



INTERNATIONAL FINANCIAL REPORTING
FOR NON PROFIT ORGANISATIONS

International Non-profit Accounting Guidance (INPAG) Exposure Draft 3

Response template

Please use this form to record your responses to the Specific Matters for Comment relating to [INPAG Exposure Draft 3](#)

Comments are most helpful if they:

- a) Address the question asked;
- b) Contain a clear explanation to support the response provided, whether this is agreeing or otherwise with any proposals made;
- c) Propose alternatives for consideration, where responses are not in agreement with the proposal made;
- d) Specify the INPAG paragraphs to which any comments relate; and
- e) Identify any wording in the proposals that might not be clear because of how they translate.

The text boxes will expand as required. There is no size limit. There are **11 question areas**, according to the various sections in INPAG. You do not need to answer all questions and can choose to answer as many or as few as you wish. You may comment on any aspect of Exposure Draft, not just the specific matters identified. General comments should be added at the end of this document.

Responses must be received by **16 September 2024 and must be in English**.

Responses can be submitted to ifr4npo@cipfa.org or through the website at www.ifr4npo.org/have-your-say

Respondent information:

First name:	Meti	Country: (this should be the country in which you are based)	Ethiopia
Last name:	Busha	Professional interest: please choose from: <ul style="list-style-type: none"> • NPO, ie preparer of financial statements, • auditor, • accounting standard setter, • professional accounting organisation, • regulator of NPOs, • donor, • academic, • civil society, • user of NPO services, • other (please state) 	NPOs & consultants
Email:			
Position:	IFR4NPO Country Champion		
Organisation: (who do you work for)	Financial Management Trainer and Consultant, AGAR		
Response submitted:	as a group of individuals organised by Meti Busha and Ruth W/Tensay.		
Please indicate whether you wish to receive further information about this project and consent to being contacted at the email address provided.			Agree Disagree

This document has been designed purely to enable feedback to Exposure Draft 3. Participation is undertaken on an entirely voluntary basis. The responses will be used to shape the development of INPAG and not for any other purpose. We ask for your name and contact information to enable us to contact you if we should have any clarifications regarding your responses. Responses will be public, but personal contact information will not be disclosed. Personal information will only be held for the purposes of developing INPAG. You may withdraw your consent for us to hold any of your personal information at any time by contacting us at ifr4npo@cipfa.org.

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Specific Matters for Comment

Question 1: Fund accounting

INPAG Section 36 sets out the characteristics of a fund for the purposes of INPAG and whether a fund is presented in the financial statements as being with or without restrictions. A fund is presented as with restrictions where the use of resources is limited to a specific purpose or activity as a consequence of externally imposed legal or equivalent arrangements or where a fund is established for a fundraising campaign with an externally communicated commitment on the specific use for the funds. The guidance requires that the income, expenses, assets and liabilities associated with a fund are recorded. New disclosures are required for fund balances and movements in the year. INPAG Section 5 has been amended to remove the requirement to disclose funds with and without restrictions on the face of the Statement of Income and Expenses.

1 Fund accounting	References	Response
a) Do you agree that the ED1 requirement to present funds with restrictions and funds without restrictions on the face of the Statement of Income and Expenses should be removed? If not, why not?	G5.3, AG5.4	Agreed. The requirement to present funds with restrictions and funds without restrictions on the face of the Statement of Income and Expenses should be removed. Transparency is critical for stakeholders, especially for non-profit organizations (NPOs) where trust is paramount. Presenting these funds separately allows stakeholders to quickly assess how resources are allocated and whether they comply with donor restrictions. Maintaining this disclosure can enhance accountability and provide clearer insights into the financial health and operational integrity of the organization.
b) Do you agree that the guidance in Section 36 will ensure that material funds can be identified? If not, what changes would you propose? Is there a risk that funds are not identified?	G36.3–G36.4, Figure AG36.1	Agreed. The guidance in Section 36 has the potential to ensure that material funds can be identified. However, there is a risk that without explicit requirements for presentation, smaller or less material funds might go unnoticed. To mitigate this risk, we propose that there be a threshold for materiality that requires even smaller funds to be disclosed if they represent a significant portion of total fund activity. This would help maintain visibility/transparency over all funds and ensure that stakeholders are fully informed about the organization's financial

1 Fund accounting	References	Response
<p>c) Do you agree that income, expenses, assets and liabilities are tracked for each fund? What are the costs and benefits? What, if anything, would you change and why? What are the practical considerations?</p>	<p>G36.5, G36.7, AG36.3</p>	<p>activities.</p> <p>Agreed. The tracking income, expenses, assets, and liabilities for each fund is essential for accurate fund accounting. This will benefit to have an enhanced financial management, better fundraising strategies, and improved reporting for stakeholders. However, there will be a workload and an increased administrative burden to track expenses and income.</p> <p>Practical considerations include ensuring that accounting software is adaptable to track funds separately without creating undue strain on financial resources.</p>
<p>d) Do you agree with the two criteria for a fund to be a fund with restrictions? If not, what would you change and why?</p>	<p>G36.9</p>	<p>Agreed with the two criteria for a fund to be classified as a fund with restrictions. The clarity provided by these criteria helps organizations align their financial practices with donor expectations and legal requirements. However, we suggest that further examples and clarifications be provided in the guidance to avoid ambiguity, especially for organizations that may be working with various types of funding sources and restrictions. This would help ensure uniformity in application across different organizations</p>
<p>e) In order to provide transparency about the finances of an individual fund, do you agree that all the expenses should be charged against a fund with restrictions even if there are currently insufficient resources to cover these, or specific costs are not eligible under a grant arrangement? If not, what alternative would you propose and why?</p>	<p>G36.11–G36.12</p>	<p>Not agreed that all expenses should be charged against a fund with restrictions if there are insufficient resources or if specific costs are not eligible under a grant arrangement. This could lead to misleading financial statements and an inaccurate portrayal of the fund's financial health. Instead, I propose that only eligible expenses that directly relate to the purpose of the fund should be charged against it. This approach maintains transparency while ensuring that the financial statements reflect a true and fair view of the fund's position.</p>
<p>f) Do you agree with the NPO funds disclosures requirements? If not, what would you change and why?</p>	<p>G36.21–G36.23</p>	<p>Agreed. The disclosure requirements should be complied with the NPO as they promote transparency and understanding of how funds are utilized within the organization.</p>
<p>g) Do the Illustrative examples demonstrate the key concepts in fund accounting? If not, what would you change and why?</p>	<p>Implementation Guidance – Section 36</p>	<p>The illustrative examples provided do a commendable job of demonstrating the key concepts in fund accounting with funding restrictions or without funding restrictions. However, it would have been good to use the fund to procure PPE to be restricted for specific activity and when the activity is over the PPE can be used for general purpose. Such kind of instances should be disclosed in detail for the user of financial statements to get more clarity and applicability.</p>

Question 2: Presentation of expenses, fundraising costs and related disclosures

INPAG Section 24 Part II provides guidance on the presentation of expenses. It permits an expense analysis by nature, by function, or a mixture of the two. It includes a rebuttable presumption that an analysis by nature is used unless another analysis provides information that is more relevant and reliable. Guidance is provided on the allocation and aggregation of costs where a functional or mixed presentation is used, which will be useful for calculating support costs. INPAG Section 24 Part III provides a definition of fundraising activities and identifies three categories to be disclosed: activities to generate donations, gifts and similar transfers; commercial and trading activities; and investment management. There is a pragmatic exception where costs need to be split between fundraising and other activities.

INPAG Section 33 on related party disclosures draws attention to the possibility that an NPO's financial position and/or its surplus or deficit have been affected by the existence of related parties. Disclosure is required of personnel compensation made to governing body members as well as key management personnel. INPAG Section 28 has been updated to include the disclosure of short term employee related benefits.

2 Presentation of expenses	References	Response
a) Do you agree that there is a rebuttable presumption that a by nature classification of expenses is used unless this doesn't provide the most relevant and reliable information to the users of the financial statements? If not, why not?	G24.43–G24.47, AG24.45–AG24.47	Agreed. Classifying expenses by its nature will be more relevant and reliable and it reduces the financial statements complexity. But it is good to check the sector practice with its allocation.
b) Do you agree that the rationale for using a classification of expenses other than by nature should be disclosed? If not, why not?	G24.44	Agreed. Disclosure is needed if it was decided to classify expenses other than nature of its expenses.
c) Do you agree that where a functional or mixed presentation of expenses is used, a narrative description of the types of expenses incurred on each function line item is sufficient and that a requirement for these to be quantified is not necessary? If not, why not?	G24.46, AG24.48	Agreed. There must be a detailed narrative description of the types of expenses incurred in each function line item.
d) Do you agree with the expense disclosure requirements? If not, what	G24.50–G24.57, G33.7–G33.11,	Agreed. The expense disclosure requirement should be detail enough to be understood by the users of the financial statements. The allocation methods that we

2 Presentation of expenses	References	Response
would you change and why?	G28.38	are using should be reasonable, consistently applied and faithfully represent the activity cost.
e) Do you agree with the description of direct costs, shared costs and support costs and that these allow the full cost of an activity to be identified? If not, why not?	G24.48–G24.49	Agreed. The description of direct costs, shared costs and support costs should be explained that will determine the full cost of an item.
f) Do you agree that commercial and trading activities that are for the purposes of fundraising and investment management costs associated with a fund whose purpose is to generate future returns are included as fundraising activities? If not, why not?	G24.64–G24.66	Agreed. Considering the future generation of returns, all the fundraising and investment management costs are included as a fundraising activity.
g) Do you agree with the pragmatic exception that fundraising costs do not need to be split from other costs where the cost of doing so would exceed the information benefit to stakeholders? If not, what would you change and why?	G24.72	Not Agreed. The fundraising costs should be split from the cost of doing business. The information will be more beneficial if we split the two cost categories to the users of financial statements.
h) Do you agree that the costs for each of the three categories of fundraising activity should be separately disclosed and presented gross? If not, what should be disclosed and why?	G24.74	Agreed. It should be presented separately from cost of doing business and disclosed in gross.
i) Do you agree that grants or donations made in arm's-length transactions with governing body members and any services they receive on the same terms as other eligible service recipients need not be disclosed as a related party transaction? If not, why not?	G33.18 a)– G33.18 b)	Agreed if the transactions with a governing body member need not be disclosed where the governing body member: (a) makes a donation, provided that this is an arm's length transaction and have not required the NPO to amend its normal activities, eg use certain suppliers or sources of inputs; (b) is a recipient of services made in accordance with the NPO's primary purpose, where the services are provided on the same terms as other eligible service recipients. But if the transactions were made with the related party, then, the NPO has to disclose all the transactions in detail.

Question 3: Supplementary information and INPAG Practice Guide 1 – Supplementary statements

INPAG Section 37 requires additional information to be disclosed when an NPO produces one or more supplementary statements using INPAG Practice Guide 1. NPOs may choose to prepare a single note to meet the requirements or disclose only the additional information. INPAG Practice Guide 1 – Supplementary Statements enables the presentation of key financial information about a specified activity, project or grant, in a prescribed statement format, which can be included as an Annex to the financial statements. The Practice Guide provides templates for different variants of reporting that includes comparison to budget, multiple grants, multiple time periods and different currencies.

3 INPAG Practice Guide 1	References	Response
a) Do you agree that the requirements of Section 37 do not have to be met unless Supplementary statements are prepared in accordance with INPAG Practice Guide 1- Supplementary statements? If not, why not?	G37.1–G37.2	Not agreed. The requirements of the NPO disclosure can be met by explaining on the notes to FS instead of the SS of INPAG practical guide 1 in certain instances. Though having a SS guideline will be a good to have experience since it will promote transparency and accountability issues. Moreover, the users of the FS will have a detailed information about the SS. Consideration should be made for the information not to be repetitive in the process instead it has to be thoroughly explained and stated.
b) Do you agree that a whole of NPO supplementary statement need not be presented if the additional information is already in the financial statements and/or notes? If not, why not?	G37.3, G37.10–G37.12	Agreed, the whole of NPO SS need not be disclosed in the FS. This is due to the below issues: <ul style="list-style-type: none"> - Challenge of this in the practicality scenarios; - To what level the information to be disclosed to the public should be endorsed against the donor’s agreement; - Sometimes the notes to FS will suffice and no need of SS
c) Do you agree with the format of the Supplementary statement? If not, what would you change and why?	SS.5	Not agreed. The format of the SS should be aligned with each country’s regulatory framework and customize it in the local context. In our case the NPO regulatory body puts a compliance requirement for 20% to support costs to 80% for programmatic expenditure. Moreover, the SS template has to expand what costs are included in the support cost category. The Grant arrangements for EGOs and NGOs (restricted vs non-restricted grants/costs) should be explained in detail and there is lack of clarity in this area.
d) Do you agree with the options for the disclosure of capital and inventory related costs? If not, what would you change and why?	SS.18–SS.21	Agreed. The option of disclosure in the capital and inventory related costs is very important to identify the impact of this on the normal day to day program operations. Would recommend in this kind of situation is to set a threshold amount for the procured inventory or capital equipment. Clear guideline has to be outlined for the

3 INPAG Practice Guide 1	References	Response
		procurement of inventory or capital items for donation or limited period of right to use.
e) Do you agree that the Supplementary statements are not part of the general purpose financial report but can be published as an annex? If not, why not?	SS.25–SS.26	Indifferent with this decision. This will depend on the nature of the agreement we will have with the donor. We can agree BUT the level of detailed explanation that can be provided should be stated.

Question 4: Illustrative financial statements

INPAG Implementation Guidance Annex A includes Illustrative financial statements. The templates have been populated with data to cover the most common NPO transactions. The illustrative financial statements focus on new INPAG requirements.

4 Illustrative financial statements	References	Response
a) Do you agree that the illustrative financial statements cover the transactions that are prevalent for NPOs? If not, which prevalent transactions are missing and why do these need to be covered?	Illustrative financial statements	<p>Most of the transactions are covered in the illustrative FS. However, there must be few missing prevalent transactions that are missing.</p> <p>Below is the list of information in the IFS;</p> <ul style="list-style-type: none"> - Income is recognized based on the level of the project expenditure. - Budgeting process and compare the performance of actual against the developed budget. - Level of confidence in the proposal submission process/projection of next year operation/Going concern issues; - Surplus/deficit analysis-measure the performance of the NPO in its financial performance. - Performance measurement indicator for NPO : The performance indicator should be set for measuring value for money, impact of the investment in each funding stream areas, and etc. <p>As PO, the performance indicators should be outlined against the target reach; number of beneficiaries utilized with this donation activity and etc.</p>

Question 5: Equity

INPAG Section 2 provides the concepts and principles on which INPAG is based. Amendments are proposed to equity and net assets as a result of feedback. Net assets is a new element defined as the residual amount of an NPO's assets and liabilities available to achieve its objectives. The term

equity claim is introduced to describe equity type instruments, which is a subset of net assets. INPAG Section 22 has the principles for classifying financial instruments as either liabilities or equity claims. As INPAG does not use the term equity, consequential amendments reflect the expected nature of NPO equity claims.

5 Equity	References	Response
a) Do you agree with the revised description of net assets and its inclusion as an element? If not, what would you change and why?	G2.73	Agreed. Net assets are the residual resources available with the difference of recognized assets and liabilities in order to achieve its objectives. And this net asset should be defined as a residual value.
b) Do you agree with the use of the term equity claims in Sections 2 and 22 and that equity claims are a subset of net assets? If not, what would you change and why?	G2.74, AG2.6, AG2.7, Section 22	Agreed, Equity claims are a subset of net assets, and it will reflect the NPO objectives.
c) Do you agree that the paragraphs relating to the sale of options, rights and warrants, extinguishing financial liabilities with equity claim instruments and treasury shares are removed from and that the paragraphs relating to capitalisation or bonus issues of shares and share splits and convertible debt or similar compound financial instruments are retained? If not, why not?	G22.12–G22.15	Agreed. It is appropriate to remove the paragraphs that explain about the capitalization or bonus issuance of shares, convertible debt and similar compound financial instruments.

Question 6: Transition to INPAG

INPAG Section 38 describes the requirements for recognising and measuring assets and liabilities to create a Statement of Financial Position when INPAG is adopted for the first time. Accumulated funds that contain historic surpluses and deficits must be split between funds with restrictions and funds without restrictions. Compliance with just the financial statements can be asserted ahead of full compliance. The narrative reporting requirements must be completed within a two-year period to be able to continue to express compliance with INPAG.

6 Transition to INPAG	References	Response
a) Do you agree with the pragmatic	G38.11–G38.12	Agreed with the pragmatic approach proposed for the first-time INPAG adoption.

6 Transition to INPAG	References	Response
<p>approaches proposed for the first time adoption of INPAG? If not, what are the practical challenges that are likely to be experienced?</p>		<p>Considerations to be made: During transition to INPAG, NPOs need to determine the fair value of various assets and liabilities. The grant arrangement with the donor is also another issue when it will be EFGA or OFGA.</p> <p>Practical challenges: This process can be difficult task as there is no established market price for property, plant, and equipment. The process of estimating the market value of these assets relies on subjective judgment influenced by market conditions, asset condition, and future cash flows, which might lead to inaccurate information.</p> <p>Proposed solutions: To address these challenges, how we initially incorporate the use of technology/tools like valuation software and data analytics tools that enhance the efficiency and accuracy of the valuation process in assisting in data collection, analysis, and reporting.</p>
<p>b) Do you agree that compliance with INPAG can be expressed in relation to the financial statements only for a two-year transitional period? If not, why not?</p>	<p>G38.5-G38.6</p>	<p>The two-year transitional period for adopting INPAG may be reasonable for larger organizations, but it may not be adequate for small and medium-sized organizations due to the challenges that is listed as follows:</p> <ul style="list-style-type: none"> a) Resource Constraints: Many CSOs and NGOs operate with limited resources. Transitioning to a new accounting framework often requires significant time and effort, including training staff, updating systems, and revising financial reporting processes. For organizations with constrained budgets and manpower, this can be a significant burden. b) System Upgrades: Implementing INPAG might require upgrading or changing financial management systems (manual development, property, plant equipment valuations etc...). This can be time taking and costly process c) Training and Expertise: Staff needs training to understand and apply the new requirements. Finding and affording experts or consultants to guide the transition can be challenging and it needs more time d) Stakeholder Communication: Communicating changes in financial reporting to stakeholders, including donors and regulatory bodies, can be challenging. Organizations need to ensure that stakeholders understand the implications of the transition and how it affects financial reporting. e) Overall, the two-year transition period may not be sufficient for small and medium organizations; therefore, it would be advisable to extend it to three years. f) In general, there will be an ongoing or continuous process of adoption will occur

6 Transition to INPAG	References	Response
		throughout the NPO project implementation life due to the various nature of donor requirements for every FGA that the NPO will be engaged.

Question 7: Application of fair value

INPAG Section 12 describes how to measure assets and liabilities using fair value. The use of fair value to determine the deemed cost of donated assets is reflected in INPAG Section 16, for investments in land or buildings that are held to earn rentals or for their capital appreciation, INPAG Section 17, for property, plant and equipment, including capitalisation and depreciation and INPAG Section 18, for identifiable non-monetary assets that does not have a physical substance (eg licenses). The cost model in Section 17 applies to all tangible assets that are held for use in the activities of the NPO and are expected to be used during more than one period as well as to property held to deliver an NPO's missional objectives, eg social housing. There are no exceptions for assets that are funded by grants or donations.

7 Application of fair value	References	Responses
a) Is the Section 12 application guidance that sets out how the fair value hierarchy applies to NPO assets and liabilities and the illustrative examples of fair valuing donations in-kind useful? If not, how could it be improved?	AG12.1– AG12.11	Very useful, It will provide us more guidance and enhance consistence and fair representation of the balance sheet elements.
b) Do you agree with the additional guidance provided for donated: i) investment property (Section 16)? ii) property, plant and equipment (Section 17)? iii) intangible assets (Section 18)? If not, why not?	G16.7 G17.10 G18.14	Agreed. All the additional guidance provided for donated investment property, PPE ad IA are very explanatory. Those are other topics that should provide guidance for NPO how to measure, disclose and recognize the expenditure.

Question 8: Impairments

INPAG Section 27 requires that the carrying amount of an asset is reduced to the recoverable amount, where its carrying amount is higher than its recoverable amount. The new measurement base for inventories held for distribution at no or nominal cost has been added. The Section refers to an NPO's 'operating units' to encompass assets that are held for missional purposes rather than purely cash-generation.

8 Impairments	References	Responses
a) Do you agree that inventory held for distribution is measured for impairment using cost adjusted for any loss of service potential? If not, what would you change and why?	G27.2-G27.4	Agreed. In each reporting period, the inventories should be impaired and recognized the surplus or deficit.
b) Do you agree that the term operating unit better reflects the nature of an NPO's operations and with its proposed definition? If not, what alternative term would you use and why?	G27.8	Agreed. The operating unit will provide an estimated recoverable amount of assets in cases where it is not possible to estimate the recoverable amount of individual assets.
c) Do you agree that impairments to assets that form an operating unit can take account of other economic benefits and service potential? If not, what would you change and why?	G27.15	Agreed. The impairments to assets that form an operating unit can take account economic benefits and service potential including the future cash flow. Value in use is the present value of the future cash flows, other economic benefits or service potential expected to be derived from an asset.

Question 9: Combinations of entities

INPAG Section 19 applies to the combining of entities, (including NPOs) that meet the definition of a business. The term business has been broadened to include the types of activities carried out by NPOs. It provides guidance on the recognition and measurement of the assets and liabilities acquired in a combination and includes a simplification where there is a combination of two NPOs that both have positive net assets.

9 Combinations of entities	References	Responses
a) Do you agree that the term 'business' can be applied by NPOs when taken alongside the amendments proposed, (including the expansion of examples of control)? If not, why not? What practical issues are experienced?	G19.4, G19.5, AG19.1-AG19.2	Agreed. The term business can be applied where there is an input and applied these inputs through process to integrate a set of activities to get an output of goods and services.
b) Do you agree with the proposed exemption for two NPOs that have net assets and that it should not apply where one NPO has net liabilities? If not,	G19.24	Agreed. When two NPOs combined, they should have to have a positive net asset. But there is no guidance provided with the negative net assets. May be this area needs more guidance how to merge the two NPOs who has a positive and negative Net assets or both negative net assets.

9 Combinations of entities	References	Responses
describe the practical and accounting issues that arise?		

Question 10: Other topics in Exposure Draft 3

INPAG Section 14 and INPAG Section 15 provide guidance on accounting for associates and joint arrangements in consolidated and separate financial statements respectively. INPAG Section 20 covers the accounting for all leases and INPAG Section 34 provides guidance on three types of specialised activities: agriculture, extractive activities and service concessions. None of these Sections have been amended other than for terminology changes.

10 Other topics in ED3	References	Response
a) Do you agree that no further alignment changes are needed to: i) Section 14 Investment in associates? ii) Section 15 Joint arrangements? iii) Section 20 Leases? If not, why not?	Section 14 Section 15 Section 20	Agreed. No further alignment is needed with the changes that have been with ED3.
b) Is any of the guidance in Section 34 needed by NPOs? If yes, which elements of the section are needed and why?	Section 34	Not for all NPOs, but additional guidance might be needed for Agriculture, extractive industries and service concessions.

Question 11: IFRS for SMEs Addendum

INPAG Section 7 and INPAG Section 30 (published in ED1 and ED2 respectively) have been updated as a consequence of additional text proposed in the Addendum to the draft Third edition of the IFRS for SMEs Accounting Standard issued by the International Accounting Standards Board on 28 March 2024. There is additional text on supplier finance arrangements in Section 7 and lack of exchangeability in Section 30.

11 Addendum	References	Responses
a) Do you agree that the guidance for supplier finance arrangements is useful and relevant to NPOs? If not, what would you change and why?	G7.20A– G7.20B,	Agreed. The guidance in the supplier finance arrangements are useful and relevant to NPOs since the NPO main objective is the residual value (recognized assets and liabilities) that is available to achieve its objectives.

b) Do you agree that the guidance on lack of exchangeability is useful and relevant to NPOs? If not, what would you change and why?	G30.5A, G30-31-32, AG30.26-AG30.43	Agreed. The guidance on exchangeability when the currency is not exchangeable is useful and relevant. It needs a disclosure on the exchangeability, and its estimation on the spot exchange rate.
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General Feedback

Please share any other comments that you wish to raise on Exposure Draft 3. When providing additional feedback please reference the paragraph numbers, where possible and provide a short explanation to support your comments.

Reference	Comment
Question 1: Fund Accounting	<p>Additional considerations should be made regarding common cost allocation, reporting/functionality currency. However, an overall strength that we have observed below:</p> <ul style="list-style-type: none"> - Clear and Concise: The feedback is clear, concise, and easy to understand. - Focus on Transparency: The feedback consistently emphasizes the importance of transparency and accountability in fund accounting, which is crucial for non-profit organizations. - Practicality: The feedback acknowledges the practical challenges faced by organizations, particularly smaller ones, and suggests practical solutions like tiered disclosure requirements and guidance for efficient implementation.
	<p>Cost Allocation: Specific emphasis should be given on the importance of tracking income, expenses, assets, and liabilities for each donor. This is a crucial aspect of fund accounting, especially when dealing with shared resources or indirect costs. The feedback could benefit from addressing common cost allocation methods (e.g., direct allocation, percentage of activity, allocation based on benefit received) and their implications for fund accounting.</p> <p>The following are some specific cost allocation methods to consider for shared resources in fund accounting:</p> <p>Direct Allocation: This method assigns costs directly to a specific fund based on its direct use of the resource. For example, if a fund uses a specific piece of equipment for its activities, the cost of that equipment can be directly allocated to that fund. This method is simple and straightforward, but it may not be suitable for all situations.</p> <p>Percentage of Activity: This method allocates costs based on the proportion of activity each fund contributes to the shared resource. For example, if a fund uses 25% of the total office space, then 25% of the cost of the office space would be allocated to that fund. This method is useful when the use of the shared resource can be easily measured.</p> <p>Allocation Based on Benefit Received: This method allocates costs based on the benefit each fund receives from the shared resource. This can be a more complex method, as it requires determining the relative benefit each fund receives. For example, if a fund receives a significant benefit from a shared marketing campaign, a larger portion of the marketing costs may be allocated to that fund.</p>

Reference	Comment
	<p>Time-Based Allocation: This method allocates costs based on the amount of time each fund uses the shared resource. For example, if a fund uses a shared conference room for 10 hours per week, then 10/40 (assuming a 40-hour workweek) of the cost of the conference room would be allocated to that fund. This method is useful when the use of the shared resource is measured in terms of time.</p> <p>The best cost allocation method will depend on the specific circumstances of the organization and the shared resource. It's important to choose a method that is fair, transparent, and accurate.</p>
	<p>Reporting/Functionality Currency: The response doesn't touch upon the complexities of reporting and functionality currency in fund accounting. Organizations often receive funds in different currencies, and their accounting systems might operate in a different currency.</p> <p>The feedback could benefit from addressing the challenges of managing multiple currencies, including:</p> <ul style="list-style-type: none"> a. Conversion methods: How to convert funds received in different currencies into the organization's functional currency. b. Reporting currency: How to present financial statements in a consistent currency for stakeholders. c. Currency risk management: How to mitigate the risks associated with fluctuating exchange rates. <p>Here are some practical considerations for reporting and functionality currency in the context of INPAG ED3 (International Non-Profit Accounting Guidance Exposure Draft 3):</p> <ul style="list-style-type: none"> 1. Functional Currency: <ul style="list-style-type: none"> a. Determine the primary currency in which the non-profit organization conducts its operations and maintains its accounting records. b. This is typically the local currency where the organization is based or where the majority of its activities are carried out. c. The functional currency should be used for recording transactions, maintaining books and records, and preparing the primary financial statements. 2. Presentation Currency: <ul style="list-style-type: none"> a. Decide on the currency in which the organization will present its financial statements to stakeholders, such as donors, regulators, and the public. b. This may be the same as the functional currency or a different currency, depending on the needs and expectations of the users. c. When the presentation currency is different from the functional currency, the financial statements must be translated using the appropriate exchange rates. 3. Currency Conversion Policies: <ul style="list-style-type: none"> a. Establish clear policies and procedures for converting transactions denominated in foreign currencies into the functional currency. b. Determine the appropriate exchange rates to use (e.g., spot rates, average rates) for different types of

Reference	Comment
	<p>transactions, such as revenue, expenses, assets, and liabilities.</p> <p>c. Consistently apply the currency conversion policies to ensure comparability and accuracy of financial information.</p> <p>4. Reporting of Foreign Currency Transactions:</p> <p>a. Provide disclosures in the financial statements regarding the organization's foreign currency transactions and balances.</p> <p>b. Explain the accounting policies used for currency conversion, including the exchange rates applied.</p> <p>c. Disclose any significant foreign currency exposures or risks, and how they are managed or mitigated.</p> <p>5. Hedge Accounting (if applicable):</p> <p>a. If the organization uses financial instruments to hedge against foreign currency risks, consider the requirements for hedge accounting under INPAG.</p> <p>b. Ensure proper documentation, designation, and effectiveness testing of the hedging relationships.</p> <p>c. Provide relevant disclosures about the organization's use of hedging instruments and the impact on the financial statements.</p> <p>By addressing these practical considerations for reporting and functionality currency, non-profit organizations can enhance the transparency, comparability, and reliability of their financial information under the INPAG framework.</p>
Question 3: Supplementary statement- SS	SS and Notes to FS: Both are needed especially the NPO has so many projects in a single NPO. The SS5 has explained in detail what costs are direct vs support on the nature of the cost, where it has to be categorized and etc.
	Local Government regulatory agency has its own compliance requirement and the NPO's FS should be aligned in the INPAG's SS5 that is how the NPO comply with the 80 to 20% cost clustering/classifications.
	SS 20-21- In case of amortization and depreciation costs, care should be taken in how we are accounted such kind of cost line items since these costs are incurred with out operations instead it is a wear and tear costs. This was a challenge for most of the NPOs when they adopted IPSAS previously. Learning from this experience, the standard that is proposed must be well thought.
Question 6: Transition to INPAG G38	NPOs might have one project or multiple projects. The transition to INPAG might be complex and burdensome for a single project holder vs with multiple project holders. The same is true for the Common cost allocation policy that should be followed by these NPOs.
	The implementation modality/approach will be regulated by the Local Regulatory body like AABE and NWTG. To minimize the implementation cost, an advocacy work should be made so that all costs the MPO cover for this should be allowable. development cost of manuals and practical models should be standardized and outlined at the National level. From the

Reference	Comment
	lesson that we have learnt in IPSAS vs IFRS adoption process, it is well indicated that such kind of implementation should be monitored by the Government to ensure ownership, sustainability and etc.
	Severe inflation/Functional currency- Impact of the inflation that resulted in the change in the monetary policy needs special attention. It has an impact on the reporting framework, function currency in day to day transactions and etc.
	Regulatory enforcement in the transition process is mandatory otherwise the transition process might take more than expected.