB – The Conceptual Framework: Resources to help you prepare

Key Items to Consider for a Successful Impact Assessment

Once the requirements of Section PS 1202 and the Conceptual Framework are understood, entities can begin the impact assessment to identify areas of financial reporting, accounting policies, processes and systems that may be impacted.

Statement of Financial Position Impact	**Key actions to consider:** • Review accounts and financial statement groupings against Section PS 1202 classification requirements to determine preliminary impacts •Assess impact on net financial assets (net financial liabilities) indicator
Other Financial Statements Items	**Key actions to consider:** •Identify new, revised statements and removed statements •Assess the need for supplementary schedules to the statement of changes in net assets •Identify the changes required to the budget presentation •Assess whether existing note disclosures and financial statement presentation remain consistent with Conceptual Framework Chapter 10 presentation concepts
Other Impacts including consequential amendments	**Key actions to consider:** •Identify entity developed policies that may require review •Assess whether existing accounting policies remain aligned with the Conceptual Framework •Consider impacts of consequential amendments •Evaluate impacts on compliance with reporting bodies such as ministries
Operational Impacts	**Key actions to consider:** •Review trial balance and financial statement mappings •Assess software and system update requirements •Determine the impact on internal reporting, templates and processes

Implementing Section PS 1202 may present practical challenges, particularly in areas involving significant judgment or changes to existing reporting processes. One key challenge will be determining the appropriate classification of liabilities, especially where the guidance is not explicit, such as for unearned revenue liabilities. Public sector entities may also face challenges preparing financial statements under the new presentation model for the first time and coordinating implementation activities across multiple functions within the entity.

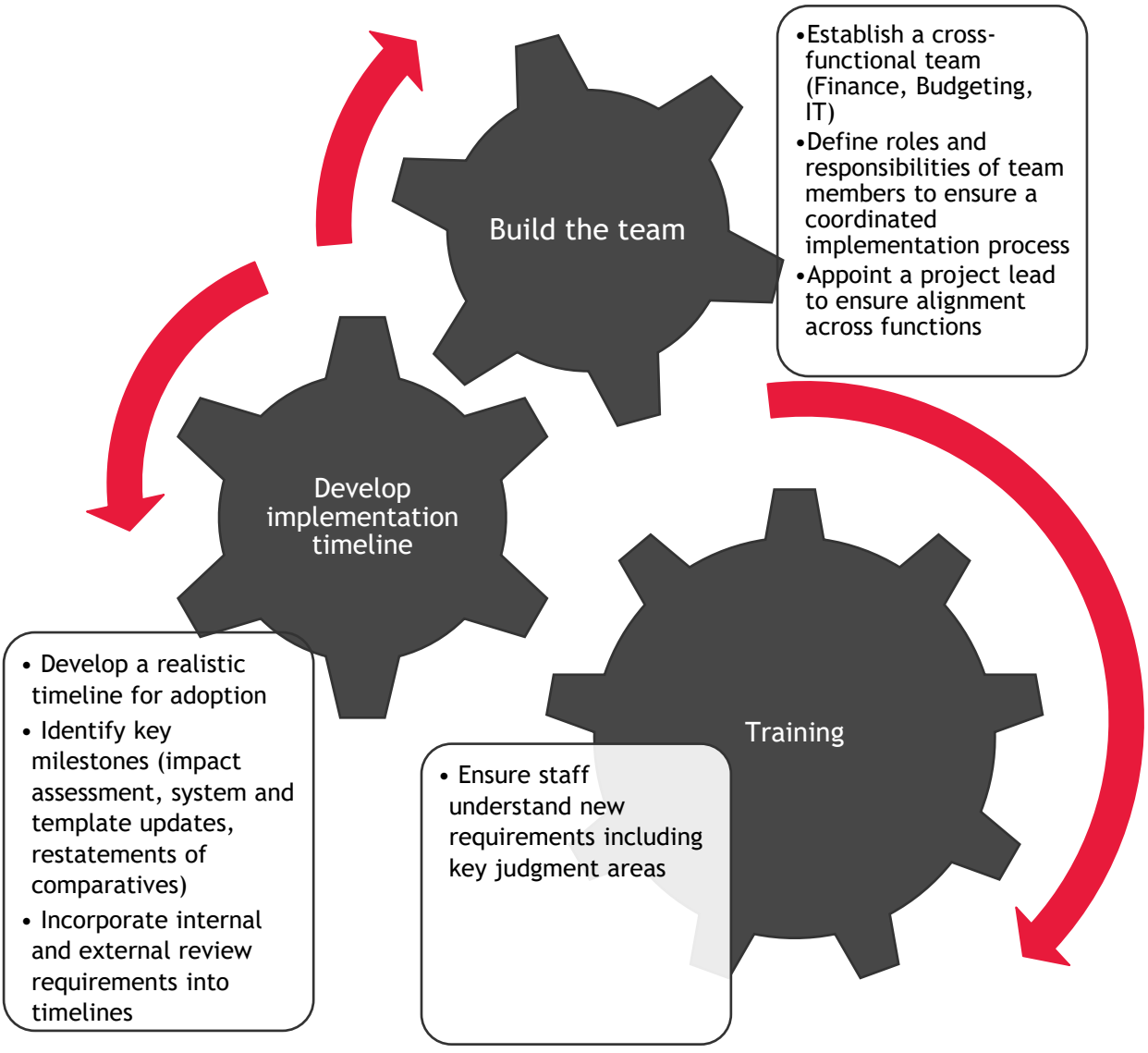
Where entity-developed accounting policies have been identified as requiring updates, entities should establish a plan to amend those policies as necessary. Recognizing that this may be a significant undertaking, the Board permits existing entity-developed accounting policies to be updated within a reasonable period. Key considerations in establishing an appropriate timeline include the following:

- Whether PSAB has an active project that may result in future guidance on the same topic;
- Whether a new standard or guideline has been issued but is not yet effective, allowing policy updates to be coordinated with adoption;
- The significance and materiality of the circumstances addressed by the policy; and
- Whether updating the policy would result in a material change in accounting treatment or financial statement presentation.

Given the potential complexity and judgment involved in implementing Section PS 1202 and the Conceptual Framework, early planning, documentation of judgments, and cross-functional coordination will be critical to supporting a smooth transition. Entities should seek guidance early where needed.

The Right Team, Timeline & Training

Successful adoption depends on a clear implementation plan, defined timelines, the right team, and appropriate training and resources. Consider the following when developing an effective implementation plan:



Phase 2 – Adoption of Section PS 1202 and the Conceptual Framework

Once the impact assessment is complete, entities can begin the adoption process of Section PS 1202 and the Conceptual Framework. This phase focuses on implementing the required changes and adopting both Section PS 1202 – *Financial Statement Presentation* and the Conceptual Framework. Entities should consider the following activities as part of their implementation efforts:



Transition

Section PS 1202 is effective for fiscal years beginning on or after April 1, 2026, with earlier adoption permitted. Comparative figures must be restated to conform to its presentation requirements, and early adoption is permitted only if the Conceptual Framework is adopted at the same time.
The Conceptual Framework is effective for fiscal years beginning on or after April 1, 2026, with earlier adoption permitted, and is applied **prospectively**.

Other Considerations

In addition to technical implementation considerations, public sector entities should assess the broader governance and communication implications of adopting Section PS 1202 and the Conceptual Framework. Changes in presentation and classification may affect how financial results are

interpreted, including the calculation and analysis of key indicators such as debt measures and net financial assets (net financial liabilities). Assessing these impacts early and communicating them proactively will help stakeholders understand the nature of any changes in reported results and support a smooth transition.

Engagement with those charged with governance should begin early and continue throughout implementation. Those charged with governance should be informed of the expected impacts on financial reporting, particularly where significant judgment is involved, to support informed decision-making and confidence in the reporting process.

Next Steps for a Successful Transition

As entities prepare to implement Section PS 1202 and the Conceptual Framework, early planning will be critical. Key next steps include assessing impacts on financial reporting, systems, and processes, documenting significant judgments and implementation decisions, and engaging relevant stakeholders throughout the transition.

Entities should also consider the assurance implications of implementation. Early engagement with an assurance provider can help identify areas where additional analysis or documentation may be required to support classifications, significant judgments, presentation options selected, account remapping, system changes, and other transition decisions. Establishing documentation processes early can help facilitate a more efficient transition and support the audit process in the year of adoption.

Conclusion

Adopting Section PS 1202 and the Conceptual Framework may be complex; however, with appropriate planning and resources, implementation can be managed efficiently. If you have questions about how these changes affect your entity or require implementation support, contact a BDO advisor to discuss available options.

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