



# IFR4NPO Project

Advice and Requests  
Technical Advisory Group meeting

28 February 2023

TAGED10





# Session outline



# Agenda item 1 – Revenue

## 1.1 Advice

- a) The two separate parts follows the rules of the road. It would be enhanced by flowcharts, and/or a decision tree, to help users navigate the document. A side by side chart that shows a comparison of the terminology between Part I and Part II would be helpful.
- b) Support a single integrated section for revenue, but if they are separated support the approach taken with grants and donations first.
- c) Suggest we exercise caution in asking a question about the separation of the sections. Suggest that fieldwork is used ahead of the ED coming out.
- d) The extent of the duplication between Part I and Part II is not overwhelming.
- e) Having the steps in order in Part I is helpful and it may be helpful to be more explicit about the headings and make the link to Part II

# Agenda item 1 – Revenue

## 1.1 Advice

- f) Important to have a preface to help navigation. Additional examples might include a transaction that involves Part I and Part II.
- g) The Preface comes across as being rules based and it would be better to be more clearly principles based. For example, need to consider where a transaction extinguishes a liability.
- h) Consider the use of terminology particularly reciprocal vs non-reciprocal and 'significantly below fair value' rather than 'nominal value' as this can be a matter of judgement.
- i) Is the term 'binding grant agreement' wide enough for the range of resources. It needs to be clear in the guidance. Could the term be broadened to binding grant/donation arrangement.
- i) Check that terminology is being used consistently, particularly arrangements with no restrictions and no binding arrangement.

# Agenda item 1 – Revenue

## 1.1 Advice

- j) Note that the 5 step model in Section 23 of IFRS for SMEs has been welcomed in outreach in a number of regions because of the simplifications that it provides, but this is not universal.
- k) For services in-kind the idea of ‘would otherwise have been purchased’ may be problematic and the focus should be on reliable measurement, or on disclosure rather than recognition. Services in-kind that are recognised should be linked to their criticality to the NPO’s mission. The rationale for recognising non-cash donations are not landing with some stakeholder groups.
- l) Need to be clear whether we are proposing a practical expedient or permitted exception for goods in-kind and services in-kind. View that practical expedient is a simplification and permitted exception means that a requirement doesn’t have to be met.
- m) Are donations adequately covered, for example on-line donations to meet a specific purpose. Need to be clear as to the extent that this is a binding arrangement.

# Agenda item 1 – Revenue

## 1.1 Advice

- n) The wording of G23.68 might introduce a level of optionality in terms of point of time versus over time, rather than providing the additional guidance as intended.
- o) Have a reference to compliance obligations in the definition of a binding grant agreement to provide clarity about whether a binding grant arrangement can have restrictions (which are not compliance obligations).
- p) Where a binding grant arrangement requires a matching grant clarify whether this is a grant arrangement with restrictions.
- q) Support the approach that the illustrative examples focus on grants and donations rather than contracts with customers, noting that IFRS for SMEs does not include illustrative examples.

# Agenda item 1 – Revenue

## 1.2 Requests

- a) Explore the use of flow charts and means to help navigation and to understand the relationship between terminology in Part I and Part II.
- b) Include a range of examples in the Implementation Guidance to illustrate the concepts including an example of on-line donations, grants and services in-kind and non-cash consideration.
- c) Include an SMC on measurability of services in-kind.
- d) Explore the position of text on services in-kind around reliable measurement and whether recognition is permitted or required.

# Agenda item 1 – Revenue

## 1.2 Requests

- e) In the simplified approach for single compliance obligations be clear about which steps aren't necessary.
- f) Consider whether a section on terminology is need before the accounting for transactions
- g) Include an SMC on the amount of disclosure that is needed
- h) Explore the use of flow charts and means to help navigation and to understand the relationship between terminology in Part I and Part II



# Agenda item 2 – Grant expenses

## 2.1 Advice

- a) The proposed title of the section is too long and an alternative should be considered, noting the US uses contributions made.
- b) The definition of grant expense may be too broad and could include all programme work.
- c) General obligation may not be sufficient for deferral. Need to be careful not to blur the line between restrictions and compliance obligations. A matching grant may create an obligation but then once the arrangement is in place the funds could be unrestricted.

# Agenda item 2 – Grant expenses

## 2.1 Advice

- d) This section should more closely mirror the revenue section.
- e) With regard to the enforceability of customary practices, this seems to create a higher hurdle for recognition of a constructive obligation than used by the IASB, which may not be the intention.
- f) It is questionable whether general statements made by an NPO are likely to give rise to a constructive obligation.

# Agenda item 3 – Foreign currency translation

## 3.1 Advice

- a) The reasons for the proposed additional disclosure for gains and losses on exchange are not clear.
- b) The proposed disclosure needs to make clear whether it is a presentation or disclosure requirement.
- c) The examples are good and helpful. The policy on the use of restricted and unrestricted presentation needs to be clear in the core guidance.
- d) Noted that the IASB have a project on lack of exchangeability.

# Agenda item 4 – Non-prioritised Sections

## 4.1 Advice

- a) Not clear why Section 26 is needed and the basis for conclusions does not make this clear.

# Agenda item 4 – Non-prioritised Sections

## 4.2 Requests

- a) Remove Section 26 from ED 2.