



IFR4NPO Project

Advice and Requests
Technical Advisory Group meeting

4 May 2022
TAGED06





Session outline

- Section 2 – Concepts and pervasive principles
- Financial statement presentation – consultation response
- Narrative reporting – consultation response
- Reporting entity – section 2



Agenda item 1 – Section 2 Concepts and pervasive principles

1.1 Advice

- a) The financial statements may not need to be referred to in section 2 as they are covered in subsequent sections.
- b) A definition of expenses that includes losses may not be intuitive. This could be addressed by defining loss as a separate element.
- c) The inclusion of value in use may add additional complexity that is not needed for stage 1 of the guidance.
- d) Value in use is explained as a term unique to NPOs but it is used in IFRS. Need to be clear about which terms are NPO specific and which are used more broadly.



Agenda item 1 – Section 2 Concepts and pervasive principles

1.1 Advice

- e) Retain the undue cost and effort provisions acknowledging that there are some concerns about the level of judgement needed and the possibility of some hiding behind these provisions to obscure transparency.
- f) Rather than the undue cost and effort provisions the Guidance could provide simpler options or make clear when a simpler option could be used

Agenda item 1 – Section 2 – Concepts and pervasive principles

1.2 Requests

- a) Consider in the development of financial statements whether not having an OCI Statement would work for all NPOs and bring further proposals back to the TAG.
- b) Terms in the Guidance should have the same definition as in other international standards where they have the same meaning.
- b) Leave the inclusion of value in use as a placeholder in ED1 until further topics have been developed.
- b) Maintain the undue cost and effort provisions in the draft Guidance if this continued in the update to IFRS for SMEs, but ask a specific matter for comment on this topic.

Agenda item 2 – Financial statement presentation– consultation responses

2.1 Advice

- a) The proposed name of the statement as Statement of income and expenses works, but may not intuitively reconcile with the proposal to have surplus/deficit as a key reporting line.
- b) Allowing preparers to name the statement as appropriate will provide the ability to communicate to stakeholders, as long as this is not misleading.
- c) Agree that income should not generally be able to be deferred. Clarity is needed about the line between income with restrictions and income with limitations in considering deferral. Noted that a specific matter for comment in ED1 will support the development of material for non-exchange revenue in ED2.
- d) Caution about making a decision not to include comparatives now. Comparatives are important for users. There will need to be further discussion on general levels of disclosures.



Agenda item 2 – Financial statement presentation – consultation responses

2.2 Requests

- a) Include a placeholder in ED1 on comparatives and consider for specific topics in the later EDs.
- b) Include a placeholder in ED1 on the use of disclosure notes and consider for specific topics in later EDs.



Agenda item 3 – Narrative reporting – consultation responses

3.1 Advice

- a) Having mandatory requirements might affect the level of take up. To reduce any barriers, the mandatory element should be kept to a minimum.
- b) It may be confusing to have one report comprising two sections (financial statement and performance) and may be better to be two separate reports. This may be relevant in considering assurance arrangements.
- c) The proposal for the financial statement analysis look fine as they are broad. Simplification and simpler language is needed to explain what is required noting that IASB and IPSASB had different start points.



Agenda item 3 – Narrative reporting – consultation responses

3.1 Advice

- d) Use the terms financial objectives and financial strategies to differentiate to broader organisational objectives and strategies.
- e) The proposal for the performance content and language looks appropriate noting that deciding which objectives to report and knowing which indicators/performance measures to select can be challenging for NPOs. Additional guidance will be needed. Whilst NPOs can find this difficult it is helping positive outcomes.
- f) Exemptions may be needed where transparency could be detrimental to the operations and mission of an NPO

Agenda item 3 – Narrative reporting consultation responses

3.2 Requests

- a) Include a specific matter for comment on the minimum mandatory requirement to understand which areas may create a challenge in practice, highlighting specific issues. Also seek feedback on the content of the minimum mandatory requirement..
- b) The assurance aspects of the mandatory reporting element to be included as a specific matter for comment.
- c) Explain the approach to the minimum level of information in the basis for conclusions.
- d) Utilise guidance that has been developed in other jurisdictions to inform the development of the INPAG guidance. Consider what is in the guidance itself and links to other guidance.

Agenda item 4 – Reporting entity – Section 2

4.1 Advice

- a) If section 2 includes a description of control, there should be additional guidance and examples to show how those principles are applied.
- b) The first element of the two-fold approach to identifying a reporting entity appears to repeat the characteristics of NPOs, but the second element regarding users appears more useful. Further indicators would be helpful.
- c) The requirement in AG1 that financial statements may be required due to INPAG needs to be clarified.

Agenda item 4 – Reporting entity – section 2

4.1 Advice

- d) AG 15 needs to clarify that funds raised are income where they meet revenue recognition criteria.
- e) The draft application guidance, other than branches, does not appear to add much to the core guidance. Either further elaboration is needed or it could be brought into the cored guidance.
- f) Users of the guidance might not understand what is meant by a branch. A set of indicators might be helpful.

Agenda item 4 – Reporting entity – section 2

4.2 Requests

- a) Clarify whether the two fold approach is a two step process and the weighting attached to each. Include cross references to other content in INPAG.
- b) Develop a description or set of indicators to explain what is meant by a branch.
- c) Provide an explanation to the TAG of the approach to what is in the core guidance and what is in the application guidance.