**Solution to Exercise 2.1**

The requirements of the applicable financial reporting framework also determine what constitutes a complete set of financial statements. In the case of many frameworks, financial statements are intended to provide information about the financial position, financial performance and cash flows of an entity. For such frameworks, a complete set of financial statements would include a balance sheet; an income statement; a statement of changes in equity; a cash flow statement; and related notes. For some other financial reporting frameworks, a single financial statement and the related notes might constitute a complete set of financial statements:

• For example, the International Public Sector Accounting Standard

(IPSAS), “Financial Reporting Under the Cash Basis of Accounting”

issued by the International Public Sector Accounting Standards Board

states that the primary financial statement is a statement of cash receipts

and payments when a public sector entity prepares its financial

statements in accordance with that IPSAS.

• Other examples of a single financial statement, each of which would

include related notes, are:

o Balance sheet.

o Statement of income or statement of operations.

o Statement of retained earnings.