



Technical Advisory Group Issue Paper

AGENDA ITEM: TAGED05-01

6 April 2022 – Online

Project update – March 2022

Summary	The paper provides an update on key project activities, including matters related to the overall development of the Guidance.
Purpose/Objective of the paper	This paper provides context for the papers provided to this meeting concerning the development of the Exposure Draft. The objective of the paper is to explain cross cutting proposals and update on developments since the last meeting.
Other supporting items	N/A
Prepared by	Karen Sanderson
Actions for this meeting	<u>Note</u> the update on developments <u>Consider</u> the cross cutting proposals

Technical Advisory Group

Project Update – March 2022

1. Annual report

- 1.1 In February 2022 the project team posted its annual report covering the period from 1 October 2020 to 31 September 2021 ([Project updates - IFR4NPO](#)). Titled 'Growing Momentum' it highlights the consultation document and outreach events over the period.
- 1.2 It also shows the significant growth in engagement over the period, both in terms of the number of countries with awareness of IFR4NPO, the number of country champions, subscribers to our newsletters and social media.
- 1.3 The report also shows that to the end of September 2021 the project had spent \$1.2m in aggregate and had secured funding of \$2.2m, with two new donors agreeing to make contributions. There is more to do to secure around \$1.6m of funding needed to complete the project.

2. Consultation paper response

- 2.1 At the end of January 2022, the project team published a summarised response to the Consultation Paper ([Consultation Paper Feedback - IFR4NPO](#)). This was supported by a webinar that took place on 2 February 2022.
- 2.2 The webinar provided more in-depth feedback primarily on Part 1 to the consultation paper ([IFR4NPO Consultation Feedback - IFR4NPO](#)). It was delivered in English with simultaneous translation into French and Arabic, unfortunately the simultaneous translation into Spanish experienced some technical issues. The slide deck is available in English, French, Spanish and Arabic. It attracted around 200 attendees (with a peak of 260 at one point), from 53 different countries.
- 2.3 Reaction to the event and the feedback provided to attendees at it seems to be generally positive. There was also coverage in civilsociety news in the UK.
- 2.4 At the event we showed the roadmap for the development of the Exposure Draft and the proposed name of the guidance to be INPAG as discussed at the last TAG meeting. These are reproduced in Annex A.

3. INPAG

- 3.1 Since the TAG last met the project team has had conversations with the IFRS Foundation on two matters. Firstly the proposed revisions to the *IFRS for SMEs* Standard and secondly licensing arrangements to be able the use of this standard as the foundational framework, consistent with our proposals.
- 3.2 The latest advice is that the Exposure Draft on update to the *IFRS for SMEs* Standard will be issued in Quarter 3 2022. This is later than we had originally envisaged and would put at risk the planned launch of INPAG ED1 in September 2022. We have therefore decided to defer launch of ED1 to November 2022. This change will also allow the TAG another opportunity to discuss ED 1 at a September/October meeting. Deferring to November 2022 would have no impact on the overall project plan, if the remaining EDs can be delivered at 6 monthly intervals.
- 3.3 The IFRS Foundation has drafted a licensing agreement, which we are considering, to ensure that it will work for all the potential uses of the guidance. This process is currently ongoing and pending finalisation of an agreement, we will not publish for public consumption any materials, including drafts of the INPAG Exposure Draft that draw on the *IFRS for SMEs* Standard. As a consequence all drafting relating to the INPAG Exposure Draft provided to the TAG to aid its deliberations must not be shared and must be held confidentially.

INPAG structure

- 3.4 We previously discussed with the TAG the creation of 3 volumes; core guidance; application guidance and basis for conclusions. As we are developing the drafting we are now minded to produce 5 volumes, which separate authoritative guidance from non-authoritative guidance;
- core guidance(INPAG) (authoritative),
 - application guidance (authoritative),
 - implementation guidance (non-authoritative),
 - implementation examples (non-authoritative) and
 - the basis for conclusions (non-authoritative).



- 3.5 The non-authoritative implementation guidance would provide additional advice on how to implement the guidance that would be narrative in style and would not contain specific examples. Implementation, examples would be provided in an additional volume where a narrative explanation is likely to be insufficient. Our current thinking has been informed by the need to keep the core guidance as short as possible, but to allow further detail to be presented in application guidance, which can be considered authoritative. We will keep this under review as the drafting develops.
- 3.6 We are anticipating that INPAG will be a digitally enabled product, with hyperlinked content so that users can seamlessly access the core guidance, application guidance and implementation guidance and implementation examples as well as the explanations in the basis for conclusions that support the guidance. So whilst we are developing in volumes, we expect this to be largely invisible to the virtual user. The intention is to retain the ability to print guidance for those that cannot access it virtually. Printed guidance will follow the volume format.

Question 1: What are the TAG's views on moving to 5 volumes as described with authoritative and non-authoritative content?

- 3.7 We would expect the implementation examples to be used only when questions cannot be addressed in the guidance, application guidance or implementation guidance. Whilst examples can be incredibly useful, we are also conscious that they can be used in a 'checklist' manner rather than users making their own judgements about what is appropriate based on their individual circumstances. This can have the effect of turning a principles based set of guidance into a rules based set of guidance.
- 3.8 We intend that the basis for conclusions will provide advice to standard setters, who might wish to adapt the guidance for use in their jurisdictions, about the intention in developing the guidance.

Question 2: Does the TAG have any views on the use of examples and basis for conclusions as described?

4. Roadmap to the Exposure Draft

- 4.6 As outlined in previous papers to the TAG and in the roadmap attached in Annex A, we are planning to issue 3 Exposure Drafts starting in November 2022 and then published at 6 monthly intervals.
- 4.7 The focus in the roadmap is on the new content that we will be producing, but as previously discussed we will also need to set out any consequential changes (including terminology) to be made to other chapters in INPAG. We will also need to show clearly which of the chapters have been updated to address NPO specific issues.
- 4.8 Annex B shows which chapters will appear in which Exposure Draft and when. we anticipate the chapter first being considered by the TAG. The intention is to keep this chapter listing as a consistent thread through each of the Exposure Drafts (Annex C provides an illustration). This will enable consultation respondents to understand what is contained in each Exposure Draft and how it fits with the other content in IFRS for SMEs.
- 4.9 We have indicated against each of the sections in the document, whether based on work to date, the level of change compared to the *IFRS for SMEs* Standard is expected to be significant, minor or only for terminology changes. The assessment of the level of change will be updated at each TAG meeting to take account of expected changes to the *IFRS for SMEs* Standard as well as the work carried out by the Secretariat on each issue.
- 4.10 Minor changes to the core guidance may be accompanied by significant new application guidance to assist NPOs in applying the guidance to NPO specific contexts, which together result in a significant change.
- 4.11 Agenda time is being allocated based on the significance of the content, either in the core guidance or application guidance. Priority will be given to considering NPO related issues, with less time for matter related to terminology changes.
- 4.12 As previously noted we have added an additional TAG meeting on Wednesday 4th May. We will continue to add additional meetings as needed. Our intention



is currently to hold the September/October meeting as a face to face meeting, but we will keep this under review. At the meeting on 4th May we will be covering:

- Additional drafting in section 2 relating to the reporting entity
- Drafting of section 9, Consolidated and Separate Financial Statements
- Implementation guidance and implementation examples on the reporting entity.
- Analysis of responses on narrative reporting and proposed way forward
- Analysis of responses on financial statements and proposed way forward

4.13 Detailed consideration of the responses to the Exposure Draft will commence at the meeting on 28/29 September 2023.

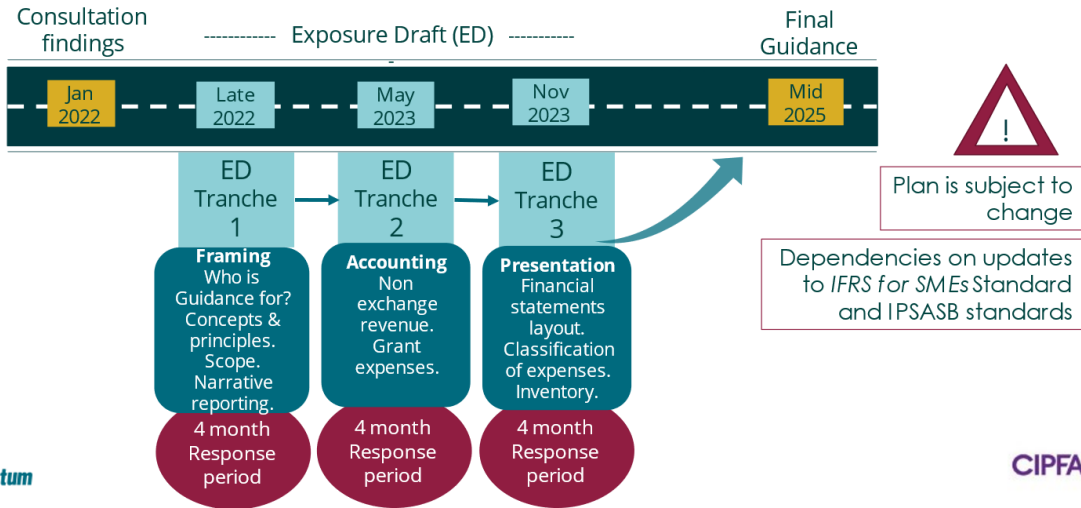
Question 3: Does the TAG agree with this approach?

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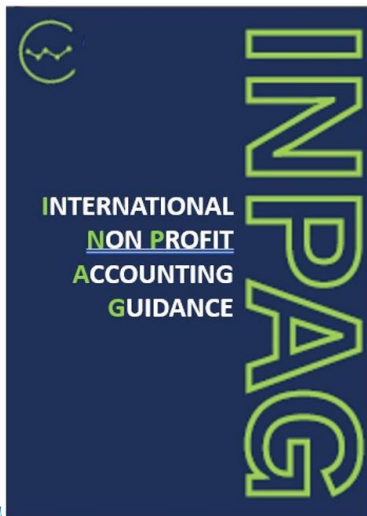


Roadmap for Exposure Draft

The Exposure Draft will be issued in three tranches.



Guidance Name



Annex B – Guidance outline

Section	<i>IFRS for SME</i> chapters (current)	INPAG	Expected Level of change	Exposure Draft	Drafting to TAG
	Contents	Contents		ED1, ED2, ED3	Each meeting
Preface	Preface	Preface	Significant	ED1	6 April 2022
1	Small and medium size entities	Non-profit organisations	Significant	ED1	6 April 2022
2	Concepts and pervasive principles	Concepts and pervasive principles	Significant	ED1	6 April 2022 and 4 May 2022
3	Financial statement presentation	Financial statement presentation	Minor	ED1	6 July 2022
4	Statement of financial position	Statement of financial position	Minor	ED1	6 July 2022
5	Statement of Comprehensive income and Income statement	Income and expenses Statement ¹	Significant	ED1/ED3	6 July 2022
6	Statement of changes in equity and statement of income and retained earning	Statement of changes in net assets ²	Significant	ED1	6 July 2022
7	Statement of cashflows	Statement of cashflows	Minor	ED1	6 July 2022
8	Notes to the financial statements	Notes to the financial statements	Minor	ED1	6 July 2022
9	Consolidated and separate financial statements	Consolidation and separate financial statements	Minor	ED1	4 May 2022
10	Accounting policies, estimates and errors	Accounting policies, estimates and errors	Terminology	ED1	6 July 2022
11	Basic financial instruments	Basic financial instruments	Terminology	ED2	27 June 2023

¹ Subject to decision on statement name

² Subject to decision on statement name



12	Other financial instrument issues	Other financial instrument issues	Terminology	ED2	27 June 2023
13	Inventories	Inventories	Minor	ED3	28 March 2023
14	Investment in associates	Investment in associates	Terminology	ED3	27 June 2023
15	Investment in joint ventures	Investment in joint ventures	Terminology	ED3	27 June 2023
16	Investment property	Investment property	Terminology	ED3	27 June 2023
17	Property, plant and equipment	Property, plant and equipment	Terminology	ED3	29/30 September 2022
18	Intangible assets other than goodwill	Intangible assets other than goodwill	Terminology	ED3	27 June 2023
19	Business combinations and goodwill	Business combinations and goodwill	Terminology	ED1	4 May 2022
20	Leases	Leases	Terminology	ED3	27 June 2023
21	Provisions and contingencies	Provisions and contingencies	Terminology	ED2	10 January 2023
22	Liabilities and equity	Liabilities and equity	Terminology	ED2	10 January 2023
23	Revenue	Exchange revenue	Minor	ED2	29/30 September 2022
24	Government grants	Non-exchange revenue	Significant	ED2	29/30 September 2022
25	Borrowing costs	Borrowing costs	Terminology	ED2	10 January 2023
26	Share based payments	Share based payments	Terminology	ED2	10 January 2023
27	Impairment of assets	Impairment of assets	Terminology	ED3	27 June 2023
28	Employee benefits	Employee benefits	Terminology	ED2	10 January 2023
29	Income tax	Income tax	Terminology	ED2	29/30 September 2022
30	Foreign currency translation	Foreign currency translation	Minor	ED2	29/30 September 2022



31	Hyperinflation	Hyperinflation	Terminology	ED2	29/30 September 2022
32	Events after the reporting period	Events after the reporting period	Terminology	ED2	10 January 2023
33	Related party disclosures	Related party disclosures	Terminology	ED3	28 March 2023
34	Specialised advice	Specialised advice	Terminology	ED3	28 March 2023
35	Transition to <i>IFRS for SMEs</i>	Transition to the Guidance	Significant	ED3	27 June 2023
36		Narrative reporting	Significant	ED1	6 July 2022
37		Grant expenses	Significant	ED2	10 January 2023
38		Classification of expenses	Significant	ED3	28 March 2023
39		Fundraising costs	Significant	ED3	28 March 2023
	Appendices	Appendices	To be determined	Alongside relevant content	Alongside relevant content

Annex C – Contents page for Exposure Drafts – Illustration for Exposure Draft 1

Section	INPAG	ED	Timing
	Contents	All	Provided
Preface	Preface	ED1	Provided
1	Non-profit organisations	ED1	Provided
2	Concepts and pervasive principles	ED1	Provided
3	Financial statement presentation	ED1	Provided
4	Statement of financial position	ED1	Provided
5	Income and expenses Statement ³	ED1	Provided (except classification of expenses)
6	Statement of changes in net assets ⁴	ED1	Provided
7	Statement of cashflows	ED1	Provided
8	Notes to the financial statements	ED1	Provided
9	Consolidation and separate financial statements	ED1	Provided
10	Accounting policies, estimates and errors	ED1	Provided
11	Basic financial instruments	ED2	May 2023
12	Other financial instrument issues	ED2	May 2023
13	Inventories	ED3	November 2023
14	Investment in associates	ED3	November 2023
15	Investment in joint ventures	ED3	November 2023
16	Investment property	ED3	November 2023
17	Property, plant and equipment	ED3	November 2023
18	Intangible assets other than goodwill	ED3	November 2023

³ Subject to decision on statement name

⁴ Subject to decision on statement name



19	Business combinations and goodwill	ED1	Provided
20	Leases	ED3	November 2023
21	Provisions and contingencies	ED2	May 2023
22	Liabilities and equity	ED2	May 2023
23	Exchange revenue	ED2	May 2023
24	Non-exchange revenue	ED2	May 2023
25	Borrowing costs	ED2	May 2023
26	Share based payments	ED2	May 2023
27	Impairment of assets	ED3	November 2023
28	Employee benefits	ED2	May 2023
29	Income tax	ED2	May 2023
30	Foreign currency translation	ED2	May 2023
31	Hyperinflation	ED2	May 2023
32	Events after the reporting period	ED2	May 2023
33	Related party disclosures	ED3	November 2023
34	Specialised advice	ED3	November 2023
35	Transition to the Guidance	ED3	November 2023
36	Narrative reporting	ED1	Provided
37	Grant expenses	ED2	May 2023
38	Classification of expenses	ED3	November 2023
39	Fundraising costs	ED3	November 2023
	Appendices	Alongside relevant content	Alongside relevant content