

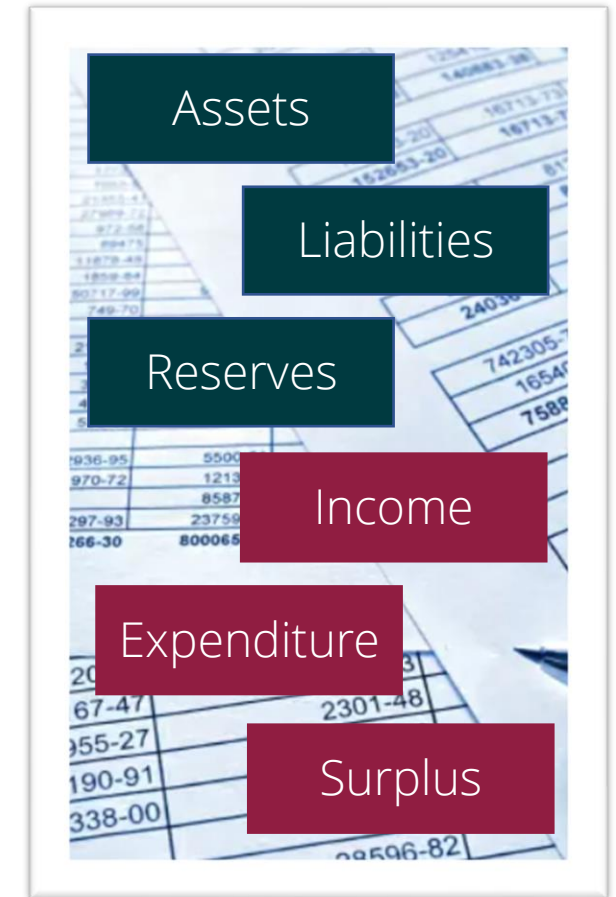


Using *IFRS for SMEs* Standard – the rationale

Developing international
financial reporting guidance for
non-profit organisations



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Hosts



INTERNATIONAL FINANCIAL REPORTING
FOR NON PROFIT ORGANISATIONS



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Agenda

Topic	Time
Welcome and introduction (1-3)	00.00 – 00.05
The long term goal (4-7)	00.05 – 00.10
Proposed model and your concerns (8-11)	00.10 – 00.30
Rationale (12-20)	00.30 – 00.40
Mitigation for challenges (21)	00:40 – 00.45
Next steps, poll, Q&A	00:50 – 01:00

The dream

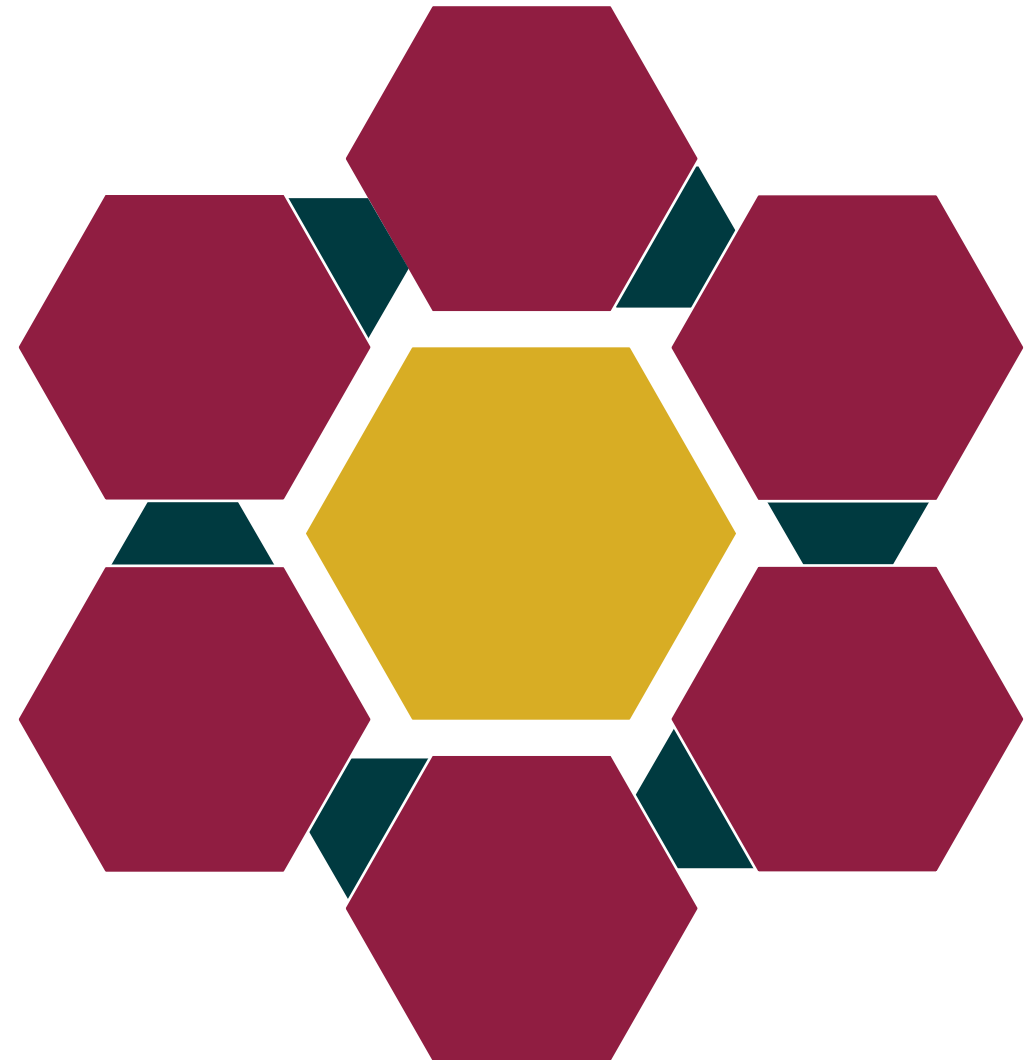


Guidance Objectives

1. To improve the quality, transparency and credibility of NPO financial reports.

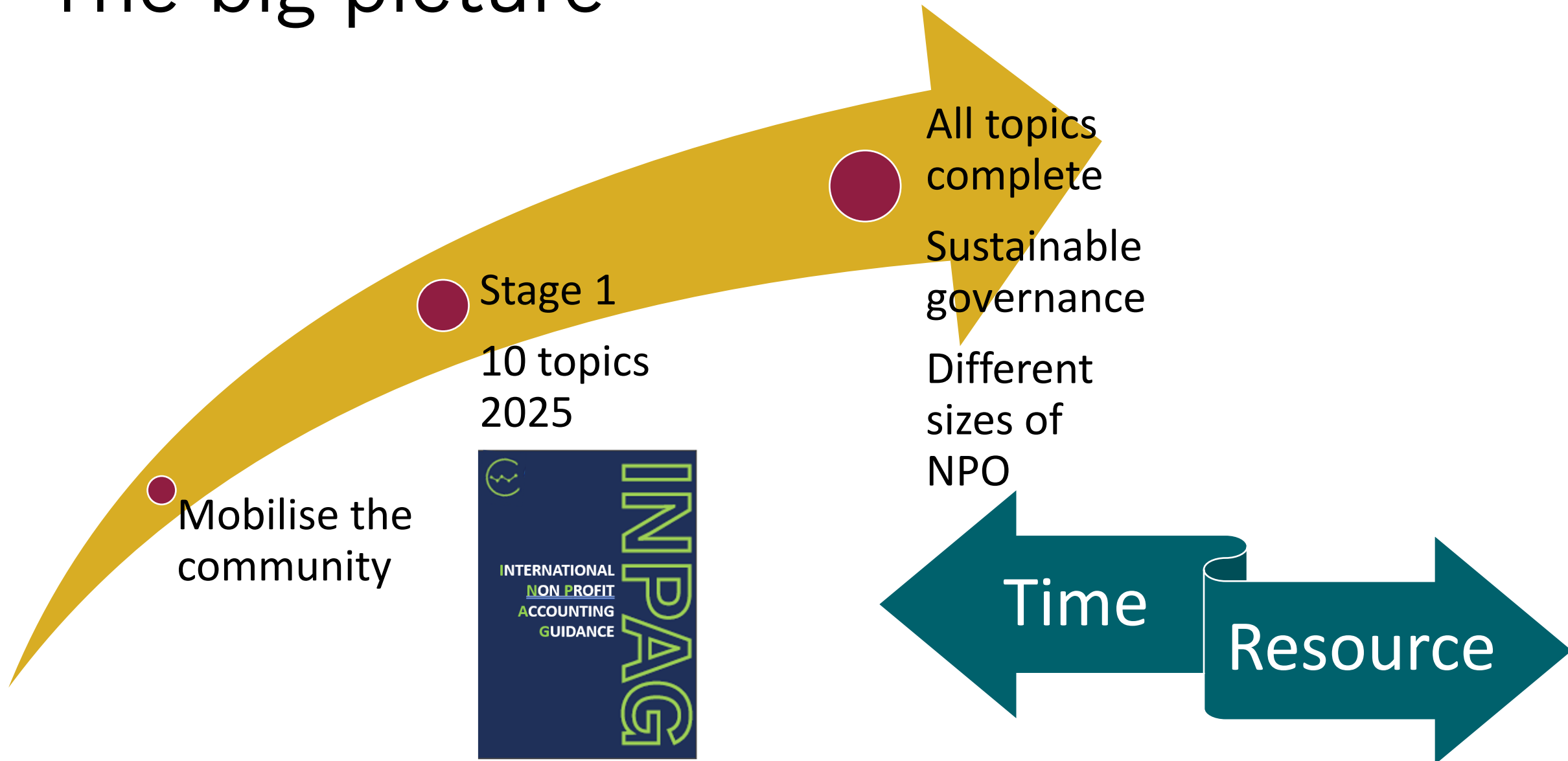
2. To support the provision of NPO financial information that is useful for decision making and accountability, balancing the needs of preparers and users.

3. To address specific NPO issues, which will promote increased comparability of NPO financial reports.



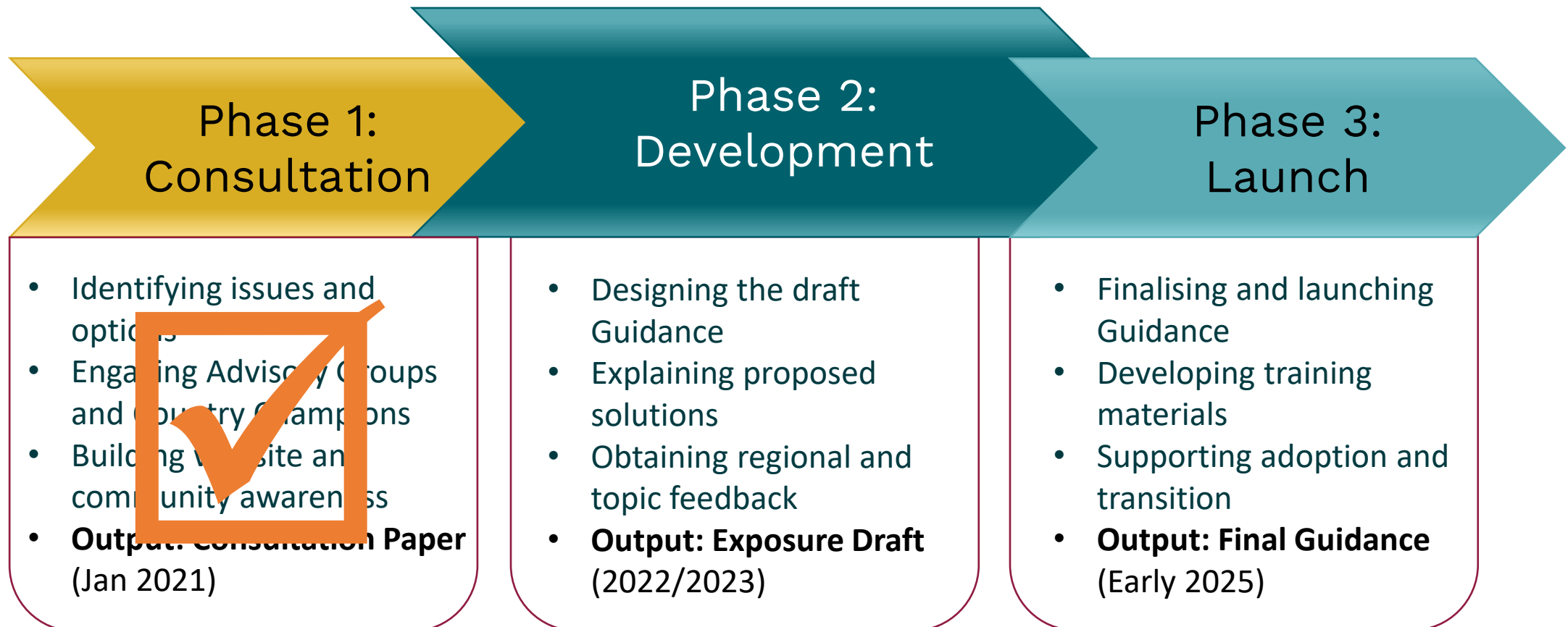


The big picture



Stage 1 Approach

The Guidance is being developed in a three stage process equivalent to all other international accounting standards. Having completed Phase 1 in FY21, the project will now be focusing on the phase 2: development of an 'Exposure Draft' of the Guidance for public comment.



Acronym alert!

IFRS

• International Financial Reporting Standards

IFRS for SME

• IFRS for Small and Medium Entities

IPSAS

• International Public Sector Accounting Standards

IASB

• International Accounting Standards Board

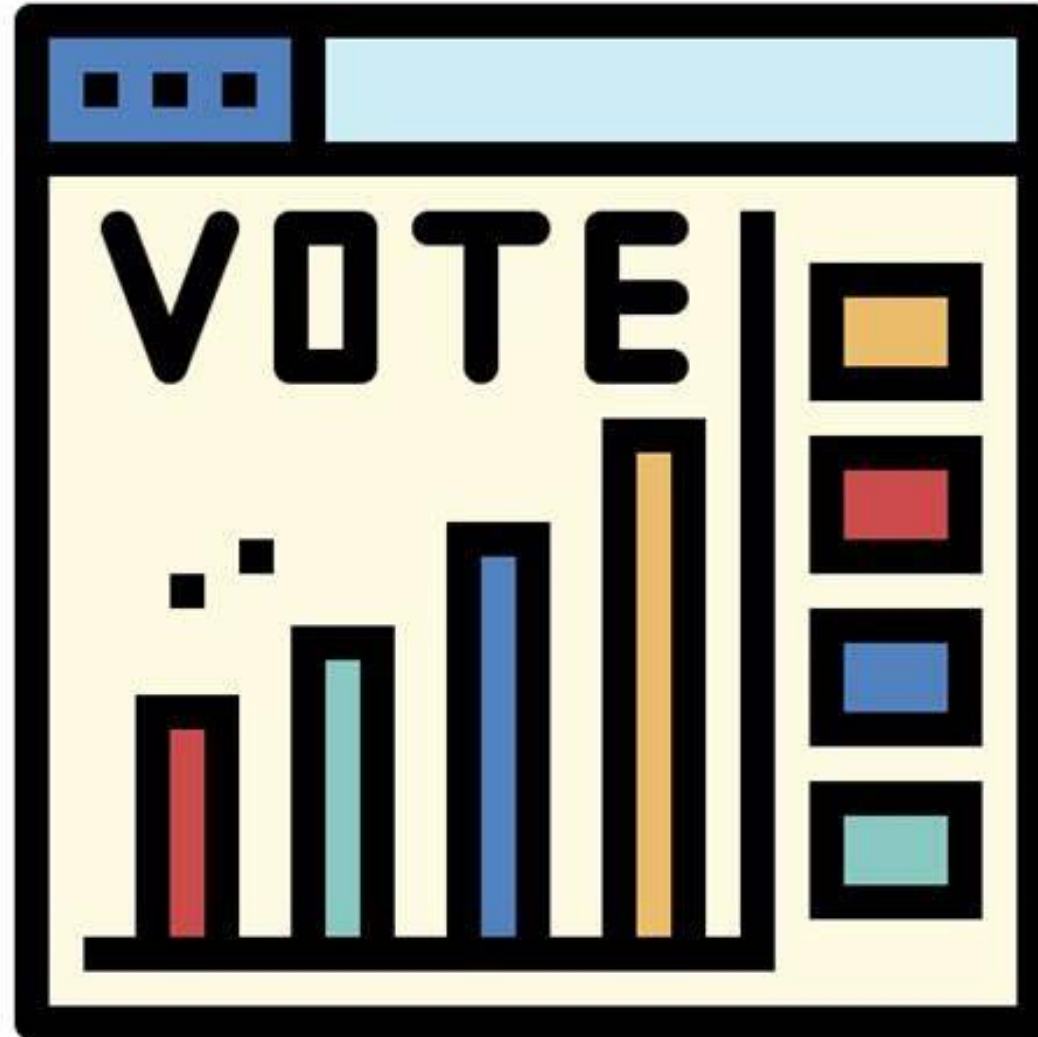
IPSASB

• International Public Sector Accounting Standards Board

INPAG

• International Non-Profit Accounting Guidance

Poll – your concerns



Proposals and responses



We asked: What do you see as the main challenges, if any, with the use of IFRS for SMEs as the foundational framework?



Respondents said challenges include:

- The cost of adoption
- The need for education and training
- The potential complexity of IFRS
- Increased volatility of profit or loss
- Potential for tax implications
- The framing of public accountability, which may not be compatible with IFRS for SMEs
- Acceptability to donors

Additional clarity is needed on how other frameworks will be used, what the Guidance will comprise and cover, and who it is for.



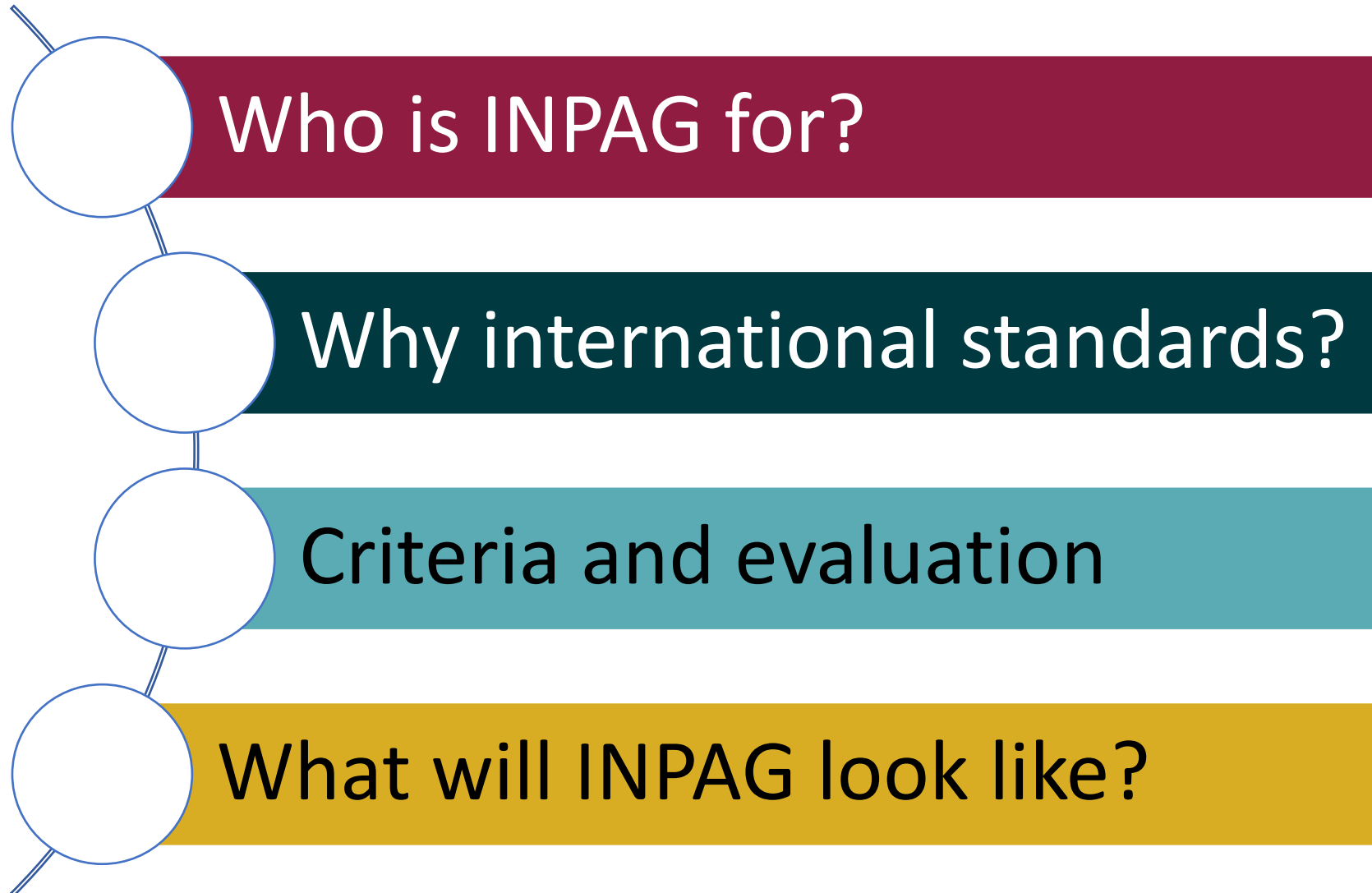
Discussion

Top concerns
from poll?

What would
make a
difference?

Other
concerns?

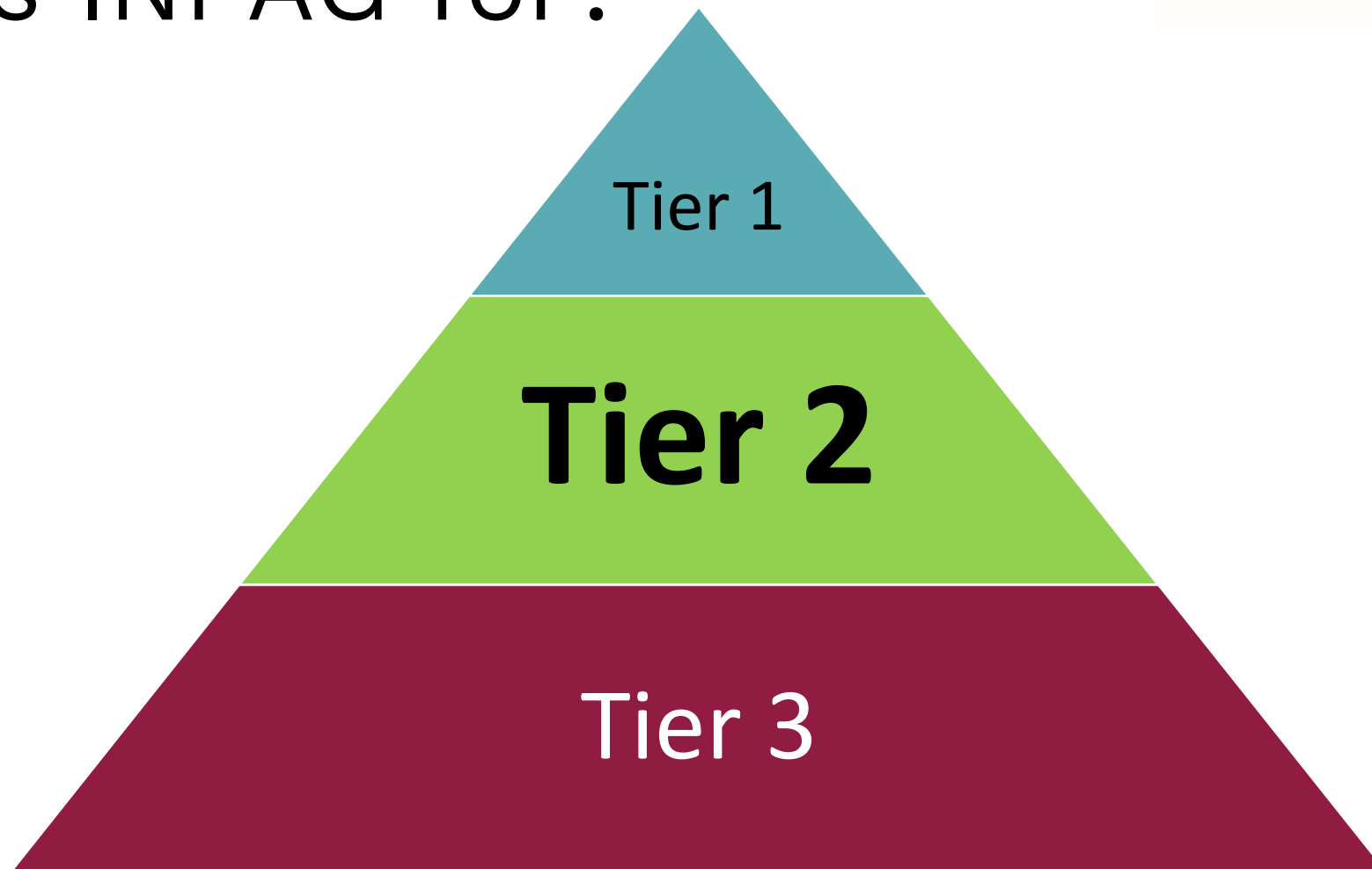
The rationale



Who is INPAG for?

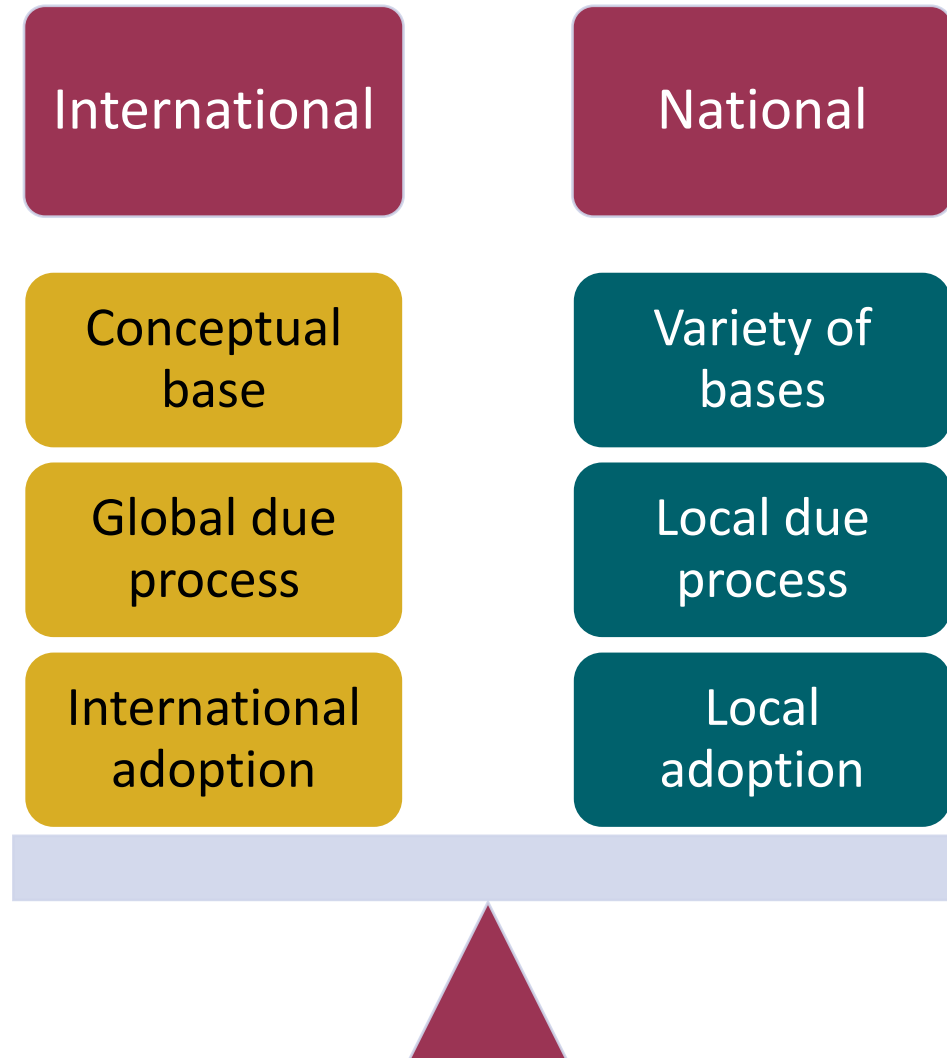


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We envisage there being many small NPOs (Tier 3) where a cash basis of accounting might be appropriate and a smaller number of NPOs (Tier 1) who might need to follow full IFRS because they have public debt or fiduciary responsibilities. **INPAG is aimed at those in the middle, Tier 2**

International and National Standards



International frameworks

IFRS Standards

- For-profit entities
- Investors
- Transparency, comparability, quality of financial information

The *IFRS for SMEs* Standard

- Simplified reporting, for-profit organisations and their investors
- Designed for entities **not** traded on public exchanges or with financial assets in fiduciary capacity.

IPSAS

- Public sector organisations
- Citizens
- Quality and transparency, better information for financial management, accountability and decision making.



Criteria

NPO specific

- Assist with issues common across NPOs
- Practical application
- Framework with solutions to many issues

Familiarity

- Global footprint/acceptance
- Understandability
- Frequency of change

Feasibility

- Development requirement
- Maintenance requirement
- Alignment with resource available

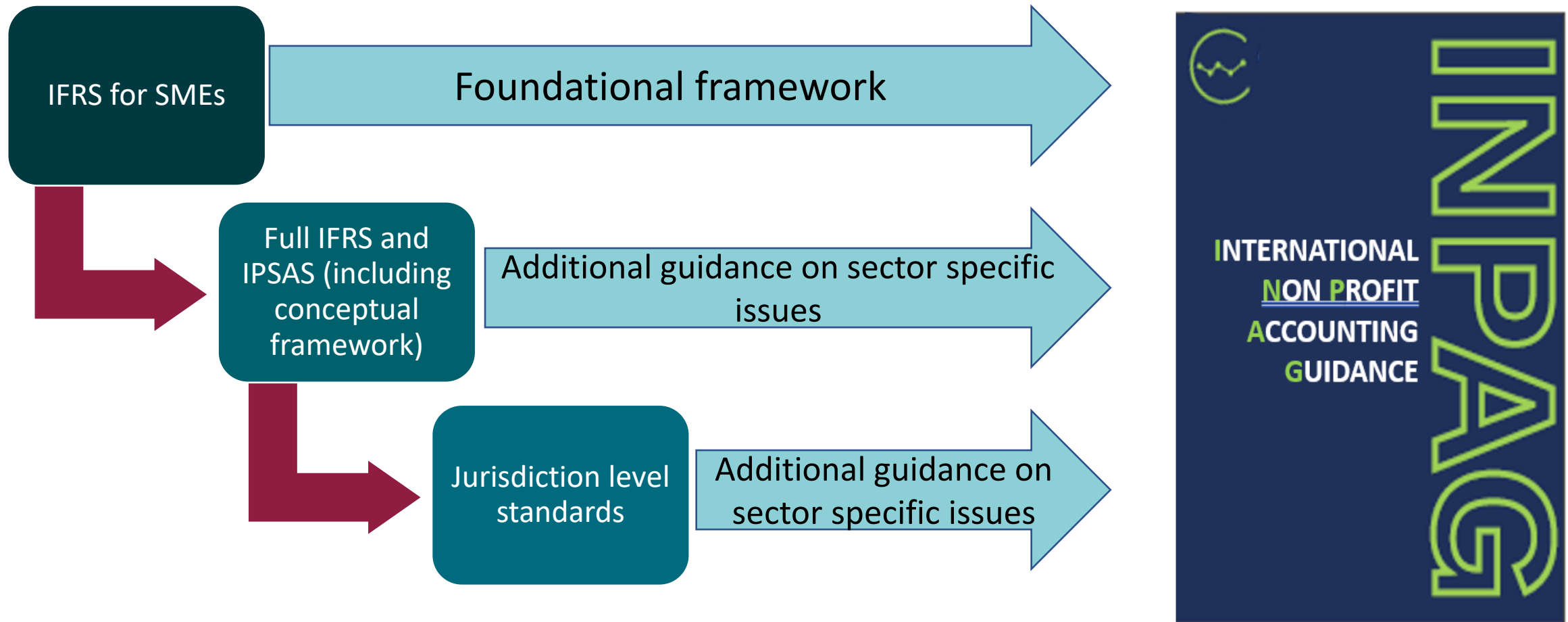
Evaluation

	IFRS	IFRS for SMEs	IPSAS
NPO-specific	Some guidance but also gaps	Some guidance but also gaps	Some guidance in all areas with a range of relevant guidance
Familiarity	<ul style="list-style-type: none"> Widely used globally Limited to larger entities Many standards 	<ul style="list-style-type: none"> Permitted in a large number of countries Larger range of entities Single standard Plain English 	<ul style="list-style-type: none"> Growing in use globally Government entities Many standards
Feasibility	<ul style="list-style-type: none"> Updated frequently Voluminous Complex 	<ul style="list-style-type: none"> Updated periodically Single standard Shorter 	<ul style="list-style-type: none"> Updated frequently Voluminous Complex

Guidance development model



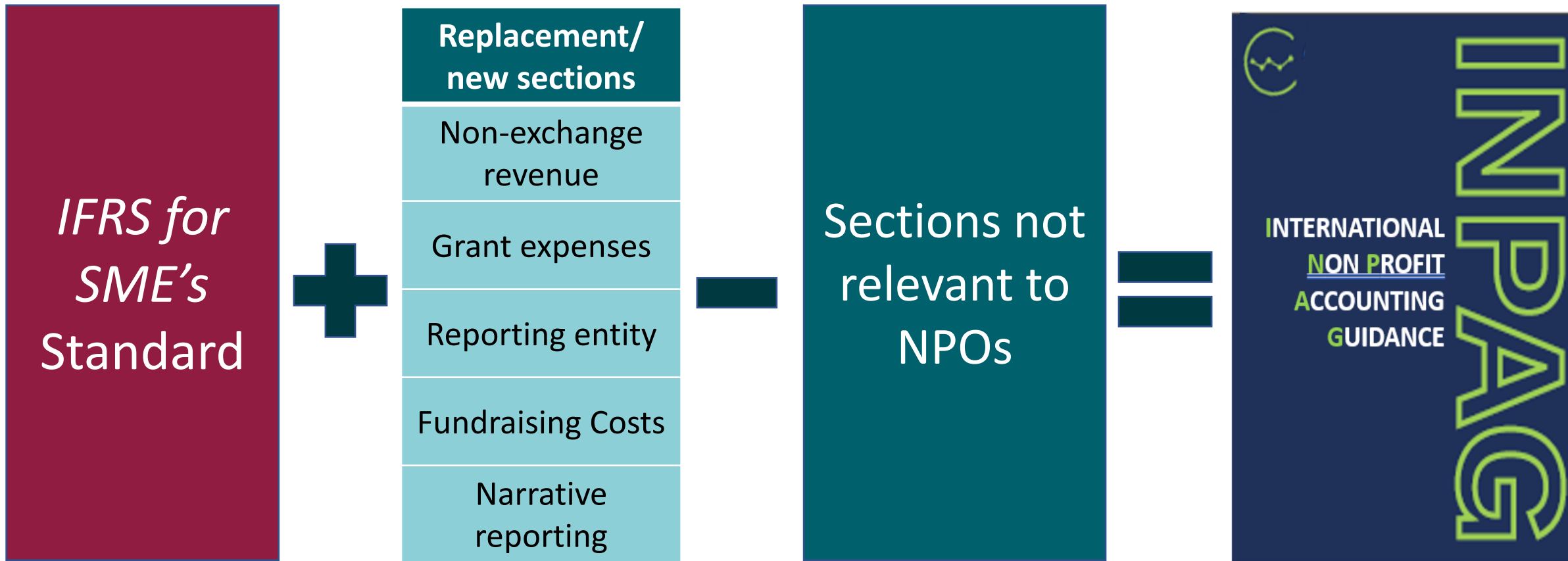
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INPAG will be based on the *International Financial Reporting for SMEs* Standard. It will bring in other international standards as well as standards and guidance from specific jurisdictions where this provides good solutions for NPOs.



What will the Guidance look like?



We will be amending IFRS for SMEs for terminology changes, removing text that is not relevant, modifying the base text and creating new content, which could be from other standards or original content.



Use of international frameworks

Support

- Developed through extensive consultation and best practice
- Advantageous to leverage existing frameworks
- Familiarity among practitioners and donors
- Educational materials available
- Approach has been successful in UK

Concerns

- Need to educate some stakeholders
- Familiarity not universal
- Needs to be proportionate
- Transferability of national NPO guidance
- Need to focus on NPO characteristics and users
- Different needs of non-profits to for-profits

94%
agreed
approach

85%
agreed
criteria

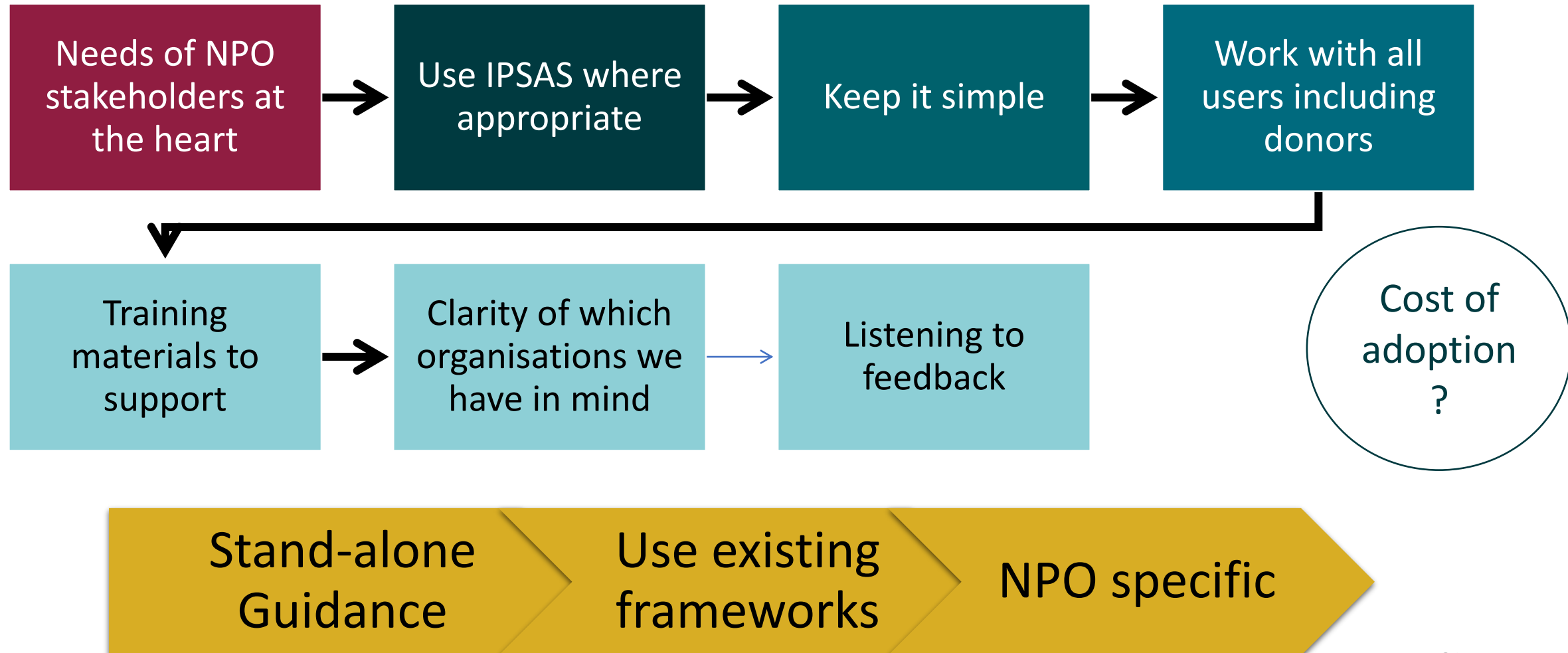
91%
agreed
assessment



This was a pragmatic response to project resource and time constraints but that an entirely new framework or the use of IPSAS might be preferable.

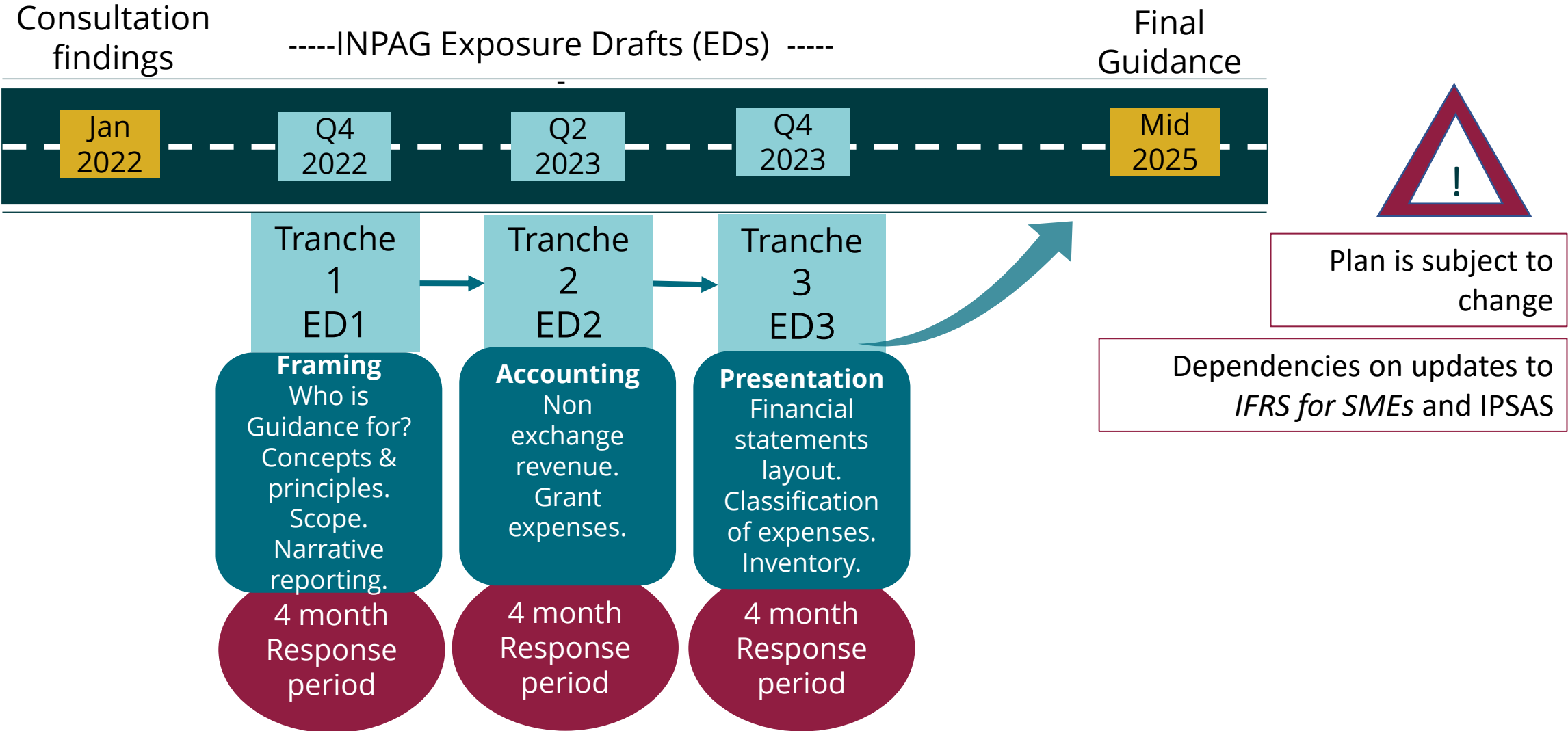


Mitigation approaches



Next steps

The Exposure Draft will be developed in three tranches, each culminating in an Exposure Draft. The first is planned for November 2022 dependent on updates to the IFRS for SMEs standard. A consultation will follow each Exposure Draft. An agile process is being used to develop Guidance content



Final poll & discussion



What would
be useful
going
forwards?



Thank you!

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