Revenue

Q1. Do you agree that revenue is only deferred where the grant recipient has a present obligation in relation to the revenue received? If not, in what other circumstances could revenue be deferred and what is the conceptual basis for this proposal?

Not sure what problem this is trying to solve. These proposals could lead to complications for accountants. Explanatory notes needed for non-financial managers / directors.
We struggled with understanding this question/finding examples of when it might happen, so it wasn't necessarily clear enough to be something people do. Not sure what I'm trying to say there, even! In general, having worked out what we were being asked, the answer was yes!
I believe the deferral of grants should encompass situations where income received is earmarked for a future period.

Q2. Do you agree that donations in-kind (both gifts in-kind (including donated inventory) and services in-kind) should be measured at fair value? If not, what would you proposed instead?

Need to define 'fair value' carefully, to avoid misunderstandings.
Determining the fair value of gifts in kind is highly subjective - how should it be valued, and what audit procedures ensure accuracy? Discrepancies between the value to the client and the value perceived by the donor can lead to audit complexities
I completely agree that donations of items for sale or use shouldn't be assessed as stock on the balance sheet date. In the past, auditing donated goods during stock takes hasn't seemed like a productive use of time for either the client or the auditors. Moreover, using a sophisticated stock system akin to a retail business when dealing with donated stock often isn't feasible, raising concerns regarding cutoff and record-keeping practices.

Q3 Do you agree that services in-kind are not required to be recognised unless they are mission critical? If not, on what basis should services in-kind be recognised and what is the rationale?

What is 'mission-critical'? Suggest replacing with 'material'. Need to disclose services-in-kind, even if not accounted for. (Help avoid forced labour)
There's a need for a more specific approach to donations in kind, as the current level of discretion can lead to confusion and hinder comparability. Assigning value to volunteer time can be highly subjective and may inadvertently disclose employee information if used for fair value. Moreover, subjective valuations might impact volunteer or staff retention, hence it's advisable to disclose volunteer hours without assigning a monetary value. Additionally, this practice could potentially push the organization into an audit threshold. Auditors face challenges in verifying these figures and must be equipped to audit both hours and their valuation, which may involve scrutinising timesheets or recording mechanisms.

Yes, we also wondered about 'Mission Critical' and how to define this.

Other topics in ED2

Q1 Do you agree with the principle that exchange gains and losses are shown as part of funds without restrictions unless they relate to a transaction that is to be shown as restricted? If not, why not?

Exchange gains and losses are determined by the nature of the transaction and may vary depending on the agreements with the donor. Typically, unrestricted funds would absorb these gains or losses. However, defining what constitutes 'significant' gains or losses poses a challenge. Should this be outlined in a service agreement, and is it necessary to define it in the INPAG document?
Need to define ‘restricted’. Need to set a significance test for gains / losses. Need to clarify dates used for calculating exchange rates.
In my experience, gains or losses aren't typically absorbed by the restricted fund. As a result, they usually fall under the responsibility of the unrestricted fund.
While in essence this makes sense, for international NGO's operating in multiple countries, multiple functional currencies, and handling pooled accounts, I'm afraid it would be almost impossible to track sources of exchange rate difference.

Q2 Are there any NPO-specific recognition and measurement issues associated with foreign currency translation? If so, explain your comments and the NPO-specific recognition and measurement issues.

In discussions about Functional Currency, it's unclear to me from the explanations provided by the project leaders whether the approach is tied to the currency in which donations are received or if it aligns with the economy of the country primarily impacting the operations of NPO entities. This uncertainty arises because focusing solely on the currency of donations and subsidies received might overlook specific effects of the economy in countries where projects are executed.
At what point would we measure gains or losses? Additionally, other expenses such as bank transfer charges must be factored into the costs. There may be varying requirements based on different factors; for instance, donations represent the most significant divergence. NPO costs could potentially be waived if transferred to, for example, Zimbabwe, where larger organisations may offer more favourable exchange rates.
Cases of multiple-currency use (raising money in one currency, processing it in a second, and making payments in a third) are not uncommon, leading to very unclear exchange rates.
Grant currency may need to be different to main currency of accounts.

Q3 Given the characteristics of NPOs, do you agree that guidance on share-based payments is not required and should be removed in all places across INPAG? If not, provide examples of share-based payments and explain how they are used.

We agree.
is it worth saying that, if an NPO does make share-based payments, it follows IFRS for SMEs?