Technical Advisory Group
Issue Paper

AGENDA ITEM: TAGED04-05
01 December 2021 – Online

Project Management update

Summary	To set out the approach to developing the Exposure Draft.
Purpose/Objective of the paper	To provide an update to TAG members on a number of points raised at recent TAG meetings relating to the development of the Exposure Draft.
Other supporting items	TAGED04 06 Process for developing the Guidance Annex A: IPSASB *"Process for Reviewing and Modifying IASB Documents"* Annex B: *"Process for developing International Non-Profit Accounting Guidance through making changes to the IFRS for SMEs Standard"*
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Actions for this meeting	**Comment** on the proposed content for each tranche of the Guidance. **Comment** on the structure of the Guidance. **Note** the naming of the Guidance.

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Project management update

1. <u>Background</u>

    1.1 At recent TAG meetings we have discussed the proposed development of the Guidance including the format of the guidance and a more agile way of producing the Exposure Draft with multiple drops.

    1.2 Since these discussions, further thought has gone into the packaging of topics for each publication of the Exposure Draft, including reflecting on feedback on Part 2 of the consultation paper. We also wish to discuss the format of the Guidance once more to ensure that all members have a consistent understanding of the proposals. Finally, further thought has also gone into the naming conventions used across the project.

2. <u>Content of each tranche of the ED</u>

    2.1 Since this was last discussed by the TAG we have looked further at the feedback from Parts 1 and 2 and also considered how the exposure drafts might land with stakeholders.

    2.2 As a consequence we have made some amendments to the topics that will be included in each tranche of the Exposure Draft. We are now proposing that:

    - **Tranche 1** will contain information about who the guidance is for, the purpose of the guidance and its objectives. This will cover the characteristics of reporting entities as well as stakeholders and their needs. This tranche will also include the concepts and pervasive principles in the guidance as well as key terminology like the names of the financial statements. It will also set out the scope of the guidance, which will include narrative reporting. This means that this tranche, will, in additional to general matters, include the topics on financial statement presentation, reporting entity and narrative reporting.
    - **Tranche 2** will contain the topics on non-exchange revenue, grant expenses and NPOs acting on behalf of other entities. This tranche will also showcase how a topic not specifically reviewed as part of the developing the Guidance will be presented.
    - **Tranche 3** will contain the remaining topics of classification of expenses, fundraising costs and inventory. As noted in TAGED04 02 the proposal is to now include foreign exchange transactions rather than non-financial assets

held for social benefit. This topic will also be included in this tranche. This tranche will also include further showcasing of how topics not included in the Guidance will be presented.

2.3   Taking this approach will allow readers to develop and grow their understanding of the content of the Guidance and how it will hang together. To give respondents enough time to respond to the proposals, we are also considering extending the consultation period to 4 months for each tranche. This will reduce the time available to deal with responses to the consultation on the Exposure Draft, but should help to improve the quality of the responses. A summary of these proposals is in Annex A.

Question 1 – Does the TAG have any comments on this approach?

3.   <u>Structure of the Guidance</u>

3.1   At the last TAG meeting we agreed that we would develop a single set of Guidance with the *IFRS for SMEs* Standard as the foundation. We recognised in this discussion that there were risks with a single set of guidance in that the impression might inadvertently be created that all aspects of the *IFRS for SMEs* Standard had been reviewed and updated by the project team.

3.2   Whilst we are keen to provide a single set of guidance and to make it internally consistent (e.g. update terminology), we need to be entirely clear about what hasn't been updated for substance as part of this phase of the project. If the Guidance does not include this content it would mean that the Guidance is only partial and leave preparers with a decision about how to source guidance for transactions that are not specifically being covered by the project right now. Whilst there is a risk that the Guidance might be misunderstood (which we will take steps to mitigate), not having a single set of guidance covering all transactions may undermine goals to improve consistency.

3.3   We have also been considering how to make the document user friendly. One of the benefits of the *IFRS for SMEs* Standard, is that it is a stand alone standard that is relatively short. We need to have an eye to this advantage in developing the Guidance.

3.4   As a consequence we are proposing the following:

- The Guidance is developed in two parts. Part 1 will contain the Guidance that has been specifically developed or reviewed by the project. Part 2 will contain

those parts of the *IFRS for SMEs* Standard that have not been updated by the project (except for terminology).

- The Guidance will comprise 3 volumes. Volume 1 will be the Guidance itself. Volume 2 will be NPO specific examples that bring to life the Guidance. Volume 3 will be the Basis for Conclusions that will explain the rationale for the approach adopted in the Guidance and what it is trying to achieve.

Question 2 – Does that TAG agree with the two part approach to volume 1? Are there any other factors to take into account?

4. <u>Naming conventions</u>

4.1   Through this work we have realised that there is a range of terminology that can be used to describe the approach being taken to the delivery of the project. We now intend to standardise these for the remainder of the project. Key terms are as follows:

Stage	This is how the project is being broken up. We are now carrying out Stage 1 of the project, covering 10 topics and the overall framework for the Guidance. Any subsequent stages are yet to be mapped out and /or funded.
Phase	We are developing each Stage of the project using a 3 phase process (Consultation, Exposure Draft, Final Guidance). We are in Phase 2 of Stage 1 currently.
Part	The Guidance will be developed in two parts. Part 1 will include the content specifically developed by the project team. Part 2 will include content from the *IFRS for SMEs* Standard that has not yet been interpreted / adapted for the sector, except for making any appropriate terminology changes
Volume	The Guidance will comprise 3 volumes. Volume 1 will have two Parts as described above. Additional volumes will cover NPO specific examples and the Basis for Conclusions
Tranche	The Exposure Draft will be delivered in tranches. Each tranche will comprise a number of topics that have been identified for development by the project team. It is currently planned that the Exposure Draft will be delivered in 3 tranches.

Question 3 – Does that TAG have any comments on these naming principles?

5. <u>Rules of the Road</u>

5.1 Drafted as TAG ED04 06 is a paper on how we might develop guidance for INPAG based on the *IFRS for SMES* Standard. As previously discussed this paper has examined the process for the IPSASB 'rules of the road' as a suitable approach for developing INPAG.

5.2 Given time constraints, this paper will not be specifically considered at the TAG, with any comments appreciated by way of correspondence.

November 2021

Annex A – TAG Forward Plan

April 2022	ED Tranche 1 - Reporting entity - Characteristics and stakeholders - Concepts and pervasive principles
July 2022	ED Tranche 1 - Narrative reporting - Financial statement presentation - Comebacks
October 2022	ED Tranche 2 - Non-exchange revenue - NPOs acting on behalf of other entities
January 2023	ED Tranche 2 - Grant expenses - Example non updated chapter - Comebacks
March 2023	ED Tranche 2 - Comebacks ED Tranche 3 - Classification of expense - Fundraising costs - Foreign currency translation - Inventory
July 2023	ED Tranche 3 - Comebacks Final Guidance - Reporting entity
October 2023	ED Tranche 3 - Comebacks Final Guidance - Narrative reporting - Characteristics and stakeholders - Concepts and pervasive principles
January 2024	Final Guidance - Financial statement presentation - Non-exchange revenue
April 2024	Final Guidance - Grant expenses - NPOs acting on behalf of the other entities
July 2024	Final Guidance - Foreign currency translation
October 2024	Final Guidance - Classification of expenses - Fundraising costs - Inventory
January 2024	Final Guidance - Sign off
April 2025	Launch