

Technical Advisory Group Issue Paper

AGENDA ITEM: TAGCP12-01
3 December 2020 – Online

Data collection and analysis

Summary	The paper provides an overview of the proposed method for collecting responses to the Consultation Paper and the software package that is expected to be used to manage and analyse the data.
Purpose/Objective of the paper	To provide members with an overview of the three formal response options that it is proposed will be available to Consultation Paper respondents and to update them on proposals for how the data collected will be managed and analysed.
Other supporting items	N/A
Prepared by	Philip Trotter
Actions for this meeting	<u>Comment</u> on the proposals for data collection and analysis.

Technical Advisory Group

Data collection and analysis

1. Background

- 1.1 The Consultation Paper is due to be released on 28 January 2021. A series of publicity and outreach events are due to be held to coincide with the release of the Consultation Paper, including a launch event and country/regional consultation round tables. The exact format of these events is still to be finalised due to the ongoing impact of the COVID-19 pandemic.
- 1.2 Respondents will be requested to provide comment on the General Matters for Comment in Part 1 of the Consultation Paper by 30 July 2021 and the Specific Matters for Comment in Part 2 of the Consultation Paper by 24 September 2021. To enable them to do provide comment, and to ensure that the data collected can be managed and analysed effectively, an approach to data collection, management and analysis must be determined.

2. Data collection proposal

- 2.1 In order to facilitate data collection, it is proposed that there will be three formal response options available to respondents. These options are similar to those being utilised by the IASB for its Request for Information: Comprehensive Review of the *IFRS for SMEs* Standard. GDPR consents will be required on all three formal response options.
- 2.2 Firstly, respondents that have their own existing formal process and letter format for responding to consultations will be permitted to provide a response using that format. It will be requested that this be submitted electronically.
- 2.3 Secondly, those entities that do not have their own existing formal process or letter format but have the capacity or resource to complete a response document will be able to utilise a proforma response document. The proforma response document will also be of use to those who want to collaborate with others in their response. The document is designed to ensure that it is clear

which question is being responded to, which will support ease of data collection and analysis. The document will also be available in two Parts. This reflects the different deadlines for the return of responses on Part 1 and Part 2. Again it will be requested that responses be submitted electronically. The two Parts of the document as currently drafted are provided as Annex A.

- 2.4 Thirdly, an online survey that mirrors the format of the proforma response document will also be available to respondents. This is expected to be most of use to those responding as individuals, but will be available to all respondents. By mirroring the format of the proforma response document, the survey will also enable the provision of rich qualitative data. As with the proforma response document the survey will be available in two Parts. This will allow respondents to complete their responses to Parts 1 and Parts 2 to the two different deadlines.
- 2.5 Along with the responses to the General and Specific Matters for Comment, respondents will be requested to provide a range of information about themselves and their organisations. These will include a description of their role and the organisations aims and activities, the jurisdiction they are in, information about the accounting standards used for year-end financial statements in that jurisdiction and, if from an NPO, information about the main funding sources.
- 2.6 For those providing a response in their own letter format detail of the information requested will be available on the website. For those using either the proforma response document or the online survey, there will be comment and drop down boxes to populate with the requested information. Annex A shows these options in full for ease of comment.
- 2.7 The Introduction to the Consultation Paper provides information to readers on responding to the consultation. As these proposals differ from those that were in the last version of the Consultation Paper provided to the TAG for comment, an updated version of this section of the Introduction is provided as Annex B.
- 2.8 In addition to the three formal response options, the data management and analysis tool discussed below has the functional capability to also capture data from a range of other sources. These include transcripts from interviews, events, and social media interactions.

Question 1: What are the views of the TAG on the proposed formal response options available to respondents? Are there other options that should be considered?



Question 2: What are the views of the TAG on the proposed information that will be requested from respondents about themselves and their organisations? Is there other information about respondents that it would be useful to capture?

Question 3: What are the views of the TAG on the updated section on Responding to the consultation in the Introduction to the Consultation Paper?

3. Proposed data management and analysis tool

- 3.1 In order to manage and analyse the consultation response data, the NVivo software package is being considered by the project team. NVivo is a qualitative data analysis computer software package that enables researchers to organise, analyse and find insights in qualitative data including interviews and open-ended survey responses.
- 3.2 NVivo can assist in the organisation and analysis of non-numerical or unstructured data and allows users to classify, sort and arrange information; examine relationships in the data; and combine analysis with linking, searching and modelling. Researchers can identify trends and cross-examine information using search engine and query functions.
- 3.3 The software supports a wide range of data formats including audio files, videos, Word, PDF, spreadsheet, rich text, plain text and web and social media data. Data can be interchanged with a range of applications including Excel, Word and SurveyMonkey. It is also possible to purchase add-on modules including NVivo Transcription for automated transcriptions.
- 3.4 Using NVivo would permit consultation responses to be managed and analysed through a variety of data formats. These could include the formal response options discussed including comment letters from organisations, a set format response document, and online surveys. NVivo could also be used to manage and analyse data from other sources, including video, audio transcripts and social media. This functionality would be useful for capturing data from broader outreach activities.
- 3.5 The software is currently used by the IPSASB for managing and analysing responses to its consultations. A trial of the software has also been undertaken

by CIPFA staff utilising previous consultations and responses to gauge functionality.

- 3.6 This trial indicates that, with suitable training to those utilising the software, NVivo has the potential to be very effective in reducing the resource required to review responses and has the potential to improve data analysis. Functions such as sentiment analysis and theme finding for example provide for a high level of automation that not only reduces the burden of manual review but can also improve the analysis of the qualitative data provided.

Question 4: What are the views of the TAG on the use of NVivo for data management and analysis? Are there other options that you would recommend should be considered?

December 2020

Annex A – Proforma response documents

Consultation Paper

IFRNPO Guidance

January 2021

Response Document

PART 1: GENERAL NPO FINANCIAL REPORTING ISSUES

Instructions for completion

IFR4NPO has published this document for respondents to use for submitting their comments.

This document presents all of the questions in **Part 1** of the Consultation Paper in a table with spaces for responses.

Respondents are encouraged to complete this document electronically but are not required to use this document. They may also respond using their own comment letter format or the online survey available at: [\(survey link here\)](#)



Comments on **Part 1** are requested by **July 30, 2021**

Respondent details

Information requested from all respondents

Detail requested	Response
Name of person providing the response and whether this is in an individual capacity or on behalf of an organisation.	
Description of the respondent's activities or role if an individual	
Description of the activities of the organisation where on behalf of an organisation	
Jurisdiction to which the feedback relates	
Accounting basis of NPO financial reporting framework in your jurisdiction	<div>Drop down boxes</div> <div>(i) Accrual</div> <div>(ii) Cash</div> <div>(iii) Modified cash</div> <div>(iv) Not sure</div> <div>Comment box for any additional information on accounting basis</div>

Respondent details

Financial reporting standards used by NPOs in your jurisdiction	<p>Drop down boxes - Select description that is closest</p> <ul style="list-style-type: none"> (i) IFRS (ii) The IFRS for SMEs standard (iii) IPSAS (iv) National GAAP (v) NPO specific standards/guidance based on IFRS (vi) NPO specific standards/guidance based on the IFRS for SMEs standard (vii) NPO specific standards/guidance based on IPSAS (viii) NPO specific standards/guidance based on National GAAP (ix) NPO specific standards not based on an international framework or National GAAP (x) Funder requirements only (xi) Other <p>Comment box for further information on financial reporting standards used by NPOs in your jurisdiction including description of Other</p>
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Information requested only if the organisation on behalf of which you are responding is an NPO

Detail requested	Response
Which International Classification of Non Profit Organisation (ICNPO) group best describes your organisation and activities? ¹	<p>Drop down boxes - Select description that is closest</p> <p>1. Culture and recreation - Organizations and activities in general and specialized fields of culture and recreation.</p>

¹ http://ccss.jhu.edu/wp-content/uploads/downloads/2011/09/CNP_WP19_1996.pdf

Respondent details

	<p>2. Education and research - Organizations and activities administering, providing, promoting, conducting, supporting and servicing education and research.</p> <p>3. Health - Organizations that engage in health related activities, providing health care, both general and specialized services, administration of health care services, and health support services.</p> <p>4. Social services - Organizations and institutions providing human and social services to a community or target population.</p> <p>5. Environment - Organizations promoting and providing services in environmental conservation, pollution control and prevention, environmental education and health, and animal protection.</p> <p>6. Development and housing - Organizations promoting programs and providing services to help improve communities and the economic and social well being of society.</p> <p>7. Law, advocacy and politics - Organizations and groups that work to protect and promote civil and other rights, or advocate the social and political interests of general or special constituencies, offer legal services and promote public safety.</p> <p>8. Philanthropic intermediaries and voluntarism promotion - Philanthropic organizations and organizations promoting charity and charitable activities.</p> <p>9. International - Organizations promoting greater intercultural understanding between peoples of different countries and historical backgrounds and also those providing relief during emergencies and promoting development and welfare abroad.</p> <p>10. Religion - Organizations promoting religious beliefs and administering religious services and rituals; includes churches, mosques, synagogues, temples, shrines, seminaries, monasteries, and similar religious institutions, in addition to related associations and auxiliaries of such organizations.</p>
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Respondent details

	<p>11. Business and professional associations, unions - Organizations promoting, regulating and safeguarding business, professional and labor interests.</p> <p>12. Not elsewhere classified</p> <p>Comment box for any further information the NPO wants to provide on organisation and activities</p>
<p>Rank revenue sources of your NPO in order of importance</p>	<p>Ranking boxes for:</p> <ul style="list-style-type: none"> (i) Grants (ii) Donations (iii) Sale of goods and services (iv) Gifts in kind (v) Services in kind (vi) Other <p>Comment box for further information on revenue source including description of Other</p>
<p>Approximate revenue per annum of your NPO in US\$ (optional)</p>	<p>Drop down boxes</p> <p>Less than \$25k</p> <p>\$25k up to \$100k</p> <p>\$100k to \$1m</p> <p>Greater than \$1m</p> <p>Comment box for further information on revenue.</p>

Part 1 – General NPO financial reporting issues

Ref	Question	Response (Please give clear reasoning to support your response.)
<p>Part 1 of the Consultation Paper discusses the broader NPO landscape and considers this in the context of the project objectives set out in the Introduction. Part 1 includes the a description of the broad characteristics of NPOs. It considers accountability and decision making and the role that general purpose financial reports can play in providing decision useful information for external stakeholders. Finally it looks at the suitability of existing international and national financial reporting regimes as the basis of future NPO Guidance.</p>		
<p>Chapter 1: <i>What are non-profit organisations?</i> outlines a broad characteristics approach to describing NPOs for developing the Guidance.</p>		
GMC 1(a)	Do you agree with the broad characteristics proposed? If not why not? Which alternative characteristics would you propose, and why?	
<p>Chapter 2: <i>Who are NPO stakeholders and what are their needs?</i> examines NPO external stakeholders, what information those external stakeholders need for accountability and decision-making purposes, and issues with current arrangements.</p>		
GMC 2(a)	Do you agree that NPOs are accountable to service users, resource providers, and regulators and have societal accountability? If not why not? What alternative groups would you propose that NPOs can be seen as accountable to, and why?	
GMC 2(b)	Do you agree that external stakeholders require information on the NPO's achievement of objectives, economy and efficiency, compliance with restrictions and regulations, and longer term financial health, for accountability and decision-making purposes? If not why not? What alternative areas would you propose and why?	

Part 1 – General NPO financial reporting issues

Ref	Question	Response <i>(Please give clear reasoning to support your response.)</i>
GMC 2(c)	Do you agree with the issues that have been identified with current accountability and decision-making arrangements for NPOs? If not why not? Are there any other issues with current accountability and decision-making arrangements, particularly financial accountability to donors, that you would wish to highlight?	
Chapter 3: <i>What are the essential aspects of NPO Financial Reporting Guidance?</i> explains two key premises to develop the Guidance to support the provision of information that is useful for accountability and decision-making.		
GMC 3(a)	What, if any, do you see as the main challenges with Guidance that is accrual-based?	
GMC 3(b)	What, if any, do you see as the main challenges with Guidance that includes non-financial information reporting?	
Chapter 4: <i>How far can existing international financial reporting regimes assist NPOs?</i> highlights that limitations on time and resource mean that the Guidance must draw on existing frameworks. International financial reporting frameworks are proposed as the basis of the Guidance, with each having its advantages and disadvantages.		
GMC 4(a)	Do you agree that international frameworks are the best start point for the Guidance? If not, why not?	

Part 1 – General NPO financial reporting issues

Ref	Question	Response (Please give clear reasoning to support your response.)
GMC 4(b)	Do you agree with the criteria that have been used to assess the suitability of the frameworks? If not why not and what other criteria do you believe could be used and why?	
GMC 4(c)	Do you agree with the high-level assessment of the frameworks against these criteria? If not why not and what assessment would you make and why?	
Chapter 5: <i>Proposed way forward</i> put forwards a proposed model for developing the Guidance. The proposal uses IFRS for SMEs as a foundational framework and draws on full IFRS, IPSAS and jurisdiction level standards to develop the Guidance.		
GMC 5(a)	What do you see as the main challenges, if any, with the proposed model and the use of IFRS for SMEs as the foundational framework? What, if any, alternative model and foundational framework do you suggest would be more suitable and why?	

Consultation Paper

IFRNPO Guidance

January 2021

Response Document

PART 2: NPO-SPECIFIC FINANCIAL REPORTING ISSUES

Instructions for completion

IFRNPO has published this document for respondents to use for submitting their comments.

This document presents all of the questions in **Part 2** of the Consultation Paper in a table with spaces for responses.

Respondents are encouraged to complete this document electronically but are not required to use this document. They may also respond using their own comment letter format or the online survey available at: [\(survey link here\)](#)

Comments on **Part 2** are requested by **September 24, 2021**

Respondent details

Information requested from all respondents

Detail requested	Response
Name of person providing the response and whether this is in an individual capacity or on behalf of an organisation.	
Description of the respondent's activities or role if an individual	
Description of the activities of the organisation where on behalf of an organisation	
Jurisdiction to which the feedback relates	
Accounting basis of NPO financial reporting framework in your jurisdiction	<div>Drop down boxes</div> <div>(i) Accrual</div> <div>(ii) Cash</div> <div>(iii) Modified cash</div> <div>(iv) Not sure</div> <div>Comment box for any additional information on accounting basis</div>
Financial reporting standards used by NPOs in your jurisdiction	Drop down boxes - Select description that is closest

Respondent details

	<p>(i) IFRS</p> <p>(ii) The IFRS for SMEs standard</p> <p>(iii) IPSAS</p> <p>(iv) National GAAP</p> <p>(v) NPO specific standards/guidance based on IFRS</p> <p>(vi) NPO specific standards/guidance based on the IFRS for SMEs standard</p> <p>(vii) NPO specific standards/guidance based on IPSAS</p> <p>(viii) NPO specific standards/guidance based on National GAAP</p> <p>(ix) NPO specific standards not based on an international framework or National GAAP</p> <p>(x) Funder requirements only</p> <p>(xi) Other</p> <p>Comment box for further information on financial reporting standards used by NPOs in your jurisdiction including description of Other</p>
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Information requested only if the organisation on behalf of which you are responding is an NPO

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Respondent details

	<p>11. Business and professional associations, unions - Organizations promoting, regulating and safeguarding business, professional and labor interests.</p> <p>12. Not elsewhere classified</p> <p>Comment box for any further information the NPO wants to provide on organisation and activities</p>
<p>Rank revenue sources of your NPO in order of importance</p>	<p>Ranking boxes for:</p> <ul style="list-style-type: none"> (i) Grants (ii) Donations (iii) Sale of goods and services (iv) Gifts in kind (v) Services in kind (vi) Other <p>Comment box for further information on revenue source including description of Other</p>
<p>Approximate revenue per annum of your NPO in US\$ (optional)</p>	<p>Drop down boxes</p> <p>Less than \$25k</p> <p>\$25k up to \$100k</p> <p>\$100k to \$1m</p> <p>Greater than \$1m</p> <p>Comment box for further information on revenue.</p>

Ref	Question	Response (Please give clear reasoning to support your response.)
<p>Part 2 of this Consultation Paper considers a number of NPO-specific accounting issues. It raises questions that are relevant to the project objectives, such as balancing the needs of preparers and users and improving the transparency of NPO financial reports. However, the main focus is to assist in delivering the third project objective: <i>Objective 3: To address specific NPO issues, which will promote the comparability of NPO financial reports.</i></p> <p>This part of the Consultation Paper sets out how the list of NPO-specific financial reporting issues for potential consideration was originally identified, and provides a description of the nature of each issue. The criteria used for selecting the issues to be included in the Consultation Paper, and therefore probably in the initial Guidance, are also included.</p> <p>In-depth analysis is provided for each of the NPO-specific financial reporting issues currently proposed for the initial Guidance. Alternative approaches that could be pursued to address each issue are included to generate feedback.</p>		
<p>Selection of NPO Specific Issues</p> <p>This part of the Consultation Paper sets out how NPO-specific issues have been identified and provides a description of the nature of each issue. Criteria for selecting issues to be included in the initial Guidance are also included.</p>		
SMC 0(a)	Is the list of NPO-specific financial reporting issues complete? If not, please provide information about the further issues that you believe are specific to NPOs, or issues that should be removed, together with supporting reasoning for the change(s) you propose.	
SMC 0(b)	Do you agree with the criteria used to evaluate the list of issues? If not, what changes would you make and why?	

Ref	Question	Response (Please give clear reasoning to support your response.)
SMC 0(c)	Do you agree with the topics prioritised for the Consultation Paper? If not, outline which topics should be added or removed and why.	
Section 1 – Reporting entity NPOs can be organised in a variety of different ways, using internal structures focused on specific activities, through subsidiaries, partnerships or other types of arrangements. As a consequence issues have been raised about what is a reporting entity and how to account for entities that are part of a group.		
Issue 1 - Reporting entity and control (including branches) Reporting entities need to produce financial statements and so it is important to know what constitutes a reporting entity in the sometimes, complex arrangements, that surround NPOs. Understanding the accounting implications of these arrangements is key to providing complete and transparent financial information. Some of the specific questions that this topic is seeking to address are: <ul style="list-style-type: none"> • How is control defined (as NPOs may not be exposed to investee returns in a conventional sense)? • How is a branch defined? Should all branches be accounted for as part of an NPO? What is the status of the financial statements of a branch that is not a separate legal entity? 		
SMC 1(a)	Do you agree with the description of issue 1- Reporting entity and control (including branches)? If not, why not.	
SMC 1(b)	Do you agree that the list of alternative treatments that should be considered for issue 1 is exhaustive? If not, please describe your additional proposed alternatives, and explain why they should be considered.	

Ref	Question	Response (Please give clear reasoning to support your response.)
SMC 1(c)	Do you agree with the advantages and disadvantages articulated for each alternative accounting treatment for issue 1? If you do not agree, please set out the changes you propose, and why these should be made.	
SMC 1(d)	Please identify the alternative treatment that you favour for issue 1, and the reasons for your view.	
Issue 2 - NPOs acting on behalf of other entities <p>The complex arrangements that surround NPOs may mean that in some instance an NPO is acting on behalf of another entity. It can be difficult to determine whether an NPO is merely acting in an administrative role and its accountabilities.</p> <p>Some of the specific questions that this topic is seeking to address are:</p> <ul style="list-style-type: none"> • When is an NPO acting as an agent and when is it acting as principal? • Is any disclosure required of the gross amounts relating to agency activity or assets in custody (including cost pass through and assets held on behalf of another entity/person)? 		
SMC 2(a)	Do you agree with the description of issue 2 – NPOs acting on behalf of other entities? If not, why not.	
SMC 2(b)	Do you agree that the list of alternative treatments that should be considered for issue 2 is exhaustive? If not, please describe your additional proposed alternatives, and explain why they should be considered.	

Ref	Question	Response (Please give clear reasoning to support your response.)
SMC 2(c)	Do you agree with the advantages and disadvantages articulated for each alternative accounting treatment for issue 2? If you do not agree, please set out the changes you propose, and why these should be made.	
SMC 2(d)	Please identify the alternative treatment that you favour for issue 2, and the reasons for your view.	
SMC 2(e)	Additional disclosures are proposed under all alternatives for issue 2. Outline any challenges you would anticipate with the proposed disclosures?	
Section 2 – Accounting for incoming resources Non-exchange revenue The recognition and measurement of revenue (in particular non-exchange revenue (which arises when an entity receives value from another entity without directly giving approximately equal value in exchange) has been identified as a specific issue for non-profit organisations.		
Issue 3 – Non-exchange revenue NPOs receive non-exchange revenue from a variety of different resources. NPOs rely on grants, cash donations, donations of individual items (gifts in-kind), donations of services or volunteer time (services in-kind) and bequests and endowments in order to meet their objectives. Non-exchange revenue transactions raise specific issues. These issues relate to the recognition, measurement and disclosure of non-exchange revenue.		

Ref	Question	Response (Please give clear reasoning to support your response.)
SMC 3(a)	Do you agree with the description of issue 3 Non-exchange revenue? If not, why not.	
SMC 3(b)	Do you agree that the list of alternative treatments that should be considered for issue 3 is exhaustive? If not, please describe your additional proposed practical alternatives, and explain why they should be considered.	
SMC 3(c)	Do you agree with the advantages and disadvantages articulated for each alternative accounting treatment for issue 3? If you do not agree, please set out the changes you propose, and why these should be made.	
SMC 3(d)	Please identify the alternative treatment that you favour for issue 3, and the reasons for your view.	
SMC 3(e)	If you favour an alternative other than alternative 4 for issue 3, do you consider that the exceptions to the recognition and measurement of gifts in-kind and services in-kind should be available under your preferred option?	
SMC 3(f)	Are there any practical considerations, for example impacts on tax or audit thresholds, or questions that arise in implementing your preferred option for issue 3?	

Ref	Question	Response (Please give clear reasoning to support your response.)
Section 3 – Accounting for outgoing resources <p>In earlier research relatively few issues were identified that relate to the accounting for outgoing resources. In addition to grant expenses, three other topics have been identified as having financial reporting challenges that are relevant to the accounting for outgoing resources.</p> <p>One of the topics concerns the treatment of expenses when an NPO is acting on behalf of another organisation as an agent. This topic has both income and expense implications and as it relates to the relationship between entities it is presented alongside the topic on the reporting entity (issue 2).</p> <p>Two of the topics; classification of expenses (issue 8) and fundraising costs (issue 9) are primarily concerned with the presentation and disclosure of financial information rather than how to account for these costs. These have been included with the other topics that relate to the presentation, scope and content of financial information.</p>		
Issue 4 – Grant expenses <p>Many NPOs make grants to other organisations to further the NPO's (the donor's) objectives. This topic is primarily concerned with what expense should be recognised and when.</p>		
SMC 4(a)	Do you agree with the description of issue 4 – Grant expenses? If not, why not.	
SMC 4(b)	Do you agree that the list of alternative treatments that should be considered for issue 4 is exhaustive? If not, please describe your additional proposed alternatives, and explain why they should be considered.	

Ref	Question	Response (Please give clear reasoning to support your response.)
SMC 4(c)	Do you agree with the advantages and disadvantages articulated for each alternative accounting treatment for issue 4? If you do not agree, please set out the changes you propose, and why these should be made.	
SMC 4(d)	Please identify the alternative treatment that you favour for issue 4, and the reasons for your view.	
Section 4 – Accounting for financial and non-financial assets A number of issues have been identified in earlier research that relate to non-financial assets. The topics include specialised assets held by NPOs, heritage assets, concessionary leases and service concession arrangements. There are also a number of issues relating to financial assets, particularly concessionary loans. Two of the topics (issue 5 - Measurement of non-financial assets held for social benefit and issue 6 - Inventory held for sale or distribution) are proposed for inclusion in the initial Guidance as they meet all four criteria for prioritisation		
Issue 5 – Measurement of non-financial assets held for social benefit Tangible and intangible assets that are held for use in delivering the NPO's objectives and not for a financial return is a specific issue for NPOs, particularly where there is a need to impair them. This topic is seeking to address matters related to: <ul style="list-style-type: none"> • How assets are measured initially and subsequently • Impairment, including when an impairment is recognised, how it is measured and what disclosures should be made. 		

Ref	Question	Response <i>(Please give clear reasoning to support your response.)</i>
SMC 5(a)	Do you agree with the description of issue 5 –Measurement of non-financial assets held for social benefit? If not, why not.	
SMC 5(b)	Do you agree that the list of alternative treatments that should be considered for issue 5 is exhaustive? If not, please describe your additional proposed alternatives, and explain why they should be considered.	
SMC 5(c)	Do you agree with the advantages and disadvantages articulated for each alternative accounting treatment for issue 5? If you do not agree, please set out the changes you propose, and why these should be made.	
SMC 5(d)	Please identify the alternative treatment that you favour for issue 5, and the reasons for your view.	
SMC 5(e)	Do you agree that land and buildings (or sub classifications thereof) used to provide services should be measured using the revaluation model and specifically a measurement which reflects the 'value in use' or the operational capacity to an NPO? Could it provide useful information to users?	

Issue 6 – Inventory held for use or distribution

Inventory held for use or distribution to service users has also been identified as a specific issue for NPOs, particularly where the inventory has been donated rather than purchased.

Some of the specific questions that this topic is seeking to address are:

- the initial and subsequent measurement of low value donated goods
- the measurement of perishable inventories and what disclosures should be made about these
- Impairment, including when an impairment is recognised, how it is measured and what disclosures should be made.

SMC 6(a)	Do you agree with the description of issue 6 –Inventory held for use or distribution? If not, why not.	
SMC 6(b)	Do you agree that the list of alternative treatments that should be considered for issue 6 is exhaustive? If not, please describe your additional proposed alternatives, and explain why they should be considered.	
SMC 6(c)	Do you agree with the advantages and disadvantages articulated for each alternative accounting treatment for issue 6? If you do not agree, please set out the changes you propose, and why these should be made.	
SMC 6(d)	Please identify the alternative treatment that you favour for issue 6, and the reasons for your view.	

Section 5 –Presentation, content and scope of financial reports

Earlier research identified that additional information would help with the understanding of accounts and the presentation of the accounts themselves could be improved. Topics included the presentation of financial statements and narrative reporting, which are considered further below. This section also includes the classification of expenses and fundraising costs, which are primarily concerned with the presentation of financial information.

Issue 7– Presentation of financial statements (including fund accounting)

The format and content of financial statements including revenue and expenses is fundamental to how the information is presented to stakeholders. This presentation is particularly important when revenue is restricted or can only be used for particular purposes.

Some of the specific questions that this topic is seeking to address are:

- How should financial statements be presented to help the user’s understanding of an NPO’s activities? Should there be disclosure of material categories of income and expenses and/or transactions?
- How should unrestricted and restricted funds that can be used for specific NPO purposes be presented in the main financial statements and notes (including reserves)? How does this align with donor reporting requirements? What is the role of fund accounting?

SMC 7(a)	Do you agree with the description of issue 7 –Presentation of financial statements? If not, why not.	
SMC 7(b)	Do you agree that the list of alternative treatments that should be considered for issue 7 is exhaustive? If not, please describe your additional proposed alternatives, and explain why they should be considered.	
SMC 7(c)	Do you agree with the advantages and disadvantages articulated for each alternative accounting treatment for issue 7? If you do not agree, please set out the changes you propose, and why these should be made.	

SMC 7(d)	Please identify the alternative treatment that you favour for issue 7, and the reasons for your view. In your response please consider the presentation of unrestricted reserves allocated for internal purposes.	
<p>Issue 8 – Classification of expenses – function or nature?</p> <p>NPOs can present their expenses by nature or by function, with at least one jurisdiction allowing a hybrid of the two.</p> <p>Some of the specific questions that this topic is seeking to address are:</p> <ul style="list-style-type: none"> • Should there be a standardised format and if so, what should the primary headings be? • Should the primary analysis of expenses be based on function or nature? 		
SMC 8(a)	Do you agree with the description of issue 8 –Classification of expenses? If not, why not.	
SMC 8(b)	Do you agree that the list of alternative treatments that should be considered for issue 8 is exhaustive? If not, please describe your additional proposed alternatives, and explain why they should be considered.	
SMC 8(c)	Do you agree with the advantages and disadvantages articulated for each alternative accounting treatment for issue 8? If you do not agree, please set out the changes you propose, and why these should be made.	

SMC 8(d)	<p>Please identify the alternative approach that you favour for issue 8, and the reasons for your view. When considering your preferred approach please comment on which alternative:</p> <p>(i) provides the best information about the key components of expenses or drivers of performance/activities?</p> <p>(ii) most closely matches how management reports internally and the way the operation is run (to assist with the cost/benefit assessment)</p> <p>(iii) whether the alternatives link to any key ratios that might be given in the narrative reporting (and therefore should be something that can be disclosed and reconciled to)</p> <p>(iv) whether the alternatives permit accountability.</p>	
SMC 8(e)	Do you think that the alternatives for issue 8 provide the right balance between information presented on the face of the performance statements or in the notes?	
SMC 8(f)	Would the allocation of expenses to functions outlined in issue 8 be so arbitrary that it would not provide a sufficiently faithful representation of the composition of an entity's functions?	
SMC 8(g)	Are there any practical questions that arise in implementing your preferred option for issue 8?	

Issue 9 – Fundraising costs

Raising funds is critical to the existence of many NPOs. They can take many forms and there is a question about where to report the costs of doing so.

Some of the specific questions that this topic is seeking to address are:

- How should the costs of fund raising be defined (for example, whether to include business development spend and/or overheads)?
- How should the costs of fundraising be recognised and/or presented (i.e. on a gross basis or netted against income)?

SMC 9(a)	Do you agree with the description of issue 9 – Fundraising costs? If not, why not.	
SMC 9(b)	Do you agree that the list of alternative treatments that should be considered for issue 9 is exhaustive? If not, please describe your additional proposed alternatives, and explain why they should be considered.	
SMC 9(c)	Do you agree with the advantages and disadvantages articulated for each alternative accounting treatment for issue 9? If you do not agree, please set out the changes you propose, and why these should be made.	
SMC 9(d)	Please identify the alternative treatment that you favour for issue 9, and the reasons for your view.	
SMC 9(e)	Do you agree that all fundraising costs should be presented gross? If not, please provide example of where this might not apply and the reasons for your view.	

<p>Issue 10 – Narrative reporting</p> <p>Non-financial information, which includes management commentary and other forms of narrative reporting, is relevant to NPOs, in demonstrating accountability and stewardship to stakeholders and civil society. For many NPOs, the financial statements may not capture many of the most important aspects of its performance.</p> <p>Some of the specific questions that this topic is seeking to address are:</p> <ul style="list-style-type: none"> • What should the narrative/non-financial reporting requirements be for NPOs? • Should ratios be required for narrative reporting? If they are included, how should costs be classified between support costs and those attributable to operational delivery? 		
SMC 10(a)	Do you agree with the description of issue 10 –Narrative reporting? If not, why not.	
SMC 10(b)	Do you agree that the list of alternative treatments that should be considered for issue 10 is exhaustive? If not, please describe your additional proposed alternatives, and explain why they should be considered.	
SMC 10(c)	Do you agree with the advantages and disadvantages articulated for each alternative accounting treatment for issue 10? If you do not agree, please set out the changes you propose, and why these should be made.	
SMC 10(d)	Please identify the alternative treatment that you favour for issue 10, and the reasons for your view.	

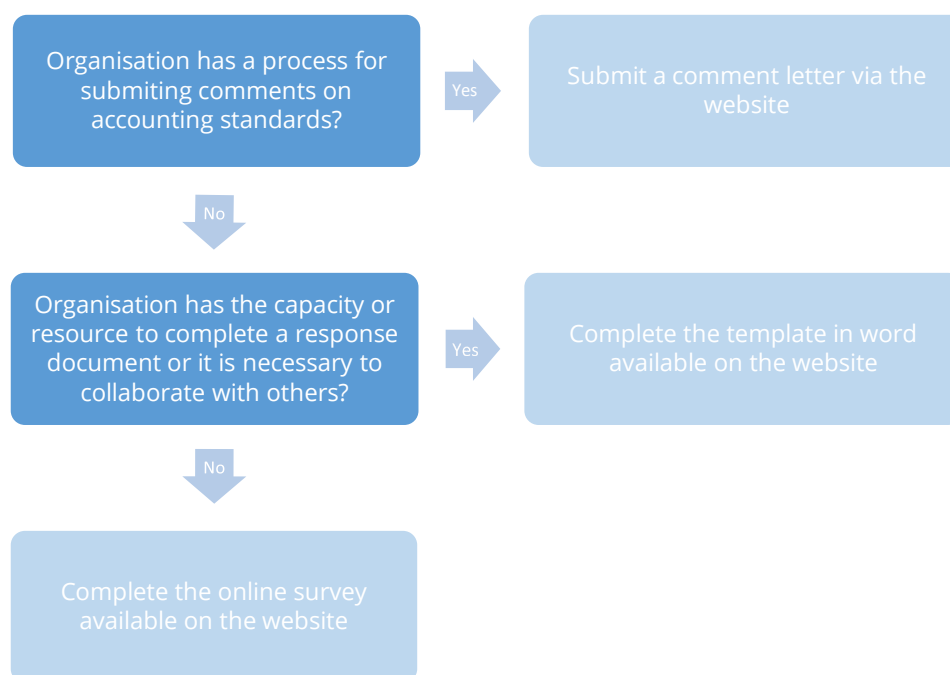
SMC 10(e)	Should narrative reporting guidance be set at the level of a framework and principles, rather than any more specific reporting requirements or recommendations? If you disagree, what additional guidance on what specific reporting requirements or recommendations would be beneficial?	
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Annex B – Section 6 of Introduction

6. Responding to the consultation

- 6.1. Comments are welcome on any or all of the matters discussed in this Consultation Paper.
- 6.2. There is no requirement to respond to all issues. Respondents may respond to all of the questions raised in the Consultation Paper, or may choose to respond only about certain elements – respondents shouldn't feel that if they can't respond to one or more sections, they can't respond at all. This includes the option of responding only to certain specific issues in Part 2. There is no minimum number of Matters for Comment that can be addressed in a response. However, the greater the number of responses received, the richer the feedback for the project team to consider.
- 6.3. Respondents may provide their feedback in one of three ways and should determine which method is most appropriate using the flow chart in Figure 6.1 below. Those uncertain about which method is most appropriate may contact us [here]. The methods available are:
 - A **comment letter** to be submitted electronically through the website, using the 'Submit a Comment' link [here];
 - The completion of a **proforma word document**. There are separate documents available for responding to Part 1 and Part 2. These can be downloaded from the website [here]. Once complete the documents should be submitted to the website using the 'Submit a Comment' link [here].
 - An **on-line survey** accessed through the website [here]. There are separate surveys available to respond to Part 1 and Part 2.

Figure 6.1 – Methods available for providing feedback



6.4. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, and contain a clear rationale, including reasons for agreeing or disagreeing. If you disagree, please provide alternative proposals. All comments will be considered a matter of public record and will ultimately be posted on the IFR4NPO website.

6.5. Respondents are requested to include in the response the following details:

- Name of person providing the response and whether this is in an individual capacity or on behalf of an organisation
- Description of the respondent's activities or role if an individual
- Description of the activities of the organisation where on behalf of an organisation
- Jurisdiction to which the feedback relates
- Information about the accounting standards used for year-end financial statements in the jurisdiction to which the feedback relates
- If from an NPO, the International Classification of Non Profit Organisation (ICNPO) group that best describes the organisation and its activities³

³ http://ccss.jhu.edu/wp-content/uploads/downloads/2011/09/CNP_WP19_1996.pdf

- If from an NPO, information about the relative importance of different funding sources (e.g., grants, donations from members of the public, membership fees, sales proceeds) and overall levels of annual revenue (optional).

6.6. The closure dates for responses are as follows:

Comments on Part 1 are requested by July 30, 2021.

Comments on Part 2 are request by September 24, 2021.

6.7. Although IFR4NPO prefers that comments be submitted via the website, e-mails may be sent to karen.sanderson@cipfa.org. Comments can also be mailed in hard copy to:

Head of Programme, IFR4NPO
Chartered Institute of Public Finance and Accountancy
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London,
E1 8AN
United Kingdom