



IFR4NPO Project

Advice and Requests
Technical Advisory Group meeting

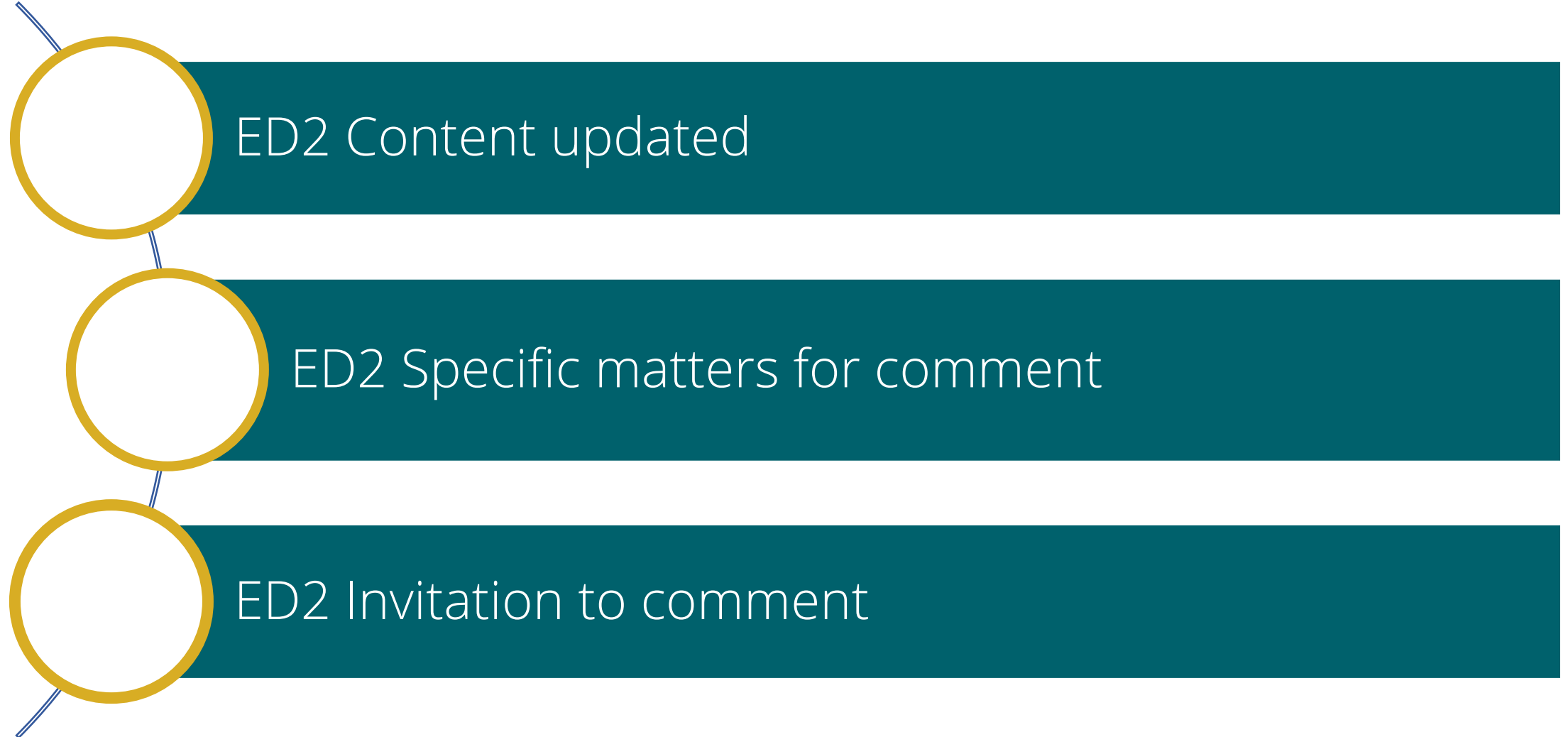
27 June 2023

TAGED13





Session outline



Agenda item 1 – ED2 Outstanding issues

1.1 Advice (Inventories)

- a) A description of those items not recognised due to the exercise of the accounting policy choice is needed in either G13.26 or G13.27.
- b) Clarification is required as to whether paragraph G13.8 relates to initial or subsequent measurement.
- c) If the rebuttable presumption for inventory is to be part of the standard it should be first located in core text, not the Authoritative Guidance.
- d) The scope of the inventories section is missing the category of goods donated for other purposes such as distribution to volunteers or prizes.
- e) Is it necessary in G13.2 c) to scope out inventories subject to an exception, as they are already scoped out.

Agenda item 1 – ED2 Outstanding issues

1.1 Advice (Revenue)

- f) The changes made to the Revenue section including the layout and the introduction of unique terminology is an improvement. Recognition is needed of the balance between using terms that are recognised in the sector and defined accounting terms.
- g) There may be a range of ways in which agreements are enforced, which is the challenge in defining the revenue recognition point.
- h) Terms like 'undertaking' may have different meanings in different jurisdictions, which may cause confusion. It is useful to describe that an NPO undertakes an activity to enable an enforceable grant obligation to be met, but a defined term is not necessary.
- i) Noted that it can be difficult to measure outcomes and whether these have been met, and as a matter of course whether you would ever end up measuring on outcomes.

Agenda item 1 – ED2 Outstanding issues

1.1 Advice (Revenue)

- j) Amend the definition of an enforceable grant arrangement to make clear that there must be at least one enforceable grant obligation. Might be useful to include bullet points to break up the long sentence containing the definition. It is noted that grant arrangements can be ambiguous and require best endeavours rather than deliver of all defined requirements.
- k) The term fund agreement feels too broad for the context and does not resonate. As the intention is to capture anything that is not an enforceable grant arrangement, perhaps other funding agreement or unenforceable arrangements would be a better term.
- l) Is it the intention that all of Part II applies where a transaction is more complex (G23.73), rather than the relevant elements? Also, it should be communicated that Part II is broad enough to encompass NPO transactions.
- m) The guidance on mission critical services needs to be more transparent in the guidance.
- n) It was not entirely clear why the revenue section cross references to expenses (G23.7).

Agenda item 1 – ED2 Outstanding issues

1.1 Advice (Foreign currency translation)

- o) The requirement to disclose foreign currency gains and losses is too general, and the requirements need to be more explicit.
- p) A permanent deficit on an arrangement that is presented as funds with restrictions might not be possible, as eventually the deficit will need to be made good.

Agenda item 1 – ED2 Outstanding issues

1.2 Requests

- a) In tightening Section 13, cross check with IPSASB staff about how it is applying the new measurement standard to inventories.
- b) Ensure that the basis for conclusions for Revenue explain the difference in terminology to IPSAS.
- c) Explain how 'undertaking' is to be used in relation to enforceable grant arrangements in the Basis for Conclusions and that it is not a defined term. The role of best endeavours needs to be reflected in the discussion in the Basis for Conclusions.
- d) Examine how key terms will be translated and whether they need, as a result, tightening.
- e) Use the term 'other funding arrangement' instead of funding agreement.

Agenda item 2 – ED2 Specific matters for comment

2.1 Advice (general)

- a) An umbrella question, such as 'do you agree with this section', could be used rather than listing out all of the decision points?
- b) Questions that have dependencies with others could be put together.
- c) Canada are exposing their contributions standard for 6 months reflecting the commitments of likely respondents. A longer exposure period for ED2 is appropriate.
- d) Helping early engagement with the material is encouraged, noting that an education period early in the process has proved helpful elsewhere.

Agenda item 2 – ED2 Specific matters for comment

2.1 Advice (inventories)

- e) A question about the disclosure requirements on inventory, or disclosure requirements in other sections, perhaps as a single question for all sections might be useful.
- f) Summarising inventory exceptions might be useful to consolidate the questions, acknowledging this makes a longer single question.
- g) Check that the questions on inventory line up with the proposed drafting.

Agenda item 2 – ED2 Specific matters for comment

2.1 Advice (revenue and grant expenses)

- h) Question 4b) might not be needed depending on amendments to terminology.
- i) A more general question on enforceable grant obligations would reduce the number of questions
- j) An introductory section for Sections 23 and Section 24 that covers questions on common terminology could reduce duplication
- k) A question about the potential practical difficulties of allocating the transaction value to obligations would be useful. Also, respondents may also want to talk about surplus and deficits and a question to enable this would be useful.
- l) The question proposed Section 29 Income tax needs to be amended to obtain information about which aspects of this section might not be necessary for NPOs in certain jurisdictions.

Agenda item 3 – Invitation to comment

3.1 Advice

- a) Participation depends on the availability of translations. There are benefits in field testing the translation of key terms.
- b) The invitation to comment and the Basis for Conclusions seem to go through similar material, noting that the Basis for Conclusion will only be available in English.
- c) In terms of surpluses and deficits it would be useful to make the link to narrative reporting and performance. Also, useful to have in the summary the signposting to fund accounting in ED3.
- d) Need to make clear that ED2 does not include the feedback from ED1.

Agenda item 3 – Invitation to comment

3.2 Requests

- a) Make clear the links between revenue and grant expenses within ED2.

Acronyms

Acronym	Full name	Description
ED	Exposure Draft	A document published by the INPAG Secretariat to solicit public comment on proposed reporting guidance
IFRS	International Financial Reporting Standards	A set of accounting standards developed by the International Accounting Standards Board (IASB) for use by profit making private sector organisations internationally
INPAG	International Non-profit Accounting Guidance	High quality, trusted, internationally recognised financial reporting guidance for NPOs being developed as part of IFR4NPO.
NPO	Non-profit Organisation	For the purposes of INPAG, these are organisations that have the primary objective of providing a benefit to the public, direct surpluses for benefit of the public, and are not government or public sector entities.
SMC	Specific matter for comment	A question raised in a consultation document, including the Exposure Drafts on which specific feedback is sought