



International Financial Reporting  
for Non Profit Organizations



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# Advice and Requests

TAG meeting 3 – 2 December 2019

# Session Outline



Classification of Expenses (Agenda item 1)



Definition of Control (Agenda items 2)



# Classification of Expenses (Agenda item 1)

## Advice

Either remove segmental reporting from the issue paper or link it to a specific proposal.

Draw out the reasons for addressing this issue, particularly regarding support costs, overheads and the cost of fundraising and how the needs of stakeholder will be met.

Consider use of 'consistent with' and 'not inconsistent with' in relation to IFRS and IPSAS and how to explain how this is being used. Consider links to Part 1 of the CP.

Clarify that the dual reporting model for nature and function of expenses wouldn't require the presentation of both in the primary statements.

Focus on the relevance of the expenditure analysis rather than providing entities with a free choice between function and nature of spend.

Consider the inclusion of a 'do nothing' option.



# Classification of Expenses(Agenda item 1)

## Requests

Re-order the alternatives so that 1 becomes 4 to avoid inferring that the most resource intensive alternative is the preferred option

Review the Specific Matters for Comment (SMCs) to ensure that the range of issues on which responses are required are included in the Issue Paper, following the TAG discussion, including whether we should define subheadings within the classification of expenses.

Create a glossary that explains key terms used that, although not formal definitions, will be used in the Consultation Paper.

Add in the hybrid model of nature and function of spend as per the New Zealand example.

Put links to the IASB project in the appendix and footnotes, as appropriate.

Include an additional paragraph that covers system implications of multi-layered reporting and the challenges particularly for small NPOs. Consider whether alternatives should apply to small NPOs.

Explore minimum categories for functional analysis, the needs of donors and the relationship with narrative reporting.



# Definition of Control (Agenda item 2)

## Advice

**IFRS 10 should be the lead not IFRS for SMEs. Consider how to address the parallel work on the update to IFRS for SMEs, which will itself consider the issue of IFRS 10.**

**Alternatives should focus more on additional guidance about to how to apply the guidance and related issues such as branches, than the difference between IFRS and IFRS for SMEs. There is a preference for a principles based approach and to recognise the need for pragmatism for small entities.**

**The paper should consider the definition of the reporting entity with additional text to describe more about control in the context of the boundaries of an entity but not focused on consolidation.**

**Develop the description of the issue around branches to ensure that it is clear to stakeholders.**



# Definition of Control (Agenda item 2)

## Requests

Consider SMCs to ensure that the range of issues on which responses are required are included in the Issue Paper, following the TAG discussion

Include narrative on the nature of the additional guidance we propose to provide.

Make clearer that IFRS for SMEs is a practical expedient rather than being a rules based approach