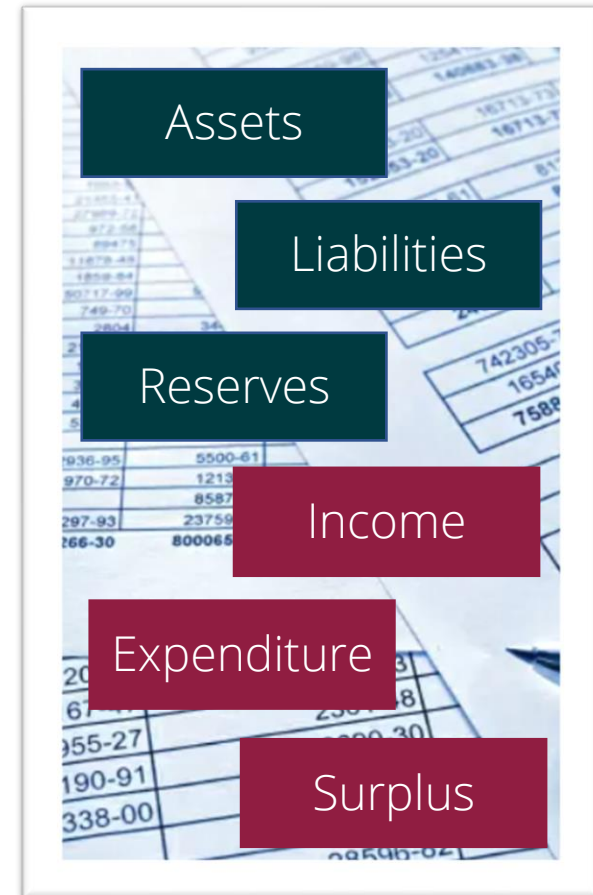




# Outreach – Exploring revenue and inventory held for use or distribution

Developing international financial reporting guidance for non-profit organizations

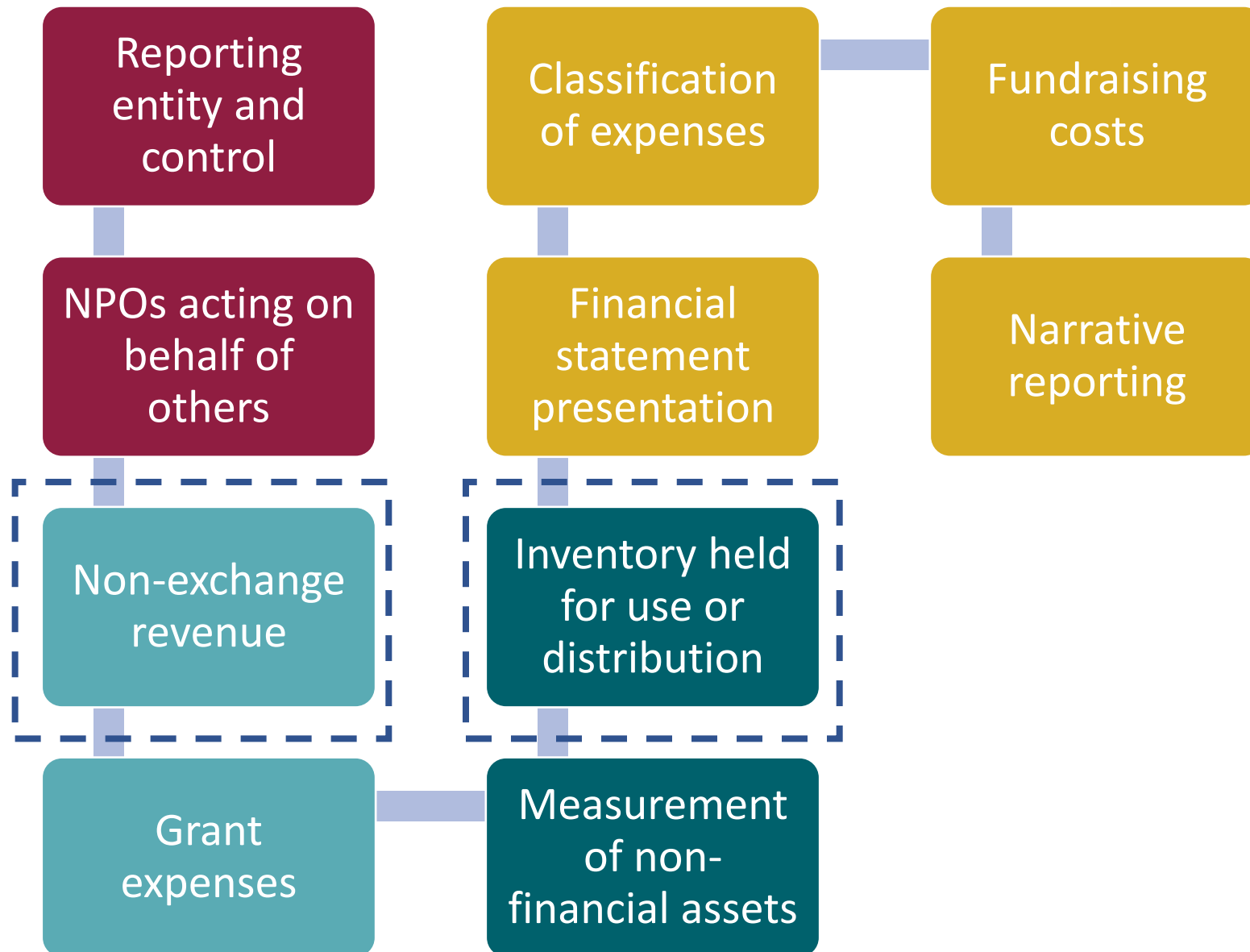




# Agenda

Topic	
Welcome	5 mins
<b>Introducing the issues</b>	30 mins
<b>Financial reporting challenges</b>	45 mins
<b>Alternatives</b> <ul style="list-style-type: none"><li data-bbox="191 1039 1235 1106">• <b>Issue 3 Non-exchange revenue</b></li><li data-bbox="191 1113 1681 1180">• <b>Issue 6 Inventory held for use or distribution</b></li></ul>	60 mins
<b>Next steps</b>	10 mins

# Proposed topics



# Video footage



# Q&A

Do you have any questions on what you have heard so far?

Did anything in the poll responses surprise you?

For your consultation response

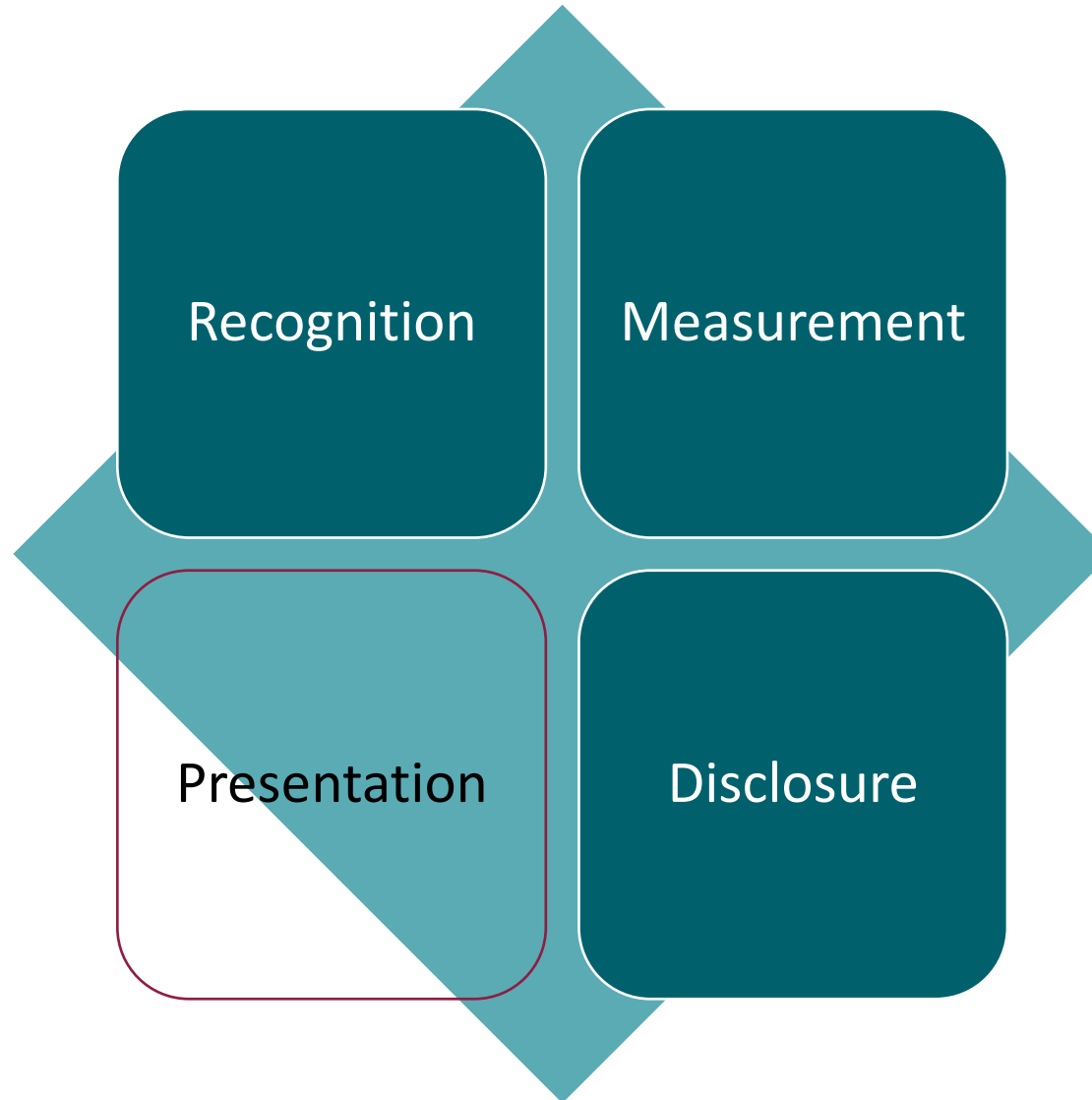
Think about situations you have experienced and why they were a problem

Think about your biggest issues

Think about the sort of issues you have experienced about limitations on the use of voluntary contributions



# Financial reporting challenges





# Control of non-exchange revenue

- Which voluntary contributions are controlled?
  - Donations in-kind
  - Services in-kind
  - Pledges
- What is the cost of determining control?



# Reliable measurement

- Valuing donated services
  - General activities
  - Specific activities
- Valuing donated items?
  - Practicality
  - Cost
- Can inventory be reliably measured?
  - What if it can't?
  - What are the consequences?





# Recognising inventory

- Purchased inventory
- Produced inventory
- Donations of low value/high volume items
  - Record keeping
  - Cost





# Items for onward distribution

- Perishable items
  - Estimating use
  - Estimating value
- Use of inventory
  - Practicalities
  - Recognition
  - Disclosure



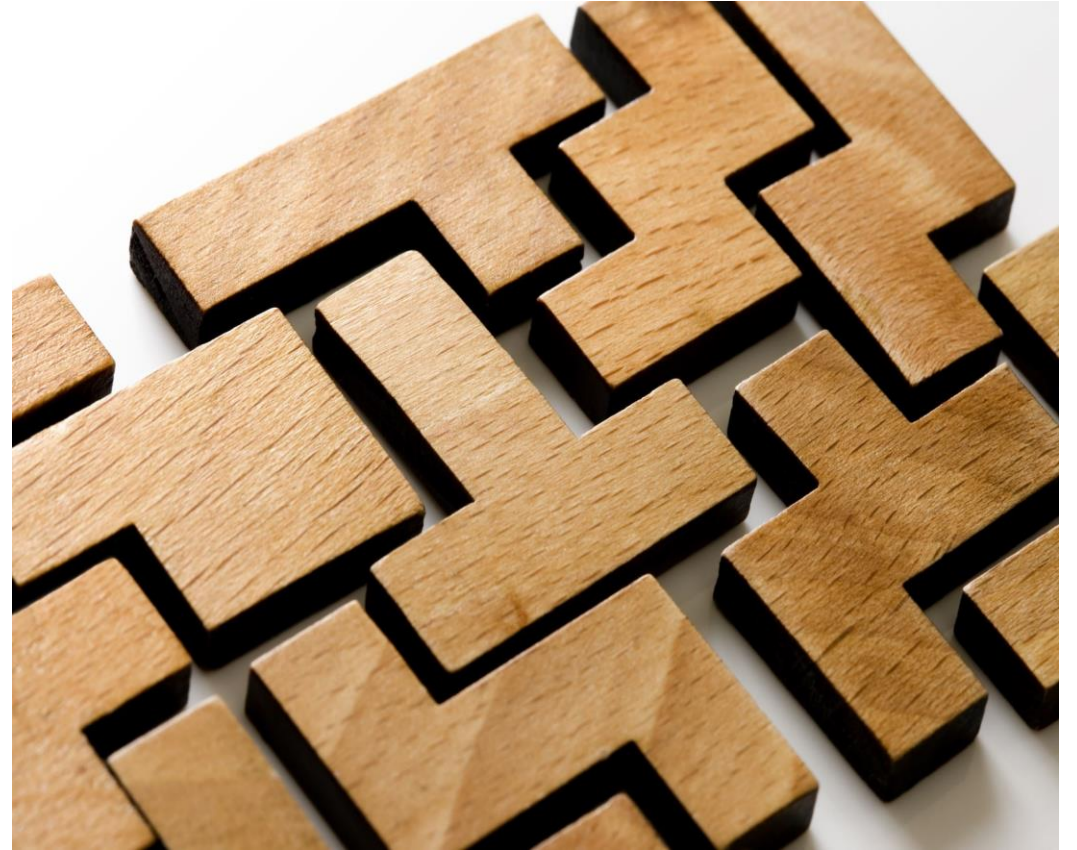
# Volunteering

- **Types of activities**
  - General activities
  - Activities requiring specific skills
  - Activities to develop assets
- **Capturing volunteer time**
  - Record keeping
  - Consumption
  - Value



# Stipulations

- Nature of conditions
  - Set by provider
  - Legal form
- Judgements
  - When are conditions met?
  - Substance over form?
  - Return of contributions?
  - Accruals
- Restrictions
- Cost vs benefit



# Asset construction

- Conditions
  - Eligibility
- Length of use
  - Set period
  - Open ended
- Restriction of use
  - Change of use





# Initial measurement

- Cash
- Donated assets
  - Capital assets
  - Service potential
  - Other assets
- Donated services
  - Professional services
- Cost vs benefit



# Subsequent measurement

- What happens if you didn't recognise inventory initially?
- What about impairment?
  - When would inventory need to be impaired?
  - How do you value impairment?





# Disclosure

- Standardising presentation
  - Restrictions
  - Categorisation
- Material amounts or activities
  - Meeting conditions
  - Reliance on volunteers
- Exchange vs non-exchange
- Cost





# Q&A

Do you have any questions or comments on the financial reporting challenges?

Do you have any thoughts on the poll responses?

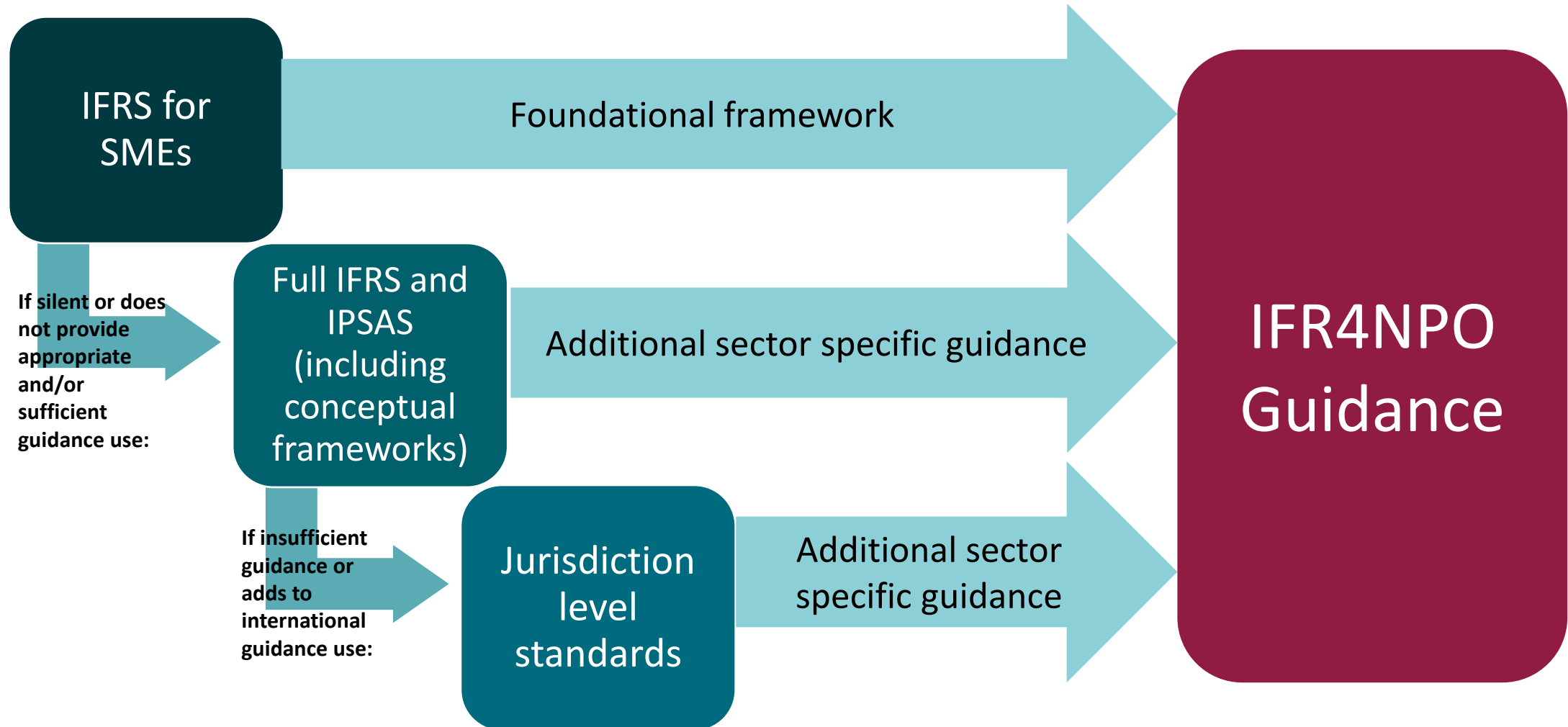
For your consultation response

Think about the things we should take into account as we look at the financial reporting challenges

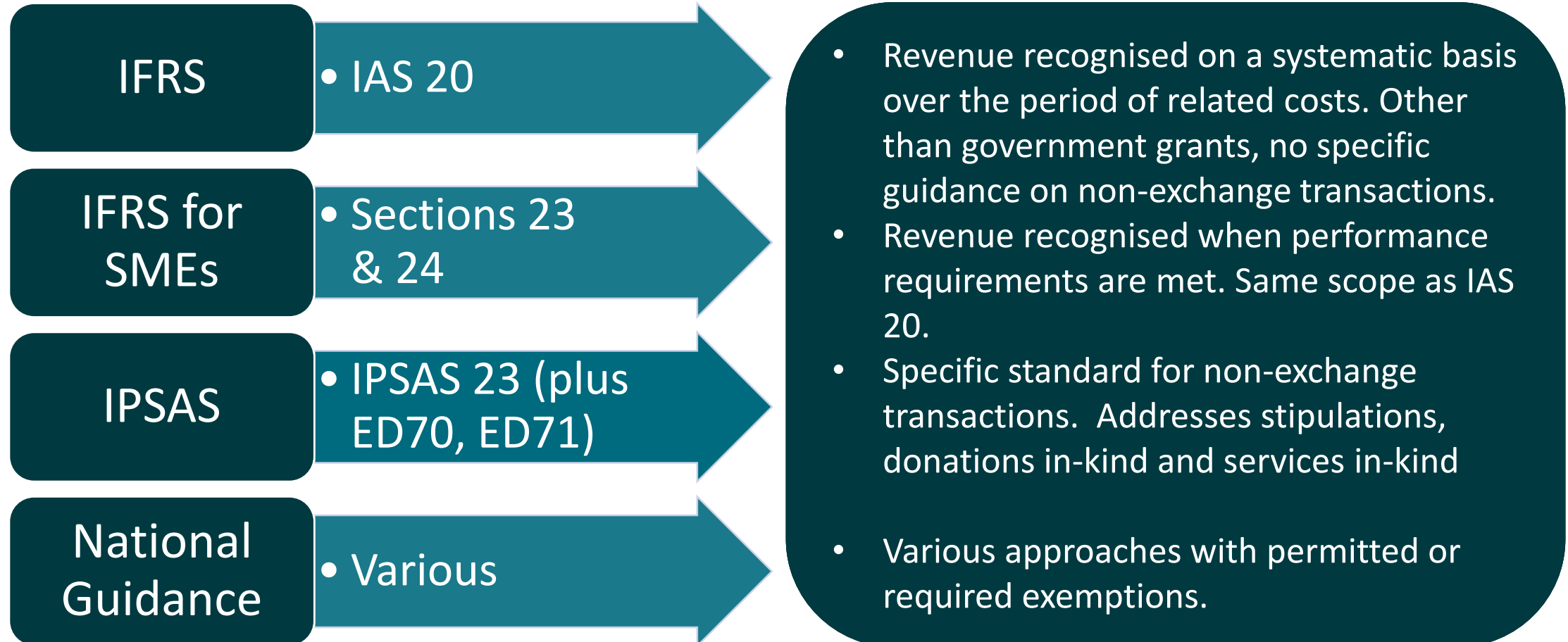
Think about where we should be focusing our efforts in developing the Guidance

Think about the biggest issues for you

# Proposed model and alternatives



# Existing guidance





# Alternative 1 – Follow IFRS for SMEs

IFRS for SMEs

Non-exchange guidance

Government grants  
– Guidance  
provided

All other non-  
exchange revenue  
– Follow concepts  
and pervasive  
principles

Gifts in-kind – included if  
can be reliably measured

Services in-kind –  
included if can be reliably  
measured



# Alternative 2 – Follow IFRS

IFRS

Non-exchange guidance

Government grants  
– IAS 20 – allows  
revenue deferral

All other non-  
exchange revenue  
– IAS 20 by analogy

Gifts in-kind – included if  
can be reliably measured

Services in-kind –  
included if can be reliably  
measured



# Alternative 3 – Follow IPSAS

IPSAS

Non-exchange guidance

IPSAS has specific guidance on non-exchange revenue including grants, donations, gifts in-kind and services in-kind

Gifts in-kind – included if can be reliably measured

Services in-kind – not mandatory



# Alternative 4 - Bespoke

IPSAS based bespoke

Non-exchange guidance

Specific guidance on non-exchange revenue including grants, donations, gifts in-kind and services in-kind with permitted exceptions

Gifts in-kind – subject to additional guidance and includes exceptions

Services in-kind – subject to additional guidance and includes exceptions

# Comparison of advantages



	Alternative 1 – IFRS	Alternative 2 – IFRS for SMEs	Alternative 3 – IPSAS	Alternative 4 – Bespoke
Technical	<ul style="list-style-type: none"> <li>• <b>Similar</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Similar</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Non-exchange specific guidance</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>NPO specific guidance</b></li> <li>• <b>Recognition similar</b></li> </ul>
Practical	<ul style="list-style-type: none"> <li>• <b>Assist with complexity</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Assist with complexity</b></li> <li>• <b>IAS 20 options easy to implement</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Pragmatic</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Pragmatic</b></li> </ul>
Stakeholder	<ul style="list-style-type: none"> <li>• <b>Consistency</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Consistency</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Consistency</b></li> <li>• <b>Increased disclosure</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Consistency</b></li> <li>• <b>Increased disclosure</b></li> </ul>
Cost/benefit				



# Comparison of disadvantages



	Alternative 1 – IFRS	Alternative 2 – IFRS for SMEs	Alternative 3 – IPSAS	Alternative 4– Bespoke
Technical		<ul style="list-style-type: none"> <li>• Inconsistent for non-exchange</li> </ul>	<ul style="list-style-type: none"> <li>• Inconsistent with IFRS</li> </ul>	<ul style="list-style-type: none"> <li>• Inconsistent with IFRS</li> <li>• Possible conceptual gaps</li> </ul>
Practical	<ul style="list-style-type: none"> <li>• Lack systems</li> </ul>	<ul style="list-style-type: none"> <li>• Lack systems</li> <li>• Ability to estimate timing</li> </ul>	<ul style="list-style-type: none"> <li>• Lack systems</li> </ul>	
Stakeholder	<ul style="list-style-type: none"> <li>• Comparability</li> </ul>	<ul style="list-style-type: none"> <li>• Comparability and transparency</li> </ul>	<ul style="list-style-type: none"> <li>• Comparability</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of transparency</li> </ul>
Cost/benefit	<ul style="list-style-type: none"> <li>• Recognising all gifts may be costly</li> </ul>	<ul style="list-style-type: none"> <li>• Recognising all gifts may be costly</li> </ul>	<ul style="list-style-type: none"> <li>• Recognising all gifts may be costly</li> </ul>	

# Next steps – Consultation questions

Do you agree with the description of the issue?

Do you agree that the list of alternative treatments is exhaustive?

Do you agree with the advantages and disadvantages for each alternative

Which alternative do you favour?

Do you think that there should be exceptions to the recognition and measurement of gifts in-kind and services in-kind?

Are there any practical considerations e.g. tax or audit

# Q&A

For your consultation response

Do you have any questions or comments on the alternatives?

Do you have any thoughts on the alternative preferred in the poll and the reasons for this preference?

Think about whether being pragmatic raises other issues

Think about capability to implement your preferred alternative

Think about which advantages will make the biggest difference



# Existing guidance - Inventory

Measurement	IAS 2	IFRS for SMEs	IPSAS 12
Initial – purchased/produced	Cost	Cost	Cost
Initial – donated	Fair value*	Fair value*	Fair value
Exceptions	-	-	Work-in-progress of services to be provided for no or nominal consideration
Subsequent – held for sale (exchange transactions)	Lower of cost or selling price (less costs to complete)	Lower of cost or selling price (less costs to complete)	Lower of cost or selling price (less costs to complete)
Subsequent – use or distribution (non exchange)	-	-	Lower of cost or current replacement cost
Cost formulas allowed	FIFO or weighted average	FIFO or weighted average	FIFO or weighted average

# Alternative 1 – IFRS or IFRS for SMEs



Measurement

- Lower of cost or net realisable value



Donated inventory

- No specific provisions



Additional guidance

- General provisions
- Inventory held for use or distribution
- Materiality

# Alternative 2 - IPSAS

Measurement

- Lower of cost or current replacement cost

Donated inventory

- No specific provisions

Permit expensing

- Work in progress where provided at no or nominal cost

Added guidance

- General provisions
- Materiality

# Alternative 3 – Bespoke

Measurement

- Cost adjusted by loss of service potential

Disclosure

- Calculation of loss of service potential

Permit expensing

- Work in progress where provided at no or nominal cost

Added guidance

- General provisions
- Materiality

# Comparison of advantages

	Alternative 1 – IFRS or IFRS for SMEs	Alternative 2 - IPSAS	Alternative 3 - Bespoke
Technical	<ul style="list-style-type: none"> <li>• Follows IFRS, and IFRS for SMEs</li> </ul>	<ul style="list-style-type: none"> <li>• Follows IPSAS</li> <li>• More appropriate valuation</li> </ul>	
Practical	<ul style="list-style-type: none"> <li>• Assists with complexity</li> </ul>	<ul style="list-style-type: none"> <li>• Assists with complexity</li> </ul>	<ul style="list-style-type: none"> <li>• Easier to determine valuation</li> </ul>
Stakeholder		<ul style="list-style-type: none"> <li>• Consistency</li> </ul>	<ul style="list-style-type: none"> <li>• Consistency</li> <li>• Relevant</li> <li>• Transparent</li> </ul>
Cost/benefit	<ul style="list-style-type: none"> <li>• Guidance cuts cost</li> </ul>	<ul style="list-style-type: none"> <li>• Guidance assists with approaches</li> </ul>	<ul style="list-style-type: none"> <li>• Guidance assists with approaches</li> </ul>



# Comparison of disadvantages

	Alternative 1	Alternative 2	Alternative 3
Technical		<ul style="list-style-type: none"> <li>• <b>Inconsistent with IFRS and IFRS for SMEs</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Inconsistent with international frameworks</b></li> </ul>
Practical	<ul style="list-style-type: none"> <li>• <b>Materiality hard to determine</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Difficulty of valuing donated inventory</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Service potential hard to determine</b></li> </ul>
Stakeholder	<ul style="list-style-type: none"> <li>• <b>Lack of transparency</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Inconsistency</b></li> <li>• <b>Transparency impacts</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Inconsistency</b></li> <li>• <b>Transparency obscured</b></li> </ul>
Cost/benefit	<ul style="list-style-type: none"> <li>• <b>Cost of measuring certain inventory</b></li> </ul>		

# Next steps – Consultation questions

Do you agree with the description of the issue?

Do you agree that the list of alternative treatments is exhaustive?

Do you agree with the advantages and disadvantages for each alternative

Which alternative do you favour?

# Polling questions and responses

# Q&A

For your consultation response

Do you have any questions or comments on the alternatives?

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Do you have any thoughts on the alternative preferred in the poll and the reasons for this preference?

Think about capability to implement your preferred alternative

Think about which advantages will make the biggest difference

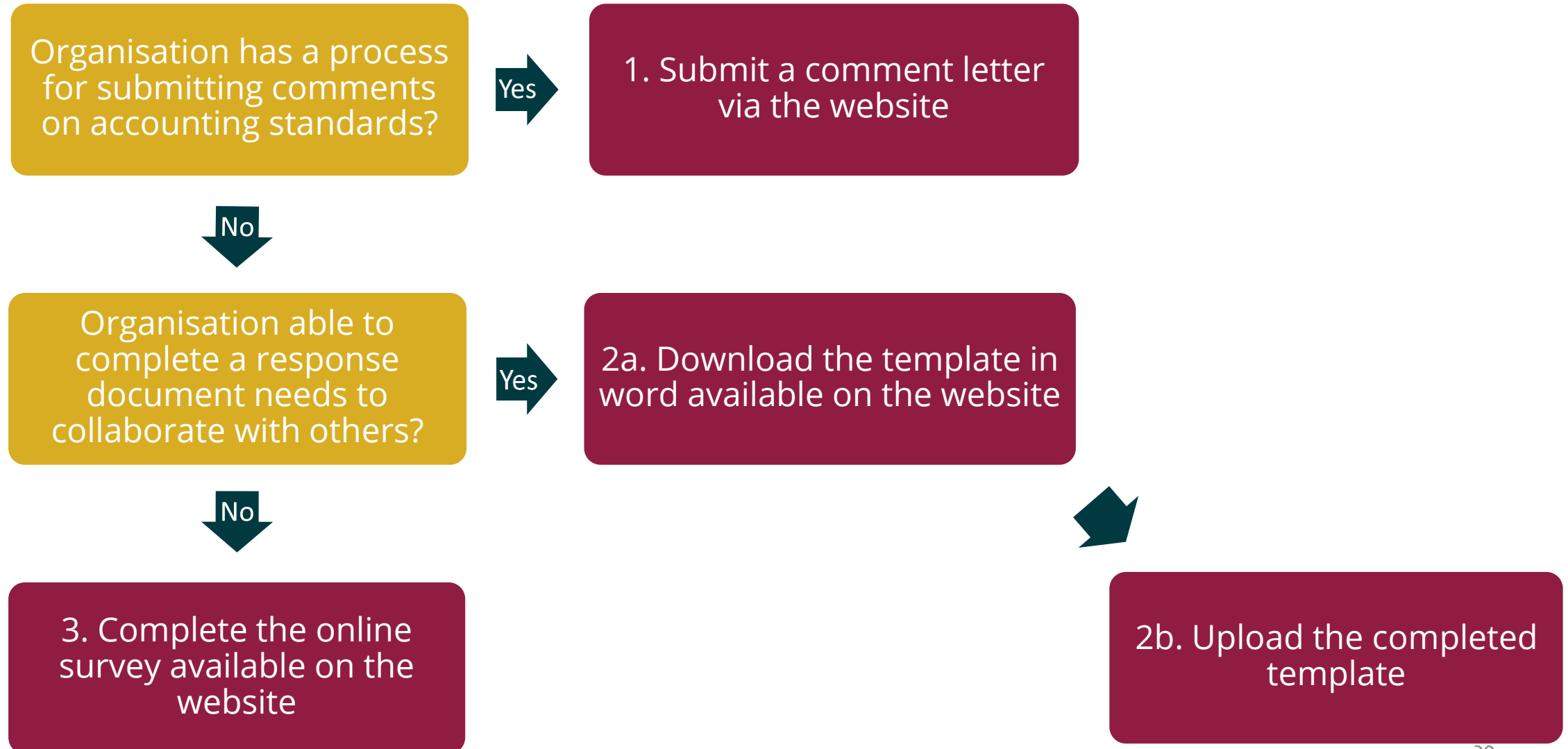


# Next steps – please respond!

- Responses on Part 2 by 24 September 2021
- Access and submit via [www.ifr4npo.org](http://www.ifr4npo.org)



# 3 ways to submit a response



# Exposure Draft time-line

	2021				2022				2023	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Fundraising										
Outreach on the Consultation Paper										
Analysis of responses										
Development of Draft Guidance										
Outreach on Draft Guidance										
Draft Guidance launch										

# Stay connected

