

Technical Advisory Group Issue Paper

AGENDA ITEM: TAGED07-03

28 June 2022 – Online

Sections 8 and 10 – Financial statement presentation

Summary	This paper seeks comments on the proposed text for sections 8 and 10 of INPAG.
Purpose/Objective of the paper	Seek input from the TAG members on the proposed text for Section 8 <i>Notes to the financial statements</i> and Section 10 <i>Accounting policies, estimates and errors</i> .
Other supporting items	None
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Actions for this meeting	<u>Comment</u> on the draft sections <u>Advise</u> on whether any additional guidance is required

Technical Advisory Group

Sections 8 and 10 – Financial statement presentation

1. Consultation Paper Proposals

- 1.1 Agenda Item TAGED07-04 discusses the format and content of the financial statements under INPAG and sought the TAG's views.
- 1.2 In addition to the format and content of the financial statements, the *IFRS for SMEs* Standard includes other sections that address other aspects of the preparation of the financial statements.
- 1.3 This paper sets out proposals in respect of Section 8 *Notes to the financial statements* and Section 10 *Accounting policies, estimates and errors*.
- 1.4 As noted previously, 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, the INPAG may make a change to the *IFRS for SMEs* Standard.
- 1.5 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

- 1.6 In addition to the proposed Exposure Draft text relating to each Section any related application and implementation guidance and its associated Basis for Conclusions, a further document maps the Section from the *IFRS for SMEs Standard* to the proposed Section of the INPAG.

2. Section 8 *Notes to the financial statements*

- 2.1 Section 8 of the *IFRS for SMEs Standard* does not specify the notes to the financial statements required in respect of specific assets, liabilities, revenue, or expense. Such requirements are set out in the sections of the *IFRS for SMEs Standards* dealing with those items.
- 2.2 The approach to the notes to the financial statements set out in Section 8 of the *IFRS for SMEs Standard* is consistent with the approach to the notes in full IFRS and in IPSAS. The Secretariat has therefore concluded that these requirements are appropriate for INPAG.
- 2.3 No major revisions have been made to Section 8 of INPAG in ED1. Any updates have been limited to terminology or use of language specific to NPOs; or to reflect revisions to the financial statement requirements in other sections of INPAG (discussed in Agenda Item TAGED07-04).
- 2.4 The Secretariat does not consider that any Application Guidance is required for Section 8. As part of Implementation Guidance, a table of presentation and disclosure requirements will be included as part of the example financial statements (which will include the notes to the financial statements). This will be included as part of the Implementation Guidance for Section 3.

Question 1: Does the TAG have any comments on the drafting of Section 8 of INPAG?

Question 2: Does the TAG agree with the proposed approach to Application Guidance and Implementation Guidance for Section 8?

3. Section 10 *Accounting policies, estimates and errors*

- 3.1 Section 10 of the *IFRS for SMEs Standard* sets out requirements in respect of accounting policies, estimates and errors. The Consultation Paper did not include specific proposals relating to accounting policies, estimates and errors, and respondents did not raise any issues.



- 3.2 The approach to the accounting policies, estimates and errors set out in Section 10 of the *IFRS for SMEs* Standard is consistent with the approach to the issues in full IFRS and in IPSAS. The Secretariat has therefore concluded that the requirements are appropriate for INPAG.
- 3.3 With one exception, no major revisions have been made to Section 10 of INPAG in ED1; other updates have been limited to terminology or use of language specific to NPOs.
- 3.4 The *IFRS for SMEs Standard* permits an entity to refer to full IFRS in developing accounting policies for transactions, other events, or conditions not addressed in IFRS for SMEs. The Secretariat consider it would be appropriate to retain this approach in INPAG, but note that NPOs may encounter transactions, other events or conditions that are not addressed in full IFRS.
- 3.5 Such transactions, other events, or conditions that are not addressed in full IFRS may involve non-exchange transactions and may therefore be addressed in IPSAS. The Secretariat propose that where there are no specific requirements or guidance in either the *IFRS for SMEs* Standard or full IFRS, NPOs may refer to IPSAS in developing an appropriate accounting policy. Permitting NPOs to refer to IPSAS only where there are no requirements or guidance in either the *IFRS for SMEs* Standard or full IFRS is intended to maximise consistency with the concept and principles set out in Section 2.
- 3.6 As with Section 8, the Secretariat does not consider that any Application Guidance is required for Section 10. A table of presentation and disclosure requirements will again be included as part of the example financial statements in the Implementation Guidance for Section 3.

Question 3: Does the TAG have any comments on the drafting of Section 10 of INPAG?

Question 4: Does the TAG agree with the proposed approach to Application Guidance and Implementation Guidance for Section 10?

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