INTERNATIONAL FINANCIAL REPORTING
FOR NON PROFIT ORGANISATIONS

Supplementary information

Additional project information

1. Project background

1.1 Current financial reporting context

1.1.1 International accounting standards have been available for the private sector since the 1970s and the public sector since the early 2000s. They have provided a focal point for global convergence and brought tangible benefits in terms of raising funds and providing decision-useful information.

1.1.2 There are no international accounting standards for non-profit organisations, and few countries have their own sector-specific guidance. Financial statements are therefore prepared using standards developed for the private or public sectors, or a mix of both. This can lead to differences in how the same transactions are treated within and between jurisdictions. There have also been issues around the adequacy of narrative reporting.

1.1.3 The disparities in reporting can lead to lack of transparency and undermine the relevance and credibility of NPO financial statements. Differences can also mean that there are failures in accountability and the provision of decision useful information. This can lead to a breakdown in trust and issues such as 'double funding' where the costs for the same activity are claimed against multiple grants.

1.1.4 NPO funders often use the audited accounts of potential grantees as part of their due diligence processes, but the staff responsible may struggle to find the information they need to make judgements about the organisation's financial heath and capability. The wide variety of formats and treatments also makes it harder to make comparisons between grantees. This slows down the grant making process and makes it less reliable.

1.1.5 When funders request financial information as part of grant accountability, they often specify their own accounting or reporting requirements, creating further complexity and duplication of work for NPOs.

1.1.6 As a result, NPOs currently face a multiplicity of regimes which require financial information to be prepared under different accounting and financial reporting standards, causing considerable time and resources to be spent in a wasteful and inefficient system.

1.1.7 These problems have been raised across the world for a number of years and are being exacerbated by the increasing number of organisations operating globally or on a more restricted geographic basis but still internationally across jurisdictional borders. These issues have been reported through academic studies, by standard setters and by members of the NPO community, including donors.

1.1.8 Despite these findings, neither the International Accounting Standards Board (IASB) nor the International Public Sector Accounting Standards Board (IPSASB) has had the resources to develop guidance for NPOs given that developing such standards is not within the remit of either body, coupled with pressures on their respective agendas.

1.2 Project outputs and outcomes

1.2.1 The International Financial Reporting for Non-Profit Organisations (IFR4NPO) project is intended to play a key role in strengthening the accountability of NPOs in every country around the world. The project seeks to enable a better managed, more effective and accountable sector, with greater credibility and trust and lower costs of financial reporting. It also aims to support improvements in NPO accounting practice with the goal of higher quality financial information for internal and external users, stronger internal control, and improved cost recovery.

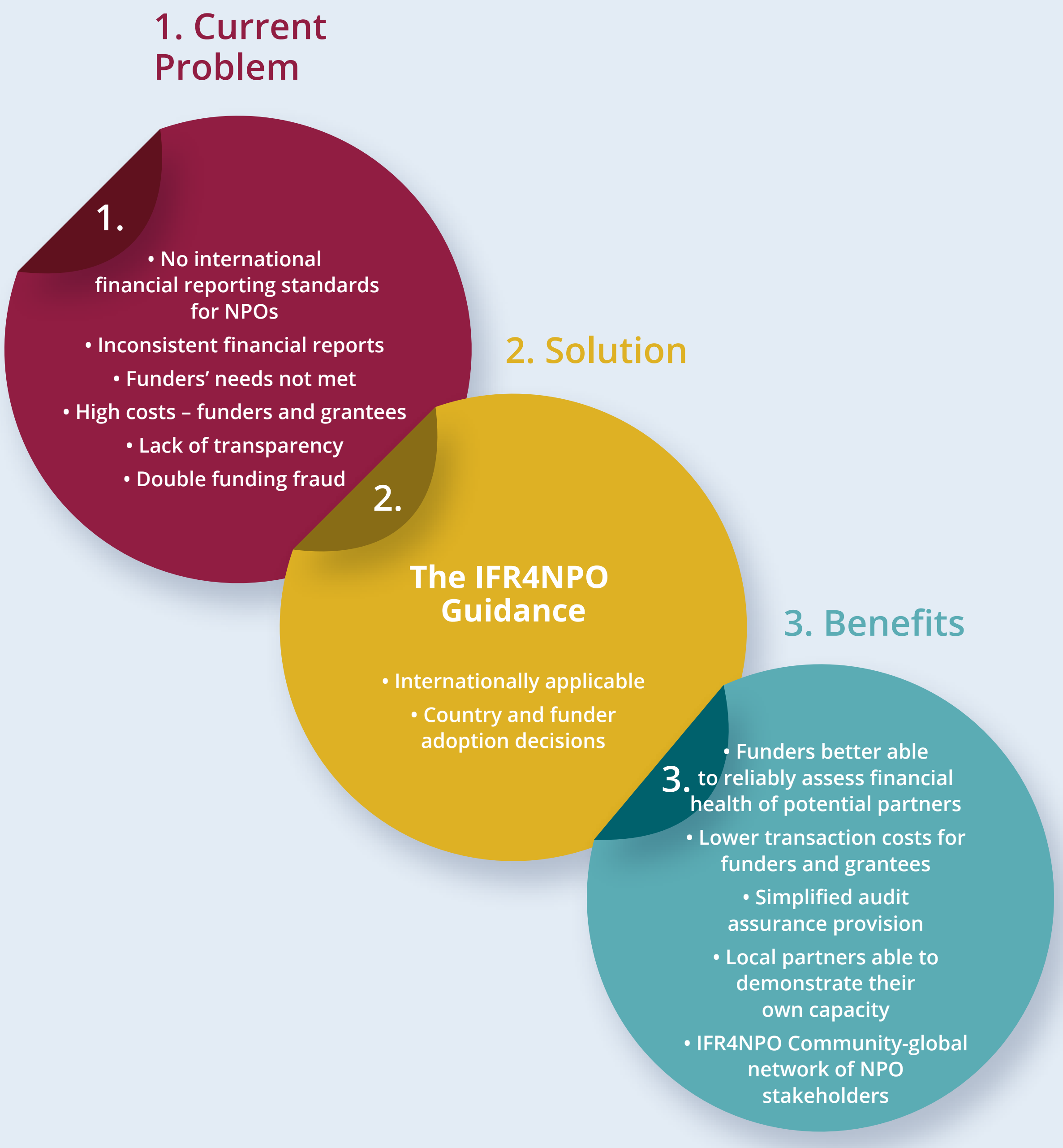
1.2.2 Greater consistency in reporting will provide a basis for comparison between organisations and jurisdictions. This will improve the environment for the effective regulation of the sector, both nationally and internationally.

1.2.3 With funders better able to reliably assess the financial health of potential partners, higher quality more reliable financial reports should also lead to lower costs for funders and grantees seeking grants or donations. Improved financial reporting should also allow grantees to demonstrate their capacity and take advantage of simplified audit assurance arrangements.

1.2.4 To deliver these outcomes, the central output of the project is a single set of financial reporting Guidance for NPOs that can be applied internationally. The Guidance will provide a set of tools to help NPOs prepare their accounts. This Guidance will take account of the accountability and general information needs of NPO stakeholders.

1.2.5 This concept of accountability includes a broader accountability to civil society as well as specific stakeholders. This type of accountability is not unique to NPOs. For example, in the public sector there is a concept of public accountability that comes from the provision of services from compulsory taxation revenues. In the private sector public accountability is deemed to exist where an entity has publicly traded debt and shares. Public accountability in this case is essential to the efficient and effective operation of public markets in such financial assets and services.

Figure 1.1 Project context



1.2.6 The Guidance will help national standard setters where no NPO-specific accounting standards or guidance exists. It will provide the starting point for a more coordinated approach that prevents differences emerging amongst jurisdictions.

1.2.7 The intention is that the Guidance is updated periodically in line with its foundational base. So, if the *IFRS for SMEs* Standard is adopted as the foundational base of the Guidance an update to the Guidance for NPOs would commence following each update to the *IFRS for SMEs* Standard. The *IFRS for SMEs* Standard has been updated at broadly five year intervals in the past.

1.2.8 In the longer term, the Guidance can form the basis for more comprehensive international NPO standards if there proves to be a demand, and development resources available.

1.2.9 Materials including training resources to help NPOs adopt the Guidance once it has been finalised are the other key project outputs. The project is seeking to build a diverse global community of those with a stake in NPO financial reporting. This outcome is an important enabler for the development and maintenance of sustained strong financial management into the future.

2. Developing the Guidance

2.1 Project arrangements – partners and contributors

2.1.1 The project is being delivered by a partnership between Humentum and the Chartered Institute for Public Finance and Accountancy (CIPFA).

2.1.2 CIPFA is a UK based charity with a Royal Charter, which has the aim of strengthening public financial management and governance. CIPFA is the only professional accountancy organisation focusing on public and non-profit sectors internationally. CIPFA has unique standing setting roles for local government and charities in the UK. CIPFA is leading on the technical development aspects of the project.

2.1.3 Humentum provides training, consulting and convening around the world for non-profit organisations. Humentum provides practical solutions, expertise and professional communities for social sector organisations to strengthen their core capabilities and achieve greater impact. Key areas of focus are compliance, financial management, programme management and people development. Humentum is leading on the stakeholder engagement aspects of the project.

21.4 Both organisations are respected in their fields and have relationships with a wide range of sector stakeholders. This includes NPOs, funders, standard setters and the accountancy community, whose buy-in is necessary for success.

21.5 The project team has a Steering Group that is providing oversight. The Steering Group has three non-executive members and two executive members.[52]

2.1.6 The project is being funded by voluntary contributions. The Ford Foundation and the Open Society Foundation have provided seed funding that has enabled the project to commence and for this Consultation Paper to be produced.

2.1.7 The costs of completing the project will need to be provided by further grants and donations by multiple donors. The project is being managed so that no one contributor can influence the development of the Guidance.

2.2 Advisory Groups

2.2.1 The project has convened international professional Advisory Groups to support the Guidance development process: The Technical Advisory Group

[52] Further information about the Steering Group and its role can be found at **www.ifr4npo.org/about/project-governance/**.

brings the rigour of national standard setters, and the Practitioner Advisory Group draws on the experience and perspectives of a diverse range of sector stakeholders from all over the world.

2.2.2 CIPFA chairs the Technical Advisory Group (TAG). The TAG membership comprises individuals from several national standard setters or their nominees. The TAG also includes a formal observer from the International Accounting Standards Board. TAG members sit as individuals rather than as authorised representatives of their individual bodies and participate due to their expertise in standard setting. Their role is to provide technical rigour in their advice on the development of the Guidance. Meetings are public with the meeting papers, recordings of the meetings and a summary of the main points available on the project website.[53]

2.2.3 Humentum chairs the Practitioner Advisory Group (PAG). The Practitioner Advisory Group is drawn from multiple stakeholder groups that have an interest in NPO financial reporting from across the world. This includes NPOs, funders, auditors, academics and regulators. Their role is to provide advice on the practical issues associated with the development of the Guidance. As with the TAG, meetings are a matter of public record, with meeting papers, recordings of meetings and a summary of the main points available on the project website.[54]

2.3 Delivery and engagement

2.3.1 The process of developing the Guidance is designed to be as collaborative and inclusive as possible. This is to properly reflect the concerns, issues and needs of the NPO community. The aim is to maximise the opportunity for the Guidance to be relevant to the sector and usable by all stakeholders. Contribution and participation is actively encouraged. Figure 2.1 shows global engagement as at 31 December 2020.

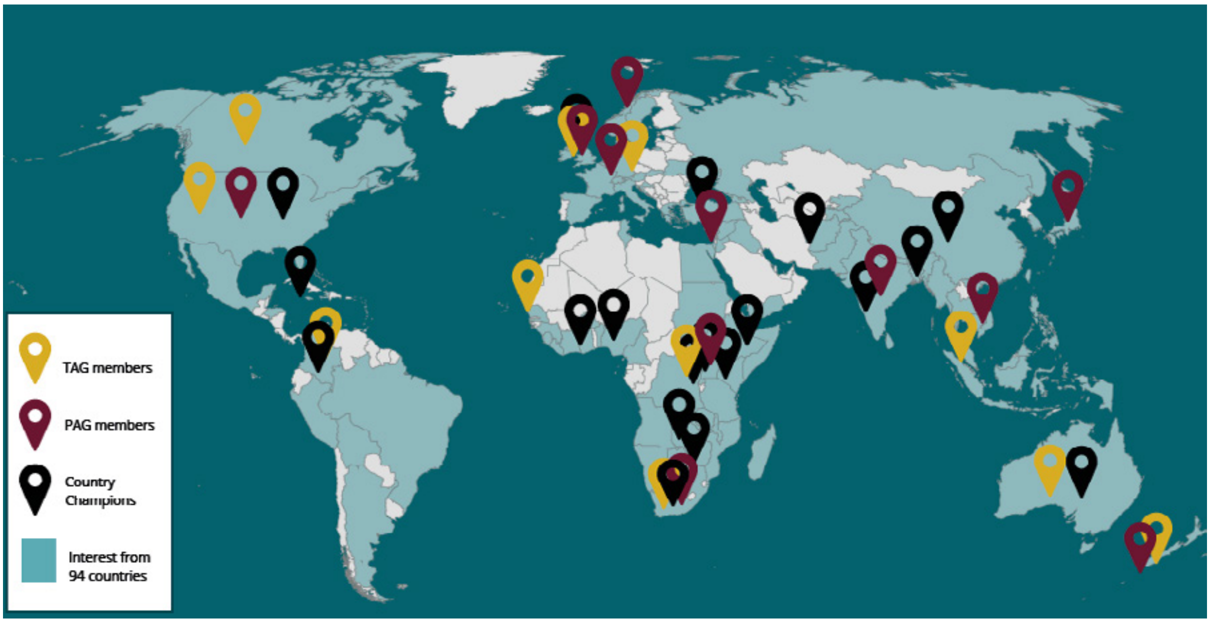
2.3.2 Country Champions from around the world have been appointed to support awareness raising and provide information about the project. Their local activities are being supported by materials provided by the project team, including webinars and discussion forums.[55] The project is aiming to keep the NPO community informed about key developments and involved in discussions so that it can have a say about matters that are of greatest concern.

[53] More information about the TAG and its membership can be found at: **www.ifr4npo.org/technical-advisory-group/**.

[54] More information about the PAG and its membership can be found at: **www.ifr4npo.org/practitioner-advisory-group/**.

[55] Available via the project website at: **www.ifr4npo.org/forums/**.

Figure 2.1: Stakeholder engagement as at 31 December 2020



2.3.3 Technically, the Guidance is being developed following the tried and tested methodology used in international accounting standard setting in the private and public sectors. This follows the three-step process of Consultation Paper, followed by an Exposure Draft, before issue of the final formal guidance. This will mean that the Guidance is being developed in a robust and transparent manner.

2.3.4 The Technical Advisory Group considers proposals for the documents that are formally issued by the project and provides advice on their content. All these papers and the deliberations of the TAG are in the public domain. Advice is also sought from the Practitioner Advisory Group to get a perspective from the varied stakeholder groups on proposals. The advice from both bodies are used to further develop the content. There is a feedback loop between the bodies.

2.3.5 Following the issue of this Consultation Paper, and in the next phase, the Exposure Draft, there will be a series of regional consultation meetings. These will be designed to engage on a range of points from formal documents issued and to seek feedback. This feedback will complement formal written consultation responses and provide the opportunity to interact with the NPO community.

3. Defining NPOs

3.1 Context

3.1.1 Understanding which organisations are NPOs and might benefit from the Guidance is an important question both for the project and for the regulators who might seek to use the Guidance in their jurisdictions.

3.1.2 NPOs need to be defined so that in considering the financial reporting issues, the potential application to relevant organisations can be considered, ie which organisations might benefit from the Guidance and how. With the breadth of the sector and differences in jurisdictions, developing a single definition that accommodates the range of organisations that might be expected to fall within the scope of the Guidance is challenging.

3.1.3 Establishing a single definition for the entities that might use public sector accounting standards was a challenge also faced by the International Public Sector Accounting Standards Board (IPSASB). The Preface to the IPSASB Standards sets out the scope of the Standards and does this in a narrative form to give guidance as to the entities expected to be covered by the Standards. It says:

"The IPSAS are designed to apply to public sector entities[56] that meet all of the following criteria:

a. Are responsible for the delivery of services[57] to benefit the whole of the public and/or to redistribute income and wealth;
b. Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees; and
c. Do not have a primary objective to make profits."

3.1.4 An approach that adopts a narrative set of descriptions to characterise the purpose and objectives of NPOs is proposed in Part 1: Chapter 1. These characteristics seek to scope out those organisations that in essence, might be for-profit entities and those organisations that might in essence be public sector entities and not anticipated to fall within this Guidance.

[56] Paragraph 1.8 of *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* identifies a wide range of public sector entities for which IPSASs are designed.

[57] Services encompasses goods, services and policy advice, including to other public sector entities.

3.2 Previous research

3.2.1 In 2014, a report issued by the Consultative Committee of Accountancy Bodies in the UK (CCAB Report),[58] the definition of NPOs was reported as an issue by survey respondents. The report described terms to describe non-profit entities (NPOs), non-government organisations (NGOs), charities, public benefit entities, voluntary organisations, donee organisations, membership organisations, professional associations, societies, mutual and non-investor-owned social enterprises. Importantly it noted that these terms can have different meanings in different jurisdictions and to that contained in law.

3.2.2 The report examined differences between NPOs, for-profit entities and public sector entities across four factors: ownership (including constitutional form and management control), beneficiaries, social purpose and financing, as a way of differentiating organisations.

3.2.3 Academic studies and statistical guides have sought to develop international classification frameworks for NPOs by focusing primarily on the structural and operational features of entities. These include the System of National Accounts developed by the United Nations and *The International Classification of Non-profit Organisations* from the Johns Hopkins Institute for Policy Studies.[59] The common approach of these frameworks is that an entity is deemed to be an NPO if it is:

- **An organisation –** institutionalised to some extent even if not a legal entity
- **Self-governing –** in control of its own activities
- **Private –** institutionally separate from government
- **Voluntary/non-compulsory –** participation in the entity's activities and contributions to it are a free choice
- **Non-profit distributing/significantly limited in distribution of surpluses –** any profits or surpluses generated are not returned to owners for private gain and the entity is not primarily guided by commercial considerations.

3.2.4 In addition to examining these structural and operational features, a more granular classification of NPOs can also be made based on:

- **the activities that an NPO undertakes –** is it is focused on providing services related to for example healthcare, education, sanitation, housing or advocacy

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[58] International financial reporting for the not-for-profit sector – A study commissioned by CCAB published February 2014.

[59] See Salamon, L. M., & Anheier, H. K. (1996). The International Classification of Nonprofit Organizations: ICNPO-Revision 1, 1996. Baltimore, Md, Johns Hopkins Institute for Policy Studies, and also **https://unstats.un.org/unsd/nationalaccount/docs/UN_TSE_HB_FNL_web.pdf**

- **the sources of its funding –** does the entity receive funding only from a small number of local or national donors, or does it manage grants on an international level and in turn awards sub grants to other entities
- **the locations in which it operates –** does the entity provide services in only a single local area or region, has it a national focus, or is it operating across borders/internationally.

3.2.5 These classifications have strongly influenced the NPO broad characteristics proposed in Part 1: Chapter 1. These broad characteristics include for example public benefit objectives and the non-distribution of surpluses. A greater focus has been placed, however, on economic events and transactions that are relevant to the development of principle-based financial reporting guidance. These include a focus on voluntary donations and grant funding and restrictions that can be placed on such funding, and how assets are held and used to deliver services rather than for cash-generation.

3.3 Jurisdictional-level approaches

3.3.1 At the jurisdictional-level there is often a focus on legal concepts that are not as easily or readily able to be applied internationally. This includes concepts such as 'charitable purposes' that have a specific meaning within certain jurisdictions. In addition to not being internationally applicable, these legal concepts can also exclude entities within jurisdictions. For example, in some jurisdictions an entity may not be seen as an NPO if it is providing services that are narrowly focused on a specific group.

3.3.2 As well as regulation and taxation, financial reporting is an area that highlights how jurisdictions can take their own approach to defining which entities are seen as NPOs. At a jurisdictional level there can be a focus on whether an organisation meets the definition of a 'public benefit entity', and the extent that the entity is permitted to generate profit/surpluses as part of meeting its primary objectives and then distribute these to owners or members. While this reflects aspects of the international classification framework, it is also clear that each jurisdiction defines what an NPO is based on their own requirements and the wider legal and regulatory framework in place.

Figure 3.1: Examples of jurisdictional-level definitions of NPOs for financial reporting

Canadian GAAP incorporates a test of public benefit purpose but also focuses specifically on the not-for-profit characteristics of an entity and in particular financial returns, defining a not-for-profit organisation (NFPO) as being: “an entity, normally without transferable ownership interests, organized and operated exclusively for social, educational, professional, religious, health, charitable or any other not-for-profit purpose. An NFPO’s members, contributors and other resource providers do not, in such capacity, receive any financial return directly from the organization.” Preface to the CPA Canada Handbook - *Accounting, paragraph 3(c)* – April 2019

New Zealand’s accounting standards framework for for-profit and public benefit entities (both not-for-profit and public sector entities), defines public benefit entities “as reporting entities whose primary objective is to provide goods or services for the general public or social benefit and where any equity has been provided with a view to supporting that primary objective rather than with a view to providing a financial return to equity holders.” External Reporting Board Standard A1 – *Application of the Accounting Standards Framework – Appendix A* – External Reporting Board New Zealand – May 2019

The Financial Reporting Council in the UK when developing FRS 102 (which also applies to those entities that are not profit oriented) noted that a public benefit entity is: “An entity whose primary objective is to provide goods or services for the general public, community or social benefit and where any equity is provided with a view to supporting the entity’s primary objectives rather than with a view to providing a financial return to equity providers, shareholders or members.” *FRS 102 The Financial Reporting Standard Applicable in the UK and the Republic of Ireland* – Financial Reporting Council – March 2018

3.3.3 Jurisdictions also often require NPOs to apply different financial reporting standards based on their size and complexity. This is usually determined using financial statement measures such as how much income an entity receives per year or its level of expenditure. From an international perspective what is deemed to be a relatively small NPO in one jurisdiction may be seen as large in another. It will be for individual jurisdictions to determine, based on local circumstances, to whom the Guidance applies where it is adopted.

3.3.4 This Guidance, using its broad characteristics approach, has been prepared to be as widely adopted as possible and not to limit its international applicability. Practically as outlined in Part 1: Chapter 5 it is proposed to be focused on those entities that have the most pressing needs.

4. Historical context

4.1 CCAB 2014 Report

4.1.1 In 2013, the Consultative Committee of Accountancy Bodies (CCAB), the coordinating body for the UK and Ireland's Professional Accountancy Organisations, provided the funds for an independent study on the need for international financial reporting standards for NPOs.

4.1.2 The study, which was focused on NPOs that are;

- constituted on a not-for-profit basis
- self-governing
- established for public benefit.

It included an online survey in English carried out in late 2013. The survey included 19 core areas, with both closed and open questions that allowed narrative comments. It was circulated widely through international contacts held by the CCAB steering group.

4.1.3 There were 605 usable responses, providing direct experiences of NPO financial reporting in 179 countries. These responses contained a lot of detail, with two thirds of respondents completing most of the narrative questions. Responses came from NPOs of all sizes.

4.1.4 The resulting report published in 2014, built a robust evidence base for the need for an international reporting standard for the NPO sector. Overall, 72% of the 605 survey respondents across the 179 countries agreed that such a standard would be useful.

4.1.5 The study raised several issues, notably the diversity of requirements placed on NPOs. These were often linked to an NPO's legal form, for example, many jurisdictions placed requirements on NPOs structured as companies which did not apply to other NPOs. The report noted that the scope of NPOs could be wide (see Section 3 below).

4.1.6 The study also noted that financial reporting requirements ranged from very specific NPO standards to no standards at all. For example the study highlighted that the UK Charities SORP (Accounting and Reporting by Charities: Statement of Recommended Practice) is very detailed and specific, in Australia a sector neutral approach was adopted with some guidance for NPOs, and in South Africa no separate accounting standards were issued and NPOs applied IFRS. The study also noted that where countries did require application of IFRS, the extent of application especially to small NPOs was raised as questionable. It also identified areas of difference in accounting treatments in specific areas. These have been considered in Part 2 of this Consultation Paper.

4.1.7 The study set out a number of options to address these issues, including both specific international accounting standards and guidance. However, it concluded that more analysis and discussion would be needed by interested parties to determine the best way forward, with the findings of the report having the potential to inform this debate.

4.2 ACCA Companion Guide

4.2.1 In 2015, in the UK, the Association of Chartered Certified Accountants (ACCA) issued a companion guide *Companion Guide for Not-for–profits to the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs).* The guide was written in response to the lack of formal guidance to help NPOs prepare financial accounts under a robust, but appropriate framework. The foreword to the guide says "… as a consequence of the IASB's focus on for-profit organisations, there are times when the outcome of applying the [IFRS] SME Standard to not-for-profit organisations will not provide a perfect representation of the results of those entities."

4.2.2 The objective of the Companion Guide is to provide assistance to not-for-profit entities that may wish to prepare reports on the basis of the *IFRS for SMEs* Standard. It identifies a number of issues for not-for-profit organisations and seeks to provide guidance to sit alongside the *IFRS for SMEs* Standard to address those issues. These issues have also been incorporated into the issues included in Part 2: Overview of the Consultation Paper.

4.3 IFASS Working Group

4.3.1 The International Forum of Accounting Standard Setters (IFASS) is a grouping of national accounting standard-setters from around the world, plus other organisations that have a close involvement in financial reporting issues. Following a meeting of IFASS in April 2016, an informal grouping of some of these standard setters and other organisations with an interest in non-profit reporting was formed.

4.3.2 The Group had ten member countries represented and was chaired by CIPFA, who also provided the Secretariat. Consistent with the position of the IFRS Foundation that its focus is on for-profit organisations, the IASB participated as an observer. The group has discussed the most pressing issues being encountered by national standard setters for this sector.

4.3.3 The Working Group developed a list of issues and brought together information from Working Group participants about the various accounting treatments in their jurisdictions. The issues identified by the Working Group have been incorporated to the issues included in Part 2: Overview of the Consultation Paper.

International and national financial reporting standards and guidance

1. International reporting frameworks

1.1 International Financial Reporting Standards (IFRS)

IFRS Standards are set by the International Accounting Standards Board (IASB), the standard-setting body of the IFRS Foundation. The IFRS Foundation is a not-for-profit, public interest organisation established to develop a single set of globally accepted accounting standards and to promote and facilitate adoption of the standards in order to:

- Bring transparency by enhancing the international comparability and quality of financial information, enabling investors and other market participants to make informed economic decisions.
- Strengthen accountability by reducing the information gap between the providers of capital and the people to whom they have entrusted their money. IFRS Standards provide information needed to hold management to account. As a source of globally comparable information, IFRS Standards are also of vital importance to regulators around the world.
- Contribute to economic efficiency by helping investors to identify opportunities and risks across the world, thus improving capital allocation. Use of a single, trusted accounting language lowers the cost of capital and reduces international reporting costs for businesses.

IFRS Standards are developed to be used primarily by publicly accountable companies – defined by the IASB as those listed on a stock exchange and financial institutions such as banks that hold financial assets in a fiduciary capacity.

1.2 The *IFRS for SMEs* Standard

In addition to full IFRS Standards, within the IFRS suite of standards the *IFRS for SMEs* Standard provides for simplified reporting requirements for for-profit organisations to meet the needs of smaller organisations.

The *IFRS for SMEs* Standard is a self-contained Standard (fewer than 250 pages) designed to meet the needs and capabilities of small and medium-sized entities (SMEs), which are estimated to account for more than 95% of all companies around the world.

The *IFRS for SMEs* Standard is available for any jurisdiction to adopt, whether or not it has adopted full IFRS Standards. Each jurisdiction must determine which entities should use the Standard. The IASB's only restriction on use is that entities that have public accountability (as defined in IFRS) should not use it. Such entities are required to apply full IFRS Standards if IFRS is adopted.

1.3 International Public Sector Accounting Standards (IPSAS)

IPSAS are set by the International Public Sector Accounting Standards Board (IPSASB) whose financial, operational and administrative operations are supported by the International Federation of Accounts (IFAC). IPSASB has independence of decision-making within IFAC and its objective is to serve the public interest by developing high-quality accounting standards and other material for use by public sector entities around the world in the preparation of general purpose financial reports. This is intended to enhance the quality and transparency of public sector financial reporting by providing better information for public sector financial management, accountability and decision making.

In pursuit of this objective, the IPSASB supports the convergence of international and national public sector accounting standards and the convergence of accounting and statistical bases of financial reporting where appropriate; and also promotes the acceptance of its standards and other publications.

IFRS Standards alignment has been a key pillar of IPSAS development since its inception, as in many instances government and corporate activities are the same and there are clear advantages of using common global financial reporting approaches.

As such a formal alignment process exists to assess the applicability of IFRS Standards in the public sector context. This includes determining whether there are public sector issues that warrant departure from IFRS Standards and if so whether this requires a separate public sector project or instead the modification of an IFRS (for example changing recognition and measure requirements or eliminating accounting treatments) to reflect the public sector context.

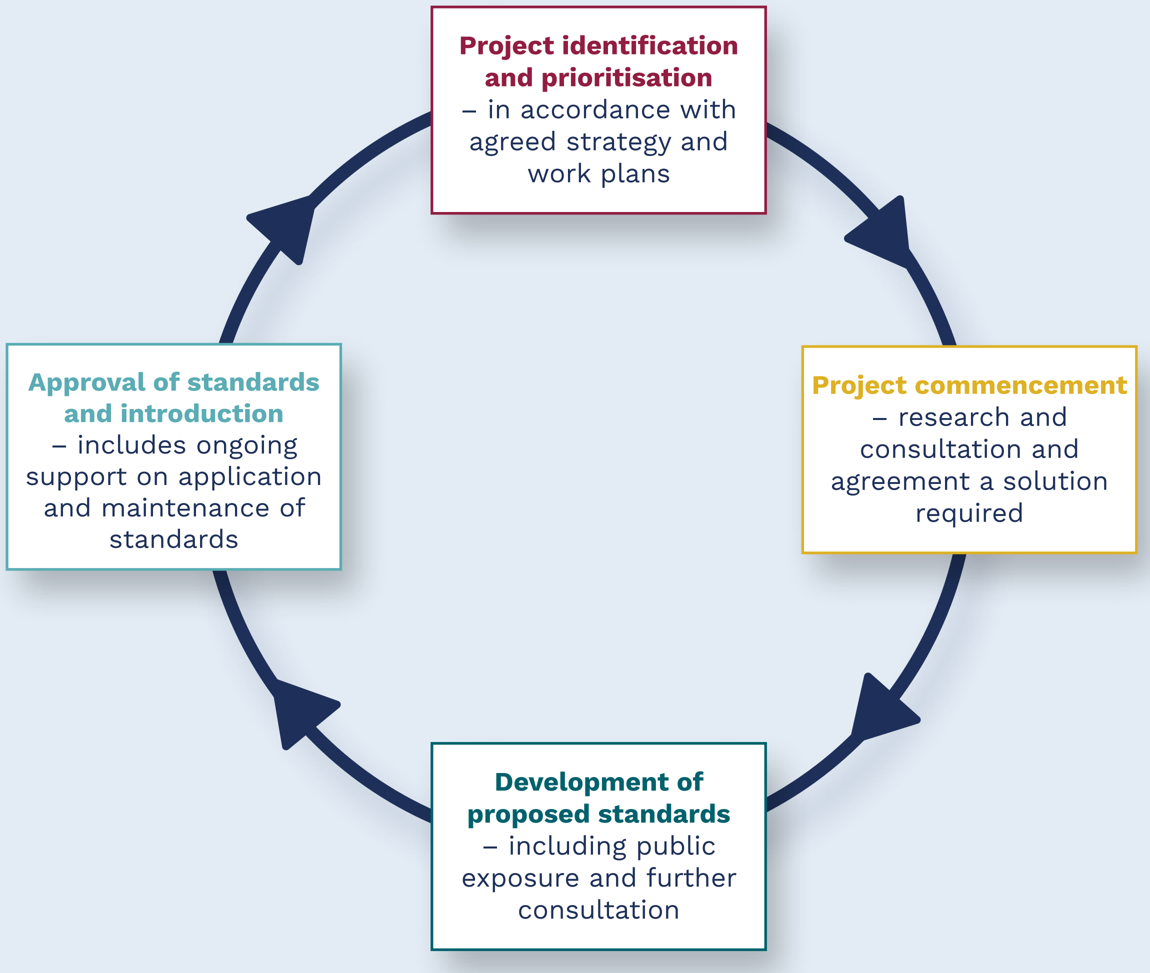
This alignment process works to minimise the differences between the IFRS and IPSAS financial reporting frameworks, so that as a far as possible a similar transaction or economic event will be accounted for in the same way by a public or private sector entity. An example of the alignment dashboard can be found at: **https://www.ifac.org/system/files/meetings/files/1-1.5-IPSAS-IFRS-Alignment-Dashboard_Final_0.pdf**

2. International standards development

Both IFRS Standards and IPSAS are set using similar thorough, transparent and participatory due processes.

This ongoing process of standards setting and maintenance means that the frameworks adapt to user needs through new standards or amendments to existing standards. It does mean however that they can be subject to frequent update which can impact on ease of use.

Figure 2.1: International standard setting – due process



In this regard the *IFRS for SMEs* Standard is different. As indicated to reduce burdens revisions to this Standard are limited, with a commitment from the IASB only to update the entire Standard and to ensure that there are at least three years between revisions. The *IFRS for SMEs* Standard was last amended in October 2015, with an effective date of application of 1 January 2017. It is currently under a comprehensive review which began in 2019. Among other activities the Board is undertaking outreach to gain a broad range of views on the extent to which the *IFRS for SMEs* Standard should be aligned with full IFRS Standards.

3. Comparison of the conceptual frameworks underpinning the international frameworks

IASB Framework for IFRS	IPSASB Framework for IPSAS	Differences
Objective of general purpose financial reporting – The objective of general purpose financial reporting, which is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions relating to providing resources to the entity.	***Objective of financial reporting –*** The objectives of financial reporting by public sector entities are to provide information about the entity that is useful to users of GPFRs for accountability purposes and for decision-making purposes. Users are service recipients and resource providers who do not possess the authority to require a public sector entity to disclose the information they need for accountability and decision-making purposes.	IPSASB Framework has specific objective emphasising importance of accountability in the public sector. The IASB Framework acknowledges the assessment of management's stewardship of the entity's economic resources as an aspect of decision making. Different users reflecting different objectives of entities at which the Frameworks are directed.
Qualitative characteristics of, and the cost constraint on, useful financial information – If financial information is to be useful, it must be relevant and faithfully represent what it purports to represent. The usefulness of financial information is enhanced if it is comparable, verifiable, timely and understandable. Reporting financial information imposes costs, and it is important that those costs are justified by the benefits of reporting.	***Qualitative characteristics –***The qualitative characteristics of information included in GPFRs of public sector entities are relevance, faithful representation, understandability, timeliness, comparability, and verifiability. Pervasive constraints on information included in GPFRs are materiality, cost-benefit, and achieving an appropriate balance between the qualitative characteristics.	While the qualitative characteristics (QC) are the same IPSASB Framework does not distinguish fundamental and enhancing characteristics. IPSASB Framework does not address prudence as aspect of neutrality in QC of faithful representation. IASB Framework does not discuss materiality and balancing of QCs as pervasive constraints. IASB Framework contains more granular discussion of materiality incorporating consequential amendments from IAS 1 *Presentation of Financial Statements,* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*
Financial statements and the reporting entity – A reporting entity is an entity that is required, or chooses, to prepare financial statements. A reporting entity can be a single entity or a portion of an entity or can comprise more than one entity. A reporting entity is not necessarily a legal entity. Financial statements are prepared for a reporting period and provide financial information about the reporting entity's assets, liabilities, equity, income and expense.	***Reporting entity –*** A public sector reporting entity is a government or other public sector organisation, program or identifiable area of activity that prepares GPFRs. A public sector reporting entity may comprise two or more separate entities that present GPFRs as if they are a single entity – such a reporting entity is referred to as a group reporting entity. GPFRs encompass financial statements and information that enhances, complements and supplements the financial statements. Financial statements present information about the resources of the reporting entity or group reporting entity and claims to those resources at the reporting date, and changes to those resources and claims and cash flows during the reporting period.	IASB Framework has a section on the Objective and Scope of Financial Statements. IASB has sections on Reporting Period and Perspectives Adopted in Financial Statements IPSASB scope is broader – general purpose financial reports.

IASB Framework for IFRS	IPSASB Framework for IPSAS	Differences
Elements of financial statements – Financial statements elements are (a) assets, liabilities and equity, which relate to a reporting entity's financial position and (b) income and expenses, which relate to a reporting entity's financial performance.	***Elements in financial statements –*** The elements are assets, liabilities, revenue, expense, ownership contributions and ownership distributions. This does not preclude IPSASs from requiring or allowing the recognition of resources or obligations that do not satisfy the definition of these elements when necessary to better achieve the objectives of financial reporting.	IPSASB Framework defines ownership contributions and ownership distributions, which are not defined in IASB Framework. IPSASB Framework does not define equity, which is defined in IASB Framework. The definitions of an asset are very similar. However, the IASB description of an economic resource refers to a "right that has the potential to produce economic benefits." The IPSASB description of a resource refers to an "item with service potential or the ability to generate economic benefits". The definitions of a liability are very similar. The IASB definition of a liability refers to "a present obligation to transfer an economic resource"; the IPSASB definition refers to a "present obligation of the entity for an outflow of resources". IPSASB Framework does not relate elements to specific financial statements. IPSASB Framework includes other economic phenomena – other resources and other obligations. IASB Framework has sections on unit of account and executory contracts. IASB Framework has section on 'Substance of contractual rights and contractual obligations.' No equivalent section in IPSASB Framework.
Recognition and derecognition – Recognition is the process of capturing for inclusion (in monetary value and words) in the statement of financial position or the statement of financial performance an item that meets the definition of one of the elements of financial statements. Derecognition is the removal of all or part of a recognised asset or liability from an entity's statement of financial position.	***Recognition in financial statements –*** Recognition is the process of incorporating and including in amounts displayed on the face of the appropriate financial statement an item that meets the definition of an element and can be measured in a way that achieves the qualitative characteristics and takes account of the constraints on information included in GPFRs. Derecognition is the process of evaluating whether changes have occurred since the previous reporting date that warrant removing an element that has been previously recognised from the financial statements, and removing the item if such changes have occurred	IASB Framework relates existence uncertainty and low probability of an inflow or outflow of economic benefits to relevance and measurement uncertainty and other factors to faithful representation. IPSASB Framework does not relate existence uncertainty and measurement uncertainty to particular QCs.

IASB Framework for IFRS	IPSASB Framework for IPSAS	Differences
Measurement – Quantifying elements recognised in financial statements in monetary terms requires the selection of a measurement basis which is an identified feature, such as historical cost or fair value, of an item being measured.	***Measurement of assets and liabilities in financial statements*** – The objective of measurement is to select those measurement bases that most fairly reflect the cost of services, operational capacity and financial capacity of the entity in a manner that is useful in holding the entity to account, and for decision-making purposes.	IASB Framework does not have a measurement objective. Includes sections on 'Information provided by particular measurement bases' and on 'Factors to consider when selecting a measurement basis.' IPSAS Framework has a measurement objective based on provision of information on operational capacity, financial capacity and cost of services. IASB Framework includes current cost as a current value measurement basis, which can be ascertained through direct or indirect inputs. IPSASB Framework uses 'entry' and 'exit' distinction in the analysis of measurement bases. The IASB Framework explicitly rejects this distinction. IPSAS Framework does not include fair value but does include market value (pre-IFRS 13 definition of fair value) for both assets and liabilities. IPSAS Framework includes depreciated replacement cost as measurement basis in own right rather than as measurement technique for fair value. IPSAS Framework includes net selling price (asset), cost of release (liability) and assumption price (liability). IASB Framework has sections on 'Measurement of equity' and Cash-flow-based measurement techniques' IASB chapter is more detailed, for example IASB chapter includes a matrix summarizing information provided by measurement bases.

IASB Framework for IFRS	IPSASB Framework for IPSAS	Differences
Presentation and disclosure – The reporting entity communicates information about its assets, liabilities, equity, income and expenses by presenting and disclosing information in its financial statements.	***Presentation in General Purpose Financial Reports –*** Presentation is the selection, location and organisation of information that is reported in the GPFRs. Presentation aims to provide information that contributes towards the objectives of financial reporting and achieves the qualitative characteristics while taking into account the constraints on information. Decisions on selection, location and organization of information are made in response to the needs of users. GPFRs are likely to comprise multiple reports, each responding more directly to certain aspects of the objectives of financial reporting and matters included within the scope of financial reporting. In addition to the financial statements, GPFRs provide information relevant to, for example, assessments of an entity's service performance and the sustainability of its finances. The objectives of financial reporting, applied to the area covered by a particular report, guide presentation decisions for that report.	Different scope. IPSASB Framework has a wider scope encompassing financial reports outside the core financial statements. IASB scope is financial statements.
Concepts of capital and capital maintenance – Selection of the appropriate concept of capital by an entity based on the needs of the users of its financial statements. A financial concept of capital equates capital to net assets or equity of the entity. A physical concept regards capital as the productive capacity of the entity.	The IPSAS Conceptual Framework does not currently have a chapter of concepts of capital and capital maintenance. The IPSASB is currently considering appropriate alignment to the IFRS conceptual framework for capital and capital maintenance.	The IPSAS Conceptual Framework does not currently have a chapter of concepts of capital and capital maintenance. The IPSASB is currently considering appropriate alignment to the IFRS conceptual framework for capital and capital maintenance.

4. National standards and guidance for NPOs

4.1 Introduction

Some jurisdictions have developed accounting standards or guidance specifically for NPOs. Examples of national sector specific guidance is discussed in the Part 2: Sections 1 to 5 to illustrate the sometimes different approaches taken to NPO issues. These have been used to inform the building blocks for the alternative approaches that have been developed for each of the issues. Most of these examples have been drawn from New Zealand, Australia, Canada, the UK and the USA.

Included in this paper is additional information about how the frameworks, standards or guidance have been developed in the jurisdictions that have been most used in the Part 2 sections. This includes information about the basis of the guidance in the jurisdictions used in Part 2. It also includes information about how these national frameworks relate to the alternatives in Part 2 and how to locate guidance where this is in the public domain. The information provided here is not exhaustive and does not provide informational on all national standards across the world.

This additional may be useful to readers in understanding the different approaches taken to NPO issues. It may also be useful in considering the proposed way forward in Part 1: Chapter 5.

4.2 New Zealand

The New Zealand Accounting Standards Framework (the ASF) has two key objectives:

i. to meet user needs by developing accounting standards that lead to high quality financial reporting that meets the different user needs in the for-profit and public benefit entity (PBE) sectors.

ii. to balance the costs and benefits of reporting by establishing appropriate accounting requirements based on the nature and size of the entity.

The ASF establishes which suite of reporting standards and reporting tiers apply to which entities, through a multi-standard, multi-tiered approach.

The framework has three key elements:

Multi-standard: Different suites of accounting standards for two distinct sectors: **for-profit entities** and **public benefit entities** (**PBEs)**

Tiered approach: Different accounting requirements for each tier based on cost-benefit considerations – For-profit entities – **2 tiers,** PBEs – **4 tiers**.

Basis for developing each suite of accounting standards: For-profit entities – accounting standards are based on International Financial Reporting Standards (**IFRS Standards**). PBEs – accounting standards are based primarily on International Public Sector Accounting Standards (**IPSAS**) for Tiers 1 and 2 and the **XRB's Simple Format Reporting Requirements** for Tiers 3 and Tiers 4.

For Public Benefit entities, the Tier is based on whether the entity is deemed to have public accountability (societal accountability) and its level of expenses.

Figure 4.1: New Zealand tiers for Public Benefit Entity financial reporting

Tier	Entity Type	Standards
Tier 1	Has public accountability or is a large PBE with total expenses > $30million	PBE Standards
Tier 2	Has no public accountability, is not large, has total expenses < $30million but > $2million, and that elects to be in Tier 2	PBE Standards Reduced Disclosure Regime (PBE Standards RDR)
Tier 3	Has no public accountability and has total expenses ≤ $2million, that elects to be in Tier 3	PBE Simple Format Reporting Standard - Accrual (SFR-A)
Tier 4	Has no public accountability and is allowed by law to use cash accounting, that elects to be in Tier 4.	PBE Simple Format Reporting Standard - Cash (SFR-C)

4.3 United Kingdom

In the UK, Financial Reporting Standard 102 (FRS 102) is a single financial reporting standard that applies to the financial statement of entities not applying IFRS or the micro-entity standard (FRS 105). FRS 102 is designed to apply to the general purpose financial statements and financial reporting of entities including those that are not companies and those that are not profit-oriented.

It is based on the *IFRS for SMEs* Standard, but with significant modification both in terms of the scope of entities eligible to apply it and the accounting treatments provided. In addition to FRS 102, there are a number of additional Statement of Recommended Practices (SORPs). These are sector-driven recommendations on financial reporting that take into consideration sector specific context and prevailing economic events and transactions. There are, for example, SORPs applicable to NPOs that are registered as charitable organisations, providers of subsidised housing, and further education providers.

4.4 Australia

In Australia, the Australian Accounting Standards Board (AASB) uses IFRS Standards issued by the IASB to develop, issue and maintain Australian Accounting Standards for the not-for-profit (NFP) sector.

The accounting frameworks uses IFRS and transaction neutrality as a starting point, however, when justified, modifications are made to address:

i. user needs

ii. Australian-specific legislation

iii. prevalence and magnitude of issues specific to the NFP sector

iv. NFP application issues

v. public interest issues relevant to financial reporting

vi. undue cost or effort considerations.

This can result in modification to IFRS Standards via:

i. 'Aus' paragraphs amending, adding or deleting an IFRS Standard's scoping, recognition, measurement, presentation or disclosure requirement (eg AASB 15 *Revenue from Contracts with Customers*) and/or

ii. Australian-specific guidance in additional Appendices or specific examples (eg AASB 10 *Consolidated Financial Statements*).

The framework permits the AASB to address in NFP-specific standards, interpretations or guidance, NFP issues that have not been comprehensively or appropriately dealt with in existing IFRS Standards, including where no relevant IFRS Standard exists eg AASB 1054 *Australian Additional Disclosures*, AASB 1058 *Income of Not-for-Profit Entities*).

It also permits GPFS to be prepared using either Tier 1 (compliance with Australian Accounting Standards) or Tier 2 (compliance with Australian Accounting Standards – Reduced Disclosure Requirements).

4.5 Canada

In Canada, accounting standards for all entities outside the public sector are issued by the Accounting Standards Board (AcSB). The AcSB adopted IFRS Standards as the accounting standards used by publicly accountable enterprises. Private enterprises and private not-for-profit organisations can choose to apply either (a) the IFRS in Part 1 of the Accounting Handbook, or (b) accounting standards for NFPOs in Part III supplemented, when appropriate, with standards for private enterprises in Part II of the Accounting Handbook.

In addition, Canada recognises the existence of government controlled not-for-profit enterprises. These entities fall in under the scope for PSA Handbook set by the PSAB and apply standards applicable to the public sector.

4.6 United States

In the United States, accounting standards for entities outside the public sector are issued by the Financial Accounting Standards Board (FASB). Authoritative generally accepted accounting principles (GAAP) are contained in the FASB's Accounting Standards Codification (the Codification), which the FASB updates regularly through the issuance of Accounting Standards Updates (ASUs). Besides applying all relevant general guidance within the Codification, not-for-profit entities have extensive incremental guidance within Topic 958, on non-exchange transactions, financial statement presentation, and various other not-for-profit-specific matters. There is no separate, simplified set of standards in GAAP that is equivalent to the *IFRS for SMEs* Standard; rather, the Codification contains various simplified accounting alternatives and many disclosure exemptions for business enterprises without public equity or debt. In most cases, these also apply to some or all not-for-profit entities.

Government-controlled not-for-profit entities (such as public universities and governmental hospitals) follow GAAP issued by the Governmental Accounting Standards Board (GASB), for state and local governments, or the Federal Accounting Standards Advisory Board (FASAB), for the Federal Government.

5. National frameworks additional information

Issue 1 – Reporting entity and control (including branches)

	IFRS Standards and IPSAS	UK	Australia	New Zealand	Canada	USA
Alternative 1 Prepare additional NPO-specific guidance on the nature of reporting entities and use the principles based approach of substance over form to define control.	IFRS and IPSAS define control as when the entity is exposed, or has rights, to variable returns (IFRS10)/benefits (IPSAS 35) from its involvement and has the ability to affect the nature or amount of those benefits through the power it holds.		Follows IFRS Standards with an Annex including application guidance for not for profit entities.	PBE IPSAS – Follows the IPSAS definition of control, and provides additional guidance on branches.		
Alternative 2 Prepare additional NPO-specific guidance on the nature of reporting entities and use pragmatic methods of assessment such as the power to govern financial and operating policies to define control.	The *IFRS for SMEs* Standard defines control as the power to govern the financial and operating policies of an entity to obtain the benefits from its activities. Control is presumed when half of the voting power of an entity is owned, directly or indirectly. The standard also sets out when control may exist where ownership is less than 50%.	FRS 102 defines control as being the power to govern the financial and operating policy of an entity so as to obtain benefit from its activities. Section 9 of FRS 102 includes five situations where a parent has control over another entity. The Charities SORP includes specifications on how to account for branches.			One organisation is presumed to control another entity when it has the right to appoint the majority of the voting members of the other entity's board of directors. Additional guidance on indicators of control are also provided.	The direct or indirect ability to determine the direction of management and policies through ownership, contract, or otherwise. Consolidation is required when there is both and control and economic interest. One entity is presumed to control another entity when it has the right to appoint the majority of the voting members of the other entity's board of directors or trustees, or when it is the sole corporate member of the other entity.

	IFRS Standards and IPSAS	UK	Australia	New Zealand	Canada	USA
Standards references	IFRS 10 paragraphs 6 & 7. IPSAS 35 paragraphs 19 & 20. IFRS for SMEs 9.4 &9.5.	FRS 102, paragraph 9.4 & 9.5. Charities SORP, Section 25 provides guidance on branches.	AASB 10, Paragraphs 6 and 7 and Appendix E, Australian implementation guidance for not-for-profit entities.	PBE IPSAS 35, Paragraphs 18 – 20 *Explanatory Guide A8 Financial Reporting by Not-for-Profit Entities: The Reporting Entity* (EG A8), provides additional guidance on branches.	CPA Handbook – Accounting: Section 4450, *Reporting controlled and related entities by not-for-profit organizations*; and CPA Canada Public Sector Accounting Handbook: PS 4250, *Reporting controlled and related entities by not-for-profit organizations*)	FASB ASC 958-810-25-1 – 5, Glossary definition 958-810-20.

Issue 2 – NPOs that act on behalf of other entities

	IFRS Standards and IPSAS	UK	Australia	New Zealand	Canada	USA
Alternative 1 Follow IFRS Standards - based on control with additional guidance and non-profit examples and with additional disclosure requirements.	IFRS 15 - an entity is principal if it controls the good or service before that service is passed to the customer. IFRS 10 specifies that an agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority.		An entity is a principal if it controls the specified good or service before that good or service is transferred to a customer. An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority.			

	IFRS Standards and IPSAS	UK	Australia	New Zealand	Canada	USA
Alternative 2 Follow the *IFRS for SMEs* Standard where decisions on agent and principal are made on an exposure to risks and rewards. Additional guidance and not for profit examples and with additional disclosure requirements.	The *IFRS for SMEs* Standard stipulates that the amounts collected on behalf of the principal are not revenue of the entity.	FRS 102 specifies that an entity is acting as a principal when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. Amounts collected by an agent on behalf of a principal are not revenue. Revenue is the amount of commission. The Charity SORP stipulates that funds received by a charity as agent are not recognised as an asset in its accounts because the funds are not within its control. Therefore, the receipt of funds as agent is not recognised as income nor is its distribution recognised as the agent's expenditure. It requires disclosure of funds and balances held as agents and as 'custodian trustees'.			Section 3400 requires that revenue includes only gross inflows of economic benefits received by an enterprise on its own account. Amounts collected by an agent on behalf of a principal are not revenue. Under Section 3400, an entity is acting as a principal when it has exposure to the significant risks and rewards associated with transactions. This guidance includes features to consider that indicate when an enterprise is acting as a principal. Further application guidance for determining when amounts should be reported gross versus net is also provided. This includes indicators that suggest when gross and net reporting should be used.	An agency transaction is a type of exchange transaction in which the reporting entity acts as an agent, trustee, or intermediary for another party that may be a donor or donee. Whether a recipient NPO that is an intermediary is either principal (or agent) is dependent on whether an NPO has the discretion in the distribution of the money to the beneficiaries Substantial guidance is provided to determine if the intermediary has discretion. If such a discretion exists or if an NPO is a financially related entity an NPO is principal in the transactions. If not it recognises an asset and a liability (for amounts which have not yet been distributed.

	IFRS Standards and IPSAS	UK	Australia	New Zealand	Canada	USA
Alternative 3 Follow IPSAS where decisions on agent and principal are made on an exposure to risks and rewards. Additional guidance and not for profit examples and with additional disclosure requirements.	IPSAS 9 requires entities to determine when they have exposure to the significant risks and rewards associated with the sale of goods or rendering of services. Amounts collected as an agent of the government or other organisation will not give rise to an increase in net assets or revenue of the agent. IPSAS 35 has similar guidance to IFRS 10 described above.			PBE IPSAS 9 Amounts collected as an agent of the government or another government organisation or on behalf of other third parties are not economic benefits or service potential that flow to the entity, and do not result in increases in assets or decreases in liabilities.		

	IFRS Standards and IPSAS	UK	Australia	New Zealand	Canada	USA
Standards references	IFRS 15 *Revenue from Contracts with Customers*, IFRS 10 *Consolidated Financial Statements*, IASB *Conceptual Framework for Financial Reporting* (March 2018). The *IFRS for SMEs* Standard section 23. IPSAS 9 *Revenue from Exchange Transactions*, IAS 35 Consolidated Financial Statements, and IPSASB *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (IPSASB October 2014).	FRS 102 Section 23, *Revenue,* Appendix 1 *Definitions*, Charities SORP (FRS 102) (Second Edition) Module 19 *Accounting for funds received as agent or as custodian trustee.*	AASB 15 *Revenue from Contracts with Customers*	PBE IPSAS 9 *Revenue from Exchange Transactions*	CPA Canada Handbook - Accounting, Section 3400 *Revenue*	ASC 958-605-20, 958-605-25-23 to 958-605-25-27 and 958-605-55-75 to 958-605-55-79.

Issue 3 – Non-exchange revenue

	IFRS Standards and IPSAS	UK	Australia	New Zealand	Canada	USA
Alternative 1 Use recognition and measurement principles from the *IFRS for SMEs* Standard with additional NPO-specific guidance.	The *IFRS for SMEs* Standard provides specific guidance for revenue from government grants; section 2 provides concepts and pervasive principles for other non-exchange revenue.					
Alternative 2 Recognise all non-exchange revenue using the principles in IAS 20. NPO-specific guidance is provided.	IAS 20 requires government grants with conditions to be recognised on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.		Non-exchange revenue (the excess of the carrying amount of the asset recognised over any related amounts required to be recognised under other standards) is recognised immediately except where the transaction requires an NPO to acquire or construct a non-financial asset. Under AASB 1058, an NPO can recognise volunteer services at fair value if they can be measured reliably, regardless of whether the services would have been purchased if they had not been donated.		Donations with conditions can be recognised using the deferral method, with donations recognised in the period related to the corresponding expenses (depreciation if capital). Alternatively, it is permitted for revenue to be recognised immediately, but presented as part of a separate restricted fund, showing the related expenses. Services in-kind are permitted to be recognised at fair value if they can be measured reliably and would otherwise have been purchased or to construct an asset.	

	IFRS Standards and IPSAS	UK	Australia	New Zealand	Canada	USA
Alternative 3 Recognise non-exchange revenue using the principles in IPSAS 23. NPO-specific guidance is provided.	IPSAS 23 and ED 71 require donations to be recognised as conditions are satisfied and provide exceptions for the recognition of services in-kind.			NPOs are permitted not to recognise gifts in-kind that meet the definition of inventories as assets if it is not practicable to reliably measure their current value. Gifts in-kind for resale give rise to revenue when they are sold. No revenue is recognised in respect of gifts in-kind for distribution to beneficiaries. NPOs are permitted, but not required, to recognise revenue from services in-kind that can be reliably measured at fair value.		NPO are required to recognise donations with conditions as the conditions are satisfied. NPOs are not required to recognise contributions of art, historical treasures, and similar items if they are added to collections. Additional guidance Is provided on assessing fair value for gifts in-kind and donated fixed assets. Services in-kind are required to be recognised (at fair value) where they either create or enhance a non-financial asset; or require skilled labour that would need to have been purchased if not provided by donation.

	IFRS Standards and IPSAS	UK	Australia	New Zealand	Canada	USA
Alternative 4 Recognise non-exchange revenue using the principles in IPSAS 23. Introduce exceptions to the requirements for gifts in-kind based on some national standards. NPO-specific guidance is provided.		Revenue from government grants and other non-exchange revenue are permitted to be recognised as conditions are satisfied. Revenue from gifts in-kind are permitted to be recognised when the items are sold or distributed when it is impractical to recognise inventory on receipt. Items distributed at no cost, are recognised as an expense and revenue when issued. Services in-kind are recognised when they can be reliably measured. Services that would have otherwise been purchased are recognised at the value to the entity; other services are recognised at a fair value.		.		

	IFRS Standards and IPSAS	UK	Australia	New Zealand	Canada	USA
Standards references	IFRS 15 *Revenue from Contracts with Customers*; IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*; *Conceptual Framework;* Section 2, section 23 and section 24 the *IFRS for SMEs* Standard; IPSAS 9 *Revenue from Exchange Transactions*; IPSAS 23 *Revenue from Non-exchange Transactions (Taxes and Transfers).*	FRS 102 Section 24 *Government Grants*, FRS 102 Section 34 *Incoming Resources from Non-exchange Transactions*, Charities SORP (FRS 102) (Second Edition) Section 5 *Recognition of income, including legacies, grants and contract income.*	AASB 15 *Revenue from Contracts with Customers;* AASB 1058 *Income of Not-For-Profit Entities*	PBE IPSAS 9 *Revenue from Exchange Transactions*; PBE IPSAS 23 *Revenue from Non-Exchange Transactions* for Tier 1 and 2 entities; PBE SFR A NFP, *Public Benefit Entity Simple Format Reporting – Accrual (Not-for-Profit)* for Tier 3 entities.	CPA Canada Handbook - Accounting, Section 4410, *Contributions – revenue recognition*; CPA Canada Public Sector Accounting Handbook, PS 4210, *Contributions – revenue recognition.*	Accounting Standards Codification (ASC) 958-605.

Issue 4 – Grant expenses

	IFRS Standards and IPSAS	UK	Australia	New Zealand	Canada	USA
Alternative 1 Follow international standards (either IFRS Standards, the *IFRS for SMEs* Standard or IPSAS) and include additional guidance on recognition, measurement and disclosure including performance related conditions.	IFRS Standards and IPSAS and the *IFRS for SMEs* Standard require a liability and an expense for a grant to be recognised when a grantor has a present obligation to fund another entity/ individual created by a past event.	The UK position generally follows IFRS Standards but includes specific provisions on performance obligations and disclosure. FRS 102 includes the requirement to provide separate disclosures for recognised and unrecognised commitments. The Charities SORP provides more detailed examples of practical application. Disclosures of any unrestricted funds designated to fund future commitments is also required.	Follows IFRS Standards.	Follows IPSAS for Tier 1 and Tier 2 entities. Additional illustrative guidance is also provided.	Accounting standards on the recognition of provisions etc. are similar to international requirements but there is no specific guidance on accounting for grant expenditure.	A liability would be recognised when the grant/promise is unconditional. Conditional grants/ promises would be disclosed only. This is unless an asset has actually been transferred, in which case the NFP would record an asset (advance receivable) until the conditions are met. Note that since the guidance parallels that for the recipient side of the transaction, and there is thus much cross-reference to those provisions.

	IFRS Standards and IPSAS	UK	Australia	New Zealand	Canada	USA
Alternative 2 Follow either IFRS Standards, the *IFRS for SMEs* Standard or IPSAS, include additional guidance on recognition, measurement incorporating the performance obligation approaches proposed in ED72 by IPSAS, when IPSAS is not used as the base.	As above			For Tier 3 PBE Simple Format Reporting – Accrual (Not-for-profit) Standard includes requirements/ guidance for accounting for grant expenses.		
Standards references	IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets, the IFRS for SMEs Standard, Section 21. IAS 1 & IPSAS 1 Presentation of Financial Statements. The IFRS for SMEs Standard sections 3 and 5*	FRS 102 paragraphs 34.57 to 34.63 and Appendix A to Section 34 and Charities SORP paragraphs 7.5 to 7.34 and 7.43 to 7.46.	AASB 137 *Provisions, Contingent Liabilities and Contingent Assets.*	PBE IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets.*		FASB ASC 958-720 Not-for-Profit Entities Other Expenses, 958-405 Not-for-Profit Liabilities, 958-405-45 Other Presentation Matters, and 958-405-50 Disclosure (including glossary entries).

Issue 5 – Measurement of assets held for their service benefit

	IFRS Standards and IPSAS	UK	Australia	New Zealand	Canada	USA
Alternative 1 Subsequent measurement of property plant and equipment follows either the cost model or the revaluation model, with additional NPO-specific guidance.	Initial recognition measured at historical cost. Subsequent measurement for property plant and equipment: entities are allowed to choose between the cost and the revaluation models. If the recoverable amount of an asset is less than its carrying amount, an entity is required to reduce the carrying amount of the asset to its recoverable amount. (IFRS Standards and IPSAS set out that an asset is impaired when the carrying amount exceeds its recoverable amount).		Initial recognition measurement at historical cost. (Not for profit entities are required to measure at fair value if consideration is significantly less than fair value.) Subsequent measurement for property plant and equipment: entities are allowed to choose between the cost and the revaluation models. Exchanges of assets measured at fair value unless the exchange transaction lacks commercial substance or is not measurable. An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.			

	IFRS Standards and IPSAS	UK	Australia	New Zealand	Canada	USA
Alternative 2 Subsequent measurement of property plant and equipment follows either the cost model or the revaluation model and includes an additional measurement base (value in use) under the revaluation model – with additional NPO-specific guidance on how to measure the service potential in those assets to be measured at 'value in use'.		Initial recognition at historical cost. Subsequent measurement for property plant and equipment: entities are allowed to choose between the cost and the revaluation models. Exchanges of assets measured at fair value unless exchange is not at commercial or measurable. Impairment – If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset must be reduced to its recoverable amount. Where an asset is held for its service potential FRS 102 recognises that a cash flow driven valuation may not be appropriate. Charities SORP provides practical guidance on the measurement of the recoverable amount when the asset is not income generating.		Initial recognition at historical cost. Subsequent measurement for property plant and equipment: entities are allowed to choose between the cost and the revaluation models. Where an asset is acquired through a non-exchange transaction, its cost must be measured at its fair value as at the date of acquisition. An asset is impaired when its carrying amount exceeds its recoverable amount.		

	IFRS Standards and IPSAS	UK	Australia	New Zealand	Canada	USA
Alternative **3** Subsequent measurement of property plant and equipment using the cost model - with additional NPO-specific guidance.					Property, plant and equipment is required to be recorded at cost. Amortisation must be recognised in a rational and systematic manner appropriate to the nature of the item and its use by the organisation. For contributed capital assets, cost is considered to be fair value at the date of contribution. In unusual circumstances when fair value cannot be reasonably determined, the tangible capital asset should be recorded at nominal value.	Purchased capital assets recognised at historical cost. The revaluation model is not permitted for subsequent measurement. Impairment follows the same accounting treatment as commercial entities (and is similar to IFRS). It discusses how contribution subsidies would be factored into a cash-flow focused test. Contributed assets are measured at fair value on initial recognition.

	IFRS Standards and IPSAS	UK	Australia	New Zealand	Canada	USA
Alternative 4 Require certain classes of assets where they are used for their service potential to be measured using the revaluation model at a 'value in use' measurement basis. For the remaining classes of assets (plant and equipment) allow a rebuttable presumption that assets measured at historical cost is a proxy for the revalued asset.		The Government Financial Reporting Manual provides guidance on the accounting for assets and liabilities. The valuation of property, plant and equipment is covered in 10.1.1 to 10.1.14.				
Standards references	IAS 16 *Property, Plant and Equipment*, IAS 36 *Impairment of Assets* The *IFRS for SMEs* Standard sections 17 and 27. IPSAS 17 *Property, Plant and Equipment* IPSAS 24 *Impairment of Non-Cash Generating Assets*. IPSAS 36 *Impairment of Cash Generating Assets.*	FRS 102 sections, 17 and 27. Charities SORP (FRS 102) Module 12 Government Financial Reporting Manual (20-21) Chapter 10.	AASB 116 *Property, Plant and Equipment*, AASB 136 *Impairment of Assets.*	PBE IPSAS 17 *Property, Plant and Equipment*, PBE IPSAS 21 *Impairment of Non-Cash Generating Assets*. PBE IPSAS 26 *Impairment of Cash Generating Assets.*	CPA Canada Handbook – Accounting: Section 4433 and Section 3061.	ASC 835-20-05-1, 835-20-30, 958-605-30-1 to 2, 958-360-30-1, 958-360-35-8.

Issue 6 – Inventory held for use or distribution

	IFRS Standards and IPSAS	UK	Australia	New Zealand	Canada	USA
Alternative 1 Measure all inventory at the lower of cost or net realisable value with additional NPO-specific guidance.	IAS 2 and Section 13 of the *IFRS for SMEs* Standard include requirements for accounting for inventory.					*Although the US standards are not based on international standards, the requirements are similar, and the US standards do not provide any exceptions to the general principles.* There is no specific guidance applicable to not-for-profit entities.
Alternative 2 Require inventory held for use or distribution to be measured at the lower of cost or current replacement cost.	IPSAS 12 includes requirements for accounting for inventory, including a requirement that inventory held for use or distribution is measured at the lower of cost and current replacement cost. IPSAS 12 does not apply to work-in-progress of services to be provided at no or nominal cost.				Sections 3031 and 3032 include requirements for accounting for inventory, including a requirement that inventory held for use or distribution is measured at the lower of cost and current replacement cost.	

	IFRS Standards and IPSAS	UK	Australia	New Zealand	Canada	USA
Alternative 3 Require inventory held for use or distribution to be measured at cost, adjusted when applicable for any loss of service potential, with disclosure of the accounting policy and impact on service delivery.		FRS 102 Section 13 includes requirements for accounting for inventory, including a requirement that inventory held for use or distribution is measured at the lower of cost, adjusted when applicable for any loss of service potential and replacement cost.	AASB 102 includes requirements for accounting for inventory, including a requirement that inventory held for use or distribution is measured at cost, adjusted when applicable for any loss of service potential; or at current replacement cost when acquired in a non-exchange transaction. AASB 102 allows work-in-progress of services provided at no or nominal cost to be expensed.	PBE IPSAS 12 includes requirements for accounting for inventory, including a requirement that inventory held for use or distribution is measured at cost, adjusted when applicable for any loss of service potential. PBE IPSAS 12 does not apply to work-in-progress of services to be provided at no or nominal cost.		
Standards references	IAS 2 *Inventories*, Section 13 the *IFRS for SMEs* Standard, IPSAS 12 *Inventories.*	FRS 102 Section 13 *Inventories* Charities SORP Module 6 *Donated goods, facilities and services, including volunteers;* Module 10 *B1.*	AASB 102 *Inventories.*	PBE IPSAS 12 *Inventories.*	CPA Canada Handbook - Accounting, Sections 3031 *Inventories* and 3032 *Inventories held by not-for-profit organizations.*	Accounting Standards Codification (ASC) 330-10 (Inventories-Overall), 330-10-15-3-a (Scope and Scope Exceptions-Entities).

Issue 7 – Financial statement presentation

	IFRS Standards and IPSAS	UK	Australia	New Zealand	Canada	USA
Alternative 1 Use existing international standards (IFRS standards, the *IFRS for SMEs* Standard or IPSAS) with additional NPO-specific guidance on the provision of additional information to meet stakeholder needs.	IFRS Standards, the *IFRS for SMEs* Standard and IPSAS require the presentation of an income statement (statement of financial performance); a statement of financial position (balance sheet); cash flow statement; and statement of changes in net assets or equity.	FRS 102 requires the presentation of an income statement (statement of financial performance); a statement of financial position (balance sheet); cash flow statement; and statement of changes in net assets or equity.	AASB 101 and AASB 107 require the presentation of an income statement (statement of financial performance); a statement of financial position (balance sheet); cash flow statement; and statement of changes in net assets or equity.	PBE IPSAS 1, PBE IPSAS 2 and PBE SFR A NFP require the presentation of an income statement (statement of financial performance); a statement of financial position (balance sheet); cash flow statement; and statement of changes in net assets or equity (not PBE SFR A NFP). PBE SFR A NFP provides guidance on types of reserve.	*Canadian standards are similar to international standards.* CPA Handbook – Section 4400 and Public Sector Accounting Handbook, PS 4200 permit, but do not require, the use of fund accounting. A statement of changes in net assets is required. The different classes of net assets to be presented are: endowments; internally and externally (other than endowments); restricted net assets; and unrestricted net assets.	

	IFRS Standards and IPSAS	UK	Australia	New Zealand	Canada	USA
Alternative 2 Use the *IFRS for SMEs* Standard and require NPOs to use fund accounting and disclosure of reserves policy in the preparation of the financial statements, with guidance on additional information to meet stakeholder needs.		Sector specific guidance (Charities SORP) requires the use of fund accounts for NPOs. A columnar approach is required in the income statement and permitted, but not required, in the statement of financial position. Funds presented separately are unrestricted funds, restricted income funds and restricted endowment funds.				ASC 958-205, 958-210, 958-220, 958-225 and 958-230 require restricted net assets and unrestricted net assets to be presented separately. Income is reported as either restricted or unrestricted. Expenditure is shown as unrestricted. As restrictions imposed by the donor are satisfied, net assets are reclassified from restricted to unrestricted to match the expenditure.
Alternative 3 Use the *IFRS for SMEs* Standard and require NPOs to use fund accounting in the preparation of the financial statements, disclosure of reserves policy and in addition prepare supplementary fund/project statements for material fund/projects.						

	IFRS Standards and IPSAS	UK	Australia	New Zealand	Canada	USA
Standards references	IAS 1 *Presentation of Financial Statements* IAS 7 *Statement of Cash Flows.* Sections 3 – 8 the *IFRS for SMEs* Standard IPSAS 1 *Presentation of Financial Statements* IPSAS 2 *Cash Flow Statements.*	Sections 3 – 8 *FRS 102* Charities SORP (FRS 102) (Second Edition) Modules 2, 4, 10 and 14.	AASB 101 *Presentation of Financial Statements.* AASB 107 *Statement of Cash Flows.*	PBE IPSAS 1 *Presentation of Financial Statements and* PBE IPSAS 2 *Statement of Cash Flows* for Tier 1 and Tier 2 entities PBE SFR A NFP, *Public Benefit Entity Simple Format Reporting – Accrual (Not-for-Profit)* for Tier 3 entities.	CPA Handbook – Accounting, Section 4400 *Financial statement presentation by not-for-profit organizations* and Public Sector Handbook, PS 4200 *Financial statement presentation by not-for-profit organizations.*	ASC 958-205 *Presentation of Financial Statements* 958-210 *Balance Sheet* 958-220 *Income Statement – Reporting Comprehensive Income* 958-225 *Income Statement* 958-230 *Statement of Cash Flows.*

Issue 8 – Classification of expenses

	IFRS Standards and IPSAS	UK	Australia	New Zealand	Canada	USA	Colombia
Alternative 1 Allow analysis by function or nature of expense.	IFRS Standards, the *IFRS for SMEs* Standard and IPSAS, require an analysis of expenses based on either their nature or their function, whichever provides information that is reliable and more relevant. IAS 1[60] and IPSAS 1 permit this information to be reported either on the face of the primary statement or in the notes.	Smaller charities are allowed the alternative to provide a nature of expense analysis.	NPOs are required to present an analysis of expenses using a classification based on either their nature or their function, whichever provides information that is reliable and more relevant.	An entity is required to present, either on the face of the primary statement of or in the notes, an analysis of expenses using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is faithfully representative and more relevant.	NFPOs may present expenses in the statement of operations by nature, function or program. Expenses should be presented in the manner that results in the most meaningful presentation.		In accordance with IFRS for SMEs.
Alternative 2 Require analysis of expenses on by nature or require analysis of expenses by function		Further and Higher Education SORP requires a nature of expenses analysis. UK GAAP for Charities requires an analysis by activity.					

[60] The current consultation will require that the primary analysis chosen is shown on the face of the financial performance standard, which underpins alternative 2.

	IFRS Standards and IPSAS	UK	Australia	New Zealand	Canada	USA	Colombia
Alternative 3 Require analysis on both a function of expense and nature of expense analysis.						NFPs are required to present or disclose their expenses by both functional and natural classification in one location in the financial statements or notes.	
Alternative 4 Hybrid expense analysis, which sets out minimum reporting categories				Tier 3 (smaller entities) are required to report against minimum expense categories that are a hybrid of nature and function.			
Standards references	IAS 1 *Presentation of Financial Statements*, Paragraph, the *IFRS for SMEs* Standard paragraph 5.11 and IPSAS 1 *Presentation of Financial statements* paragraph 109.	FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* paragraph 5.5 Charities SORP (FRS 102) (Second Edition Section 4). HEFE SORP	AASB 101, *Presentation of Financial Statements* paragraph 99.	PBE IPSAS 1 *Presentation of Financial Statements*, paragraph 109	Reference- CPA Canada Handbook – Accounting: Section 4400, Section 4470, and CPA Canada Public Sector Accounting Handbook: PS 4200, and PS 4270.	FASB ASC 958-205-45-1 to 6 and definitions ASC 958-205-20	

Issue 9 – Fundraising costs

	IFRS Standards and IPSAS	UK	Australia	New Zealand	Canada	USA
Alternative 1 Follow existing international guidance on the recognition, presentation and disclosure of expenses with NPOs deciding whether the resulting information is reliable and relevant to its users of the financial statements. Additional guidance will support NPOs.	IAS 1 and IPSAS 1 allow entities to determine their own definitions of function and similarly IFRS 8 IPSAS 18 allow entities to define their operating segments.		No specific guidance provided.	No specific guidance provided for tier 1 and tier 2 entities with additional guidance for tier 3 entities on the recognition of spend.	No specific guidance provided.	
Alternative 2 Follow existing international guidance on the recognition, presentation and disclosure of expenses with NPOs deciding whether the resulting information is reliable and relevant to its users of the financial statements. Require the disclosure of the accounting policy on fundraising costs only if such costs are disclosed or presented in the financial statements. Additional guidance will support NPOs.						

	IFRS Standards and IPSAS	UK	Australia	New Zealand	Canada	USA
Alternative 3 Develop new NPO-specific guidance that requires disclosure of the amount and accounting policy for fundraising costs.		Netting off is not permitted. The Charities SORP requires expenditure on raising funds to be presented separately as part of the functional analysis of costs. The Charities SORP provides further guidance in on what constitutes expenditure on raising funds. Further disaggregation between different types of raising funds is permitted.				Netting off is permitted for activities that are direct donor benefits (eg cost of meals, gifts etc) associated with special events such as fundraising galas. Guidance on the allocation of overheads to functions is provided.
Standards references	IAS 1 *Presentation of Financial Statements*, Paragraph, the *IFRS for SMEs* Standard paragraph 5.11 and IPSAS 1 *Presentation of Financial statements* paragraph 109. IFRS 8 *Operating Segments* and IPSAS 18 *Segment Reporting*	para 2.52 of FRS 102. paragraphs 4.44 to 4.51 of the Charities SORP.		Section A.80 PBE SFR-A (NFP) https://www.xrb.govt.nz/accounting-standards/not-for-profit/pbe-sfr-a-nfp/		FASB ASC 958-720 Not for Profit Entities Other expenses. Specific references 958-720-05-5, 958-720-25-section 4 and 5, 958-720-45-2 and 958-720-45-9

Issue 10 – Narrative reporting

	IFRS Standards and IPSAS	IIRC	UK	Australia	New Zealand	Canada	USA
Alternative 1 'Do nothing' Leave organisations/ jurisdictions to follow existing guidance on narrative reporting by NPOs.				No specific guidance provided. At federal level, charities provide a regulatory return (Annual Information Statement, AIS) to the Australian Charities and Not-for-profits Commission (ACNC).		No specific guidance provided. At federal level, registered charities must file a Registered Charity Information Return with the Canada Revenue Agency (CRA).	No specific guidance provided. At federal level, the Internal Revenue Service (IRSP form requires information on program accomplishments.
Alternative 2 Apply existing international guidance on narrative reporting, tailored as appropriate for reporting in the NPO context.	IFRS Practice Statement *Management commentary* is described as a narrative report that provides a context within which to interpret the financial position, financial performance and cash flows of an entity. It also provides an opportunity to explain objectives and its strategies for achieving those objectives. IPSAS RPGs.		The Charities SORP specifies that the report, taken together with the accounts, should provide a picture of what the charity has done (its outputs) or achieved (its outcomes), or what difference it has made (its impact). It requires, among other things, information about a charity's objectives, activities achievements and performance.		Large NPOs with public accountability (Tier 1), plus NPOs that have total expenses greater than NZ$2 million but less than NZ$30 million are required to provide, contextual information about the entity, what it intends to achieve over the medium to long term, and how, plus information about achievements in working towards its broader aims and objectives.		

	IFRS Standards and IPSAS	IIRC	UK	Australia	New Zealand	Canada	USA
Alternative 3 Apply integrated reporting, following the IIRC Framework, tailored as appropriate for reporting in the NPO context.		As well as information on the six capitals referred to in paragraph 3.7, the <IR> Framework specifies a number of content elements: a. Organisational overview and external environment; b. Governance; c. Business model; d. Risks and opportunities; e. Strategy and resource allocation; f. Performance; g. Outlook.					

	IFRS Standards and IPSAS	IIRC	UK	Australia	New Zealand	Canada	USA
Standards/ guidance references	IFRS Practice Statement (2010) *Management Commentary.* IPSAB Recommended Practice Guidance (RPG) 2 (2013) *Financial Statement Discussion and Analysis;* RPG 3 (2015) *Reporting Service Performance Information.* See paragraph 3.3.	IIRC *The International <IR> Framework* (2013).	Charities SORP (FRS 102) (Second Edition, October 2019) *Accounting and reporting by charities: the statement of recommended practice (SORP).* See chapter 1 *Trustees' annual report.*	No specific guidance but the Australian Accounting Standards Board (AASB) has project plans for both management commentary and service performance information.	Public Benefit Entity (PBE) Financial Reporting Standard (FRS) 48 *Service Reporting Performance.*		

INTERNATIONAL FINANCIAL REPORTING
FOR NON PROFIT ORGANISATIONS

Analysis of NPO-specific issues against international standards

Analysis of NPO-specific issues against international standards

The Guidance being developed will be a single document covering a range of specific financial reporting issues. The sector specific issues, developed from a number of independent sources, are examined in more detail in Part 2 of this Consultation Paper. Further information about how the list of issues included in the Consultation Paper have been derived is in Supplementary Information: Additional Project Information and in Part 2: Overview.

The specific issues identified have been grouped into five main categories:

- Reporting entity
- Accounting for incoming resources
- Accounting for outgoing resources
- Accounting for financial and non-financial assets
- Presentation, scope and content of financial reports.

These are set out below along with a description of some of the main sector specific issues relevant to each category. Against each of issues there is a high-level assessment that provides an indication of the applicability of existing standards under full IFRS Standards, the *IFRS for SMEs* Standard and IPSAS. The purpose of the analysis is to provide an indication of the extent to which current international standards address NPO-specific issues. This assessment is not an exhaustive analysis of the issues and should not be relied on as a formal interpretation of the standards.

The following key is in use for the table:

Applicability of existing standards to specific NPO reporting issue	Rating
The framework is silent on the issues or provides guidance that is largely not applicable in the NPO context	
The framework provides some guidance that could be utilised in the NPO context but does not specifically address NPO issues and requires the use of judgement in applying the guidance that exists	
The framework provides a range of guidance that appears to be directly applicable in the NPO context and to the specific issues	

Topic	Issues	IFRS Standards	The *IFRS for SMEs* Standard	IPSAS
Reporting entity				
Definition of reporting entity (including the treatment of branches)	How is a branch defined? Should all branches be accounted for as part of an NPO? What is the status of the financial statements of a branch that is not a separate legal entity? How is control defined (as NPOs may not be exposed to investee returns in a conventional sense)?	IFRS 10 *Consolidated Financial Statements* provides a definition of control that focuses on exposure or rights to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. The *Conceptual Framework* notes that a reporting entity can be a single entity or a portion of an entity or can comprise more than one entity. A reporting entity is not necessarily a legal entity.	The *IFRS for SMEs* Standard in Section 9 *Consolidated and Separate Financial Statements* provides guidance on control that focuses on the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.	IPSAS 35 *Consolidated Financial Statements* provides a definition of control that focuses on exposure or rights to variable benefits. The *Conceptual Framework* notes that a reporting entity may be an organisation, program, or identifiable area of activity. A reporting entity may have a separate legal identity or be an organisation, administrative arrangement, or program without a separate legal identity.

Topic	Issues	IFRS Standards	The *IFRS for SMEs* Standard	IPSAS
Reporting entity				
Agency relationships	When is an NPO acting as an agent and when is it acting as principal?	IFRS 15 *Revenue from Contracts with Customers* provides guidance on determining whether an entity is a principal or agent in relation to the provision of goods or services to a customer in relation to revenue recognition.	The *IFRS for SMEs* Standard has not yet been updated to reflect the principles of IFRS 15, but Section 23 *Revenue* also requires an entity to only recognise commission as revenue if it is acting as an agent.	IPSAS 9 *Revenue from Exchange Transactions* provides guidance on determining whether an entity is a principal or agent in relation to the provision of goods or services to a customer in relation to revenue recognition.
	Is any disclosure required of the gross amounts relating to agency activity or assets in custody, (including cost pass through and assets held on behalf of another entity/person)?	There is no specific guidance on recognition of accounting for expenditure in agency relationships. IAS 7 *Statement of Cash Flows* permits cash receipts and payments on behalf of customers when the cash flows reflect the activities of the customer rather than those of the entity to be reported on a net basis rather than a gross basis.	There is no specific guidance on recognition of accounting for expenditure in agency relationships.	There is no specific guidance on recognition of accounting for expenditure in agency relationships. IPSAS 2 *Cash Flow Statements* permits cash receipts collected and payments made on behalf of customers, taxpayers, or beneficiaries when the cash flows reflect the activities of the other party rather than those of the entity to be reported on a net basis rather than a gross basis.

Topic	Issues	IFRS Standards	The *IFRS for SMEs* Standard	IPSAS
Reporting entity				
Mergers and acquisitions (combinations)	What is the accounting treatment for the combination of two or more NPOs? Should merger accounting be permitted/ required? If the acquisition method is required what is the accounting for a gain/ negative goodwill?	IFRS 3 *Business Combinations* provides guidance in determining whether a transaction or other event is a business combination and requires the acquisition method to be applied so that the acquirer recognises assets acquired and liabilities assumed. It also addresses accounting for goodwill and gains (bargain purchases or negative goodwill).	The *IFRS for SMEs* Standard Section 19 *Business Combinations and Goodwill* provides guidance on identifying an acquirer, measuring the cost of the business combination and allocating the cost to the assets acquired and liabilities assumed. It also addresses accounting for goodwill and gains (bargain purchases or negative goodwill).	IPSAS 40 *Public Sector Combinations* provides accounting guidance on public sector combinations based on classification as either an amalgamation or an acquisition. Where acquisition accounting is required, this addresses accounting for goodwill and gains (bargain purchases or negative goodwill).
Intragroup transactions	When is income from a subsidiary recognised in the parent NPO's accounts taking account of legal considerations relating to the way in which the profits of a subsidiary are given to a parent? What disclosure should be required by both sides of the relationship/transaction when a branch is part of a larger NPO or an NPO is part of a group?	IFRS 10 *Consolidated Financial Statements* provides guidance on the treatment of intragroup balances and transactions in consolidated statements, including requirements to eliminate. IFRS 12 *Disclosure of Interests in Other Entities* provides guidance on disclosures (including restrictions on an entity's ability to access or use the assets and settle the liabilities of the group). IAS 27 *Separate Financial Statements* provides guidance on the preparation of separate financial statements	The *IFRS for SMEs* Standard in Section 9 *Consolidated and Separate Financial Statements* provides guidance on the treatment of intragroup balances and transactions in consolidated statements, including requirements to eliminate. Section 9 also provides guidance on disclosures (including restrictions on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans) and on the preparation of separate financial statements.	IPSAS 35 *Consolidated Financial Statements* provides guidance on the treatment of intragroup balances and transactions in consolidated statements, including requirements to eliminate. IPSAS 38 *Disclosure of Interests in Other Entities* provides guidance on disclosures (including restrictions on an entity's ability to access or use the assets and settle the liabilities of the economic entity). IPSAS 34 *Separate Financial Statements* provides guidance on the preparation of separate financial statements

Topic	Issues	IFRS Standards	The IFRS for SMEs Standard	IPSAS
Accounting for incoming resources				
Recognition and measurement of incoming resources from external sources	What are the overarching principles for the recognition and measurement of incoming resources from 'non-exchange' transactions, (of which donations, grants, services in-kind income are all categories)?	IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* provides recognition, measurement and disclosure requirements for income from government grants.	Section 24 *Government Grants* provides guidance on accounting for revenue from government grants.	IPSAS 23 *Revenue from Non-exchange Transactions (Taxes and Transfers)* provides guidance on the recognition and measurement of revenue from non-exchange transactions. An exposure draft ED 71 *Revenue without Performance Obligations* was released in February 2020 and will provide revised guidance once it becomes a full standard.
	Is there anything NPO-specific regarding exchange transactions (eg provision of services to third parties)?	For revenue from exchange transactions IFRS 15 *Revenue from Contracts with Customers* establishes principles for reporting on the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.	It has also not yet been updated to reflect the principles of IFRS 15, but Section 23 *Revenue* covers accounting for revenue arising from the sale of goods, rendering of services, construction contracts and the use by others of entity assets yielding interest, royalties or dividends.	IPSAS 9 *Revenue from Exchange Transactions* covers accounting for revenue arising from the sale of goods, rendering of services, and the use by others of entity assets yielding interest, royalties, and dividends or similar distributions. IPSAS 11 *Construction Contracts* covers accounting for revenue from construction contracts. An exposure draft ED 70 *Revenue with Performance Obligations* was released in February 2020 and will provide revised guidance once it becomes a full standard.

Topic	Issues	IFRS Standards	The IFRS for SMEs Standard	IPSAS
Accounting for incoming resources				
Cash transfers – donations, grants and other contributions with time and purpose requirements and other criteria/ performance obligations	Timing of income recognition and definition of performance criteria/obligation. What is the recognition and measurement process when receiving donations that are used to fulfil requirements (including a specific time and purpose requirement) in subsequent periods? When should donations to purchase a capital asset be recognised? What if the donation is repayable if the asset, at some future date, is no longer used for its intended purpose?	IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* provides recognition, measurement and disclosure requirements for income from government grants.	Section 24 *Government Grants* provides guidance on accounting for revenue from government grants.	IPSAS 23 *Revenue from Non-exchange Transactions (Taxes and Transfers)* provides guidance on present obligations which may give rise to a liability in respect of any non-exchange revenue.
Services in-Kind (including volunteers)	When should services in-kind be recognised and if so how are they measured? What disclosures should be provided? Recognition and measurement of 'right of use' donations (including free use of space and equipment)?	IFRS Standards provide no specific accounting guidance on the recognition of services in-kind.	The *IFRS for SMEs* Standard provides no specific accounting guidance on the recognition of services in-kind.	IPSAS 23 *Revenue from Non-exchange Transactions (Taxes and Transfers)* provides guidance on accounting for services-in-kind. It does not require recognition of services-in-kind but encourages disclosure.

Topic	Issues	IFRS Standards	The IFRS for SMEs Standard	IPSAS
Accounting for incoming resources				
Gifts in-kind (non-financial assets and inventory)	When should gifts in-kind be recognised and how should they be measured, including low value items such as inventory (second-hand for sale and new for distribution as part of charitable activities)? How should assets financed by capital grants be recognised and measured (ie gross or net), and the implications for the recognition of the grant in income? How should assets that can only be used for a specific purpose and may have to be returned be measured initially and subsequently?	IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* provides guidance if received from a government entity.	Section 24 *Government Grants* provides guidance if received from a government entity.	IPSAS 23 *Revenue from Non-exchange Transactions (Taxes and Transfers)* provides guidance on accounting for Gifts and Donations, including Gifts-in-Kind.

Topic	Issues	IFRS Standards	The IFRS for SMEs Standard	IPSAS
Accounting for incoming resources				
Recognition of legacy/ bequest income and endowments	When should bequests be recognised? What are the considerations involved with perpetual trusts and/or a portfolio of similar smaller assets? How are endowments recognised and classified, including the treatment of the initial contribution, subsequent changes in the value of the initial contribution and treatment of income earned? How should income from endowments be presented in the operating statement and balance sheet? What disclosures should be required for any restrictions on the entity?	IFRS Standards provide no specific guidance on accounting for legacies and bequest income. IFRS Standards provide no specific guidance on accounting for endowments.	The *IFRS for SMEs* Standard provides no specific guidance on accounting for legacies and bequest income. The *IFRS for SMEs* Standard provides no specific guidance on accounting for endowments.	IPSAS 23 *Revenue from Non-exchange Transactions (Taxes and Transfers)* provides guidance on accounting for bequests, gifts and donations. IPSAS provides no specific guidance on accounting for endowments.
Accounting for outgoing resources				
Grant expenses	Recognition and measurement of NPO 'non-exchange' transfers to individuals and other entities? When is a liability recognised (whether a grant or promise), particularly in a multi-year arrangement?	IFRS Standards provide no specific guidance for accounting for grant expenditure by an entity.	The *IFRS for SMEs* Standard provides no specific guidance for accounting for grant expenditure by an entity.	There is presently no specific IPSAS on non-exchange expenses related to grants. An exposure draft ED 72 *Transfer Expenses* was released in February 2020 and will provide guidance once it becomes a full standard.

Topic	Issues	IFRS Standards	The IFRS for SMEs Standard	IPSAS
Accounting for financial and non-financial assets				
Measurement of tangible and intangible assets held for their service potential	How should assets that are held for service potential be measured, both initially and subsequently? How do you identify impairment where assets are held for service potential (eg assets do not generate any income, or generate income at below market rate)? When an impairment has been recognised, what disclosures should be made?	IFRS Standards provide for initial recognition at cost but no specific guidance on the subsequent measurement of tangible and intangible assets held for their service potential.	The *IFRS for SMEs* Standard requires such assets to be held under a cost model or a revaluation model based on fair value with no specific guidance on the subsequent measurement for assets held for their service potential.	IPSAS 17 *Property, Plant and Equipment,* IPSAS 31 *Intangible Assets,* and IPSAS 21 *Impairment of Non-Cash Generating Assets* contain guidance on initial and subsequent measurement, including impairment, and disclosures for tangible and intangible assets.
Heritage assets and/or obligations	Recognition and measurement of heritage assets. What disclosures should be made about the nature and scale of heritage assets and acquisition, preservation etc. of the collection? Recognition and measurement of significant heritage obligations, and any impact on the measurement of related assets?	IFRS Standards provide no specific guidance on heritage assets.	The *IFRS for SMEs* Standard provides no specific guidance on heritage assets.	IPSAS 17 *Property, Plant and Equipment* and IPSAS 31 *Intangible Assets* provide limited guidance on accounting for heritage assets. Recognition of heritage assets is permitted but not required. IPSASB released a consultation paper on accounting for heritage assets in 2017 and an exposure draft is currently being developed. There is presently, however, no standard.

Topic	Issues	IFRS Standards	The IFRS for SMEs Standard	IPSAS
Accounting for financial and non-financial assets				
Concessionary loans for social purposes	What is the definition of a concessionary loan? What is the initial and subsequent measurement of special credit conditions? What is the treatment within a group if there is an inter-company loan with a for-profit entity? What disclosures should be made?	IFRS 9 *Financial Instruments* requires that when a loan is not on commercial terms it must be split into a 'below-market' element and a 'loan' element with the below-market element accounted for under the Conceptual Framework if no relevant standard exists.	The *IFRS for SMEs* Standard provides no specific guidance on concessionary loans.	IPSAS 23 *Revenue from Non-exchange Transactions (Taxes and Transfers)* provides guidance on recognising non-exchange revenue related to concessionary loans. IPSAS 41 *Financial Instruments* provides guidance on the recognition and measurement of concessionary loans and IPSAS 30 *Financial Instruments: Disclosures* provides guidance on concessionary loan disclosures.
Concessionary leases	How should such arrangements be accounted for?	There is no specific guidance in IFRS Standards on accounting for concessionary leases.	There is no specific guidance in the *IFRS for SMEs* Standard on accounting for concessionary leases.	There is no specific guidance in IPSAS on accounting for concessionary leases.
Accounting for investment/ financial assets	Classification, recognition and measurement requirements.	IFRS 9 *Financial Instruments* provides guidance for the classification, recognition and measurement of investments and other financial assets.	The *IFRS for SMEs* Standard provides guidance in Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instrument Issues*.	IPSAS 41 *Financial Instruments* provides guidance for the classification, recognition and measurement of investments and other financial assets.

Topic	Issues	IFRS Standards	The IFRS for SMEs Standard	IPSAS
Accounting for financial and non-financial assets				
Service concessions arising in NPOs as grantor	When do these arise in the non-profit sector eg low income housing? What disclosures are required?	SIC 29 *Service Concession Arrangements: Disclosures* provides guidance on the disclosures to be made by grantors.	The *IFRS for SMEs* Standard provides no specific guidance on grantor accounting requirement in service concessions.	IPSAS 32 *Service Concession Arrangements: Grantor* provides guidance on accounting requirements of grantors in a service concession arrangement.
Service concessions arising in NPOs as operator	When do these arise in the non-profit sector eg low income housing? What disclosures are required?	IFRIC® Interpretations 12 provides accounting guidance to the operator in a service concession arrangement. SIC 29 provides guidance on the disclosures to be made by an operator.	The *IFRS for SMEs* Standard provides accounting guidance for the operator in a service concession arrangement in Section 34, *Specialised Activities.*	IPSAS does not provide specific accounting guidance for the operator in a service concession arrangement.
Inventory held for use or distribution	Should low value, high volume inventory, such as donated items for re-sale be recognised? How should donated inventory such as pharmaceuticals be measured if close to their 'use by' date and potentially not usable? If inventory is impaired, how is the value of the impairment calculated?	IFRS Standards provide no specific guidance on donated inventory that is low value/ high volume or held for onward redistribution.	The *IFRS for SMEs* Standard provides no specific guidance on donated inventory that is low value/ high volume or held for onward redistribution.	IPSAS 12 requires that donated inventory is initially measured at fair value (this is discussed in the Revenue chapter). Inventory held for use or distribution is subsequently measured at the lower of cost and current replacement cost. IPSAS 12 does not apply to work-in-progress of services to be provided for no or nominal consideration.

Topic	Issues	IFRS Standards	The IFRS for SMEs Standard	IPSAS
Form and content of financial reports				
Financial statement presentation	How should financial statements be presented to help the user understanding of an NPO's activities? Should there be disclosure of material categories of income and expenditure and/or transactions? How should unrestricted and restricted funds that can be used for specific NPO purposes be presented for the main financial statements and notes (including reserves)? How does this align with donor reporting requirements?	IAS 1 *Presentation of Financial Statements* provides guidance on the reporting requirements for the presentation of financial statement and disclosure of material elements.	The *IFRS for SMEs* Standard Section 3 *Financial Statement Presentation* explains fair presentation of financial statements, what compliance with IFRS for SMEs requires and what a complete set of financial statements is. There are individual Sections providing requirements on: 4 *Statement of Financial Position* 5 *Statement of Comprehensive Income and Income Statement* 6 *Statement of Changes in Equity and Statement of Income and Retained Earnings* 7 *Statement of Cash Flows*	IPSAS 1 *Presentation of Financial Statements* provides guidance on the reporting requirements for the presentation of financial statements and disclosure of material elements.
Categorisation of expenses – function or nature	Should the primary analysis of expenses be based on function or nature of spend? What should the primary headings be?	IAS 1 *Presentation of Financial Statements* requires that an entity presents, either on the face of the statement of financial performance or in the notes, an analysis of expenses using a classification based on either the nature of expenses or their function within the entity, whichever provides information that most reliable and relevant.	Section 5 of the *IFRS for SMEs* Standard requires that an entity present an analysis of expenses using a classification based on either the nature of expenses or the function of expenses within the entity, whichever provides information that is reliable and more relevant.	IPSAS 1 *Presentation of Financial Statements* requires that an entity presents, either on the face of the statement of financial performance or in the notes, an analysis of expenses using a classification based on either the nature of expenses or their function within the entity, whichever provides information that most reliable and relevant.

Topic	Issues	IFRS Standards	The IFRS for SMEs Standard	IPSAS
Form and content of financial reports				
Costs of fundraising	How should the costs of fund raising be defined (for example, whether to include business development spend and/or overheads)? How should the costs of fundraising be recognised and/or presented (ie on a gross basis or netted against income)?	IFRS Standards provide no specific guidance on defining the costs of fundraising.	The *IFRS for SMEs* Standard provides no specific guidance on defining the costs of fundraising.	IPSAS provides no specific guidance on defining the costs of fundraising.
Narrative reporting, (including service reporting)	What should the narrative/non-financial reporting requirements be for NPOs? Should ratios be required for narrative reporting? If they are included, how should costs be classified been support costs and those attributable to operational delivery?	IFRS Practice Statement 1 *Management Commentary provides some* key principles for management commentary, and additional guidance in areas including the nature of the business, objectives and strategies, resources, risks and relationships, results and prospects, and performance measures and indicators.	IFRS Practice Statement 1 *Management Commentary* is applicable to management commentary that relates to financial statements prepared in accordance with IFRS Standards. There is no reference to the *IFRS for SMEs* Standard.	Guidance on narrative reporting is contained within IPSAS Recommended Practice Guideline 1 *Reporting on the long term sustainability of an entity's finances,* Recommended Practice Guideline 2 *Financial Statement Discussion and Analysis,* and Recommended Practice Guideline 3 *Reporting Service Performance Information*.

Topic	Issues	IFRS Standards	The IFRS for SMEs Standard	IPSAS
Form and content of financial reports				
Related party transactions	Definition, required disclosures and presentation of related party transactions. Implications of local legal requirements?	IAS 24 *Related Party Disclosures* provides guidance to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.	The IFRS for SMEs Standard Section 33 *Related Party Disclosures* provides guidance to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.	IPSAS 20 *Related Party Transactions* provides guidance on the disclosure of the existence of related party relationships where control exists, and the disclosure of information about transactions between the entity and its related parties in certain circumstances.
Remuneration/pay disclosures	What disclosures should be made and who should be included?	IAS 24 *Related Party Disclosures* provides guidance on the disclosure of key management personnel compensation.	The *IFRS for SMEs* Standard Section 33 *Related Party Disclosures* provides guidance on the disclosure of key management personnel compensation.	IPSAS 20 *Related Party Transactions* provides guidance on the disclosure of the remuneration of key management personnel.

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