



Technical Advisory Group Issue Paper

AGENDA ITEM: TAGED05-05

6 April 2022 – Online

Preface – Exposure Draft

Summary	The paper sets out the key issues associated with the first draft of the text for the Preface Section of the INPAG and its Basis for Conclusions.
Purpose/Objective of the paper	This paper provides TAG members with the emerging technical issues associated with the Preface Section of the INPAG that will form part of Exposure Tranche 1 which is due to be published in late 2022. It highlights key areas where the INPAG Secretariat considers there may be outstanding technical considerations.
Other supporting items	N/A
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Actions for this meeting	<u>Advise</u> on the areas of the Preface and its Basis for Conclusions where there may be outstanding technical considerations.

Technical Advisory Group

Preface – Exposure Draft

1. Exposure Draft and paper format

- 1.1 Exposure Draft Tranche 1 is due to be published in late 2022. Included in Tranche 1 will be the Sections that relate to the framing of the INPAG. Following the format of the *IFRS for SMEs* Standard this will include Sections related to the Preface, Non-Profit Organisations, and the Concepts and Pervasive Principles.
- 1.2 The INPAG incorporates Sections from the IFRS for SMEs Standard directly where there is no NPO sector specific reason for any change to be made. Where NPO-specific financial reporting issues have not been comprehensively or appropriately dealt with in the existing IFRS for SMEs Standard, or where there is no related Section in the IFRS for SMEs Standard providing any financial reporting guidance, the INPAG may make a change to the IFRS for SMEs Standard.
- 1.3 The Sections that relate to the framing of the INPAG are some of those where the IFRS for SMEs Standard will be subject to the most extensive change. In order to assist TAG members in understanding where text from the IFRS for SMEs Standard has been incorporated directly or been subject to change, the following approach is being used:

Text colour	Explanation
Black	Original IFRS for SMEs Standard text
Red strikethrough	Deletion of text within original IFRS for SMEs Standard text
Green	Change of terminology only
Purple	Text originated from IFRS Standards
Blue	Original INPAG text
<u>Blue underlined</u>	Text originated from IPSAS Standards

- 1.4 In addition to the proposed Exposure Draft text relating to each Section and its associated Basis for Conclusions, a further document will be provided that maps the Section from the IFRS for SMEs Standard to the proposed Section of the INPAG.

2. Content and purpose of the Preface

- 2.1 The purpose of the Preface to the IFRS for SMEs Standard is to provide users of the Standard with overview information about:
- The IASB;
 - Full International Financial Reporting Standards;
 - General purpose financial statements; and
 - The IFRS for SMEs Standard including the authority of the IFRS for SMEs Standard, how it is organised and how it is maintained.
- 2.2 The Preface of the INPAG has a similar purpose. It aims to provide users of the INPAG with overview information about:
- The INPAG – project history, governance and objectives;
 - International standards;
 - General purpose financial reports; and
 - The basis of the INPAG including the authority of the INPAG, how it is organised and how it is maintained.
- 2.3 The Basis for Conclusions provides a summary of the considerations made during the development of the Preface for the Exposure Draft. Areas that have been included are:
- Governance issues;
 - Accrual-based guidance;
 - General-purpose financial reports;
 - The use of existing international frameworks; and
 - The use of the IFRS for SMEs Standard as the foundational framework

Question 1: Are there any areas that the TAG considers are missing from the INPAG Preface or the Basis for Conclusions?

3. Significant areas for discussion

Hierarchy

- 3.1 The Preface notes that the foundational framework of the INPAG is the IFRS for SMEs Standard and that where the IFRS for SMEs Standard does not meet the needs of NPOs, the INPAG draws on IFRS Standards, IPSAS, their broader



conceptual frameworks and jurisdictional-level standards. It also links to the formal process for developing the INPAG through changes to the IFRS for SMEs Standard.

- 3.2 This process makes clear that there is a hierarchy amongst these other standards. IFRS Standards take hierarchical precedence over IPSAS as they have a greater conceptual similarity to the IFRS for SMEs Standard. This promotes the conceptual coherence of the INPAG. International frameworks are also examined before jurisdictional-level standards because they are designed to be internationally applicable rather than based on an individual jurisdiction's needs, and have consistency with international accounting standards in other sectors.

Question 2: Are the TAG content with the hierarchy? Should the hierarchy be included directly in the main text of the Preface?

Authority

- 3.3 The Preface notes that the INPAG Secretariat has no authority to determine whether the INPAG, either in whole or part, should or may apply to any entity. It requires an NPO whose GPFR comply with the INPAG to make an explicit and unreserved statement of compliance. It makes clear that an NPO may only state that its GPFR are compliant with the INPAG if it complies with all of the requirements of the INPAG.
- 3.4 This would require compliance with all of the authoritative elements of the INPAG, namely the core guidance and the application guidance.

Question 3: Are the TAG in agreement that only NPOs that comply with all the authoritative elements of the INPAG should be permitted to note that they are compliant with the INPAG? Are there any compliance issues connected to those NPO-specific accounting issues and the Sections of the IFRS for SMEs Standard that have not yet been reviewed?



Maintenance

- 3.5 The Preface notes that until the INPAG is amended any changes made to the IFRS for SMEs Standard, full IFRS Standards, IPSAS and jurisdictional-level standards do not apply to the INPAG and NPOs shouldn't anticipate changes.
- 3.6 If there is an absence of specific guidance in the INPAG, NPOs are permitted to use guidance and principles from IFRS Standards, IPSAS, and their conceptual frameworks provided they don't conflict with the requirements of a hierarchy that requires management to:
- first consider the requirements and guidance in the INPAG dealing with similar and related issues and
 - then the concepts and pervasive principles in Section 2.

Question 4: Does the TAG agree that NPOs should not be permitted to anticipate changes to any of the underlying frameworks on which the INPAG is based? Should the hierarchy included in IFRS for SMEs of considering requirements and guidance for similar issues and then the concepts and principles be retained?

4. Content drafting

- 4.1 As set out in paragraph 1.4, Annex A contains the current drafts of the guidance, basis for conclusions and a table that sets out the differences between the draft INPAG guidance and the *IFRS for SMEs* Standard. The TAG are invited to provide detailed comments on the draft in correspondence.

Question 5: Does the TAG have any key points of principle arising from the current drafting outside of the key issues discussed in section 2 and 3?

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