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NCP 1.
Structure and Content of Financial Statements an Approach

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ABSTRACT: The objective of this standard is to establish the basis for the presentation of financial statements. General purpose financial statements are those intended to meet the needs of users who are not in a position to demand reports prepared to meet their particular information needs. This Standard applies to bodies in the Portuguese Public Administration. This work seeks to highlight the most relevant aspects.

KEYWORDS: SNC-AP, NCP 1; Financial statements; SNC

1. INTRODUCTION

To fulfill its purposes, general purpose financial statements report on:

- Active;
- liabilities;
- Net worth;
- income;
- Spending;
- Other changes in net worth;
- Cash flows.

The responsibility for the financial statements can be divided as follows:

- Responsible for the preparation/preparation, such as the director of financial services/accounting;
- Responsible for presentation and dissemination, such as the president;
- Responsible for approval, such as the deliberative body.

In the specific case of consolidated financial statements, the preparation, presentation and disclosure of the consolidated financial statements of the extended public sector is carried out by the Central Financial Department of the Ministry of Finance.

Components of the financial statements

A complete set of financial statements comprises:

1. A balance;
2. An income statement by natures;
3. A statement of operations in equity;
4. A statement of cash flows;
5. An annex to the financial statements.

It should be noted that these standard states that public entities must prepare forecasted financial statements in the same format as the historical ones, to be approved by the competent management bodies.

Regarding the structure and content, the reporting period must be taken into account, which, as a rule, coincides with the calendar year and, if it is different or in the event of a change, the entity will have to justify and identify the non-comparability. It should also be borne in mind that information is useful if it is available within a reasonable period of time after the reporting date.

Next, we will explain each of the components of the financial statements.

1.1. Balance

When analyzing a balance sheet or proceeding with its construction, it is necessary to understand the distinction between a current and non-current element.

Current assets are those:

- The realization of which by sale or consumption occurs in the normal operating cycle;
- That they are held primarily for the purpose of trading;
- Which realization is expected to occur within 12 months after the reporting date;
- That are cash, or cash equivalents, except limitations for use to settle liabilities for more than 12 months.

Non-current assets are all assets that do not qualify as current.

Current liabilities are all those:

- Which are expected to be settled in the course of the normal operating cycle;
- That they are held primarily for the purpose of trading;
- Expiring within 12 months of the reporting date;
- over which the entity does not have an unconditional right to defer settlement beyond at least 12 months after the reporting date.

Non-current liabilities are all liabilities that do not qualify as current.

According to the appendix to Standard 1, what has to be presented in assets, liabilities and equity is presented in the following tables.

Table 1. Information to be presented in the asset.

In active	
Not current	**Chain**
– Tangible fixed assets – Investment properties – Intangible Assets – financial participations – Other financial assets	– inventories – biological assets – Debtors for transfers and subsidies – Debtors for subsidized loans – Customer, taxpayers and users – State and other public entities – Other accounts receivable – deferrals – Financial assets held for trading – Other financial assets – Cash and deposits

.**Source:** Appendix of NCP1

Table 2. Information to be presented in liabilities.

on liabilities	
not current	**Chain**
– provisions – Funding obtained – investment providers – Responsibilities for post-employment benefits – Other bills to pay	– Creditors for transfers and subsidies granted – Suppliers – Advances from customers, taxpayers and users – State and other public entities – Funding obtained – investment providers – Other bills to pay – deferrals – Financial liabilities held for trading – Other financial liabilities

Source: Appendix of NCP1

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Table 3. Information to be presented in net worth.

Net worth
– Heritage/Capital – Other equity instruments – Issue premiums – reservations – Transited results – Adjustments to financial assets – Revaluation surpluses – Other changes in net worth – Net income for the period – Interests that don't control

Source: Appendix of NCP1

It should be noted that in all lines or in all headings there must be:

- A column for amounts relating to the previous reporting date, thus respecting the principle of comparability
- A column for notes to be referred to the annex.

There is also the possibility of including additional items, through evaluation and weighting of materials, and the lines without value must be eliminated.

1.2. Income statement by nature

Standard 1 "(…) requires all items of income and expense recognized in a period to be included in the determination of profit or loss for the period (…)".

According to the appendix to NCP 1, this document must include the following elements:

- Income and expenses
  - Taxes and fees (+);
  - Sales (+);
  - Services rendered (+);
  - Current transfers and operating subsidies obtained (+);
  - Variations in production inventories (+/-);
  - Works for the entity itself (+);
  - Costs of goods sold and materials consumed (-);
  - Supplies and external services (-);
  - Personnel expenses (-);
  - Other expenses and losses (-);
  - Earnings before depreciation and financing expenses (∑ +/-);
  - Depreciation and amortization expenses/reversals (-/+);
  - Impairment of depreciable/amortizable investments (loss/reversal) (-/+);
  - Operating income (before financing expenses) (∑ +/-);
  - Interest from similar income earned (+);
  - Interest and similar expenses incurred (-);
  - Earnings before tax (∑ +/-);
  - Income tax (-/+)*;
  - Net income for the period (∑ +/-);
  - Net income for the period attributable to:
    - Equity holders of the parent entity;
    - Interests that do not control.

* The income tax line may include current tax and deferred tax.

It should be noted that in this document, on every line or under every heading there must be:

- Column for amounts related to the previous reporting date, thus respecting the principle of comparability;
- A column for notes to be referred to the annex.

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1.3. Statement of changes in net worth

This map seeks to reveal all increases and decreases in net worth during a given period, namely:

- Net income for the period;
- Shareholders' contributions to net worth;
- Income and expenses recognized directly in equity;
- Adjustments for changes in accounting policies (and accounting standards).

According to NCP 1, this document must include the following elements:

- A matrix that includes, in a column, all balance sheet equity items, starting from the position on the date of the previous report and reaching the position on the date of the report in each case;
- A matrix that includes, in line, the headings and respective amounts corresponding to the types of changes that occurred in the period, namely:
  - The position at the beginning of the period;
  - The first adoption of the new accounting framework (only in the 1st year of reporting);
  - Financial statement translation differences;
  - The realization of revaluation surpluses;
  - Revaluation surpluses and their amendments.

1.4. Statement of cash flows

One of the questions that arises in approaching this map is its usefulness for management. In fact, it allows, among other functions, to understand the main payments and receipts, that is, the flow of capital and financial resources.

In itself, it helps users to analyze and forecast resource needs and the entity's ability to finance itself. It reports flows according to three activities common to any entity:

- operational activities;
- Investment activities;
- Financing activities.

According to NCP 1, this map must contain the following lines:

- **Cash flows from operating activities**
  - Customer receipts (+);
  - Receipts from taxpayers;
  - Receipts from users (+);
  - Payments to suppliers (-);
  - Payments to staff (-);
  - Cash generated by operations (∑ +/-)
  - Other receipts / payments (+/-);
  - Cash flows from operating activities (∑ +/-);
- **Cash flows from investing activities**

  Payments relating to:
  - Tangible fixed assets (-);
  - Intangible assets (-);
  - Investment properties (-);
  - Financial investiment (-);
  - Other assets (-).
  - Receipts from:
  - Tangible fixed assets (+);
  - Intangible assets (+);
  - Investment properties (+);
  - Financial investment (+);
  - Other assets (+);
  - Investment subsidies (+);
  - Capital transfers (+);
  - Interest and similar income (+);
  - Dividends (+);
- **Cash flows from investing activities (∑ +/-).**

It is important to bear in mind the following points:

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a. The map is divided into three major areas:
   - Operational flows;
   - Investment flows;
   - Financing flows;

b. The minus sign indicates capital outflow and the plus sign inflows.

1.5. Explanatory notes (attachment) to the financial statements

These notes refer to a set of information, of a qualitative and quantitative nature, financial and non-financial, that complete and develop the information in the basic financial statements. This is information necessary for a fair presentation of the public entity's financial position, financial performance and cash flows.

Current notes:

First-time adoption of the SNC-AP requires a transitional disclosure (first period only), which includes:

- How the transition affected financial position, financial performance and cash flows;
- Reconciliation of reported net worth at transition;
- Reconciliation between the net income reported in the last period of application of the benchmark and the report against the SNC-AP;
- Disclosure of recognized differences in the amounts of assets and liabilities, their distinction and reconciliation.

CONCLUSION

The financial statements assume a key role for economic agents related to the entities, the referred users. Their reliability is therefore crucial to guarantee their trust. This work was intended to highlight or highlight the most important aspects of the Standard.

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