



**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](mailto:ifr4npo@cipfa.org) or through the website at [www.ifr4npo.org/have-your-say](http://www.ifr4npo.org/have-your-say)

**Respondent information:**

<b>First name:</b>	<b>LUIS CARLOS</b>	<b>Country:</b> (this should be the country in which you are based)	<b>BOLIVIA</b>
<b>Last name:</b>	<b>RAMOS CONTRERAS</b>	<b>Professional interest:</b> please choose from: <ul style="list-style-type: none"> <li>• NPO, ie preparer of financial statements,</li> <li>• auditor,</li> <li>• accounting standard setter,</li> <li>• professional accounting organisation,</li> <li>• regulator of NPOs,</li> <li>• donor,</li> <li>• academic,</li> <li>• civil society,</li> <li>• user of NPO services,</li> <li>• other (please state)</li> </ul>	<b>AUDITOR</b>
<b>Email:</b>			<b>PROFFESIONAL ACCOUNTING ORGANIZATION</b>
<b>Position:</b>	<b>PARTNER</b>		
<b>Organisation:</b> (who do you work for)	<b>AUDIRAMOSCONSULT S.R.L.</b>		
<b>Response submitted:</b>	<ul style="list-style-type: none"> <li>• <b>on behalf of my organisation</b></li> </ul>		
Please indicate whether you wish to receive further information about this project and consent to being contacted at the email address provided.			Agree

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](mailto: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	<p><b>Response: From an auditor's perspective, I agree with the elimination of this requirement. Section 36 of INPAG already addresses fund accounting more comprehensively and provides complete information on restricted and unrestricted funds on a condition and timing basis.</b></p> <p><b>Section 36, Fund Accounting, provides clear and specific guidance on how to identify and classify funds. By eliminating this requirement from the Statement of Revenues and Expenses, the presentation of the financial statements is simplified and redundancy is avoided, without losing valuable information. With a more understandable and abbreviated exposition that are set out in the notes to the financial statements.</b></p>
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	<p><b>Answer: While Section 36 of INPAG is a good starting point for identifying material funds, as an auditor, I must be cautious and apply my professional judgment. The risk of not identifying all material funds will always be present. This is because the interpretation of what constitutes a “material fund” may vary from one NPO to another, and there is no universal and precise definition.</b></p> <p><b>To improve the guidance and mitigate this risk, the following improvements could be considered:</b></p> <ul style="list-style-type: none"> <li>- <b>Concrete Examples: include illustrative examples in Article 36 that show specific situations of different types of funds and how they are classified. This would make it easier for NPOs to understand the requirements.</b></li> <li>- <b>Clearer definition of “materiality”:</b> Clarify in Article 36 what is considered a material fund (materiality guidelines) in different circumstances. This could</li> </ul>

1 Fund accounting	References	Response
		<p>include guidance on what percentage of the budget a fund represents for it to be considered material.</p> <ul style="list-style-type: none"> <li>- <b>NPO Accountability:</b> It should be made clear that the NPO is responsible for the correct identification and classification of material funds. This strengthens the transparency and accountability of the NPO to the users of the financial statements.</li> </ul>
<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><b>Answer:</b> From an auditor's perspective, I believe that recording the income, expenses, assets and liabilities of each fund is essential to ensure transparency and accountability of the NPO and fundamentally to comply with the correct exposure of the different donors, in a specific way.</p> <p><b>Benefits:</b></p> <ul style="list-style-type: none"> <li>- <b>Transparency:</b> allows users to better understand the NPO's financial situation and how resources are used.</li> <li>- <b>Accountability:</b> The NPO must be properly accountable for the use of funds.</li> <li>- <b>Informed decision-making:</b> Detailed information about each fund facilitates informed decision-making by users, including donors and other stakeholders.</li> </ul> <p><b>Costs:</b></p> <ul style="list-style-type: none"> <li>- <b>Administrative burden:</b> Separate tracking of additional funds can create a significant administrative burden for the NPO, especially for smaller NPOs or those with complex operations.</li> <li>- <b>Complexity:</b> Presentation of financial statements may be more complex.</li> </ul> <p><b>Practical considerations:</b></p> <ul style="list-style-type: none"> <li>- <b>Size of NPO:</b> Smaller NPOs may have fewer resources to conduct this monitoring.</li> <li>- <b>Complexity of operations:</b> NPOs with complex operations may need more resources to conduct this monitoring.</li> <li>- <b>Local laws and regulations:</b> It is important for the NPO to comply with local laws and regulations that may apply to fund accounting.</li> </ul>
<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><b>Answer:</b> I believe that the two criteria for defining a restricted fund are sound and clear. However, the guidance could benefit from some illustrative examples. Including examples showing the application of these criteria in different contexts would be helpful to NPOs, especially those in complex situations or less experienced with fund accounting.</p>

1 Fund accounting	References	Response
		<p><b>These criteria should necessarily be considered at the stage and process of signing the funding and grant agreement (negotiation stage with the funding agency).</b></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><b>Answer: As an auditor, I am in favor of charging all expenses to a restricted fund, even if there are not enough resources to cover them. Transparency is critical to accountability.</b></p> <p><b>However, the NPO should disclose in the explanatory notes:</b></p> <ul style="list-style-type: none"> <li>- <b>Special situations:</b> if there are costs that are not eligible under a grant agreement.</li> <li>- <b>Resource management:</b> It should explain how fund resources are managed when there is a shortfall, including the possibility of obtaining additional funds or reallocating resources.</li> </ul> <p><b>Finally, the restriction should be disclosed considering until the funding agency approves the eligibility of expenditures, in the meantime it should be disclosed as restricted.</b></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><b>Response: The fund disclosure requirements are important for transparency, but can be improved with some examples and clarifications.</b></p> <p><b>Additional examples:</b></p> <ul style="list-style-type: none"> <li>- <b>The guidance could include additional examples showing how the disclosure requirements apply in different contexts.</b></li> <li>- <b>More information on restricted funds:</b> Additional examples could be added on restricted funds, such as the reason for negative fund balances, and how these balances are managed.</li> </ul>
<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><b>Response: The illustrative examples in the Implementation Guide - Section 36 are useful, but do not cover all possible scenarios (depending on the characteristics of the grant agreement in the condition, timing and restriction). They can be improved by adding more varied examples that illustrate the application of fund accounting in different circumstances, and that address more complex situations.</b></p> <p><b>For example, examples could be added on:</b></p> <ul style="list-style-type: none"> <li>- <b>Transfers from restricted funds to unrestricted funds:</b> How these transfers are accounted for and the different reasons for making them.</li> </ul>

1 Fund accounting	References	Response
		<ul style="list-style-type: none"> <li>- <b>Handling funds with negative balances: How funds with negative balances are managed and how they are reported in the financial statements.</b></li> <li>- <b>Examples of funds with different restrictions: How funds with different restrictions are classified and presented.</b></li> </ul>

## 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	<p><b>Answer: As an auditor of not-for-profit entities, I agree with the rebuttable presumption that a classification of expenses by nature and purpose of the expense is the most useful and transparent way to present information about an NPO's expenses.</b></p> <p><b>Section 24 Part II, Classification of Expenditures, proposes this rebuttable presumption, and as an auditor, I find it valuable for several reasons:</b></p> <ul style="list-style-type: none"> <li>- <b>Comparability: NPOs should present their expenses in a consistent manner, allowing for better comparison with other NPOs or prior periods.</b></li> <li>- <b>Clarity: Classification by nature of expenses facilitates understanding of the types of resources used by the NPO.</b></li> <li>- <b>Accountability: Users of financial statements, such as donors and other stakeholders, can better assess the NPO's efficiency and use of its resources.</b></li> </ul>

2 Presentation of expenses	References	Response
		<p>If an NPO chooses a different classification, it should clearly explain why this decision provides more relevant and reliable information to users.</p>
<p>b) Do you agree that the rationale for using a classification of expenses other than by nature should be disclosed? If not, why not?</p>	<p>G24.44</p>	<p><b>Answer: From an auditor's perspective, I agree with the need to adequately disclose, according to the funding agreement and approved budget for the execution of expenditures. The rationale for using a classification of expenditures other than by nature.</b></p> <p><b>Section 24 Part II, Classification of Expenditures, states that the NPO should explain in a note to the financial statements why this decision provides more relevant and reliable information for users.</b></p> <p><b>This disclosure is important for:</b></p> <ul style="list-style-type: none"> <li>- <b>Transparency:</b> users can understand the reasons for the NPO's choice.</li> <li>- <b>Comparability:</b> Comparison with other NPOs that use classification by nature is facilitated.</li> </ul>
<p>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?</p>	<p>G24.46, AG24.48</p>	<p><b>(c) Do you agree that, where a functional or mixed presentation of expenses is used, a narrative description of the types of expenses incurred under each functional item is sufficient and that quantification is not required? If not, why not? G24.46, AG24.48</b></p> <p><b>Answer: As an auditor, I believe that a narrative description may be sufficient in some cases, but not always. Section 24 Part II, Classification of Expenditures, allows for a mixed presentation of expenditures, combining analysis by nature and analysis by function.</b></p> <p><b>If the NPO chooses a mixed presentation, it is essential that it provide a narrative description of the types of expenses included in each functional line item.</b></p> <p><b>However, quantification of expenditures may be necessary in some cases, for example:</b></p> <ul style="list-style-type: none"> <li>- <b>Comparison with other NPOs:</b> If specific functions or programs are used, quantification allows for comparison of costs with other NPOs performing similar functions or programs.</li> <li>- <b>Evaluation of efficiency:</b> Quantification helps users evaluate the efficiency of the NPO and the use of its resources.</li> </ul> <p><b>Flexibility in choosing the most appropriate presentation is important, but the NPO should clearly explain its decision in the notes to the financial statements.</b></p>

2 Presentation of expenses	References	Response
		<p><b>Under the conditions, restriction and temporality established in the financing agreement signed between the parties).</b></p>
<p>d) Do you agree with the expense disclosure requirements? If not, what would you change and why?</p>	<p>G24.50–G24.57, G33.7–G33.11, G28.38</p>	<p><b>Response: As an auditor, I agree with the expense disclosure requirements. However, I believe that the guidance could benefit from some improvements to ensure that the information is more complete and useful to users. The following improvements could be considered:</b></p> <ul style="list-style-type: none"> <li>- <b>Additional examples: include illustrative examples in the guide that show how the disclosure requirements apply in different contexts.</b></li> <li>- <b>More information on support costs: The guide could provide additional information on support costs, such as how to identify these costs and how to allocate them to different functions.</b></li> <li>- <b>Clarification on additional information for classification by function: Consideration could be given to including a specific section for disclosure of expenses when a functional or mixed classification is used, including specific examples for each case.</b></li> </ul>
<p>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?</p>	<p>G24.48–G24.49</p>	<p><b>Answer: I agree with the description of direct costs, shared costs and support costs found in Section 24 Part II, Classification of Expenditures. This classification is critical in identifying the total cost of an activity.</b></p> <ul style="list-style-type: none"> <li>- <b>Direct costs: Are those that can be directly assigned to an activity.</b></li> <li>- <b>Shared costs: Costs that relate to more than one activity and must be allocated among them.</b></li> <li>- <b>Support costs: Costs that affect the entire organization and should be distributed among the activities they support.</b></li> </ul> <p><b>The guide provides clear examples of how to apply these principles in practice, making it easier for NPOs to understand the requirements.</b></p>
<p>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?</p>	<p>G24.64–G24.66</p>	<p><b>Answer: As an auditor, this is a complex issue, you must consider the corporate purpose of incorporation in each country and the tax scope to which the NPO is subject.</b></p> <p><b>Section 24 Part III, Fundraising Costs, defines fundraising activities and establishes three categories: activities to generate donations, commercial and business activities, and investment management.</b></p>



2 Presentation of expenses	References	Response
		<p>While trading or exchange activity may not itself be a mission activity, it may be considered a type of fundraising activity if the primary objective is to generate funds.</p> <p>However, it is important for the NPO to have the flexibility to determine what the primary purpose of each activity is. If the primary purpose is to generate funds, then the associated costs should be classified as fundraising costs. If the objective is to generate income for the operation of the organization, then the costs should be classified as operating expenses.</p>
<p>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?</p>	<p>G24.72</p>	<p><b>Response: I agree with the pragmatic exception, but with some considerations. Section 24 Part III, Fundraising Costs, states that the NPO need not separate fundraising costs from other costs if the cost of doing so exceeds the informational benefit.</b></p> <p><b>It is important that NPOs have the flexibility to decide when to separate fundraising costs. If the costs of separating costs are greater than the benefits, it makes sense for the NPO not to separate these costs.</b></p> <p><b>However, it is critical that the NPO disclose clearly in the notes to the financial statements:</b></p> <ul style="list-style-type: none"> <li>- <b>The decision not to separate costs: Explaining why the cost of separating costs exceeds the informational benefit.</b></li> <li>- <b>The benefits of not separating costs: Describing the benefits of not separating costs, such as reduced administrative burden or simplicity of the financial statements.</b></li> </ul>
<p>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?</p>	<p>G24.74</p>	<p><b>Answer: As an auditor, I agree that the costs of each of the three categories of fundraising activities should be disclosed separately. Section 24 Part III, Fundraising Costs, requires that the costs related to each category be presented separately.</b></p> <p><b>The presentation of costs on a gross basis is the best option to avoid confusion and to ensure that the information is as clear as possible.</b></p>
<p>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</p>	<p>G33.18 a)- G33.18 b)</p>	<p><b>Answer: As an auditor, I agree that the costs of each of the three categories of fundraising activities should be disclosed separately. Section 24 Part III, Fundraising Costs, requires that the costs related to each category be presented separately.</b></p>

2 Presentation of expenses	References	Response
not be disclosed as a related party transaction? If not, why not?		<p><b>Presenting costs on a gross basis is the best option to avoid confusion and to ensure that the information is as clear as possible.</b></p> <p><b>Answer: I agree with this exemption.</b>  <b>Section 33, Related Party Disclosures, provides this exemption. The intent is to reduce the burden on preparers without sacrificing transparency.</b>  <b>The INPAG application guidance provides additional information to clarify the intent behind this exemption.</b>  <b>In general, it is important for NPOs to be transparent about their related party relationships, but it is also necessary to avoid undue administrative burden.</b></p>

### 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	<p><b>Answer: I agree with this exemption. Section 37, Supplementary Information, states that the requirements of the section need not be complied with unless the NPO prepares supplementary statements.</b>  <b>INPAG Practice Guide 1: Supplemental Statements provides specific guidance for developing these statements. This exemption provides flexibility for NPOs that do not prepare supplemental statements and reduces the burden on preparers.</b></p>
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	<p><b>Response: I agree. Section 37, Supplementary Information, indicates that a supplementary statement need not be filed for the entire NPO if the additional information is already in the financial statements and/or notes.</b>  <b>Repeating the same information in different sections would only create confusion and complexity.</b></p>

3 INPAG Practice Guide 1	References	Response
c) Do you agree with the format of the Supplementary statement? If not, what would you change and why?	SS.5	<b>Answer: The format of the supplementary statement is based on INPAG Practice Guide 1: Supplementary Statements. This format is quite clear and useful. However, consideration may be given to adding more examples to illustrate how this format applies in different contexts. This will help NPOs better understand how these requirements are applied in practice.</b>
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	<b>Response: The disclosure options for costs related to capital and inventory are fairly comprehensive. However, consideration may be given to adding some examples to illustrate how these options apply in different contexts.</b>
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	<b>Response: I agree with this proposal. Section 37, Supplementary Information, proposes that the supplementary statements be published as an exhibit. Supplementary financial statements (Supplementary and/or Supplementary Financial Information, to the Short Form Report) are in addition to the general purpose financial statements and should not be part of them. Publishing them as an appendix provides flexibility and prevents the general purpose financial statements from being too long.</b>

#### 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	<b>Answer: The illustrative financial statements in Appendix A are a good starting point, but do not cover all transactions that occur frequently in NPOs. Illustrative examples should be included for the following scenarios:</b> - Executable Grant Agreements (EGAs) - It is critical to include examples of how EGAs are accounted for, especially when the NPO has an obligation to use the funds for a specific purpose, but the funds are not received in full at the inception of the agreement. - Other Financing Arrangements (OFA): The guidance should include examples of how OFAs are accounted for, especially when the NPO has a commitment to use the funds for a specific purpose.

		<ul style="list-style-type: none"> <li>- <b>Complex Transactions:</b> Examples of more complex transactions should be included, such as related party transactions, foreign currency translation, recognition of goodwill and discontinued operations.</li> <li>- <b>Consolidated financial statements:</b> Examples of consolidated financial statements could be included for NPOs that have controlled entities.</li> </ul>
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### 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	<p><b>Answer a) I agree with the revised description of net assets as an element of the financial statements.</b></p> <p><b>Section 2, Generalized Concepts and Principles, clarifies the definition of net assets as the residual amount of an NPO's assets and liabilities available to achieve its objectives.</b></p> <p><b>This definition is clearer and more transparent than the definition of net assets used in the IFRS for SMEs Accounting Standard. In addition, this definition is more appropriate for NPOs as it better reflects how these organizations operate.</b></p>
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	<p><b>Answer b) I agree with this approach.</b></p> <p><b>Equity interests are a form of financial interest in the net assets of an NPO. It is important to keep this distinction in mind because, unlike business enterprises, NPOs do not operate for the benefit of shareholders.</b></p>
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	G22.12-G22.15	<p><b>Response c) I agree with deleting these paragraphs from Article 22.</b></p> <p><b>Transactions related to options, rights and warrants, extinguishment of financial liabilities with participation rights instruments and own shares are not common in NPOs. Therefore, including these sections in the guidance would only generate confusion and complexity.</b></p>

5 Equity	References	Response
capitalisation or bonus issues of shares and share splits and convertible debt or similar compound financial instruments are retained? If not, why not?		

### 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 approaches proposed for the first time adoption of INPAG? If not, what are the practical challenges that are likely to be experienced?	G38.11–G38.12	<p><b>Response a) As an auditor, I believe that the pragmatic approaches proposed for the first adoption of INPAG are useful, although it is essential to consider the following challenges:</b></p> <ul style="list-style-type: none"> <li>- <b>Difficulty in collecting historical information and adapting it to the new INPAG requirements - NPOs may face difficulties in collecting the historical information required to prepare opening financial statements in accordance with INPAG requirements. This is especially true for NPOs that have not maintained formal accounting records or have used accounting methods different from those required under INPAG.</b></li> <li>- <b>The need to update accounting systems and internal processes: NPOs may need to make significant changes to their accounting systems and internal processes to comply with INPAG requirements.</b></li> <li>- <b>Lack of experience in applying INPAG: NPOs may have little or no knowledge on how to apply INPAG requirements.</b></li> </ul>
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?	G38.5–G38.6	<p><b>Response b) I agree with the proposal for a two-year transition period for NPOs to adapt to the new INPAG requirements. Section 38, Transition to INPAG, recognizes that time is needed for NPOs to make the necessary adjustments. Two years is a reasonable period of time for NPOs to:</b></p> <ul style="list-style-type: none"> <li>- <b>Determine the basis of preparation of financial statements.</b></li> <li>- <b>Adapt their accounting systems and internal processes.</b></li> </ul>

6 Transition to INPAG	References	Response
		<ul style="list-style-type: none"> <li>- Train their staff in the application of INPAG.</li> <li>- Adjust their accounting policies.</li> </ul>

### 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	<b>Response a) The application guidance in Section 12 is useful, but could be improved by adding additional examples to illustrate how the fair value hierarchy is applied in different contexts.</b>
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	<b>Response b) The additional guidance provided for grants is helpful. It is important for the NPO to understand how to apply the fair value hierarchy in these specific situations, as in-kind donations are common in NPOs.</b>

### 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	<b>Answer a) I agree with this approach. Inventories held for distribution are measured at cost adjusted for any loss of service potential. This is a more accurate way of measuring fair value as it takes into account the value of the service provided.</b>
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	<b>Response b) I agree that the term "operating unit" is the most appropriate term. It is a broader and more flexible term than "cash-generating unit", which is more appropriate for business enterprises.</b>
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	<b>Response c) I agree with this guidance. It is important to consider service potential and other economic benefits when measuring the fair value of assets.</b>

### 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	<b>Response a) I believe the term "company" is appropriate, but only if additional clarification is provided so that NPOs can understand the definition correctly. Practical problems experienced include:</b> - Confusion about what an enterprise is in the NPO context. - Lack of clarity on when a combination of entities should be considered a business combination.
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	<b>Response b) I do not agree with this exemption. Practical and accounting issues that could arise include:</b> - Difficulty in determining when the exemption should be applied. - Possible inconsistency in the application of the guidance.

9 Combinations of entities	References	Responses
describe the practical and accounting issues that arise?		- <b>Possible problems with accounting for goodwill.</b>

### 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	<b>Response a) In general, I agree with the alignment of Sections 14, 15 and 20. However, Section 34, Specialized Activities, requires some clarification to make it more useful.</b> <b>NPOs engaged in specialized activities, such as agriculture, mineral resource development and service concessions, may need more specific guidance on accounting for these types of transactions.</b>
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	<b>Answer b) Yes, NPOs need some of the guidance in Section 34.</b> <b>The items needed are:</b> - <b>Agriculture: Accounting for biological assets, especially producing plants, requires additional guidance.</b> - <b>Exploration and evaluation of mineral resources: specific guidance is needed to address costs related to exploration and evaluation of mineral resources, and to determine when an exploration and evaluation asset should be recognized.</b> - <b>Service concession: There is a need to understand the distinction between financial assets and intangible assets in the context of service concession arrangements.</b>

### 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,	<b>Response a) The guidance for vendor financing arrangements is useful and relevant to NPOs. Some changes could be considered to provide illustrative examples of how these agreements apply in different contexts.</b>
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	<b>Response b) Yes, the guidance on lack of interchangeability is useful and relevant. Some changes could be considered to provide illustrative examples of how this guidance is applied in different contexts.</b>

### 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
	<b>No comment</b>